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Atlantic Advantage
Mortgage Investment
Corporation

2021 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.

Letter to Shareholders

Well wishes to all AAMIC investors, stakeholders and business partners. 2021 has been another challenging year socially and economically. Ontario economy was effectively shut down under Provincial stay-at-home and other restrictive measures from March 2020 till June 2021 and Covid-19 vaccines was rolled out in December 2020. While AAMIC internal operations had minimal adverse effect all this time, our new mortgage business volume had dropped noticeably from 2020. Fortunately, despite these trying times, AAMIC did not experience any foreclosure actions and we maintained our historical target returns to our investors despite a more mortgage rate sensitive market.

Canada has one of the highest vaccination rates in the world with just under 90% of population 5-years and older fully vaccinated at the beginning of December 2021. While this is a major factor in the guarded reopening of our Canadian economy, the latest more virulent Omicron variant is causing renewed concern about its pressure on our health infrastructure. Covid-19 also created universal supply-chain disruptions and causing unwanted inflationary pressure. It also exposed the risk from inequality in vaccine implementation between rich and poor nations. Global recovery governments and economists anticipated by Q2 of 2022 now looks uncertain with the spectre of restrictive measures becoming necessary again.

Conversely imbalance in housing supply/demand across Canada pushed up prices by 19.6% in November 2021 year-to-year; worse in Ontario and British Columbia. Consumers may want to rush into the property market before the touted 2022 rate hikes, but this anticipation may have to be revisited with the more contagious Omicron fast becoming the dominant strain around the world.

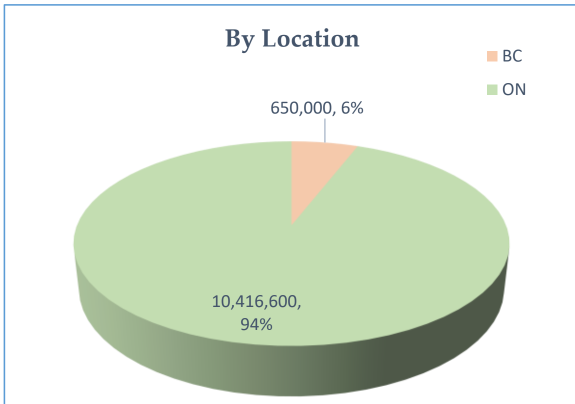
For fiscal year 2021, AAMIC saw only modest business growth. As a result, AAMIC added 3 new investor and executed 15 individual investment transactions and redemption requests from 6 investors. In all, AAMIC had net new investments of $1,393,970 during the year from 64 investors with $11,547,550 AUM. 8 of these investors hold multiple registered and non-registered investments. AAMIC continues to meet its target of 8.0% p.a. return with a 6-year cumulative return of 64.9%.

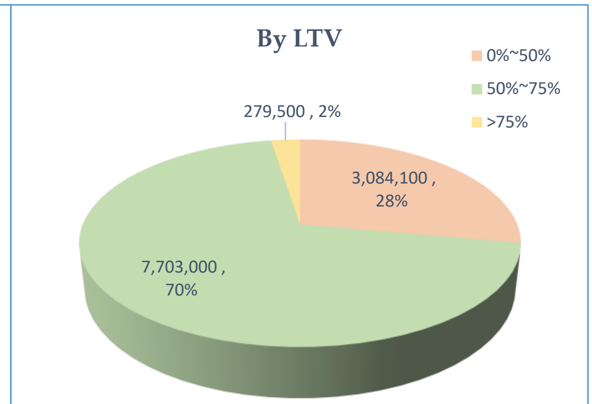
AAMIC mortgage lending business saw a lower level of activities during financial year 2021 because of restrictive Covid-19 measures from 2019 to a good part of 2021 and increased competition from FIs and other alternative lenders. Our mortgage portfolio contracted to $11,066,600 (2020 - $13,872,250) with 30 mortgages (2020 – 38). Average mortgage size is $368,887 (2020 - $365,059). Weighted average LTV is 56.1% (2020 – 59.9%) with average term duration of 4.6 months (2020 – 4.3). All but 1 mortgage of $650,000 are in Ontario with 19.8% outside the main GTA corridor (2020 – 29.6%).

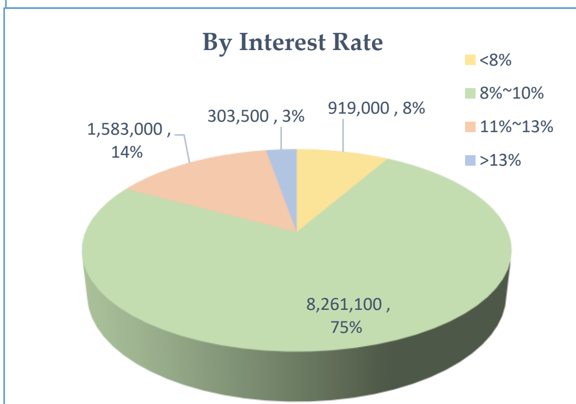
On behalf of AAMIC founders and executive team, thank you for your continued support and wishing everyone a healthy and fruitful 2022.

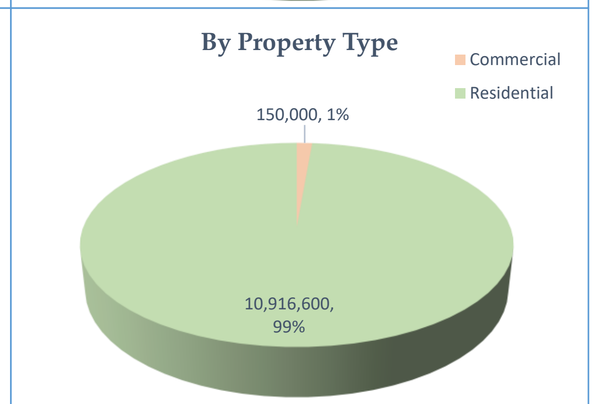
Frank S. Pa
President & Chief Executive Officer
January 17, 2022

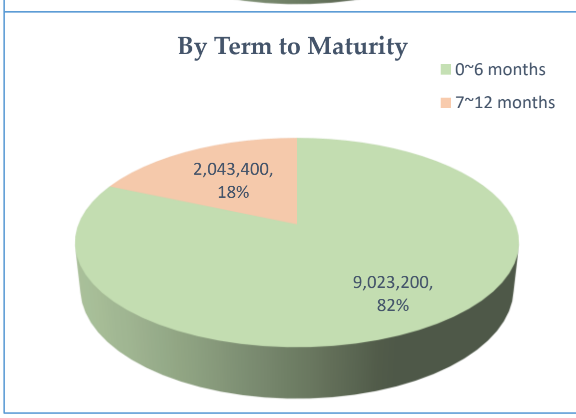
PERFORMANCE HIGHLIGHTS

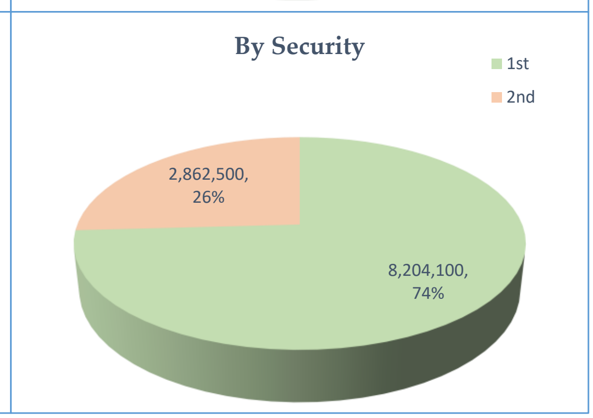












Dividend History (Fiscal Year)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Cum.
2014							-	-	20¢	-	-	20¢	40¢
2015	-	-	20¢	-	-	20¢	-	-	20¢	-	-	20¢	80¢
2016	-	-	20¢	-	-	20¢	-	-	20¢	0.67¢	0.67¢	0.67¢	80¢
2017	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	80¢
2018	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	80¢
2019	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	80¢
2020	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	80¢
2021	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	0.67¢	80¢

Table of Contents

For the Year Ended June 30, 2021

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, 2021 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, 2021.

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.

Covid-19 continued to cause hardship and supply chain disruptions to Canadians. Small businesses and tourists are hardest hit. For the housing sector though, demands outstripping supplies is expected to worsen for 2022. Work-from home and Airbnb sector collapse are not expected to address themselves anytime soon. Anticipated rate hikes for 2022 may well have to be revisited depending on how this latest Omicron variant is impacting economies around the world.

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, 2021, mortgage interest income amounted to $925,947 (2020 - $901,213) and other income totalled $10,870 (2020 - $16,813). Total expenses before dividend for the period was $99,475 (2020 - $102,039) of which $17,850 (2020 - $13,612) was management fees paid to Atlantic Advantage Management Inc. Resultant comprehensive income before dividend on Class A Preferred Shares was $837,342 (2020 – $815,987).

7 MORTGAGE PORTFOLIO

As at June 30, 2021, the AAMIC had 30 mortgages with a gross value of $11,066,600 (2020 - 38 mortgages totalling $13,872,250). During the year, the Corporation funded 13 new mortgages $4,097,800 (2020 – 17, $6,407,500), renewed 33 mortgages totalling $13,294,300 (2020 – 27, $8,410,500) and discharged 22 totalling $6,903,450 (2020 – 22, $6,259,739). Total allowance for loan losses was $26,074, representing 25.7 bps (2020 - $30,776, 32.6 bps) of the $10,129,600 carrying value of AAMIC mortgage portfolio not financed through mortgage advance funding from the Manager. 2021 No losses were incurred in the year ended June 30, 2021 and all existing mortgages are active and in good standing.

	City	Prov.	Property Value $	Original Loan $	LTV %	Interest Rate %	Months Remain
Sutton West	Georigina	ON	2,200,000	450,000	40.9	12.00	-
Part Lot 3 Concession 7	Georgina	ON	26,242,400	166,500	59.3	15.00	-
19 Hanaway Drive	Ajax	ON	929,500	65,000	51.9	9.99	1
721 - 8 Hillsdale Avenue	Toronto	ON	440,000	280,000	63.6	8.50	1
25 Harlan Street	Markham	ON	1,100,000	50,000	74.5	13.00	2
33 Singer Court	Toronto	ON	590,000	151,000	68.3	10.50	2
Forsyth St; (3) 3 Forsyth St	Marmora	ON	1,550,000	700,000	45.2	10.50	4
1108 - 8 York Street	Toronto	ON	525,000	183,000	70.0	12.00	4
47 Tormore Drive	Richmond Hill	ON	1,600,000	1,100,000	68.8	8.25	3
1601-100 Harbour Street	Toronto	ON	630,000	219,500	75.1	9.99	6
173-438 West King Edward Ave	Vancouver	BC	1,000,000	650,000	65.0	8.49	-
20 Rolling Green	Vaughan	ON	2,000,000	60,000	78.0	10.00	4
164-70 Cass Avenue	Scarborough	ON	545,000	82,500	47.0	10.00	7
4422 Fifth Sideroad	Bradford	ON	1,805,000	350,000	35.5	11.00	1
196 & 182 Unit, 3255 Hwy 7 E.	Markham	ON	570,000	150,000	67.4	12.00	1
28 Harrison Road	Toronto	ON	3,500,000	200,000	49.3	10.00	7
22 Hughson Drive	Markham	ON	1,700,000	400,000	57.4	10.00	1
200 Bathurst Street	Toronto	ON	1,700,000	200,000	58.8	10.00	2
3405-1 Yorkville Ave.	Toronto	ON	950,000	481,600	50.7	8.00	4
2 Danbrook Court	Aurora	ON	1,200,000	400,000	75.0	12.49	10
3018 - 7895 Jane Street	Toronto	ON	430,000	201,600	46.9	8.00	4
14 Bulwer Street	Toronto	ON	1,400,000	380,000	54.5	9.99	10
14 Bulwer Street	Toronto	ON	1,400,000	137,000	64.3	13.99	10
20 Rolling Green Court	Vaughan	ON	2,260,000	1,500,000	66.5	10.00	4
31 William Russell Lane	Richmond Hill	ON	1,110,000	789,900	71.2	9.50	12
1250 Plato Drive	Fort Erie	ON	540,000	54,000	75.0	7.77	12
200 Bathurst Street	Toronto	ON	17,000,000	800,000	4.7	8.00	6
2102 - 1 King St West	Toronto	ON	350,000	215,000	61.1	7.99	6
2936 Williamson Road	Cobourg	ON	676,000	350,000	51.8	7.99	6
931 6th Line	Port Hope	ON	605,000	300,000	49.6	7.99	6
				11,066,600	**56.1**	**9.67**	**4.6**

* In cases where AAMIC does not have the primary interest in a property, the LTV takes into account primary interest on the mortgage property in addition to AAMIC interest.

8 BALANCE SHEET HIGHLIGHTS

Total assets as at June 30, 2021 were $12,439,222 (2020 - $14,785,885), primarily of mortgages, short-term bank balances, accrued interest receivables and prepaids.

Total liabilities (excluding Class A Preferred Shares) of $868,804 (2020 - $4,598,828) as at June 30, 2021 consisted mainly of mortgage funding advance from the Manager $687,000 (2020 - $4,437,000) and Class A Preferred Shares accrued dividends of $75,308 (2020 - $76,745).

AAMIC issued 251,524 (2020 – 26,629) Class A (non-voting) Preferred Shares to 3 new and existing investors (2020 - 7) during the year. At the same time, 4 investor (2020 – 3) requested redemptions totalling 112,127 shares (2020 – 40,861) giving a net decrease of 139,397 (2020 – 14,232 decrease) issued shares. Total issued Class A (non-voting) Preferred Shares as at June 30, 2021 was 1,154,755 shares (2020 – $1,015,358) to 65 investors (2020 - 66). Of all AAMIC Class A Preferred Shares investors, 34 (2020 - 31) have registered plan (RRSP, TFSA and RESP) with invested amounts totalling $4,727,450 (2020 - $4,493.580). The Corporation made distribution of $847,951 for the fiscal year (2020 - $815.881) 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

<u>Manager</u>

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 totalling 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 $17,850 (2020 - $13,612), equivalent to 0.16% (2020 – 0.13%) 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, 2021, such total Manager funding advance outstanding was $687,000 (2020 - $4,386,756).

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, 2021, and up to the date of this report, the Corporation has funded 8 mortgages totalling $2,404,250, 10 renewals totalling $5,155,650, and, concurrently, 10 discharges totalling $1,927,732. AAMIC received 3 individual investor funds totalling $56,390 and executed $150,000 redemption requests from 1 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

Jeffrey Wong
General Manager and Chief Financial Officer
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January 17, 2022

Audited Financial Statements of

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Years Ended June 30, 2021 and 2020

Table of Contents

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 statements of financial position as at June 30, 2021 and 2020, and the statements of comprehensive income (loss), statements of cash flows and statements of changes in shareholders' equity for the years 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 the 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.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 IFRSs, 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.

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.

Toronto, Canada
January 17, 2022

Chartered Professional Accountants
Licensed Public Accountants

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statements of Financial Position

As at June 30

(in Canadian dollars)

	Notes	2021	2020
		$	$
Assets			
Bank and Cash		1,062,653	416,730
Interest Receivable		326,461	250,910
Other Receivables and Prepaid Expenses		9,582	276,771
Mortgage Investments	5	11,066,600	13,872,250
Allowance for Loan Losses		(26,074)	(30,776)
Total Assets		**12,439,222**	**14,785,885**
Liabilities and Shareholders' Equity			
Liabilities			
Management Fees Payable	6	31,462	40,508
Accounts Payable and Accrued Liabilities		86,648	46,221
Due to Related Parties	6	675,386	4,435,354
Dividends Accrued		75,308	76,745
Redeemable Shares: Class A Preferred Shares	7	11,547,550	10,153,580
Total Liabilities		**12,416,354**	**14,752,408**
Shareholders' Equity			
Share Capital	7	100	100
Retained Earnings		22,768	33,377
Total Shareholders' Equity		**22,868**	**33,477**
Total Liabilities and Shareholders' Equity		**12,439,222**	**14,785,885**
Redeemable Shares: Class A Preferred Shares	7	11,547,550	10,153,580
Common Shares	7	100	100

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Frank Pa (President & CEO)

Jeffrey Wong (CFO)

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statements of Comprehensive Income (Loss)

For the Years Ended June 30

(in Canadian dollars)

	Notes	2021	2020
		$	$
Revenue			
Mortgage Interest Income		925,947	901,213
Other Interest Income		10,870	16,813
Total Revenue		**936,817**	**918,026**
Expenses			
Accounting and Audit		34,126	38,300
Securities Filing Fees		25,200	25,200
Management Fee	6	17,850	13,612
PSC Commission		12,081	904
Insurance (Fidelity, Errors and Omissions)		10,801	8,974
Bank Charges		3,219	3,104
Licences, Registration and Trademark		900	250
Intangibles Write-offs		-	13,497
Miscellaneous		-	6,256
Legal Fees		-	734
Administration Overhead		-	13
Regulatory Filing		-	(2,902)
Allowance for Loan Losses	5b	(4,702)	(5,903)
		99,475	**102,039**
Comprehensive Income Before Dividend on Class A Preferred Shares		**837,342**	**815,987**
Dividend on Class A Preferred Shares		(847,951)	(815,881)
Comprehensive Income (Loss)		**(10,609)**	**106**

The accompanying notes are an integral part of these financial statements.

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION
Statements of Cash Flows
For the Years Ended June 30
(in Canadian dollars)

	2021	2020
	$	$
Cash Flows from Operating Activities		
Comprehensive Income (Loss)	(10,609)	106
Mortgage Discharge (Funding)	2,805,650	(147,761)
Item Not Affecting Cash		
Allowance for Loan Losses	(4,702)	(5,903)
Changes in Other Assets and Liabilities		
Mortgage Trust Account	-	180,890
Interest Receivable	(75,551)	(18,590)
Other Receivables and Prepaid Expenses	267,189	(267,190)
Intangibles	-	13,497
Management Fees Payable	(9,046)	13,612
Accounts Payable and Accrued Liabilities	40,427	(26,452)
Due to Related Parties	(3,759,968)	136,231
Dividends Accrued	(1,437)	7,933
Cash Used in Operating Activities	**(748,047)**	**(113,627)**
Cash Flows From Financing Activities		
Issuance of Class A Preferred Shares, Net of Redemptions	1,393,970	(142,320)
Cash Provided by (used in) Financing Activities	**1,393,970**	**(142,320)**
Net Changes in Cash Position	**645,923**	**(255,947)**
Bank and Cash at Beginning of Year	416,730	672,677
Bank and Cash at End of Year	**1,062,653**	**416,730**

The accompanying notes are an integral part of these financial statements.

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statements of Changes in Shareholders' Equity
For the Years Ended June 30
(in Canadian dollars)

	2021		2020	
	Unit	$	Unit	$
Share Capital				
Common Shares	100	100	100	100
Retained Earnings				
Beginning of Year		33,377		33,271
Comprehensive Income (Loss)		(10,609)		106
Retained Earnings, End of Year		**22,768**		**33,377**
Shareholders' Equity		**22,868**		**33,477**

The accompanying notes are an integral part of these financial statements.

1 OPERATIONS

Atlantic Advantage Mortgage Investment Corporation (the "Corporation" or "AAMIC") is incorporated as a private corporation under the *Business Corporations Act* (Ontario) by Articles of Incorporation on February 24, 2014. The Corporation's principal place of business and registered office is at 80 Acadia Avenue, 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 is managed by Atlantic Advantage Management Inc. (the "Manager"). The mortgage broker for the Corporation is Atlantic (HS) Financial Corporation (the "Investment Manager").

These financial statements were approved by the Board of Directors on January 17, 2022.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements of the Corporation have been prepared by the Manager 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 the AAMIC.

b) New Accounting Pronouncements

<u>New Standards, Amendments And Interpretations Adopted</u>

Several standards and amendments and interpretations to published standards that became effective for the AAMIC's financial year beginning on July 1, 2020, were not relevant or not significant to the AAMIC's operations and accordingly did not impact AAMIC.

<u>New Standards, Amendments And Interpretations Not Yet Adopted</u>

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2021, reporting periods and have not been early adopted by the 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) Bank and Cash

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

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 amortized 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 asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

For a financial asset 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 recognised on the trade date, which is the date that the AAMIC commits to purchase or sell the asset.

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

This category is the most relevant to the AAMIC. The AAMIC's financial assets at amortized cost include mortgage investments in the statements of financial position. The 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

- 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 statements 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 required 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, including 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 recognised in net income in the statements of comprehensive income (loss), and this category includes derivative instruments.

Financial Assets Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- AAMIC has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full 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 nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When AAMIC has transferred its rights to receive cash flows 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 recognise 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 the AAMIC could be required to repay.

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 Principles

IFRS 9 introduced 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 losses, 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 weighted average duration to maturity of substantially under 12 months and a weighted 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.

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 the 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 include 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 income (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 income (loss) when they are authorized.

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, 2021, the Corporation had non-capital losses for income tax purposes of $60,594 (June 30, 2020 - $30,660). The non-capital losses carry-forward will expire in 2038.

i) Class A Preferred Shares

Class A Preferred Shares are classified as liabilities.

j) Use of Estimates and Judgments

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 the 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 7, 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 statements of comprehensive income (loss). Dividends paid are included in cash flows from operating activities in the statements of cash flows.

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk Management

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

- Credit Risk

- Liquidity Risk
- Market Risk

The Corporation's strategy is to acquire and maintain a diversified portfolio of mortgages on real property in Canada to generate attractive returns to pay monthly distributions to its Class A Preferred Share shareholders and also preserve capital.

The Manager is 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 are 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, resulting in a financial loss to the Corporation. This risk arises primarily from the mortgages held by the Corporation. For risk management reporting purposes, the Corporation considers and consolidates all elements of credit risk exposure, LTV, sector risk, location risk and individual obligor default risk.

The Corporation's minimizes its exposure to counterparties' credit risks 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 all mortgages having a duration to maturity of 12 months or less.

Credit risk is monitored on an ongoing basis by the Manager in accordance with policies and procedures in place and on an annual basis by the Board of Directors.

The Corporation's maximum credit risk exposure relating to mortgage investments (without taking into account collateral and other credit enhancements) as at June 30, 2021 is $11,066,600 (2020 - $13,872,250).

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 Manager'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 redemptions 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.

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 the Manager 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 redemptions 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, 2021, 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 Preference shares on the statements of financial position date.

iii) 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 optimizing the return.

The Corporation's strategy for the management of market risk is driven by the Corporation's 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 Class A Preferred Share shareholders.

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

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.

Currency Risk

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

5 MORTGAGE INVESTMENTS

a) Mortgages by Type, Geographic Allocation and Ranking

	2021					2020				
	# Mtg	Prov.	Ranking	Original Cost $	%	# Mtg	Prov.	Ranking	Original Cost $	%
Residential	14	ON	1st	7,554,100	68.3	16	ON	1st	8,994,750	64.8
	14	ON	2nd	2,712,500	24.5	21	ON	2nd	4,727,500	34.1
	1	BC	1st	650,000	5.9	-	BC	1st	-	0.0
Commercial	1	ON	2nd	150,000	1.4	1	ON	2nd	150,000	1.1
	30			**11,066,600**	**100**	**38**			**13,872,250**	**100**

b) Expected Credit Loss

As at June 30, 2021, the mortgage loans had weighted average maturity of 4.6 months and weighted average LTV of 56.1%. Total allowance for loans losses was $26,074 (2020 - $30,776), representing 25.7 basis points ("bps") (2020 – 32.6 bps) of the carrying value of the mortgage portfolio held by the Corporation of $10,129,600 (2020 – $9,436,180) and not financed through mortgage advance funding from the Manager.

The following table provides a continuity of the allowance for credit losses during the year by product and IFRS 9 stage, indicating components of the provision for credit losses as well as write-offs and recoveries.

	2021 $				2020 $			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Single Family Residential Mortgages								
Balance at the Beginning of the Year	13,722,250	-	-	13,722,250	12,611,489	-	-	12,611,489
New Assets Originated During the Year	4,097,800	-	-	4,097,800	5,997,500	-	-	5,997,500
Assets Transferred to (from) Other Stages	-	-	-	-	-	-	-	-
Assets Discharged During the Year	(6,903,450)			(6,903,450)	(4,886,739)			(4,886,739)
	10,916,600	**-**	**-**	**10,916,600**	**13,722,250**	**-**	**-**	**13,722,250**
Commercial Mortgages								
Balance at the Beginning of the Year	150,000	-	-	150,000	1,113,000	-	-	1,113,000
New Assets Originated During the Year	-	-	-	-	410,000	-	-	410,000
Assets Transferred to (from) Other Stages	-	-	-	-	-	-	-	-
Assets Discharged During the Year	-	-	-	-	(1,373,000)	-	-	(1,373,000)
	150,000	**-**	**-**	**150,000**	**150,000**	**-**	**-**	**150,000**
Total Mortgage Portfolio	**11,066,600**	**-**	**-**	**11,066,600**	**13,872,250**	**-**	**-**	**13,872,250**
Mortgage Amount not Funded by AAMI	**937,000**	**-**	**-**	**937,000**	**9,434,650**	**-**	**-**	**9,434,650**
Provision for Credit Losses								
Balance at the Beginning of the Year	30,776	-	-	30,776	36,678	-	-	36,678
Reversal of Allowances for Loan Losses	(4,702)	-	-	(4,702)		-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	(5,902)	-	-	(5,902)
	26,074	**-**	**-**	**26,074**	**30,776**	**-**	**-**	**30,776**
As bps of AAMIC Funded Mortgage Amount	**278.27**			**278.27**	**32.62**			**32.62**

6 RELATED PARTY TRANSACTIONS AND BALANCES

a) The Corporation is managed by 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. Pursuant to the Management Agreement, the Manager is entitled to a Management Fee of up to 4.00% per annum of the issued Class A (non-voting) Preferred Shares of the Corporation, calculated daily and paid monthly in arrears. Upon approval 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% 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. During this fiscal year, the Manager earned management fees of $17,850 (2020 - $13,612).

b) 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.

c) 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 parties. 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 Manager.

d) 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. AAMIC's mortgage portfolio as at June 30, 2021 was $11,066,600 (2020 - $13,872,250) from 30 mortgages (2020 – 38). Of these mortgages, 7 (2020 – 15) of these mortgages were partially funded by such mortgage funding advance. The total outstanding balance to the Manager was $644,369 (2020 - $4,386,756).

7 COMMON SHARES AND CLASS A PREFERRED SHARES

As at 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.

a) Voting Common Shares

The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to exercise one vote for each share, in person or by proxy, at all such meetings of shareholders of the Corporation.

The holders of the Common Shares shall not be entitled to receive dividends of the Corporation. In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets or property of the Corporation among shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled, subject to the prior rights attaching to the Class A Preferred Shares or any other shares entitled to share or participate in any distribution of the property or assets of the Corporation, to receive the remaining property of the Corporation.

b) Class A (non-voting) Preferred Shares

Issued Class A Preferred Shares as at June 30, 2021 totalled $11,547,550 (2020 - $10,153,580).

The holders of the Class A Preferred Shares 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.
- 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 ITA 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:
  - 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%;
  - During the period that is 12 months and one day up to and including that date that is 24 months from the Issuance Date, the Redemption Amount shall be reduced by 3%;
  - 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
  - Where a holder of Class A (non-voting) Preferred Shares is a Substantial Shareholder (as defined in the ITA) 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 a 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 liability on the statements of financial position. Dividends thereon are presented as an expense on the statements of comprehensive income (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:

	2021		2020	
	Unit	$	Unit	$
Opening Balance	1,015,358	10,153,580	1,029,590	10,295,900
Issuance from Cash	251,524	2,515,240	26,629	266,290
Reinvestments	-	-	-	-
Redemptions	(112,127)	(1,121,270)	(40,861)	(408,610)
Closing Balance	**1,154,755**	**11,547,550**	**1,015,358**	**10,153,580**

8 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 6a).

9 SUBSEQUENT EVENTS

Subsequent to June 30, 2021, and up to the date of this report, the Corporation has funded eight mortgages totalling $2,404,250, 10 renewals totalling $5,155,650 and, concurrently, 10 discharges totalling $1,927,732. AAMIC received three individual investor funds totalling $56,390 and executed $150,000 redemption requests from one investor during this period.

10 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, 2021, 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.

11 IMPACT OF COVID-19

In March 2020, the World Health Organization declared a pandemic with regards to the global outbreak of COVID-19, which resulted in governments around the world issuing directives and establishing quarantine measures in their respective jurisdictions to help manage and control the spread of the virus.

As at the reporting date, any impact on the balances due to the ongoing COVID-19 pandemic has been appropriately accounted for in accordance with the reporting framework. Management does not believe there is any risk to AAMIC's ability to continue as a going concern for the foreseeable future from the reporting date linked to the COVID-19 pandemic.

We have evaluated all significant activities through to the date these financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

BOARD OF DIRECTORS

Frank S. Pa, AMP

President & CEO, Corporate Director
Atlantic (HS) Financial Corporation
Markham ON Canada
Director since 2014

Jeffrey L. Wong, *C.A. (ICAS)*
General Manager & CFO, Treasurer
Corporate Director
Markham ON Canada
Director since 2014

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
Cosmetic Surgery & Skin Management Inc.
Toronto ON Canada
Director since 2014

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

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