Financial Statements of

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Tel 604-691-3000
Fax 604-691-3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trez Capital Mortgage Investment Corporation

We have audited the financial statements of Trez Capital Mortgage Investment Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of loss and comprehensive loss for the year then ended
- the statement of changes in shareholders' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 auditor's report.

We are independent of the Entity 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements. A plan to wind up the Entity was approved by shareholders on June 16, 2016. Subsequent to that date, the Company has pursued the process of monetizing its portfolio of mortgage investments in an orderly manner and distributing the net proceeds to its shareholders.

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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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; and
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 31, 2023

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION
Statement of Financial Position

December 31, 2022, with comparative information for 2021

	Notes	2022	2021
Assets			
Cash and cash equivalents		$ 681,384	$ 1,508,540
Amounts receivable		8,890	9,333
Total assets		$ 690,274	$ 1,517,873
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities		$ 40,665	$ 23,622
Incentive fee provision	6	-	9,884
Total liabilities		40,665	33,506
Shareholders' equity	4	649,609	1,484,367
Total liabilities and shareholders' equity		$ 690,274	$ 1,517,873

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

Approved on behalf of the Board:

(signed) "Gary Samuel"

Gary Samuel
Director

(signed) "Zachary George"

Zachery George
Director

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statement of Loss and Comprehensive Loss

Year ended December 31, 2022, with comparative information for 2021

	Notes	2022	2021
Revenue:			
Interest and fee income		$ 18,825	$ -
Expenses:			
Incentive fees	6	-	9,884
General and administrative expenses		163,490	98,056
		163,490	107,940
Loss from operations		(144,665)	(107,940)
Recovery of mortgage losses		8,890	49,416
Net loss and comprehensive loss for the year		$ (135,775)	$ (58,524)
Loss per share:			
Basic and diluted	9	$ (0.01)	$ (0.01)

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

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statement of Changes in Shareholders' Equity

Year ended December 31, 2022, with comparative information for 2021

2022	Common shares	Deficit	Total
Shareholders' equity (deficiency), December 31, 2021	$ 122,183,167	$ (120,698,800)	$ 1,484,367
Net loss and comprehensive loss	-	(135,775)	(135,775)
Dividends to shareholders	-	(698,983)	(698,983)
Shareholders' equity (deficiency), December 31, 2022	$ 122,183,167	$ (121,533,558)	$ 649,609

2021	Common shares	Deficit	Total
Shareholders' equity (deficiency), December 31, 2020	$ 122,183,167	$ (120,640,276)	$ 1,542,891
Net loss and comprehensive loss	-	(58,524)	(58,524)
Shareholders' equity (deficiency), December 31, 2021	$ 122,183,167	$ (120,698,800)	$ 1,484,367

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

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss	$ (135,775)	$ (58,524)
Adjustments for non-cash items:		
Interest income earned	(18,825)	-
Incentive fee	-	9,884
Incentive fee paid	(9,884)	(46,853)
Interest received	18,825	-
	(145,659)	(95,493)
Changes in non-cash operating working capital:		
Amounts receivable	443	70,761
Accounts payable and accrued liabilities	17,043	5,617
	(128,173)	(19,115)
Financing:		
Dividends to shareholders	(698,983)	-
Decrease in cash and cash equivalents	(827,156)	(19,115)
Cash and cash equivalents, beginning of year	1,508,540	1,527,655
Cash and cash equivalents, end of year	$ 681,384	$ 1,508,540

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

1. Operations:

Trez Capital Mortgage Investment Corporation (the “Company”) is a non-bank lender providing residential and commercial short-term bridge and conventional real estate financing, including construction and mezzanine mortgages. Trez Capital Mortgage Investment Corporation was incorporated on April 18, 2012 under the Canada Business Corporations Act. The Company is managed by Trez Capital Fund Management Limited Partnership (the “Manager”). The Mortgage Broker for the Company is Trez Capital Limited Partnership.

On May 9, 2016, the Special Committee of the Board of Directors announced the completion of its strategic review process and a plan for the orderly wind-up of the Company’s assets and the return of capital to shareholders (the “Orderly Wind-Up Plan”). The Orderly Wind-Up Plan in its entirety was approved by shareholders at the Company’s annual and special meeting of shareholders held on June 16, 2016.

Under the Orderly Wind-Up Plan, in 2016 the Company ceased originating new loans and renewing existing ones, subject to contractual rights, and its assets are in process of being monetized. As at December 31, 2022, all mortgages in the Company have been monetized and the Company is currently in the final stage of wind-up. Effective at the close of markets on July 31, 2021, the Company was delisted from the Toronto Stock Exchange (“TSX”) as it no longer met the continued listing requirements and is no longer publicly traded on the TSX. On October 4, 2021, the Company was granted an order to cease to be a reporting issuer, which permits it to make minimal disclosure to shareholders by press release each quarter going forward. Capital has been actively returned to shareholders on an ongoing basis under the supervision of the Board of Directors with the assistance of the Manager.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements of the Company have been prepared by the Manager in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved by the Board of Directors on March 31, 2023.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

3. Significant accounting policies:

(a) Cash and cash equivalents:

The Company considers highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, to be cash equivalents. Cash and cash equivalents for the current year end consists of cash held at financial institutions.

(b) Class A shares:

The Class A shares are non-redeemable. The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Accordingly, the non-redeemable Class A shares are classified as equity.

Dividends payable to holders of Class A shares are recognized, when declared, in the statement of changes in shareholders’ equity.

(c) Interest income:

Interest income is recognized in the statement of income and comprehensive income on an accrual basis.

(d) Income taxes:

During 2017, the Company ceased to maintain its status as a Mortgage Investment Corporation pursuant to the Income Tax Act (Canada) and consequently is no longer be able to deduct dividends paid to shareholders from its taxable income. The Manager expects the Company’s non-capital losses carried forward to be sufficient to offset any future taxable income.

(e) Financial instruments:

(*i*) Recognition and classification of financial assets and liabilities:

Under IFRS 9, on initial recognition, a financial asset is measured at fair value and subsequently classified as measured at: amortized cost; Fair value through other comprehensive income (“FVOCI”)-debt investment; FVOCI-equity investment; or fair value through profit or loss (“FVTPL”). The classification of financial assets that are debt instruments under IFRS 9 are generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(i) Recognition and classification of financial assets and liabilities (continued):

Financial liabilities are recognized initially at fair value and are classified as other financial liabilities or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPTL are measured at fair value and net gains and losses including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial instruments subsequently measured at amortized cost are done so using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The Company has classified its financial instruments as follows

Classification	Measurement
Financial assets:	
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost

(ii) Impairment:

Under IFRS 9, an entity recognizes loss allowances for expected credit losses (“ECL”) to financial assets measured at amortized cost, contract assets and debt investments at FVOCI.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company’s historical experience and informed assessment of forward-looking information.

The Company’s financial assets at amortized cost consist only of amounts receivable and cash and cash equivalents.

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(*iii*) De-recognition:

(A) Financial assets:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire; or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (*i*) the consideration received (including any new asset obtained less any new liability assumed); and (*ii*) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statement of comprehensive income (loss).

(B) Financial liabilities:

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

4. Class A shares:

As planned under the Orderly Wind Up, effective at the close of markets on July 31, 2021, the Company was delisted from TSX as it no longer met the continued listing requirements and is no longer publicly traded on the TSX.

As at December 31, 2022 and 2021, there were an unlimited number of Class A common shares and an unlimited number of Class B common shares authorized. As at December 31, 2022, there were 11,649,711 Class A shares outstanding (2021 - 11,649,711).

The holders of the Class A shares are entitled to receive dividends as and when declared by the Board of Directors of the Company.

(a) Dividends:

The Company had not declared any monthly dividends since the discontinuance of the regular monthly dividend in 2018.

4. Class A shares (continued):

(a) Dividends (continued):

On November 22, 2022, the Board of Directors approved a special distribution of $0.06 per Class A share which was paid on November 30, 2022 to holders of Class A shares on record at the close of business on November 23, 2022. The distribution, which constituted a return of capital pursuant to the Orderly Wind-up Plan, totaled $698,983 (2021 - nil).

The Board of Directors anticipates making further special distributions of available cash, as the Orderly Wind-Up Plan of the Company is completed.

5. Management fees:

The Manager is responsible for the day-to-day operations, including administration of the Company's mortgage portfolio. Pursuant to the Management Agreement dated May 25, 2012, (amended November 30, 2013), the Manager was entitled to a fee of 1.25% per annum of the gross assets of the Company (the "Management Fee"), plus applicable taxes, calculated monthly and paid monthly in arrears. As a result of monetization of all remaining mortgages, the Manager has waived the management fee since May 1, 2021.

6. Incentive fees:

The Manager agreed to certain amendments to the Company's management agreement to facilitate the Orderly Wind-Up Plan. Pursuant to those amendments, the Manager agreed to provide the full asset management services necessary to support the Orderly Wind-Up Plan.

In addition to waiving the Management Fee, the Manager waived its rights, if any, to early termination fees in exchange for an incentive fee calculated as the greater of the following:

(a) 20% of the amount by which the sum of:

(i) The aggregate realized proceeds; and

(ii) The Company's unrestricted cash as at April 30, 2016 exceeds $163,509,009.

(b) $1,000,000.

Aggregate realized proceeds are defined as the amount of proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages under the Orderly Wind-Up Plan.

Unrestricted cash is defined as the amount of Company's cash derived from the proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages on or prior to April 30, 2016.

6. Incentive fees (continued):

At December 31, 2022, the final amount of the incentive fee is $2,164,274 (2021 - $2,164,274) of which $2,164,274 (2021 - $2,154,390) has been paid. This amount is a percentage of the lower threshold level, determined by adding the sum of total realized proceeds received to the period end, plus the unrestricted cash as at April 30, 2016, divided by the upper threshold. As at December 31, 2022, cumulative realized proceeds totaled $169,450,537 (2021 -$169,450,537).

A reconciliation of incentive fee payable for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Opening balance	$ 9,884	$ 46,853
Increase in provision	-	9,884
Incentive fees realized and paid	(9,884)	(46,853)
Incentive fee payable	$ -	$ 9,884

7. Related party transactions and balances:

The following are related party transactions not disclosed elsewhere in these financial statements:

(a) The Company is managed by the Manager, a related party by virtue of common management. Pursuant to the Management Agreement referred to in Note 5, during the year ended December 31, 2022 the Company incurred management fees in the amount of nil (2021 - nil). As a result of monetization of all remaining mortgages, the Manager has waived the management fee since May 1, 2021.

(b) As at December 31, 2022, the amounts receivable of $8,890 (2021 - $9,333) is related to recovery of mortgage losses and is due from related party.

All related party transactions are measured at the amount of consideration established and agreed to by the related parties.

8. Capital management:

As a result of the Orderly Wind-Up Plan, the Company's objective shifted away from maintaining to be a going concern and generating returns to a more increased focus on monetization of its current asset base. It ceased originating new loans and all mortgage renewal activity, subject to contractual rights, and its assets are being monetized over time. The Orderly Wind-Up Plan has been implemented and capital is being returned to shareholders under the supervision of the Board of Directors with the assistance of the Manager. The Company's primary objective with respect to capital management is to ensure sufficient cash resources to maintain operations and facilitate the Orderly Wind-Up process. The Company is not subject to externally imposed capital requirements.

9. Earnings per share:

Basic and diluted earnings (loss) per share are calculated by dividing net income (loss) attributable to common shares by the weighted average number of common shares during the year:

Year ended December 31, 2022

Loss for the year	$	(135,775)
Weighted average number of common shares (basic and diluted)		11,649,711
Loss per share (basic and diluted)	$	(0.01)

Year ended December 31, 2021

Loss for the year	$	(58,524)
Weighted average number of common shares (basic and diluted)		11,649,711
Loss per share (basic and diluted)	$	(0.01)

10. Fair value of financial instruments and risk management:

(a) Fair value of financial instruments:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

A hierarchy for disclosing fair value based on inputs was used to value the Company's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1 measurement") and the lowest priority to unobservable inputs ("Level 3 measurements").

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities ("Level 1");
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The fair values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, approximate their carrying amounts due to their short-term nature.

10. Fair value of financial instruments and risk management (continued):

(b) Risk management:

The Company has, or had, exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

(*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 Company, resulting in a financial loss to the Company. The Company is not exposed to significant credit risk following repayment of all of its investments in mortgages.

(*ii*) Liquidity risk:

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

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with the policies and procedures in place. The Company's overall liquidity is monitored on a quarterly basis by the Board of Directors. The Company expects cash on hand to be sufficient to settle all remaining obligations for the Company.

The following are the contractual maturities of financial liabilities as at December 31, 2022 and 2021:

2022	Carrying values	Contractual cash flows	Within a year
Accounts payable and accrued liabilities	$ 40,665	$ 40,665	$ 40,665

2021	Carrying values	Contractual cash flows	Within a year
Accounts payable and accrued liabilities	$ 23,622	$ 23,622	$ 23,622

10. Fair value of financial instruments and risk management (continued):

(b) Risk management (continued):

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

(A) Interest rate risk:

Credit risk is the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. The Company ceased to be exposed to interest rate risk following repayment of all of its investments in mortgages.

(B) Currency risk:

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

(C) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is not subject to significant other price risk. The Company ceased to be exposed to interest rate risk following repayment of all of its investments in mortgages.

11. Key management personnel compensation:

The Company paid $49,549 (2021 - $49,549) to the members of the Board of Directors and Independent Review Committee for their services to the Company.

12. Income taxes:

In the first quarter of 2017, as a result of the cash outlay in relation to the substantial issuer bids for cancellation of shares and monetization of residential mortgages, the Company ceased to maintain its status as a Mortgage Investment Corporation pursuant to the Income Tax Act (Canada) and consequently is no longer able to deduct dividends paid to shareholders from its taxable income. However, the Company expects non-capital losses carried forward from prior years will be sufficient to offset all future taxable income, if any. Furthermore, the Company does not expect to realize any further taxable income as the Orderly Wind-Up progresses.

12. Income taxes (continued):

As at December 31, 2022, the Company has non-capital losses carried forward for income tax purposes of $21,531,207 (2021 - $21,416,455), which will expire between 2032 and 2038 if not used and the Company has net capital losses carried forward for income tax purposes of nil (2021 - nil).

The Company makes estimates in respect of the composition of the deferred income tax asset. Income projections for the Company taking into consideration expected interest income, expenses, dividend payments and timing of mortgage maturities. Estimates of all amounts are prepared for future years in order to determine anticipated taxable income, which might be offset by tax losses carried forward. No deferred tax asset has been recognized as at December 31, 2022 and 2021 as the Company does not expect any future taxable income while it completes the Orderly Wind-up Plan.