

Annual Report 2023

GROWTH WITH PURPOSE



Executive

CHIEF EXECUTIVE OFFICER
Aleem Virani | CPA, CA, CBV, ICD.D

PRESIDENT
Curtis Power | CPA, CA, CIM, ICD.D

EXECUTIVE VICE PRESIDENT
Nicholas Jeanes | JD

CHIEF FINANCIAL OFFICER
Renee Kent | CPA, CA

Non-Independent Director

Shafin Kanji | MAcc, CPA, CA, CBV, ICD.D

Independent Directors

Darlene Scott | KC

Guy Scott | MSc

Don Paulencu | CPA, CA, ICD.D

Aaron Forbes | CFA

Tina Naqvi-Rota | PEng, MBA, ICD.D

Contact

CORPORATE SECRETARY
Nicholas Jeanes | JD

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Legal Counsel

Bryan & Company LLP

Auditors

KPMG LLP

Restricted Portfolio Manager + Investment Fund Manager

KV Capital Inc.



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About KV Mortgage Fund.

KV Mortgage Fund Inc. (the "Fund") is one of the largest Alberta-based private commercial real estate lenders and is focused on investing in mortgages secured against diverse asset classes located primarily in western Canadian urban centres, including land, multifamily and single family residential, office, retail, industrial, and hospitality. The Fund's mortgage investments typically mature within two years or less and consist primarily of construction and development financing, equity take-out, and financial bridging transactions.

The mortgage investments in the Fund's portfolio are purposefully selected from the opportunities originated and thoroughly underwritten by the Fund's manager, KV Capital Inc., and its in-house mortgage platform. Each opportunity is individually assessed based on the merits of protecting capital and maximizing the risk-adjusted returns for investors.



2023 financial highlights.

- Mortgage loan investment portfolio increased to **\$227 million**, up \$76 million or 50% from the prior year
- Dividends paid to Class A and B preferred shareholders totaled **\$0.82 per share**, representing an **8.53% internal rate of return (IRR)** on the original \$10.00 issue price
- Net income of **\$11 million**, up 44% from the prior year
- Raised **\$50 million** in Class A and B preferred shares and increased leverage available from credit facilities to support the steady growth of the portfolio

PORTFOLIO STATISTICS SINCE INCEPTION

(2009 – FEBRUARY 28, 2023)

**\$1.06
Billion**

in total mortgage funds advanced

7.76%

internal rate of return (IRR)

<0.10%

cumulative losses of principal + interest as a percentage of total funds advanced

14-year

track record of paying consecutive monthly distributions to investors

2023 PORTFOLIO HIGHLIGHTS

**\$227
Million**

in mortgage loan investments under management

77

mortgage investments

61%

weighted average loan to value

10.77%

weighted average interest rate

93%

of portfolio in first mortgages

Letter from the Board.

Dear Investor,

On behalf of the Board of Directors of KV Mortgage Fund Inc. it is my pleasure to report that the fiscal year ended February 28, 2023 was another successful year for the Fund, as it continued to meet its dual mandates of preserving investor capital and generating monthly income.

During the year, the Fund grew its mortgage portfolio to \$227 million, with 93% of the portfolio invested in first position mortgages as at year end. Furthermore, the Fund generated an internal rate of return of 8.53%. As demonstrated by these and several other key performance indicators, the Fund is well positioned for the upcoming year.

The past year was marked by notable macro-economic events that impacted real estate markets. These events included material inflationary pressures, disruptions in the supply chain, substantial increases in the Bank of Canada's prime rate, and banking failures in the United States. Against this backdrop, we are very pleased with the continued performance of the Fund and the disciplined and purposeful growth achieved by the Fund's manager, KV Capital Inc.

When pursued in the right manner and for the right reasons, growth proves beneficial to the Fund's shareholders. It creates a stronger business which builds our team's capabilities, expands our relationships with borrowers, and attracts high-quality mortgage investment opportunities. A larger fund is also better able to withstand the inevitable unforeseeable shocks, such as those experienced in recent years. In the year ahead, we anticipate that the Fund will continue its growth strategy – always guided by the purpose of better serving our investors and executing on the Fund's dual mandates. As we grow, we will continue to focus and adhere to the discipline and practices that have served the Fund so well over the past 14 years.

I would like to extend my sincere gratitude to all members of the Board of Directors and Lending Review Committee for their dedication and contributions to the Fund's success this past year. I would also like to extend a special thank you to Mr. Paul Allard, who joined the Board in 2013 and completed his term in December 2022. Mr. Allard's depth of real estate knowledge and business acumen were of great value to both the Board and the Fund, and his contributions will be missed. I would like to welcome Ms. Tina Naqvi-Rota, the newest board member, who joined us this year. As CEO of a prominent western Canadian developer, Ms. Naqvi-Rota brings deep experience and knowledge to the Board, and we are fortunate to have her participation and engagement.

Respectfully submitted on behalf of the Board.



Darlene W. Scott | KC
CHAIR
KV Mortgage Fund Inc.

Letter from the Manager.

Dear Investor,

We are very pleased with the financial and operational performance of KV Mortgage Fund Inc. during the year ended February 28, 2023. The Fund continued its trajectory of strong and stable performance despite continued headwinds and uncertainty facing the Alberta and Canadian economies.

Specific highlights from the year include:

- generating an 8.53% internal rate of return (IRR) (prior year 7.64%);
- maintaining a net asset value at \$10.00 per preferred share;
- finishing the year with a mortgage portfolio of \$227 million (prior year \$151 million), with a weighted average loan to value ratio of 61% (prior year 61%) and a weighted average interest rate of 10.77% (prior year 9.18%);
- growing preferred shareholder equity by approximately \$52 million to \$172 million at year end (prior year \$120 million); and
- increasing the revolving line of credit with a Canadian financial institution to \$65 million (prior year \$40 million).

The Fund's ability to continue demonstrating strong year over year performance across different market cycles exemplifies the stability of its business model. This model is characterized by deploying capital secured by mortgages with short terms to maturity, along with financing terms and loan to value ratios which allow the Fund to pursue multiple exit strategies over the course of the project's financing period.

Looking to the year ahead, our focus is on purposeful growth in key areas that enhance the Fund's ability to meet its dual mandates of preserving investor capital while generating monthly income. Upcoming initiatives include growth in size and diversification of the Fund's mortgage loan portfolio, pursuing best in class corporate governance, and maintaining rigorous underwriting and active risk management practices.

We would like to acknowledge the independent members of our Board of Directors and Lending Review Committee. Strong independent governance has always been a cornerstone of the Fund's success, and we extend our gratitude to these members for their ongoing contributions and engagement. A special thank you is extended to Mr. Paul Allard who concluded his term with the Board in December 2022. Mr. Allard's expertise and experience have been invaluable, delivering tremendous shareholder value. Although we will miss Mr. Allard's participation in the Board meetings, we are pleased to advise that he remains engaged with the business of KV Capital Inc., the Fund's manager.

Thank you for investing with us.



Aleem Virani | CPA, CA, CBV, ICDD
CEO
KV Capital Inc.
KV Mortgage Fund Inc.



Curtis Power | CPA, CA, CIM, ICDD
PRESIDENT
KV Capital Inc.
KV Mortgage Fund Inc.

Independent directors.



Darlene Scott KC

Ms. Scott, KC, is senior counsel in the Edmonton office of Dentons, the world's largest law firm, where she provides business and legal advice to a range of institutional and corporate clients on real estate and commercial matters. Darlene served as Chair of Dentons Edmonton's Banking and Finance group for over 10 years and is listed in The Canadian Legal Lexpert Directory as a leading lawyer in the field of Banking and Financial Institutions, having been awarded numerous lawyer of the year awards in corporate law, real estate and banking. Ms. Scott received her King's Counsel designation in 2016 and has served as a Bencher of the Law Society of Alberta since 2014, holding the positions of Chair of Audit and Finance, Chair of Credentials and Education, Chair of Conduct and Chair of Policy. She served as President of the Law Society of Alberta in 2021. Ms. Scott was a recipient of the Alberta Women in Law Leadership "Stronger Together" Award in 2020 and the Edmonton branch of the Commercial Real Estate Women's inaugural Impact Award in 2020.

EDMONTON Member - Board of Directors; Member - Lending Review Committee; Independent from KV Capital	Preferred Share Holdings at Year End 8,655 Class A	F2023 Compensation Paid by KV Mortgage Fund Board: \$15,750 LRC \$9,250 TOTAL: \$25,000	F2023 Meeting Attendance Board: 5/5 LRC 4/4
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Guy Scott MSc

Mr. Scott holds a Masters of Science in Urban Planning from UBC and is a founding partner of WAM Development Group (ONE Properties). Mr. Scott is Past Chairman of the University Hospital Foundation and continues as an Emeritus member. He is co-chairman of the Brain Center Campaign for the same Foundation. Mr. Scott is a member of the Canadian Institute of Planners and various industry organizations. His business career has centered around real estate development, mortgage investments in western Canada and the United States. Through the Shelley and Guy Scott Family Foundation he is involved in philanthropic interests. Mr. Scott is President of Ventura Interests Inc., a family holding company involved in real estate and mortgage investments in Canada and the United States.

EDMONTON Member - Board of Directors; Member - Lending Review Committee; Independent from KV Capital	Preferred Share Holdings at Year End 14,850 Class A	F2023 Compensation Paid by KV Mortgage Fund Board: \$15,750 LRC \$9,250 TOTAL: \$25,000	F2023 Meeting Attendance Board: 5/5 LRC 4/4
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Don Paulencu CPA, CA, ICD.D

Mr. Paulencu is a Chartered Professional Accountant and a member of the Institute of Corporate Directors holding the ICD.D designation. Mr. Paulencu retired from Deloitte LLP in 2015 where he served as a partner for 31 years having the position as managing partner of the Edmonton office for 10 years. Mr. Paulencu was an audit and advisory partner serving both publicly traded and private companies primarily in the financial institution and real estate industry sectors. Mr. Paulencu is currently serving as an advisory director on two large privately held companies in the real estate and manufacturing industry sectors.

EDMONTON Member - Board of Directors; Member - Lending Review Committee; Independent from KV Capital	Preferred Share Holdings at Year End 6,809 Class A	F2023 Compensation Paid by KV Mortgage Fund Board: \$15,750 LRC \$8,250 TOTAL: \$24,000	F2023 Meeting Attendance Board: 5/5 LRC 4/4
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Aaron Forbes CFA

Mr. Forbes holds degrees in Economics and Finance from the University of Calgary and is a CFA® Charterholder. He is a licensed member of the Real Estate Council of Alberta and has completed the Mortgage Associates Program. Mr. Forbes joined MCAP's Development Finance Group in Calgary in 2006 and is currently a Senior Director with the firm, responsible for the origination, negotiation, and underwriting of construction loan facilities for a variety of projects, including apartment, condominium, purpose built rental, land servicing, commercial, and mixed-use. To date, he has been involved in structuring financing arrangements for over \$3.0 billion of real estate transactions throughout western Canada and has completed syndications with most major Canadian banks, Alberta based lending institutions, pension funds, and life insurance companies. In 2020, Mr. Forbes became a sessional instructor at the University of Calgary teaching Real Estate Development and Finance I & II in the Executive Education Program at the Haskayne School of Business.

CALGARY Member - Board of Directors; Chair - Lending Review Committee; Independent from KV Capital	Preferred Share Holdings at Year End 5,315 Class A	F2023 Compensation Paid by KV Mortgage Fund Board: \$15,750 LRC \$16,400 TOTAL: \$32,150	F2023 Meeting Attendance Board: 5/5 LRC 4/4
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Tina Naqvi-Rota PEng, MBA, ICD.D

Ms. Naqvi-Rota has over 30 years of commercial real estate experience and is currently serving as the CEO of Cameron Development Corporation, an Alberta-based real estate development company focused on the development and management of commercial, residential, and multifamily projects. Ms. Naqvi-Rota is also very active in the community, most recently through her engagement with various philanthropic and business organizations including Autism Edmonton, the Alberta School of Business Advisory Committee, and the Norquest College Board of Governors.

EDMONTON Member - Board of Directors; Member - Lending Review Committee; Independent from KV Capital	Preferred Share Holdings at Year End 2,127 Class A	F2023 Compensation Paid by KV Mortgage Fund Board: \$15,750 LRC \$7,500 TOTAL: \$23,250	F2023 Meeting Attendance Board: 4/5 LRC 3/4
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Management team.



Shafin Kanji MAcc, CPA, CA, CBV, ICD.D

Mr. Kanji is a Chartered Professional Accountant, Chartered Business Valuator, and is a founding principal of KV Capital Inc., the private mortgage brokerage, Exempt Market Dealer, Restricted Portfolio Manager, Investment Fund Manager and real estate investment company that provides service to KV Mortgage Fund Inc. Mr. Kanji previously held the role of Chief Executive Officer of both KV Capital and KV Mortgage Fund. Prior to founding KV Capital Inc., Mr. Kanji served as the Chief Executive Officer of JER Envirotech Ltd., and as the Chief Operating Officer and Chief Financial Officer at Matrikon Inc. Mr. Kanji gained extensive experience while working with KPMG in the areas of fraud investigation and business valuations as well as in real estate development and construction through his current involvement as a founding principal of Edmonton based Kanvi Homes Inc.

EDMONTON KV Mortgage Fund: Member - Board of Directors; Member - Lending Review Committee KV Capital: Chairman of the Board	Preferred Share Holdings at Year End 36,219 Class A	F2023 Compensation Paid by KV Mortgage Fund \$0	F2023 Meeting Attendance Board: 4/5 LRC 3/4
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Aleem Virani CPA, CA, CBV, ICD.D

Mr. Virani is a Chartered Professional Accountant, Chartered Business Valuator, and is a founding principal of KV Capital Inc., the private mortgage brokerage, Exempt Market Dealer, Restricted Portfolio Manager, Investment Fund Manager and real estate investment company that provides service to KV Mortgage Fund Inc. Mr. Virani currently holds the office of Chief Executive Officer of KV Mortgage Fund Inc. and of KV Capital Inc. Mr. Virani previously served as the Controller for Trans Global Group of Companies (subsidiary of the Brick Group Income Fund), as a business valuations and litigation support expert with Kingston Ross Pasnak LLP, and as a public accountant at Deloitte LLP. Mr. Virani also has experience in real estate development and construction through his current involvement as a founding principal of Edmonton based Kanvi Homes Inc.

EDMONTON KV Mortgage Fund: Chief Executive Officer, Member - Board of Directors KV Capital: Chief Executive Officer	Preferred Share Holdings at Year End 40,586 Class A	F2023 Compensation Paid by KV Mortgage Fund \$0	F2023 Meeting Attendance Board: 4/5
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Curtis Power CPA, CA, CIM, ICD.D

Mr. Power is a Chartered Professional Accountant and a Principal of KV Capital Inc., the private mortgage brokerage, Exempt Market Dealer, Restricted Portfolio Manager, Investment Fund Manager and real estate investment company that provides service to KV Mortgage Fund Inc. Mr. Power currently holds the office of President of KV Mortgage Fund Inc. and of KV Capital Inc. Prior to joining KV Capital Inc., Mr. Power served as the Chief Financial Officer of a mortgage lending firm specializing in short term bridge financing, that grew from start, up to \$65 million of assets under management and as an auditor with Ernst & Young LLP with clients primarily in the energy and financial services sectors, including entities that are publicly listed on the TSX and/or NYSE. Mr. Power joined KV Capital Inc. in 2013 and has full responsibility for the firm's mortgage operations including leading the origination, underwriting, and servicing teams.

EDMONTON KV Mortgage Fund: President KV Capital: President - Private Mortgages	Preferred Share Holdings at Year End 15,097 Class A	F2023 Compensation Paid by KV Mortgage Fund \$0
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Nicholas Jeanes JD

Mr. Jeanes is the Executive Vice President of KV Mortgage Fund Inc. and KV Capital Inc., the private mortgage brokerage, Exempt Market Dealer, Restricted Portfolio Manager, Investment Fund Manager and real estate investment company that provides services to KV Mortgage Fund Inc. Mr. Jeanes holds a law degree from the University of Alberta, is a member of the Law Society of Alberta, and is a member of the Alberta Securities Commission Exempt Market Dealer Advisory Committee. Prior to joining KV Capital Inc. in 2017, Mr. Jeanes worked in the corporate and commercial practice groups of Bennett Jones LLP, an internationally recognized Canadian law firm.

EDMONTON KV Mortgage Fund: Executive Vice President KV Capital: Executive Vice President	Preferred Share Holdings at Year End 14,668 Class A	F2023 Compensation Paid by KV Mortgage Fund \$0
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Renee Kent CPA, CA

Ms. Kent is a Chartered Professional Accountant and currently holds the office of Chief Financial Officer of KV Mortgage Fund and KV Capital Inc., the private mortgage brokerage, Exempt Market Dealer, Restricted Portfolio Manager, Investment Fund Manager and real estate investment company that provides service to KV Mortgage Fund Inc. Prior to joining KV Capital Inc. in 2020, Ms. Kent served as a Senior Manager at KPMG LLP where she provided assurance, operational effectiveness, and accounting services to clients covering a wide variety of industries, including entities that are publicly listed on the TSX and/or NYSE.

EDMONTON KV Mortgage Fund: Chief Financial Officer KV Capital: Chief Financial Officer	Preferred Share Holdings at Year End 11,094 Class B	F2023 Compensation Paid by KV Mortgage Fund \$0
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Management Report of Fund Performance

Forward-looking statements advisory.

The terms, the “Fund”, “we”, “us” and “our” in the following annual Management Report of Fund Performance (the “MRFP”) refer to KV Mortgage Fund Inc. This MRFP may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like “may”, “believe”, “expects”, “anticipates”, “would”, “will”, “intends”, “projected”, “in our opinion”, “plans”, “estimates” and other similar expressions suggesting future outcomes or events. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Fund will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by KV Capital Inc. (the “Manager”), (iii) the markets will react and perform in a manner consistent with the investment strategies, and (iv) the Fund is able to invest in mortgages of a quality that will generate returns that meet or exceed the Fund’s targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MRFP not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rate fluctuations, regulatory and statutory developments, the effects of competition in areas that the Fund may invest in, impacts as a result of COVID-19, and the risks as detailed in the Fund’s offering memorandum.

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 Fund, 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, the Fund and 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.

This MRFP is dated May 2, 2023. Disclosure contained in the MRFP is current to that date, unless otherwise noted. Additional information on the Fund is available at www.kvcapital.ca.

Investment objectives + strategies

Since commencing operations in 2009, the Fund has provided investors indirect access to private mortgage investments that are selected and approved by the Manager.

The investment objectives of the Fund are to:

1. **Preserve capital; and**
2. **Generate monthly income.**

To realize its objectives, the Fund invests in a diversified portfolio of private mortgage investments and other investments within the criteria permitted for a Mortgage Investment Corporation (“MIC”). These investments typically mature within two or less years and consist primarily of construction and development financing, equity take out and financial bridging transactions. The Fund focuses on mortgage investments secured directly by land, multifamily residential, single family residential, office, retail, industrial, and hospitality properties located primarily within urban centres throughout western Canada. Working within conservative risk parameters, the Fund strives to maximize investor income through careful underwriting and efficient management of mortgage investments. These strategies have allowed the Fund to realize a 14-year track record of success and consistency in achieving its strategic investment objectives.

The Fund is, and intends to continue to be, qualified as a Mortgage Investment Corporation as defined under Section 130.1(6) of the Income Tax Act (Canada).

Risk

The risks associated with investing in the Fund remain as disclosed in its most recent offering memorandum dated May 31, 2022. Changes to the Fund that occurred during the fiscal year ended February 28, 2023 (the “current year” or “fiscal 2023”) have not materially affected the overall risk profile.

Basis of presentation

This MRFP has been prepared to provide information about the financial results of the Fund for the year ended February 28, 2023. This MRFP should be read in conjunction with the audited consolidated financial statements for the years ended February 28, 2023 and 2022, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The Fund’s functional and reporting currency is the Canadian dollar.

Non-IFRS Measures

In this MRFP, the Fund discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the “non-IFRS measures”). The Fund has presented such non-IFRS measures because the Manager believes they are relevant measures of the Fund’s ability to earn and distribute dividends to shareholders and to provide a clearer understanding of the Fund’s financial performance. These non-IFRS measures should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS.

NON-IFRS FINANCIAL MEASURES:

- **Internal rate of return or “IRR”** – provides a measure of return generated on the Fund’s Class A and B Preferred Shares. IRR is calculated using a “XIRR” Excel function using exact dates for all contributions and disbursements made by or to Class A and B Preferred Shareholders over a specific period of time.
- **Weighted average interest rate** – represents the blended interest rate of the mortgage loan investment portfolio at period end, as determined by the amount of dollars deployed at each interest rate relative to the total portfolio.
- **Weighted average term to maturity** – represents the blended mortgage term remaining for the mortgage loan investment portfolio at period end, as determined by the amount of dollars deployed at each maturity date relative to the total portfolio. The mortgage term represents the maturity date specified in the mortgage contract. The date of principal repayments to investors may not coincide with the date that is specified as the end of the mortgage term. Principal may be repaid to the Fund before, on or after the date representing the end of the mortgage term.
- **Weighted average loan to value** – represents the blended loan to value of the mortgage loan investment portfolio at period end, as determined by the amount of dollars deployed at each loan to value relative to the total portfolio. Loan to value for each mortgage loan investment is a measure of loan amount, including unfunded committed loan amount, cost to complete in excess of the loan commitment, other charges, and priority or pari-passu charges registered on the underlying real estate held as security, as a percentage of the most recently available third party determined fair value of the underlying real estate collateral.
- **Project phase** – is a categorization of the primary real estate security for each mortgage loan investment in the portfolio according to stage of the real estate investment process that the underlying real estate collateral is best described by, as determined by the Manager, as of that date.
- **Status** – a categorization of mortgage loan investments according to timing differences between the receipt of interest payments and contractual due dates and any enforcement actions taken by the Manager.
- **Portfolio turnover rate** – represents repayments of mortgage loan investments during the stated period, expressed as a ratio of the daily average size of the mortgage investment portfolio.
- **Payout ratio** – represents total dividends declared to the holders of all classes of preferred shares divided by the net income and comprehensive income attributable to all classes of preferred shares for the stated period.
- **Redemption price** – represents the net asset value per preferred share for purposes of processing redemptions in accordance with the terms of the offering memorandum.
- **New originations** – represents the cumulative principal balance in dollars of all mortgage loan investments included in the portfolio dollar total as of the reporting date where the first advance occurred on or after the first day of the reporting period.

Results of operations

The year ended February 28, 2023 proved to be a record year for the Fund, with unprecedented growth in both the portfolio and earnings. The Fund maintained its track record of strong and stable performance and successfully grew sourcing attractive investment opportunities that align with its risk and return objectives. At the end of the current year, the Fund reported \$227,198,094 in mortgage loan investments, representing a 50% or \$76,154,414 increase from the end of the prior year, the highest in the Fund’s history. Record-high distributions of \$11,478,367 were declared during fiscal 2023, marking a 44% or \$3,511,778 increase from the prior year. Generating an 8.53% internal rate of return on the capital of preferred shareholders during the current year, the Fund achieved its investment objective to preserve capital and generate monthly income.

The Fund continued its success of maintaining high-quality mortgage loan investments within its growing portfolio. Risk management remained the top priority throughout the Fund’s growth. The Manager continued to practice caution in its lending practices and remained diligent in its underwriting. These practices are reflected in the high proportion of investments in a first mortgage position of 93%, a conservative weighted average loan to value of 61%, only 1% of the mortgage portfolio in foreclosure, and mortgage loan investments diversified by asset classes and project phases as at February 28, 2023.

The demand for private lending in Canada remained strong throughout fiscal 2023, driven by factors such as liquidity tightening in the market and the narrowing rate differential between conventional lending and private lending, influenced by increases in the Bank of Canada prime rate during the year. The Fund capitalized on the opportunity to grow the portfolio in a cautious and prudent manner by leveraging its strong relationships, industry knowledge, timely execution, and well-established market position.

To support the mortgage portfolio expansion, the Fund remained active from a financing and capital-raising perspective throughout fiscal 2023. The Fund increased its total lending capacity during the year through the issuance of \$50,066,612 in new Class A and B preferred shares and raised its borrowing limit under the existing revolving line of credit from a Canadian financial institution from \$40,000,000 to \$65,000,000. With ample liquidity available through its credit facilities, the Fund is well-positioned to take advantage of market opportunities as they arise and sustain steady portfolio growth in fiscal 2024.

INTERNAL RATE OF RETURN

The Fund continued to exceed its yield objective of producing a shareholders’ annual return in excess of 450 basis points over the Government of Canada’s 2-year benchmark bond yield (series V122538) (the “Target Return”). For the year ended February 28, 2023, the Fund generated an internal rate of return of 8.53% (2022 – 7.32%). In comparison, the Fund’s Target Return for the current year was 7.87% (2022 – 5.22%). The Manager is pleased with the performance of the Fund during fiscal 2023 and believes that the internal rate of return of 7.76% (2022 – 7.64%) generated since inception demonstrates a strong track record of achieving the stated objectives and successfully balancing between the goals of capital preservation and income.

EQUITY GROWTH

During the year ended February 28, 2023, the Fund grew its shareholders’ equity to \$172,391,288 compared to \$120,595,145 at the end of the prior year. This 43% increase year over year was achieved primarily through the issuance of \$50,066,612 Class A and Class B preferred shares in fiscal 2023, a substantial increase from \$16,148,126 issued in the prior year. Additionally, shares issued under the dividend reinvestment plan (“DRIP”) available to Class A and Class B preferred shareholders contributed to the equity growth, amounting to \$4,840,137 in fiscal 2023 compared to \$3,315,569 in the prior year. The DRIP enables shareholders to reinvest their monthly dividends in additional preferred shares of the same class. The continued growth of shareholders’ equity is key to the expansion of the Fund.

MORTGAGE FUNDING

The Fund’s strong annual results are reflective of an active year consisting of record-high origination and payout transaction volumes in fiscal 2023. During the year ended February 28, 2023, the Fund advanced monies for new investment in mortgages 334 times (2022 – 266 times) totalling \$218,054,449 (2022 – \$178,439,271) and received principal pay downs 330 times (2022 – 335 times) on previously advanced mortgage loan investments totalling \$141,900,035 (2022- \$132,240,915). Collections continued to remain high, highlighting the creditworthiness and financial capacity of the existing borrower base, which reflects the Manager’s continued focus on risk management and diligence with respect to high-quality underwriting practices.

As at February 28, 2023, net mortgage loan investments in the portfolio was \$226,334,539 (2022 - \$150,078,702), the highest portfolio balance in the Fund’s history. New originations during the year, which excludes advances under revolving construction facilities, represent 46% (2022 – 61%) of the Fund’s outstanding mortgage investments at year end. The portfolio balance as at February 28, 2023 was comprised of 77 investments (2022 – 79), with an average investment size of \$2,914,719 (2022 - \$1,911,945). At the end of the current year, the largest single mortgage in the Fund’s portfolio was \$25,000,000 (2022 - \$9,600,000). A summary of our mortgages by size is provided below:

As at	February 28, 2023			February 28, 2022		
Mortgage Amount:						
\$0 - \$500,000	17	\$ 5,116,725	2.3%	18	\$ 5,481,053	3.6%
\$500,001 - \$2,500,000	38	57,981,606	25.5%	44	58,562,937	38.8%
\$2,500,001 - \$5,000,000	11	39,724,753	17.5%	10	36,946,397	24.5%
\$5,000,001 - \$10,000,000	6	39,015,231	17.2%	7	50,053,293	33.1%
\$10,000,000 +	5	85,359,779	37.6%	-	-	0.0%
	77	227,198,094	100.0%	79	151,043,680	100.0%
Accrued interest receivable		2,055,334			1,453,911	
Provision for non-collectible mortgage loan investments		(2,918,889)			(2,418,889)	
		\$ 226,334,539			\$ 150,078,702	

Amongst other strategies, the Manager actively manages risk within the Fund’s portfolio and adapts to changes in the real estate market by maintaining short terms to maturity on the mortgage loan investments and redeploying capital throughout real estate cycles. Renewals are offered to borrowers when deemed appropriate. The Fund’s mortgage portfolio turns over approximately annually. As at February 28, 2023, 78% of the loans in the mortgage portfolio mature within one year (2022 – 87%).

In addition to prioritizing liquidity, the Manager employs investment strategies aimed at preserving the Fund’s stability. These strategies focus on maintaining a substantial proportion of the portfolio invested in first mortgages and ensuring low loan-to-value ratios. As of February 28, 2023, the Fund’s exposure to first mortgages accounted for 93% (2022 – 97%) of the net mortgage portfolio and the weighted average loan-to-value ratio was 61% (2022 – 61%), both of which align with the Manager’s expectations and reflect the commitment to investing in a conservatively positioned portfolio of mortgage investments.

MORTGAGE PORTFOLIO INTEREST RATES

As of February 28, 2023, the weighted average interest rate on the mortgage portfolio was 10.77% compared to 9.18% as of February 28, 2022. At the end of the current year, 76% (2022 – 77%) of the loan portfolio consisted of loans with variable rate structures. These variable rate loans contain a floor interest rate, which protects the Fund from decreases in prime rates and is favourable to an environment of rising rates. Consequently, the increases in the Bank of Canada prime rate during fiscal 2023, totaling 425 basis points, caused the Fund’s weighted average interest rate to increase from the end of the prior year. In order to retain high quality existing borrowers and keep pricing competitive amidst a changing interest rate environment, the Manager undertook a comprehensive evaluation of the interest rates applied to the mortgage loans in the portfolio during the current year. Where it was determined necessary, rate relief was offered to borrowers, adjusting the pricing to better align with the prevailing rates on new loan origination.

INTEREST RECEIVABLE

The aging of accrued interest receivable within the portfolio is provided below:

As at	February 28, 2023		February 28, 2022	
Not past due	\$	1,765,813	\$	1,090,377
Past due 0-30 days		93,787		70,578
Past due 31-90 days		44,095		42,740
Past due more than 90 days		151,639		250,216
	\$	2,055,334	\$	1,453,911

The increase in interest receivable year over year can primarily be attributed to the larger mortgage loan investment balance as of February 28, 2023 compared to prior year end. As the Fund’s mortgage loan investment portfolio expanded, the amount of interest income generated from these investments increased accordingly.

MORTGAGES BY PROVINCE + ZONING

The Fund maintains a diversified portfolio of mortgage loan investments on real estate primarily located in Alberta. The emphasis is placed on urban markets, which generally experience better real estate liquidity and thus offer a more favourable risk profile. The Fund has continued to maintain significant exposure in Alberta, capitalizing on the local expertise of the Manager in originating, underwriting, and servicing mortgage investments in this region. Although Alberta remains, and will continue to remain, the primary market in which the Fund operates, the Manager is actively pursuing opportunities to grow its market share in other Canadian provinces. As liquidity tightens in Ontario and British Columbia, there arises a potential opportunity for the Fund to deploy capital in these markets. The Manager will continue to exercise caution when lending in new markets.

The tables below show the Fund’s mortgage loan investment portfolio by the province of the underlying property and by the zoning of the property:

As at	February 28, 2023	February 28, 2022
Alberta	89.3%	88.4%
British Columbia	10.4%	11.5%
Saskatchewan	0.3%	0.1%
	100.0%	100.0%

As at	February 28, 2023	February 28, 2022
Residential	70.1%	50.1%
Commercial	11.9%	29.6%
Mixed use	11.6%	8.2%
Industrial	3.0%	6.7%
Agriculture	3.4%	5.4%
	100.0%	100.0%

FORECLOSURES

As of February 28, 2023, the Fund, through the Manager, was engaged in enforcement remedies against two (2022 – nil) mortgage loan investments which totaled \$2,681,547 (2022 – \$nil) in gross principal and \$3,790 (2022 – \$nil) in gross accrued interest receivable as at February 28, 2023. Mortgage loan investments engaged in enforcement at the end of the current year accounts for only 1% (2022 – nil) of gross mortgage loan investments. The Manager is confident in the composition of the existing portfolio, as well as the rigour of existing underwriting processes and considers the loan provisions currently recorded to be appropriate.

LOAN PROVISIONS

The Manager closely monitors the mortgage loan investments, and accordingly is actively engaged in managing, servicing, and enforcement of mortgages the Fund has invested in. In accordance with IFRS 9, Financial Instruments, an expected credit loss (“ECL”) model is applied at the end of each reporting period to assess the Fund’s mortgage loan investments and accrued interest receivable for impairment. An ECL represents the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The ECL model uses a three-stage impairment approach based on changes in the credit risk of the loan since initial recognition. The Manager considers a number of risk factors based on past events, current conditions and forward-looking information when assessing if there has been a significant

increase or subsequent decrease in credit risk. Any impairment loss provision represents an allowance for the lifetime ECLs for all mortgage loan investments and accrued interest.

As at February 28, 2023, the Fund adjusted the carrying amount of mortgage loan investments by recording \$2,918,889 (2022 – \$2,418,889) as a provision for non-collectible mortgage loan investments, with changes to the provision balance recorded through the income statement. The increase in the provision for mortgage loan investments in fiscal 2023 is mainly due to the increase in the portfolio balance. The provision as at February 28, 2023 represents 1.28% (2022 – 1.60%) of the mortgage portfolio. The provision is maintained at a level that the Manager considers adequate to absorb credit-related losses on the mortgage loan investments.

REALIZED GAINS + LOSSES

Realized impairment losses represent the difference between the respective mortgage’s carrying balance and the amount recovered upon the monetization of the underlying real estate and other security. During the year ended February 28, 2023, the Fund did not acquire or dispose of any foreclosed real estate assets.

During the year ended February 28, 2022, after exhaustion of all remedies, the Fund recognized a loss of \$677,723 on non-collectible interest related to one loan whereby the Fund took title to the primary security, an office property located in Calgary, Alberta, by way of a settlement on a foreclosed asset. This property was subsequently sold to an arm’s length third party with a corresponding gain on disposal of \$641,658 recognized in the year ended February 28, 2022, resulting in a partial recovery of the loss recognized upon acquisition of the asset. The Fund is pursuing legal remedy against the guarantor for the remainder of the mortgage principal and accrued interest receivable and has recorded a full provision against the remaining amounts outstanding as of February 28, 2023. In the prior year, a second foreclosed property was sold to an arm’s length third party with a corresponding gain of \$65,099 recognized, partially recovering the realized loss on mortgage loan investments recognized upon acquisition of the asset.

In the year ended February 28, 2023, the Fund realized a net loss related to two (2022 – three) foreclosed properties, including a gain on an upward purchase price adjustment of \$34,905 (2022 – \$99,587), a loss from operating costs related to properties held under foreclosure of \$47,665 (2022 – \$105,264), and income on settlement of guarantees of \$nil (2022 – \$305,000).

Realized loan losses on the mortgage portfolio have been negligible since the origination of the Fund. Since inception, the Fund has recognized principal and interest losses of less than 0.10% of total mortgage loan principal advanced.

PROPERTIES HELD UNDER FORECLOSURES

At the end of the current year, the Fund continues to hold one property under foreclosure. On December 4, 2020, the Fund obtained title to commercial lands located in Fort McMurray, Alberta via a settlement. As at February 28, 2023, this asset is recorded on the balance sheet at \$184,545 (2022 – \$184,545). This amount is equal to the lesser of the carrying amount of the mortgage loan investment and accrued interest, and the settlement amount at the date of transfer, further adjusted for capital expenditures and cost recoveries. The Fund intends to sell the property held under foreclosure to an arm’s length third party and is actively marketing the property for sale.

EARNINGS + DISTRIBUTIONS

During the year ended February 28, 2023, the Fund generated net income and comprehensive income of \$11,478,367 (2022 – \$7,970,841), representing basic and diluted earnings per share of \$0.82 (2022 – \$0.71).

The Fund declared distributions of \$11,478,367 (2022 – \$7,966,589) for the year ended February 28, 2023. Declared distributions are either paid in cash to preferred shareholders, or automatically reinvested into additional preferred shares of the same class (as directed by each shareholder under the DRIP). The Fund intends to pay dividends to holders of Class A and Class B preferred shares monthly, on or about the 15th day following the end of each month. The Fund has not missed a dividend payment since inception in 2009, demonstrating the Fund’s resiliency and ability to maintain steady income, which is fundamental to the investment proposition.

REVENUES

During the year ended February 28, 2023, the Fund earned interest and fees revenue of \$17,859,057 (2022 – \$11,967,698), up 49% from the prior year. The increase in revenue in fiscal 2023 was primarily driven by the growth in the mortgage loan portfolio. Additionally, the higher weighted average interest rate, positively impacted by the 425 basis point increase in the Bank of Canada prime rate during the current year, further contributed to the increase in interest revenue.

OPERATING EXPENSES

Excluding the provision for non-collectible mortgage loan investments as well as expenses included in other income and loss, operating expenses increased by \$1,781,181 year over year to \$5,867,930 (2022 – \$4,086,749). Operating expenses represent 33% of revenue (2022 – 34%). The year over year increase in operating expenses is primarily due to:

- Increase in interest on loans payable of 219%, or \$1,345,221, to \$1,960,496 (2022 – \$615,275). This increase can be mainly attributed to the higher average credit facilities utilization during the current year, amounting to \$24,972,532, compared to \$16,218,812 in the prior year. The higher weighted average cost of borrowing in fiscal 2023, resulting from the increases in the Bank of Canada prime rate, further contributed to the increase in interest on loans payable.
- Increase in service fees of 28%, or \$315,278, to \$1,457,457 (2022 – \$1,142,179). The increase in service fees is directly correlated to the increase in the Class A and B preferred share balance of 43%, or \$51,796,143, from the prior year. A service fee of 1.00% per annum of the subscription proceeds received by the Fund for Class A and B preferred shares is paid to the registered dealer that introduced the Fund to the purchasers of these securities.
- Increase in management fees of 4%, or \$80,764, to \$1,949,342 (2022 – \$1,868,578). The increase is mainly due to the growth of the Fund over the previous year, as a component of the management fee is calculated as a percentage of the Fund’s weighted average assets. However, this increase is partially offset by a decrease in the management fee component based on the performance of the Fund relative to a target yield. While the Fund’s performance improved year over year, the target yield also increased, causing the spread between performance and target yield to narrow resulting in a lower management fee.

LIQUIDITY + CAPITAL RESOURCES

The primary purpose of the Fund’s credit facilities is to support ongoing operations and bridge the timing difference between cash flows in the interest of maintaining efficient capital deployment through new capital raises, redemptions, borrower repayments, and new mortgage investments, as applicable.

As at February 28, 2023, the Fund had access to a \$65,000,000 (2022 – \$40,000,000) revolving line of credit from a Canadian financial institution (the “Bank Facility”) and a \$10,000,000 (2022 – \$10,000,000) credit facility in subordinate position to the Bank Facility from arm’s length third party lenders (the “Private Facility”). As at February 28, 2023, the Fund had drawn \$46,066,381 (2022 – \$24,508,376) on the Bank Facility and \$6,400,000 (2022 – \$3,600,000) on the Private Facility. With \$22,533,619 available on these credit facilities as at February 28, 2023, the Fund continues to be in a strong liquidity position entering fiscal 2024.

During the current year, the Fund entered into amendments to its Bank Facility credit agreement in order to, among other things, reduce the applicable margin rate and increase its available borrowing limit from \$40,000,000 to \$65,000,000. The available borrowing amount is contingent upon the value of the borrowing base, which is determined based on the book value of the mortgage portfolio and eligible mortgage loan investments as defined within the credit facility agreement. As at February 28, 2023, the borrowing base under the Bank Facility was \$65,000,000 (2022 – \$30,000,000). Amounts borrowed under the Bank Facility are due on demand and bear interest at a variable rate per annum of 0.75% (2022 – 1.00%) above the bank’s prime interest rate.

During the current year, the Fund also entered into an amendment to the Private Facility credit agreement to reduce the applicable margin rate and extend the maturity date. Amounts borrowed under the Private Facility mature on November 30, 2023 and bear interest at a variable rate per annum of 2.00% (2022 – 2.55%) above the bank’s prime interest rate.

Pursuant to the terms of the credit facility agreements, the Fund is required to meet certain financial covenants, including a maximum total debt to tangible net worth ratio not to exceed 0.75:1.0 (2022 – 0.50:1.0) and a minimum debt service coverage ratio not to be less than 3.5:1.0 (2022 – 5.0:1.0). Throughout fiscal 2023, the Fund was in compliance with all covenants relating to the loan agreements.

Growth in the Fund’s mortgage portfolio has been financed by the issuance of Class A and Class B preferred shares and through the amended credit facilities. The additional leverage added to the Fund during fiscal 2023 improves yield, strengthens the balance sheet, and provides increased liquidity for continued growth in the mortgage portfolio. The Manager expects to be able to generate sufficient funds for future growth in mortgage loan investments by utilizing these sources of funds. As at February 28, 2023, amounts borrowed on the credit facilities was 23% of the Fund’s total assets. The Fund’s borrowing limit policy requires that total borrowed funds for its investments not exceed 30% of total assets.

Recent developments + outlook

The Fund has successfully achieved its intended goals of capital preservation and providing consistent income to holders of preferred shares during the current year. Fiscal 2023 was marked with significant growth, and as we look forward to fiscal 2024, the Manager is encouraged by the strength of the portfolio and the presence of a robust deal flow pipeline. There is an optimistic outlook for the Fund, with expectations of a steady stream of attractive mortgage opportunities and further expansion of the portfolio. The Manager is confident in the Fund's ability to sustain its positive trajectory and anticipates further growth in the coming year.

While economic uncertainty remains with respect to the impacts of inflation and higher interest rates on borrowers, the Fund remains focused on closely monitoring mortgage loan investments. The Fund's strategy of maintaining short terms to maturity and investing in mortgages with meaningful equity buffers is expected to result in continued low volatility of Fund results and has placed the Fund in a strong position entering fiscal 2024. According to the prevailing view, the Bank of Canada's series of interest rate increases throughout 2022 and into early 2023, which were implemented in response to inflation, is nearing its end. This is expected to create favorable conditions for increased real estate transactions. As interest rates stabilize, the Manager anticipates the Fund's weighted average rate to borrowers in fiscal 2024 will remain relatively consistent with the rate at the end of the current year. The Fund will remain agile in responding to potential market changes and will continue to closely monitor economic developments to ensure prudent management of its mortgage loan investments.

The Fund's outlook is centered on the sustainable growth of the mortgage investment portfolio to drive value for stakeholders. This growth strategy is expected to provide access to top-tier borrowers and high-quality assets, while also enabling the Fund to hold larger positions in any single mortgage in the interest of deploying capital efficiently. Expanding the size of the portfolio is expected to provide opportunities to further diversify the portfolio across borrowers, asset classes, as well as geographic locations. The Manager aims to expand its presence in Ontario and British Columbia as tightening liquidity in these regions presents a potential opportunity for the Fund to deploy capital. The growth of the portfolio will not only diversify the Fund's investments, but is also expected to attract more investors and strengthen relationships with industry partners such as financial institutions and developers. This can lead to improved access to capital, enhanced deal flow and other strategic advantages. Ultimately, the Fund's growth is aimed to strengthen the mortgage loan investment portfolio, enhance overall stability, and allow the Fund to continue to deliver compelling returns to investors.

As the Fund continues to grow, the Manager is committed to upholding thorough and disciplined underwriting standards that align with the prevailing market conditions and will remain highly selective in allocating the Fund's available capital to mortgage opportunities, with an emphasis on borrowers and projects that provide meaningful capital protection. Maintaining robust risk management practices and active portfolio management will continue to be of paramount importance. Although the Fund has the capacity and desire to expand, growth will be pursued in a prudent manner, with a focus on seizing the right risk-reward opportunities as they arise.

The Manager recognizes several critical pillars that have contributed to the Fund's success and stability. These include the professional rigour of the Fund's mortgage platform, the expertise and depth of the team of real estate and finance professionals, the Fund's positive reputation in the mortgage market, the commitment to high service levels for both investors and borrowers, and the disciplined application of an investment approach designed to generate stable returns across all real estate cycles. The Manager is confident these strengths will continue producing the stable and secure returns investors have come to associate with the Fund.



Independent Board of Directors + Independent Lending Review Committee

Strong corporate governance is foundational to the Fund’s success in delivering on its dual mandate of preserving investor capital and generating monthly income. With a Board of Directors and Lending Review Committee (or “LRC”) comprised of five independent members, the Fund and its investors benefit from a decision-making process marked by professional rigour, and which balances independent oversight with the expertise of internal parties. The Fund continues to utilize the extensive real estate experience the independent members have gained as prominent members of the Alberta business community across multiple economic cycles.

On June 22, 2022, Tina Naqvi-Rota was appointed to the Fund’s Board of Directors and its Lending Review Committee. Ms. Naqvi-Rota deals at arm’s length with the Manager and accordingly is an independent member. Ms. Naqvi-Rota brings extensive real estate experience across multiple economic cycles through her positions at an Alberta-based real estate company focused on the development and management of commercial, residential, and multifamily projects.

Effective December 16, 2022, Paul Allard retired from the Board of Directors and Lending Review Committee, positions which he held for the past nine years. The Fund, Manager, and Board of Directors express their gratitude to Mr. Allard for his substantial contributions, dedication, and valuable insights in the real estate industry during his tenure. Darlene Scott was appointed the chair of the Board, replacing Mr. Allard, effective December 16, 2022.

Related party transactions

Transactions with related parties are completed 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.

FUND’S MANAGER

The Manager is related to the Fund because Aleem Virani and Shafin Kanji are officers, and the beneficial owners of voting shares of both KV Capital Inc. and the Fund. In addition, Aleem Virani, Shafin Kanji, and Curtis Power (an officer of the Fund) are each a director of KV Capital Inc., while Aleem Virani and Shafin Kanji are also directors of the Fund. In addition, Nicholas Jeanes and Renee Kent are officers of the Fund and KV Capital Inc.

The Manager is responsible for the day-to-day operations of the Fund, including administration of the Fund’s mortgage loan investments. In respect of these services, the Fund pays to the Manager a management fee (see discussion in “Management and Service Fees” for a summary of the services provided by the Manager). The management fee is calculated as the sum of (i) 1.00% of the Fund’s weighted average assets per year (calculated and paid monthly) (the “Base Fee”), plus (ii) 20% of any portion of the Fund’s net income that exceeds the level of net income required to provide the Fund with an internal rate of return equal to the Target Return (annualized calculation subject to a cumulative annual adjustment on the Fund’s fiscal year-end) (the “Performance Fee”). The Fund’s Target Return is established as the 2-year Government of Canada benchmark bond yield (series VI22538) plus 450 basis points. For the year ended February 28, 2023, the Fund incurred a Base Fee and a Performance Fee of \$1,749,683 and \$199,659, respectively (February 28, 2022 – \$1,312,010 and \$556,568).

The Manager is required to reimburse the Fund for any unrecovered principal on an investment for up to two times the associated fees that the Manager received from the borrower in arranging the Fund’s investment in the mortgage. For the year ended February 28, 2023, the Fund did not receive a reimbursement of from the Manager for unrecovered principal (2022 – \$70,172).

Service fees equal to 1% per annum of the paid-up capital for outstanding preferred shares are paid by the Fund as compensation for capital raised. During the current year, the Fund incurred \$973,599 (2022 – \$779,992) in service fees to the Manager and \$483,898 (2022 – 362,187) in service fees to third party registered dealers.

OTHER RELATED PARTY TRANSACTIONS

As at February 28, 2023, the Fund was co-invested as a syndicate with one (2022 – two) related party in four separate mortgage loan investments (2022 – three). At year end, the Fund’s share in the mortgage loan investments totaled \$15,637,231 (2022 – \$7,023,678).

In respect of the services provided by the Fund’s independent members of the Board of Directors and Lending Review Committee during the current year, the Fund incurred \$973,599 (2022 – \$85,000) and \$58,400 (2022 – \$68,000), respectively, in remuneration expenses.

Related parties hold investments in preferred shares of the Fund as follows:

As at	February 28, 2023	February 29, 2022
Class A preferred shares		
Key management of Manager and related parties	\$ 3,853,064	\$ 1,532,685
Independent directors and LRC members	329,469	702,540
Class B preferred shares		
Key management of Manager and related parties	377,589	285,007
Total shares held by related parties	\$ 4,560,122	\$ 2,520,232



Management + service fees.

The Manager is responsible for the Fund's day-to-day operations, including administration of the Fund's mortgage loan investments. The Manager monitors and evaluates the Fund's performance, pays for the investment advice provided by the Fund's portfolio manager and provides certain administrative services required by the Fund including record keeping and reporting.

In respect of these services, the Fund pays to the Manager a management fee calculated as: (i) On a monthly basis, 0.083% of the total assets of the Fund (the "Base Fee"); and (ii) On an annual basis, 20% of any portion of the Fund's net income that exceeds the level of net income required to provide the Fund with an internal rate of return ("IRR") equal to the average of the 2 year Government of Canada benchmark bond yield (series V122538), plus 450 basis points (the "Performance Fee").

Further, in the event all of the real estate security of an investment has been monetized and the nominal aggregate cash flows of such investment to the Fund are negative, the Manager will pay to the Fund a reimbursement (the "Reimbursement") that is calculated as the lesser of: i) the amount required to bring the Fund's nominal aggregate cash flows of such investment to zero; and ii) two times that portion of the associated fees paid to the Manager by the applicable borrower in respect of such investment by the Fund. Any amounts recovered from an investment on which the Fund has received payment of a Reimbursement will first be paid to the Fund until such time as its nominal aggregate cash flows, calculated inclusive of the Reimbursement, are zero, then paid to the Manager in an amount equal to the Reimbursement, with any residual amounts paid to the Fund.

Class A preferred shares pay each registered dealer that introduced the Fund to purchasers of these securities a fee equal to 1.00% per annum of the subscription proceeds received by the Fund that are attributable to the efforts of these distributors (the "Class A Service Fees"). The Class A Service Fees are calculated and paid at the end of each fiscal quarter.

Class B preferred shares pay the Manager a service fee equal to 1.00% per annum of the subscription proceeds received by the Fund from all outstanding Class B preferred shares (the "Class B Service Fees"). The Class B Service Fees are calculated and paid at the end of each fiscal quarter. The Manager pays commissions and fees equal to 5.00% of the subscription proceeds to registered dealers for Class B preferred share sales that are attributable to their efforts. After 5 years from the date of such Class B preferred share sales, the Manager will also pay a 1.00% annual trailing fee, calculated and paid at the end of each fiscal quarter, to registered dealers that are attributable to the efforts of these distributors.

In addition to the management fees disclosed above, the Fund is responsible to pay for all expenses incurred by it in connection with the operation and management of its business.

Fund financial summary + highlights.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to provide additional metrics and additional information on the Fund's financial performance for the past five fiscal years, as applicable. This information is derived from the Fund's audited annual consolidated financial statements.

For the fiscal year ended the last day of February:

	2023	2022	2021	2020	2019
Class A and B preferred share					
Per share equity, beginning of period	\$ 10.00	\$ 10.00	\$ 9.86	\$ 10.00	\$ 10.00
Increase (decrease) from operations:					
Total income	1.28	1.16	1.13	1.18	1.40
Total expenses	(0.46)	(0.45)	(0.40)	(0.60)	(0.66)
Basic and diluted profit per share:	0.82	0.71	0.73	0.58	0.74
Total Distributions for the period	(0.82)	(0.71)	(0.58)	(0.72)	(0.74)
Per share equity, end of period	\$ 10.00	\$ 10.00	\$ 10.00	\$ 9.86	\$ 10.00
Class A preferred share					
Total share equity ¹	\$ 149,329,704	\$ 100,998,019	\$ 85,071,066	\$ 79,625,342	\$ 65,154,347
Number of shares outstanding ¹	14,932,970	10,099,802	8,507,107	7,962,534	6,515,435
Class B preferred share					
Total share equity ¹	\$ 23,000,652	\$ 19,536,194	\$ 20,294,874	\$ 21,242,400	\$ 22,657,847
Number of shares outstanding ¹	2,300,065	1,953,619	2,029,487	2,124,240	2,265,785
Ratios and supplemental data:					
Portfolio turnover rate ²	0.82	1.05	0.97	1.00	0.99
Payout ratio ³	100.00%	99.95%	82.99%	122.37%	99.82%
Redemption price	\$ 10.00	\$ 10.00	\$ 10.00	\$ 9.86	\$ 10.00

¹ This information is at the period end of the year shown.

² The Fund's portfolio turnover rate is calculated according to the following formula:

[mortgage loan principal repayments received] / [daily weighted average size of the mortgage portfolio]
The portfolio turnover rate indicates how quickly the portfolio's mortgage principal is being repaid.

A portfolio turnover rate of 1.00 is equivalent to the Fund receiving repayments of all mortgage investments once in the course of the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

³ Payout ratio is calculated according to the following formula:

[dividends declared to holders of all classes of preferred shares] / [net income and comprehensive income attributable to all classes of preferred shares]

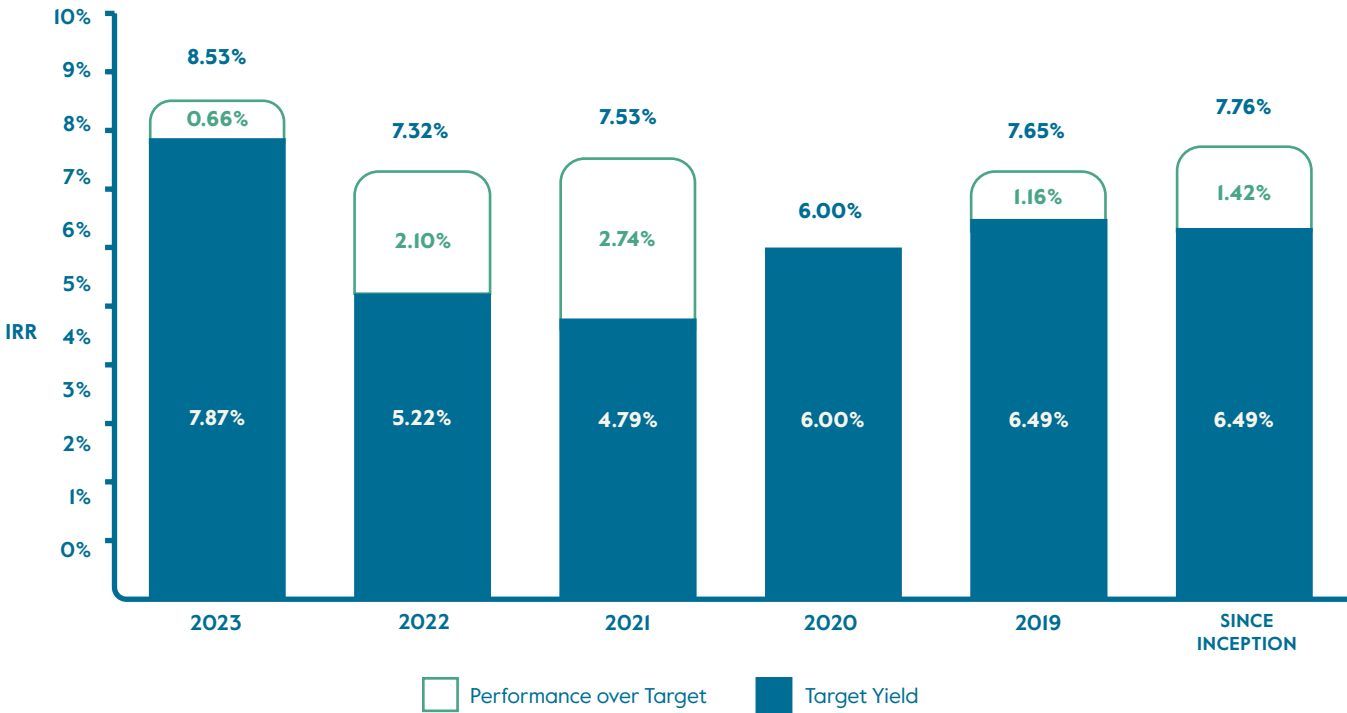
Past performance

Transactions with related parties are completed 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.

YEAR-BY-YEAR RETURNS + TARGET YIELD

The following chart documents the Fund's performance for the period shown as an internal rate of return ("IRR") against the Fund's target yield and illustrates how the Fund's performance changed from year to year.

In percentage terms, the total of each column shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period assuming that all distributions made by the Fund in the period shown were reinvested in additional securities of the Fund. The chart further documents the composition of each period's return between the target yield and the actual return.

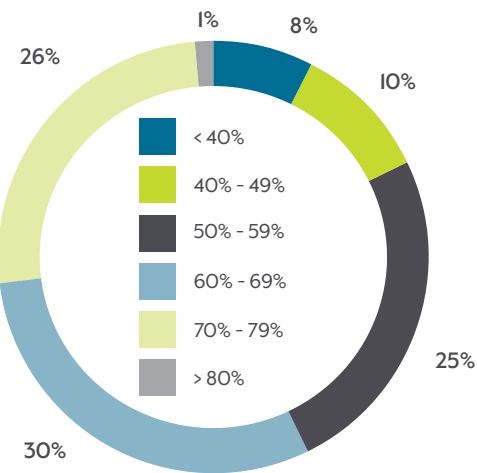


Class A and Class B preferred shares participate equally in the earnings and distributions of the Fund.

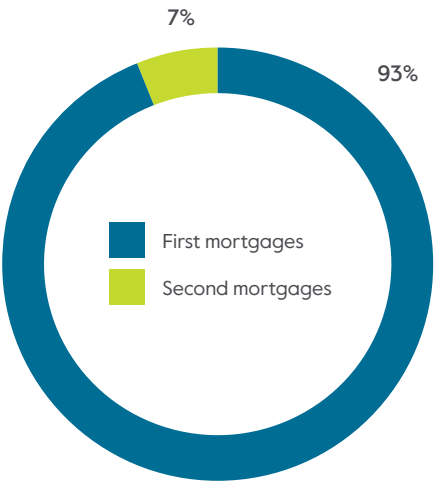
The Fund's target yield is a proxy that was established at the Fund's outset for the expected market rate of return on an investment with a similar risk profile to that of the Fund.

Asset allocations.

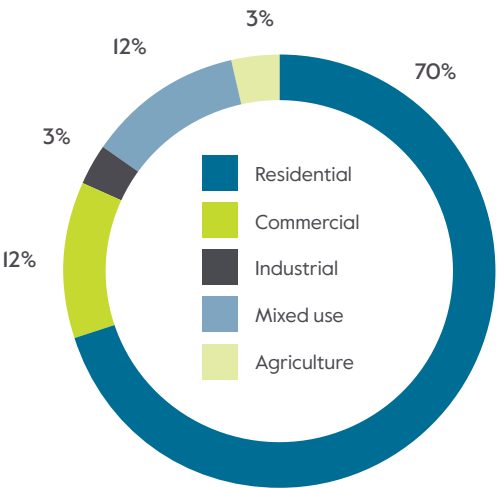
LOAN TO VALUE



MORTGAGE POSITION



ZONING



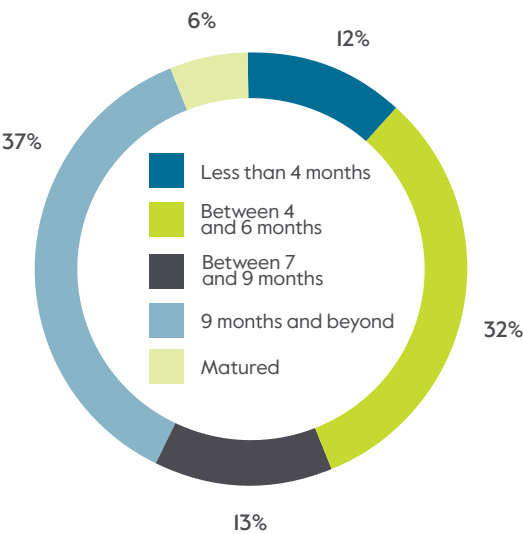
PROJECT PHASE



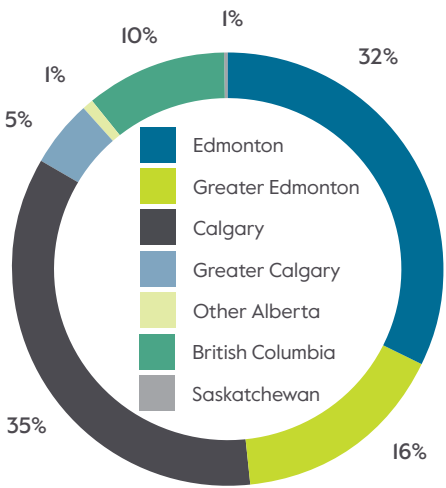
STATUS



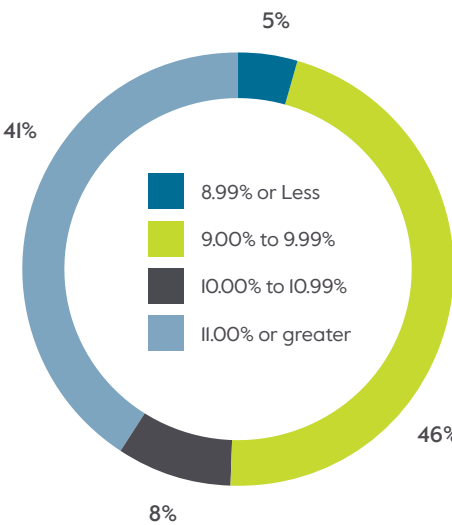
MATURITY



REGION



INTEREST RATE



Summary of investment portfolio.

DESCRIPTION OF PROJECT ¹	PROJECT PHASE ²	STATUS ³	ZONING ¹	REGION ⁴	INVESTED PRINCIPAL ⁵	LOAN TO VALUE ⁶	TERM ⁷ (MONTHS)	INTEREST RATE	MORTGAGE POSITION	% OF TOTAL ASSETS
Single Family Construction	Construction	Current	Residential	Calgary	\$ 20,309,779	64%	7	9.25%	1st	8.96%
Duplex/Townhouse Construction	Land	Foreclosure	Residential	Edmonton	\$ 2,499,337	109%	Matured	14.00%	1st	1.10%
Single Family Construction	Land	Current	Residential	Edmonton	\$ 372,398	60%	2	11.00%	1st	0.16%
Single Family Construction	Land	Current	Residential	Edmonton	\$ 150,000	73%	8	10.00%	1st	0.07%
Single Family Construction	Construction	Current	Residential	Other Alberta	\$ 362,436	67%	3	11.75%	1st	0.16%
Land Purchase/Refinance	Land	Current	Residential	Edmonton	\$ 268,744	33%	11	11.25%	1st	0.12%
Single Family Construction	Construction	Foreclosure	Residential	Saskatchewan	\$ 182,210	101%	3	13.00%	1st	0.08%
Land Purchase/Refinance	Land	Current	Industrial	Greater Edmonton	\$ 3,400,000	37%	4	11.75%	1st	1.50%
Single Family Construction	Land	Current	Residential	Calgary	\$ 267,073	64%	7	9.25%	1st	0.12%
Single Family Construction	Land	Current	Residential	Calgary	\$ 1,826,444	57%	1	9.25%	1st	0.81%
Duplex/Townhouse Construction	Construction	Current	Residential	Edmonton	\$ 1,186,024	29%	2	11.25%	1st	0.52%
Single Family Construction	Land	Current	Residential	Edmonton	\$ 312,000	66%	2	11.75%	1st	0.14%
Duplex/Townhouse Construction	Construction	Current	Residential	Greater Edmonton	\$ 2,634,364	47%	7	10.75%	1st	1.16%
Single Family Construction	Construction	Current	Residential	Greater Calgary	\$ 3,652,959	64%	4	10.95%	1st	1.61%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Commercial	Greater Edmonton	\$ 1,093,556	70%	Matured	14.25%	2nd	0.48%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Mixed Use	Edmonton	\$ 498,750	75%	18	11.51%	2nd	0.22%
Commercial Purchase/Refinance (office/retail)	Complete	Arrears	Mixed Use	Greater Calgary	\$ 3,255,036	45%	Matured	13.35%	1st	1.44%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Commercial	Edmonton	\$ 4,195,870	69%	Matured	14.00%	1st	1.85%
Duplex/Townhouse Construction	Construction	Current	Residential	Edmonton	\$ 2,124,587	75%	23	13.25%	2nd	0.94%
Multi-Family Construction (apartment)	Construction	Current	Mixed Use	Edmonton	\$ 5,511,616	41%	5	12.75%	1st	2.43%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Commercial	Edmonton	\$ 7,282,857	68%	1	9.75%	1st	3.21%
Duplex/Townhouse Construction	Construction	Current	Residential	Edmonton	\$ 1,540,695	47%	2	11.50%	1st	0.68%
Duplex/Townhouse Construction	Construction	Current	Residential	British Columbia	\$ 5,256,677	41%	5	11.75%	1st	2.32%
Land Purchase/Refinance	Land	Current	Residential	British Columbia	\$ 4,500,000	16%	5	13.90%	1st	1.98%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Commercial	Greater Edmonton	\$ 354,000	60%	6	11.00%	1st	0.16%
Duplex/Townhouse Construction	Construction	Current	Residential	British Columbia	\$ 1,354,580	51%	1	11.20%	1st	0.60%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Commercial	Calgary	\$ 1,150,000	73%	1	13.25%	2nd	0.51%
Multi-Family Construction (apartment)	Complete	Current	Residential	Calgary	\$ 13,800,000	73%	4	9.75%	1st	6.09%
Single Family Construction	Construction	Current	Residential	Greater Calgary	\$ 2,380,683	59%	7	9.95%	1st	1.05%
Single Family Construction	Construction	Current	Residential	Calgary	\$ 3,726,395	63%	8	11.25%	1st	1.64%
Duplex/Townhouse Construction	Land	Current	Residential	British Columbia	\$ 1,510,587	75%	2	14.25%	1st	0.67%
Single Family Construction	Construction	Current	Residential	Calgary	\$ 893,257	60%	9	12.00%	1st	0.39%

DESCRIPTION OF PROJECT ¹	PROJECT PHASE ²	STATUS ³	ZONING ¹	REGION ⁴	INVESTED ⁵ PRINCIPAL	LOAN TO ⁶ VALUE	TERM ⁷ (MONTHS)	INTEREST RATE	MORTGAGE POSITION	% OF TOTAL ASSETS
Land Purchase/Refinance	Land	Current	Commercial	Edmonton	\$ 1,950,000	78%	3	12.20%	1st	0.86%
Commercial Purchase/Refinance (office/retail)	Complete	Current	Commercial	Edmonton	\$ 1,200,000	73%	4	10.75%	1st	0.53%
Industrial Purchase/Refinance	Complete	Current	Industrial	Edmonton	\$ 2,200,000	79%	10	11.20%	1st	0.97%
Duplex/Townhouse Construction	Construction	Current	Residential	Edmonton	\$ 1,878,517	64%	4	12.20%	1st	0.83%
Land Purchase/Refinance	Land	Current	Residential	Calgary	\$ 950,000	50%	1	9.25%	1st	0.42%
Single Family Construction	Construction	Current	Residential	Calgary	\$ 849,970	63%	10	11.75%	1st	0.37%
Industrial Purchase/Refinance	Complete	Current	Industrial	Edmonton	\$ 1,320,800	60%	4	11.00%	1st	0.58%
Land Purchase/Refinance	Land	Arrears	Residential	Calgary	\$ 1,100,000	44%	5	11.20%	1st	0.49%
Land Purchase/Refinance	Land	Current	Commercial	Calgary	\$ 1,100,000	59%	6	11.20%	1st	0.49%
Single Family Construction	Construction	Current	Residential	British Columbia	\$ 1,629,645	73%	6	12.20%	1st	0.72%
Multi-Family Purchase/Refinance	Complete	Current	Residential	Edmonton	\$ 2,254,500	55%	Matured	11.00%	1st	0.99%
Land Purchase/Refinance	Land	Current	Agriculture	Edmonton	\$ 7,825,000	58%	12	9.50%	1st	3.45%
Duplex/Townhouse Construction	Complete	Current	Residential	Calgary	\$ 267,473	32%	1	12.00%	1st	0.12%
Duplex/Townhouse Construction	Land	Current	Residential	Edmonton	\$ 530,408	72%	1	11.20%	1st	0.23%
Duplex/Townhouse Construction	Construction	Current	Residential	Calgary	\$ 4,200,000	47%	2	11.50%	1st	1.85%
Multi-Family Construction (apartment)	Construction	Current	Mixed Use	Edmonton	\$ 6,720,000	72%	14	12.95%	2nd	2.96%
Duplex/Townhouse Construction	Land	Current	Residential	British Columbia	\$ 1,575,000	57%	2	12.30%	1st	0.69%
Duplex/Townhouse Construction	Land	Current	Residential	Calgary	\$ 660,000	65%	3	12.25%	1st	0.29%
Single Family Construction	Land	Current	Residential	Saskatchewan	\$ 387,734	65%	3	12.25%	1st	0.17%
Land Purchase/Refinance	Land	Current	Residential	British Columbia	\$ 112,619	46%	4	12.25%	1st	0.05%
Land Purchase/Refinance	Land	Current	Residential	British Columbia	\$ 1,376,000	65%	4	11.95%	1st	0.61%
Single Family Construction	Complete	Current	Residential	Greater Edmonton	\$ 2,176,775	69%	4	11.20%	1st	0.96%
Residential Purchase/Refinance	Complete	Current	Residential	Edmonton	\$ 450,000	73%	4	9.00%	1st	0.20%
Residential Purchase/Refinance	Complete	Current	Residential	Greater Edmonton	\$ 750,000	80%	4	13.00%	2nd	0.33%
Land Purchase/Refinance	Land	Current	Mixed Use	Greater Edmonton	\$ 10,400,000	69%	4	8.95%	1st	4.59%
Commercial Construction (office/retail)	Construction	Current	Commercial	Calgary	\$ 1,236,007	68%	13	14.50%	2nd	0.55%
Residential Purchase/Refinance	Complete	Current	Residential	British Columbia	\$ 1,814,953	75%	5	9.50%	1st	0.80%
Land Purchase/Refinance	Land	Current	Commercial	Edmonton	\$ 4,000,000	29%	5	10.00%	1st	1.76%
Commercial Purchase/Refinance (hotel)	Complete	Current	Commercial	Other Alberta	\$ 684,000	62%	6	13.00%	1st	0.30%
Land Purchase/Refinance	Land	Current	Residential	British Columbia	\$ 1,807,423	52%	6	9.95%	1st	0.80%
Land Purchase/Refinance	Land	Current	Residential	Edmonton	\$ 387,000	69%	6	10.95%	1st	0.17%
Single Family Construction	Land	Current	Residential	Edmonton	\$ 2,378,650	65%	6	12.20%	1st	1.05%
Residential Purchase/Refinance	Complete	Current	Residential	Edmonton	\$ 675,000	80%	8	10.75%	1st	0.30%
Single Family Construction	Land	Current	Residential	Greater Edmonton	\$ 294,288	65%	8	12.00%	1st	0.13%
Single Family Construction	Complete	Current	Residential	Edmonton	\$ 6,419,082	59%	9	11.20%	1st	2.83%
Single Family Construction	Complete	Current	Residential	Edmonton	\$ 3,560,129	74%	21	9.70%	1st	1.57%
Residential Purchase/Refinance	Complete	Current	Residential	Edmonton	\$ 1,500,000	75%	10	12.20%	2nd	0.66%
Land Purchase/Refinance	Land	Current	Residential	Calgary	\$ 2,000,000	65%	10	10.70%	1st	0.88%
Multi-Family Purchase/Refinance	Complete	Current	Residential	Calgary	\$ 25,000,000	55%	22	9.70%	1st	11.03%
Land Purchase/Refinance	Land	Current	Residential	Calgary	\$ 300,000	79%	11	12.70%	2nd	0.13%
Land Purchase/Refinance	Land	Current	Residential	Other Alberta	\$ 1,000,000	37%	12	12.25%	1st	0.44%
Residential Purchase/Refinance	Complete	Current	Residential	Greater Edmonton	\$ 15,850,000	74%	12	9.95%	1st	6.99%

DESCRIPTION OF PROJECT ¹	PROJECT PHASE ²	STATUS ³	ZONING ¹	REGION ⁴	INVESTED ⁵ PRINCIPAL	LOAN TO ⁶ VALUE	TERM ⁷ (MONTHS)	INTEREST RATE	MORTGAGE POSITION	% OF TOTAL ASSETS
Single Family Construction	Construction	Current	Residential	Edmonton	\$ 2,043,154	57%	12	10.20%	1st	0.90%
Commercial Purchase/Refinance (hotel)	Complete	Current	Commercial	British Columbia	\$ 2,600,000	37%	12	10.35%	1st	1.15%
Land Purchase/Refinance	Land	Current	Residential	Greater Calgary	\$ 1,931,052	54%	4	9.95%	1st	0.85%



	LOAN TO ⁶ VALUE	TERM ⁷ (MONTHS)	INTEREST RATE
Weighted Averages	61%	8.26	10.77%

Totals	\$ 227,198,094	100.21%
Plus: Accrued interest receivable	\$ 2,055,334	0.91%
Provision for non-collectible mortgage loan investments	\$ (2,918,889)	-1.29%
Mortgage loan investments	\$ 226,334,539	99.83%
Other net assets	\$ 383,064	0.17%
Total assets	\$ 226,717,603	100.00%

¹Excludes collateral real-estate security.

²Current project phase of the primary real estate security as at February 28, 2023.

³Mortgages are classified as “current” at February 28, 2023 when interest payments are not more than 1 calendar month overdue as at February 28, 2023. Mortgages are classified in “arrears” when interest payments are more than 1 calendar month overdue as at February 28, 2023. Mortgages are classified as “foreclosure” at February 28, 2023 when a demand for repayment is outstanding as at February 28, 2023.

⁴“Greater” denotes a location within 50km of the center of the referenced municipality.

⁵Invested principal represents the amount invested by the Fund in a mortgage. If syndicated, the actual amounts advanced under the mortgage may exceed the Fund’s investment.

⁶Loan to value is calculated according to the following formula as applicable: (a) for non-construction mortgage loans: [NCP+OC] / [“as is value” of the real property as determined by a third party]; OR (b) for construction mortgage loans: [CP+OC+CTC] / [“as complete” value of the real property as determined by a third party]. Where (i) NCP = principal outstanding under a non-construction mortgage or bridge financing loan, and in the case of a second mortgage includes the principal outstanding on the first mortgage, (ii) OC = other charges, including interest arrears and other priority financial encumbrances (ex. property taxes), (iii) CP = principal outstanding under a construction mortgage or bridge financing loan, and in the case of a second mortgage includes principal outstanding on the associated first mortgage; and (iv) CTC = cost to complete the construction project.

⁷ Number of months remaining at February 28, 2023 until the contractual maturity date of the mortgage.

Consolidated financial statements



Management's responsibility.

The accompanying consolidated financial statements for KV Mortgage Fund Inc. (the "Fund") are the responsibility of management and have been approved by the Board of Directors. In management's opinion, these consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards.

Management is responsible for ensuring that these consolidated financial statements, which include amounts based on estimates and judgments, are complete and reliable in all material respects. These consolidated financial statements reflect all information available to May 2, 2023.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The integrity and reliability of the Fund's reporting systems are achieved through the use of policies and procedures, and the appropriate delegation of authority and division of responsibilities. Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

The independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors' report outlines the nature of their examination, and their opinion on the Fund's consolidated financial statements.

The directors of the Fund are responsible for review and final approval of the consolidated financial statements, and for ensuring that management fulfills its responsibilities for financial reporting and internal controls.

ORIGINAL SIGNED BY:



Aleem Virani | CPA, CA, CBV, ICDD
CHIEF EXECUTIVE OFFICER



Renee Kent | CPA, CA
CHIEF FINANCIAL OFFICER

MAY 2, 2023



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KV Mortgage Fund Inc.



OPINION

We have audited the consolidated financial statements of KV Mortgage Fund Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at February 28, 2023 and February 28, 2022
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at February 28, 2023 and February 28, 2022, and its consolidated financial performance and its consolidated cash flows for the years 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.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled “Annual Report”.

Our opinion on the financial statements does not cover the other information and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled “Annual Report” is expected to be made available to us after the date of this auditor’s report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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.
- 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.


Consolidated statements of financial position


As at February 28, 2023 and February 28, 2022

		February 28, 2023	February 28, 2022
Assets			
Cash and cash equivalents		\$ -	\$ 36,956
Other assets	Note 5	198,519	150,724
Mortgage loan investments	Note 6	226,334,539	150,078,702
Properties held under foreclosure	Note 7	184,545	184,545
Total assets		\$226,717,603	\$ 150,450,927
Liabilities and equity			
Loans payable	Note 8	\$ 52,466,381	\$ 28,108,376
Due to Manager	Note II (c)	978,731	1,132,208
Accounts payable and accrued liabilities		236,883	174,073
Dividends payable	Note 9 (b)	644,320	441,125
Total liabilities		54,326,315	29,855,782
Shareholders' equity			
Class A preferred shares	Note 9	149,329,704	100,998,019
Class B preferred shares	Note 9	23,000,652	19,536,194
Class A common shares	Note 9	1,000	1,000
Retained earnings		59,932	59,932
Total shareholders' equity		172,391,288	120,595,145
Total liabilities and shareholders' equity		\$ 226,717,603	\$ 150,450,927

See accompanying notes to the consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS:


Darlene Scott
DIRECTOR


Aleem Virani
DIRECTOR

Consolidated statements of income and comprehensive income

As at February 28, 2023 and February 28, 2022

		February 28, 2023	February 28, 2022
Revenue:			
Interest and fees		\$ 17,859,057	\$ 11,967,698
Expenses:			
Interest on loans payable	Note 8	1,960,496	615,275
Management fees	Note II (c)	1,949,342	1,868,578
Service fees	Note II (c)	1,457,457	1,142,179
Provision for non-collectible mortgage loan investments	Note 6 (b)	500,000	986,360
Director and Lending Review Committee fees	Note II (c)	158,150	153,000
Insurance expense		142,503	128,068
Other operating costs		115,284	80,013
Professional fees		84,698	99,636
Total expenses		6,367,930	5,073,109
Other income and loss:			
Gain on disposal of properties held under foreclosure	Note 7 (b)	34,905	806,344
Income on settlement of guarantee	Note 7 (b)	-	305,000
Loss from properties held under foreclosure		(47,665)	(105,264)
Reimbursement by Manager	Note II(c)	-	70,172
Total other income		(12,760)	1,076,252
Net income and comprehensive income		\$ 11,478,367	\$ 7,970,841
Earnings per share - basic and diluted			
Class A and Class B preferred shares	Note IO	\$ 0.82	\$ 0.71

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

As at February 28, 2023 and February 28, 2023

February 28, 2023	Class A preferred shares	Class B preferred shares	Class A common shares	Retained earnings	Total
Shareholders' equity, beginning of year	\$ 100,998,019	\$ 19,536,194	\$ 1,000	\$ 59,932	\$ 120,595,145
Net income and comprehensive income	-	-	-	11,478,367	11,478,367
Dividends to shareholders	-	-	-	(11,478,367)	(11,478,367)
Issuance of shares	46,761,196	3,305,416	-	-	50,066,612
Issuance of shares under share based compensation plan	88,030	-	-	-	88,030
Issuance of shares under dividend reinvestment plan	3,728,700	1,111,437	-	-	4,840,137
Redemption of shares	(2,246,241)	(952,395)	-	-	(3,198,636)
Shareholders' equity, end of year	\$ 149,329,704	\$23,000,652	\$ 1,000	\$ 59,932	\$ 172,391,288

February 28, 2022	Class A preferred shares	Class B preferred shares	Class A common shares	Retained earnings	Total
Shareholders' equity, beginning of year	\$ 85,071,066	\$ 20,294,874	\$ 1,000	\$ 55,680	\$ 105,422,620
Net income and comprehensive income	-	-	-	7,970,841	7,970,841
Dividends to shareholders	-	-	-	(7,966,589)	(7,966,589)
Issuance of shares	15,449,426	698,700	-	-	16,148,126
Issuance of shares under share based compensation plan	78,797	-	-	-	78,797
Issuance of shares under dividend reinvestment plan	2,433,781	881,788	-	-	3,315,569
Transfers in kind	589,214	(589,214)	-	-	-
Redemption of shares	(2,624,265)	(1,749,954)	-	-	(4,374,219)
Shareholders' equity, end of year	\$ 100,998,019	\$ 19,536,194	\$ 1,000	\$ 59,932	\$ 120,595,145

See accompanying notes to the consolidated financial statements.

Consolidated statements of consolidated cash flows

	February 28, 2023	February 28, 2022
Cash provided by (used in):		
Operating activities:		
Net income and comprehensive income	\$ 11,478,367	\$ 7,970,841
Adjustments to determine cash flows relating to operating activities:		
Provision for non-collectible mortgage loan investments	500,000	986,360
Gain on disposal of properties held under foreclosure	(34,905)	(806,344)
Share based compensation	88,030	78,797
Changes in non-cash operating items:		
Accrued interest receivable	(601,423)	541,717
Other assets	(47,795)	981,060
Due to Manager	(153,477)	17,348
Accounts payable and accrued expenses	62,810	(6,501)
Net cash flows from operating activities	11,291,607	9,763,278
Financing activities:		
Proceeds from issuance of Class A preferred shares	46,761,196	15,449,426
Proceeds from issuance of Class B preferred shares	3,305,416	698,700
Redemption of Class A preferred shares	(2,246,241)	(2,624,265)
Redemption of Class B preferred shares	(952,395)	(1,749,954)
Net proceeds from loans payable	24,358,005	21,311,824
Dividends paid to shareholders	(6,435,035)	(4,574,652)
Net cash flows from financing activities	64,790,946	28,511,079
Investing activities:		
Proceeds received from sale of properties held under foreclosure	34,905	7,909,012
Funding of mortgage loan investments	(218,054,449)	(178,439,271)
Payout of mortgage loan investments	141,900,035	132,240,915
Net cash flows used in investing activities	(76,119,509)	(38,289,344)
Decrease in cash and cash equivalents	(36,956)	(14,987)
Cash and cash equivalents, beginning of year	36,956	51,943
Cash and cash equivalents, end of year	\$ -	\$ 36,956
Supplemental cash flow information on non-cash financing activities:		
Class A preferred shares issued under dividend reinvestment plan	Note 9 \$ 3,728,700	\$ 2,433,781
Class B preferred shares issued under dividend reinvestment plan	Note 9 \$ 1,111,437	\$ 881,788
Cash flows from operating activities:		
Interest received	\$ 17,257,634	\$ 13,282,558
Interest paid	\$ 1,932,782	\$ 600,275

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended February 28, 2023 and February 28, 2022

I. Nature of operations:

KV Mortgage Fund Inc. (the "Fund") was incorporated under the laws of the Province of Alberta by articles of incorporation on January 8, 2009. The Fund is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1(6) of the Canada Income Tax Act ("ITA").

The investment objective of the Fund is to provide its preferred shareholders with income generated from a diversified portfolio of high quality mortgage loan investments (also referred to as "mortgages"), balanced by a strong focus on capital preservation.

KV Capital Inc., as manager of the Fund (the "Manager"), is responsible for the day-to-day operations and providing all general management and administrative services of the Fund's mortgage portfolio. The Manager is related to the Fund because of the management arrangement, certain common directors and officers, and certain directors and officers of the Fund and the Manager whom also control voting shares in both entities.

The Fund and Manager are domiciled in Canada, with head offices at Suite 101, 1290 – 91 Street SW, Edmonton, Alberta.

2. Basis of presentation:

a. Statement of compliance:

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are presented in Canadian dollars, which is the Fund's functional currency.

These consolidated financial statements were approved by the Board of Directors on May 2, 2023.

b. Use of judgements and estimates:

The preparation of the Fund's consolidated financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Those estimates and judgements have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than the global market volatility noted below, that the Manager believes will materially affect the methodology utilized in making those estimates and judgements in these consolidated financial statements.

Global financial markets continued to be volatile during the year ended February 28, 2023, in part due to the high levels of regional inflation and rising interest rates. There remains some uncertainty associated with the estimates, judgements and assumptions made by the Manager in the preparation of the consolidated financial statements. Given the economic uncertainty, it is difficult to predict with certainty the impact this will have on the financial results and condition of the Fund, both in the short term and in the long term. Areas of the Fund's business that could potentially be adversely impacted include, but are not limited to, mortgage interest rates, interest revenue, provision for non-collectible mortgage loan investments, and valuation of

properties held under foreclosure. To date, the Fund has not experienced material changes in the collection of interest and repayments of principal, however, there is no certainty this will continue going forward. Given the economic environment, there is inherently more uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements.

The significant judgements and estimates used in determining the recorded amounts for assets and liabilities in the consolidated financial statements relate to:

- i. the measurement of provision for non-collectible mortgage loan investments (Notes 4(a) and 6(b)), in particular: the measurement of credit risk to determine whether there has been a significant increase in credit risk since initial recognition; the assessment of when mortgage loan investments become impaired; and the incorporation of forward-looking information to determine expected credit losses; and
- ii. fair value of financial instruments as the Fund's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities, which includes exercising judgement in determining whether financial instruments are categorized as based on level 1, 2, or 3 inputs (Note 12).

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates are subjective and do not necessarily result in precise determinations of the actual outcome. Should the underlying assumptions change, the estimated value could vary by a material amount. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3. Basis of consolidation:

These consolidated financial statements include the accounts of the Fund and its subsidiaries, KV RE Copperwood Limited Partnership, KV RE Airdrie Limited Partnership, KV RE Swift Limited Partnership and KV RE Prism Limited Partnership. All intercompany transactions and balances are eliminated upon consolidation. Subsidiaries are consolidated from the date on which the Fund obtains control and continue to be consolidated until the date that such control ceases. The Fund controls an entity when it is exposed to, or has the right to, variable returns from the performance of the entity and it has the ability to affect those returns through its control over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Fund, using consistent accounting policies.

4. Significant accounting policies:

The following are significant accounting policies applied by the Fund in the preparation of its consolidated financial statements.

(a) Financial instruments:

Financial assets – initial recognition and measurement

Financial assets are initially recognized when the Fund becomes a party to a contract. On initial recognition, the measurement category is determined based on a combination of the business model under which the asset is held and the instruments' contractual cash flow characteristics.

Upon initial recognition, financial assets are measured as either:

- **Amortized cost** – if the instrument is held within a business model whose objective is to hold assets to collect contractual cash flows and the cash flows represents solely payments of principal and interest;
- **Fair value through profit and loss (“FVTPL”)** – which is the required measurement classification for instruments that are held for trading and derivative assets; or
- **Fair value through other comprehensive income (“FVOCI”)** – which is required for debt instruments held in a dual-purpose business model, to collect contractual cash flows and to sell the instruments and can be irrevocably elected at initial recognition provided they have not been designated as FVTPL and are not held for trading.

The Fund’s cash and cash equivalents, other assets, and mortgage loan investments are measured at amortized cost.

All of the Fund’s mortgage loan investments are held in a single business model; the Fund has concluded that its business model is to hold mortgage loan investments to collect contractual cash flows for the following reasons:

- a. The performance of the mortgage portfolio is assessed on the basis of effective yield, and not on a fair value basis, whether realized or unrealized.
- b. Historically, the Fund has not sold, and in the future has no expectations to sell, any of its mortgage loan investments to generate income. The Fund may decrease its interest in a syndicated mortgage loan investment by selling its interest, at its carrying amount, to another lender in the syndicate, such sales are consistent with the business model of holding mortgage loan investments to collect contractual cash flows.

The returns earned by the Fund on its mortgage loan investments are determined by interest rates that are set at levels to provide an acceptable profit margin based on the time value of money, credit risk, and other lending risks (for example, the location and quality of the underlying collateral). There are no factors that give rise to variation in the return on the Fund’s mortgage loan investments other than the time value of money, credit risk and other lending risks. Interest rates or the credit spread for variable rate mortgages are set for the full term of the loan, which is considered solely payments of principal and interest because the rate is primarily based on the time value of money and credit risk.

Financial liabilities – initial recognition and measurement

Financial liabilities are measured as either:

- **Amortized cost** – which is the default category and is also used for any host contract that is a financial liability; or
- **FVTPL** – which is required for any financial instrument liabilities that are held for trading and for derivative liabilities.

The Fund’s loans payable, due to the Manager, accounts payable and accrued liabilities and dividends payable are measured at amortized cost. These financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

Financial instruments – impairment of assets

The Fund’s mortgage loan investments are assessed for impairment at the end of each reporting period using an expected credit loss (“ECL”) model. The ECL model uses a three-stage impairment approach based on changes in the credit risk of financial assets since initial recognition.

An ECL represents the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The Fund’s application of the concept uses three inputs to measure ECLs for mortgage loan investments: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These inputs are determined, using judgment, at each reporting period using historical data and current conditions. Adjustments may be made to the probability of default if the effects of, for example, forecasts of housing prices, employment and interest rates, are expected to be significantly different over the term of the mortgage. The ECL is assessed individually for each mortgage loan investment classified at each stage. For each mortgage assessed, forecast future information specific to the mortgage (for example, forecasts of real estate prices) is incorporated when assessing the cash flows expected to be received.

The three stages are as follows:

Stage 1: Mortgage loan investments on initial recognition and other existing financial assets that have not shown a significant increase in credit risk since initial recognition. The Fund recognizes an allowance based on 12 month ECLs, which represent lifetime ECLs related to default events that are expected to occur within 12 months after the reporting date.

Stage 2: Mortgage loan investments and other existing financial assets that have experienced a significant increase in credit risk since initial recognition. The Fund records an allowance for the lifetime ECLs.

As the majority of the Fund’s mortgages have a term of 12 months or less, the Fund recognizes an allowance of the lifetime ECLs for all mortgage loan investments, and Stage 1 and 2 mortgage loan investments have been grouped together.

Stage 3: Mortgage loan investments and other existing financial assets for which there is objective evidence of impairment. The Fund records an allowance for the lifetime ECLs for mortgages considered to be credit-impaired to reduce the carrying amount to the expected recoverable amount.

The Fund considers a mortgage loan investment to be impaired when there is objective evidence that one or more events have occurred that have an unfavourable impact on estimated future cash flows such that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. The Fund’s historical experience is that mortgages can become 60 days past due, but be brought up to date by the borrower, therefore another additional risk factor also needs to be identified for the mortgage to move to Stage 3. For this reason, the Fund has classified all mortgage loan investments currently under enforcement as Stage 3.

Credit quality is assessed at each reporting period and results in mortgage loan investments being moved between stages, as necessary. Significant judgement is required when assessing evidence of credit impairment and estimating expected credit losses.

The risk factors used in assessing credit risk include:

- payment arrears in excess of 60 days;
- changes in the financial condition of the borrower;
- responsiveness of the borrower;
- other borrower specific information that may be available, without consideration of collateral;
- property specific information related to the collateral;
- changes in market lease rates, capitalization rates, and vacancy rates;
- current economic conditions: interest rates, housing prices, real estate market statistics and employment statistics; and
- supportable forward-looking information: macro-economic factors, such as forecast real estate values and interest rate forecasts.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- **PD:** The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time period. A default may only happen at a certain time over the assessed period, if the mortgage loan investment has not been previously derecognized and is still in the mortgage portfolio.
- **EAD:** The Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including accrued interest from missed payments.
- **LGD:** The Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Fund would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Mortgage loan investments are presented in the statement of financial position net of the provision for impairment. A loss on a mortgage loan investment is written off against the related provision for impairment when there is no reasonable expectation of further recovery, which is the point at which the underlying real property has been liquidated and claims against guarantors, if any, are unlikely to recover any further losses. For any mortgage loan investments that have been written off but where guarantors are still being pursued for collection, no recovery is recognized until the Fund is virtually certain of collection.

Financial instruments – derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the asset expire. When the Fund exercises its security and takes title to the underlying real estate, the mortgage loan investment is derecognized on the date of foreclosure.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expires.

(b) Cash and cash equivalents:

Cash and cash equivalents of the Fund comprise cash in hand, deposits held in banks, and 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.

(c) Revenue recognition:

Interest income earned on the Fund’s mortgage loan investments is recognized in the consolidated statements of income and comprehensive income using the effective interest method. Interest income includes the Fund’s share of any fees received, as well as the effect of any discount or premium on the mortgage loan investment. Interest income is calculated on the gross carrying amount for mortgage loan investments in Stages 1 and 2 and on the net carrying amount for mortgage loan investments in Stage 3.

The effective interest method derives the interest rate that discounts the estimated future cash receipts during the expected life of the mortgage loan investments (which is the contractual life, if a shorter period is not expected) to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses (see Financial instruments – impairment of assets). The calculation of the effective interest rate includes all fees and transaction costs paid or received. Fees and transaction costs include incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage loan investment.

(d) Income taxes:

It is the intention of the Fund to qualify as a MIC for Canadian income tax purposes. As such, the Fund is able to deduct, in computing its income for the taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. It is the Fund’s intention to maintain its status as a MIC and pay such dividends to ensure it will not be subject to income taxes. Accordingly, for consolidated financial statement reporting purposes, the tax deductibility of the Fund’s dividends results in the Fund being effectively exempt from taxation and no provision for current or deferred income taxes is required.

(e) Share capital:

Class A common shares and Class A and B preferred shares are classified as equity. Incremental costs directly attributable to the issuance of Class A common shares and Class A and B preferred shares are recognized as a deduction from shareholders’ equity.

(f) Properties held under foreclosure:

Properties held under foreclosure are comprised of property that has been repossessed following foreclosure on mortgages that were in default. When the Fund obtains legal title of the underlying security of an impaired mortgage, the carrying value of the mortgage loan investment, which comprises principal, costs incurred, accrued interest and the related provision for mortgage loss, if any, is reclassified from mortgage loan investments to properties held under foreclosure. Contractual interest on the mortgage loan investment is discontinued from the date of transfer from mortgage loan investments to properties held under foreclosure. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell, but not exceeding any cumulative impairment losses previously recognized. At each reporting date, properties held under foreclosure are measured at the lower of its carrying amount and fair value less cost to sell.

(g) New IFRS pronouncements not yet effective:

Definition of Accounting Estimates (Amendments to International Accounting Standards (“IAS”) 8)

In February 2022, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. The Fund will adopt the amendments in its consolidated financial statements for the annual period beginning March 1, 2023. Management is currently evaluating the impact of the amended standard on the future consolidated financial statements.

Disclosure initiative – Accounting Policies (Amendments to IAS I and IFRS Practice Statement 2)

In February 2022, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS I and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help entities provide useful accounting policy disclosures. The key amendments include:

- requiring an entity to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Fund will adopt the amendments in its consolidated financial statements for the annual period beginning March 1, 2023. Management is currently evaluating the impact of the amended standard on the consolidated financial statements.

5. Other assets:

As at	February 28, 2023	February 28, 2022
Prepaid expenses	\$ 137,385	\$ 115,027
Recoverable fees paid on behalf of borrowers	21,848	22,061
Deferred financing fees	39,286	13,636
	\$ 198,519	\$ 150,724

6. Mortgage loan investments:

(a) Mortgage portfolio:

The following is a breakdown of the mortgage loan investments held by the Fund by mortgage position:

As at	February 28, 2023		February 28, 2022	
Interest in:				
First mortgage	93.2%	\$ 211,825,194	97.5%	\$ 147,249,488
Second mortgage behind third party	6.8%	15,372,900	2.5%	3,794,192
	100.0%	227,198,094	100.0%	151,043,680
Accrued interest receivable		2,055,334		1,453,911
Provision for non-collectible mortgage loan investments		(2,918,889)		(2,418,889)
		\$ 226,334,539		\$ 150,078,702

Interest in mortgages second to a third party refers to the Fund’s interest in second mortgages behind first position mortgages that are not originated and serviced by the Manager.

The following is a breakdown of the mortgage loan investments held by the Fund by zoning of the mortgaged property:

As at	February 28, 2023		February 28, 2022	
Interest in mortgages secured against property zoned as:				
Residential	70.1%	\$ 159,220,601	50.1%	\$ 75,738,099
Commercial	11.9%	26,846,290	29.6%	44,662,060
Industrial	3.0%	6,920,801	6.7%	10,075,134
Mixed use	11.6%	26,385,402	8.2%	12,443,387
Agriculture	3.4%	7,825,000	0.05	8,125,000
	100.0%	227,198,094	100.0%	151,043,680
Accrued interest receivable		2,055,334		1,453,911
Provision for non-collectible mortgage loan investments		(2,918,889)		(2,418,889)
		\$ 226,334,539		\$ 150,078,702

Mortgage loan investments are secured by the real property located within Canada to which they relate and bear interest at a weighted average interest rate of 10.77% (February 28, 2022 - 9.18%). Mortgage loan investments were secured by real property within the following provinces:

As at	February 28, 2023	February 28, 2022
Alberta	89.3%	88.4%
British Columbia	10.4%	11.5%
Saskatchewan	0.3%	0.1%
	100.0%	100.0%

Principal repayments based on contractual maturity dates are as follows:

As at	No.	February 28, 2023	No.	February 28, 2022
Within one year	67	\$ 177,926,168	74	\$ 131,719,679
After one year but less than two years	6	39,139,473	3	14,050,141
Matured, not under enforcement	2	7,450,906	2	5,273,860
Under enforcement	2	2,681,547	-	-
	77	\$ 227,198,094	79	\$ 151,043,680

All unmatured mortgage loan investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity subject to payment of an interest penalty that is specific to each mortgage.

The aging of accrued interest receivable is as follows:

As at	February 28, 2023	February 28, 2022
Not past due	\$ 1,765,813	\$ 1,090,377
Past due 0-30 days	93,787	70,578
Past due 31-90 days	44,095	42,740
Past due more than 90 days	151,639	250,216
	\$ 2,055,334	\$ 1,453,911

(b) Provision for mortgage losses:

The following is a breakdown of the expected credit losses by mortgage position:

As at February 28, 2023			
Interest in:	Stages 1 and 2	Stage 3	Total
First mortgage	\$ 1,986,066	\$ 446,038	\$ 2,432,104
Second mortgage behind third party	486,785	-	486,785
Provision for non-collectible mortgage loan investments	\$ 2,472,851	\$ 446,038	\$ 2,918,889

As at February 28, 2023			
Interest in:	Stages 1 and 2	Stage 3	Total
First mortgage	\$ 2,376,112	\$ -	\$ 2,376,112
Second mortgage behind third party	42,777	-	42,777
Provision for non-collectible mortgage loan investments	\$ 2,418,889	\$ -	\$ 2,418,889

The following is a breakdown of the expected credit losses by zoning of the mortgaged property:

As at February 28, 2023			
Interest in mortgages secured against property zoned as:	Stages 1 and 2	Stage 3	Total
Residential	\$ 1,512,131	\$ 446,038	\$ 1,958,169
Commercial	306,951	-	306,951
Industrial	66,692	-	66,692
Mixed use	359,932	-	359,932
Agriculture	227,145	-	227,145
Provision for non-collectible mortgage loan investments	\$ 2,472,851	\$ 446,038	\$ 2,918,889

As at February 28, 2022			
Interest in mortgages secured against property zoned as:	Stages 1 and 2	Stage 3	Total
Residential	\$ 817,123	\$ -	\$ 817,123
Commercial	1,255,863	-	1,255,863
Industrial	71,360	-	71,360
Mixed use	62,139	-	62,139
Agriculture	212,404	-	212,404
Provision for non-collectible mortgage loan investments	\$ 2,418,889	\$ -	\$ 2,418,889

The expected credit losses by location of security are as follows:

As at February 28, 2023			
Interest in mortgages secured against property located in:	Stages 1 and 2	Stage 3	Total
Alberta	\$ 2,235,396	\$ 432,704	\$ 2,668,100
British Columbia	235,590	-	235,590
Saskatchewan	1,865	13,334	15,199
Provision for non-collectible mortgage loan investments	\$ 2,472,851	\$ 446,038	\$ 2,918,889

As at February 28, 2022			
Interest in mortgages secured against property located in:	Stages 1 and 2	Stage 3	Total
Alberta	\$ 2,298,844	\$ -	\$ 2,298,844
British Columbia	119,407	-	119,407
Saskatchewan	638	-	638
Provision for non-collectible mortgage loan investments	\$ 2,418,889	\$ -	\$ 2,418,889

The Fund has recognized a provision for mortgage principal and interest losses representing management’s estimated impairment on mortgage loan investments. Changes in the provision for non-collectible mortgage loan investments were as follows:

Year ended	February 28, 2023	February 28, 2022
Balance, beginning of year	\$ 2,418,889	\$ 2,110,252
Provision for non-collectible mortgage loan investments	500,000	986,360
Realized loss on mortgage loan investments	-	(677,723)
Balance, end of year	\$ 2,918,889	\$ 2,418,889

(c) Realized loss on mortgage loan investments:

During the year ended February 28, 2023, the Fund did not recognize a realized loss on mortgage loan investments. The loss recognized on non-collectible interest of \$677,723 during the year ended February 28, 2022 related to a loan whereby the Fund took title to the primary security, an office/retail commercial property located in Calgary, Alberta, by way of a credit bid on the foreclosed asset. This property was subsequently sold to an arm’s length third party and a corresponding gain on disposal of properties held under foreclosure was recognized, as discussed in Note 7(b). The Fund is pursuing legal remedy against the Guarantor for the remainder of the mortgage principal and accrued interest receivable and has recorded a full provision against the remaining amounts outstanding as at February 28, 2023.

7. Properties held under foreclosure:

(a) Properties held under foreclosure:

On December 4, 2020, the Fund obtained title to commercial lands located in Fort McMurray, Alberta via a credit bid. As at February 28, 2023, the asset was recorded at \$184,545 (February 28, 2022 - \$184,545), equal to the lesser of the carrying amount of the mortgage loan investment and accrued interest and the credit bid price at the date of transfer. Principal and interest that was not recovered via the credit bid price has been recognized as a realized loss on mortgage loan investments at the time the property was acquired. As at year end, the Fund intends to sell the lands through a market sale and is actively marketing the property.

(b) Gain on disposal of foreclosed properties held under foreclosure:

As disclosed in Note 6(c), on June 24, 2021, the Fund obtained title to an office/retail commercial property located in Calgary, Alberta via a credit bid. Subsequent to the acquisition, the asset was sold to an arm’s length third party which resulted in a gain of \$641,658 in the prior year, partially offsetting the realized loss on mortgage loan investments recognized upon acquisition of the asset. During the year ended February 28, 2023, the Fund recognized a gain of \$34,905 from an upward purchase price adjustment related to this property.

On April 29, 2019, the Fund obtained title to development lands located in Airdrie, Alberta, via a credit bid. During the year ended February 28, 2022, the asset was sold to an arm’s length third party which resulted in a gain of \$65,099, partially offsetting the realized loss on mortgage loan investments recognized upon acquisition of the asset.

During the year ended February 28, 2022, the Fund recognized a gain of \$99,587 from an upward purchase price adjustment of a foreclosed asset, a residential property located in Edmonton, Alberta, that was sold to an arm’s length third party. Further, the Fund pursued legal remedy against the Guarantor of this foreclosed loan and realized \$305,000 in settlement income in the prior year.

8. Loans payable:

As at	February 28, 2023	February 28, 2022
Revolving line of credit - Bank Facility	\$ 46,066,381	\$ 24,508,376
Revolving line of credit - Private Facility	6,400,000	3,600,000
	\$ 52,466,381	\$ 28,108,376

As at February 28, 2023, the Fund had access to a revolving line of credit from a Canadian financial institution (the “Bank Facility”) with a maximum available credit limit of \$65,000,000, which is contingent upon the value of the borrowing base. The borrowing base is determined based on the book value of the mortgage portfolio and eligible mortgage loan investments, as defined within the credit facility agreement, and is limited to 30% of the total assets. During the year ended February 28, 2023, the Fund entered into amended credit facility agreements in order to, among other things, increase the maximum credit limit from \$40,000,000 as at February 28, 2022 to \$65,000,000. The credit facility agreement requires monthly payments of interest only. Amounts borrowed under the Bank Facility are due on demand and bear interest at a variable rate per annum of 0.75% (February 28, 2022 – 1.00%) above the bank’s prime interest rate. The loan is secured by a general security agreement providing a first-ranking security interest in all present and after acquired property.

As at February 28, 2023, the Fund had access to a credit facility in subordinate position to the Bank Facility which allows for borrowings from arm’s length third party lenders (“Private Facility”) of up to \$10,000,000. The Private Facility requires monthly payments of interest only. Amounts borrowed under the Private Facility mature on November 30, 2023 and bear interest at a variable rate per annum of 2.00% (February 28, 2022 – 2.55%) above the bank’s prime interest rate. The Fund may repay all or a portion of the outstanding balance at any time, subject to prepayment fees if an amount is repaid within six months of the funding date. The loan is secured by a general security agreement providing a second position security interest in all present and after acquired property of the Fund.

Pursuant to the terms of the credit facilities, the Fund is required to meet certain financial covenants, including a maximum total debt to tangible net worth ratio, a minimum debt service coverage ratio and debt to total assets ratio. As at February 28, 2023 and February 28, 2022, the Fund was in compliance with all financial covenants. Bank indebtedness is used to manage cash flows when timing differences arise between mortgage loan investment advances, borrower repayments, and issuance and redemption of preferred shares.

9. Shareholders' equity:

The Fund is authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares, an unlimited number of Class A preferred shares and an unlimited number of Class B preferred shares.

All the classes of preferred shares rank equally with respect to dividends, rank senior to the common shares of the Fund and are redeemable at the option of the Fund's Board of Directors. Class A and Class B preferred shares are privately held and there is no market through which these shares may be sold. The Fund may issue Class A and Class B preferred shares in the future in accordance with securities legislation. The Class A common shares have a nominal value and are owned by certain shareholders and officers of the Manager.

The changes in the number of preferred and common shares were as follows:

Year ended February 28, 2023	Class A preferred shares	Class B preferred shares	Class A common shares
Shares outstanding, beginning of year	10,114,611	1,937,852	400
Issued for cash	4,676,120	330,542	-
Issued under share based compensation plan	8,803	-	-
Redeemed	(224,624)	(95,239)	-
Issued under dividend reinvestment plan	372,870	111,144	-
Shares outstanding, end of year	14,947,780	2,284,299	400

Year ended February 28, 2022	Class A preferred shares	Class B preferred shares	Class A common shares
Shares outstanding, beginning of year	8,511,915	2,013,719	400
Issued for cash	1,554,943	69,870	-
Issued under share based compensation plan	7,880	-	-
Redeemed	(262,426)	(174,995)	-
Transfers in kind	58,921	(58,921)	-
Issued under dividend reinvestment plan	243,378	88,179	-
Shares outstanding, end of year	10,114,611	1,937,852	400

(a) Redemptions:

Preferred shareholders may on a monthly basis request redemption of any or all of their outstanding shares by providing 30 days advance notice to the Fund. Redemption of the Fund's preferred shares is at the option of the Fund, in its absolute discretion. The Board of Directors of the Fund may elect, in their discretion, to redeem preferred shares from particular holders to the exclusion of other holders of preferred shares.

Redemptions of Class A preferred shares are completed without any fees. Class B preferred shares are subject to early redemption fees payable to the Manager in the first five years from the date of subscription. Redemptions of Class B preferred shares requested after five years from the date of subscription are completed without any early redemption fees.

The Fund shall not accept redemption requests for preferred shares in the same calendar month where they represent more than 5% of the total number of preferred shares outstanding on the redemption date. Should the number of preferred shares tendered for redemption exceed the limit, the Fund may, at its discretion redeem all tendered preferred shares, redeem the preferred shares tendered on a pro rata basis, or suspend redemptions. Holders of the Fund's preferred shares have no right to require the Fund to redeem their preferred shares. When preferred shares are redeemed at the option of the Fund, the redemption amount is equal to the net asset value of each particular preferred share plus any declared and unpaid dividends at the redemption date.

(b) Dividends:

The Fund intends to pay dividends to holders of Class A and B preferred shares monthly, on or about the 15th day following the end of each month.

For the year ended February 28, 2023, the Fund declared dividends on Class A preferred shares of \$9,746,371 (February 28, 2022 - \$6,578,483). As at February 28, 2023, \$590,531 (February 28, 2022 - \$397,291) was payable to the Class A preferred shareholders.

For the year ended February 28, 2023, the Fund declared dividends on Class B preferred shares of \$1,731,996 (February 28, 2022 - \$1,388,106). As at February 28, 2023, \$53,789 (February 28, 2022 - \$43,834) was payable to the Class B preferred shareholders.

(c) Dividend reinvestment plan:

The Fund has a dividend reinvestment plan ("DRIP") available to Class A and Class B preferred shareholders. Under the DRIP, shareholders may enroll to have their dividends reinvested to purchase additional preferred shares of the same class. The preferred shares are issued from treasury at an amount of \$10.00 per share. For the year ended February 28, 2023, 372,870 (February 28, 2022 - 243,378) Class A preferred shares were issued under the DRIP, resulting in reinvested dividends of \$3,728,700 (February 28, 2022 - \$2,433,781). For the year ended February 28, 2023, 111,144 (February 28, 2022 - 88,179) Class B preferred shares were issued under the DRIP, resulting in reinvested dividends of \$1,111,437 (February 28, 2022 - \$881,788). Dividend reinvestments are recorded on a monthly basis.

10. Earnings per share:

The following table reconciles the numerators and denominators of the basic and diluted earnings per share:

Year ended February 28, 2023	Class A preferred shares	Class B preferred shares	Total
Net income	\$ 9,742,193	\$ 1,736,174	\$ 11,478,367
Basic and diluted weighted average number of shares	11,858,891	2,113,394	13,972,285
Earnings per share - basic and diluted	\$0.82	\$0.82	\$0.82

Year ended February 28, 2022	Class A preferred shares	Class B preferred shares	Total
Net income	\$ 6,577,112	\$ 1,393,729	\$ 7,970,841
Basic and diluted weighted average number of shares	9,271,438	1,964,672	11,236,110
Earnings per share - basic and diluted	\$0.71	\$0.71	\$0.71

For the years ended February 28, 2023 and February 28, 2022, the Fund had no outstanding convertible instruments that would trigger conversion of potential preferred shares to preferred shares.

II. Related party balances and transactions:

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Syndicate mortgage loan investments:

As at February 28, 2023, the Fund was co-invested as a syndicate with one (February 28, 2022 - two) related party in four separate mortgage loan investments (February 28, 2022 - three). As at February 28, 2023, the Fund's share in the mortgage loan investments totaled \$15,637,231 (February 28, 2022 - \$7,023,678) and the related party share totaled \$1,006,558 (February 28, 2022 - \$810,558).

(b) Preferred shareholders:

The following is a breakdown of Class A and B preferred shares held by related parties:

As at	February 28, 2023	February 28, 2022
Class A preferred shares		
Key management of Manager and related parties	\$ 3,856,064	\$ 1,532,685
Independent directors and LRC members	377,589	702,540
Class B preferred shares		
Key management of Manager and related parties	329,469	285,007
Independent directors and LRC members	-	-
Total shares held by related parties	\$ 4,560,122	\$ 2,520,232

As at	February 28, 2023	February 28, 2022
Revolving line of credit - Bank Facility	\$ 46,066,381	\$ 24,508,376
Subordinated credit facility - Private Facility	6,400,000	3,600,000
	\$ 52,466,381	\$ 28,108,376

(c) Transactions during the period:

i. Service fees:

Service fees equal to 1% per annum of the paid-up capital for outstanding preferred shares are paid by the Fund as compensation for capital raised. The Fund pays each registered dealer, including the Manager, service fees in respect of outstanding Class A preferred shares that are held by clients of that registered dealer. In respect of outstanding Class B preferred shares, the Fund pays service fees to the Manager. Service fees are calculated and paid at the end of each fiscal quarter. For the year ended February 28, 2023, the Fund incurred service fees to the Manager of \$973,559 (February 28, 2022 - \$779,992) and \$483,898 (February 28, 2022 - \$362,187) in service fees to third party registered dealers. Service fees of \$270,791 (February 28, 2022 - \$204,352) were included in amounts due to Manager at year end.

ii. Management fees paid to the Manager:

The Manager is responsible for the day-to-day operations, including administration of the Fund's mortgage loan investments. In respect of these services, the Fund pays to the Manager a management fee. Under the agreement, the Manager is paid as follows: (i) On a monthly basis, 0.083% of the total assets of the Fund (the "Base Fee"); and (ii) On an annual basis, 20% of any portion of the Fund's net income that exceeds the level of net income required to provide the Fund with an internal rate of return ("IRR") equal to the average of the 2 year Government of Canada benchmark bond yield (series VI22538), plus 450 basis points (the "Performance Fee"). For the year ended February 28, 2023, the Fund incurred a Base Fee and a Performance Fee of \$1,749,683 and \$199,659, respectively (February 28, 2022 - \$1,312,010 and \$556,568) with \$707,940 (February 28, 2022 - \$927,856) of these amounts included in due to Manager at year end.

For purposes of calculating the Base Fee, a simple average of the Fund's opening and closing total assets is calculated using the un-audited monthly consolidated statements of financial position. Base Fees include applicable taxes and are disbursed to the Manager on a monthly basis. The Performance Fee will be calculated using the Fund's annual audited consolidated statements of income and comprehensive income, including the Base Fee as an expense in such calculation. Performance Fees include applicable taxes and will be disbursed to the Manager on an annual basis.

Further, in the event all of the real estate security of a mortgage loan investment has been monetized and the nominal aggregate cash flows of such investment to the Fund are negative, the Manager will pay to the Fund a reimbursement that is calculated as the lesser of: i) the amount required to bring the Fund's nominal aggregate cash flows of such mortgage loan investment to zero; and ii) two times that portion of the associated fees paid to the Manager by the applicable borrower in respect of such mortgage loan investment by the Fund. Any amounts recovered from a mortgage loan investment on which the Fund has received payment of a reimbursement will first be paid to the Fund until such time as its nominal aggregate cash flows, calculated inclusive of the reimbursement, are zero, then paid to the Manager in an amount equal to the reimbursement, with any residual amounts paid to the Fund. For the year ended February 28, 2022, the Fund received a reimbursement of \$70,172 from the Manager.

iii. Compensation of Key Management Personnel:

During the year ended February 28, 2023, the compensation expense of the independent directors on the Board of Directors and independent members of the Lending Review Committee ("LRC") amounts to \$99,750 and \$58,400, respectively (February 28, 2022 - \$85,000 and \$68,000), which was paid in combination of cash and preferred shares.

iv. Other related party transactions:

As part of the sale of the foreclosed retail/office commercial property during the year ended February 28, 2022, the arm's length third party purchaser required the Manager enter into a 5-year lease for office space in the building. The Manager received \$150,000 of the sale proceeds in the year ended February 28, 2022 from the foreclosed property to offset a portion of the future lease costs. This transaction was approved by the Fund's independent Board of Directors.

12. Fair value of financial instruments:

To measure financial instruments that are carried at fair value in the consolidated balance sheets, or for which fair value is disclosed, the following fair value hierarchy is used based on the inputs to the valuation:

- **Level 1:** Quoted market prices observed in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. If different levels of inputs are used to measure a financial instrument’s fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

The valuation techniques and the inputs used for the Fund’s financial instruments are as follows:

(a) Mortgage loan investments:

There is no quoted price in an active market for mortgage loan investments. The Manager acts as market maker for these transactions. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage loan investments of same or similar terms. The carrying values of mortgage loan investments approximate their fair values due to the relatively short periods to maturity and terms (level 3 of the fair value hierarchy).

(b) Loans payable:

The fair value of loans payable approximates their carrying value as the facilities are due on demand (level 2 of the fair value hierarchy).

(c) Other financial assets and liabilities:

The fair value of cash and cash equivalents are determined on level 1 inputs.

The fair value of other assets, accrued interest receivable, amounts due to Manager, accounts payable and accrued liabilities, and dividends payable approximate their carrying values due to their short-term maturities (level 3 of the fair value hierarchy).

During the year ended February 28, 2023 and February 28, 2022, there were no transfers between levels 1, 2 and 3 of the fair value hierarchy.

13. Risk management:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of the financial assets or liabilities will fluctuate because of changes in market interest rates.

As of February 28, 2023, 65 mortgage loan investments (February 28, 2022 - 65) bear interest at variable rates. Each of the Fund’s loan investments with variable rates include a base floor rate, protecting the Fund from a decrease in prime rates but allowing the Fund to maintain a minimum spread on the prime rate. Based on the Fund’s year end principal balance relating to variable rate mortgages, the sensitivity of a 100 basis point increase in interest rates would result in an approximate increase of \$1,090,000 in net income and comprehensive income.

As of February 28, 2023 and February 28, 2022, the Fund’s credit facilities bear interest at a variable rate which creates cash flow risk as changes in the bank’s prime interest rate will cause fluctuations in interest payments. Based on the Fund’s average debt level during the year, the sensitivity of a 100 basis point increase in interest rates would result in an approximate decrease of \$320,000 in net income and comprehensive income.

The Fund does not have material interest rate risk on any of its other financial instruments.

(b) Credit risk:

Credit risk is the risk that counterparties to mortgage loan investments will be unable to honour their debt commitments, resulting in a financial loss to the Fund. Any instability in the real estate sector and/or an adverse change in economic conditions in Canada or other conditions impacting specific mortgage borrowers could result in financial difficulty for borrowers. The Fund’s maximum exposure to credit risk is represented by the recorded values of mortgage loan investments, recoverable fees paid on behalf of borrowers included in other assets, and the accrued interest receivable on mortgage loan investments.

The Fund has recourse under its mortgage loan investments in the event of default by a borrower; in which case, the Fund would have a claim against the underlying property and security.

As of February 28, 2023, the Fund, through the Manager, was engaged in enforcement remedies in relation to two (February 28, 2022 – none) mortgage loan investments which totaled \$2,681,547 in gross principal and \$3,790 in gross accrued interest receivable.

The Fund, through the Manager, mitigates credit risk by the following:

- i. adhering to the investment restrictions and operating policies included in the asset allocation model;
- ii. performing a due diligence process on each mortgage loan investment prior to funding. This generally includes, but is not limited to, engaging professional independent consultants, lawyers and appraisers and performing credit checks and financial statement reviews on prospective borrowers;
- iii. having mortgage loan investments approved by the independent LRC in accordance with the Fund’s operating policies; and
- iv. actively monitoring the mortgage portfolio and initiating recovery procedures, in a timely manner, where required.

The Fund's internally imposed investment criteria only permits the Fund to invest in mortgage loan investments with a loan to value ("LTV") ratio of 80% or less, calculated at the date the investment is made. The LTV ratio is calculated as of a particular calendar date by dividing the outstanding principal of the mortgage loan investment by the fair value of the underlying property and security.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations as they become due. This risk arises in the normal course of operations from fluctuations in cash flows as a result of the timing of mortgage loan investment funding and repayments, redemptions of shares and payment of obligations under the loans payable credit facilities. The Manager routinely forecasts future cash flow sources and requirements to mitigate this risk and to help ensure cash is efficiently utilized. The Fund's total liabilities as at February 28, 2023 of \$54,326,315 (February 28, 2022 - \$29,855,782) are payable within one year or due on demand.

(d) Capital risk management:

The Fund defines its current capital structure to include loans payable, Class A common shares, Class A preferred shares, Class B preferred shares, and retained earnings.

The Fund manages its capital structure to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a dividend to preferred shareholders.

The Fund reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage loan investment opportunities, capital and borrowing facility availability, and anticipated changes in economic conditions.

The Fund's internally imposed investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage loan investments. The investment restrictions permit the Fund to use leverage to maintain liquidity, for general working capital purposes, and to bridge the timing differences between loan advances, maturities and equity offerings. As at February 28, 2023, the aggregate amount of borrowing may not exceed 30% of the Fund's total assets.

As at February 28, 2023, the Fund was in compliance with its investment restrictions, the allocation model parameters and bank indebtedness covenants.

14. Comparative amounts:

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or net income as a result of these reclassifications.





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