

MONTFORT CAPITAL CORPORATION

FORM 51-102F4

BUSINESS ACQUISITION REPORT

ITEM 1. – IDENTITY OF COMPANY

1.1 Name and Address of Company

Montfort Capital Corp. (“**Montfort**” or the “**Company**”)
Suite 835 – 1100 Melville Street
Vancouver, BC V6E 4A6

1.2 Executive Officer

The executive officer of the Company who is knowledgeable about the Transaction (as defined herein) and this report is Michael Walkinshaw, Chief Executive Officer of the Company, whose business telephone number is (604) 398-8839.

ITEM 2. – DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

The Company entered into a definitive share purchase agreement effective August 15, 2022 (the “**Purchase Agreement**”) between the Company and Kenneth Thomson, Blake Albright, Sabrina Kyle, Fiona Elder, Universal Financial Corp., The Kenneth Thomson Business Trust (2020), The Albright (2020) Family Trust, GreatBlake Holdings Inc., The Sabrina Prudham (2020) Family Trust, 2753665 Ontario Inc., Reap Equity Corp. (collectively, the “**Vendors**”), Albright Holdings Inc., 2754681 Ontario Inc., 9975756 Canada Inc., 10260835 Canada Corp. (collectively, the “**Target Holdcos**”) and Brightpath Capital Corporation (“**Brightpath Capital**”), Brightpath Servicing Corporation (“**Brightpath Servicing**”) and Brightpath Residential Mortgage LP I (“**Brightpath LP**”, together with Brightpath Capital and Brightpath Servicing, “**Brightpath**” or the “**Brightpath Entities**”), pursuant to which the Company acquired 100% of the issued and outstanding securities of the Target Holdcos and indirectly acquired 100% of the issued and outstanding securities of the Brightpath Entities (the “**Transaction**”).

Brightpath is a private provider of residential mortgages focused in Ontario and British Columbia. Brightpath offers private credit to individuals who are self-employed, experiencing credit issues, or looking at real estate renovation or development projects. The Brightpath management team will continue to operate the mortgage lending company after the completion of the Transaction.

None of Brightpath, Brightpath Servicing or Brightpath LP were a reporting issuer in any province of Canada and the securities of Brightpath, Brightpath Servicing and Brightpath LP were not listed for trading on any exchange.

The Business of Brightpath LP

Brightpath LP holds and finances mortgages secured by residential properties primarily located in Ontario. For the year ended December 31, 2021, Brightpath LP held \$41,197,423 in mortgage receivables and generated \$1,091,232 in revenue.

The Business of Brightpath Servicing

As part of the Transaction, the Company also acquired Brightpath Servicing. Brightpath Servicing is the general partner of Brightpath LP pursuant to the terms of the limited partnership agreement of Brightpath LP (the “**Brightpath LP Agreement**”). Brightpath Servicing held the sole GP Unit (as defined under the Brightpath LP Agreement), which entitles the holder thereof to 0.001% of the Net Income of Brightpath LP.

Other than the sole GP Unit issued to it under the Brightpath LP Agreement, Brightpath Servicing does not have any assets. Pursuant to the Brightpath LP Agreement, Brightpath Servicing is entitled to be reimbursed by Brightpath LP for all expenses reasonably incurred by it in the ordinary course on behalf of Brightpath LP, including all costs and expenses incidental to acting as general partner to Brightpath LP. Brightpath Servicing does not receive a management fee for acting as general partner of Brightpath LP. All employment expenses for officers and employees of Brightpath Servicing and the directors’ fees for the directors of Brightpath Servicing are indirectly paid by Brightpath LP and therefore reflected in the financial statements of Brightpath LP.

The expenses of Brightpath Servicing consist of bank charges and taxes payable, which were de minimis for the year ended December 31, 2021. The income of Brightpath Servicing consisted solely of its 0.001% allocation of Brightpath LP’s net income, which for the year ended and for the six months ended June 30, 2022, was de minimis. Brightpath Servicing’s assets consisted of a minimum amount of cash which was approximately \$1, respectively, for the year-ended December 31, 2021 and \$1, respectively, for the three months ended June 30, 2022. Brightpath Servicing’s sole liabilities were amounts due to Brightpath LP. As at December 31, 2021, amounts due to Brightpath LP were approximately \$10. For the fiscal year ended December 31, 2021 and the six month period ended June 30, 2022, Brightpath Servicing received a distribution on the GP Unit that was de minimis.

At the effective time of the Transaction, Brightpath Servicing had no significant recorded or unrecorded liabilities, contingencies or commitments and had no assets or liabilities other than a small cash balance and a small amount of tax payable that would have been accrued for 2022. Further, the price paid for the outstanding shares of Brightpath Servicing was de minimis. All of the relevant financial information in respect of the effect of the Transaction on the Company is contained in the financial statements of Brightpath Capital and Brightpath LP.

2.2 Date of Acquisition

August 15, 2022 (the “**Closing Date**”).

2.3 Consideration

The total consideration paid for the Brightpath Entities was \$30,500,000, subject to an adjustment related to working capital. The purchase price was satisfied with proceeds of common and preferred share issuances. Pursuant to the terms of the Purchase Agreement, the Company acquired all of the outstanding common and special shares of the Target Holdcos, which hold all of the issued and outstanding securities of the Brightpath Entities. Each Vendor acquired the following securities in exchange for the common and special shares in the Target Holdcos:

Vendor	Property Transferred	Property Received
GreatBlake Holdings Inc.(Blake Albright)	100 Class A Common Shares of Albright Holdings Inc. (" AHI ")	17,500,000 common shares in the capital of Montfort (" Common Shares ") 2,518,219 Series A preferred shares in the capital of Montfort (" Preferred Shares ")
Blake Albright	200,000 Class B Special Shares of AHI	1,820,000 Preferred Shares
The Albright (2020) Family Trust	3,661,781 Class C Special Shares of AHI	3,661,781 Preferred Shares
2753665 Ontario Inc. (Sabrina Kyle)	100 Class A Common Shares of 9975756 Canada Inc. (" 997 ")	1,338,109 Preferred Shares
The Sabrina Prudham (2020) Family Trust (Sabrina Kyle)	2,740,891 Class C Special Shares of 997	2,740,891 Preferred Shares
Sabrina Kyle	100,000 Class A Special Shares of 997	1,921,000 Preferred Shares
Universal Financial Corp. (Kenneth Thomson)	10,000 Class 1 Common Shares of 2754681 (" 2754 ")	9,606,749 Common Shares
	10,000 Class 2 Common Shares of 2754	
	100,000 Class B Special Shares of 2754	2,687,494 Common Shares
The Kenneth Thomson Business Trust (2020)	2,762,303 Class E Special Shares of 2754	2,762,303 Preferred Shares
Kenneth Thomson	1,320,000 Class A Special Shares of 2754	205,757 Common Shares
		1,237,697 Preferred Shares
	49,500 Common Shares of	Nil

	Brightpath Servicing	
Fiona Elder	1,500 Class E Common Shares of Brightpath Capital	1,250,000 Common Shares
	1,500 Common Shares of Brightpath Servicing	Nil
Reap Equity Corp.	1 Class A Special Shares of 10260835 Canada Corp.	Nil
	TOTAL:	31,250,000 Common Shares 18,000,000 Preferred Shares (collectively, the " Consideration Securities ")

The purchase price of \$30,500,000 comprised of a combination of 31,250,000 Common Shares at a deemed price of \$0.40 per Common Share and 18,000,000 Preferred Shares at a deemed price of \$1.00 per Preferred Share. The Agreement provides that the Consideration Securities issued to the Vendors are subject to restrictions on transfer and resale in accordance with the following schedule: 10% on the date that is four months from the closing date; 20% on the date that is six months from the closing date; 30% on the date that is nine months from the closing date; and the remaining 40% on the date that is 12 months from the closing date.

In addition, in connection with the Transaction, the Company entered into voting agreements dated as of August 15, 2022 with Kenneth Thomson ("**Thomson**"), The Kenneth Thomson Business Trust (2020) ("**Thomson Trust**"), Universal Financial Corp. ("**Universal**", together with Thomson and Thomson Trust, the "**Thomson Vendors**"), Blake Albright ("**Albright**"), GreatBlake Holdings Inc. ("**GreatBlake**"), The Albright (2020) Family Trust ("**Albright Trust**", together with Albright and GreatBlake, the "**Albright Vendors**"), Sabrina Kyle ("**Kyle**"), The Sabrina Prudham (2020) Family Trust ("**Prudham Trust**"), 2753665 Ontario Inc. ("**275**", together with Kyle and Prudham Trust, the "**Prudham Vendors**"), and Fiona Elder, where, among other things, these parties agree to vote the Common Shares held by them in favour of matters proposed by the management of the Company for a period of 24 months, subject to certain standard exceptions. In addition, the Vendors have agreed not to exercise or convert any convertible securities held by them where such exercise or conversion would result in them owning or exercising control or direction over 20% of the common shares of the Company, unless applicable shareholder and approval by the TSX Venture Exchange is obtained.

2.4 Effect on Financial Position

Upon completion of the Transaction, the Brightpath Entities became wholly-owned subsidiaries of the Company. The Company does not have any plans or proposals for material changes in its business affairs, or the affairs of the acquired business that may have a significant effect on the financial performance or position of the Company, including any proposal to liquidate the business of the Brightpath Entities, to sell, lease or exchange all or any substantial parts of its assets, to amalgamate the business organization or to make any other material changes.

2.5 Prior Valuations

No valuation opinions were obtained in the last 12 months by the Company or Brightpath as required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company for Brightpath.

The Company engaged MNP LLP to provide a fairness opinion dated May 3, 2022 to the Company's independent committee of the board of directors in connection with the Transaction. For additional information, see the fairness opinion posted to the Company's SEDAR profile dated May 31, 2022.

2.6 Parties to Transaction

The Transaction constitutes a "related party transaction" as such term is defined by Multilateral Instrument 61-101 – *Protection of Minority Security Holder in Special Transactions* ("**MI 61-101**") given that Thomson is a director and beneficial shareholder of both the Company and the Brightpath Entities. In addition, Thomson indirectly owned or controlled approximately 33% of Brightpath Capital and Brightpath Servicing and a material limited partnership interest in Brightpath LP (together, the "**Thomson Brightpath Securities**") and the Thomson Vendors received 12,500,000 Common Shares and 4,000,000 Preferred Shares in exchange for the Thomson Brightpath Securities on closing of the Transaction.

2.7 Date of Report

October 27, 2022

ITEM 3. – FINANCIAL STATEMENTS AND OTHER INFORMATION

Pursuant to Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*, the following financial statements are attached hereto and form part of this Business Acquisition Report:

Schedule “A-1” the audited financial statements of Brightpath Capital as at and for the fiscal year ended December 31, 2021;

Schedule “A-2” the unaudited interim financial statements of Brightpath Capital as at and for the interim period ended June 30, 2022;

Schedule “B-1” the audited financial statements of Brightpath LP as at and for the fiscal year ended December 31, 2021; and

Schedule “B-2” the unaudited interim financial statements of Brightpath LP as at and for the interim period ended June 30, 2022.

The financial statements comprising each of Schedules “A” and “B” above, have been derived from information provided by Brightpath prior to completion of the Transaction. The auditors have not given their consent to include their audit reports.

Forward-Looking Information

Certain information and statements in this news release contain and constitute forward-looking information or forward-looking statements as defined under applicable securities laws (collectively, “forward-looking statements”). Forward-looking statements normally contain words like ‘believe’, ‘expect’, ‘anticipate’, ‘plan’, ‘intend’, ‘continue’, ‘estimate’, ‘may’, ‘will’, ‘should’, ‘ongoing’ and similar expressions, and within this news release include any statements (express or implied) respecting the future performance of the combined companies, future value creation for shareholders, the creation of value for shareholders following completion of the Transaction, growth of the Company’s investment portfolio and expectations regarding making further investments in the coming months. Forward-looking statements are not guarantees of future performance, actions, or developments and are based on expectations, assumptions and other factors that management currently believes are relevant, reasonable and appropriate in the circumstances, including, without limitation, the following assumptions: that the Company and its investee companies are able to meet their respective future objectives and priorities, assumptions concerning general economic growth and the absence of unforeseen changes in the legislative and regulatory framework for the Company. Although management believes that the forward-looking statements are reasonable, actual results could be substantially different due to the risks and uncertainties associated with and inherent to Montfort’s business. Material risks and uncertainties applicable to the forward-looking statements set out herein include, but are not limited to, the Company having insufficient financial resources to achieve its objectives; availability of further investments that are appropriate for the Company on terms that it finds acceptable or at all; successful completion of exits from investments on terms that constitute a gain when no such exits are currently anticipated; intense competition in all aspects of business; reliance on limited management resources; general economic risks; new laws and regulations and risk of litigation. Although Montfort has attempted to identify factors that may cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, predicted, estimated or intended. Also, many of the factors are beyond the control of Montfort. Accordingly, readers should not place undue reliance on forward-looking statements. Montfort undertakes no obligation to reissue or update any forward-looking statements as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements contained in this news release are qualified by this cautionary statement.

SCHEDULE "A-1"

**AUDITED BRIGHTPATH CAPITAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2021**

[see following pages]

Brightpath Capital Corporation
Financial Statements
For the Year Ended December 31, 2021

Brightpath Capital Corporation
Financial Statements
For the Year Ended December 31, 2021

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Independent Auditor's Report

To the Shareholders of
Brightpath Capital Corporation

Opinion

We have audited the financial statements of Brightpath Capital Corporation (the "Company") which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Chartered Professional Accountants, Licensed Public Accountants

Brantford, Ontario
March 31, 2022

Brightpath Capital Corporation
Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash	\$ 3,751,299	\$ 6,460,941
Accounts receivable	2,681,119	1,459,384
Prepaid expenses	151,115	36,732
Mortgages receivable (Note 3)	74,394,588	36,052,962
Due from related parties (Note 5)	905,231	2,154,279
	81,883,352	46,164,298
Due from shareholders (Note 4)	1,245,795	1,321,623
Property and equipment	9,937	8,188
Right-of-use asset	11,934	87,362
	\$83,151,018	\$ 47,581,471
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 720,848	\$ 447,456
Deferred interest income	182,767	241,902
Income taxes payable	149,243	368,430
Investor loans (Note 6)	35,380,335	20,932,686
Current portion of due to related parties (Note 5)	2,870,827	2,247,986
	39,304,020	24,238,460
Due to related parties (Note 5)	41,000,000	21,000,000
Lease liability	13,505	94,465
	80,317,525	45,332,925
Shareholders' Equity		
Common share capital (Note 7)	103	103
Special share capital (Note 7)	2,325,000	1,800,000
Retained earnings	508,390	448,443
	2,833,493	2,248,546
	\$83,151,018	\$ 47,581,471

Approved on behalf of the Board:

_____ Director

_____ Director

Brightpath Capital Corporation
Statement of Changes in Equity

	Common share capital	Special share capital	Retained earnings	Total
Balance, January 1, 2021	\$ 103	\$ 1,800,000	\$ 448,443	\$ 2,248,546
Comprehensive income for the year	-	-	2,611,065	2,611,065
Common share dividends	-	-	(2,326,623)	(2,326,623)
Special share dividends	-	-	(224,495)	(224,495)
Issuance of special shares (Note 7)	-	925,000	-	925,000
Redemption of special shares (Note 7)	-	(400,000)	-	(400,000)
Balance, December 31, 2021	\$ 103	\$ 2,325,000	\$ 508,390	\$ 2,833,493
Balance, January 1, 2020	\$ 103	\$ 1,150,000	\$ 340,442	\$ 1,490,545
Comprehensive income for the year	-	-	1,865,334	1,865,334
Dividends	-	-	(1,757,333)	(1,757,333)
Issuance of special shares	-	650,000	-	650,000
Balance, December 31, 2020	\$ 103	\$ 1,800,000	\$ 448,443	\$ 2,248,546

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

Brightpath Capital Corporation Statement of Comprehensive Income

For the year ended December 31	2021	2020
Revenue		
Interest income (Note 3)	\$ 5,294,511	\$ 4,407,714
Lender fees (Note 3)	5,510,813	3,577,005
Penalties and late fees	1,129,999	470,482
Commission income	124,874	39,312
	<u>12,060,197</u>	<u>8,494,513</u>
Expenses		
Advertising and promotion	208,587	212,401
Amortization of property and equipment	4,751	4,757
Dues and subscriptions	107,884	59,024
Insurance	99,485	61,009
Interest and bank charges	92,998	21,615
Interest on investor loans (Note 6)	3,414,657	2,292,592
Interest on related party loan (Note 5)	2,878,072	2,185,128
Office expenses	311,449	245,802
Professional fees	315,222	137,647
Rent	39,591	51,965
Salaries and benefits	964,352	491,559
Travel expenses	19,837	21,371
Utilities	2,479	4,239
	<u>8,459,364</u>	<u>5,789,109</u>
Income before income taxes	3,600,833	2,705,404
Income taxes		
Current (Note 8)	989,768	840,070
Net and Comprehensive income for the year	<u>\$ 2,611,065</u>	<u>\$ 1,865,334</u>

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

Brightpath Capital Corporation Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Net and comprehensive income for the year	\$ 2,611,065	\$ 1,865,334
Items not involving cash:		
Amortization of property and equipment	4,751	4,757
Amortization of right-of-use asset	19,491	16,336
Lease interest expense	2,835	11,947
Reinvested interest on investor loans	162,545	-
	<u>2,800,687</u>	<u>1,898,374</u>
Changes in non-cash working capital balances:		
Accounts receivable	(1,401,735)	(1,141,721)
Prepaid expenses	(114,383)	5,945
Accounts payable and accrued liabilities	273,391	145,662
Deferred interest income	(59,135)	(48,205)
Taxes payable	(219,187)	33,950
	<u>1,279,638</u>	<u>894,005</u>
Cash flows from investing activities		
Purchase of property and equipment	(6,500)	-
Advances of mortgages receivable	(141,929,538)	(64,249,963)
Proceeds from transfer of mortgages receivable	16,945,825	15,045,033
Repayments of mortgage principal	86,642,087	44,896,765
Advances to related parties	1,249,048	(1,953,441)
Repayments from (advances to) shareholders	75,828	(441,713)
	<u>(37,023,250)</u>	<u>(6,703,319)</u>
Cash flows from financing activities		
Common share dividends paid	(2,326,623)	(1,757,333)
Special share dividends paid	(224,495)	-
Proceeds from issuance of special share capital	925,000	650,000
Payment on redemption of special share capital	(400,000)	-
Proceeds from investor loans	17,242,649	7,369,293
Repayments of investor loans	(2,795,000)	(2,431,139)
Repayment of lease liability	(10,402)	(21,180)
Advances from related parties	20,622,841	3,098,441
	<u>33,033,970</u>	<u>6,908,082</u>
Increase (decrease) in cash during the year	(2,709,642)	1,098,768
Cash, beginning of the year	<u>6,460,941</u>	<u>5,362,173</u>
Cash, end of the year	<u>\$ 3,751,299</u>	<u>\$ 6,460,941</u>

Non-cash transactions (Notes 3, 6)

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

Brightpath Capital Corporation

Notes to the Financial Statements

December 31, 2021

1. Nature of Operations and Summary Significant Accounting Policies

Reporting Entity	<p>Brightpath Capital Corporation (the "Company") is located at 9 King Street North in Waterloo, Ontario, Canada and is incorporated under the laws of Canada. The Company operates as one operating segment using investor loans to administer first and second mortgages secured by residential properties. The Company is a registered Mortgage Brokerage and Mortgage Administrator.</p> <p>These financial statements were approved by the Company's shareholders on March 31, 2022.</p>
Basis of preparation, measurement and presentation	<p>These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").</p> <p>These financial statements were prepared under the historical cost convention except for financial assets classified as fair value through other comprehensive income ("FVTOCI").</p> <p>The Company's functional and presentation currency is the Canadian dollar.</p>
Share Capital and Dividends	<p>The Company's common shares and special shares which are redeemable at the option of the Company, are classified as equity. Dividends are recognized in the Company's financial statements in the period in which the dividends are approved by the Board of Directors of the Company.</p>
Revenue Recognition	<p>Revenue from contracts with customers: Brokerage commissions are recognized at a single point in time when the borrower finalizes the loan agreement with the mortgage administrator.</p> <p>Revenue from other sources: Mortgage interest and lender fees are recognized using the effective interest method. Late fees and penalties are recognized as incurred.</p>

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

1. Nature of Operations and Summary Significant Accounting Policies (continued)

Financial Instruments

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Company's accounting policy for each category is as follows:

Amortized cost

Financial assets are measured at amortized cost when:

- 1) the objective of the Company's business model is to hold the financial assets to maturity; and
- 2) the contractual cash flows represent solely payments of principal and interest.

Financial assets classified and measured at amortized cost include cash, accounts receivable, due from related parties and due from shareholders.

All financial liabilities are initially recognized at fair value and are subsequently classified as amortized cost measured using the effective interest method. The Company classifies accounts payable and accrued liabilities, investor loans, income taxes payable and due to related parties at amortized cost.

Brightpath Capital Corporation

Notes to the Financial Statements

December 31, 2021

1. Nature of Operations and Summary Significant Accounting Policies (continued)

Financial Instruments (continued)

Fair value through other comprehensive income (FVOCI)

Financial assets are classified and measured at fair value through other comprehensive income when:

- 1) the objective of the Company's business model is both to hold the financial assets to collect contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Financial assets classified and measured at FVOCI are comprised of mortgages receivable.

Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Changes in fair value are recognized in other comprehensive income. Interest income on mortgages receivable is calculated using the effective interest rate method and recognized in profit or loss. Expected credit losses on mortgages receivable are recognized in profit and loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. When the financial asset classified and measure at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

The Company derecognizes financial liabilities when the Company's obligations are discharged, canceled or they expire.

Brightpath Capital Corporation

Notes to the Financial Statements

December 31, 2021

1. Nature of Operations and Summary Significant Accounting Policies (continued)

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost and fair value through other comprehensive income. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The assessment of a significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, management relies on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Fair Value Hierarchy

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices 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; and

Level 3: Inputs that are not based on observable market data.

As at December 31, 2021, the Company's mortgages receivable were classified as Level 3. Refer to Note 3 for a reconciliation of Level 3 measurements.

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

1. Nature of Operations and Summary Significant Accounting Policies (continued)

Income Taxes	Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.
Related parties	For the purpose of these financial statements, a party is considered related to the Company if such party or the Company has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Company and such party are subject to common significant influence. Related parties may be individuals or other entities.
Employee Compensation and Benefits	Wages, salaries, bonuses, payroll taxes and levies and paid annual leaves are accrued in the year in which the associated services are rendered by employees and when a reliable estimate of the obligation can be made.

Brightpath Capital Corporation

Notes to the Financial Statements

December 31, 2021

2. Critical Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The most significant estimates that the Company is required to make relate to:

- The determination of expected credit losses and impairment of mortgages receivable, shareholder receivables and related party receivables and assessing whether credit risk on the financial asset has increased significantly since initial recognition
- The classification of financial assets, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding
- The determination of the fair value of mortgages receivable includes: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgages and underlying security of the mortgages receivable.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Credit markets, equity markets, and consumer spending are factors in the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision of future periods if the revision affects both current and future periods.

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

3. Mortgages Receivable

The following is a reconciliation of the Level 3 fair value measurements of the mortgages receivable:

	<u>2021</u>	<u>2020</u>
Mortgages receivable at December 31, 2020	\$ 36,052,962	\$ 31,744,797
Additional mortgages funded	144,112,176	65,494,288
Discharge of mortgages	(103,587,912)	(59,941,798)
Unrealized appreciation (depreciation)	-	-
Unrecognized lender fees	<u>(2,182,638)</u>	<u>(1,244,325)</u>
 Mortgages receivable at December 31, 2021	 <u>\$ 74,394,588</u>	 <u>\$ 36,052,962</u>

There were no transfers into or out of level 3 for the year ending December 31, 2021.

Mortgages receivable consist of loans secured by residential property and are repayable monthly with interest-only payments, with the principal balance due on maturity. Mortgages have a combination of fixed and variable rates of interest ranging between 5.7% and 19.0% (2020 - 6.7% and 18.5%) and all mature within one year of origination. The weighted average effective interest rate of the portfolio as at December 31, 2021 is 16.38% (2020 - 18.32%), which includes the effect of interest plus the effect of the lender fees earned on the portfolio. Included in accounts receivable is accrued interest on mortgages receivable of \$265,132 (2020 - \$183,604).

Mortgage lender fees are charged to customers upon issuance of the loan and withheld from the principal funds forwarded to the customer. These fees make up part of the effective interest earned on the loans and as such are recognized into income over the life of the loan. As at December 31, 2021 there was \$2,182,638 (2020 - \$1,244,325) of unrecognized lender fees on outstanding mortgage receivables.

	<u>2021</u>	<u>2020</u>
Mortgages receivable at par ⁽ⁱ⁾	\$76,577,226	\$ 37,297,287
Less: unrecognized lender fees	<u>(2,182,638)</u>	<u>(1,244,325)</u>
 Mortgages receivable at fair value	 <u>\$74,394,588</u>	 <u>\$ 36,052,962</u>

⁽ⁱ⁾ Included in the mortgages receivable balance at year end is a mortgage for \$2,519,572 (2020 - \$1,020,000) that is in default. As a result, the Company has initiated the power-of-sale process. No impairment has been recognized in respect of the mortgage receivable.

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

3. Mortgage Receivable (continued)

In determining impairment, the primary consideration is the value of the security compared to the value of the outstanding mortgage. Consideration is also placed on an assessment of the current state of the market and of the borrower's effort to sell the property. A mortgage would be considered to be impaired if the loan to value exceeded 90%. As of December 31, 2021, the maximum loan to value in the portfolio is 90% (2020 - 90%). The Company's mortgages receivable are secured by registered charges over real property which is considered to mitigate the impact of changes in credit risk of the mortgages receivable.

At year end the mortgages had the following loan to value ratios:

	2021	2020
Less than or equal to 80% loan to value	\$51,992,678	\$ 11,728,961
Greater than 80% but less than or equal to 85% loan to value	6,437,866	14,835,443
Greater than 85% but less than or equal to 90% loan to value	15,964,044	9,488,558
	<u>\$74,394,588</u>	<u>\$ 36,052,962</u>

At December 31, 2021 the Company had \$7,048,872 (2020 - \$6,394,305) of mortgages that were past due but are not considered to be impaired. These mortgages have either been successfully discharged subsequent to the year end date, or the borrower has subsequently become current on their payments, or have entered into a power-of-sale process.

The measurement of fair value of mortgage investments includes the use of certain unobservable inputs, the most significant of which are the loan-to-value ratio, which is dependent on the fair values of the underlying properties associated with specific mortgages receivable, and the discount rate. As at December 31, 2021, the average loan-to-value ratio of the mortgages receivable was 79% (2020 - 81%). The analysis below estimates the impact of possible changes to the key assumptions underlying the Company's valuation of its mortgages receivable, being the discount rate and loan-to-value ratio.

The analysis below shows the impact on the fair value of the mortgages receivable of possible changes in discount rate assumptions, assuming no changes in loan-to-value ratio assumptions:

Changes in discount rate:	-1.5%	+1.5%
Impact of the fair value of the mortgages receivable	\$467,881	\$(473,975)

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

3. Mortgage Receivable (continued)

The analysis below shows the impact on the fair value of the mortgages receivable of possible changes in loan-to-value ratio, assuming no changes in discount rate assumptions:

Changes in loan-to-value ratio:	-10%	+10%
Impact of the fair value of the mortgages receivable	\$(93,981)	\$76,137

4. Due from Shareholders

At the end of the year, the amounts due from shareholders are as follows:

	2021	2020
Albright Holdings Inc.	\$ 354,045	\$ 662,516
9975756 Canada Inc.	442,500	296,440
2754681 Ontario Inc.	449,250	362,667
	<u>\$ 1,245,795</u>	<u>\$ 1,321,623</u>

Amounts due from shareholders are due on demand, unsecured, and bear no interest. The Company has waived its right to demand repayment for the next fiscal year.

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

5. Due to/from Related Parties and Related Party Transactions

The Company is related to Harfin Capital Inc., 10766933 Canada Ltd., Brightpath Residential Mortgage LP I, and Pivot Financial Inc. through shared ownership and management.

At December 31, 2021, the amounts due from related parties are as follows:

	2021	2020
10766933 Canada Ltd.	\$ 714,996	\$ 255,315
Brightpath Residential Mortgage LP I	190,235	1,898,964
	\$ 905,231	\$ 2,154,279

These amounts are unsecured, non-interest bearing and are due on demand.

At December 31, 2021, the amounts due to related parties are as follows:

	2021	2020
Harfin Capital Inc.	\$ 18,546	\$ 38,393
Whitney Albright	475,000	-
Pivot Financial Inc. - Term Loan	41,000,000	21,000,000
Pivot Financial Inc. - Promissory Note	2,000,000	2,000,000
Accrued interest	377,281	209,593
	43,870,827	23,247,986
Current portion	\$ 2,870,827	\$ 2,247,986
Long-term portion	\$41,000,000	\$ 21,000,000

The amount due to Whitney Albright is in the form of a promissory note which bears interest at 16.33% per annum. The note is unsecured and due on demand.

The amount due to Pivot Financial Inc. is in the form of a term loan and bears interest at the greater of 9.5% per annum or Canadian Bank Prime Rate + 5.5%. The maximum capacity that Brightpath can draw on under this loan is \$50,000,000. The term loan also carries annual fees of \$10,000 per year and an admin fee of 1% per annum on drawn funds. This term loan is due August 2022 and is secured by a general security agreement over the assets of the Company. Subsequent to year end, the term loan maximum facility was increased to \$60,000,000 and the maturity date was extended to January 1, 2023. All other terms of the facility remained unchanged.

Pivot Financial Inc. has waived the right to demand payment on this loan before January 1, 2023 therefore the term loan has been presented long-term.

In addition, the Company has a promissory note with Pivot Financial Inc. for the balance of \$2,000,000. This note bears interest at 12% per annum payable interest only each month.

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

5. Due to/from Related Parties and Related Party Transactions (continued)

The note is due 180 days from the date of demand.

Related party transactions during the year included the following:

	2021	2020
Financing fees, administration fees and interest charged by Pivot Financial Inc.	\$ 3,171,166	\$ 2,416,067
Interest charged by Whitney Albright	\$ 76,900	\$ -

During the year, the Company transferred \$60,958,461 (2020 - \$9,735,598) in mortgages to Brightpath Residential Mortgage LP I.

6. Investor Loans

	2021	2020
Investor loans at December 31, 2020	\$ 20,932,686	\$ 15,994,532
Proceeds from new investor loans	17,242,649	7,369,293
Repayments of investor loans	(2,795,000)	(2,431,139)
Investor loans at December 31, 2021	\$ 35,380,335	\$ 20,932,686

Investor loans are unsecured, due on demand with maturity dates ranging between 90 to 180 days from day of demand with fixed interest rates ranging between 8%-12% (2020 - 7%-13%)

Weighted Average Interest Rate to Maturity

For the year ended December 31, 2021

	Principal	2021 Weighted Average	Average Term
Fixed rate due less than one year	\$ 35,380,335	11.72%	179

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

6. Investor Loans (continued)

For the year ended December 31, 2020

	Principal	2020 Weighted Average	Average Term
Fixed rate due less than one year	\$ 20,932,686	11.80%	176

Total interest expense on investor loans for the year ending December 31, 2021 was \$3,370,644 (2020 - \$2,096,762).

7. Share Capital

Common Shares
Authorized

Unlimited	Class A common shares, voting
Unlimited	Class B common shares, voting
Unlimited	Class C common shares, voting
Unlimited	Class D common shares, voting, redeemable
Unlimited	Class E common shares, voting

Issued and outstanding at December 31:

	2021		2020
49,500 Class A common shares (2020 - 49,500)	\$ 50	\$	50
49,500 Class B common shares (2020 - 49,500)	50		50
49,500 Class C common shares (2020 - 49,500)	2		2
1,500 Class E common shares (2020 - 1,500)	1		1
	\$ 103	\$	103

Special Shares
Authorized

Unlimited	Non-Voting Class A special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class B special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class C special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class D special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class E special shares, redeemable by the Company for \$1 per share

Brightpath Capital Corporation
Notes to the Financial Statements

December 31, 2021

7. Share Capital (continued)

Special Shares (continued)

During the year, the following transactions took place:

- 750,000 Class B special shares were issued for proceeds of \$750,000.
- 75,000 Class C special shares were issued for proceeds of \$75,000.
- 100,000 Class E special shares were issued for proceeds of \$100,000.
- 400,000 Class A special shares were redeemed for cash consideration of \$400,000.

Issued and outstanding at December 31

	2021	2020
Nil Class A special shares (2020 - 400,000)	\$ -	\$ 400,000
1,650,000 Class B special shares (2020 - 900,000)	1,650,000	900,000
475,000 Class C special shares (2020 - 400,000)	475,000	400,000
200,000 Class E special shares (2020 - 100,000)	200,000	100,000
	\$ 2,325,000	\$ 1,800,000

The following special shares were issued subsequent to year end:

350,000 Class B special shares issued after the year- end date (2020 - 150,000)	\$ 350,000	\$ 150,000
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Brightpath Capital Corporation
Notes to the Financial Statements

December 31, 2021

8. Income Taxes

The significant components of tax expense included in comprehensive income are composed of:

	2021	2020
Current tax expense		
Based on current year taxable income	\$ 989,768	\$ 840,070

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.50% are as follows:

	2021	2020
Net income before income tax	\$ 3,600,833	\$ 2,705,404
Expected taxes based on the statutory rate	\$ 954,221	\$ 716,932
Difference between net income for accounting and tax purposes	36,696	123,403
Charitable donations	(1,149)	(265)
	\$ 989,768	\$ 840,070

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

9. Financial Instrument Classification

The carrying amount of the Company's financial instruments by classification is as follows:

	Amortized cost	Fair value through other comprehensive income	Total
December 31, 2021			
Cash	\$ 3,751,299	\$ -	\$ 3,751,299
Accounts receivable	2,681,119	-	2,681,119
Due from shareholders	1,245,795	-	1,245,795
Due from related parties	905,231	-	905,231
Mortgages receivable	-	74,394,588	74,394,588
	<u>8,583,444</u>	<u>74,394,588</u>	<u>82,978,032</u>
Accounts payable and accrued liabilities	(720,848)	-	(720,848)
Income taxes payable	(149,243)	-	(149,243)
Investor loans	(35,380,335)	-	(35,380,335)
Due to related parties	(43,870,827)	-	(43,870,827)
Net financial assets (liabilities)	<u>\$ (71,537,809)</u>	<u>\$ 74,394,588</u>	<u>\$ 2,856,779</u>
December 31, 2020			
Cash	\$ 6,460,941	\$ -	\$ 6,460,941
Accounts receivable	1,459,384	-	1,459,384
Due from shareholders	1,321,623	-	1,321,623
Due from related parties	2,154,279	-	2,154,279
Mortgages receivable	-	36,052,962	36,052,962
	<u>11,396,227</u>	<u>36,052,962</u>	<u>47,449,189</u>
Accounts payable and accrued liabilities	(447,456)	-	(447,456)
Income taxes payable	(368,430)	-	(368,430)
Investor loans	(20,932,686)	-	(20,932,686)
Due to related parties	(23,247,986)	-	(23,247,986)
Net financial assets (liabilities)	<u>\$ (33,600,331)</u>	<u>\$ 36,052,962</u>	<u>\$ 2,452,631</u>

Brightpath Capital Corporation

Notes to the Financial Statements

December 31, 2021

10. Financial Instruments and Risk Management

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, concentration risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent, with the exception of the comments added below related to COVID-19.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to mortgages receivable. See Note 3 for discussion surrounding the credit risk of the mortgages receivable. As a result of COVID-19, the change in the creditworthiness of the mortgages could result in a change in the fair market value of the asset portfolio. The extent of any future impact on the Company's mortgage portfolio, on either collectibility or on fair value changes, is indeterminable at this time.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of a financial instruments because of changes in market interest rates. The Company is exposed to this risk through its mortgages receivable and its investor loans and certain balances due to related parties with variable interest rates. At December 31, 2021, 28% of mortgages receivable bear interest at fixed rates (2020 - 46%) and 72% of mortgages receivable bear interest at variable rates (2020 - 54%). The interest rate risk associated with variable rate mortgages receivable is mitigated by a minimum interest rate being the greater of the stated variable rate and fixed rate determined at mortgage origination for each respective variable rate mortgage receivable. The impact of COVID-19 in the Ontario economy may result in changes in prevailing market interest rates. Changing interest rates may result in fair value changes of mortgage receivable. The extent of the future impact on the market rates of interest and the corresponding effect on the fair value of the Company's mortgage receivable could be significant. See note 3 for sensitivity analysis of interest rate risk on mortgages receivable.

Concentration risk

Concentration risk arises related to the mortgages receivable as a result of the concentration of geographical locations and security position. The following is a summary of the Company's concentration risk:

Mortgages receivable	2021	2020
1st charge	63%	34%
2nd charge	37%	66%
South Western Ontario	59%	44%
Greater Toronto Area	17%	30%
North Eastern Ontario	14%	15%
Other	10%	11%

Brightpath Capital Corporation Notes to the Financial Statements

December 31, 2021

10. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is exposed to this risk through its accounts payable, accrued liabilities and investor loans and due to related parties. The Company mitigates this risk by monitoring cash activities and expected outflows. The following are the contractual maturities of financial liabilities as at December 31, 2021.

	Carrying amount	Contractual cash flow	Due within 3 months	Later than 3 months and not later than 6 months	Later than 6 months and not later than 1 year	Due beyond one year
Accounts payable and accrued liabilities	\$ 720,848	\$ 720,848	\$ 720,848	\$ -	\$ -	\$ -
Investor loans	35,380,335	35,380,335	-	35,380,335	-	-
Due to related parties	43,870,827	43,870,827	2,870,827	-	-	41,000,000
Lease liability	13,505	21,180	5,265	5,265	10,590	-
Total	\$ 79,985,515	\$ 79,993,190	\$ 3,596,940	\$ 35,385,600	\$ 10,590	\$ 41,000,000

The following are the contractual maturities of financial liabilities as at December 31, 2020.

	Carrying amount	Contractual cash flow	Due within 3 months	Later than 3 months and not later than 6 months	Later than 6 months and not later than 1 year	Due beyond one year
Accounts payable and accrued liabilities	\$ 447,456	\$ 447,456	\$ 387,456	\$ 60,000	\$ -	\$ -
Investor loans	20,932,686	20,932,686	423,489	14,371,043	1,200,000	-
Due to related parties	23,247,986	23,247,986	-	-	-	20,225,169
Lease liability	94,465	241,805	5,265	5,265	10,590	220,685
Total	\$ 44,722,593	\$ 44,869,933	\$ 816,210	\$ 14,436,308	\$ 1,210,590	\$ 20,445,854

Brightpath Capital Corporation

Notes to the Financial Statements

December 31, 2021

11. Capital Management

The Company's objectives with respect to capital management are to maintain a capital base that is structured to meet its operational needs and to best utilize capital allocations. The Company has defined its capital as retained earnings, common and special share capital and investor loans. The Company's capital at December 31, 2021 was \$38,213,828 (2020 - \$23,181,232). There have been no changes in how the Company defines or manages its capital since the previous year.

12. Uncertainty due to COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The impact of the COVID-19 outbreak on the financial performance of the Company's mortgages receivable will depend on future developments, including the duration and spread of the outbreak and related restrictions. These developments and the impact of COVID-19 on financial markets and the overall economy are still uncertain and cannot be predicted. If the overall economy is impacted for an extended period, the Company's future results may be adversely affected.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

13. Contingency

The Company has been named as a defendant in a lawsuit arising in the ordinary course of business. Due to the nature of the claim and the inability to estimate the outcome, no amount has been recorded in these financial statements.

14. Comparative Figures

Certain comparative figures have been changed to conform with current year financial statement presentation.

SCHEDULE "A-2"

**UNAUDITED INTERIM FINANCIAL STATEMENTS OF BRIGHTPATH CAPITAL FOR THE SIX
MONTHS ENDED JUNE 30, 2022**

[see following pages]

Brightpath Capital Corporation
Condensed Interim Financial Statements
For the Three and Six Months Ended
June 30, 2022 and June 30, 2021

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited consolidated condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these consolidated condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

Brightpath Capital Corporation
Condensed Interim Statement of Financial Position (unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current		
Cash	\$ 5,051,612	\$ 3,751,299
Accounts receivable	1,506,760	2,681,119
Prepaid expenses	134,879	151,115
Mortgages receivable (note 3)	94,562,881	74,394,588
Current portion of due from related parties (note 5)	550,000	905,231
	<u>101,806,132</u>	<u>81,883,352</u>
Due from shareholders (note 4)	4,370,795	1,245,795
Due from related parties (note 5)	2,150,000	-
Property and equipment	16,368	9,937
Right-of-use asset	4,475	11,934
	<u>4,370,795</u>	<u>1,245,795</u>
Total Assets	\$ 108,347,770	\$ 83,151,018
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 963,629	\$ 720,848
Deferred interest income	123,605	182,767
Income taxes payable	378,864	149,243
Investor loans (note 6)	43,107,630	35,380,335
Current portion of due to related parties (note 5)	61,011,392	2,870,827
Current portion of lease liabilities	5,191	-
	<u>105,590,311</u>	<u>39,304,020</u>
Due to related parties (note 5)	-	41,000,000
Lease liabilities	-	13,505
	<u>105,590,311</u>	<u>80,317,525</u>
Shareholders' Equity		
Common share capital (note 7)	103	103
Special share capital (note 7)	-	2,325,000
Retained earnings	2,757,356	508,390
	<u>2,757,459</u>	<u>2,833,493</u>
Total Liabilities and Shareholder's Equity	\$ 108,347,770	\$ 83,151,018

Nature of Operations (note 1)

Brightpath Capital Corporation
Condensed Interim Statement of Changes in Equity (unaudited)

	Common Share Capital	Special Share Capital	Retained Earnings	Total
Balance, January 1, 2022	\$ 103	\$ 2,325,000	\$ 508,390	\$ 2,833,493
Comprehensive income	-	-	2,423,421	2,423,421
Special share dividends	-	-	(174,455)	(174,455)
Issuance of special shares	-	825,000	-	825,000
Redemption of special shares	-	(3,150,000)	-	(3,150,000)
Balance, June 30, 2022	\$ 103	\$ -	\$ 2,757,356	\$ 2,757,459
Balance, January 1, 2021	\$ 103	\$ 1,800,000	\$ 448,443	\$ 2,248,546
Comprehensive income	-	-	1,316,608	1,316,608
Common share dividends	-	-	(455,000)	(455,000)
Special share dividends	-	-	(122,710)	(122,710)
Issuance of special shares	-	500,000	-	500,000
Balance, June 30, 2021	\$ 103	\$ 2,300,000	\$ 1,187,341	\$ 3,487,444

The accompanying notes are an integral part of these financial statements

Brightpath Capital Corporation
Condensed Interim Statement of Comprehensive Income (unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenue				
Interest income (note 3)	\$ 2,290,887	\$ 1,103,716	\$ 4,088,379	\$ 2,138,576
Lender fees (note 3)	2,299,066	1,261,284	4,237,977	2,251,145
Penalties and late fees	577,714	289,936	1,141,482	513,071
Commission income	-	15,112	4,070	29,234
	5,167,667	2,670,048	9,471,908	4,932,026
Expenses				
Advertising and promotion	56,665	42,858	103,126	93,048
Amortization of property and equipment	1,550	675	2,690	1,398
Dues and subscriptions	40,170	13,865	67,042	32,899
Insurance	27,273	20,996	60,285	41,993
Interest and bank charges	51,744	12,375	85,675	24,310
Interest on investor loans	1,319,255	984,541	2,487,169	1,698,716
Interest on related party loan	1,174,747	316,134	2,225,484	778,871
Office expenses	148,755	34,718	281,221	91,468
Professional fees	279,833	24,255	302,965	61,764
Rent	9,799	10,179	20,608	15,375
Salaries and benefits	277,390	172,007	500,399	289,601
Travel expenses	24,490	3,724	35,354	9,612
Utilities	984	891	2,719	1,668
	3,412,655	1,637,218	6,174,737	3,140,723
Income before income taxes	1,755,012	1,032,830	3,297,171	1,791,303
Income taxes				
Current	465,078	273,700	873,750	474,695
Net and Comprehensive Income	\$ 1,289,934	\$ 759,130	\$ 2,423,421	\$ 1,316,608

The accompanying notes are an integral part of these financial statements

Brightpath Capital Corporation

Condensed Interim Statement of Cashflows (unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities		
Net and comprehensive income for the period	\$ 2,423,421	\$ 1,316,608
Items not involving cash:		
Amortization of property and equipment	2,690	1,398
Amortization of right-of-use asset	8,951	6,897
Lease interest expense	563	5,543
Reinvested interest on investor loans	110,088	108,292
	2,545,713	1,438,738
Changes in non-cash working capital balances:		
Accounts receivable	1,174,359	(255,370)
Prepaid expenses	16,235	(8,805)
Accounts payable and accrued liabilities	242,781	481,827
Deferred interest income	(59,162)	148,831
Taxes payable	229,621	(243,747)
	4,149,547	1,561,474
Cash flows from investing activities		
Purchase of property and equipment	(9,120)	-
Advances of mortgages receivable	(110,960,671)	(58,214,586)
Proceeds from transfer of mortgages receivable	11,197,404	8,771,750
Repayments of mortgage principal	79,594,973	33,935,484
Repayments from related parties	(1,794,769)	1,722,699
Advances to shareholders	(3,125,000)	(749,000)
	(25,097,183)	(14,533,653)
Cash flows from financing activities		
Common share dividends paid	-	(455,000)
Special share dividends paid	(174,455)	(122,710)
Proceeds from issuance of special share capital	825,000	500,000
Payment on redemption of special share capital	(3,150,000)	-
Proceeds from investor loans	9,742,207	9,995,426
Repayments of investor loans	(2,125,000)	(1,760,000)
Repayment of lease liability	(10,368)	(17,447)
Advances from related parties	17,140,565	6,880,840
	22,247,949	15,021,109
Increase in cash during the year	1,300,313	2,048,930
Cash, beginning of the period	3,751,299	6,460,941
Cash, end of the period	\$ 5,051,612	\$ 8,509,871

The accompanying notes are an integral part of these financial statements

Brightpath Capital Corporation

Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

1. Nature of Operations and Summary Significant Accounting Policies

Reporting Entity

Brightpath Capital Corporation (the "Company") is located at 9 King Street North in Waterloo, Ontario, Canada and is incorporated under the laws of Canada. The Company operates as one operating segment using investor loans to administer first and second mortgages secured by residential properties. The Company is a registered Mortgage Brokerage and Mortgage Administrator.

These condensed interim financial statements were approved by the Company's shareholders on July 15, 2022.

Basis of preparation and accounting policies

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

These condensed interim financial statements were prepared under the historical cost convention except for financial assets classified as fair value through other comprehensive income ("FVTOCI").

The Company's functional and presentation currency is the Canadian dollar.

2. Critical Accounting Estimates and Judgments

The preparation of condensed interim financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The most significant estimates that the Company is required to make relate to:

- The determination of expected credit losses and impairment of mortgages receivable, shareholder receivables and related party receivables and assessing whether credit risk on the financial asset has increased significantly since initial recognition
- The classification of financial assets, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding
- The determination of the fair value of mortgages receivable includes: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgages and underlying security of the mortgages receivable.

Brightpath Capital Corporation

Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

2. Critical Accounting Estimates and Judgments (Continued)

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Credit markets, equity markets, and consumer spending are factors in the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision of future periods if the revision affects both current and future periods.

3. Mortgages Receivable

The following is a reconciliation of the Level 3 fair value measurements of the mortgages receivable:

	June 2022	December 2021
Mortgages receivable, opening balance	\$ 74,394,588	\$ 36,052,962
Additional mortgages funded	111,873,747	144,112,176
Discharge of mortgages	(90,792,377)	(103,587,912)
Change in unrecognized lender fees	(913,077)	(2,182,638)
Mortgages receivable, closing balance	\$ 94,562,881	\$ 74,394,588

There were no transfers into or out of level 3 for the period ending June 30, 2022.

Mortgages receivable consist of loans secured by residential property and are repayable monthly with interest-only payments, with the principal balance due on maturity. Mortgages have a combination of fixed and variable rates of interest ranging between 4.95% and 18.44% (Dec 2021 - 5.7% and 19.0%) and all mature within one year of origination. The weighted average effective interest rate of the portfolio as at June 30, 2022 is 18.55% (Dec 2021 - 16.38%), which includes the effect of interest plus the effect of the lender fees earned on the portfolio.

Brightpath Capital Corporation

Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

3. Mortgage Receivable (Continued)

Mortgage lender fees are charged to customers upon issuance of the loan and withheld from the principal funds forwarded to the customer. These fees make up part of the effective interest earned on the loans and as such are recognized into income over the life of the loan. As at June 30, 2022 there was \$3,095,715 (Dec 2021 - \$2,182,638) of unrecognized lender fees on outstanding mortgage receivables.

	June 2022	December 2021
Mortgages receivable at par ⁽ⁱ⁾	\$ 97,658,597	\$ 76,577,226
Less: unrecognized lender fees	(3,095,716)	(2,182,638)
Mortgages receivable at fair value	\$ 94,562,881	\$ 74,394,588

⁽ⁱ⁾ Included in the mortgages receivable balance at June 30, 2022 is one mortgage totaling \$261,250 (Dec 2021 - \$2,519,572) that is in default. As a result, the Company has initiated the power-of-sale process. No impairment has been recognized in respect of the mortgage receivable.

In determining impairment, the primary consideration is the value of the security compared to the value of the outstanding mortgage. Consideration is also placed on an assessment of the current state of the market and of the borrower's effort to sell the property. A mortgage would be considered to be impaired if the loan to value exceeded 90%. As of June 30, 2022, the maximum loan to value in the portfolio is 90% (Dec 2021 - 90%). The Company's mortgages receivable are secured by registered charges over real property which is considered to mitigate the impact of changes in credit risk of the mortgages receivable.

At year end the mortgages had the following loan to value ratios:

	June 2022	December 2021
Less than or equal to 80% loan to value	\$ 65,737,151	\$ 51,992,678
Greater than 80%, but less than or equal to 85% loan to value	11,804,590	6,437,866
Greater than 85%, but less than or equal to 90% loan to value	17,021,140	15,964,044
Mortgages receivable at fair value	\$ 94,562,881	\$ 74,394,588

At June 30, 2022 the Company had \$1,940,600 (Dec 2021 - \$7,048,872) of mortgages that were past due but are not considered to be impaired. These mortgages have either been successfully discharged subsequent to the period end date, or the borrower has subsequently become current on their payments, or have entered into a power-of-sale process.

Brightpath Capital Corporation Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

3. Mortgage Receivable (Continued)

The measurement of fair value of mortgage investments includes the use of certain unobservable inputs, the most significant of which are the loan-to-value ratio, which is dependent on the fair values of the underlying properties associated with specific mortgages receivable, and the discount rate. As at June 30, 2022, the average loan-to-value ratio of the mortgages receivable was 78.2% (Dec 2021 - 79%).

4. Due from Shareholders

At June 30, 2022, the amounts due from shareholders are as follows:

	June 2022	December 2021
Albright Holdings Inc.	\$ 2,204,045	\$ 354,045
9975756 Canada Inc.	1,017,500	442,500
2754681 Ontario Inc.	1,124,250	449,250
Fiona Elder	25,000	-
	<u>\$ 4,370,795</u>	<u>\$ 1,245,795</u>

Amounts due from shareholders are due on demand, unsecured, and bear no interest. The Company has waived its right to demand repayment for the next fiscal year.

5. Due to/from Related Parties and Related Party Transactions

The Company is related to Harfin Capital Inc., 10766933 Canada Ltd., Brightpath Residential Mortgage LP I, 10260835 Canada Corp. and Pivot Financial Inc. through shared ownership and management.

At June 30, 2022, the amounts due from related parties are as follows:

	June 2022	December 2021
10766933 Canada Ltd.	\$ -	\$ 714,996
Brightpath Residential Mortgage LP I	550,000	190,235
10260835 Canada Corp.	2,150,000	-
	<u>\$ 2,700,000</u>	<u>\$ 905,231</u>
Current Portion	550,000	905,231
Long-term Portion	<u>\$ 2,150,000</u>	<u>\$ -</u>

These amounts are unsecured, non-interest bearing and are due on demand.

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

5. Due to/from Related Parties and Related Party Transactions (Continued)

At June 30, 2022, the amounts due to related parties are as follows:

	June 2022	December 2021
Harfin Capital Inc.	\$ -	\$ 18,546
Whitney Albright	-	475,000
Pivot Financial Inc. - Term Loan	56,500,000	41,000,000
Pivot Financial Inc. - Promissory Notes	4,000,000	2,000,000
Accrued Interest	511,392	377,281
	\$ 61,011,392	\$ 43,870,827
Current Portion	61,011,392	2,870,827
Long-term Portion	\$ -	\$ 41,000,000

The amount due to Pivot Financial Inc. is in the form of a term loan and bears interest at the greater of 9.5% per annum or Canadian Bank Prime Rate + 5.5%. Effective March 31, 2022, the maximum capacity that Brightpath can draw on under this loan was increased to \$60,000,000 (Dec 2021 - \$50,000,000) and the maturity date was extended to January 1, 2023. The term loan also carries annual fees of \$10,000 per year and an admin fee of 1% per annum on drawn funds. This term loan is secured by a general security agreement over the assets of the Company.

Pivot Financial Inc. has waived the right to demand payment on this loan before January 1, 2023.

The Company has a promissory note with Pivot Financial Inc. for the balance of \$2,000,000. This note bears interest at 12% per annum payable interest only each month. The note is due 180 days from the date of demand.

On June 15, 2022, the Company executed a promissory note with Pivot Financial I Limited Partnership for the balance of \$2,000,000. This note bears interest at 15% per annum payable interest only each month. The note is due 30 days from the date of demand.

Related party transactions during the year included the following:

	June 2022	December 2021
Financing fees, administration fees, and interest charged by Pivot Financial Inc.	\$ 2,553,989	\$ 3,171,166
Interest charged by Whitney Albright	\$ -	\$ 76,900

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

5. Due to/from Related Parties and Related Party Transactions (Continued)

During the period, the Company transferred \$47,695,554 (Dec 2021 - \$60,958,461) in mortgages to Brightpath Residential Mortgage LP I.

6. Investor Loans

	June 2022	December 2021
Investor loans, opening balance	\$ 35,380,335	\$ 20,932,686
Proceeds from new investor loans	9,852,295	17,242,649
Repayments of investor loans	(2,125,000)	(2,795,000)
Investor loans, closing balance	\$ 43,107,630	\$ 35,380,335

Investor loans are unsecured, due on demand with maturity dates ranging between 90 to 180 days from day of demand with fixed interest rates ranging between 8%-12% (Dec 2021 - 8%-12%)

Weighted Average Interest Rate to Maturity

For the period ended June 30, 2022

	Principal	2022 Weighted Average	Average Term
Fixed rate due less than one year	\$ 43,107,630	11.80%	179

For the year ended December 31, 2021

	Principal	2021 Weighted Average	Average Term
Fixed rate due less than one year	\$ 35,380,335	11.72%	179

Total interest expense on investor loans for the period ended June 30, 2022 was \$2,487,169 (Dec 2021 - \$1,698,716).

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

7. Share Capital

Common Shares

Authorized

Unlimited	Class A common shares, voting
Unlimited	Class B common shares, voting
Unlimited	Class C common shares, voting
Unlimited	Class D common shares, voting, redeemable
Unlimited	Class E common shares, voting

Issued and outstanding at June 30, 2022

	June 2022	December 2021
49,500 Class A common shares (Dec 2021 - 49,500)	\$ 50	\$ 50
49,500 Class B common shares (Dec 2021 - 49,500)	50	50
49,500 Class C common shares (Dec 2021 - 49,500)	2	2
1,500 Class E common shares (Dec 2021 - 1,500)	1	1
	\$ 103	\$ 103

Special Shares

Authorized

Unlimited	Non-Voting Class A special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class B special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class C special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class D special shares, redeemable by the Company for \$1 per share
Unlimited	Non-Voting Class E special shares, redeemable by the Company for \$1 per share

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

7. Share Capital (Continued)

Special Shares (Continued)

During the period, the following transactions took place:

- 475,000 Class A special shares were issued for proceeds of \$475,000.
- 350,000 Class B special shares were issued for proceeds of \$350,000.
- 475,000 Class A special shares were redeemed for cash consideration of \$475,000.
- 2,000,000 Class B special shares were redeemed for cash consideration of \$2,000,000.
- 475,000 Class C special shares were redeemed for cash consideration of \$475,000.
- 200,000 Class E special shares were redeemed for cash consideration of \$200,000.

Issued and outstanding at June 30, 2022

	June 2022	December 2021
Nil Class A special shares (Dec 2021 - Nil)	\$ -	\$ -
Nil Class B special shares (Dec 2021 - 1,650,000)	-	1,650,000
Nil Class C special shares (Dec 2021 - 475,000)	-	475,000
Nil Class E special shares (Dec 2021 - 200,000)	-	200,000
	\$ -	\$ 2,325,000

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

8. Financial Instrument Classification

The carrying amount of the Company's financial instruments by classification is as follows:

	Amortized Cost	Fair value through other comprehensive income	Total
June 30, 2022			
Cash	\$ 5,051,612	\$ -	\$ 5,051,612
Accounts receivable	1,506,760	-	1,506,760
Due from shareholders	4,370,795	-	4,370,795
Due from related parties	2,700,000	-	2,700,000
Mortgages receivable	-	94,562,881	94,562,881
	<u>\$ 13,629,167</u>	<u>\$ 94,562,881</u>	<u>\$ 108,192,048</u>
Accounts payable and accrued liabilities	(963,629)	-	(963,629)
Income taxes payable	(378,864)	-	(378,864)
Investor loans	(43,107,630)	-	(43,107,630)
Due to related parties	(61,011,392)	-	(61,011,392)
Net financial assets (liabilities)	<u>\$ (91,832,348)</u>	<u>\$ 94,562,881</u>	<u>\$ 2,730,533</u>
December 31, 2021			
Cash	\$ 3,751,299	\$ -	\$ 3,751,299
Accounts receivable	2,681,119	-	2,681,119
Due from shareholders	1,245,795	-	1,245,795
Due from related parties	905,231	-	905,231
Mortgages receivable	-	74,394,588	74,394,588
	<u>\$ 8,583,444</u>	<u>\$ 74,394,588</u>	<u>\$ 82,978,032</u>
Accounts payable and accrued liabilities	(720,848)	-	(720,848)
Income taxes payable	(149,243)	-	(149,243)
Investor loans	(35,380,335)	-	(35,380,335)
Due to related parties	(43,870,827)	-	(43,870,827)
Net financial assets (liabilities)	<u>\$ (71,537,809)</u>	<u>\$ 74,394,588</u>	<u>\$ 2,856,779</u>

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

9. Financial Instruments and Risk Management

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, concentration risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to mortgages receivable. See Note 3 for discussion surrounding the credit risk of the mortgages receivable.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of a financial instruments because of changes in market interest rates. The Company is exposed to this risk through its mortgages receivable and its investor loans and certain balances due to related parties with variable interest rates. At June 30, 2022, 22% of mortgages receivable bear interest at fixed rates (Dec 2021 - 28%) and 78% of mortgages receivable bear interest at variable rates (Dec 2021 - 72%). The interest rate risk associated with variable rate mortgages receivable is mitigated by a minimum interest rate being the greater of the stated variable rate and fixed rate determined at mortgage origination for each respective variable rate mortgage receivable. Changing interest rates may result in fair value changes of mortgage receivable. The extent of the future impact on the market rates of interest and the corresponding effect on the fair value of the Company's mortgage receivable could be significant.

Concentration Risk

Concentration risk arises related to the mortgages receivable as a result of the concentration of geographical locations and security position. The following is a summary of the Company's concentration risk:

Mortgages receivable	June 2022	December 2021
1st charge	69%	63%
2nd charge	31%	37%
South Western Ontario	45%	59%
Greater Toronto Area	36%	17%
North Eastern Ontario	10%	14%
Other	9%	10%

Brightpath Capital Corporation Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

9. Financial Instruments and Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is exposed to this risk through its accounts payable, accrued liabilities and investor loans and due to related parties. The Company mitigates this risk by monitoring cash activities and expected outflows. The following are the contractual maturities of financial liabilities as at June 30, 2022 and as at December 31, 2021.

	Carrying Amount	Contractual cash flow	Due within 3 months	Later than 3 months and not later than 6 months
Accounts payable and accrued liabilities	\$ 963,629	\$ 963,629	\$ 963,629	\$ -
Investor loans	43,107,630	43,107,630	-	43,107,630
Due to related parties	61,011,392	61,011,392	2,511,392	58,500,000
Lease liability	5,191	5,191	5,191	-
Total	\$105,087,842	\$105,087,842	\$3,480,212	\$101,607,630

The following are contractual maturities of financial liabilities as at December 31, 2021.

	Carrying Amount	Contractual cash flow	Due within 3 months	Later than 3 months and not later than 6 months	Later than 6 months and not later than 1 year	Due beyond one year
Accounts payable and accrued liabilities	\$ 720,848	\$ 720,848	\$ 720,848	\$ -	\$ -	\$ -
Investor loans	35,380,335	35,380,335	-	35,380,335	-	-
Due to related parties	43,870,827	43,870,827	2,870,827	-	-	41,000,000
Lease liability	13,505	21,180	5,265	5,265	10,590	-
Total	\$ 79,985,515	\$ 79,993,190	\$3,596,940	\$35,385,600	\$ 10,590	\$ 41,000,000

10. Capital Management

The Company's objectives with respect to capital management are to maintain a capital base that is structured to meet its operational needs and to best utilize capital allocations. The Company has defined its capital as retained earnings, common and special share capital and investor loans.

Brightpath Capital Corporation
Notes to the Condensed Interim Financial Statements (unaudited)

June 30, 2022

10. Capital Management (Continued)

The Company's capital at June 30, 2022 was \$45,864,986 (Dec 2021 - \$38,213,828). There have been no changes in how the Company defines or manages its capital since the December 31, 2021.

11. Contingency

The Company has been named as a defendant in a lawsuit arising in the ordinary course of business. Due to the nature of the claim and the inability to estimate the outcome, no amount has been recorded in these condensed interim financial statements.

SCHEDULE “B-1”

**AUDITED BRIGHTPATH LP FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2021**

[see following pages]

Brightpath Residential Mortgage LP I
Financial Statements
For the Year Ended December 31, 2021

Brightpath Residential Mortgage LP I
Financial Statements
For the Year Ended December 31, 2021

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Independent Auditor's Report

To the partners of Brightpath Residential Mortgage LP I

Opinion

We have audited the financial statements of Brightpath Residential Mortgage LP I (the Partnership), which comprise the balance sheet as at December 31, 2021, and the statements of operations, capital (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership 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.

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 Canadian accounting standards for private enterprises, 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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership'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 Partnership'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 Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

BDO Canada CPA

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
April 20, 2022

Brightpath Residential Mortgage LP I
Balance Sheet

December 31	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 824,403	\$ 555,836
Interest receivable	205,679	-
Mortgages receivable (Note 3)	41,197,423	7,912,848
Due from related party (Note 4)	134,743	4,743
	\$42,362,248	\$ 8,473,427
Liabilities and Partners' Deficit		
Current		
Accounts payable and accrued liabilities	\$ 309,590	\$ 44,394
Investor loan (Note 5)	500,000	500,000
Demand loan (Note 6)	41,379,398	6,069,192
Due to related party (Note 4)	190,235	1,926,384
	42,379,223	8,539,970
Deficit	(16,975)	(66,543)
	\$42,362,248	\$ 8,473,427

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

Brightpath Residential Mortgage LP I
Statement of Capital (Deficit)

For the year ended December 31	10766933 Canada Ltd.	Albright Holdings Inc.	Universal Financial Corp.	Brightpath Servicing Corporation	2021	2020
Balance, beginning of the year	\$ (22,184)	\$ (22,184)	\$ (22,184)	\$ 9	\$ (66,543)	\$ 36
Net income (loss)	24,784	12,393	12,393	-	49,570	(66,579)
Distributions	-	(1)	(1)	-	(2)	-
Balance, end of the year	\$ 2,600	\$ (9,792)	\$ (9,792)	\$ 9	\$ (16,975)	\$ (66,543)

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

Brightpath Residential Mortgage LP I
Statement of Operations

For the year ended December 31	2021	2020
Revenue	<u>\$ 1,091,232</u>	<u>\$ 225,279</u>
Operating expenses		
Amortization of financing fees (Note 6)	75,982	52,386
Bank charges	2,556	1,192
Custodian fees	5,179	13,654
Interest on demand loan	836,471	116,790
Interest on investor loan	40,000	31,534
Professional fees	76,477	76,302
Memberships and dues	4,997	-
	<u>1,041,662</u>	<u>291,858</u>
Net income (loss)	<u>\$ 49,570</u>	<u>\$ (66,579)</u>

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

Brightpath Residential Mortgage LP I Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Net income (loss) for the year	\$ 49,570	\$ (66,579)
Adjustments for non-cash items		
Amortization of financing fees	75,982	52,386
	125,552	(14,193)
Changes in non-cash working capital:		
Interest receivable	(205,679)	-
Mortgages receivable	(33,284,575)	(7,912,848)
Accounts payable and accrued liabilities	265,196	44,394
	(33,099,506)	(7,882,647)
Cash flows from financing activities		
Advances from (repayments to) related party	(1,736,149)	1,926,384
Advances to related party	(130,000)	(4,743)
Financing fees paid	(206,870)	(283,454)
Proceeds from short-term debt	45,650,333	7,301,698
Repayment of short-term debt	(10,209,239)	(1,001,438)
Distributions to partners	(2)	-
	33,368,073	7,938,447
Net increase in cash	268,567	55,800
Cash, beginning of the year	555,836	500,036
Cash, end of the year	\$ 824,403	\$ 555,836

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

Brightpath Residential Mortgage LP I

Notes to the Financial Statements

December 31, 2021

1. Significant Accounting Policies

Nature of Business	Brightpath Residential Mortgage LP I (the "Partnership") is located in Waterloo, Ontario, Canada and is formed under the laws of Canada. The Partnership is engaged in the business of holding and financing mortgages secured by residential properties.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for private enterprises (ASPE).
Financial Statements	The financial statements present the financial position and results of operations of the Partnership. They do not include all of the assets, liabilities, revenues and expenses of the partners. No provision has been made herein for partners' salaries, interest on invested capital or income taxes.
Revenue Recognition	Interest income is recognized on a time proportion basis.
Income Taxes	The Partnership is not subject to tax because its income is taxed directly to its partners.
Financial Instruments	Financial instruments are recorded at fair value at initial recognition.

In subsequent years, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Brightpath Residential Mortgage LP I Notes to the Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates include the valuation of mortgages receivable and the amortization period of financing fees.

Brightpath Residential Mortgage LP I Notes to the Financial Statements

December 31, 2021

2. Cash

The Partnership's bank accounts are held at one chartered bank and earn nominal interest.

As part of operations, all payments received relating to purchased mortgages are held in a collections account maintained by the General Partner of the Partnership. These cash accounts are assets owned by the Partnership and are included in the general banking accounts of the Partnership. As at December 31, 2021, \$824,403 (2020 - \$68,336) of the cash is held in the collections account.

The remaining \$nil (2020 - \$487,500) of cash are funds held in trust by the Partnership's corporate lawyers.

3. Mortgages Receivable

Mortgages receivable consist of loans secured by residential property and are repayable monthly with interest only payments, with the principal balance due on maturity. Mortgages have a combination of fixed and variable rates of interest ranging between 5.99% and 8.99% (2020 - 6.70% and 8.99%) and all mature within one year of origination. The weighted average effective interest rate of the portfolio as at December 31, 2021 is 6.23% (2020 - 7.39%).

As part of operations, all mortgage loans are registered in the name of TSX Trust Company (the "custodian") on behalf of the Partnership. These mortgages receivable are assets owned by the Partnership and are included in the accounts of the Partnership.

4. Due from / to Related Parties and Related Party Transactions

The Partnership is related to Brightpath Capital Corporation through shared ownership and management. The amount due to related party is interest free, unsecured, and due on demand.

The Partnership is related to 10766933 Canada Inc. through ownership of partnership units. The amount due from related party is interest free, unsecured, and due on demand.

During the year, Brightpath Capital Corporation transferred \$60,958,461 (2020 - \$9,735,598) in mortgages to the Partnership.

5. Investor Loan

The investor loan balance is made up of an unsecured demand loan with a due date of 180 days from day of demand with a fixed interest rate of 8.00%.

Brightpath Residential Mortgage LP I Notes to the Financial Statements

December 31, 2021

6. Demand Loan

The demand loan is in the form of an uncommitted senior secured revolving credit demand facility for the purpose of purchasing eligible mortgages and incurs interest at the greater of the Canadian Bank Prime Rate plus 2.00%, or 4.45% per annum. The maximum capacity that the Partnership can draw on under this loan is the lesser of the maximum borrowing amount on the date of the loan, and \$45,000,000. The debt for each individual mortgage is due on each mortgage settlement date. The demand loan is secured by mortgages held by the Partnership as well as the co-ownership interest of mortgages held by Brightpath Capital Corporation, granting the lender first priority lien on all collateral of \$54,929,898 (2020 - \$7,912,848). The demand loan is guaranteed by a limited recourse guarantee made by the General Partner in favour of the lender, and personal guarantees of \$250,000 by each of the 3 personal guarantors.

The Partnership incurred financing fees in order to obtain financing. These fees have been netted against the debt to which it relates and are amortized over management's estimated term of the demand loan. Amortization for the year was \$75,982 (2020 - \$52,386) and has been included in financing fees. Unamortized financing fees at year end were \$361,957 (2020 - \$231,068) which have been included with the debt to which it relates.

Subsequent to year end, the Partnership amended the uncommitted senior secured revolving credit demand facility. As at February 1, 2022, the maximum capacity that the Partnership can draw on under this loan is the lesser of the maximum borrowing amount on the date of the loan, and \$60,000,000, incurring interest at the greater of the Canadian Bank Prime Rate plus 2.00%, or 4.45% per annum.

Subsequent to year end, the Partnership amended the uncommitted senior secured revolving credit demand facility. As at April 7, 2022, the maximum capacity that the Partnership can draw on under this loan is the lesser of the maximum borrowing amount on the date of the loan, and \$100,000,000, incurring interest at the greater of the Canadian Bank Prime Rate plus 1.50%, or 4.20% per annum.

Brightpath Residential Mortgage LP I

Notes to the Financial Statements

December 31, 2021

7. Financial Instrument Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Partnership is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Partnership's financial instruments that are exposed to concentrations of credit risk relate primarily to its mortgages receivable.

The Partnership mitigates credit risk on its mortgages receivable through diversification of its customer base and limiting its exposure to any one customer.

The credit risk related to the Partnership's mortgages receivable has increased due to the impact of COVID-19, which could lead to potential uncollectibility on these loan assets. The extent of any future impact on the Partnership's operational results is unknown.

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Partnership will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Partnership is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, short-term debt, and due to related party.

The liquidity risk related to the Partnership's accounts payable and accrued liabilities and short-term debt has increased due to the impact of COVID-19. The extent of any future impact on the Partnership's operational results is unknown.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Partnership is mainly exposed to interest rate risk.

The Partnership's risk management strategies are described below.

Brightpath Residential Mortgage LP I Notes to the Financial Statements

December 31, 2021

7. Financial Instrument Risks (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Partnership is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments such as mortgages receivable and the investor loan subject the Partnership to a fair value risk while floating rate instruments such as mortgages receivable and the demand loan subject the Partnership to a cash flow risk. At December 31, 2021, 2% of mortgages receivable bear interest at fixed rates (2020 - 5%) and 98% of mortgages receivable bear interest at variable rates (2020 - 95%). The interest rate risk associated with variable rate mortgages receivable is mitigated by a minimum interest rate being the greater of the stated variable rate and fixed rate determined at mortgage origination for each respective variable rate mortgage receivable.

The interest rate risk related to the Partnership's mortgages receivable, investor loan, and demand loan has increased due to the impact of COVID-19. The extent of any future impact on the Partnership's operational results is unknown.

8. Uncertainty Due to COVID-19

During the year, the impact of COVID-19 in Canada and on the global economy increased significantly. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and related financial impact cannot be reasonably estimated at this time. In addition, as the impacts of COVID-19 continue there could be further impact on the Partnership, its customers, and the Ontario real estate market as a whole, that could impact the timing and amounts realized on the Partnership's assets and future profitability, causing potential reductions in operating revenues due to a reduced customer base to service. The Partnership's ability to continue to service debt and meet other obligations as they come due is dependent on the continued ability to generate earnings and cash flows, including the use of current credit facilities. At this time, the full potential impact of COVID-19 on the Partnership is not known.

SCHEDULE “B-2”

**UNAUDITED INTERIM FINANCIAL STATEMENTS OF BRIGHTPATH LP FOR THE SIX
MONTHS ENDED JUNE 30, 2022**

[see following pages]

Brightpath Residential Mortgage LP I
Interim Financial Statements
For the Three and Six Months Ended
June 30, 2022 and June 30, 2021

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited consolidated condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these consolidated condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

Brightpath Residential Mortgage LP I
Interim Statements of Financial Position (unaudited)

June 30, 2022 December 31, 2021

Assets

Current

Cash (note 2)	\$ 61,550	\$ 824,403
Interest receivable	309,486	205,679
Mortgages receivable (note 3)	59,724,211	41,197,423
Due from related party (note 4)	-	134,743
Total Assets	\$ 60,095,247	\$ 42,362,248

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities	\$ 152,500	\$ 309,590
Investor loan (note 5)	-	500,000
Demand loan (note 6)	59,136,556	41,379,398
Due to related party (note 4)	550,000	190,235
	59,839,056	42,379,223

Capital (Deficit)	256,191	(16,975)
Total Liabilities and Shareholder's Equity	\$ 60,095,247	\$ 42,362,248

Nature of Business (note 1)

Brightpath Residential Mortgage LP I
Interim Statements of Capital (Deficit) (unaudited)

	10260835 Canada Corp.	Albright Holdings Inc.	Universal Financial Corp.	Brightpath Servicing Corp.	Total
Balance, January 1, 2022	\$ 2,600	\$ (9,792)	\$ (9,792)	\$ 9	\$ (16,975)
Net income	136,584	68,292	68,292	-	273,168
Distributions	-	(1)	(1)	-	(2)
Balance, June 30, 2022	\$ 139,184	\$ 58,499	\$ 58,499	\$ 9	\$ 256,191
Balance, January 1, 2021	\$ (22,184)	\$ (22,184)	\$ (22,184)	\$ 9	\$ (66,543)
Net income	882	440	440	-	1,762
Distributions	-	(1)	(1)	-	(2)
Balance, June 30, 2021	\$ (21,302)	\$ (21,745)	\$ (21,745)	\$ 9	\$ (64,783)

The accompanying notes are an integral part of these financial statements

Brightpath Residential Mortgage LP I
Interim Statements of Operations (unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenue	\$ 861,960	\$ 261,316	\$ 1,557,428	\$ 440,213
Operating expenses				
Amortization of financing fees	7,500	4,750	15,000	9,000
Bank charges	689	563	2,301	1,078
Custodian fees	1,898	1,413	4,007	2,825
Interest on demand loan	628,801	214,485	1,118,658	337,692
Interest on investor loan	8,091	10,000	18,090	20,000
Professional fees	60,868	41,743	100,949	63,365
Memberships and dues	25,255	4,492	25,255	4,491
	\$ 733,102	\$ 277,446	\$ 1,284,260	\$ 438,451
Net income (loss)	\$ 128,858	\$ (16,130)	\$ 273,168	\$ 1,762

The accompanying notes are an integral part of these financial statements

Brightpath Residential Mortgage LP I
Interim Statements of Cash Flows (unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities		
Net income for the period	\$ 273,168	\$ 1,762
Items not involving cash:		
Amortization of financing fees	15,000	9,000
	<u>288,168</u>	<u>10,762</u>
Changes in non-cash working capital:		
Interest receivable	(103,807)	-
Mortgages receivable	(18,526,788)	(9,968,859)
Accounts payable and accrued liabilities	(157,090)	420,054
	<u>(18,499,517)</u>	<u>(9,538,043)</u>
Cash flows from financing activities		
Advances from related party	359,765	2,488,588
Advances from (repayment to) related party	134,741	(72,000)
Financing fees paid	(240,698)	(46,248)
Proceeds from short-term debt	32,101,916	9,026,407
Repayments of short-term debt	(14,119,059)	(1,915,388)
Repayments of investor loan	(500,000)	-
Distributions to partners	(1)	(1)
	<u>17,736,664</u>	<u>9,481,358</u>
Decrease in cash during the period	(762,853)	(56,685)
Cash, beginning of the period	824,403	555,836
Cash, end of the period	\$ 61,550	\$ 499,151

Brightpath Residential Mortgage LP I

Notes to the Interim Financial Statements (unaudited)

June 30, 2022

1. Significant Accounting Policies

Nature of Business	Brightpath Residential Mortgage LP I (the "Partnership") is located in Waterloo, Ontario, Canada and is formed under the laws of Canada. The Partnership is engaged in the business of holding and financing mortgages secured by residential properties.
Basis of Accounting	The interim financial statements have been prepared using Canadian accounting standards for private enterprises (ASPE).
Financial Statements	The interim financial statements present the financial position and results of operations of the Partnership. They do not include all of the assets, liabilities, revenues and expenses of the partners. No provision has been made herein for partners' salaries, interest on invested capital or income taxes.
Revenue Recognition	Interest income is recognized on a time proportion basis.
Income Taxes	The Partnership is not subject to tax because its income is taxed directly to its partners.
Financial Instruments	Financial instruments are recorded at fair value at initial recognition.

In subsequent years, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Brightpath Residential Mortgage LP I

Notes to the Interim Financial Statements (unaudited)

June 30, 2022

1. Significant Accounting Policies (Continued)

Use of Estimates The preparation of interim financial statements in accordance with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates include the valuation of mortgages receivable and the amortization period of financing fees.

2. Cash

The Partnership's bank accounts are held at one chartered bank and earn nominal interest.

As part of operations, all payments received relating to purchased mortgages are held in a collections account maintained by the General Partner of the Partnership. These cash accounts are assets owned by the Partnership and are included in the general banking accounts of the Partnership. As at June 30, 2022, \$61,550 (2021 - \$824,403) of the cash is held in the collections account.

3. Mortgages Receivable

Mortgages receivable consist of loans secured by residential property and are repayable monthly with interest only payments, with the principal balance due on maturity. Mortgages have a combination of fixed and variable rates of interest ranging between 5.99% and 10.24% (2021 - 5.99% and 8.99%) and all mature within one year of origination. The weighted average effective interest rate of the portfolio as at June 30, 2022 is 7.18% (2021 - 6.23%).

As part of operations, all mortgage loans are registered in the name of TSX Trust Company (the "custodian") on behalf of the Partnership. These mortgages receivable are assets owned by the Partnership and are included in the accounts of the Partnership.

4. Due from / to Related Parties and Related Party Transactions

The Partnership is related to Brightpath Capital Corporation through shared ownership and management. The amount due to related party is interest free, unsecured, and due on demand.

The Partnership is related to 10766933 Canada Inc. through ownership of partnership units. The amount due from related party is interest free, unsecured, and due on demand.

During the six months ended at June 30, 2022, Brightpath Capital Corporation transferred \$47,695,554 (June 30, 2021 - \$9,026,406.62) in mortgages to the Partnership

Brightpath Residential Mortgage LP I

Notes to the Interim Financial Statements (unaudited)

June 30, 2022

5. Investor Loan

On May 13, 2022 the investor loan was repaid in full (Dec 2021 - \$500,000).

6. Demand Loan

The demand loan is in the form of an uncommitted senior secured revolving credit demand facility for the purpose of purchasing eligible mortgages. The debt for each individual mortgage is due on each mortgage settlement date. The demand loan is secured by mortgages held by the Partnership as well as the co-ownership interest of mortgages held by Brightpath Capital Corporation, granting the lender first priority lien on all collateral of \$79,632,281 (2021 - \$54,929,898). The demand loan is guaranteed by a limited recourse guarantee made by the General Partner in favour of the lender, and personal guarantees of \$250,000 by each of the 3 personal guarantors.

The Partnership incurred financing fees in order to obtain financing. These fees have been netted against the debt to which it relates and are amortized over management's estimated term of the demand loan using a straight-line method. Amortization for the period was \$15,000 (2021 - \$75,982) and has been included in financing fees. Unamortized financing fees at period end were \$587,655 (2021 - \$361,957) which have been included with the debt to which it relates.

On February 16, 2022, the Partnership amended the uncommitted senior secured revolving credit demand facility whereby the maximum capacity that the Partnership can draw on under this loan is the lesser of the maximum borrowing amount on the date of the loan, and \$60,000,000 (2021 - \$45,000,000), incurring interest at the greater of the Canadian Bank Prime Rate plus 2.00%, or 4.45% per annum.

On June 3, 2022, the Partnership amended the uncommitted senior secured revolving credit demand facility whereby the maximum capacity that the Partnership can draw on under this loan is the lesser of the maximum borrowing amount on the date of the loan, and \$100,000,000, incurring interest at the greater of the Canadian Bank Prime Rate plus 1.50%, or 4.45% per annum.

Brightpath Residential Mortgage LP I

Notes to the Interim Financial Statements (unaudited)

June 30, 2022

7. Financial Instrument Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Partnership is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Partnership's financial instruments that are exposed to concentrations of credit risk relate primarily to its mortgages receivable.

The Partnership mitigates credit risk on its mortgages receivable through diversification of its customer base and limiting its exposure to any one customer.

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Partnership will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Partnership is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, short-term debt, and due to related party.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Partnership is mainly exposed to interest rate risk.

The Partnership's risk management strategies are described below.

Brightpath Residential Mortgage LP I

Notes to the Interim Financial Statements (unaudited)

June 30, 2022

7. Financial Instrument Risks (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Partnership is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments such as mortgages receivable and the investor loan subject the Partnership to a fair value risk while floating rate instruments such as mortgages receivable and the demand loan subject the Partnership to a cash flow risk. At June 30, 2022, 2% of mortgages receivable bear interest at fixed rates (2021 - 2%) and 98% of mortgages receivable bear interest at variable rates (2021 - 98%). The interest rate risk associated with variable rate mortgages receivable is mitigated by a minimum interest rate being the greater of the stated variable rate and fixed rate determined at mortgage origination for each respective variable rate mortgage receivable.