

**READY CAPITAL MORTGAGE INVESTMENT TRUST**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Trustees of Ready Capital Mortgage Investment Trust**

#### **Opinion**

We have audited the consolidated financial statements of Ready Capital Mortgage Investment Trust (the "Trust"), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statement of comprehensive income and the consolidated statement of changes in net assets attributable to holders of redeemable units and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Trust 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 (IFRS).

#### **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 Consolidated Financial Statements* section on our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Trust'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 Trust'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 consolidated 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report  
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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.

*Segal LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
March 29, 2022

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	2021	2020
<b>ASSETS</b>		
<b>Current</b>		
Mortgage loans receivable, notes 3 and 7	\$ 38,818,690	\$ 20,131,965
Cash	4,370,580	5,587,499
Interest receivable	<u>417,491</u>	<u>136,124</u>
	<u>\$ 43,606,761</u>	<u>\$ 25,855,588</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities, note 7	\$ 339,331	\$ 386,874
Subscriptions in advance	1,367,000	460,919
Prepaid interest and other holdbacks	42,054	60,000
Distribution payable	385,372	233,784
Redemptions payable	<u>-</u>	<u>150,000</u>
<b>Total liabilities before net assets attributable to holders of redeemable units</b>	<u>\$ 2,133,757</u>	<u>\$ 1,291,577</u>
<b>Net assets attributable to holders of redeemable units</b>		
Trust unitholders	\$ 41,472,841	\$ 24,563,884
Non-controlling interest	<u>163</u>	<u>127</u>
	<u>\$ 41,473,004</u>	<u>\$ 24,564,011</u>
<b>Number of redeemable units outstanding, note 6</b>		
Trust unitholders	414,747	245,645
Non-controlling interest	-	-
<b>Net assets attributable to holders of redeemable units per unit</b>		
Trust unitholders	\$ 100.00	\$ 100.00
Non-controlling interest	-	-
<b>Approved on behalf of the Trustees:</b>		
_____	Trustee	
_____	Trustee	

See accompanying notes to the consolidated financial statements

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>Revenue</b>		
Interest for distribution purposes, note 7	\$ 3,211,785	\$ 1,605,385
Lender fee income	618,872	411,070
Redemptions charges	19,475	9,585
Discharge fees	<u>4,729</u>	<u>33,142</u>
	<u>3,854,861</u>	<u>2,059,182</u>
<b>Expenses</b>		
Trust management fees, note 7	660,101	321,981
Commissions, note 7	187,822	147,841
Professional fees	122,121	20,901
Mortgage origination fees, note 7	99,206	75,699
Performance fees, note 7	26,544	17,195
Mortgage administrative fees	16,200	12,000
Marketing	5,085	5,085
Bank Charges	<u>1,934</u>	<u>2,887</u>
	<u>1,119,013</u>	<u>603,589</u>
<b>Comprehensive income attributable to holders of redeemable units</b>	<u>\$ 2,735,848</u>	<u>\$ 1,455,593</u>
<b>Comprehensive income attributable to holders of redeemable units</b>		
Trust unitholders	\$ 2,735,812	\$ 1,455,573
Non-controlling interest	<u>36</u>	<u>20</u>
	<u>\$ 2,735,848</u>	<u>\$ 1,455,593</u>
<b>Comprehensive income attributable to holders of redeemable units per unit</b>		
Trust unitholders	\$ 8.37	\$ 8.48
Non-controlling interest	\$ -	\$ -

See accompanying notes to the consolidated financial statements

## READY CAPITAL MORTGAGE INVESTMENT TRUST

### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS FOR THE YEAR ENDED DECEMBER 31, 2021

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued	Distributions	Proceeds from reinvestments	Redemptions of redeemable units	Comprehensive income attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>December 31, 2021</b>							
Trust unitholders	\$ 24,563,884	\$ 19,966,177	\$ (2,736,217)	\$ 1,540,346	\$ (4,597,161)	\$ 2,735,812	\$ 41,472,841
Non-controlling interest	<u>127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>163</u>
	<u>\$ 24,564,011</u>	<u>\$ 19,966,177</u>	<u>\$ (2,736,217)</u>	<u>\$ 1,540,346</u>	<u>\$ (4,597,161)</u>	<u>\$ 2,735,848</u>	<u>\$ 41,473,004</u>

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued	Distributions	Proceeds from reinvestments	Redemptions of redeemable units	Comprehensive income attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>December 31, 2020</b>							
Trust unitholders	\$ 11,514,701	\$ 15,046,554	\$ (1,456,099)	\$ 764,335	\$ (2,761,180)	\$ 1,455,573	\$ 24,563,884
Non-controlling interest	<u>107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>127</u>
	<u>\$ 11,514,808</u>	<u>\$ 15,046,554</u>	<u>\$ (1,456,099)</u>	<u>\$ 764,335</u>	<u>\$ (2,761,180)</u>	<u>\$ 1,455,593</u>	<u>\$ 24,564,011</u>

See accompanying notes to the consolidated financial statements

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>Cash flows from operating activities</b>		
Comprehensive income for the year	\$ 2,735,848	\$ 1,455,593
Changes in non-cash working capital balances		
Decrease (increase) in interest receivable	(281,367)	73,695
Increase (decrease) in accounts payable and accrued liabilities	(47,543)	261,435
Increase in subscriptions in advance	906,081	380,919
Decrease in prepaid interest and other holdbacks	(17,946)	(32,800)
Increase in distribution payable	151,588	127,426
Issuance of mortgages	(38,247,190)	(21,647,765)
Principal repayment of mortgage loans	19,560,465	12,350,000
<b>Cash flows used in operating activities</b>	<u>(15,240,064)</u>	<u>(7,031,497)</u>
<b>Cash flows from financing activities</b>		
Issuance of redeemable units	19,966,177	15,046,554
Redemption of redeemable units	(4,747,161)	(2,611,180)
Distributions in cash	<u>(1,195,871)</u>	<u>(691,764)</u>
	<u>14,023,145</u>	<u>11,743,610</u>
Net increase (decrease) in cash and cash equivalents	(1,216,919)	4,712,113
Cash and cash equivalents, beginning of year	<u>5,587,499</u>	<u>875,386</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,370,580</u>	<u>\$ 5,587,499</u>
<b>Supplemental information:</b>		
Interest received	<u>\$ 2,930,418</u>	<u>\$ 1,679,080</u>

See accompanying notes to the consolidated financial statements



# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 1. THE TRUST

Ready Capital Mortgage Investment Trust (the "Trust") was settled as an unincorporated open-ended investment trust under the laws of the Province of Ontario pursuant to a Declaration of Trust dated January 24, 2019. The investment goal of the Trust is to finance prudent conventional mortgages secured by real property situated in Canada. The Trust is the sole limited partner in Ready Capital Mortgage Limited Partnership (the "Partnership"). The Trust aims to provide its unitholders with stable and secure returns while preserving its investable capital. The term of the Trust is indefinite, subject to certain conditions. The Trust is not a reporting issuer in any province or territory of Canada. The Trust is not a trust company and does not carry on business as a trust company, and therefore, is not registered under applicable legislation as a trust company in any jurisdiction.

The Limited Partnership is a non-bank provider of mortgage loans and will make monthly cash distributions to the Trust and its trust unitholders from income of the Partnership. In the ordinary course of business the Trust will distribute all of the distributable cash calculated in accordance with its distribution policy. The principal place of business of the Trust is located at 4491 Highway 7, Unionville, Ontario L3R 1M1.

Christine Xu, Martin Reid and Ronald Cuadra are the trustees of the Trust. Rite Alliance Management Inc., (a company controlled by the trustees) is the Trust Manager of the Trust.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements have prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These consolidated financial statements were authorized to issue by the Trust Manager on March 29, 2022.

#### Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective as at December 31, 2021, the Trust's annual reporting date.

These consolidated financial statements are presented in the functional currency of the Trust, Canadian dollars.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Principles of Consolidation

These consolidated financial statements include the accounts of the Trust and Ready Capital Mortgage Limited Partnership (the "Partnership"). The Trust owns 100% of the Class A LP units of the Partnership. The minority interest reflected in these consolidated financial statements represents the interest of the General Partner in the Limited Partnership. In accordance with the Limited Partnership agreement the General Partner is entitled to 0.001% of the Limited Partnership earnings. All inter-company accounts and transactions have been eliminated on consolidation.

#### Financial instruments

IFRS 9, Financial Instruments – Classification and Measurement ("IFRS 9") requires financial assets to be classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing financial assets and the contractual cash flow characteristics of these assets. Assessment of the business model approach in use is an accounting judgment. Fair value changes for financial liabilities at FVTPL, which are attributable to changes in the entity's own credit risk, are to be presented in other comprehensive income unless they affect amounts recorded in income. Financial assets and liabilities are recognized in the consolidated financial statements when the Trust becomes a party to the contractual provisions of the instruments. The Trust Manager has designated its cash as financial assets at FVTPL, which is measured at fair value.

The Trust only measures debt instruments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

#### Business model assessment:

The Trust determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Financial instruments (Continued...)

##### The SPPI test:

As a second step of its classification process, the Trust assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

“Principal” for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

In contrast, contractual terms that introduce more than a minimal exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Management has performed the business model assessment and SPPI test and concluded that the mortgages are financial assets carried at amortized cost.

IFRS 9 requires that an entity recognizes an allowance for expected credit losses on financial assets which are measured at amortized costs or FVOCI. Financial assets held by the Trust which are measured at FVTPL are not subject to the impairment requirements.

The Trust applies an expected credit loss (“ECL”) model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the statement of financial position date, are provided for. The Trust assesses and segments its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each statement of financial position date. Loans are categorized as under-performing if there has been a significant increase in credit risk. The Trust utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal partnership risk rating based on the Trust’s custom behaviour credit scoring model, non-sufficient fund (“NSF”) transactions, delinquency and adjustments to the loan’s terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans will likely charge-off in the future which the Trust has determined to be when loans are delinquent for greater than 30 days. For performing loans, the Trust is required to record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Trust is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Financial instruments (Continued...)

##### The SPPI test: (Continued...)

The Trust does not provide any additional credit to borrowers who are delinquent. In order for additional credit to be advanced to a borrower, they must be current on their pre-existing loan and meet the Trust's credit and underwriting requirements. In limited situations, the Trust may amend the terms of a loan for customers that are current or are in arrears as a means to ensure the customer remains able to repay the loan.

The key inputs in the measurement of ECL allowances are as follows:

- The probability of default is an estimate of the likelihood of default over a given time horizon;
- The exposure at default is an estimate of the exposure at a future default date;
- The loss given default is an estimate of the loss arising in the case where a default occurs at a given time; and
- Forward-looking indicators ("FLIs").

Ultimately, the ECL is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant. From an analysis of historical data, General Partner has identified and reflected in the Trust's ECL allowance those relevant FLIs variables that contribute to credit risk and losses within the Partnership's loan portfolio. Within the Trust's loan portfolio, the most highly correlated variable is real estate prices.

With respect to consolidated financial statements items classified as loans and receivable, the Trust considers both historical analysis and forward looking information in determining expected credit losses. As at the year end date, all loans and receivables are due to be settled within the short term. The Trust considers the probability of default and the capacity of counterparties to meet their contractual obligation in the near term.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Financial instruments (Continued...)

##### Financial liabilities

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

The Trust classified accounts payable and accrued liabilities, prepaid interest and other holdbacks, subscriptions in advances, distribution payable and redemptions payable as measured at amortized cost.

#### Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all of the risk and rewards of the asset. The Trust assesses each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

#### Cash

Cash consists of cash on deposit. Amounts are carried at fair value.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Quantitative information on the impact on the Trust's statement of financial position if all amounts were set off is required.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Financial instruments (Continued...)

##### Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty.

Mortgage loan interest and interest rate reduction fees are recognized in the period in which they are earned.

Lender's fees are earned at the inception of the mortgage loan. Such fees are accounted for on the accrual basis.

Discharge fees are earned when the mortgagees repay the mortgage before the due date. Such fees are recorded on the discharge date.

Redemption charges are earned when unitholders redeem their units prior to the minimum holding period as specified in the Trust Offering Memorandum. Such fees are accounted for on the date of redemption.

##### Provisions

The Trust recognizes a provision, if as a result of a prior event, the Trust has a current obligation requiring the outflow of resources to settle. Provisions are recorded at the Trust Manager's best estimates of the most probable outcome of any future settlement.

##### Valuation of redeemable units

The units of the Trust may be surrendered for redemption at any time but will be redeemed only on a Valuation Date and at no other time. Distributions to Unitholders may be paid by cheque or by issuance of additional Units. The Trust's units are therefore classified as financial liabilities. The Trust's units do not meet the criteria in IAS 32 for classification as equity. The net asset value per unit is determined as of the close of business, monthly. The determination is made by dividing the net assets attributable to holders of redeemable units ("Net Asset Value") of the Trust at that date by the total number of units outstanding.

##### Comprehensive income attributable to holders of redeemable units per unit

Comprehensive income attributable to holders of redeemable units per unit as disclosed in the statement of comprehensive income is calculated by dividing the comprehensive income attributable to holders of redeemable units by the average number of units outstanding during the year.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### **Critical judgements and estimates**

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the consolidated financial statements:

#### Allowance for credit losses

The determination of the allowance for credit losses on mortgage loans receivable is the most significant estimate. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgments, estimates and assumptions are discussed in note 9.

#### Assessment as investment entity

The Trust Manager has concluded that the Trust meets the characteristics and the definition of an investment entity, in that it has more than one investment and is managed in accordance with the Trust's investment guidelines; the investments are predominantly in the form of mortgage loans. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

### 3. MORTGAGE LOANS RECEIVABLE

As of December 31, 2021, the details of the mortgage loans receivable are as follows:

Interest Rate	Terms	Maturity date	Type	Amortized cost
15.00%	12-months	April 1, 2022	Residential, 2nd mortgage	\$ 585,000
12.00%	12-months	August 1, 2022	Residential, 2nd mortgage	24,500
13.99%	12-months	February 1, 2022	Residential, 2nd mortgage	174,000
12.00%	12-months	February 1, 2022	Residential, 2nd mortgage	100,000
12.00%	12-months	April 1, 2022	Commercial, 2nd mortgage	560,000
11.99%	12-months	April 1, 2022	Residential, 2nd mortgage	218,000
12.00%	12-months	May 1, 2022	Residential, 2nd mortgage	566,000
13.50%	12-months	May 1, 2022	Residential, 2nd mortgage	230,000
10.00%	12-months	January 4, 2022	Commercial, 1st mortgage	220,000
8.99%	12-months	July 1, 2022	Commercial, 1st mortgage	1,000,000
9.99%	12-months	August 1, 2022	Commercial, 1st mortgage	770,000
10.99%	12-months	September 1, 2022	Residential, 2nd mortgage	550,000
12.00%	3-months	February 1, 2022	Residential, 2nd mortgage	150,000
12.00%	12-months	December 1, 2022	Residential, 2nd mortgage	600,000
8.99%	12-months	June 1, 2022	Residential, 2nd mortgage	105,000
10.00%	24-months	January 1, 2023	Commercial, 1st mortgage	2,100,000
12.00%	12-months	October 1, 2022	Residential, 1st mortgage	1,760,000
9.99%	12-months	February 1, 2022	Residential, 2nd mortgage	117,500
7.45%	12-months	April 1, 2022	Residential, 2nd mortgage	37,490
9.99%	12-months	March 1, 2022	Residential, 2nd mortgage	600,000
9.99%	12-months	April 1, 2022	Commercial, 1st mortgage	500,000
9.99%	12-months	April 1, 2022	Residential 2nd mortgage	800,000
9.99%	12-months	April 1, 2022	Residential, 2nd mortgage	100,000
8.99%	12-months	April 1, 2022	Residential, 2nd mortgage	160,000
9.99%	12-months	May 1, 2022	Residential, 2nd mortgage	150,000
10.49%	12-months	May 1, 2022	Residential, 2nd mortgage	300,000
11.99%	12-months	May 1, 2022	Residential, 2nd mortgage	243,750
9.99%	12-months	June 1, 2022	Residential, 2nd mortgage	375,000
9.99%	12-months	June 1, 2022	Residential, 2nd mortgage	425,000
9.99%	12-months	June 1, 2022	Residential, 1st mortgage	243,750
11.99%	12-months	June 1, 2022	Residential, 2nd mortgage	434,000
12.99%	12-months	June 1, 2022	Residential, 2nd mortgage	200,000
7.45%	12-months	February 16, 2022	Residential, 2nd mortgage	135,000
5.95%	12-months	August 1, 2022	Residential, 2nd mortgage	255,300
9.99%	12-months	July 1, 2022	Residential, 2nd mortgage	200,000
15.00%	12-months	August 1, 2022	Commercial, 2nd mortgage	560,000
5.99%	13-months	September 1, 2022	Residential, 2nd mortgage	123,000
11.99%	12-months	January 7, 2022	Residential, 1st mortgage	732,000
12.00%	12-months	August 1, 2022	Residential, 2nd mortgage	2,000,000
11.99%	12-months	August 1, 2022	Commercial, 1st mortgage	142,000
6.25%	13-months	September 1, 2022	Residential, 2nd mortgage	<u>69,000</u>
Balance carried forward to next page				\$ <u>18,615,290</u>



## READY CAPITAL MORTGAGE INVESTMENT TRUST

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

#### 3. MORTGAGE LOANS RECEIVABLE (Continued...)

As of December 31, 2021, the details of the mortgage loans receivable are as follows:

Interest Rate	Terms	Maturity date	Type	Amortized cost
		Balance carried forward to next page		\$ 18,615,290
5.95%	13-months	September 1, 2022	Residential, 2nd mortgage	226,250
9.99%	12-months	September 1, 2022	Residential, 2nd mortgage	227,000
5.95%	13-months	October 1, 2022	Residential, 2nd mortgage	78,750
13.99%	12-months	September 1, 2022	Residential, 2nd mortgage	256,000
9.99%	12-months	September 1, 2022	Residential, 2nd mortgage	104,000
12.99%	12-months	September 1, 2022	Commercial, 1st mortgage	8,500,000
11.99%	12-months	September 1, 2022	Commercial, 1st mortgage	100,000
5.95%	13-months	October 1, 2022	Residential, 2nd mortgage	140,400
10.99%	12-months	October 1, 2022	Residential, 2nd mortgage	50,000
10.99%	12-months	October 1, 2022	Residential, 2nd mortgage	340,000
10.99%	12-months	October 1, 2022	Residential, 2nd mortgage	65,500
6.70%	13-months	November 1, 2022	Residential, 2nd mortgage	109,000
11.99%	12-months	October 1, 2022	Residential, 2nd mortgage	68,750
12.00%	12-months	November 1, 2022	Residential, 2nd mortgage	75,000
10.99%	12-months	December 1, 2022	Commercial, 1st mortgage	1,350,000
13.99%	12-months	November 1, 2022	Commercial, 2nd mortgage	370,000
12.00%	12-months	November 1, 2022	Residential, 2nd mortgage	400,000
10.99%	12-months	December 1, 2022	Residential, 2nd mortgage	1,000,000
9.99%	12-months	December 1, 2022	Residential, 2nd mortgage	150,000
6.49%	13-months	January 1, 2023	Residential, 2nd mortgage	367,500
12.00%	12-months	December 1, 2022	Residential, 2nd mortgage	400,000
9.99%	12-months	December 1, 2022	Commercial, 1st mortgage	540,000
5.95%	13-months	January 1, 2023	Residential, 2nd mortgage	77,250
9.49%	12-months	December 1, 2022	Residential, 2nd mortgage	500,000
11.99%	12-months	December 1, 2022	Residential, 2nd mortgage	400,000
9.99%	12-months	December 1, 2022	Residential, 1st mortgage	1,100,000
11.99%	12-months	December 31, 2022	Residential, 2nd mortgage	655,000
8.99%	2-months	February 15, 2022	Residential, 1st mortgage	1,580,000
8.99%	2-months	January 12, 2022	Residential, 2nd mortgage	620,000
12.00%	12-months	December 31, 2022	Residential, 2nd mortgage	263,000
12.00%	12-months	December 31, 2022	Residential, 2nd mortgage	<u>90,000</u>
				<u>\$ 38,818,690</u>

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

### 3. MORTGAGE LOANS RECEIVABLE (Continued...)

As of December 31, 2020, the details of the mortgage loans receivable are as follows:

Interest Rate	Terms	Maturity date	Type	Amortized cost
12.00%	12-months	May 1, 2021	Residential, 2nd mortgage	\$ 120,000
12.00%	12-months	November 1, 2021	Residential, 2nd mortgage	87,700
12.00%	12-months	May 1, 2021	Residential, 2nd mortgage	150,000
13.99%	12-months	February 1, 2022	Residential, 2nd mortgage	174,000
11.99%	12-months	January 1, 2022	Residential, 1st mortgage	180,000
15.00%	12-months	April 1, 2021	Residential, 2nd mortgage	585,000
12.00%	12-months	August 1, 2021	Residential, 2nd mortgage	510,000
12.00%	12-months	August 1, 2021	Residential, 2nd mortgage	29,500
12.00%	12-month	August 1, 2021	Residential, 2nd mortgage	260,000
12.00%	6-months	March 1, 2020	Residential, 2nd mortgage	65,000
12.00%	12-months	February 1, 2022	Residential, 2nd mortgage	100,000
10.99%	12-months	February 1, 2022	Residential, 2nd mortgage	100,000
14.00%	12-months	April 1, 2021	Residential, 2nd mortgage	113,000
11.99%	12-months	April 1, 2021	Residential, 2nd mortgage	218,000
12.00%	12-months	April 1, 2021	Land, 2nd mortgage	560,000
12.00%	12-months	May 1, 2021	Residential, 2nd mortgage	566,000
13.50%	12-months	May 1, 2021	Residential, 2nd mortgage	230,000
12.00%	12-months	May 1, 2021	Residential, 2nd mortgage	107,000
12.50%	12-months	May 1, 2021	Residential, 2nd mortgage	350,000
13.50%	12-months	June 1, 2021	Residential, 2nd mortgage	120,000
9.99%	12-months	July 1, 2021	Residential, 1st mortgage	880,000
8.99%	12-months	July 1, 2021	Land, 1st mortgage	1,000,000
12.00%	12-months	July 1, 2021	Residential, 2nd mortgage	130,000
12.99%	12-months	August 1, 2021	Residential, 2nd mortgage	200,000
9.99%	12-months	August 1, 2021	Commercial, 1st mortgage	770,000
11.00%	12-months	September 1, 2021	Residential, 2nd mortgage	550,000
12.00%	12-months	September 1, 2021	Residential, 2nd mortgage	100,000
12.49%	12-months	October 1, 2021	Land, 2nd mortgage	3,500,000
8.99%	12-months	October 1, 2021	Residential, 1st mortgage	244,000
10.99%	12-months	October 1, 2021	Residential, 2nd mortgage	200,000
10.99%	12-months	November 1, 2021	Residential, 2nd mortgage	560,000
12.00%	12-months	November 1, 2021	Residential, 2nd mortgage	200,000
12.00%	12-months	November 1, 2021	Residential, 2nd mortgage	140,500
10.99%	12-months	December 1, 2021	Residential, 2nd mortgage	115,020
12.00%	12-months	December 1, 2021	Residential, 2nd mortgage	600,000
9.50%	12-months	December 1, 2021	Residential, 2nd mortgage	1,500,000
12.00%	12-months	December 1, 2021	Residential, 2nd mortgage	150,000
10.00%	12-months	January 1, 2022	Residential, 2nd mortgage	1,500,000
10.00%	24-months	January 1, 2023	Commercial, 1st mortgage	2,100,000
8.99%	12-months	January 1, 2022	Residential, 2nd mortgage	105,000
11.99%	12-months	October 15, 2020	Residential, 1st mortgage	210,000
13.50%	12-months	June 19, 2020	Residential, 2nd mortgage	42,245
12.00%	12-months	July 16, 2019	Residential, 2nd mortgage	230,000
12.00%	6-months	October 16, 2020	Residential, 2nd mortgage	80,000
10.00%	12-months	September 21, 2020	Residential, 1st mortgage	400,000
				<u>\$ 20,131,965</u>

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 4. TRUST UNITHOLDERS ENTITLEMENTS

The Trust unitholders' entitlements with respect to the net assets attributable to the holders of redeemable units and distribution of income are generally as follows:

a) Ownership of assets

The pro rata share of the net assets attributable to holders of redeemable units of the Trust in the proportion that each Trust unitholders' capital bears to the aggregate Trust's capital.

b) Allocation of net income or loss

Net income of the Trust will be allocated on an annual basis, in arrears, 99.999% to the Trust unitholders and 0.001% to the General Partner of Ready Capital Mortgage Limited Partnership to a maximum of \$100 per annum. The Trust Unitholders' share of the income and loss of the Trust is allocated to Trust unitholders in the proportion to their ownership of redeemable units at the commencement of the period.

c) Distributions of income

On each distribution date, on or about the 10th day of each calendar month, distributable cash will be distributed first, as to 99.999% to the Trust unitholders in proportion to the number of units held by each Trust unitholder on the distribution record date immediately preceding date of such distribution; and second, as to 0.001% to the General Partner of Ready Capital Mortgage Limited Partnership to a maximum of \$100 per annum.

d) Redemptions

Trust unitholders may redeem the units by tendering to the Trust the redemption notice specifying the Trust unitholders wishes to have the units redeemed by the Trust. Early redemption penalties may apply if the redemption notice is not delivered in the manner as required in the Trust Offering Memorandum

Upon redemption, the Trust unitholders will receive proceeds of redemption equal to aggregate fair value of the units, together with an amount equal to all interest dividends declared thereon and remaining unpaid.

The Trustees have the right to require a Trust unitholder to redeem some or all of the units owned by such Trust unitholder on a redemption date designated by the Trustees at the fair value per unit thereof on such date, less all applicable deductions and fees, by notice in writing to the Trust unitholder before the date of redemption, which right may be exercised by the Trustees in its absolute discretion.

## READY CAPITAL MORTGAGE INVESTMENT TRUST

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### 5. FEES AND EXPENSES

##### a) Mortgage administration fees

The Trust pays to the Mortgage Administrator a fee of \$1,350 per month.

##### b) Mortgage management fees

The Trust pays the Mortgage Manager by payment of a monthly fee equal to 1/12th (one twelfth) of 2.00% (plus H.S.T) of the amount of the mortgage receivables of the Trust as of the last business day of each calendar month (the “Mortgage Management Fees”). The fees may be subject to waiver or adjustment in accordance with the terms of the Mortgage Management Agreement, including in order to meet the target distribution yield of the Trust of approximately 8.0% per annum, net of fees.

##### c) Performance fees

The Mortgage Manager is also entitled to a performance fee paid by the Trust to the Mortgage Manager payable in respect of a calendar year in which the net return of the Partnership exceeds 8.0% for such year and is equal to 20% of the aggregate net return of the Partnership for such year which exceeds the 8.0% “hurdle” rate of return.

##### d) Mortgage Originator fees

The Mortgage Originator is entitled to all lender, broker, origination, commitment, renewal, extension, discharge participation, NSF and administration fees (“Lender/Broker Fees”) generated on Mortgage Investments it arranges and presents to the Trust. Generally, such fees are in the range of 2–6% of the loan amount although in certain circumstances the amount can be higher.

##### e) Commission

The Trust will from time to time retain and engage registered agents, securities dealers and brokers and other eligible persons to sell the Units. Any commissions, finder's fees or referral fees or other compensation payable (including expense reimbursements) by the Trust Manager in connection with the distribution and sale of the Units will be payable by the Trust. The Trust may pay a commission in connection with the Unit Offering of up to one percent (1%) of the value of the securities purchased in the Unit Offering.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 5. FEES AND EXPENSES (Continued...)

#### f) Operating fees

The Trust is responsible for the payment of all routine and customary fees and expenses incurred relating to the administration and operation of the Trust including, but not limited to: Trustee fees and expenses; management fees; custodian, and safekeeping fees and expenses; registrar and transfer agency fees and expenses; audit, legal and record-keeping fees and expenses; communication expenses; printing and mailing expenses; all costs and expenses associated with the qualification for sale and distribution of the Units including securities filing fees (if any); investor servicing costs; costs of providing information to Unitholders (including proxy solicitation material, financial and other reports) and convening and conducting meetings of Unitholders; taxes, assessments or other governmental charges of all kinds levied against the Trust; interest expenses; and all brokerage commissions and other fees associated with the purchase and sale of portfolio securities and other assets of the Trust. In addition, the Trust will be responsible for the payment of all expenses associated with ongoing investor relations and education relating to the Trust. The Trust Manager will also be reimbursed for any expenses of any action, suit or other proceeding in which or in relation to which the Trust Manager or the Trustee and/or any of their respective officers, directors, employees, consultants or agents (as applicable) is entitled to indemnity by the Trust.

### 6. UNITS ISSUED AND OUTSTANDING

The authorized capital of the Trust consists of an unlimited number of trust units, issuable in series designated in one or more classes of units. Each issued and outstanding unit represents an undivided interest in the net assets of the Trust.

The unit transactions for the year ended December 31, 2021 are as follows:

	2021	2020
Units outstanding, beginning of the year	245,645	115,146
Units issued during the year	215,065	158,112
Units redeemed during the year	<u>(45,963)</u>	<u>(27,613)</u>
Units outstanding, end of the year	<u>414,747</u>	<u>245,645</u>

## READY CAPITAL MORTGAGE INVESTMENT TRUST

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### 7. RELATED PARTY TRANSACTIONS

\$660,000 of mortgage loans issued to one of the trustees was discharged during the year with a remaining mortgage loan balance of \$220,000 (2020 - \$880,000). For the year ended December 31, 2021, interest income of \$52,838 (2020 - \$52,495) was earned from such mortgage loans receivable.

Included in interest receivable is the amount of \$3,000 (2020 - \$16,000) due from Moneybroker Canada Inc., an entity subject to common control of the Trust.

The following are redeemable units held by the related party of the Trust:

During the year ended December 31, 2021, fees paid to the Trust Manager were as follows:

	2021	2020
Trust management fees	\$ <u>660,101</u>	\$ <u>321,981</u>
Commissions	\$ <u>112,809</u>	\$ <u>82,752</u>
Mortgage origination fees	\$ <u>99,206</u>	\$ <u>75,699</u>
Performance fees	\$ <u>26,544</u>	\$ <u>17,195</u>

Included in accrued expenses are amounts payable to the Trust Manager as follows:

	2021	2020
Trust management fees payable	\$ <u>106,062</u>	\$ <u>128,026</u>
Performance fees payable	\$ <u>26,544</u>	\$ <u>17,195</u>

The following are redeemable units held by the related party of the Trust:

	2021	2020
Unit held by the Trust Manager	1.00	1.00
Percentage of Unit held by the Trust Manager	0.00 %	0.00 %
Units held by the Trustees	1,925.28	1,769.85
Percentage of units held by the Trustees	0.46 %	0.72 %
Units held by the Trustees	2,838.61	-
Percentage of units held by the Trustees	0.68 %	- %

Trust management fees, performance fees and mortgage origination fees are measured at the consideration prescribed by the offering documents of the Trust. When related parties enter unitholder transactions with the Trust, the consideration is the transactional NAV available to all other unitholders on the trade date.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 8. MINORITY INTEREST

The minority interest represents the interest of the Trust owned by the General Partner of Ready Capital Mortgage Limited Partnership. During the year ended December 31, 2021, the Trust allocated \$36 (2020 - \$20) of income to the minority interest owner and as of December 31, 2021 it has capital of \$163 (2021 - \$127) of the Trust.

### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Fair value

IFRS 7 requires that the Trust disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Trust's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by IFRS 7 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

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

The Trust Manager has determined that cash amounting to \$4,370,580 (2020 - \$5,587,499) is the only asset classified as level 1 financial assets at fair value through profit or loss.

The Trust's financial instruments consist of mortgage loans receivable, cash, interest receivable, distribution payable, accounts payable and accrued liabilities, redemptions payable, subscriptions in advance, and prepaid interest and other holdbacks. It is the Trust's opinion that due to the short term nature of these financial instruments, the Trust is not exposed to significant market price, currency, interest rate, liquidity, cash flow, credit, and portfolio concentration risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

#### i) Currency risk

The Trust may hold assets and liabilities that are denominated in currencies other than the Canadian dollar - its functional currency. Consequently, the Trust is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Trust's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

The Trust has no material exposure to currency risk as at December 31, 2021.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

#### Fair value (Continued...)

#### ii) Interest rate risk

The Trust may invest in fixed and floating rate securities. The income of the Trust may be affected by changes to interest rates relevant to particular financial instruments or as a result of the Trust Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest financial instruments may be affected by interest rate movements or the expectation of such movement in the future. As at December 31, 2021, 94% (2020 - 82%) of the net assets are held in mortgage loans receivable and 10.5% (2020 - 22.7%) of net assets owned are held in cash. The remaining portion of the Trust's net assets are substantially non-interest bearing financial instruments.

As at December 31, 2021

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest Bearing	Total
Mortgage loans receivable	\$ -	\$ 38,818,690	\$ -	\$ 38,818,690
Interest receivables	-	-	417,491	417,491
Cash	<u>4,370,580</u>	<u>-</u>	<u>-</u>	<u>4,370,580</u>
	<u>\$ 4,370,580</u>	<u>\$ 38,818,690</u>	<u>\$ 417,491</u>	<u>\$ 43,606,761</u>
Financial liabilities				
Other financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,133,757</u>	<u>\$ 2,133,757</u>
Net assets				<u>\$ 41,473,004</u>

#### iii) Liquidity risk

Liquidity risk is the possibility that investments of the Trust cannot be readily converted into cash when required. The Trust may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Trust or the securities may be subject to legal or contractual restrictions on their resale. In addition, the Trust is exposed to monthly cash redemptions of redeemable units. The units of the Trust are redeemed on demand at the current net assets per unit at the option of the unitholder. The Trust manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. The Trust aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the Trust is considered minimal.



# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

#### Fair value (Continued...)

#### iii) Liquidity risk (Continued...)

As at December 31, 2021

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Indefinite maturity	Total
Mortgage loans receivable	\$ 36,273,940	\$ 2,544,750	\$ -	\$ -	\$ 38,818,690
Loans and receivables	417,491	-	-	-	417,491
Cash	<u>4,370,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,370,580</u>
<b>Total</b>	<b><u>\$ 41,062,011</u></b>	<b><u>\$ 2,544,750</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 43,606,761</u></b>
Financial liabilities					
Other financial liabilities	<u>\$ 2,133,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,133,757</u>
Net assets					<u>\$ 41,473,004</u>

#### iv) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, such fluctuations will result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

#### v) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Trust to credit risk consist principally of mortgage loans receivable. The Trust seeks to mitigate its exposure to credit risk by performing credit reviews on borrowers on a regular basis and maintaining specific loan to value metrics on secured properties.

As at December 31, 2021, the Trust had \$38,818,690 (2020- \$20,131,965) representing 94% (2020 - 82%) of the Trust's net assets invested in mortgage loans receivable. The Trust Manager has applied the expected credit loss model to assess the expected credit losses in accordance with IFRS and has concluded that the mortgage loans receivable in amount of \$37,058,690 are classified as performing (stage 1) with no interest delinquency issues and principal and interest are due within 12 months. One mortgage loan receivable in amount of \$1,760,000 is classified as non-performing (stage 3). The property associated with the mortgage loan receivable has been through power sale proceedings and subsequent to year end closed for proceeds sufficient that the principal and interest accrued are expected to be fully recovered. Therefore, \$Nil has been provided for allowance for expected credit losses.

## READY CAPITAL MORTGAGE INVESTMENT TRUST

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

##### Fair value (Continued...)

##### vi) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is product type, industry sector or counterparty type. As at December 31, 2021, \$38,818,690 (2020 - \$20,131,965) representing 94% (2020 - 82%) of the Trust's net assets were invested in mortgage loans receivable.

##### vii) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Trust is not currently exposed to market price risk as at December 31, 2021.

#### 10. CAPITAL MANAGEMENT

The Trust Manager considers the Trust's capital to consist of the issued units and the net assets attributable to participating unitholders.

The Trust Manager manages the capital of the Trust in accordance with the Trust's investment objectives, policies and restrictions, as outlined in the Trust's offering documents, while maintaining sufficient liquidity to meet participating withholder redemptions.

The Trust does not have any externally imposed capital requirements.

#### 11. COMMITMENTS

- a) The Trust is committed to pay the Mortgage Administrator a fee of \$1,350 per month.
- b) The Trust is committed to pay the Mortgage Manager a monthly fee equal to 1/12th of 2.0% (plus HST) of the amount of the mortgage loans receivable. The mortgage management fee may be subject to waiver or adjustment in accordance with the terms of the mortgage management agreement.

The Trust has also committed to pay a performance fee equal to 20% of the aggregate net returns of the Trust in excess of 8% for the calendar year.

- c) The Trust may pay a commission to securities dealers in connection with the unit subscriptions of up to 1% of the value of the securities purchased in the unit offering.
- d) The Trust may pay mortgage origination fees to the mortgage originator up to 6% of the funded mortgage.

# READY CAPITAL MORTGAGE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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### 12. MATERIAL UNCERTAINTY

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Fund's operations and performance. These circumstances may continue for an extended period of time, and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted.