

RESCO Mortgage Investment Corporation

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2025

RESCO Mortgage Investment Corporation

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For the year ended October 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the shareholders of RESCO Mortgage Investment Corporation,

Opinion

We have audited the financial statements of RESCO Mortgage Investment Corporation ("the Corporation") which comprise the statement of financial position as at October 31, 2025, and the statements of comprehensive income and 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 Corporation as at October 31, 2025 and the results of its operations 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 these financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative to do so.

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

Auditors' 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.

We also:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

RMR Rosenswig McKee Rosso LLP

Toronto, Ontario
February 26, 2026

Chartered Professional Accountants
Licensed Public Accountants

RESCO Mortgage Investment Corporation


Statement of Financial Position

As at October 31, 2025

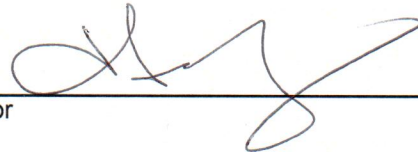
	2025	2024
	\$	\$
ASSETS		
Cash	2,243,314	-
Prepaid expenses	30,737	28,777
Accounts receivable (note 8)	160,000	181,761
Mortgages receivable (note 9)	68,558,382	74,798,318
	70,992,433	75,008,856
LIABILITIES		
Bank indebtedness (note 10)	-	3,951,193
Accounts payable and accrued liabilities	365,246	449,513
Class B preferred shares (note 12)	70,514,911	70,176,333
	70,880,157	74,577,039
SHAREHOLDERS' EQUITY		
Common shares (note 12)	10,000	10,000
Retained earnings	102,276	421,817
	112,276	431,817
	70,992,433	75,008,856

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

Approved on behalf of the Board:



Director



Director

RESCO Mortgage Investment Corporation

Statement of Comprehensive Income and Changes in Equity

For the year ended October 31, 2025

	2025	2024
	\$	\$
Revenues		
Mortgage interest	6,906,779	7,711,307
Other income	914,528	836,557
	7,821,307	8,547,864
Operating expenses		
Dividends on Class B Preferred Shares (note 11)	5,775,166	5,543,770
Management fees (note 7)	849,945	909,709
Mortgage losses	651,958	391,086
Amortization of issuance costs	498,260	508,963
Interest on loan	209,571	1,097,629
Bank charges	62,197	45,329
Audit and accounting fees	43,305	44,915
Insurance	23,063	21,777
Office expenses	13,786	11,561
Regulatory fees	6,930	7,409
Legal fees	6,667	7,115
	8,140,848	8,589,263
Net comprehensive loss for the year	(319,541)	(41,400)
Opening retained earnings	421,817	463,217
Closing retained earnings	102,276	421,817

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

RESCO Mortgage Investment Corporation

Statement of Cash Flows

For the year ended October 31, 2025

	2025	2024
	\$	\$
Cash flows from operating activities		
Net comprehensive loss for the year	(319,541)	(41,400)
Adjustments to reconcile net income to cash flows from operating activities:		
Decrease in mortgage interest receivable	288,830	344,499
Increase in prepaid expenses	(1,960)	(16,785)
Decrease in accounts payable and accrued liabilities	(84,267)	(9,116)
Cash (used in) provided by operating activities	(116,938)	277,198
Cash flows from investing activities		
Funding of mortgages	(70,966,477)	(70,508,102)
Discharge of mortgages	76,917,583	75,281,664
Cash provided by investing activities	5,951,106	4,773,562
Cash flows from financing activities		
Proceeds from issuance of Class B Preferred Shares	7,801,604	12,259,591
Receivable from issuance of Class B Preferred Shares	21,761	(61,761)
Redemption of Class B Preferred Shares	(7,848,121)	(7,379,733)
Repayment of bank indebtedness	(3,951,193)	(10,174,482)
Share issuance costs	385,095	305,625
Cash provided by (used in) financing activities	(3,590,854)	(5,050,760)
Net increase in cash	2,243,314	-
Cash, beginning of year	-	-
Cash, end of year	2,243,314	-

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

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

1. Corporate information

The financial statements of RESCO Mortgage Investment Corporation (the "Corporation") for the year ended October 31, 2025 were authorized for issue in accordance with a resolution of the directors on February 24, 2026. The Corporation was incorporated under the Canadian Business Corporation Act on November 21, 2013.

The Corporation is a Canadian mortgage investment corporation (MIC) pursuant to the Income Tax Act (Canada) Section 130.1. The objective of the Corporation is to make prudent investments in mortgages against real property located in Canada in order to generate sustainable and stable income while preserving investment capital for shareholders.

The Corporation is subject to rules under the Income Tax Act (Canada) that permit the Corporation to flow-through its net income to its shareholders. The income of the Corporation for purposes of the Income Tax Act (Canada) includes interest earned and the taxable portion of any net realizable capital gains. The Corporation, in computing its taxable income, is generally entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year. Dividends other than capital gains dividends, which are paid by the Corporation to shareholders, will be included in shareholders' income as interest income.

The Corporation conducts its mortgage lending activities on properties located in Canada, primarily in the Province of Ontario, Manitoba and Alberta. The registered office of the Corporation is 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7.

2. Basis of presentation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Corporation.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value. The methods used to measure fair values are discussed in note 4.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Fair value of mortgages receivable

The Corporation is required to make estimates relating to the fair value determination of mortgage receivable. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

2. Basis of presentation (continued)

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 vary by a material amount.

Expected credit losses on mortgage receivables

The Corporation assesses the impairment and extent of losses on mortgages at each reporting date, and records a provision for mortgage losses accordingly. Judgement by management is required in assessing where there had been a significant increase in credit risk of when a mortgage is impaired. Estimates are required to determine the amount and timing of future cash flows when determining losses.

In estimating future cash flows, the Corporation makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3. Material accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in accordance with IFRS 9.

Recognition and initial measurement

Financial instruments are recognized on the date of origination at the fair value of consideration exchanged. Except for financial instruments carried at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to its issuance.

Classification and subsequent measurement

Under IFRS 9, classification of financial assets is determined based on:

- (i) the business model under which the assets is held; and
- (ii) the contractual cash flow characteristics of the instrument

The Corporation's financial assets are predominantly comprised of mortgages receivable. Mortgages are managed in order to generate cash flows from collection of contractual cash flows. Contractual cash flows are consistent with basic lending arrangements and represent cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Accordingly, mortgages receivable are classified as amortized cost instruments using the effective interest rate method.

All other financial assets and liabilities are classified as amortized cost instruments.

Impairment of financial assets

The Corporation recognizes expected credit losses ("ECL") at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). A lifetime ECL is recorded on performing mortgages which are considered to have experienced a significant increase in credit risk (Stage 2) and on credit impaired financial assets (Stage 3).

The main factors considered in determining a significant increase in credit risk include relative changes in probability of default since origination and certain other criteria such as loan delinquency.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

3. Material accounting policies (continued)

Generally, mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days are considered impaired (Stage 3). However, a mortgage overdue by 90 days or more may be considered Stage 2 if the liquidation value of the collateralized assets is sufficient to prevent mortgage losses. All other performing assets are considered Stage 1.

Credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events over the expected life of a financial instrument.

The probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Presentation of allowance for ECL

Mortgages receivable are presented on a net basis, where the loss allowances for ECL (the "provision for mortgage losses") are deducted from the gross carrying amount of the assets.

Write-offs

Mortgages are written off when there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower does not have assets or a source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

Revenue recognition

Mortgage interest is recognized in the statement of comprehensive income using the effective interest method. Other income is recognized as earned.

Preferred shares

Class B preferred shares are classified as a liability. Costs directly related to the issuance of the preferred shares are recognized as a deduction from the liability, net of any tax effects.

Income taxes

The Corporation qualifies as a MIC under the Income Tax Act, and as such is not taxed on income provided that its taxable income is distributed to its shareholders in the form of dividends within 90 days after December 31 each year. Accordingly, no provision for current or future income taxes is required unless the Corporation elects to retain income. As at the year end, the Corporation has non-capital losses of \$1,364,175 (2024 - \$1,243,074) available for carryforward, which expire between 2038 to 2042.

Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

3. Material accounting policies (continued)

Related party transactions

All related party transactions must be disclosed in the financial statements which include the amount of the transactions, the amount of outstanding balances, including terms, provisions for doubtful debts related to outstanding balances and the expense recognized during the year in respect to bad or doubtful debts from related parties.

4. Future changes in accounting policies

The Corporation regularly assesses the impact of new IFRS standards, changes in existing standards or new interpretations that have been issued but are not yet effective. Relevant standards issued but not yet adopted at the date of issuance of these financial statements are described below:

In May 2024, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9, Financial Instruments (IFRS 9), which introduced additional guidance in two areas. The first relates to financial assets with contingent features and when these features can be considered consistent with a basic lending arrangement, in which case the instrument can be measured at amortized cost. The second relates to the timing of derecognition of financial liabilities when payment takes place through an electronic payment system and certain conditions are met. These amendments will be effective for the fiscal year beginning November 1, 2026. The Corporation is currently assessing the impact of these amendments on the financial statements.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"). IFRS 18 replaces IAS 1 Presentation of Financial Statements and sets out requirements for the presentation and disclosure of information in the primary financial statements and notes. The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on the financial statements.

5. Determination of fair values

The Corporation's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Corporation classifies fair value measurements within a hierarchy which 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 hierarchies are:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Mortgage receivable is classified as level 3.

For mortgages receivable, there are no quoted prices in an active market. Management makes its fair value determination by discounting future cash flows at the effective interest rate of the mortgage receivable. The discounted cash flow analysis assumed that all mortgages will be held until maturity. Given the short-term nature of the Corporation's mortgage receivables, generally the fair values approximate their carrying values.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

6. Financial risk management

Overview

The Corporation's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- i. credit risk;
- ii. liquidity risk;
- iii. market risk;
- iv. operational risk;
- v. interest rate risk; and
- vi. capital risk.

This note presents information about the Corporation's exposure, objectives, policies and processes for measuring and managing each of the above risks.

The Corporation employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. While the directors have the overall responsibility for the establishment and oversight of the Corporation's risk management framework, management has the responsibility to administer and monitor these risks.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's mortgage receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 160,000	\$ 181,720
Mortgages receivable	68,558,382	74,798,318
	<u>\$ 68,718,382</u>	<u>\$ 74,980,038</u>

Mortgages receivable are issued to borrowers who must pass a credit check. Credit risk is reduced by ensuring that appraisals are completed and loan to value are maintained in accordance with the Corporation's policies.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. Liquidity risk is managed by ensuring that the projected repayments under the existing investment portfolio exceeds projected needs.

The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from existing cash, mortgage interest, borrower repayments and future issuance of preferred shares.

As at October 31, 2025, management considers that the Corporation does not have significant exposure to liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as real estate prices, will affect the Corporation's net income or the value of financial instruments. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

6. Financial risk management (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Corporation manages its operational risk by setting appropriate policies related to human resources, technology, regulatory compliance, and other factors.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk on balance, if any, drawn from its credit facility.

The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended October 31, 2025.

Capital risk management

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Corporation intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the requirement to sustain future development of the business.

7. Related party transactions

Radiance Mortgage Brokerage Inc. ("Radiance"), a related party by virtue of common management, acts as the Mortgage Broker to the Corporation. 5C Capital Inc. ("5C Capital"), a related party by virtue of common management, acts as the Mortgage Administrator to the Corporation. The directors of the related parties are the same individuals as the directors of the Corporation.

The Corporation entered into a Management Service Agreement with Radiance effective November 21, 2013. The agreement provides for Radiance to provide a wide range of services including, but not limited to, overseeing and managing the Corporation's investment portfolio. Radiance receives a fee from the Corporation equal to 1% per annum of the book value of the total assets of the Corporation.

The Corporation entered into an Administration Agreement with 5C Capital effective November 21, 2013. The agreement provides for 5C Capital to provide mortgage administrative services including but not limited to the administration of mortgage loans and collecting all amounts due from borrowers of the Corporation. The terms of that agreement provide that 5C Capital will collect a fee of 0.33% of the mortgages under administration. The agreement is structured so that the fee is included in the 1% mentioned in the preceding paragraph.

During the year, the Corporation paid fees of \$849,945 (2024 - \$909,709) to Radiance Mortgage Brokerage Inc. Included in accounts payable is an amount due to Radiance Mortgage Brokerage of \$68,398 (2024 - \$72,445). These transactions were conducted by the Corporation in the normal course of business.

8. Accounts receivable

Accounts receivable consists of funds receivable from new shareholders whose Class B share subscriptions closed on October 31, 2025. These funds are held in trust by a third party and becomes due to the Corporation upon the closing of the new subscriptions. The funds were disbursed to the Corporation in November 2025.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

9. Mortgages receivable

The following is a breakdown of the mortgages receivable as at October 31:

	<u>2025</u>	<u>2024</u>
First mortgages	\$ 52,912,710	\$ 52,164,116
Non-first mortgages	15,379,060	22,078,760
	<u>68,291,770</u>	<u>74,242,876</u>
Interest receivable	1,011,833	1,008,288
Provision for mortgage losses	(478,228)	(150,000)
Provision for interest receivable	(266,993)	(302,846)
Total mortgages receivable	<u>\$ 68,558,382</u>	<u>\$ 74,798,318</u>

Non-first mortgages are loans with mortgage charges not registered in first priority with estimated loan-to-value ratios not exceeding 85% at inception of the mortgage. All mortgages are secured by residential properties in Canada. Of the total mortgages, \$8,935,464 or 14% of the total, are in arrears more than 60 days. A provision of \$478,228 has been recorded for mortgage losses, along with \$266,993 related to interest receivable.

Broken down into the three-stages per the impairment model, mortgages receivable and provision for mortgage losses are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross mortgages receivable, at amortized cost	\$ 58,620,576	\$ 4,761,957	\$ 4,909,237	\$ 68,291,770
Provision for mortgage losses	-	-	(478,228)	(478,228)
	<u>\$ 58,620,576</u>	<u>\$ 4,761,957</u>	<u>\$ 4,431,009</u>	<u>\$ 67,813,542</u>

The loans in the investment portfolio bear interest at the weighted average rate of 9.72%. Approximately 100.00% in Ontario, Canada, when measured by loan amount. There are no further commitments to fund additional mortgages as at October 31, 2025. All mortgages have principal repayments due upon contractual maturity in 2026 and 2027.

During 2025, no transaction costs were incurred by the Corporation in the mortgage transactions.

Related Parties, including directors and common shareholders of the Corporation and related corporations held \$1,080,000 in mortgages as at October 31, 2025.

10. Bank indebtedness

The Corporation has a revolving credit facility with the Bank of Montreal with an authorized limit of \$50,000,000. The facility is secured by a general security agreement and an unlimited blanket assignment of mortgages signed by the Corporation in favour of the bank. External counsel has issued an opinion letter confirming that the Corporation's Preferred Shares are ranked behind bank debt and that the bank has the ability to redirect mortgage payments from the Corporation to the bank.

As a condition of maintaining the revolving credit facility, the Corporation has to meet certain covenants. As at year-end, Corporation was in compliance with these covenants, but has no amount outstanding on the revolving credit.

The facility can be drawn down as a revolving Prime Rate Loan at variable interest rate of Prime + 0.9%, or as fixed interest rates with 30 to 90-day terms. The facility was drawn upon and repaid at various times throughout the reporting period. Subsequent to the year end, the Corporation has drawn \$9,990,000 on this facility to finance its operations and the Corporation was in compliance with its covenants.

RESCO Mortgage Investment Corporation

Notes to Financial Statements

For the year ended October 31, 2025

11. Dividends

The Corporation intends to make dividend payments to the shareholders on a monthly basis on or about the 15th day of each month. The Corporation has the discretion to distribute to shareholders, within 90 days after the year end, the net income of the Corporation determined in accordance with the Income Tax Act (Canada), subject to certain adjustments.

In fiscal year 2025, the Corporation declared dividends of \$5,775,166 (2024 - \$5,543,770) to its shareholders.

12. Share capital

As at October 31, 2025, the Corporation was authorized to issue the following:

Unlimited number of Class A Common Shares

Unlimited number of Class B Preferred Shares

The Corporation has an optional dividend reinvestment plan (DRIP) for preferred shareholders, whereby participants may reinvest cash dividends in additional preferred shares of the Corporation at the current share price as at the date of conversion. Class B Preferred Shares issued under the DRIP are issued by the Corporation from its treasury.

The following Class A Common Shares were issued and outstanding as at October 31, 2025:

	# Shares	Amount
Balance, beginning of year	10,000	\$ 10,000
New shares issued during the year	-	-
Balance, end of year	10,000	\$ 10,000

The following Class B Preferred Shares were issued and outstanding as at October 31, 2025:

	# Shares	Amount
Balance, beginning of year	7,261,251	\$ 72,612,512
New shares issued	522,259	5,222,590
Dividend Reinvestment Plan	257,901	2,579,014
Redemption of shares	(784,812)	(7,848,121)
Balance, end of year	7,256,599	\$ 72,565,995

Class B preferred shares consists of:

	2025	2024
Class B Preferred Shares	\$ 72,565,995	\$ 72,612,512
Share issuance costs	(2,051,084)	(2,436,179)
	<u>\$ 70,514,911</u>	<u>\$ 70,176,333</u>

The Class B Preferred Shares are recorded as liabilities as the shares provide the holders with redemption privileges. Each share is redeemable for the lesser of \$10 and the net asset value per share. Most Preferred Shares are also subject to early redemption charges if redeemed within four years of issuance.

Related Parties, including directors and common shareholders of the Corporation and related corporations held 192,290 Class B preferred shares as at October 31, 2025 (2024 - 267,940)

13. Subsequent event

Effective February 24, 2026 the Corporation suspended redemptions. This is in accordance with the provisions of the Corporation's offering memorandum whereby the obligation to redeem shares is limited to 25% of the preferred shares in any given year. Subsequent to the year-end, 1,887,860 Class B preferred shares have been redeemed which represents 26% of the total at the year-end. The Corporation's funds are invested in mortgage investments which are illiquid by their nature and therefore the limit on redemptions is required in order to maintain sufficient capital to execute the business.