

Financial Statements
(In Canadian dollars)

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

And Independent Auditor's Report thereon

Year ended June 30, 2023



KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CMI Balanced Mortgage Investment Corporation

Opinion

We have audited the financial statements of CMI Balanced Mortgage Investment Corporation (the "Corporation"), which comprise:

- the statement of financial position as at June 30, 2023
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholders' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 auditor's 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 the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.



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- 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

October 27, 2023

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Statement of Financial Position
(In Canadian dollars)

As at June 30, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 4,218,353	\$ 76,209
Interest and fees receivable	570,335	201,322
Mortgage investments, net (note 4)	150,035,018	119,448,107
Bridge loans receivable (note 5)	256,309	1,198,986
Amounts due from related parties (note 9)	4,979,110	1,962,807
Intangible assets	5,903	23,338
Other receivables	—	225,000
Total assets	\$ 160,065,028	\$ 123,135,769

Liabilities and Shareholders' Equity

Liabilities:

Revolving credit facility (note 6)	\$ 60,000,000	\$ 31,530,790
Accounts payable and accrued liabilities (note 9(a))	1,727,636	1,142,706
Amounts due to related parties (note 9)	1,226,701	20,627
	62,954,337	32,694,123

Shareholders' equity:

Common shares (note 7)	4	4
Preferred shares - Class A (note 8)	4,165,706	78,437,636
Preferred shares - Class F (note 8)	92,944,981	12,033,158
Deficit	—	(29,152)
	97,110,691	90,441,646

Total liabilities and shareholders' equity	\$ 160,065,028	\$ 123,135,769
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See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Statement of Income and Comprehensive Income
(In Canadian dollars)

For the year ended June 30, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Interest and fees	\$ 11,680,655	\$ 7,832,520
Participation fees (note 9(d))	2,507,588	727,761
	14,188,243	8,560,281
Expenses:		
Interest on revolving term loan	2,788,678	983,807
Management fees (note 9(a))	1,518,417	877,181
Professional fees	206,504	286,988
Performance fees (note 9(a))	330,674	173,768
Office and general	492,813	284,013
Provision for credit loss	158,795	14,807
Interest and bank charge	315,672	94,527
Insurance (note 9(e))	—	76,503
Amortization	17,436	24,580
	5,828,989	2,816,174
Net income and comprehensive income	\$ 8,359,254	\$ 5,744,107

See accompanying notes to financial statements.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Statement of Changes in Shareholders' Equity (In Canadian dollars)

For the year ended June 30, 2023, with comparative information for 2022

	Common shares	Preferred shares - Class A	Preferred shares - Class F	Deficit	Total
Shareholders' equity, June 30, 2021	\$ 4	\$ 42,771,475	\$ 7,128,457	\$ (29,152)	\$ 49,870,784
Proceeds from issuance of shares	—	38,291,397	4,874,975	—	43,166,372
Transaction costs	—	(511,907)	—	—	(511,907)
Redemption of shares	—	(3,797,085)	—	—	(3,797,085)
Net income and comprehensive income	—	—	—	5,744,107	5,744,107
Dividends paid - Class A	—	—	—	(3,337,419)	(3,337,419)
Dividends paid - Class F	—	—	—	(693,206)	(693,206)
Dividends reinvestment plan	—	1,683,756	29,726	(1,713,482)	—
Shareholders' equity, June 30, 2022	4	78,437,636	12,033,158	(29,152)	90,441,646
Proceeds from issuance of shares	—	1,393,313	18,427,858	—	19,821,171
Exchange	—	(62,678,969)	62,678,969	—	—
Transaction costs	—	(45,651)	(603,782)	—	(649,433)
Historic start-up costs	—	(29,152)	—	29,152	—
Redemption of shares	—	(13,920,501)	(1,002,970)	—	(14,923,471)
Net income and comprehensive income	—	—	—	8,359,254	8,359,254
Dividends paid - Class A	—	—	—	(3,092,935)	(3,092,935)
Dividends paid - Class F	—	—	—	(5,266,319)	(5,266,319)
Dividends reinvestment plan	—	1,009,030	1,411,748	—	2,420,778
Shareholders' equity, June 30, 2023	\$ 4	\$ 4,165,706	\$ 92,944,981	\$ —	\$ 97,110,691

See accompanying notes to financial statements.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows (In Canadian dollars)

For the year ended June 30, 2023, with comparative information for 2022

	2023	2022
Cash flows provided by (used in):		
Operating activities:		
Net income and comprehensive income	\$ 8,359,254	\$ 5,744,107
Adjustment for non-cash items:		
Amortization	17,436	24,580
Provision for credit loss	157,979	14,807
Change in non-cash capital items:		
Interest and fees receivable	(369,013)	418,311
Prepaid expenses	—	62,513
Accounts payable and accrued liabilities	758,698	89,387
Amounts due from related companies	(1,983,996)	(1,632,611)
Other receivables	225,000	(225,000)
Funding of mortgage investments	(142,774,030)	(154,845,258)
Discharge of bridge loans, net	942,676	938,724
Discharge and principal repayments of mortgage investments	112,029,139	97,415,908
Disposal of real estate inventory	—	99,813
	(22,636,857)	(51,894,719)
Financing activities:		
Proceeds from revolving credit facility	28,469,210	16,531,040
Proceeds from issuance of preferred shares	19,821,171	43,166,372
Redemptions of preferred shares	(14,923,471)	(3,797,085)
Transaction costs for issuance of preferred shares	(649,433)	(511,907)
Dividends paid to preferred shareholders	(5,938,476)	(4,030,625)
	26,779,001	51,357,795
Increase (decrease) in cash and cash equivalents	4,142,144	(536,924)
Cash and cash equivalents, beginning of year	76,209	613,133
Cash and cash equivalents, end of year	\$ 4,218,353	\$ 76,209
Supplemental disclosure for non-cash activities:		
Preferred Series A shares issued under the dividend reinvestment plan	\$ 1,009,030	\$ 1,683,756
Preferred Series F shares issued under the dividend reinvestment plan	1,411,748	29,724

See accompanying notes to financial statements.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements
(In Canadian dollars)

Year ended June 30, 2023

1. Organization of Corporation:

CMI Balanced Mortgage Investment Corporation (the "Corporation") is a corporation established under the Ontario Business Corporations Act on July 3, 2015. The principal and registered office of the Corporation is 2425 Matheson Boulevard East, 8th floor, Mississauga, Ontario L4W 5K4.

The Corporation's primary business is earning income through originating residential and commercial real estate mortgage loans to borrowers. The Corporation is a Mortgage Investment Corporation ("MIC") and focuses on generating a stream of income by investing in a portfolio of residential and commercial mortgages, thereby providing investors with an opportunity to participate in a portfolio of mortgages by purchasing preferred shares in the Corporation.

CMI Mortgage Services Inc. and Canadian Mortgages Inc., entities related to the officers of the Corporation, together serve as manager for the Corporation under an amended Mortgage Services Agreement dated October 29, 2019 (the "Manager") (note 9(a)).

2. Basis of presentation:

(a) Statement of compliance:

The financial statements of the Corporation have been prepared by management in accordance with IFRS Accounting Standards.

These financial statements have been approved for issue by the Board of Directors on October 27, 2023.

(b) Functional and presentation currency:

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

(c) Basis of preparation:

These financial statements have been prepared on a historical cost basis.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

2. Basis of presentation (continued):

(d) Use of estimates and judgments:

In the preparation of these financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis. There are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making these estimates in these financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

Measurement of expected credit loss ("ECL"):

The determination of the allowance for credit losses ("ACL") takes into account different factors including assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit loss. The Corporation exercises significant credit judgment in the determination of a significant increase in credit risk since initial recognition, credit impairment of mortgage investments and expected recoverable amount of credit impaired mortgage investments (note 4).

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies:

The Corporation's accounting policies and its standards of financial disclosure have been applied consistently to all years presented in these financial statements.

(a) Cash and cash equivalents:

Cash consists of cash on hand and unrestricted cash held with financial institutions. The Corporation considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. As at June 30, 2023 and 2022, the Corporation held only cash deposits held with Canadian chartered banks.

(b) Interest income:

Interest income includes interest earned on the Corporation's mortgage investments and interest earned on cash and cash equivalents. Interest income earned on the mortgage investments is accounted for using the effective interest method.

(c) Income taxes:

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

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

(d) Financial assets and liabilities:

(i) Classification and measurement of financial assets:

(a) Recognition and initial measurement:

The Corporation on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Financial assets include debt instruments.

(i) Debt instruments:

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

(a) Amortized cost;

(b) Fair value through other comprehensive income ("FVOCI"); or

(c) Fair value through profit or loss ("FVTPL") for trading related assets.

Classification of debt instruments is determined based on:

(a) The business model under which the asset is held; and

(b) The contractual cash flow characteristics of the instrument.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

(ii) Business model assessment:

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows. The Corporation takes into consideration the following factors:

- (a) How the performance of assets in a portfolio is evaluated and reported;
- (b) The risks that affect the performance of assets held within a business model and how those risks are managed; and
- (c) Whether the assets are held for trading purposes.

(iii) Cash flow characteristics assessment:

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments.

Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

(a) Debt instruments measured at amortized cost:

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent SPPI. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in interest income in the statement of income and comprehensive income.

Impairment on debt instruments measured at amortized cost is calculated using the ECL approach. Loans and debt securities measured at amortized cost are presented net of the ACL in the statement of financial position.

(b) Debt instruments measured at FVOCI:

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are SPPI. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income ("OCI"), unless the instrument is designated in a fair value hedge relationship.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

Impairment on debt instruments measured at FVOCI is calculated using the ECL approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to provision for impairment allowance in the statement of income and comprehensive income. The accumulated allowance recognized in OCI is recycled to the statement of income and comprehensive income upon derecognition of the debt instrument. At June 30, 2023 and 2022, the Corporation had no instruments classified at FVOCI.

(c) Debt instruments measured at FVTPL:

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are SPPI. These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in the statement of income and comprehensive income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the statement of income and comprehensive income. At June 30, 2023 and 2022, the Corporation had no instruments classified at FVTPL.

(iv) Impairment:

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

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk for exposures since initial recognition by assessing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information with consideration of collateral, and the impact of forward-looking macroeconomic factors, management judgment and delinquency and monitoring.

With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

(a) Measurement of ECL:

The probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") inputs used to estimate ECL are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

(b) Macroeconomic factors:

In its models, the Corporation relies on forward-looking information as economic inputs, such as house price indices. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

(c) Assessment of significant increase in credit risk ("SIR"):

At each reporting date, the Corporation assesses whether there has been a SIR for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower specific quantitative and qualitative information with consideration of collateral, and the impact of forward-looking macroeconomic factors, management judgment and delinquency and monitoring.

The common assessments for SIR on investment portfolios include macroeconomic outlook, management judgment, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SIR.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

(d) Presentation of ACL in the statement of financial position:

- (i) Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets; and
- (ii) Debt instruments measured at FVOCI: no allowance is recognized in the statement of financial position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated OCI.

(e) Definition of default:

The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- (i) significant financial difficulty of the borrower;
- (ii) default or delinquency in interest or principal payments;
- (iii) high probability of the borrower entering a phase of bankruptcy or a financial reorganization; and
- (iv) measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Corporation considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

(e) Recognition and measurement of financial instruments:

The Corporation determines the classification of its financial assets and liabilities at initial recognition. Financial instruments are recognized initially at fair value and in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Financial instruments classified as loans and receivables or other liabilities are subsequently measured at amortized cost.

(f) Derecognition of financial assets and liabilities:

(i) Financial assets:

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

In transactions in which the Corporation transfers mortgage investments recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage investments are not derecognized.

In transactions in which the Corporation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)

(In Canadian dollars)

Year ended June 30, 2023

3. Significant accounting policies (continued):

(ii) Financial liabilities:

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

(g) Share capital:

Common shares and preferred shares are classified as equity. Incremental costs directly attributable to the issue of common shares and preferred shares are recognized as a deduction from equity.

(h) Intangible assets:

Intangible assets consist of capitalized listing and related fees and expenses related to obtaining the Corporation's revolving credit facility and are initially measured at cost. Intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Listing fees are amortized over a 12-month period, and related fees are amortized over a five-year period while the revolving credit facility expenses are amortized over a three-year period.

4. Mortgage investments:

The balance of mortgage investments as at June 30 is as follows:

	2023	2022
Mortgage investments	\$ 150,309,448	\$ 119,564,558
Less impairment provision	274,430	116,451
	<u>\$ 150,035,018</u>	<u>\$ 119,448,107</u>

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

4. Mortgage investments (continued):

Mortgage investments:

		2023		2022
First mortgages	74.85%	\$ 112,471,053	76.35%	\$ 91,285,032
Second mortgages	16.50%	24,818,213	14.22%	17,005,590
Third mortgages	0.23%	349,000	0.28%	330,000
Blanket 1st position	2.67%	4,022,899	8.00%	9,568,538
Blanket 2nd position	5.75%	8,648,283	1.15%	1,375,398
Total mortgages (at amortized cost)	<u>100.00%</u>	150,309,448	<u>100.00%</u>	119,564,558
Provision for impairment		274,430		116,451
Total mortgages (at amortized cost), net		\$ 150,035,018		\$ 119,448,107

The mortgage investments are secured by the real property to which they relate, bear interest at a weighted average interest rate of 9.27% (2022 - 7.38%) with a weighted average term to maturity of 10.89 months (2022 - 6.73 months) as at June 30, 2023. As at June 30, 2023, within accounts payable and accrued liabilities, there is \$1,581,165 (2022 - \$883,083) of prepaid interest. Prepaid interest is recognized on a straight-line basis over the term of the mortgage.

The following is a breakdown of the mortgage investment portfolio as at June 30, 2023 and 2022:

	Gross carrying amount	Allowance for credit losses	Net carrying amount
2023			
First mortgages	\$ 112,471,053	\$ 206,887	\$ 112,264,166
Second mortgage	24,818,213	45,643	24,772,570
Third mortgages	349,000	498	348,502
Blanket 1st position	4,022,899	7,556	4,015,343
Blanket 2nd position	8,648,283	13,846	8,634,437
Total mortgage portfolio	\$ 150,309,448	\$ 274,430	\$ 150,035,018

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

4. Mortgage investments (continued):

Included in the total provision for impairment of \$274,430 (2022 - \$116,451) is a collective allowance of \$177,340 (2022 - \$62,661).

	Gross carrying amount	Allowance for credit losses	Net carrying amount
2022			
First mortgages	\$ 91,285,032	\$ —	\$ 91,285,032
Second mortgage	17,005,590	61,468	16,944,122
Third mortgages	330,000	1,193	328,807
Blanket 1st position	9,568,538	27,675	9,540,863
Blanket 2nd position	1,375,398	26,115	1,349,283
Total mortgage portfolio	\$ 119,564,558	\$ 116,451	\$ 119,448,107

The following table presents for gross investments at amortized cost as at June 30, 2023 and 2022:

2023 Gross investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
First mortgages:				
Commercial	\$ 360,682	\$ —	\$ —	\$ 360,682
Residential	100,005,953	4,140,275	7,964,143	112,110,371
Second mortgages:				
Residential	23,735,126	492,087	591,000	24,818,213
Third mortgages:				
Residential	349,000	—	—	349,000
Blanket 1st position:				
Residential	3,312,500	—	710,399	4,022,899
Blanket 2nd position:				
Commercial	345,000	—	—	345,000
Land or farm	900,000	—	—	900,000
Residential	7,040,783	—	362,500	7,403,283
Total	\$ 136,049,044	\$ 4,632,362	\$ 9,628,042	\$ 150,309,448

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

4. Mortgage investments (continued):

2022 Gross investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
First mortgages:				
Residential	\$ 88,071,857	\$ 899,378	\$ 927,797	\$ 89,899,032
Commercial	1,386,000	—	—	1,386,000
Second mortgages:				
Residential	16,085,590	—	470,000	16,555,590
Commercial	450,000	—	—	450,000
Third mortgages:				
Residential	330,000	—	—	330,000
Blanket 1st position:				
Residential	9,223,538	—	—	9,223,538
Commercial	345,000	—	—	345,000
Blanket 2nd position:				
Residential	—	—	1,375,398	1,375,398
Total	\$ 115,891,985	\$ 899,378	\$ 2,773,195	\$ 119,564,558

The following tables presents the provision for credit losses on investments as at June 30, 2023 and 2022:

2023	Stage 1	Stage 2	Stage 3	Total
First mortgages:				
Commercial	\$ 593	\$ —	\$ —	\$ 593
Residential	177,989	7,613	20,692	206,294
Second mortgages:				
Residential	40,170	2,878	2,595	45,643
Third mortgages:				
Residential	498	—	—	498
Blanket 1st position:				
Residential	5,281	—	2,275	7,556
Blanket 2nd position:				
Commercial	409	—	—	409
Land or farm	1,138	—	—	1,138
Residential	10,887	—	1,412	12,299
Total	\$ 236,965	\$ 10,491	\$ 26,974	\$ 274,430

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

4. Mortgage investments (continued):

2022	Stage 1	Stage 2	Stage 3	Total
First mortgages:				
Residential	\$ —	\$ —	\$ —	\$ —
Second mortgages:				
Residential	61,468	—	—	61,468
Third mortgages:				
Residential	1,193	—	—	1,193
Blanket 1st position:				
Residential	27,675	—	—	27,675
Blanket 2nd position:				
Residential	26,115	—	—	26,115
Total	\$ 116,451	\$ —	\$ —	\$ 116,451

The following table presents the changes to the provision for credit losses on investments as at June 30, 2023:

	Stage 1	Stage 2	Stage 3	Total
Balance at July 1, 2022	\$ 116,451	\$ —	\$ —	\$ 116,451
Net change in provision	120,514	10,491	26,974	157,979
Balance at June 30, 2023	\$ 236,965	\$ 10,491	\$ 26,974	\$ 274,430

A majority of the mortgages contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity with a pre-payment penalty of three months of interest on the outstanding balance.

The Corporation also assessed for impairment to identify potential future losses on a collective basis by grouping the mortgage investments with similar risk characteristics, to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by the analysis, the Corporation used judgment to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. As at June 30, 2022, the Corporation has recognized a total impairment provision of \$274,430 (2022 - \$116,451).

The unadvanced funds under the existing mortgage investment portfolio which are commitments of the Corporation amounted to nil at June 30, 2023 (2022 - nil).

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

5. Bridge loans receivable:

Bridge loans consist of funds advanced for the origination of mortgages held by the Corporation and in which another investor will participate. As at June 30, 2023, \$256,309 (2022 - \$1,198,986) was advanced for mortgages on behalf of other investors. Subsequent to June 30, 2023, all funds advanced were received from the investors by the Corporation. During the year ended June 30, 2023, the Corporation recognized interest of \$3,052 (2022 - \$15,886) with respect to bridge loans.

6. Revolving credit facility:

The Corporation has a revolving credit facility (the "Facility") agreement with an external lender (the "Bank") with a total maximum financing capacity of up to \$60,000,000 maturing on April 10, 2024 (2022 - \$35,000,000 maturing on March 15, 2023) which is contingent on the Corporation meeting certain covenants and security pledged against the Facility. The Facility bears interest at a rate of the Canadian Dollar Offer Rate ("CDOR") plus 2.00% percent per annum. The Facility is secured by a general security agreement over all the Corporation's assets and an assignment of the management agreement and contains certain financial covenants that must be maintained. Under the terms of the Facility, the Corporation will not be able to pay dividends or redeem shares unless the Corporation is in compliance with its covenants thereunder. The Corporation is in compliance with its financial covenants under the Facility agreement as at June 30, 2023 and 2022.

As at June 30, 2023, the amount drawn on the Facility is \$60,000,000 (2022 - \$31,530,790). Any costs incurred in connection with the Facility are deferred and amortized over the estimated useful life of the Facility.

7. Common shares:

The Corporation has been authorized to issue unlimited common shares without nominal or par value ("Common Shares").

Common Shares issued and outstanding are as follows:

	2023	2022
Outstanding, beginning and end of year	\$ 4	\$ 4

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

8. Preferred shares:

The Corporation has been authorized to issue unlimited preferred shares of par value \$1.00 per share of preferred shares (the "preferred shares") on a private placement basis. The preferred shares are issuable, from time to time, in one or more series as determined by the Board of Directors.

The preferred shares rank prior to the common shares of the Corporation with respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, and may also be given such other preferences over the common shares as may be determined with respect to the respective series authorized and issued.

Preferred shares issued and outstanding are as follows:

			2023	2022
	Series A	Series F	Total	Total
Balance, beginning of year	\$ 78,437,636	\$ 12,033,158	\$ 90,470,794	\$ 49,899,932
Issued	1,393,313	18,427,858	19,821,171	43,166,372
Exchange	(62,678,969)	62,678,969	—	—
Redemption	(13,920,501)	(1,002,970)	(14,923,471)	(3,797,085)
Transaction costs	(45,651)	(603,782)	(649,433)	(511,907)
Historic start-up costs	(29,152)	—	(29,152)	—
Dividend reinvestment plan	1,009,030	1,411,748	2,420,778	1,713,482
Balance, end of year	\$ 4,165,706	\$ 92,944,981	\$ 97,110,687	\$ 90,470,794

(a) Series A Preferred Shares:

The Corporation has issued Series A Preferred Shares in a private placement arrangement at a price of \$1.00 per share as noted in the offering memorandum dated October 20, 2020 and amended and restated on October 31, 2021 and October 31, 2022. Each holder of Series A Preferred Shares is entitled to receive dividends if, as and when declared entirely at the discretion of the Board of Directors in such amounts, and payable in such manner, as the Board of Directors may from time to time determine.

The Class A Preferred Shares are redeemable at the option of the holder at a price of \$1.00 per share, provided that the minimum 12 months holding period has been met and the total of redemption in the same calendar quarter does not exceed 5% of the total preferred shares outstanding. The aggregate redemption amount is \$4,240,509 (June 30, 2022 - \$78,949,543).

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

8. Preferred shares (continued):

(b) Series F Preferred Shares:

The Corporation has issued Series F Preferred Shares in a private placement arrangement at a price of \$1.00 per share as noted in the offering memorandum dated October 20, 2020 and amended and restated on October 31, 2021 and October 31, 2022. Each holder of Series F Preferred Shares is entitled to receive dividends if, as and when declared entirely at the discretion of the Board of Directors in such amounts, and payable in such manner, as the Board of Directors may from time to time determine.

The Class F Preferred Shares are redeemable at the option of the holder at a price of \$1.00 per share, provided that the minimum 12 months holding period has been met and the total of redemption in the same calendar quarter does not exceed 5% of the total preferred shares outstanding. The aggregate redemption amount is \$93,548,763 (June 30, 2022 - \$12,033,157).

(c) Redemption at option of Corporation:

The Corporation may, upon giving notice, redeem the whole or any part of the Series A and Series F Preferred Shares then outstanding on payment for each such share to be redeemed of an amount equal to: (i) \$1.00 per share; plus (ii) all declared and unpaid dividends on a share accrued up to the date fixed for redemption. Notice of such a redemption must be given by the Corporation to each person whose shares are to be redeemed at least 21 days before the date specified for redemption.

(d) Redemption at option of holder:

A registered holder of the Series A or Series F Preferred Shares is entitled to require the Corporation to redeem all or any of its Series A or F Preferred Shares by filing a redemption request notice. A redemption request notice must be received by the Corporation at least 90 days prior to the redemption date.

The redemption amount will equal to: (i) \$1.00 per share; plus (ii) all declared and unpaid dividends on a share accrued up to the date fixed for redemption.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

8. Preferred shares (continued):

(e) Suspension of redemption right:

The Corporation may, in whole or in part, suspend or postpone, or continue a suspension or postponement of, the right to redeem any shares, and may postpone the date of payment upon redemption for any period, in each case, for any reason or cause in its sole discretion.

(f) Dividends to preferred shareholders:

Holders of the preferred shares are entitled to receive non-cumulative dividends, in any form or amount, as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the moneys of the Corporation properly applicable to the payment of dividends.

The Corporation intends to calculate and declare dividends on a monthly basis on the last business day of each month (or as otherwise declared by the Corporation) and to pay such dividends generally within 15 days after the end of each month and in any event within 90 days of its year end. The investors receive the dividend payment in accordance with the class of preferred shares held at the date of the distribution. The payment of dividends is subject to the discretion of the Board of Directors to establish working capital and other reserves for the Corporation and to comply with the Articles and applicable laws.

During the year ended June 30, 2023, the Corporation declared dividends of \$8,359,254 (2022 - \$5,744,107) for Series A and Series F Preferred Shares.

(g) Dividend reinvestment plan:

The Corporation has adopted a dividend reinvestment plan ("DRIP") which provides the investors with the opportunity to reinvest their interest distribution, on each distribution payment date, for additional preferred shares rather than cash. During the year, a total of \$2,420,778 (2022 - \$1,713,480) in dividends has been reinvested under the DRIP.

(h) Share exchange:

During the year, registered holders of Class A Preferred Shares have exchanged their shares to Class F Preferred Shares on a one-for-one basis under the same terms and conditions.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

9. Related party transactions:

(a) Management fees:

The Manager serves as the investment manager for the Corporation.

The Manager is responsible for the day-to-day operations of the Corporation, including administration of the Corporation's mortgage investments. The Corporation has entered into a management agreement with the Manager. Under the management agreement, the Corporation shall pay to the Manager, a management fee equal to 1% per annum, plus harmonized sales tax, of the aggregate face value of all assets invested in mortgage by the Corporation, calculated and paid monthly. For the year ended June 30, 2023, the Corporation incurred management fees of \$1,518,417 (2022 - \$877,181).

Under the management agreement, the Corporation shall pay to the Manager an annual performance fee equal to an amount not to exceed 20% of the net yield over and above 7.50% per annum generated from all investments to be calculated at the end of the fiscal year. For the year ended June 30, 2023, the Corporation incurred performance fees of \$330,674 (2022 - \$173,768). As at June 30, 2023, performance fees payable is nil (2022 - \$173,768).

As at June 30, 2023, accounts payable includes management fees payable to Manager of nil (2022 - nil).

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

9. Related party transactions (continued):

(b) Amounts due from related parties:

	2023	2022
Amounts due from CMI Mortgage Services Inc., a corporation related by virtue of common management	\$ 7,525	\$ 24,359
Amounts due from CMI Mortgage Investments Inc., a corporation related by virtue of common management	3,674,785	1,175,309
Amounts due from directors	—	—
Amounts due from CMI High Yield Fund Corp	—	763,139
Amounts due to CMI Prime Fund Corp., a corporation related by virtue of common management and ownership	32,601	—
Amounts due from CMI ALT	1,264,199	—
Total	\$ 4,979,110	\$ 1,962,807

Amounts due from related parties are non-interest bearing and mature on June 30, 2025 (see note 9(d)) or due on demand.

(c) Amounts due to related parties:

	2023	2022
Amounts due to CMI Prime Fund Corp., a corporation related by virtue of common management and ownership	\$ —	\$ 20,627
Amounts due to CMI High Yield Fund Corp.	1,226,701	—

(d) Participation fee:

The Corporation recognized \$2,507,588 in fees from CMI Mortgage Investments Inc. for the year ended June 30, 2023 (2022 - \$727,761). The fees are charged by the Corporation to CMI Mortgage Investments Inc. and represent a percentage of interest on funds provided by the Corporation to CMI Mortgage Investments Inc. during the year for the origination of loans as well as lender fees earned by CMI Mortgage Investments Inc. on loans originated for the Corporation. CMI Mortgage Investments Inc. earns origination fees payable by the borrower on loans originated on behalf of the Corporation of between 2% and 3% of the principal balance.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

9. Related party transactions (continued):

The determination of the participation fee charged by the Corporation is at the discretion of the Manager.

As at June 30, 2023, amounts due from related parties includes fees receivable from CMI Mortgage Investments Inc. of \$3,558,116 (2022 - \$727,761), which management expects to be fully settled by June 30, 2025.

(e) Insurance:

In support of the financial health of CMI Balanced MIC, the Manager, in its sole discretion, agreed to absorb the insurance cost for the year ended June 30, 2023.

10. Fair value:

The fair values of interest and fees receivable, amounts due from related parties, bridge loans receivable, accounts payable and accrued liabilities, revolving credit facility and amounts due to related parties approximate their carrying values due to their short-term maturities.

The fair value of the mortgage investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time with applicable penalties, and have short-term fixed interest rates. There is no quoted price in an active market for the mortgage investments. The Corporation makes its determinations of fair value based on its assessment of the current lending market for mortgage of same or similar terms. As a result, the fair values of mortgage investments are classified as Level 3 fair value.

11. Capital risk management:

The Corporation manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Corporation defines its capital structure to include common shares and preferred shares and revolving term loan net of cash and cash equivalents.

The Corporation reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

11. Capital risk management: (continued)

The Corporation is subject to externally imposed capital requirements in respect of its revolving term loan (note 6).

The Corporation's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments.

12. Risk management:

The Corporation is exposed to the symptoms and effects of Canadian economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Corporation's direct control. The Manager and Board of Directors play an active role in monitoring the Corporation's key risks and in determining the policies that are best suited to manage these risks.

The Corporation's business activities, including its use of financial instruments, exposes the Corporation to various risks, the most significant of which are interest rate risk, credit risk and liquidity risk.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As at June 30, 2023, no mortgage investments or bridge loans bear interest at variable rates.

The Corporation's other assets and liabilities, which include interest and fees receivable, amounts due from related parties, and accounts payable and accrued liabilities have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents and revolving credit facility carry a variable rate of interest and are subject to minimal interest rate risk.

The Corporation is exposed to interest rate risk from future interest rate fluctuations on the Facility (note 6).

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

12. Risk management (continued):

(b) Credit risk:

Credit risk is the possibility that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Corporation.

The Corporation mitigates this risk by the following:

- (i) adhering to the investment restrictions and operating policies included in the underwriting policies and procedures manual (subject to certain duly approved exceptions);
- (ii) all mortgage investments are approved by the investment committee before funding; and
- (iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at June 30, 2023 is the carrying values of its net mortgage investments and bridge loans including interest receivable, amounting to \$150,861,662 (2022 - \$121,073,415).

The Corporation has recourse under these mortgage investments in the event of default by the borrower; in which case, the Corporation would have a claim against the underlying collateral.

As at June 30, 2023, there are twenty-one mortgage (2022 - nine) investments totalling \$10,096,166 (2022 - \$3,127,308), including interest and fees receivable on these totalling \$468,125 (2022 - \$72,836) that are past due for 90 days but not considered impaired. The Corporation has reviewed these loans and determined an ACL is not required given the value of the underlying collateral.

CMI BALANCED MORTGAGE INVESTMENT CORPORATION

Notes to Financial Statements (continued)
(In Canadian dollars)

Year ended June 30, 2023

12. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its redeemable preferred shares.

To mitigate its liquidity risk, the Corporation maintains cash reserves within a range of between 5% and 10% of the aggregate annual redemption amount against possible redemptions. In addition, the Corporation restricts the amount redeemable in respect of the total preferred shares outstanding to a maximum of 9% in the same calendar quarter, subject to a minimum 12 month holding period. Refer to note 8 for further information regarding the Corporation's redeemable preferred shares.

13. Commitments and contingencies:

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

14. Subsequent events:

Subsequent to year end 2023, the Corporation declared and paid monthly dividends of \$0.007 per share to shareholders of record as at July 31, 2023, August 31, 2023, and September 30, 2023.