Builders Capital Mortgage Corp.
Financial Statements
Three Months Ended March 31, 2015
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed financial statements as at, and for the three months ended, March 31, 2015.

Builders Capital Mortgage Corp.
Condensed Interim Statement of Financial Position
As at
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Cash	$ 71	$ 34
Mortgages receivable (Note 4)	27,544,575	27,191,043
Prepaid expenses	9,201	-
TOTAL ASSETS	$ 27,553,847	$ 27,191,077
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Bank indebtedness (Note 5)	$ 3,480,954	$ 3,151,371
Accounts payable and accrued liabilities	139,074	157,507
Unearned revenue	141,367	168,322
Dividends payable (Note 7)	288,432	696,644
Total Liabilities	4,049,827	4,173,844
Shareholders' Equity		
Share Capital	22,776,222	22,776,222
Retained earnings	727,798	241,011
	23,504,020	23,017,233
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,553,847	$ 27,191,077

Director **Director**

Builders Capital Mortgage Corp.
Condensed Interim Statement of Comprehensive Income
For the three months ended March 31, 2015 *and 2014*
(Unaudited)

	March 31, 2015	March 31, 2014
Revenue	$ 964,912	$ 786,410
Expenses		
General and administrative	19,548	25,414
Interest	40,064	4,288
Management fees (Note 8)	59,991	57,981
Provision for loan losses (Note 4)	70,090	60,763
	189,693	148,446
Total comprehensive income	$ 775,219	$ 637,964
Earnings per share (Note 6)		
Basic and diluted	$ 0.32	$ 0.27

Builders Capital Mortgage Corp.
Condensed Interim Statement of Changes in Shareholders' Equity
For the three months ended March 31, 2015 *and 2014*
(Unaudited)

	Share Capital Number	Share Capital Amount	Retained Earnings	Total March 31, 2015	Total March 31, 2014
Balance, beginning of period	2,434,071	$ 22,776,222	$ 241,011	$ 23,017,233	$ 21,990,962
Dividends declared (Note 7)	-	-	(288,432)	(288,432)	(272,155)
Total comprehensive income	-	-	775,219	775,219	637,964
Balance, end of period	2,434,071	$ 22,776,222	$ 727,798	$ 23,504,020	$ 22,356,771

Builders Capital Mortgage Corp.
Condensed Interim Statement of Cash Flows
For the three months ended March 31, 2015 *and 2014*
(Unaudited)

	March 31, 2015	March 31, 2014
Cash flows related to the following activities:		
Operating activities		
Total comprehensive income	$ 775,219	$ 637,964
Items not affecting cash:		
Provision for loan losses	70,090	60,763
Changes in non-cash operating items:		
Prepaid expenses	(9,201)	(10,134)
Due to related parties	-	(76,962)
Amounts held in trust	-	160,500
Accounts payable and accrued liabilities	(19,815)	(118,886)
Unearned revenue	(26,955)	53,209
Net cash flows generated from operating activities	789,338	706,454
Investing activities		
Mortgage advances during the period	(9,779,881)	(11,966,152)
Mortgage repayments during the period	9,357,641	9,262,670
Net cash flows generated from (used in) investing activities	(422,240)	(2,703,482)
Financing activities		
Bank indebtedness	329,583	1,946,895
Payment of dividends	(696,644)	(36,278)
Net cash flows generated from (used in) financing activities	(367,061)	1,910,617
Net Increase (decrease) in cash	37	(86,411)
Cash, beginning of period	34	256,949
Cash, end of period	$ 71	$ 170,538
Cash flows from operating activities include:		
Interest paid	$ 40,064	$ 4,288

1. Incorporation and operations

Builders Capital Mortgage Corp. (the "Company") was incorporated under the laws of the province of Alberta on March 28, 2013 (“Inception”). The principal business of the Company is to acquire, originate and maintain a portfolio consisting primarily of construction mortgages that are secured by development stage residential real property. The Company operates as a Canadian mortgage investment corporation (“MIC”) as defined in the Income Tax Act. The Company is managed by Builders Capital Management Corp. (the “Manager”).

The Company became a reporting issuer on October 25, 2013 and the shares of the Company are publicly listed on the TSX Venture Exchange (the “Exchange”) under the symbol “BCF”. The address of the registered office is 405, 1210-8th Street SW, Calgary, Alberta T2R 1L3.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34-Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board “IASB”. These condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2014. In particular, it should be noted that the Company’s significant accounting policies as presented in Note 3 of the financial statements for the year ended December 31, 2014, have been consistently applied in the preparation of these condensed interim financial statements.

These condensed interim financial statements were approved by the Board of Directors on May 25, 2015.

Basis of measurement

These condensed interim financial statements were prepared on a going concern basis, under the historical cost convention, except for financial instruments classified as fair value through profit or loss, which are measured at fair value.

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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas where judgements and estimates are significant to the financial statements are disclosed in Note 3.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

3. Significant accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates, assumptions and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Significant accounting estimates, assumptions and judgments (continued from previous page)

Specific allowance for mortgage losses
The Company is required to make estimates and assumptions that relate to the specific allowances for mortgage losses. 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 mortgages and underlying security of the mortgages. These assumptions are limited by the availability of reliable comparable data, economic uncertainty and the uncertainty of predictions concerning future events. Estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary a material amount.

Collective allowance for mortgage losses
The Company estimates collective allowance for mortgage losses based on an assessment of the recoverability of mortgages receivable. Allowances are applied to mortgages receivable where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts based on industry experience and current economic trends when making a judgment to evaluate the adequacy of the allowance for mortgage losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4. Mortgages receivable

Mortgages receivable consist of conventional mortgages secured by real property, are shown at amortized cost, net of a collective allowance for mortgage losses of $335,433, and consist of the following:

		March 31, 2015	December 31, 2014
Conventional first mortgages	83 %	$ 23,046,225	$ 22,839,477
Conventional non-first mortgages	17 %	4,833,783	4,616,909
	100 %	27,880,008	27,456,386
Provision for mortgage losses		(335,433)	(265,343)
		$ 27,544,575	$ 27,191,043

All mortgages are residential in nature.

The mortgages comprising the portfolio bear interest at the weighted average rate of 13.07% per annum and mature between April 1, 2015 and March 31, 2016.

Principal repayments based on contractual maturity dates are as follows:

2015	$ 25,041,886
2016	2,838,122
	$ 27,880,008

At March 31, 2015, the Company, based on an estimate of the recoverability of mortgages and an assessment of historical loan losses, accrued an unrealized loss on its mortgages receivable totaling $335,433 (December 31, 2014 - $265,343). One mortgage was in default at the period end.

5. Credit facility

The Company has access to a due on demand operating credit facility with a limit of $3,500,000 of which $3,480,954 (December 31, 2014 – $3,151,371), had been drawn at March 31, 2015. The purpose of the facility is to finance the day-to-day operations of the Company, specifically, financing the placement of mortgages. The loan bears interest while outstanding before and after maturity and default at a rate of 2.50% per annum above the bank's prime lending rate. All interest is payable without demand on the dates specified by the bank and is calculated daily and compounded monthly. The demand facility is secured by all present and after acquired property of the Company. The credit agreement contains certain financial covenants that must be maintained. At March 31, 2015, the Company was in compliance with all financial covenants.

6. Earnings per share

Basic and diluted earnings per share are calculated by dividing net income attributable to common shares by the weighted average number of common shares outstanding during the three-month period ended March 31, 2015:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Numerator for basic earnings per share:		
Total comprehensive income (loss)	$ 775,219	$ 637,964
Denominator for basic earnings per share:		
Weighted average number of shares	2,434,071	2,351,571
Basic and diluted earnings per share	$ 0.32	$ 0.27

7. Dividends

The Company makes quarterly cash distributions by way of dividends on the last business day of each quarter. The Class A Non-Voting Common Shares rank first, the Class B Non-Voting Common Shares rank second and the Voting Common Shares rank third with respect to an initial non-cumulative dividend at a rate up to, but not exceeding, 8% per annum on each class of Common Shares. In each financial year, if the maximum amount of this initial dividend has been paid on all classes of Common Shares, then the Class B Non-Voting Common Shareholders, at the discretion of the Board of Directors, are entitled to an additional non-cumulative dividend at a rate of up to, but not exceeding 8% per annum. In each financial year, if the maximum amount of both the initial dividend and the additional dividend are paid, then all further dividends declared in such year shall be declared and paid in equal amounts per common share on all the classes of Common Shares.

For the period ended March 31, 2015, the Company declared dividends payable of $0.1973 per share for a total of $288,432 to its Class A Non-Voting Common Shareholders, to be paid on April 30, 2015. These dividends are shown as payable in these financial statements.

During the three months ended March 31, 2015, the Company paid dividends of $294,718 to its Class A Non-Voting Common shareholders, $401,856 to its Class B Non-Voting Common shareholders and $80 to its Voting shareholders.

8. Related party transactions

The Company's Manager (a company controlled by some of the Company's directors) receives a management fee, calculated at 1.0% per annum of the book value of the share capital of the Company, calculated daily, aggregated and paid monthly in arrears plus applicable taxes. For the three months ended March 31, 2015, this amount was $59,991. Included in accounts payable and accrued liabilities at March 31, 2015 are amounts payable to the Company's Manager of $120,428 (December 31, 2014 - $107,849) related to management fees and to lender fees collected directly from borrowers by the Company on behalf of the Manager.

The total directors' fees paid for the period were $3,500. Directors' fees are set at $1,000 annually together with $500 for each meeting attended. The key management personnel are also directors of the Company.

Key management compensation:
None of the Company's key management personnel received compensation, other than director's fees, from the Company for the period ended March 31, 2015. The Manager directs the affairs and manages the Company's business and administers or arranges for the administration of the Company's operations and is responsible for paying its own expenses including compensation of management personnel. The Company has no employment agreement with members of management and the Company does not pay any cash compensation to any individual for serving as an officer of the Company. In consideration for services provided to the Company by the Manager, it is paid a management fee, as discussed above and charges lender fees to the Company's borrowers.

9. Capital disclosures

The Company's capital consists of shareholders' equity. The Company's objectives when managing capital are, with a focus on capital preservation, to acquire, originate and maintain a portfolio consisting primarily of construction mortgages that generates attractive returns relative to risk in order to permit the Company to pay quarterly distributions to its shareholders.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and

ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company's credit facility contains certain financial covenants that must be maintained. As at March 31, 2015 and December 31, 2014, the Company was in compliance with all financial covenants.

10. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash, mortgages receivable, bank indebtedness, accounts payable and accrued liabilities and dividends payable. It is management's opinion that the Company is not exposed to significant credit, interest, currency and liquidity risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash and bank indebtedness are determined on level 1 inputs. The carrying amounts of cash and bank indebtedness approximates their fair values due to the short-term maturites of these items.

The carrying value of mortgages receivable, line of credit, accounts payable and accrued liabilities and dividends payable approximate their fair value because of the short-term nature of these instruments.

There were no transfers between levels 1, 2 and 3 inputs during the period.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Any instability in the real estate sector and an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Company’s mortgages. The Company mitigates this risk by adhering to the investment and operating policies of the Company. Cash is held at a major Canadian financial institution. The Company’s maximum exposure to credit risk is represented by the fair values of the cash, and mortgages receivable.

Financial instruments (continued from previous page)

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

i. Interest rate risk
Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The Company manages its financial instruments with the objective of mitigating any potential interest rate risks. The interest rates on the Company's mortgages receivable are fixed for the term. Therefore, the Company is not exposed to significant cash flow interest rate risk. As at March 31, 2015, the Company's mortgages receivable are subject to fair value interest rate risk as an increase in market interest rates will decrease the fair value of the fixed rate financial asset. Any change in market interest rates will, however, have no impact on the Company's cash flows or comprehensive income for the period as mortgages receivable are carried at amortized cost.

ii. Foreign currency risk
The Company does not have assets or liabilities denominated in a foreign currency.

Liquidity risk
Liquidity risk arises from the possibility of not having sufficient ability to obtain debt financing or equity capital to fund future growth or meet the Company's obligations as they arise. Furthermore, liquidity risk also arises from the possibility of the Company not being able to obtain financing on favourable terms.

The Company's main liquidity requirements will arise from mortgage advances and acquisitions, manager fees and distributions to shareholders. All of the aforementioned liquidity requirements, except for mortgage acquisitions, are generally funded from cash flows earned on mortgage interest and fees, and from mortgage repayments. Mortgage acquisitions are generally funded through equity issuances. The Company's financial condition and results of operations would be adversely affected if it were unable to obtain additional funds through equity issuances or financing, or if it were unable to meet its other liquidity requirements from ongoing operating activities.

The Company's approach to managing liquidity is to ensure that it will have sufficient financial resources available to meet its liabilities as they become due. This includes monitoring of cash and accounts payables and accrued liabilities. The Company intends to mitigate its liquidity risk by not entering into property acquisitions unless it has secured or is confident that it can secure the appropriate capital (debt and/or equity) to fund the particular acquisition. Liquidity risk is also mitigated by the terms offered to investors, which state that all redemptions are at the discretion of management and are dependent on the circumstances, and to borrowers, which state that the Company is never obligated to advance additional mortgages or funding.