

Builders Capital Mortgage Corp.
Condensed Consolidated Interim Financial Statements
For the three Months Ended March 31, 2016 and 2015

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 consolidated interim financial statements as at, and for the three months ended, March 31, 2016.

Builders Capital Mortgage Corp.
Condensed Consolidated Interim Statement of Financial Position

As at March 31, 2016 and December 31, 2015

(Unaudited)

	2016	2015
Assets		
Cash	\$ 2,071	\$ 776
Mortgages receivable (Note 4)	23,873,671	23,589,190
Prepaid expenses	6,969	5,104
Assets held for sale (Note 5)	603,219	661,905
Total Assets	\$ 24,485,930	\$ 24,256,975
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Line of credit (Note 6)	\$ 1,224,412	\$ 908,267
Accounts payable and accrued liabilities	13,564	37,132
Due to related party (Note 9)	36,374	73,732
Dividends payable (Note 8)	269,896	715,761
Deferred lender fees	82,277	119,001
Total Liabilities	\$ 1,626,523	\$ 1,853,893
Shareholders' Equity		
Share capital	\$ 21,855,197	\$ 21,855,197
Retained earnings	1,004,210	547,885
	\$ 22,859,407	\$ 22,403,082
Total Liabilities and Shareholders' Equity	\$ 24,485,930	\$ 24,256,975

Approved on behalf of the Board:

(Signed) "John Strangway"
Director

(Signed) "Sandy L. Loutitt"
Director

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

	2016	2015
Revenues		
Interest	\$ 820,999	\$ 876,120
Lender Fees	77,302	88,792
Total revenues	898,301	964,912
Expenses		
General and administrative	21,836	19,548
Interest	26,352	40,064
Provision for mortgage losses	65,501	70,090
Management fees <i>(Note 9)</i>	58,401	59,991
Total expenses	172,090	189,693
Total comprehensive income	\$ 726,211	\$ 775,219
 Earnings per share <i>(Note 7)</i>		
Basic and diluted	\$.31	\$.32

The accompanying notes are an integral part of these condensed consolidated interim financial statements

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

	Share Capital		Retained Earnings	Total 2016	Total 2015
	Number	Amount			
		\$			
Balance, beginning of period	2,342,571	21,855,197	547,885	22,403,082	23,017,233
Dividends declared (Note 8)	-	-	(269,886)	(269,886)	(288,432)
Total comprehensive income	-	-	726,211	726,211	775,219
Balance, end of period	2,342,571	21,855,197	1,004,210	22,859,407	23,504,020

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Builders Capital Mortgage Corp.
Condensed Consolidated Interim Statement of Cash Flows

*For the three months ended March 31,
(Expressed in Canadian dollars)*

	2016	2015
Cash flows related to the following activities:		
Operating activities		
Total comprehensive income	\$ 726,211	\$ 775,219
Items not affecting cash:		
Provision for mortgage losses	65,501	70,090
Changes in non-cash operating items:		
Prepaid expenses	(1,865)	(9,201)
Accounts payable and accrued liabilities	(23,569)	(32,357)
Due to related party	(109,171)	12,542
Deferred lender fees	(36,723)	(26,955)
Total cash flows used in operating activities	\$ 620,384	\$ 789,338
Investing activities		
Mortgages funded	\$ (5,594,326)	\$ (9,779,881)
Mortgages repaid	5,374,841	9,357,641
Total cash flows generated from (used in) investing activities	\$ (219,485)	\$ (422,240)
Financing activities		
Amounts drawn (paid) on line of credit	\$ 316,147	\$ 329,583
Dividends paid (Note 8)	(715,751)	(696,644)
Total cash flows (used in) generated from financing activities	\$ (399,604)	\$ (367,061)
Net increase (decrease) in cash	\$ 1,295	\$ 37
Cash, beginning of period	776	34
Cash, end of period	\$ 2,071	\$ 71
 Cash flow from operating activities include:		
Interest paid	\$ 26,352	\$ 40,064

Builders Capital Mortgage Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016 and 2015
(Unaudited)

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 consolidated 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 consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015. 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, 2015, have been consistently applied in the preparation of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements of the Company for the period ended March 31, 2016 were approved by the Board of Directors on May 6, 2016.

Basis of measurement

These condensed consolidated 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. Areas where judgements and estimates are significant to the consolidated financial statements are disclosed in note 3.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency for the Company's subsidiary, Builders Capital Limited Partnership is also Canadian dollars.

3. Significant accounting estimates, assumptions and judgments

The preparation of the consolidated 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting year. 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 condensed consolidated interim financial statements are:

Specific allowance for mortgage losses:

The Company is required to make estimates and assumptions that relate to the specific allowance 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. Illiquid credit markets and volatile equity markets have combined to increase the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature,

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Notes to the Condensed Consolidated Interim Financial Statements

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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 mortgages receivable.

4. Mortgages receivable

Mortgages receivable consist of the following:

	March 31, 2016	December 31, 2015
Conventional first mortgages	\$ 16,558,410	\$ 15,909,834
Conventional non-first mortgages	7,848,241	8,277,333
	24,406,651	24,187,167
Allowance for mortgage losses	532,980	597,977
Total mortgages receivable	\$ 23,873,671	\$ 23,589,190

Mortgages receivable consist of conventional mortgages which are secured by a mortgage charge with aggregate loan to values not exceeding 75% at their initiation, and mature between January 1, 2016 and January 1, 2017. All mortgages are located in Alberta, British Columbia or Saskatchewan and are residential in nature.

Principal repayments based on contractual maturity dates are as follows:

2016	\$ 23,402,319
2017	1,004,332
	\$ 24,406,651

5. Assets held for sale

	March 31, 2016	December 31, 2015
Foreclosed property	\$ 603,219	\$ 661,905

Builders Capital Mortgage Corp.

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6. Credit facility

The Company has access to a due on demand operating credit facility with a limit of \$3,500,000, of which \$1,224,412 had been drawn at March 31, 2016 (\$3,480,954 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 in the Company. The credit agreement contains certain financial covenants that must be maintained. These covenants include a cash flow coverage test and maintaining a tangible net worth of not less than \$10,000,000. As at March 31, 2016 and 2015, the Company was in compliance with all financial covenants.

7. Per share amounts

Basic and diluted earnings per share calculation

	Three months ended March 31,	
	2016	2015
Numerator for basic earnings per share:		
Total comprehensive income	\$ 726,211	\$ 775,219
Denominator for basic earnings per share:		
Weighted average number of shares	2,342,571	2,434,071
Basic and diluted earnings per share	\$ 0.31	\$ 0.32

8. 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 three months ended March 31, 2016, the Company declared dividends of \$0.1973 per share for a total of \$269,886 to its Class A Non-Voting Common Shareholders, which were paid on April 30, 2016.

During the three months ended March 31, 2016, the Company paid dividends of \$715,761 to its Class A and Class B Non-Voting Common Shareholders and Voting Common Shareholders.

9. Related party transactions

Due to related party is comprised of the following:

	March 31, 2016	December 31, 2015
Builders Capital Management Corp.	\$ 36,374	\$ 73,732

The Company's Manager (a company controlled by some of the 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, 2016, this amount was \$58,401 (2015 - \$59,991).

The total directors' fees paid for the three months were \$3,000 (2015 - \$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 and receive compensation from the Company's Manager.

During the three months, the Company purchased mortgages with an aggregate value of \$1,414,389 (2015 - \$976,360) from, and sold mortgages with an aggregate value of \$1,109,478 (2015 - \$1,876,714) to, Builders Capital (2014) Ltd. There were also advances totaling \$232,089 (2015 - \$6,029), which were made and repaid during the period between the two companies.

Builders Capital (2014) Ltd. is related to the Company by virtue of common control, and the transactions are considered to be in the normal course of business and have been recorded at fair value on initial recognition.

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Key management compensation:

None of the Company's key management personnel received compensation from the Company for the three months ended March 31, 2016 and 2015. The Manager directs the affairs and manages the Company's business and administers or arranges for the administration of the Company's operations. The Company has no employment agreement with members of key management and the Company does not pay any cash compensation to any individuals serving as the Company's officers. Rather, those individuals are compensated by the Manager. In consideration for services provided to the Company by the Manager, it is paid a management fee, as discussed above.

10. 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 is subject to externally imposed capital requirements. The credit facility contains certain financial covenants that must be maintained. As at March 31, 2016 and 2015, the Company was in compliance with all financial covenants.

11. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash, mortgages receivable, line of credit, accounts payable and accrued liabilities and due to related party. 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 line of credit is determined on level 1 inputs.

The carrying value of mortgages receivable, accounts payable and accrued liabilities and due to related party 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 (2015 – none).

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.

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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, 2016 the Company's mortgages receivable are subject to fair value interest rate risk as a decrease in market interest rates will increase 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 in 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 Company not being able to obtain financing on favorable terms.

The Company's main liquidity requirements will arise from mortgage 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. 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, line of credit 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.