AROI MORTGAGE INVESTMENT CORPORATION INC.

FINANCIAL STATEMENTS

FOR THE PERIOD MARCH 28, 2011 (DATE OF INCORPORATION) TO MARCH 31, 2012

WBLI
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
AROI Mortgage Investment Corporation Inc.

We have audited the accompanying financial statements of AROI Mortgage Investment Corporation Inc., which comprise the balance sheet as at March 31, 2012 and the income statement and statements of retained earnings and cash flows for the period March 28, 2011 (date of incorporation) to March 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AROI Mortgage Investment Corporation Inc. as at March 31, 2012 and the results of its operations and its cash flows for the period March 28, 2011 (date of incorporation) to March 31, 2012 in accordance with Canadian accounting standards for private enterprises.

WBLI

CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

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AROI MORTGAGE INVESTMENT CORPORATION INC.

BALANCE SHEET

AS AT MARCH 31, 2012

	2012 $
ASSETS	
CURRENT ASSETS	
Cash	26,350
Cash held in trust	100,000
Short-term investment (note 3)	65,000
Accounts receivable	510
Prepaid expenses (note 4)	6,100
Current portion of mortgages receivable (note 5)	270,594
	468,554
MORTGAGES RECEIVABLE (note 5)	18,920
	487,474
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities (note 4)	18,694
SHAREHOLDERS' EQUITY	
COMMON SHARES (note 6)	200
REDEEMABLE PREFERRED SHARES *(Aggregate redemption amount of $521,330)* (note 7)	521,330
RETAINED EARNINGS (DEFICIT)	(52,750)
	468,780
	487,474

COMMITMENTS (note 8)

APPROVED ON BEHALF OF THE BOARD:

_______________________ Director

_______________________ Director

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AROI MORTGAGE INVESTMENT CORPORATION INC.

INCOME STATEMENT AND STATEMENT OF RETAINED EARNINGS

FOR THE PERIOD MARCH 28, 2011
(DATE OF INCORPORATION) TO MARCH 31, 2012

	2012 $
REVENUE	
Commitment fees	29,575
Mortgage interest	14,810
Interest on short-term investment	1,493
Late fees	600
	46,478
EXPENSES	
Management fees	15,044
Accounting fees	6,363
Referral fees	3,891
Directors' fees	2,000
Interest and bank charges	412
	27,710
INCOME FOR THE YEAR BEFORE OTHER ITEMS	18,768
OTHER EXPENSES	
Legal fees	41,818
Finder's fee	11,500
	53,318
NET LOSS FOR THE PERIOD	(34,550)
RETAINED EARNINGS - beginning of period	-
DIVIDENDS	(18,200)
RETAINED EARNINGS (DEFICIT) - end of period	(52,750)

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AROI MORTGAGE INVESTMENT CORPORATION INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD MARCH 28, 2011 (DATE OF INCORPORATION) TO MARCH 31, 2012

	2012 $
CASH FLOWS USED IN OPERATING ACTIVITIES:	
Cash from (used in) operations	
Net loss for the period	(34,550)
Change in non-cash working capital balances	
Accounts receivable	(510)
Prepaid expenses	(6,100)
Accounts payable and accrued liabilities	18,694
	(22,466)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of common shares	200
Issuance of preferred shares	554,790
Redemption of preferred shares	(51,660)
	503,330
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchase of short-term investment	(350,000)
Redemption of short-term investment	285,000
Advances of mortgages receivable	(292,034)
Receipt of mortgages receivable	2,520
	(354,514)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	126,350
CASH AND CASH EQUIVALENTS - beginning of period	-
CASH AND CASH EQUIVALENTS - end of period	126,350

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash and cash equivalents consist of the following:

Cash	26,350
Cash held in trust	100,000
	126,350

During the period the company declared and issued a stock dividend of $18,200 which was a non-cash transaction that was measured at its fair value.

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1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE) and include the following significant accounting policies:

Cash and Cash Equivalents
The company's policy is to disclose bank balances under cash and cash equivalents including cash held in trust.

Short-term Investments
Short-term investments are recorded at their market value. Interest income is recognized on these investments in the year it is earned.

Mortgages Receivable
Mortgages receivable are valued at the lower of cost or net realizable value. When the net carrying amount of a mortgage receivable exceeds the estimated net recoverable amount, the asset is written down with a charge against income.

Impairment of Long-Lived Assets
A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue Recognition
The company recognizes revenue on its mortgages and short-term investment when the interest is earned. Commitment fees are recognized when the mortgage is signed and ultimate collection is reasonably assured.

Income Taxes
The company applies the ITA section 130.1 whereby the dividends declared are equated to bond interest and, therefore, deductible for tax purposes. As the company declares dividends on all income earned during the year there will be no taxes payable.

Financial Instruments

Measurement of financial instruments
The company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The company subsequently measures all its financial assets and financial liabilities at amortized cost, except for the short-term investment, which is measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, cash held in trust, accounts receivable and mortgages receivable. Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in net income.

Transaction costs
The company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Use of Estimates
The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

2. FINANCIAL INSTRUMENTS

Risks and Concentrations
The company is exposed to various risks through its financial instruments. The following analysis provides a measure of the company's risk exposure and concentrations at the balance sheet date.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company's main credit risks relate to its accounts receivable and mortgages receivable. The company provides mortgages to its clients in the normal course of its operations.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk on its fixed interest rate financial instruments. The fixed-rate instruments subject the company to a fair value risk.

The carrying amount of all secured financial liabilities amounts to nil.

3. SHORT-TERM INVESTMENT

The company has purchased a guaranteed investment certificate which bears interest at 1.25% and matures in September 2012. The company has the ability to withdraw funds at a minimum of $10,000 per withdrawl before the date of maturity provided that $1,000 in principal remains on deposit.

4. RELATED PARTY TRANSACTIONS

The company paid management fees to AROI Management Incorporated, a company controlled by directors, of $15,044 in the current year of which $2,211 is recorded as payable at period end.

The company paid commissions to AROI Financial Services Inc., a company controlled by a director, of $17,600 in the current year of which $6,100 is set up as a prepaid expense at period end.

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. MORTGAGES RECEIVABLE

	2012
	$
25% mortgage receivable, repayable in monthly principal plus interest payments, maturing in February 2014.	**4,490**
28% mortgages receivable, repayable in monthly principal plus interest payments, maturing in September 2014 and September 2016.	**20,190**
12% mortgage receivable, with monthly interest payments, principal due at maturity, maturing in August 2012.	**18,700**
15% mortgages receivable, with monthly interest payments, principal due at maturity, maturing at various times during fiscal 2013.	**218,654**
25% mortgages receivable, with monthly interest payments, principal due at maturity, maturing at various times during fiscal 2013.	**27,480**
	289,514
Less: current portion	**270,594**
	18,920

5. MORTGAGES RECEIVABLE (continued)

Principal repayments on mortgages receivable over the next five years are as follows:

	$
2013	270,594
2014	7,149
2015	4,689
2016	4,412
2017	2,670

6. COMMON SHARES

Authorized
Unlimited Common shares without nominal or par value

		2012 $
Issued		
20	Common shares	**200**

During the year, the company issued 20 common shares for cash consideration of $200.

7. REDEEMABLE PREFERRED SHARES

The company has the following authorized redeemable preferred shares:

Authorized
Unlimited Class A non-voting, redeemable preferred shares without nominal or par value

The details of the preferred shares issued and the redemption amounts are as follows:

		2012	
		Carrying Amount $	**Redemption Amount $**
52,133	Class A Preferred Shares	**521,330**	**521,330**

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7. REDEEMABLE PREFERRED SHARES (continued)

During the year, the company issued 55,479 class A preferred shares for cash consideration of $554,790. The company declared a 4% stock dividend on the preferred and common shares during the year issuing an additional 1,820 class A preferred shares with a value attributed of $18,200.

During the year, the company redeemed 5,166 class A preferred shares for $51,660.

8. COMMITMENTS

The company has a commitment with a related party to pay management fees. Management fees include a basic fee, annual fee and an earned commitment fee. The basic fee and annual fee is calculated by dividing the fiscal year into four quarters. At the end of each quarter the company shall calculate the average mortgage portfolio balance for that quarter and then calculate the basic fee of 2% of the average mortgage portfolio balance. The annual fee is equal to a percentage of the yield in that when the yield exceeds 12% of the paid up capital up to and including 15% of the paid up capital the management fee is 25%. When the amount by which the yield exceeds 15% of the paid up capital the management fee is 50%. The company shall pay 50% of all earned mortgage commitment fees paid by and not refunded to borrowers as the earned commitment fee.

Under ITA section 130.1, the company is also required to pay out all of its income in dividends to its shareholders to keep it from incurring income taxes.