No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus does not constitute a public offering of securities.

PROSPECTUS

Non-Offering Prospectus August 24, 2012

ATRIUM MORTGAGE INVESTMENT CORPORATION

No securities are being offered pursuant to this Prospectus.

This non-offering prospectus (the "**Prospectus**") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable Atrium Mortgage Investment Corporation (the "**Corporation**", "**we**", "**our**" or "**us**") to become a reporting issuer pursuant to applicable securities legislation in each of the provinces of Canada, except Québec, notwithstanding that no sale of its securities is contemplated herein.

We are incorporated under the laws of the Province of Ontario and qualify as a mortgage investment corporation under the *Income Tax Act* (Canada). As a mortgage investment corporation, we are a non-bank provider of residential and commercial real estate finance. Our objectives are: (i) to preserve shareholders' equity; and (ii) to provide our shareholders with stable and secure dividends, payable monthly, from our investments in mortgage loans within the criteria mandated for a mortgage investment corporation. We endeavour to maximize yields, dividends and share value through the sourcing and efficient management of our mortgage investments. See "The Business" "Investment Strategies" and "Investment Objectives and Policies". The Corporation has established a dividend policy but the terms of such dividend policy remain, among other things, at the discretion of our board of directors. See "Dividends". Future dividends, if any, will depend on our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors. See "Risk Factors".

Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses in connection with the preparation and filing of this Prospectus will be paid by us from our general corporate funds.

There is no market through which our common shares (the "Common Shares") may be sold and shareholders may not be able to resell Common Shares owned by them. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulation. You should carefully review and evaluate certain risk factors before making any investment decision with respect to the securities of the Corporation. See "Risk Factors".

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Common Shares under the symbol "AI". Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before November 19, 2012. See "Risk Factors – Risk Relating to the Common Shares – Market for Common Shares".

No underwriter has been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus. No person is authorized by us to provide any information or to make any representation other than those contained in this Prospectus with respect to us or our securities.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Our head and registered office is located at 20 Adelaide Street East, Suite 900, Toronto, Ontario, Canada M5C 2T6.

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IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

No person has been authorized to provide any information or to make any representation not contained in this Prospectus, and, if provided or made, such information or representation should not be relied upon. You should assume that the information contained in this Prospectus is accurate only as of the date of this Prospectus. No securities are being offered pursuant to this Prospectus.

Capitalized terms, except as otherwise defined herein, are defined in the section entitled "Glossary of Terms". Unless the context otherwise permits, indicates or requires, all references in this Prospectus to the "Corporation", "we", "our", "us" and similar expressions are references to Atrium Mortgage Investment Corporation and the business carried on by it. All financial information in this Prospectus is presented in Canadian dollars.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "seeks", "projects", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this Prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Prospectus. Such risks include, but are not limited to: the nature of our investments; risks related to mortgage defaults, foreclosure and related costs; reliance on the Manager; environmental matters associated with our business; availability of investments; potential conflicts of interest; borrowing risks; limited sources of borrowing; risks related to the renewal of mortgages comprising the Mortgage Portfolio; the composition of the Mortgage Portfolio; subordinated and subsequent debt financing; reliance on borrowers; no guarantees or insurance; litigation risks; ability to manage growth; changes in legislation; qualification as a mortgage investment corporation; the market for Common Shares; the unpredictability and volatility of the market price of the Common Shares; payment of dividends; dilution; and limitations on the ownership and repurchases of shares of the Corporation. See "Risk Factors" for a complete list of risks relating to an investment in the Corporation. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this Prospectus.

These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although we base our forward-looking statements on assumptions that we believe were reasonable when made, which assumptions include, but are not limited to, our future growth potential, results of operations, future prospects and opportunities, execution of our business strategy, a stable workforce, no material variations in the current tax and regulatory environments, future levels of indebtedness and the current economic conditions remaining unchanged, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements which we make in this Prospectus speak only as of the date of such statement, and we do not undertake, and specifically decline, except as required by applicable law, any obligation to update such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements.

GLOSSARY OF TERMS

In this Prospectus, the following terms will have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and *vice versa* and words importing any gender include all genders.

"**affiliate**" has the meaning ascribed to that term in National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators.

"**associate**" has the meaning ascribed to that term in the OBCA.

"**Audit Committee**" means the Audit Committee of the Board.

"**Authorized Interim Investments**" means: (i) deposits standing to our credit in the records of a bank or other entity any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Regie de l'assurance-depots du Québec or a credit union (including investments guaranteed by the Government of Canada or of a province or territory of Canada, deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank); (ii) money market mutual funds; and (iii) convertible or other indebtedness of a mortgage investment corporation, real estate investment trust, real estate investment company or similar entities and such other investments, in each case, that will not disqualify the Corporation as a MIC.

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation.

"**Business Day**" means a day on which banks are open for business in Toronto, Ontario, Canada, but does not include a Saturday, Sunday or a holiday in the Province of Ontario, Canada.

"CGAAP" means the former Canadian generally accepted accounting principles in accordance with Part V of the Handbook of the Canadian Institute of Chartered Accountants, which have been replaced by IFRS.

"CMSC" means Canadian Mortgage Servicing Corporation, a wholly-owned subsidiary of the Manager.

"**Commercial and Residential Mortgages**" means, collectively, Commercial Mortgages and Residential Mortgages.

"**Commercial Mortgage Backed Securities**" means bonds or other financial obligations secured by a pool of mortgage loans.

"**Commercial Mortgages**" means mortgages which are principally secured by: (a) income-producing properties which have retail, commercial service, office and/or industrial uses; and (b) land, zoned for commercial purposes.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Conventional First Mortgage**" means a First Mortgage for which the principal amount, at the time of commitment, does not exceed the lower of 75% of the purchase price of the underlying real property securing the mortgage and 75% of the appraised value of the underlying real property securing the mortgage as determined by a Qualified Appraiser.

"**Conventional Mortgage**" means a mortgage for which the principal amount, at the time of commitment, together with all other equal and prior ranking mortgages: (a) in the case of a property purchase, does not exceed the lower of 75% of the purchase price of the underlying real property securing the mortgage and 75% of the appraised value of the underlying real property securing the mortgage as determined by a Qualified Appraiser; and (b) in the case of a refinancing, does not exceed 75% of the appraised value of the underlying real property securing the mortgage as determined by a Qualified Appraiser at the time of such refinancing.

"**Conventional Second Mortgage**" means a Second Mortgage for which the principal amount, at the time of commitment, together with the principal balance outstanding on the First Mortgage on the same real property secured by such Second Mortgage, does not exceed the lower of 75% of the purchase price of the underlying real property securing the mortgage and 75% of the appraised value of the underlying real property securing the mortgage as determined by a Qualified Appraiser.

"**Corporation**", "**we**", "**our**" or "**us**" means Atrium Mortgage Investment Corporation, a corporation existing under the laws of the Province of Ontario, Canada.

"**Current Dividend Reinvestment Plan**" has the meaning ascribed to that term herein under the heading "Dividends – Dividend Reinvestment Plan".

“**Deferred Share Incentive Plan**” means the deferred share incentive plan of the Corporation effective as and from the Reporting Issuer Date.

“**Deferred Share Unit**” means a bookkeeping entry equivalent in value to a Common Share credited to a Participant’s (as such term is defined in the Deferred Share Incentive Plan) account in accordance with the Deferred Share Incentive Plan.

“**Distributable Cash**” means, for a particular period, the taxable income of the Corporation for the period, and includes the following: (a) any interest earned on all assets invested in Mortgages and Authorized Interim Investments; (b) the portion of any origination fees earned by the Corporation as described under “Management – Manager Fees and Expenses”; and (c) any other income from any other source of the Corporation; *less*: (d) the Management Fee; (e) any actual or accrued legal, accounting and audit costs and the Manager’s expenses chargeable to the Corporation; (f) the portion of the costs of any offering of Common Shares which has been amortized for the period in question; (g) the aggregate of all other costs, charges and expenses incurred during such period by or on behalf of the Corporation relating in any way to the Corporation, its assets, business or undertaking; and (h) adequate reserves for loan losses (of which 90% of the accounting reserves are allowable for tax purposes).

“**dollars**” or “**$**” means Canadian dollars.

“**First Mortgage**” means a mortgage having priority over all other security interests registered against the same real property used to secure such mortgage.

“**FSCO**” means the Financial Services Commission of Ontario.

“**IFRS**” means International Financial Reporting Standards and Canadian generally accepted accounting principles in accordance with Part I of the *Handbook* of the Canadian Institute of Chartered Accountants.

“**including**” (and variations thereof) means “*including without limitation*” and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it.

“**Income Deferred Share Unit**” means a bookkeeping entry equivalent in value to a whole or fractional Common Share, credited to a Participant’s (as such term is defined in the Deferred Share Incentive Plan) account in the circumstances described herein under “Executive Compensation – Deferred Share Incentive Plan”.

“**Independent Director**” means a member of the Board who is not an associate, director, officer or employee of the Manager or of an affiliate of any of the foregoing and who is independent (as such term is defined in NI 52-110) of the Corporation and the Manager.

“**Management Agreement**” means the amended and restated management agreement between the Corporation and the Manager executed and delivered as of March 23, 2012.

“**Management Fee**” has the meaning ascribed to that term herein under the heading “Management – Manager Fees and Expenses”.

“**Manager**” means Canadian Mortgage Capital Corporation and its successors as our manager under the Management Agreement.

“**Material Corporation Breach**” has the meaning ascribed to that term herein under the heading “Management – Details of the Management Agreement”.

“**MBLAA**” means the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (Ontario), including the regulations promulgated thereunder, as amended and replaced from time to time.

“**MIC**” means a mortgage investment corporation, within the meaning of subsection 130.1(6) of the Tax Act.

“**mortgage**” means a mortgage, hypothec, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying real property, whether evidenced by notes, debentures, bonds, assignments of purchase and sale agreements or other evidences of indebtedness, whether negotiable or non-negotiable.

“**Mortgage Portfolio**” means, at any time, our portfolio of mortgages or interests therein.

“**Mortgages**” means, collectively, the mortgage loans of the Corporation comprising the Mortgage Portfolio.

"**New Dividend Reinvestment Plan**" has the meaning ascribed to that term herein under the heading "Dividends – Dividend Reinvestment Plan".

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

"**No Cause Termination Right**" has the meaning ascribed to that term herein under the heading "Management – Details of the Management Agreement".

"**Non-Competition Arrangements**" means the non-competition arrangements embodied in the Management Agreement between the Corporation and the Restricted Group as described under "Management – Non-Competition Arrangements".

"**Non-Conventional Mortgage**" means a mortgage, other than a Conventional Mortgage, and includes mortgage investments that exceed, or may exceed, 75% of the appraised value of the real property underlying such mortgages as determined by a Qualified Appraiser.

"**OBCA**" means the *Business Corporations Act* (Ontario), including the regulations promulgated thereunder, as amended and replaced from time to time.

"**Operating Facility**" means our revolving credit facility arranged with a Schedule I Bank for the purpose of providing funding for general operating expenses of the Corporation and working capital for the Corporation, including for the purpose of making advances under committed mortgages and additional funding of existing mortgages, as described under "Investment Strategies – Borrowing Strategy".

"**Reporting Issuer Date**" means the date on which the Corporation receives a receipt from the Ontario Securities Commission for this Prospectus pursuant to which the Corporation initially becomes a reporting issuer under the *Securities Act* (Ontario).

"**Phase I Environmental Audit**" means an evaluation of real property for purposes of environmental analysis performed solely on the basis of historical records without invasive sampling or drillings from such property.

"**Plans**" has the meaning ascribed to that term herein under the heading "Eligibility for Investment".

"**Prospectus**" means this non-offering prospectus of the Corporation.

"**Qualified Appraiser**" means a person who is an accredited appraiser of the Appraisal Institute of Canada or any successor thereof.

"**Related Investment**" means a bond, debenture, note or other evidence of indebtedness, or a share, unit or other evidence of ownership, in a person (other than an individual) engaged in real estate development, lending or the funding or holding of mortgages.

"**Residential Mortgages**" means mortgages that are principally secured by single family residences, multi-family residential properties and residential land.

"**Restricted Group**" means Robert G. Goodall, who has entered into the Non-Competition Arrangement as described herein under "Management – Non-Competition Arrangements".

"**Schedule I Bank**" means a bank listed in Schedule I of the *Bank Act* (Canada).

"**Second Mortgage**" means a mortgage interest having priority over all other security interests registered against the same real property used to secure such mortgage, other than a First Mortgage of such real property.

"**Shareholders**" means the holders of Common Shares from time to time, and "**Shareholder**" means any one of them.

"**subsidiary**" has the meaning ascribed to that term in National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators.

"**Tax Act**" means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, as amended and replaced from time to time.

"**TSX**" means the Toronto Stock Exchange.

PROSPECTUS SUMMARY

The following is a summary only and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Business

We were incorporated under the OBCA on July 30, 2001 and we do not have any subsidiaries. We are qualified as a MIC and our Articles of Incorporation, as amended, restrict us from making any investment or conducting any activity that would result in us failing to qualify as a MIC. See "Corporate Structure".

We are a mortgage lender that was created to fill the lending gap caused by the limited number of financial institutions operating in Canada. We lend in major urban centres where the stability and liquidity of real estate are at the highest levels.

We focus on loans that cannot be placed with financial institutions but which represent an acceptable underwriting risk. The weighted average loan-to-value ratio of our Mortgage Portfolio, as a whole, at the time of underwriting each loan in our portfolio, will not exceed 75%. A typical loan in our portfolio has an interest rate of 8% to 10% per annum, a one or two-year term and monthly interest only mortgage payments. Mortgage loan amounts are generally $500,000 to a maximum of $20,000,000. For loan amounts in excess of $15 to $20 million, we co-lend with one or more private lenders or financial institutions. See "The Business".

Our investment objectives are: (i) to preserve our shareholders' equity; and (ii) to provide our shareholders with stable and secure dividends from our investments in mortgage loans and within the criteria mandated for a MIC. Within our carefully established lending risk parameters, we endeavour to maximize yields, dividends and Common Share value through the sourcing and efficient management of our mortgage investments. See "Investment Objectives and Policies".

Our Mortgage Portfolio

We acquire mortgages based on an appraisal and an underwriting report prepared by the Manager for each mortgage. Based on this information, the Board assesses the overall risk profile of the mortgage and considers whether the mortgage meets the objectives and investment policies of the Corporation. The Mortgage Portfolio has been sourced and underwritten by the Manager. As at June 30, 2012, the Mortgage Portfolio consisted of 54 mortgages as follows:

Description	Number of Mortgages	Amount	Percentage	Average interest rate
Type of Mortgage				
Conventional First Mortgages	39	$116,926,578	70.6%	8.9%
Conventional Second and Third Mortgages	7	31,639,647	19.1%	9.3%
Non-Conventional Mortgages	8	17,092,445	10.3%	9.4%
	54	$165,658,670	100.0%	9.1%
Nature of Underlying Property				
Residential	39	$110,788,842	66.9%	9.0%
Commercial	15	54,869,828	33.1%	9.1%
	54	$165,858,670	100.0%	9.1%
Location of Underlying Property				
Greater Toronto Area	46	$135,719,199	81.9%	9.1%
Other	8	29,939,471	18.1%	8.9%
	54	$165,658,670	100.0%	9.1%

At June 30, 2012, the average loan-to-value ratio of the Mortgage Portfolio on a weighted average basis was 66.1%, none of the Mortgages were in default and no borrower had failed to make payments according to the terms of the relevant Mortgage documentation.

The Mortgage Portfolio consists of mortgages secured by a range of properties which reflect, among other things, the following characteristics, some of which are included among our investment policies:

- the Mortgage Portfolio is diversified by property type and no group of mortgages to a single borrower (including associates of such borrower) represents more than 8.9% of the total;
- payment schedules consist primarily of interest only, with a few consisting of blended interest and principal;
- mortgages are generally written for terms of five years or less, with a majority currently being one to two years;
- our mortgage investments are secured by real property located in Ontario and principally in the Toronto and surrounding area, and are denominated in Canadian dollars.

See "Our Mortgage Portfolio."

Industry Overview

The larger financial institutions in Canada are focused on mortgage loans that comply with the often-restrictive lending criteria of Canadian banks. As a result of the focus of large financial institutions on limited types of mortgage loans, opportunities exist in the mortgage finance market due to the general lack of competition. We have profitably taken advantage of these mortgage investment opportunities sourced through the Manager since 2001. The areas in which we focus are set out below.

Residential Mortgages

The single family Conventional Mortgage market in Canada is dominated by the Schedule I Banks which are aggressive in underwriting single family Conventional Mortgage loans under rigid underwriting criteria. The five largest Schedule I Banks are generally less aggressive in pursuing single family Conventional Mortgage loans where (i) the borrower intends to subdivide or redevelop the property, (ii) a significant proportion of the property value is land, (iii) the borrower intends to substantially renovate the property, or (iv) the borrower or the loan is otherwise outside the strict lending guidelines of the Schedule I Banks. Consequently, the borrowers who do not meet the rigid underwriting criteria of the Schedule I Banks find it more difficult to obtain financing from traditional financial institutions, regardless of loan-to-value ratios or security offered.

Multi -Family Residential, Investment Properties and Commercial Mortgages

Mortgage lending in the investment property market is dominated by a few large financial institutions, including the Schedule I Banks, life insurance companies and pension funds. These institutions are very conservative and focus only on the highest quality of income producing properties with large real estate investors. As a result, we are able to find lending opportunities providing first and second mortgage financing on all other types of income producing properties.

Developer and Builder Loans

Builders and developers require loans to acquire land to build low rise and high rise developments. The Schedule I Banks lend on a very limited basis on land, so this is a niche that we can profitably exploit.

Mezzanine and Subordinated Debt Financing

Mezzanine or subordinated debt financing for residential and commercial development projects is highly fragmented. There are virtually no institutional providers of this specialized financing for developers, and the capital providers are typically small private entities with limited access to capital. Given the lack of participation from the larger financial institutions, there is little competition in this market segment, which gives us the opportunity to underwrite well-structured, secure mortgage loans with attractive pricing.

Discounted or Distressed Mortgage Debt

Discounted or distressed mortgage debt consists of performing and non-performing mortgages acquired from financial institutions, receivers and liquidators. Investment returns result from the interest rate earned on the mortgage, as well as the difference between our cost for purchasing the mortgage and the amount ultimately repaid.

See "Industry Overview."

Management of the Mortgage Portfolio

The Manager (either directly or through its wholly-owned subsidiary, CMSC) is responsible for originating, underwriting, servicing and syndicating our mortgage investments pursuant to the Management Agreement. The Manager is also responsible for ensuring compliance with our investment policies and, after confirming such compliance, the Manager presents a mortgage investment opportunity to the members of the Board. See "Management" and "Investment Objectives Policies – Investment Policies".

We have implemented the following controls to limit and manage risk:

(a) conservative investment policies;

(b) detailed mortgage underwriting analysis which emphasizes realty values, lending exposure and market conditions;

(c) independent appraisals prepared by Qualified Appraisers for most mortgage investments; and

(d) when appropriate and subject to our cash position and the underlying investment profile, a syndication strategy whereby the Manager syndicates on our behalf mortgage investments with other investors to diversify and share risks associated with a given mortgage investment. Syndication generally occurs on: (i) larger loans where we wish to participate but require other investors; or (ii) loans where the risk profile of the mortgage is beyond an acceptable level for us, and we choose to syndicate the subordinate tranche of the mortgage to reduce our risk profile.

The Manager monitors the performance of the Mortgage Portfolio, including tracking of the status of outstanding payments due, grace periods and due dates, and the calculation and assessment of other applicable charges. The Manager makes reasonable efforts to collect all payments called for under the terms and provisions of each mortgage comprising the Mortgage Portfolio and follows appropriate and prudent collection procedures or procedures the Board may otherwise direct. See "Management of the Mortgage Portfolio".

Investment Objectives and Policies

Our investment goal is to make prudent investments in mortgages which provide financing for real property situated in Canada and primarily in major urban centres in Ontario. As at June 30, 2012, 82% of our mortgage loans (by amount outstanding) are located in the greater Toronto area. We do not invest in real property other than by way of investment in mortgages, subject to certain limited exceptions such as the acquisition of real property through foreclosure of a mortgage. The Manager, on our behalf, reviews and selects mortgage investment opportunities to be approved by the Board or certain members of the Board and manages the Mortgage Portfolio. In making its mortgage loan selections, the Manager adheres to our investment policies.

Our investment strategy is to invest in Commercial and Residential Mortgages from borrowers whose financing needs are not being met by the larger financial institutions. To maintain a stable interest yield on the Mortgage Portfolio, we manage risk through maintenance of a diversified mortgage portfolio, conservative underwriting and diligent and aggressive mortgage servicing.

The Board has established certain restrictions on the investments that we may undertake, as follows:

(a) We may invest only in Residential Mortgages, Commercial Mortgages, Commercial Mortgage Backed Securities and Related Investments.

(b) When not invested in mortgages on the security of real property situated within Canada, our funds will be placed in Authorized Interim Investments.

(c) Commercial Mortgages may not constitute any more than 50% of our total assets at any time.

(d) We will not invest in any mortgages where the term of the mortgage is in excess of ten years.

(e) No individual mortgage or a portion of a mortgage will exceed $20,000,000.

(f) No single borrower will account for more than 25% of our total assets.

(g) All mortgages will be supported by external appraisals by a Qualified Appraiser or a similar appropriate qualification. All mortgages, except mortgages secured against a single residence, will be supported by environmental audits.

(h) No mortgage will initially exceed 85% loan-to-value, including any prior ranking encumbrances, and the weighted average loan-to-value ratio of our Mortgage Portfolio, as a whole, at the time of underwriting each loan in our portfolio, will not exceed 75%.

(i) Our ratio of debt to equity may not exceed 3:1.

(j) We do not typically invest directly in real property, although real property may be acquired through foreclosing on a mortgage.

(k) We may not make any investment: (i) with a cost to the Corporation of $1,000,000 or more without the approval of the Board; (ii) with a cost to the Corporation of less than $1,000,000 and more than $500,000 without the approval of three members of the Board, including at least two Independent Directors; (iii) with a cost to the Corporation of $500,000 or less without the approval of any one member of the Board; and (iv) in respect of a mortgage previously approved by the Board but where the mortgage amount exceeds the amount so approved by up to $100,000 without the approval of three members of the Board, including at least one Independent Director. However, we may invest in Authorized Interim Investments which are limited to investments guaranteed by the Government of Canada or of a province or territory of Canada or deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank in any amount without prior approval of the Board.

(l) We may not make unsecured loans to, nor invest in securities issued by, the Manager or its affiliates, nor make loans to the directors or officers of the Manager.

(m) We may not make any investment, or incur any indebtedness, that would result in our not qualifying as a MIC.

See "Investment Objectives and Policies".

Investment Strategies

In order to facilitate the granting of mortgages when it is considered opportune by the Manager and to ensure the efficient operation of our affairs, the Corporation may secure an operating line of credit or similar indebtedness of up to 50% of our total assets. We currently have an Operating Facility with a Canadian chartered bank which has a maximum availability of $40 million, and as at June 30, 2012, $11.6 million had been drawn thereunder.

We believe that the following are essential to developing and maintaining a successful mortgage portfolio:

- knowledgeable mortgage underwriting;
- ability to source a broad range of mortgage lending opportunities, thereby allowing us to be prudent when selecting mortgage investments; and
- disciplined monitoring, servicing and collection enforcement methods.

Our mortgage investments are all sourced through our Manager. As a result, we have funded mortgage loans that meet our investment criteria, resulting from: (i) using the Manager's lending experience to create various lending and security structures which meet the needs of our borrowers; (ii) the reputation, experience and marketing ability of the Manager; (iii) the timely credit analysis and decision making processes followed by the Manager and by us; and (iv) a lack of significant lenders in the market segments in which we invest.

To manage and diversify risk, the Manager may syndicate a mortgage investment in which we participate with one or more lenders. Syndication may be on a *pari passu* basis, a priority or a subordinated basis. Syndicating mortgages reduces our exposure to any one investment we may have.

See "Investment Strategies".

Dividend Policy

The Board has adopted a dividend policy, effective on the Reporting Issuer Date, pursuant to which we intend to make monthly cash distributions by way of dividends to holders of Common Shares of record at the close of business on the last Business Day of each month. The monthly dividend is initially set at $0.06667 per Common Share per month ($0.80 per annum). Each monthly dividend will be paid within 30 days after the dividend record date. In addition, there may be an additional (thirteenth) special dividend to holders of Common Shares of record on December 31 of each year payable within 90 days of the dividend record date. For each year ending December 31, we intend to pay a special dividend equal to our taxable income for that fiscal year and capital gains dividends equal to twice our taxable capital gains for that fiscal year, less dividends previously declared for that fiscal year. See "Dividends".

Upon the above dividend policy becoming effective, the first dividend declared thereunder will be in respect of the period beginning on the first day after the end of the last calendar quarter and ending on the last day of the month which occurs at least fifteen days after to the Reporting Issuer Date, with the amount of such dividend being based on $0.06667 per Common Share per month, proportionately adjusted having regard to the number of months comprising such period, and made to holders of Common Shares of record at the close of business on the last Business Day of the month which occurs at least fifteen days after the Reporting Issuer Date. Therefore, in the event that the Reporting Issuer Date occurs during the period of August 19 to September 14, 2012, the first dividend declared under the above dividend policy will be in respect of the period beginning on July 1, 2012 and ending on September 30, 2012, with the amount of such dividend being $0.20 per Common Share and made to holders of Common Shares of record at the close of business on September 28, 2012.

The terms of the foregoing dividend policy remain, among other things, at the discretion of the Board. See "Dividends". Future dividends, if any, will depend on the results of our operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors. See "Risk Factors".

Selected Financial Information

The following selected financial data is derived from (and is qualified in its entirety by) our financial statements appearing elsewhere in this Prospectus, all of which were prepared in accordance with IFRS (current Canadian generally accepted accounting principles). The information should be read in conjunction with those financial statements, and the notes thereto, and "Management's Discussion and Analysis", also appearing elsewhere in this Prospectus.

	Three months ended June 30, 2012 *(unaudited)*	***Six months ended June 30, 2012*** *(unaudited)*	***Year ended December 31, 2011*** *(audited)*
Revenue	$ 4,141,626	$ 8,244,300	$ 11,414,661
Operating expenses	784,156	1,535,186	1,973,850
Earnings and total comprehensive income	3,357,470	6,709,114	9,440,811
Basic and fully diluted earnings per share	0.22	0.45	0.88
Dividends declared	3,343,034	6,481,202	9,456,254
Mortgages receivable, end of period	166,767,311	166,767,311	157,492,666
Total assets, end of period	166,797,231	166,797,231	158,816,013
Shareholders' equity, end of period	$ 151,323,099	$ 151,323,099	$ 142,846,412

Risk Factors

Our business is subject to certain risk factors that should be carefully considered, including, among others, risks related to: the nature of our investments; risks related to mortgage defaults, foreclosure and related costs; reliance on the Manager; environmental matters associated with our business; availability of investments; potential conflicts of interest; borrowing risks; limited sources of borrowing; risks related to the renewal of mortgages comprising the Mortgage Portfolio; the composition of the Mortgage Portfolio; subordinated and subsequent debt financing; reliance on borrowers; no guarantees or insurance; litigation risks; ability to manage growth; changes in legislation; qualification as a mortgage investment corporation; the market for Common Shares; the unpredictability and volatility of the market price of the Common Shares; payment of dividends; dilution; and limitations on the ownership and repurchases of shares of the Corporation. See "Risk Factors".

CORPORATE STRUCTURE

Name, Address and Incorporation

Atrium Mortgage Investment Corporation was incorporated as DB Mortgage Investment Corporation #1 under the OBCA by Articles of Incorporation dated July 30, 2001. Our head and registered office is located at 20 Adelaide Street East, Suite 900, Toronto, Ontario, Canada M5C 2T6.

On June 2, 2004, our Articles of Incorporation were amended to: (i) postpone the date at which the Board was required to commence winding-up of the Corporation, from December 31, 2006 to December 31, 2010; (ii) provide the Shareholders the right to require the Corporation to redeem, on April 1, 2007, all or any part of the Common Shares registered in the name of the Shareholders on June 1, 2004 (being the date of the Shareholder meeting at which the amendment to our Articles of Incorporation was approved); and (iii) provide Shareholders the right to require the Corporation to redeem, on April 1, 2008 and April 1, 2009, respectively, any or all of the Common Shares registered in the name of the Shareholders on December 1, 2007 and December 1, 2008, respectively, subject to a maximum aggregate redemption by all Shareholders of 10% of the Common Shares issued and outstanding on December 1, 2007 and December 1, 2008, respectively.

On August 27, 2009, our Articles of Incorporation, as amended prior thereto, were further amended to: (i) postpone the date at which the Board was required to commence winding-up of the Corporation, from December 31, 2010 to December 31, 2015; (ii) provide the Shareholders the right to require the Corporation to redeem, no later than April 1, 2011, all or any part of the Common Shares registered in the name of the Shareholders on August 19, 2009 (being the date of the Shareholder meeting at which the further amendment to our Articles of Incorporation, as amended, was approved); and (iii) provide Shareholders the right to require the Corporation to redeem, no later than April 1, 2012, April 1, 2013 and April 1, 2014, respectively, any or all of the Common Shares registered in the name of the Shareholders on December 1, 2011, December 1, 2012 and December 1, 2013, respectively, subject to a maximum aggregate redemption by all Shareholders of 10% of the Common Shares issued and outstanding on December 1, 2011, December 1, 2012 and December 1, 2013, respectively.

On March 23, 2012, our Articles of Incorporation, as amended prior thereto, were again amended to: (i) change our name to "Atrium Mortgage Investment Corporation"; (ii) subdivide and split the outstanding Common Shares on the basis of one hundred (100) new Common Shares for every one (1) then existing Common Share; (iii) delete all restrictions on the issue or transfer of Common Shares, all provisions contained in the rights, privileges, restrictions and conditions governing the Common Shares dealing with the redemption of the Common Shares and the requirement that the Board commence winding-up of the Corporation as soon as practicable after December 31, 2015; (iv) insert a restriction on the business of the Corporation so that we may not make any investment or conduct any activity that would result in our failing to qualify as a MIC; and (v) insert a provision that restricts a Shareholder from holding, directly or indirectly, either alone or together with a person "related" to the Shareholder more than 25% of any class or series of our issued shares and providing for an automatic repurchase by us of any excess over 24.9% of the issued shares of any class or series of our shares in violation thereof.

The Board adopted and approved amendments to By-Law No. 1 regulating our business and affairs on March 1, 2012, which amendments were subsequently confirmed and approved by Shareholders on March 23, 2012, and which amendments generally updated By-Law No. 1 for legislative changes since its original adoption in July 2001, removed the right of Shareholders to approve certain matters as provided for in By-Law No. 1 and otherwise ensured By-Law No. 1 was appropriate in the event that we were to become a reporting issuer in Canada.

Intercorporate Relationships

We do not have any subsidiaries.

THE BUSINESS

General

We are a mortgage lender that was created to fill the lending gap caused by the limited number of financial institutions operating in Canada. We lend in major urban centres where the stability and liquidity of real estate are at the highest levels.

We focus on loans that cannot be placed with financial institutions but which represent an acceptable underwriting risk. The weighted average loan-to-value ratio of our Mortgage Portfolio, as a whole, at the time of underwriting each loan in our portfolio, will not exceed 75%. A typical loan in our portfolio has an interest rate of 8% to 10% per annum, a one or two-year term and monthly interest only mortgage payments. Our basic lending parameters are as follows:

- First or second mortgages on income-producing real estate up to a maximum of 85% of value.
- Mortgages on residential and commercial properties up to a maximum of 75% of appraised value.
- Construction loans up to a maximum of 90% of cost.
- Loans to condominium corporations for capital expenditures.
- Purchase of guest suite and superintendent condominium mortgages.

Mortgage loan amounts are generally $500,000 to a maximum of $20,000,000. The largest Mortgage in our Mortgage Portfolio as at June 30, 2012 was $14.7 million. For loan amounts in excess of $15 to $20 million, we co-lend with one or more private lenders or financial institutions. The parameters listed above are our maximum mortgage lending parameters. At June 30, 2012, the average loan-to-value ratio of the Mortgage Portfolio on a weighted average basis was 66.1%.

We are qualified as a MIC and our Articles of Incorporation, as amended, restrict us from making any investment or conducting any activity that would result in us failing to qualify as a MIC. See "– Qualification as a Mortgage Investment Corporation".

Generally, we fund mortgages secured by all types of residential and commercial real property located in Canada, subject to compliance with our investment policies. See "Investment Objectives and Policies". The types of properties that we finance include residential houses, small multi-family residential properties comprised of six or fewer units, residential apartment buildings, mixed-use residential apartments and store-front properties, investment properties, residential and commercial land and development sites and development and construction projects. We also invest in short-term bridge financing for residential and commercial real estate (including construction loans for such properties). Non-Conventional Mortgages do not represent a substantial proportion of the portfolio, and are only considered when there are other mitigating factors which reduce the risk profile to acceptable levels.

Our objectives are: (i) to preserve our shareholders' equity, and (ii) to provide our shareholders with stable and secure dividends from our investments in mortgage loans within the criteria mandated for a MIC. Working within conservative risk parameters, we endeavour to maximize yields, dividends and Common Share value through the sourcing and efficient management of our mortgage investments. See "Investment Objectives and Policies".

Industry Overview

The larger financial institutions in Canada are focused on mortgage loans that comply with the often-restrictive lending criteria of Canadian banks. As a result of the focus of large financial institutions on limited types of mortgage loans, opportunities exist in the mortgage finance market due to the general lack of competition. We have profitably taken advantage of these mortgage investment opportunities sourced through the Manager since 2001. The areas in which we focus are set out below.

Residential Mortgages

The single family Conventional Mortgage market in Canada is dominated by the Schedule I Banks which are aggressive in underwriting single family Conventional Mortgage loans under rigid underwriting criteria. The five largest Schedule I Banks are generally less aggressive in pursuing single family Conventional Mortgage loans where

(i) the borrower intends to subdivide or redevelop the property, (ii) a significant proportion of the property value is land, (iii) the borrower intends to substantially renovate the property, or (iv) the borrower or the loan is otherwise outside the strict lending guidelines of the Schedule I Banks. Consequently, the borrowers who do not meet the rigid underwriting criteria of the Schedule I Banks find it more difficult to obtain financing from traditional financial institutions, regardless of loan-to-value ratios or security offered.

Multi-Family Residential, Investment Properties and Commercial Mortgages

Mortgage lending in the investment property market is dominated by a few large financial institutions, including the Schedule I Banks, life insurance companies and pension funds. These institutions are very conservative and focus only on the highest quality of income producing properties with large real estate investors. As a result, we are able to find lending opportunities providing first and second mortgage financing on all other types of income producing properties.

Developer and Builder Loans

Builders and developers require loans to acquire land to build low rise and high rise developments. The Schedule I Banks lend on a very limited basis on land, so this is a niche that we can profitably exploit.

Mezzanine and Subordinated Debt Financing

Mezzanine or subordinated debt financing for residential and commercial development projects is highly fragmented. There are virtually no institutional providers of this specialized financing for developers, and the capital providers are typically small private entities with limited access to capital. Given the lack of participation from the larger financial institutions, there is little competition in this market segment, which gives us the opportunity to underwrite well-structured, secure mortgage loans with attractive pricing.

Discounted or Distressed Mortgage Debt

Discounted or distressed mortgage debt consists of performing and non-performing mortgages acquired from financial institutions, receivers and liquidators. Investment returns result from the interest rate earned on the mortgage, as well as the difference between our cost for purchasing the mortgage and the amount ultimately repaid.

Other Investments

Subject to the investment restrictions listed under "Investment Objectives and Policies – Investment Policies", we are permitted to invest in Commercial Mortgage Backed Securities and Related Investments.

Qualification as a Mortgage Investment Corporation

We operate as a MIC. See "Description of Capital Structure – Restriction on the Business of the Corporation", "Description of Capital Structure – Limitation on Ownership" and "Dividends – Dividend Policy". In order to qualify as a MIC in a taxation year, we must continually meet all of the criteria enumerated in subsection 130.1(6) of the Tax Act throughout such taxation year, including the following requirements:

A. *Canadian Corporation*. The Corporation must be a "Canadian corporation", as defined in the Tax Act, which generally means a corporation incorporated or resident in Canada;

B. *Undertaking*. Our only undertaking was the investing of our funds. The Corporation cannot have managed or developed any real or immovable property;

C. *Prohibited Foreign Investment*. None of the property of the Corporation consisted of debts owing to the Corporation secured on real or immovable property situated outside Canada, debts owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property;

D. *Shareholder Requirements*. The Corporation had at least 20 shareholders. In addition, no shareholder (together with Related Persons, as defined below) of the Corporation at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;

E. *Preferred Shareholders*. Holders of preferred shares (if any) of the Corporation had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* (equally) with the holders of the Common Shares in any further payment of dividends;

F. *50% Asset Test*. The cost amount for tax purposes to the Corporation of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a Canada Deposit Insurance Fund or Régie de l'assurance-dépôts du Québec-insured institution or credit union (such debts and deposits referred to as "**Required Property**") constituted at least 50% of the cost amount to the Corporation of all of its property;

G. *25% Asset Test*. The cost amount for tax purposes to the Corporation of its property in the form of interests in real or immovable property (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Corporation of all of its property; and

H. *Debt to Equity Ratio*. Where at any time in the year the cost amount to the Corporation of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Corporation of all of its property, our liabilities may not exceed 75% of the cost amount to the Corporation of all its property. Where, however, throughout the year the cost amount to the Corporation of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Corporation of all of its property, our liabilities may not exceed 83.33% of the cost amount to the Corporation of all its property.

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Corporation, for these purposes "**Related Persons**" include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common-law partner or child under 18 years of age. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard. For the purposes of the 50% asset test noted above, the requirement is that our investments must comprise the specified minimum amount of debts that are secured by mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the *National Housing Act* (Canada). Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing shares, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be converted or developed to provide housing accommodation, or property associated with housing accommodation such as parking, public and recreational facilities.

Licensing and Legislative Regime

In 2006, the Province of Ontario enacted new legislation to govern the mortgage broker industry. The MBLAA, which replaced the *Mortgage Brokers Act* (Ontario), took effect on July 1, 2008. The MBLAA is administered through FSCO and regulates mortgage brokerages, brokers, agents and administrators.

Under the MBLAA, corporations, partnerships and sole proprietorships that carry on the business of dealing in or trading in mortgages in Ontario, or carry on business as a mortgage lender in Ontario, are required to hold a valid brokerage license. A person or entity is a mortgage lender when he, she or it lends money in Ontario on the security of real property. An individual who deals in mortgages or trades in mortgages in Ontario is required to be licensed as a mortgage broker or a mortgage agent. A mortgage broker or mortgage agent can only act on behalf of one specified mortgage brokerage and every brokerage must appoint a principal broker who is licensed as a mortgage broker. Corporations, partnerships and sole proprietorships that carry on the business of administering mortgages in Ontario are required to hold a valid mortgage administrator's license.

As we are not and will not be licensed under the MBLAA, we cannot engage directly in the business of lending money on the security of real property or administering mortgages, and must therefore conduct our mortgage lending activities under contract with a licensed mortgage brokerage such as the Manager and a licensed mortgage administrator such as the Manager's wholly-owned subsidiary, CMSC. A mortgage brokerage and its principal broker must obtain a brokerage and a broker license, respectively, issued by the Superintendent of Financial Services (the "**Superintendent**") who is the chief executive officer of FSCO. As of April 1, 2010, licenses changed from a one-year licensing term to a two-year licensing cycle, and are subject to a fee established by the Minister of Finance (Ontario). The Manager (either directly or through its wholly-owned subsidiary, CMSC), which performs mortgage brokerage, servicing and administration services on our behalf pursuant to the Management Agreement, currently holds a valid license under the MBLAA to permit it to carry on the activities contemplated in the Management Agreement and operates in compliance with the requirements of the MBLAA. The Manager's license under the MBLAA qualifies it to syndicate mortgage loans. The Manager's wholly-owned subsidiary, CMSC, is also registered under MBLAA as a mortgage administrator.

The Superintendent has wide authoritative power over the mortgage brokerage and administrator industry, including the power to grant or renew licenses, the power to revoke licenses, the power to attach conditions to licenses, and the power to investigate complaints made regarding the conduct of registered mortgage brokerages, brokers, agents and administrators. Under the MBLAA, there are several requirements a mortgage brokerage, broker, agent or administrator must meet in order to obtain or renew a license. The MBLAA also imposes a continuing obligation on registered mortgage broker to remain in compliance with the MBLAA, failing which the Superintendent may revoke the license.

Generally, a mortgage brokerage or administrator will not be granted a license or a renewal of a license if, having regard to the financial position of the mortgage brokerage or administrator, it could not reasonably be expected that the mortgage brokerage or administrator would be financially responsible in the conduct of its business. In addition, a license will not be granted or renewed if the past conduct of the applicant is such that it provides reasonable grounds for the Superintendent to believe that the mortgage brokerage or administrator will not conduct business legally and with integrity and honesty. In the case of a corporate mortgage brokerage or administrator, the Superintendent will look to the past conduct of the directors and officers of the corporation.

OUR MORTGAGE PORTFOLIO

We acquire mortgages based on an appraisal and an underwriting report prepared by the Manager for each mortgage. Based on this information, the Board assesses the overall risk profile of the mortgage and considers whether the mortgage meets the objectives and investment policies of the Corporation. The Mortgage Portfolio has been sourced and underwritten by the Manager. As at June 30, 2012, the Mortgage Portfolio consisted of 54 mortgages.

All properties are evaluated on the basis of location, quality, prospects for capital appreciation, and in the case of Commercial Mortgages, prospects for income. In addition, the credit of the borrower is also reviewed and, where appropriate, personal or corporate covenants are obtained.

As at June 30, 2012, none of the Mortgages were in default and no borrower had failed to make payments according to the terms of the relevant Mortgage documentation. Generally, a default occurs under a Mortgage if: (i) the borrower fails to make any payment thereunder when due (including principal, interest and realty taxes) or fulfill any of the covenants set out therein when required (including covenants relating to, among other things, the provision and maintenance of security and insurance, disposition restrictions on the subject mortgaged property and the provision of financial statements of the borrower and any guarantor(s), environmental site assessment reports and soil tests); (ii) in our opinion, a material adverse change occurs in the financial position of the borrower and/or any guarantor(s) and/or the subject mortgaged property given as security; and (iii) if any of the representations or warranties made by the borrower in its application for the Mortgage, the Mortgage documentation or in any document or certificate delivered pursuant to the Mortgage documentation is incorrect in a material respect.

The following is an overview of our Mortgage Portfolio as at June 30, 2012, December 31, 2011 and December 31, 2010:

	June 30, 2012		December 31, 2011		December 31, 2010	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Conventional Mortgages.............	$148,566,225	89.7%	$136,793,812	87.2%	$68,322,950	91.8%
Non-Conventional Mortgages	17,092,445	10.3%	20,037,518	12.8%	6,114,703	8.2%
	$165,658,670	100.0%	$156,831,330	100.0%	$74,437,653	100.0%

Further detail is provided below as at June 30, 2012:

Description	**Number of Mortgages**	**Amount**	**Percentage**	**Average interest rate**
Type of Mortgage				
Conventional First Mortgages	39	$116,926,578	70.6%	8.9%
Conventional Second and Third Mortgages	7	31,639,647	19.1%	9.3%
Non-Conventional Mortgages	8	17,092,445	10.3%	9.4%
	54	$165,658,670	100.0%	9.1%
Nature of Underlying Property				
Residential	39	$110,788,842	66.9%	9.0%
Commercial	15	54,869,828	33.1%	9.1%
	54	$165,858,670	100.0%	9.1%
Location of Underlying Property				
Greater Toronto Area......................	46	$135,719,199	81.9%	9.1%
Other	8	29,939,471	18.1%	8.9%
	54	$165,658,670	100.0%	9.1%

While there can be no assurance that the interest yields on these mortgages is representative of interest yields to be obtained on our future mortgage investments, management anticipates that the aggregate interest yield will continue to be in excess of 8.5% for the current and following years.

The Mortgage Portfolio consists of mortgages secured by a range of properties which reflect, among other things, the following characteristics, some of which are included among our investment policies:

- the Mortgage Portfolio is diversified by property type and no group of mortgages to a single borrower (including associates of such borrower) represents more than 8.9% of the total;
- payment schedules consist primarily of interest only, with a few consisting of blended interest and principal;
- mortgages are generally written for terms of five years or less, with a majority currently being one to two years;
- a significant portion of our mortgage investments are secured by real property located in Ontario and principally in the Toronto and surrounding area, and are denominated in Canadian dollars.

See "Investment Objectives and Policies."

Typically, non-bank real estate lenders such as the Corporation provide mortgage loans with interest only payment schedules for terms of 12 to 36 months. The short term of these mortgage loans negates the effect of the absence of any amortization. For example, during the first 12 months of a mortgage loan with an interest rate of 8.0% per annum and a 25-year amortization, approximately 1.3% of the total mortgage loan amount would be repaid. Generally, the Manager determines a mortgage loan term that coincides with the achievement by the borrower of an event that is expected to lead to the full repayment of the mortgage loan by its maturity date (such as, for a commercial property, a lease renewal at a higher lease rate or, for a residential development, an anticipated level of pre-sales activity). For this reason, the Manager would not normally expect that a mortgage loan would be renewed.

Nevertheless, mortgage loan renewals do occur in circumstances where the expected event takes longer than anticipated or the borrower is in a position to achieve a new event, provided the mortgage loan and borrower continue to meet our investment policies and objectives. The Manager believes that originating mortgage loans on our behalf that have shorter maturities allows it the flexibility and choice of whether or not to renew a mortgage loan and, if a mortgage loan is to be renewed, such renewal can be based on terms that the Manager believes are appropriate for the risk profile of the mortgage loan and the borrower at the time.

We receive from the Manager a portion of the origination fees otherwise payable to the Manager by borrowers under our mortgage investments. See "Management – Manager Fees and Expenses". The Manager's entitlement to these fees (which are paid for by borrowers) arises only from its ability to source mortgages funded by us.

Generally, our mortgages are registered on title against the underlying real property securing such mortgage. Legal title to each mortgage is held by and registered in our name or in the name of a corporation or other entity wholly owned by us, other than mortgages held by another entity or other entities holding an interest in such mortgages jointly with and/or in trust for us, with beneficial title to our interest being held by us. Where legal title to a mortgage is held by and registered in the name of an entity wholly owned by us, such entity may hold legal title to such mortgage on behalf of the other beneficial owners of such mortgage. Where appropriate, title insurance is obtained. In addition, we obtain additional security where appropriate, which may include one or more of an assignment of rents, an assignment of purchase agreements (on residential development projects), a general security agreement and, in some cases, personal or corporate covenants.

The Mortgage Portfolio has been concentrated in the Toronto and surrounding area since our inception and this concentration has been a deliberate strategy of the Manager and the Board for the following reasons: (i) real estate in the Toronto and surrounding area, which represents 25-30% of Canada's total population, has greater liquidity and marketability than any other area in Ontario and, in the event of any downturn in economic or real estate markets, the Manager believes that this liquidity and marketability will assist it in disposing of any secured properties underlying any of our mortgage loans in default more quickly and efficiently; (ii) the Manager has generally avoided originating mortgage loans on our behalf in small towns and cities as the Manager believes there may be a lack of demand for these properties in any economic or real estate market downturn; (iii) since our inception, management of the Manager has been based in Toronto, which allows them to have in-depth, accumulated knowledge of the city, its suburbs and its real estate community, more so than anywhere else in Ontario or Canada; (iv) the Manager and the Board believe that we should only be providing mortgage loans in provinces where the Manager has offices and employees.

While there may be exceptions from time to time, the Toronto and surrounding area and Ottawa continue to be our two primary lending areas in Ontario. The Manager may, in the future, establish offices in Canada which are outside Ontario, after which time the Mortgage Portfolio may begin to be comprised of a higher percentage of mortgage loans secured on real estate located outside Toronto and the surrounding area. Nevertheless, even if the Manager does do so, it is expected that the Manager's overall strategy will not change and the Manager will continue to focus our mortgage lending in major urban centers inside and outside Ontario.

MANAGEMENT OF THE MORTGAGE PORTFOLIO

General

The Manager (either directly or through its wholly-owned subsidiary, CMSC) is responsible for originating, underwriting, servicing and syndicating our mortgage investments pursuant to the Management Agreement. The Manager is also responsible for ensuring compliance with our investment policies and, after confirming such compliance, the Manager presents a mortgage investment opportunity to the members of the Board. See "Management" and "Investment Objectives Policies – Investment Policies".

Risk Management

We have implemented the following controls to limit and manage risk:

(a) conservative investment policies, including that the weighted average loan-to-value ratio of our Mortgage Portfolio, as a whole, at the time of underwriting each loan in our portfolio, will not exceed 75%;

(b) detailed mortgage underwriting analysis which emphasizes realty values, lending exposure and market conditions;

(c) independent appraisals prepared by Qualified Appraisers for most mortgage investments; and

(d) when appropriate and subject to our cash position and the underlying investment profile, a syndication strategy whereby the Manager syndicates on our behalf mortgage investments with other investors to diversify and share risks associated with a given mortgage investment. Syndication generally occurs on: (i) larger loans where we wish to participate but require other investors; or (ii) loans where the risk profile of the mortgage is beyond an acceptable level for us, and we choose to syndicate the subordinate tranche of the mortgage to reduce our risk profile.

Collection Activities

The Manager monitors the performance of the Mortgage Portfolio, including tracking of the status of outstanding payments due, grace periods and due dates, and the calculation and assessment of other applicable charges. The Manager makes reasonable efforts to collect all payments called for under the terms and provisions of each mortgage comprising the Mortgage Portfolio and follows appropriate and prudent collection procedures or procedures the Board may otherwise direct.

The Manager monitors any loan that is in default, evaluates whether the causes of the default will be corrected quickly without significant impairment of the value of the mortgaged property, initiates corrective action, inspects the mortgaged property and takes such other actions as are consistent with appropriate and prudent collection procedures. The Manager may initiate enforcement proceedings following default under the terms of a mortgage.

The time within which the Manager may make the initial determination of appropriate action, evaluate the appropriate corrective action, if any, develop additional initiatives, or institute foreclosure, power of sale or other enforcement proceedings on behalf of the Corporation may vary considerably depending on the particular mortgage loan, the mortgaged property, the borrower, the mortgagor's circumstances as perceived by the Manager and the presence of an acceptable party to assume the mortgage loan. If a borrower makes a proposal, an assignment or takes any other proceedings under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) or other insolvency, arrangement or other legislation for the relief of debtors, the Manager may not be permitted to accelerate the maturity of the related mortgage loan, to foreclose the mortgaged property or to exercise power of sale or other mortgage enforcement proceedings for a considerable period of time.

INVESTMENT OBJECTIVES AND POLICIES

Objectives

Our investment objectives are: (i) to preserve our shareholders' equity; and (ii) to provide our shareholders with stable and secure dividends from our investments in mortgage loans and within the criteria mandated for a MIC. Within our carefully established lending risk parameters, we endeavour to maximize yields, dividends and Common Share value through the sourcing and efficient management of our mortgage investments.

Our investment goal is to make prudent investments in mortgages which provide financing for real property situated in Canada and primarily in major urban centres in Ontario. As at June 30, 2012, 82% of our mortgage loans (by amount outstanding) are located in the greater Toronto area. We do not invest in real property other than by way of investment in mortgages, subject to certain limited exceptions such as the acquisition of real property through foreclosure of a mortgage. The Manager, on our behalf, reviews and selects mortgage investment opportunities to be approved by the members of the Board and manages the Mortgage Portfolio. In making its mortgage loan selections, the Manager adheres to our investment policies. See "– Investment Policies". The Manager is responsible for ongoing compliance with our investment policies and the requirements of the MBLAA.

Our investment strategy is to invest in Commercial and Residential Mortgages from borrowers whose financing needs are not being met by the larger financial institutions. To maintain a stable interest yield on the Mortgage

Portfolio, we manage risk through maintenance of a diversified mortgage portfolio, conservative underwriting and diligent and aggressive mortgage servicing.

The Corporation will invest in mortgages on all types of residential and commercial real property, provided that, in the case of Conventional Mortgages, the Manager is satisfied that the fair market value of the real property which provides the security underlying the mortgage loan is acceptable in the circumstances, and provided further that such mortgages comply with the investment policies of the Corporation. The types of properties that we finance include residential houses, small multi-family residential properties comprised of six or fewer units, residential apartment buildings, mixed-use residential apartments and store-front properties, investment properties, residential and commercial land and development sites and development and construction projects. The principal types of Non-Conventional Mortgages are mezzanine and subordinated mortgage debt for investment properties, and discounted or distressed mortgage debt purchases from financial institutions for high yield investment purposes. Non-Conventional Mortgages do not represent a significant proportion of the overall mortgage portfolio.

All properties are evaluated on the basis of location, quality, prospects for capital appreciation and, in the case of Commercial Mortgages, on the stability of net operating income. In addition, the credit of the borrower is also reviewed and, where appropriate, corporate or personal covenants are obtained. We may invest in mortgages relating to renovations or improvements of existing real property and may also finance or purchase mortgages. The Corporation has engaged the Manager to carry out the investment objectives and goals of the Corporation subject to the ultimate supervision of the Board. See "Management". The Board or a certain number of the members of the Board must approve all investments proposed by the Manager (with limited exceptions). See "Corporate Governance".

Investment Policies

The Board has established certain restrictions on the investments that we may undertake, as follows:

(a) We may invest only in Residential Mortgages, Commercial Mortgages, Commercial Mortgage Backed Securities and Related Investments.

(b) When not invested in mortgages on the security of real property situated within Canada, our funds will be placed in Authorized Interim Investments.

(c) Commercial Mortgages may not constitute any more than 50% of our total assets at any time.

(d) We will not invest in any mortgages where the term of the mortgage is in excess of ten years.

(e) No individual mortgage or a portion of a mortgage will exceed $20,000,000.

(f) No single borrower will account for more than 25% of our total assets.

(g) All mortgages will be supported by external appraisals by a Qualified Appraiser or a similar appropriate qualification. All mortgages, except mortgages secured against a single residence, will be supported by environmental audits.

(h) No mortgage will initially exceed 85% loan-to-value, including any prior ranking encumbrances, and the weighted average loan-to-value ratio of our Mortgage Portfolio, as a whole, at the time of underwriting each loan in our portfolio, will not exceed 75%.

(i) Our ratio of debt to equity may not exceed 3:1.

(j) We do not typically invest directly in real property, although real property may be acquired through foreclosing on a mortgage.

(k) We may not make any investment: (i) with a cost to the Corporation of $1,000,000 or more without the approval of the Board; (ii) with a cost to the Corporation of less than $1,000,000 and more than $500,000 without the approval of three members of the Board, including at least two Independent Directors; (iii) with a cost to the Corporation of $500,000 or less without the approval of any one member of the Board; and

(iv) in respect of a mortgage previously approved by the Board but where the mortgage amount exceeds the amount so approved by up to $100,000 without the approval of three members of the Board, including at least one Independent Director. However, we may invest in Authorized Interim Investments which are limited to investments guaranteed by the Government of Canada or of a province or territory of Canada or deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank in any amount without prior approval of the Board.

(l) We may not make unsecured loans to, nor invest in securities issued by, the Manager or its affiliates, nor make loans to the directors or officers of the Manager.

(m) We may not make any investment, or incur any indebtedness, that would result in our not qualifying as a MIC. See "The Business – Qualification as a Mortgage Investment Corporation".

Amendments to Investment Policies

Our investment policies as set out above may be changed, or waived in respect of specific mortgage applications, with the approval of our Board. On July 26, 2012, the Board amended item (k), above, of our investment policies in order to allow the Manager to be able to originate mortgage loans for us within the stipulated cost ranges and approvals set out in item (k) in a more timely manner having regard to market demands.

INVESTMENT STRATEGIES

Borrowing Strategy

In order to facilitate the granting of mortgages when it is considered opportune by the Manager and to ensure the efficient operation of our affairs, the Corporation may secure an operating line of credit or similar indebtedness of up to 50% of our total assets.

We have an Operating Facility with a Canadian chartered bank which has a maximum availability of $40 million, and as at June 30, 2012, $11.6 million had been drawn thereunder. Interest on the utilized portion of the Operating Facility is paid at a rate of prime plus 1.50% per annum calculated daily and payable monthly. The Operating Facility is repayable upon demand and subject to certain conditions of drawdown. A standby fee on the unused portion of the Operating Facility is paid at the rate of 0.50% per annum. Advances under the Operating Facility may also be made by way of letters of credit to a maximum of $2,000,000. The amount which may be drawn under the Operating Facility is limited to the lesser of (the "**Lending Value**"): (i) $40 million; (ii) 40% of our shareholders equity; and (iii) 50% of the value of First Mortgages that have a term of no greater than 24 months (excluding any non-performing First Mortgages). We may repay amounts owing under the Operating Facility at any time in minimum amounts of $100,000 without penalty or bonus, and, in the event the amount owing under the Operating Facility exceeds the Lending Value at any time, we must repay the excess within five days. All outstanding amounts under the Operating Facility must be repaid by the earlier of August 31, 2013 and the occurrence of an event of default under the Operating Facility. The Operating Facility is typically renewed annually. The Operating Facility is secured by a general security agreement over all of our assets and a pledge of our Mortgage Portfolio and contains certain financial covenants that must be maintained. See "Consolidated Capitalization". The Manager's wholly-owned subsidiary, CMSC, has also guaranteed the Operating Facility with any recourse to CMSC limited to our Mortgage Portfolio being serviced and administered by CMSC.

Development and Maintenance of the Mortgage Portfolio

We believe that the following are essential to developing and maintaining a successful mortgage portfolio:

- knowledgeable mortgage underwriting;
- ability to source a broad range of mortgage lending opportunities, thereby allowing us to be prudent when selecting mortgage investments; and
- disciplined monitoring, servicing and collection enforcement methods.

Our mortgage investments are all sourced through our Manager. As a result, we have funded mortgage loans that meet our investment criteria, resulting from: (i) using the Manager's lending experience to create various lending and security structures which meet the needs of our borrowers; (ii) the reputation, experience and marketing ability of the Manager; (iii) the timely credit analysis and decision making processes followed by the Manager and by us; and (iv) a lack of significant lenders in the market segments in which we invest.

The Manager's sourcing of our mortgage investments and servicing of the Mortgage Portfolio provides us with the following benefits:

Mortgage Investment Opportunity Sources. Senior management of the Manager has been in the business of sourcing, underwriting, and funding mortgages for over 25 years. Their extensive contacts in the mortgage and real estate industries allow them to identify investment opportunities. In addition, the Manager has periodically acquired discounted or distressed mortgages, and has experience in successfully restructuring debt. We continue to take advantage of the Manager's experience in these types of activities, thereby gaining access to a source of mortgage investments for which there is limited competition.

Proven Industry Experience. Collectively, three of the senior members of management of the Manager have over 70 years of mortgage and real estate experience. Each officer has worked at a senior level in a major bank, trust company or life insurance company and has developed a comprehensive knowledge of the mortgage and real estate businesses.

Problem Identification and Rectification Experience. We minimize risks associated with defaulting mortgages through diligent monitoring of the Mortgage Portfolio, active communication with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages. This is achieved through the Manager, which has substantial experience in servicing mortgage loans, including the institution of enforcement proceedings, and has a history of a low default rate on the mortgages which it services. The Manager's officers also have experience in servicing high yield mortgage portfolios.

Focus on Urban Centres. One of the keys to successful mortgage underwriting is knowing and understanding the real estate markets in which the properties are located. Our current focus is Toronto and other urban centres that contain a sizeable portion of Canada's population and a well diversified industry base. We believe the real estate values in these centres are generally more stable and resilient in an economic downturn.

Syndication Strategy

To manage and diversify risk, the Manager may syndicate a mortgage investment in which we participate with one or more lenders. Syndication may be on a *pari passu* basis, a priority or a subordinated basis. Syndicating mortgages reduces our exposure to any one investment we may have. Generally, we syndicate on a *pari-passu* basis where the mortgage investment is too large for us to fund on our own. We syndicate both on a priority and subordinated basis. On a priority basis, we syndicate the subordinate tranche to another investor(s) because the risk profile of the overall mortgage is beyond our risk tolerance. Our rights to receive interest payments and repayments of principal will rank in priority to the investor(s). Where a mortgage is syndicated to a financial institution on a subordinated basis, the rights of the financial institution to receive interest payments and the repayment of principal ranks in priority to our rights to receive a share of the interest payments and the repayment of our principal balance; however, in such circumstances the syndicating financial institution would have no recourse to us.

SELECTED FINANCIAL INFORMATION

The following selected financial data for: (a) the three-month and six-month periods ended June 30, 2012 is derived from (and is qualified in its entirety by) our unaudited condensed interim financial statements appearing elsewhere in this Prospectus which were prepared in accordance with IFRS (current Canadian generally accepted accounting principles); and (b) the years ended December 31, 2011, 2010 and 2009 is derived from (and is qualified in its entirety by) our audited financial statements appearing elsewhere in this Prospectus, which have been audited by Soberman LLP, our independent auditors, and, for the years ended December 31, 2011 and 2010, prepared in accordance with IFRS (current Canadian generally accepted accounting principles), and, for the year ended December 31, 2009, prepared in accordance with CGAAP.

	Three months ended <u>June 30, 2012</u> *(unaudited)*	***Six months ended <u>June 30, 2012</u>*** *(unaudited)*
Revenue	$ 4,141,626	$ 8,244,300
Operating expenses	784,156	1,535,186
Earnings and total comprehensive income	3,357,470	6,709,114
Basic and fully diluted earnings per share	0.22	0.45
Dividends declared	3,343,043	6,481,202
Mortgages receivable, end of period	166,767,311	166,767,311
Total assets, end of period	166,797,231	166,797,231
Shareholders' equity, end of period	$151,323,099	$ 151,323,099

	Year ended December 31, 2011 *(audited)*	***Year ended December 31, 2010*** *(audited)*	***Year ended December 31, 2009*** *(audited)*
Revenue	$ 11,414,661	$ 8,453,973	$ 7,947,421
Operating expenses	1,973,850	1,659,833	1,217,751
Earnings and total comprehensive income	9,440,811	6,794,140	6,455,738
Basic and fully diluted earnings per share	0.88	0.91	0.99
Dividends declared	9,456,254	6,858,676	6,249,893
Mortgages receivable, end of period	157,492,666	74,412,893	68,452,499
Total assets, end of period	158,816,013	89,650,680	69,908,812
Shareholders' equity, end of period	$ 142,846,412	$ 87,605,242	$ 61,767,421

MANAGEMENT'S DISCUSSION AND ANALYSIS

Important Information

Financial information presented in this Management's Discussion and Analysis includes our results for the years ended December 31, 2011 and 2010 and the three-month and six-month periods ended June 30, 2012. This Management's Discussion and Analysis has been prepared with an effective date of August 24, 2012 should be read in conjunction with our annual audited financial statements and related notes for the year ended December 31, 2011 and our condensed interim unaudited financial statements and related notes for the three-month and six-month periods ended June 30, 2012.

This discussion contains statements that are not historical facts and are forward-looking statements. Investors are cautioned not to place undue reliance on such forward-looking statements. See "Note Regarding Forward-Looking Statements." No forward-looking statement is a guarantee of future results. See "Risk Factors" for a discussion of risks inherent in our business, which may also affect our continuing financial condition, cash flow and results of operations.

All amounts expressed are in Canadian dollars. Our interim June 30, 2012 and annual December 31, 2011 and 2010 financial statements have been prepared in accordance with IFRS, and our reporting currency is Canadian dollars.

Our Business

We are a non-bank lender and invest in mortgages secured by all types of residential and commercial real property located in Canada, subject to compliance with our investment policies. The types of properties that we finance include residential houses, small multi-family residential properties comprised of six or fewer units, residential apartment buildings, mixed-use residential apartments and store-front properties, investment properties, residential and commercial land and development sites and development and construction projects. We also invest in short-term bridge financing for real estate developers. Our strategy is to grow by investing in additional commercial and residential mortgages and grow our portfolio in a controlled manner over time.

Pursuant to the terms of the Management Agreement, the Manager acts as our exclusive manager and arranges and services our mortgage loans and otherwise directs our affairs and manages our business. See "Management".

Dividends declared and payable to Shareholders aggregated $3.3 million for the three months ended June 30, 2012, an increase of 58% from the same period in the previous year, and aggregated $6.5 million for the six months ended June 30, 2012, and increase of 64% from the same period in the previous year. Total assets at June 30, 2012 aggregated $166.8 million, compared to $158.8 million at December 31, 2011.

On February 15, 2012, we completed an offering of 805,800 Common Shares at a price of $10.00 per Common Share. Net proceeds from the offering before expenses amounted to $8,058,000.

The Corporation has in place a dividend reinvestment plan that is available to its Shareholders. The dividend reinvestment plan allows participants to have their cash dividends reinvested in additional Common Shares. See "Dividends – Dividend Reinvestment Plan".

Basis of Presentation

Effective January 1, 2011, we adopted IFRS. The transitional provisions of IFRS 1, First time Adoption of International Financial Reporting Standards were applied retrospectively. Consistent accounting policies have been applied in preparing the financial statements for the year ended December 31, 2011 and the comparative information presented for the previous year, as well as the interim financial statements for the three-month and six-month periods ended June 30, 2012. The adoption of IFRS had no impact on our previously reported assets, liabilities and equity. These financial statements have been prepared in accordance with IFRS, and are presented in Canadian dollars under the historical cost convention.

Mortgage Portfolio

Our Mortgage Portfolio consisted of 54 mortgage loans and aggregated $165.7 million at June 30, 2012, an increase of 6% from December 31, 2011. The table below provides a reconciliation from the Mortgage Portfolio to mortgages receivable as disclosed in our financial statements.

	June 30 2012	***December 31 2011***
Mortgage Portfolio	$ 165,658,670	$ 156,907,389
Mortgage discount, net of accumulated amortization	(194,827)	(76,059)
Book value of mortgages receivable	165,463,843	156,831,330
Accrued interest receivable	2,712,414	2,070,622
Mortgage origination fees, net of accumulated amortization	(514,570)	(514,910)
Provision for mortgage losses	(894,376)	(894,376)
Mortgages receivable	**$ 166,767,311**	**$ 157,492,666**

The book value of our mortgages receivable at June 30, 2012 was $165.4 million, consisting of mortgages receivable less mortgage discount, net of accumulated amortization. Mortgages receivable, as set out on our balance sheet, consists of the book value of mortgages receivable, plus accrued interest receivable, less mortgage origination fees (net of accumulated amortization) and less provision for mortgage losses.

As of June 30, 2012, our mortgages receivable consisted of 54 investments with an average outstanding balance of $3.0 million and a median outstanding balance of $2.1 million. An analysis of our mortgages receivable by size as at June 30, 2012 is presented below.

Amount	Number of Mortgages	Amount
$0 - $2,500,000	30	$ 30,732,841
$2,500,001 - $5,000,000	14	48,860,457
$5,000,001 - $7,500,000	6	37,170,000
$7,500,001 +	4	48,895,372
	54	**$165,658,670**

Funds that were committed but not advanced amounted to $8.3 million as of June 30, 2012.

Analyses of mortgages receivable as at June 30, 2012 by type of mortgage, nature of the underlying property, and location of the underlying property is set out below:

Description	Number of Mortgages	Amount	Percentage	Average interest rate
Type of Mortgage				
Conventional First Mortgages	39	$116,926,578	70.6%	8.9%
Conventional Second and Third Mortgages	7	31,639,647	19.1%	9.3%
Non-Conventional Mortgages	8	17,092,445	10.3%	9.4%
	54	$165,658,670	100.0%	9.1%
Nature of Underlying Property				
Residential	39	$110,788,842	66.9%	9.0%
Commercial	15	54,869,828	33.1%	9.1%
	54	$165,858,670	100.0%	9.1%
Location of Underlying Property				
Greater Toronto Area......................	46	$135,719,199	81.9%	9.1%
Other	8	29,939,471	18.1%	8.9%
	54	$165,658,670	100.0%	9.1%

An analysis of our mortgages receivable by their category at June 30, 2012 and December 31, 2011, and changes over that period, is set out below:

	June 30 2012	%	December 31 2011	%	% change
Conventional First Mortgages	$116,926,578	70.6%	$129,100,316	82.3%	(9.4)%
Conventional Second and Third Mortgages	31,639,647	19.1%	7,693,496	4.9%	311.2%
Non-Conventional Mortgages	17,092,445	10.3%	20,037,518	12.8%	(14.7)%
	$165,658,670	**100.0%**	**$156,831,330**	**100.0%**	5.6%

Conventional First Mortgages aggregated 70.6% of the Mortgage Portfolio as at June 30, 2012, compared to 82.3% at December 31, 2011. Conventional Second and Third Mortgages increased to 19.1% at June 30, 2012. Non-Conventional Mortgages decreased to 10.3% at June 30, 2012 from 12.8% as at year ended December 31, 2011.

Results of Operations – three months ended June 30, 2012 (unaudited)

Our mortgages receivable consisted of 54 mortgage loans and aggregated $166.8 million at June 30, 2012, an increase of 6% from December 31, 2011. Dividends declared aggregated $3.3 million for the second quarter of 2012, an increase of 58% from the same quarter in the previous year. Total assets at June 30, 2012 aggregated $166.8 million, compared to $158.8 at December 31, 2011.

For the three-month period ended June 30, 2012, mortgage interest and other fees aggregated $4.14 million, compared to $2.45 million in the same period in the previous year, an increase of 69%. The average interest rate in the Mortgage Portfolio declined from 9.3% during 2011 to 9.1% in the second quarter of 2012.

Operating expenses aggregated $0.8 million, or 18.9% of revenues, compared to $0.5 million or 19.4% of revenues in the prior year period. The major component of operating expenses was mortgage servicing and other fees paid to the Manager (i.e., the management fee) which aggregated $0.37 million for the three months ended June 30, 2012, compared with $0.21 million in the previous year, reflecting the growth of the Mortgage Portfolio over the previous year. Net earnings for the three months ended June 30, 2012 aggregated $3.4 million, an increase of 70% from net earnings of $2.0 million in the same period in the previous year. Basic and diluted earnings per share was $0.221 per share for the three months ended June 30, 2012, compared with $0.210 per share in the same period the previous year, which is an increase of 5%. For the three months ended June 30, 2012, the annualized earnings per share was 9.1% per $10.00 Common Share, an increase from 8.3% per $10.00 Common Share for the three months ended June 30, 2011.

During the three-month period ended June 30, 2012, a total of $13.4 million in Mortgages were funded by us. Of these funded Mortgages, all were First Mortgages located in the greater Toronto area. There were $25.1 million of repayments during the period. The Mortgage Portfolio in the aggregate was reduced from $178.1 million to $166.8 million during the period due to scheduled maturities and repayments, as a result of which the amount under the Operating Facility drawn was reduced from $31.0 million to $11.6 million. Repayments of amounts owing under the Operating Facility was increased as a result of the issuance of Common Shares by private placement and also through the Current Dividend Reinvestment Plan. The entire Mortgage Portfolio was in good standing at June 30, 2012.

Results of Operations – six months ended June 30, 2012 (unaudited)

Our Mortgage Portfolio consisted of 54 mortgage loans and aggregated $166.8 million at June 30, 2012, an increase of 6% from December 31, 2011. Dividends declared aggregated $6.5 million for the six months ended June 30, 2012, an increase of 64% from the same period in the previous year. Total assets at June 30, 2012 aggregated $166.8 million, compared to $158.8 at December 31, 2011.

For the six-month period ended June 30, 2012, mortgage interest and other fees aggregated $8.24 million, compared to $4.55 million for the same period in the previous year, an increase of 81%. The average interest rate in the Mortgage Portfolio declined from 9.3% during 2011 to 9.1% for the six-month period ended June 30, 2012.

Operating expenses aggregated $1.5 million, or 18.6% of revenues, compared to $0.7 million or 15.5% of revenues in the prior year period. Expenses related to this Prospectus as well as accounting, audit and legal fees aggregated $0.12 million for the period, compared to $0.05 million in the previous period. The major component of operating expenses was mortgage servicing and other fees paid to the Manager (i.e., the management fee) which aggregated $0.72 million for the six months ended June 30, 2012, compared with $0.38 million in the previous year, reflecting the growth of the Mortgage Portfolio over the previous year. Net earnings for the six months ended June 30, 2012 aggregated $6.7 million, an increase of 74% from net earnings of $3.8 million in the same period in the previous year. Basic and diluted earnings per share was $0.454 per share for the six months ended June 30, 2012, compared with $0.419 per share in the same period the previous year, which is an increase of 8%. For the six months ended June 30, 2012, the annualized earnings per share was 9.1% per $10.00 Common Share, an increase from 8.4% per $10.00 Common Share for the six months ended June 30, 2011.

During the six-month period ended June 30, 2012, a total of $45.6 million in Mortgages were funded by us. Of these funded Mortgages, $11 million were Second Mortgages located in the greater Toronto area, one mortgage was outside the greater Toronto area, and the balance were first mortgages located in the greater Toronto area.. There were $37.0 million of repayments during the period. The increase in the size of the Mortgage Portfolio during the period was financed primarily through the issuance of Common Shares by private placement and also through the Current Dividend Reinvestment Plan. The amount drawdown under the Operating Facility was reduced slightly, from $12.6 million to $11.6 million, during the six-month period. The entire Mortgage Portfolio was in good standing at June 30, 2012.

Results of Operations - year ended December 31, 2011

Our mortgage portfolio consisted of 47 mortgage loans and aggregated $156.8 million at December 31, 2011, an increase of 112% from the previous year. Dividends declared and payable to Shareholders aggregated $9.5 million for the year ended December 31, 2011, an increase of 41% from the previous year. Total assets at December 31, 2011 aggregated $158.8 million, compared to $89.7 million at December 31, 2010.

For the year ended December 31, 2011, mortgage interest and other fees aggregated $11.4 million, compared to $8.5 million in the previous year, an increase of 35%. Operating expenses aggregated $1.97 million, or 17% of revenues, compared to $1.70 million or 20% of revenues in the previous year. The major component of operating expenses was mortgage servicing and other fees paid to the Manager which aggregated $0.96 million for the year ended December 31, 2011, compared with $0.63 million in the previous year, reflecting the growth of the mortgage portfolio over the previous year. Net earnings for the year ended December 31, 2011 aggregated $9.4 million, an increase of 39% from net earnings of $6.8 million in the previous year.

During the year ended December 31, 2011, $55.9 million of Common Shares were issued (before taking account of $0.5 million of issue costs), compared to $26.1 million of Common Shares issued in the previous year ($0.2 million of share issuance costs).

Cash provided by operating activities aggregated $8.8 million for the year ended December 31, 2011, consisting of earnings and total comprehensive income of $9.4 million less the net of non-cash items included therein and changes in working capital. Investing activities in the year used cash of $82.4 million, consisting of new mortgages of $116.4 million less mortgages repaid of $34.0 million. Financing activities consisted primarily of Common Shares issued, less issue costs, of $55.4 million, for net financing activities generating cash of $59.6 million.

Earnings per share on a basic and fully diluted basis were $0.88 for the year ended December 31, 2011, compared to $0.91 in the previous year. This corresponded to 8.8% per $10.00 Common Share, compared to 9.1% per $10.00 Common Share in the previous year. The reduction in earnings per share occurred as a result of increased competition from private lenders and financial institutions. While we were able to source good quality lending opportunities, the interest rates which could be achieved were less than last year. This trend is not unique to the mortgage industry as there is generally increased competition for all attractively yielding investments today. The average interest rate on the Mortgage Portfolio at year-end was 9.33%, down from 10.01% at the end of 2010. Our Operating Facility was more extensively utilized in 2011 than in 2010, which partly offset the reduction in the average interest rate on the mortgage portfolio.

The Board determined that the risk profile of the Mortgage Portfolio should not be increased in order to achieve a higher yield. As a result, 82.3% of the total Mortgage Portfolio is secured by First Mortgages, and 90% of the Mortgage Portfolio is located in the greater Toronto area.

The Mortgage Portfolio was in good standing at year-end, with no Mortgages in arrears. The two largest loans in the Mortgage Portfolio are $15.0 million and $15.4 million, secured by real estate in the greater Toronto area, and have loan-to-value ratios of only 39% and 30%, respectively. The average outstanding Mortgage at year-end was $3.29 million.

Results of Operations – three months ended December 31, 2011 (unaudited)

For the three months ended December 31, 2011, mortgage interest and other fees aggregated $3.6 million, compared to $2.3 million in the same period in the previous year, an increase of 56.1%. The average interest rate in the Mortgage Portfolio declined from 9.54% at the end of the third quarter of 2011 to 9.33% at year-end.

Operating expenses aggregated $0.6 million, or 17.7% of revenues, compared to $0.4 million or 50.0% of revenues in the prior year period. Net earnings for the three months ended December 31, 2011 aggregated $2.8 million, an increase of 47.4% from net earnings of $1.9 million in the same period in the previous year.

During the quarter, a total of $32.3 million in new mortgages were funded, and a further $7.2 million in existing mortgages were renewed. All new mortgages were First Mortgages located in the greater Toronto area. There were $17.8 million of repayments in the quarter, including the full recovery of a $4.24 million mortgage which was in

arrears. As a result of the net increase in the size of the Mortgage Portfolio, the Operating Facility was extensively used during the quarter, more so than at any other time during the year. The entire Mortgage Portfolio was in good standing at the end of 2011.

Summary of quarterly results (unaudited)

In $000s, except for per share amounts	*Q2 2012*	*Q1 2012*	*Q4 2011*	*Q3 2011*	*Q2 2011*	*Q1 2011*	*Q4 2010*	*Q3 2010*
Revenue	$4,142	$4,103	$3,586	$3,279	$2,454	$2,096	$2,298	$2,122
Operating expenses	784	751	629	640	477	227	428	400
Earnings	3,357	3,352	2,957	2,639	1,977	1,869	1,870	1,722
Basic and fully diluted earnings per share	0.22	0.23	0.23	0.22	0.21	0.21	0.21	0.21
Dividends declared	3,343	3,138	2,985	2,521	2,111	1,839	1,881	1,833

Liquidity and capital resources

At June 30, 2012, we had cash on hand of $8,000, and we had drawn $11.6 million under the Operating Facility.

Growth in the Mortgage Portfolio has historically been financed by issuances of Common Shares to new and existing shareholders, and by bank debt under the Operating Facility. During the six months ended June 30, 2012, $8.4 million of Common Shares were issued (before taking account of $0.13 million of issue costs). Management is of the view that we will be able to generate sufficient funds for future investments through a combination of Common Share issuances, convertible debt, and the existing Operating Facility.

Cash provided by operating activities aggregated $6.0 million for the six months ended June 30, 2012 compared with $4.1 million for the same period in the previous year. Changes in non-cash working capital items aggregated a reduction from cash provided from operating activities of about $0.6 million.

Investing activities during the six months ended June 30, 2012 consisted entirely of advances on new mortgage investments of $45.6 million, less repayments received of $37.0 million, for net cash used for net new mortgage investments of $8.6 million.

Sources of cash from financing activities during the six months ended June 30, 2012 consisted primarily of bank loans and proceeds from issuing Common Shares. Bank loans advanced less bank loans repaid netted to a $1.0 million use of cash, while proceeds from issuing Common Shares less share issuance costs provided $8.2 million. Dividends paid used cash of $6.1 million, so after some other smaller items, net cash provided by financing activities aggregated $1.2 million for the six months ended June 30, 2012.

Changes in Financial Position

Cash was approximately nil at June 30, 2012, compared to $1.3 million at December 31, 2011. The comparative balance consisted primarily of items in transit since any significant amounts of cash on hand are used to repay the Operating Facility or to fund additions to the Mortgage Portfolio. Mortgages receivable increased by 6% to $166.8 million at June 30, 2012 from $157.5 million at December 31, 2011, reflecting the growth in our portfolio from the year-end. Mortgages receivable are analyzed above (see "– Mortgage Portfolio").

Bank loan and indebtedness decreased slightly to $11.6 million at June 30, 2012, from $12.6 million at December 31, 2011, reflecting adjustments to funding required to finance changes in our Mortgage Portfolio. Accounts payable and accrued charges were $0.3 million at June 30, 2012, reflecting relatively little change from December 31, 2011. Dividends payable increased to $3.3 million at June 30, 2012 from $3.0 million at December 31, 2011, and represent dividends declared during the quarter and paid after each quarter-end.

Share capital increased to $150.4 million at June 30, 2012 from $142.1 million at December 31, 2011 because on February 15, 2012, we completed an offering of 805,800 Common Shares at a price of $10.00 per Common Share. Net proceeds from the offering before expenses amounted to $8.1 million; after expenses $8.0 million. In addition a small amount of share capital was issued during the six months ended June 30, 2012 under our Current Dividend Reinvestment Plan.

Contractual Obligations

Contractual obligations as at June 30, 2012 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Accounts payable and accrued liabilities	$ 282,490	$ 282,490	–	–
Shareholder dividend payable	3,343,034	3,343,034	–	–
Bank indebtedness	11,600,000	11,600,000	–	–
Due to related party	248,608	248,608	–	–
Subtotal liabilities	15,474,132	15,474,132	–	–
Future advances under portfolio	8,306,054	8,306,054	–	–
Liabilities and contractual obligations	$ 23,780,186	$ 23,780,186	–	–

Bank indebtedness is a liability resulting from funding of the Mortgage Portfolio. Amounts due to a related party are liabilities payable to the Manager representing unpaid mortgage servicing fees. The contractual obligation associated with future advances under portfolio, relate to the funding obligation which will form part of the Mortgage Portfolio once the funds have been advanced.

Off-Balance Sheet Arrangements

We have not entered into any off balance sheet financing arrangements.

Transactions with Related Parties

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

The Manager is responsible for our day to day activities. We incurred a management fee of $723,890 for the six-month period ended June 30, 2012 (June 30, 2011 – $380,944) from the Manager. Robert G. Goodall is part of the key management personnel of the Manager and is also a director of the Corporation and received compensation from the Manager. The Management Agreement contains provisions for the payment of termination fees to the Manager in the event that the Management Agreement is terminated in certain circumstances. See "Management – Details of the Management Agreement".

Guarantees aggregating $6,645,000 at June 30, 2012 (December 31, 2011 – $5,295,000) have been provided on mortgages owned by us from a major development company of which one of our directors has a minority equity interest.

Environmental Matters

Environmental-related policies have become increasingly important in recent years. Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. We do not own any real property and thus would not attract the environmental liability to which an owner would be exposed. In rare circumstances where a mortgage is in default, we may take possession of real property and may become liable for environmental issues as a mortgagee in possession. As part of the due diligence performed in respect of our mortgage investments, we obtain a Phase I Environmental Audit on the underlying real property provided as security for a mortgage, unless the Manager has determined that a Phase I Environmental Audit is not necessary.

Critical Accounting Estimates and Policies

Our financial statements for the year ended December 31, 2011 and the three-month and six-month periods ended, June 30, 2012 are prepared in accordance with Canadian generally accepted accounting principles and IFRS. Management makes certain estimates and relies upon certain assumptions related to reporting our assets and

liabilities as well as results of operations in conformity with Canadian generally accepted accounting principles. Actual results will differ from these estimates and assumptions.

The most significant accounting estimates for us relate to the valuation of our Mortgage Portfolio and the related provision for mortgage losses. These are recorded based upon management's estimates and assessment taking into account the investments within the Mortgage Portfolio and the history of each borrower. The more significant accounting policies are set out below:

Revenue recognition

Mortgage interest income is recognized using the effective interest method. Interest income may, in certain circumstances, include an origination fee from a borrower for arranging a mortgage which is included in interest income using the effective interest method. Mortgages issued at a premium or discount are recorded at their face value, adjusted for such premiums and discounts. Premiums or discounts are amortized into income over the term of the mortgage.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Mortgages receivable

We review the mortgages receivable quarterly for impairment. An impairment loss in respect of the mortgages receivable measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the statement of comprehensive income and reflected in the allowance account against the mortgages receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Income taxes

We are, and intend to maintain our status as, a MIC, and as such are not taxed on income provided that such income flows through to our shareholders as dividends during the year or within 90 days after December 31. See "The Business – Qualification as a Mortgage Investment Corporation" and "Dividends". It is our policy to pay such dividends out to the shareholders to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

Our authorized capital consists of an unlimited number of Common Shares, of which 15,218,790 Common Shares are issued and outstanding as at the date hereof. On March 23, 2012, the Common Shares were subdivided and split on the basis of 100 new Common Shares for every one then existing Common Share.

Common Shares

Holders of Common Shares are entitled to receive: (i) notice of and to attend and vote at all meetings of our shareholders and each Common Share has the right to one vote in person or by proxy at all meetings of shareholders of the Corporation; (ii) dividends as and when declared by the Board from time to time out of our moneys properly applicable to the payment of dividends, and the amount per Common Share of each such dividend is determined by the Board at the time of declaration; and (iii) our remaining property upon our liquidation, dissolution or winding up, or other distribution of our assets among our shareholders by way of repayment of capital, whether voluntary or involuntary.

Restriction on the Business of the Corporation

Our Articles of Incorporation, as amended, provide that we may not make any investment or conduct any activity that would result in our failing to qualify as a MIC.

Limitation on Ownership

In order to maintain our status as a MIC, our Articles of Incorporation, as amended, provide that no shareholder may hold at any time, directly or indirectly, either alone or together with a person "related" to the shareholder (within the meaning of the Tax Act, a "**Related Person**"), more than 25% of any class or series of the issued shares of the Corporation. With the assistance of information provided by our transfer agent and registrar, the Manager will monitor the foregoing limitation on ownership and advise the Board of any potential circumstances in which this limitation may be exceeded.

In the event that, as determined by the Board in its sole discretion, any transaction affecting our shares (each a "**Triggering Transaction**"), if completed, would cause any shareholder(s) (each an "**Automatic Repurchase Shareholder**"), either alone or together with Related Persons, to hold more than 25% of any class or series of our issued shares, that portion of the shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class or series of shares (the "**Repurchased Shares**") will, immediately prior to the completion of a Triggering Transaction, automatically be repurchased and cancelled by us (an "**Automatic Repurchase**") without any further action by us or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to: (a) if such shares are listed for trading on an exchange or market, the volume weighted average trading price of the particular class or series of shares for the five consecutive trading days ending immediately preceding the date of the Triggering Transaction; or (b) if such shares are not listed for trading on an exchange or market, such price as determined by the Board acting reasonably and in good faith and in consultation with the credit committee (if any) of the Board. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder at the time of the Automatic Repurchase.

DIVIDENDS

Dividend Policy

We intend to continue, at all times, to qualify as a MIC. As a MIC, we are entitled to deduct in computing our income all taxable dividends (other than capital gains dividends) paid to Shareholders in the year and in the first 90 days of the following taxation year, provided that such dividends are not deductible by us in the immediately preceding taxation year. As a result, a MIC generally operates as a flow-through entity so that a shareholder of a MIC is in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

It is our intention to make distributions to the extent necessary to reduce our taxable income each year to nil so that no tax is payable by us under Part I of the Tax Act. To the extent that we realize a capital gain in a year in excess of applicable capital losses, we intend to elect to have dividends to be capital gains dividends to the maximum extent allowable.

The Board has adopted a dividend policy, effective on the Reporting Issuer Date, pursuant to which we intend to make monthly cash distributions by way of dividends to holders of Common Shares of record at the close of business on the last Business Day of each month. The monthly dividend is initially set at $0.06667 per Common Share per month ($0.80 per annum). Each monthly dividend will be paid within 30 days after the dividend record date. In addition, there may be an additional (thirteenth) special dividend to holders of Common Shares of record at the close of business on December 31 of each year payable within 90 days of the dividend record date. For each year ending December 31, we intend to pay a special dividend equal to our taxable income for that fiscal year and capital gains dividends equal to twice our taxable capital gains for that fiscal year, less dividends previously declared for that fiscal year.

Upon the above dividend policy becoming effective, the first dividend declared thereunder will be in respect of the period beginning on the first day after the end of the last calendar quarter and ending on the last day of the month which occurs at least fifteen days after to the Reporting Issuer Date, with the amount of such dividend being based

on $0.06667 per Common Share per month, proportionately adjusted having regard to the number of months comprising such period, and made to holders of Common Shares of record at the close of business on the last Business Day of the month which occurs at least fifteen days after the Reporting Issuer Date. Therefore, in the event that the Reporting Issuer Date occurs during the period of August 19 to September 14, 2012, the first dividend declared under the above dividend policy will be in respect of the period beginning on July 1, 2012 and ending on September 30, 2012, with the amount of such dividend being $0.20 per Common Share and made to holders of Common Shares of record at the close of business on September 28, 2012.

Notwithstanding the above, we have the right to determine a record date that is other than the last Business Day of each month. The dividend policy includes the discretion of the Board to declare dividends from time to time as determined by the Board and the amount paid may vary depending on, among other things, our earnings, financial requirements, the satisfaction of solvency tests imposed by the OBCA for the declaration of dividends and other conditions existing at such future time. Although there are no specific restrictions in the agreement relating to the Operating Facility that limit our ability to pay dividends, if there is an occurrence of an event of default under the Operating Facility, the lender may exercise the security provided to it in relation thereto and we will be required to rectify the default or possibly repay all outstanding amounts under the Operating Facility and, in each of such circumstances, we may be unable to pay dividends for a period of time in accordance with our dividend policy or at all. See "Investment Strategies – Borrowing Strategy" and "Risk Factors".

Dividends Declared Since January 1, 2009

Prior to the Reporting Issuer Date, it has been our dividend policy to make quarterly cash distributions by way of dividends to holders of Common Shares of record on the last Business Day of each calendar quarter. For the calendar quarters ending March 31, June 30 and September 30, the Corporation would pay a dividend equal to a portion of the estimated Distributable Cash for that quarter. For the calendar quarter ending December 31, the Corporation would pay a dividend equal to the Corporation's taxable income for that fiscal year and capital gains dividends equal to twice its taxable capital gains for that fiscal year, less dividends previously declared in respect of estimated Distributable Cash for that fiscal year.

The aggregate of the quarterly cash dividends declared per Common Share in respect of the years ended December 31, 2011, December 31, 2010 and December 31, 2009 were $0.8702, $0.9258 and $0.9579, respectively. The following table sets out the amount of the quarterly cash dividends declared per Common Share since January 1, 2009 (adjusted to take into account the 100-to-1 Common Share split which occurred on March 23, 2012).

Quarter Ended	Year	Amount of Dividend per Common Share	Record Date	Payment Date
March 31	2012........	$0.2123	March 30, 2012	April 30, 2012
	2011........	$0.2069	March 31, 2011	April 29, 2011
	2010........	$0.2510	March 31, 2010	April 30, 2010
	2009........	$0.2381	March 31, 2009	April 30, 2009
June 30	2012........	$0.2200	June 29, 2012	July 30, 2012
	2011........	$0.2129	June 30, 2011	July 30, 2011
	2010........	$0.2317	June 30, 2010	July 30, 2010
	2009........	$0.2408	June 30, 2009	July 30, 2009
September 30	2011........	$0.2139	September 30, 2011	October 28, 2011
	2010........	$0.2264	September 30, 2010	October 29, 2010
	2009........	$0.2304	September 30, 2009	October 30, 2009
December 31	2011........	$0.2365	December 31, 2011	March 30, 2012
	2010........	$0.2167	December 31, 2010	March 31, 2011
	2009........	$0.2486	December 31, 2009	March 31, 2010

Dividend Reinvestment Plan

We have implemented a dividend reinvestment plan effective April 1, 2011 (the "**Current Dividend Reinvestment Plan**"). Under the Current Dividend Reinvestment Plan, Shareholders who are resident Canadians may elect to invest any and all cash dividends received in respect of eligible Common Shares. A Shareholder must enroll a

minimum of 5,000 Common Shares in the plan. DB Mortgage Dividend Reinvestment Trust (the "**Trust**") was formed by us for the purposes of administering the Current Dividend Reinvestment Plan and acquiring and holding Common Shares for participants enrolled in the plan. Under the terms of the Current Dividend Reinvestment Plan, on each dividend payment date, we pay to the Trust all cash dividends payable on Common Shares enrolled in the plan on the associated dividend record date, and such amount is used by the Trust to purchase whole and/or fractional Common Shares on such dividend payment date. Common Shares issued under the Current Dividend Reinvestment Plan are automatically enrolled in the plan and are issued from treasury. The price paid for Common Shares issued under the Current Dividend Reinvestment Plan on any dividend payment date is equal to the fair value of the Common Shares on the associated dividend record date in respect of that dividend payment date, as that fair value is determined by the Board. We are responsible for all administrative costs of the plan incurred by us or the Trust.

Effective on the Reporting Issuer Date, the Current Dividend Reinvestment Plan will be terminated and we will implement a new dividend reinvestment plan (the "**New Dividend Reinvestment Plan**"). Under the New Dividend Reinvestment Plan, Shareholders who are resident Canadians may elect to invest any and all cash dividends on eligible Common Shares. Computershare Trust Company of Canada has agreed to act as our agent under the New Dividend Reinvestment Plan. Pursuant to the New Dividend Reinvestment Plan, cash dividends paid to participating holders of Common Shares are automatically reinvested in Common Shares purchased by the agent from treasury at the weighted average trading price of Common Shares on the TSX for the five consecutive trading days immediately preceding the relevant dividend payment date, less a discount, if any, of up to 5%, at our election. We have set the initial discount at 2%. We may, subject to the terms of the New Dividend Reinvestment Plan, alter or eliminate this discount at any time. There are no commissions, service charges or brokerage fees payable by participants under the New Dividend Reinvestment Plan for the reinvestment of dividends. All administrative costs of the New Dividend Reinvestment Plan, including the fees and expenses of the agent, are borne by us. Any costs associated with the sale of Common Shares held in the New Dividend Reinvestment Plan by a participant will be borne by such participant. Once a registered holder or a beneficial owner has enrolled in the New Dividend Reinvestment Plan, participation continues automatically unless terminated by the participant in accordance with the terms of the New Dividend Reinvestment Plan.

PRIOR SALES

Other than as set out below, we have not issued any Common Shares, nor any securities convertible into or exchangeable for Common Shares, in the twelve months preceding the date of this Prospectus.

Date of Issuance	Number of Common Shares issued or sold[1]	Aggregate proceeds
July 11, 2011	1,811,300	$ 18,113,000
July 29, 2011	792,100	7,921,000
July 31, 2011[2]	12,621	126,209
October 31, 2011[2]	12,321	123,211
December 15, 2011	2,127,100	21,271,000
January 31, 2012[2]	14,720	147,201
February 15, 2012	805,800	8,058,000
April 30, 2012[2]	17,652	176,524
July 31, 2012[2]	23,181	231,810
Total:	**5,616,795**	**$ 56,167,955**

Notes:

(1) The number of Common Shares issued or sold is provided on a post-split basis. On March 23, 2012, the Common Shares were subdivided and split on the basis of 100 new Common Shares for every one then existing Common Share. All Common Shares were issued at a (post-share split) price of $10 per share.

(2) Relates to Common Shares issued under our Current Dividend Reinvestment Plan which was instituted effective April 1, 2011, and will be replaced on the Reporting Issuer Date by the New Dividend Reinvestment Plan which was approved by the Board on April 10, 2012. See "Dividends – Dividend Reinvestment Plan".

PRINCIPAL SHAREHOLDERS

The following table shows, as at the date of this Prospectus, the persons or entities who, to our actual knowledge, own, or control or direct, directly or indirectly, our voting securities carrying 10% or more of the voting rights attached to any class of our voting securities.

Name	Number and Class of Shares Owned, Controlled or Directed	Type of Ownership	Percentage of Shares Owned in Respect of Particular Class
Dynamic Funds................	2,726,200 Common Shares	N/A[1]	18.0%

Note:

(1) Dynamic Funds is not a registered shareholder of the Corporation. The registered shareholders are certain Dynamic investment funds or similar entities for which GCIC Ltd. serves as an investment advisor or in a similar capacity.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Corporation as at the dates listed.

Designation	Authorized	As at December 31, 2011	As at June 30, 2012[2]
Operating Facility[1].........	$40,000,000	$12,600,000	$11,600,000
Common Shares..............	Unlimited	$142,141,036 (14,357,437 Common Shares)	$150,389,811 (15,195,609 Common Shares)

Note:

(1) As at the date hereof, we had available the Operating Facility with a total maximum financing capacity of $40,000,000, which Operating Facility bears interest on the utilized portion at a rate of prime plus 1.50% per annum calculated daily and payable monthly. A standby fee on the unused portion of the Operating Facility is paid at the rate of 0.50% per annum. The Operating Facility is secured by a general security agreement over all of our assets and a pledge of our Mortgage Portfolio and contains certain financial covenants that must be maintained. The financial covenants contained in the Operating Facility require that we maintain our shareholder equity in excess of $110 million, the amount of all of our debt will not be in excess of 30% of the book value of all of our assets (less intangible assets) and the ratio of our earnings before interest expenses and taxes (and less any non-cash deductions and any actual loan loss in excess of balance sheet provisions) for the preceding 12 months to interest expensed for such period not be less than 3:1. To date, we have always complied with the foregoing covenants. See "Investment Strategies – Borrowing Strategy".

(2) As at August 24, 2012, we had 15,218,790 Common Shares outstanding and, as at the close of business on August 20, 2012, we had drawn $22.3 million under the Operating Facility.

ELIGIBILITY FOR INVESTMENT

Provided that the Common Shares are listed on a "designated stock exchange", as defined in the Tax Act, (which includes the TSX) at the time they are received, the Common Shares will at that time be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts ("**TFSAs**"), each as defined in the Tax Act (collectively "**Plans**").

If the Common Shares are not listed on a "designated stock exchange" as defined in the Tax Act, the Common Shares will still be qualified investments under the Tax Act for Plans if, at the particular time, we qualified as a MIC under the Tax Act and if, throughout the calendar year in which the particular time occurs, we do not hold as part of our property any indebtedness, whether by way of mortgage or otherwise of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the governing plan, as the case may be, under the Plan, or of any other person who does not deal at arm's length with that person (collectively, the "**MIC Requirements**").

Notwithstanding the foregoing, a holder of Common Shares may be subject to a penalty tax if the Common Shares are held in a RRSP, RRIF and/or TFSA and are a "prohibited investment" for a RRSP, RRIF and/or TFSA under the Tax Act. Holders should consult their own tax advisors as to whether the Common Shares will be a "prohibited investment" in their particular circumstances.

If the Common Shares are not listed on a "designated stock exchange" as defined in the Tax Act and we do not satisfy the MIC Requirements, holders of Common Shares that are trusts governed by Plans are cautioned that the Common Shares will not be qualified investments for such Plans. Holders should consult with their own tax advisors in this regard.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

Our Articles of Incorporation, as amended, provide that we may have a minimum of one and a maximum of ten directors. Our directors are responsible for supervising the management of the business and affairs of the Corporation. The number of directors is currently set at seven. The Board is empowered to determine and fix from time to time, by ordinary resolution, the number of directors of the Corporation within the minimum and maximum numbers provided for in the Articles of Incorporation of the Corporation, as amended.

The following table sets forth the names and municipalities of residence of our directors and executive officers, their current positions or offices, the date when they first became a director and/or executive officer, the number of Common Shares beneficially owned, directly or indirectly, or under their direction or control and their principal occupations during the past five years:

Name and Municipality of Residence	Position with Corporation	Director/ Executive Officer Since	Number of Common Shares beneficially owned, Directly or Indirectly[7]	Principal Occupation
Peter P. Cohos[1][4] Calgary, Alberta Canada	Director	March 23, 2012	nil	Chief Executive Officer, Triovest Realty Advisors Inc.
Michael J. Cooper[4][6] Toronto, Ontario Canada	Director	March 23, 2012	nil	Vice Chairman and Chief Executive Officer, Dundee Real Estate Investment Trust
Robert H. DeGasperis[4][6] Concord, Ontario Canada	Director	March 23, 2012	55,778	President, Metrus Properties Inc.
Dr. Murray Frum[2][4][6] Toronto, Ontario Canada	Director	March 23, 2012	1,367,000	Chairman, Frum Development Group
David Prussky[1][3][4] Toronto, Ontario Canada	Director	March 23, 2012	130,000 [5]	President, Patica Corporation
Mark L. Silver[1][4][6] Toronto, Ontario Canada	Director	March 23, 2012	758,700	President, National Energy Corporation (c.o.b as National Home Services)
Robert G. Goodall[6] Mississauga, Ontario Canada	Director, President and Chief Executive Officer	July 30, 2001	385,898	President, Chief Executive Officer and a director of the Manager
Jeffrey D. Sherman Toronto, Ontario Canada	Chief Financial Officer and Secretary	March 15, 2012	nil	Chief Financial Officer of the Manager

Name and Municipality of Residence	Position with Corporation	Director/ Executive Officer Since	Number of Common Shares beneficially owned, Directly or Indirectly[7]	Principal Occupation
Michael Lovett Mississauga, Ontario Canada	Managing Director	May 24, 2011	nil	Managing Director of the Manager

Notes:

(1) Member of the Audit Committee.
(2) Chair of the Board.
(3) Chair of the Audit Committee.
(4) Independent member of the Board.
(5) All of the Common Shares indicated are owned by Mr. Prussky's spouse.
(6) Previously a member of the credit committee established by the Manager (which committee was comprised of representatives of certain Shareholders) whose mandate was to approve any investment by the Corporation in mortgages. This committee was dissolved on April 10, 2012. The responsibilities of this committee have been assumed by the full Board. See "Corporate Governance".
(7) Information with respect to the Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Corporation by the respective directors and/or executive officers of the Corporation.

As a group, the directors and executive officers of the Corporation beneficially own or exercise control or direction, directly or indirectly, over 2,697,376 Common Shares (representing approximately 18% of the total Common Shares issued and outstanding) as at the date of this Prospectus.

The Board consists of the seven directors as shown in the table above. Each director holds office until the next annual meeting, or until his successor is duly elected or appointed, unless: (i) his office is earlier vacated in accordance with our articles and by-laws; or (ii) he becomes disqualified to act as a director.

Biographies

The following are brief profiles of our directors and executive officers, including a description of each individual's principal occupation within the past five years.

Peter P. Cohos

Peter P. Cohos is Chief Executive Officer of Triovest Realty Advisors Inc. (formerly known as Redcliff Realty Management Inc.), a national commercial real estate advisory company which has approximately $9 billion in assets under management. Mr. Cohos has worked in the commercial real estate industry since 1985, founding Copez Management Ltd., Tonko Development Corp. and then Tonko Realty Advisors Ltd., which merged with Redcliff Realty Management Inc. in 2011. Tonko Development Corp. was a publicly traded corporation from 1995 through 2002. During that time, Mr. Cohos was President and Chief Executive Officer, as well as a member of its board. Triovest Realty Advisors Inc. currently has approximately 850 employees and manages 54 million square feet of assets across Canada. Mr. Cohos' extensive and varied real estate career is augmented by his Honours degree in Business Administration from the University of Western Ontario and a MBA from the University of Capetown in South Africa.

Michael J. Cooper

Michael J. Cooper is Vice Chairman and Chief Executive Officer of Dundee Real Estate Investment Trust, which owns and operates approximately 19 million square feet of commercial properties across Canada, and he is Vice Chairman of Dundee International Real Estate Investment Trust, a newly formed Canadian REIT investing in commercial real estate exclusively outside of Canada. In addition, he is the Managing Partner of Dundee Real Estate Asset Management, which has approximately $7 billion of assets under management. Mr. Cooper has worked in the real estate industry since 1986. He helped found Dundee Realty Corporation in 1996, the predecessor company of Dundee Real Estate Investment Trust, and has held the position of Chief Executive Officer since inception. Prior to joining Dundee Realty Corporation, Mr. Cooper was a Vice-President at Goodman & Company, responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. Mr. Cooper currently sits on the board of directors or trustees, as applicable, of Cancer Care Ontario, Dundee Corporation, Dundee Real Estate Investment Trust, Dundee International Real Estate Investment Trust, United Corporations Ltd.,

Lakefield Foundation and the Power Plant Gallery. Mr. Cooper holds a law degree from the University of Western Ontario and received a MBA from York University in 1986.

Robert H. DeGasperis

Robert H. DeGasperis is President of Metrus Properties Inc., a family-owned and operated real estate company in the Greater Toronto Area established for over 40 years. Mr. DeGasperis is a highly skilled and versatile executive with over 25 years of real estate industry experience and recognized as a visionary leader. He currently oversees a portfolio in excess of 13 million square feet of industrial, retail and office space. Mr. DeGasperis's interests include various charitable endeavours and he is a member of the Young Presidents' Organization.

Dr. Murray Frum

Dr. Murray Frum is a well-known developer who has been involved in real estate for over 40 years. In 1968, Dr. Frum formed and became president of Group R, a company that specialized in developing and managing shopping centres across Canada. The company rapidly expanded into office and residential development, as well as office design, space planning and hotel interior design. In 1977, the company took a new name, Frum Development Group, and Dr. Frum became Chairman of that company. Dr. Frum is currently the Chair of the Ontario Cultural Attractions Fund, a Governor of Mount Sinai Hospital, a Trustee of the Art Gallery of Ontario and a member of the Order of Canada. He is past Chair of the Ontario Arts Foundation, the Stratford Shakespearean Festival and Saturday Night Magazine.

David Prussky

David Prussky is President of Patica Corporation, a merchant bank focused on the small-to-mid market in Canada. Mr. Prussky is well-recognized in the junior markets with numerous business successes investing in early stage companies. Mr. Prussky is a director (and past Chairman) of Carfinco Financial Group Inc., Canada's largest public non-prime automotive lender. Mr. Prussky is also a director and member of the audit committee and corporate governance committee of Swisher Hygiene Inc. In addition, he is a director of Lonestar West Inc. Mr. Prussky is a past director of several additional public companies in Canada. Mr. Prussky received his MBA from York University in 1980 and a LL.B from York University in 1985.

Mark L. Silver

Mark L. Silver co-founded Direct Energy Marketing and grew the company to over $1.3 billion in revenues before selling to Centrica PLC (aka British Gas) in 2000. Mr. Silver has made significant real estate investments in both development stage and income producing properties in the residential, commercial and industrial sectors over his 30 year business career. Over the last 15 years, these investments have been made through his company, Optus Capital Corporation. Mr. Silver was a founding partner and Chief Executive Officer of Universal Energy which was sold in 2009 to Just Energy Group Inc. Mr. Silver currently serves as President of National Energy Corporation (carrying on business as National Home Services). National Home Services provides home services, including water heater rentals, to over 175,000 Ontario consumers.

Robert G. Goodall

Robert G. Goodall is the President of, and in 1994 founded, the Manager, a mortgage brokerage firm that places $1 billion per year of conventional, mezzanine and Canada Mortgage and Housing Corporation-insured debt on all types of real estate. Mr. Goodall spent seven years with Royal Trust, where the last three years were served as National Managing Director of the Real Estate Finance Group for a portfolio of $1.4 billion in commercial and multi-residential real estate loans, including fixed and floating rate mortgages, construction loans and "high ratio" mezzanine loan facilities. Mr. Goodall sits on the Board of Trustees of Dundee Real Estate Investment Trust, the Boards of Directors of the Building Industry and Land Development Association (BILD) and a registered charity, Jump Math. Mr. Goodall has an MBA from Schulich School of Business.

Jeffrey D. Sherman

Jeffrey D. Sherman joined the Manager as chief financial officer on March 15, 2012. He has been chief financial officer of Pure Nickel Inc. since February 2008, is chief financial officer of other public companies, and is a director and chair of the Audit Committee of Trimel Pharmaceuticals Corporation. He is the CEO of Anagram Services which focuses on helping companies optimize operations and governance. Mr. Sherman has lectured and conducted executive development and other programs for many organizations including institutes of chartered accountants across Canada, the Law Society of Upper Canada, was an adjunct professor at York University, and has written many magazine articles on finance and treasury. He has written over 20 books including: *Finance and Accounting PolicyPro*, *Information Technology PolicyPro* (guides to governance and internal control, co-published by the Canadian Institute of Chartered Accountants – CICA), and *Canadian Treasury Management* (Thomson-Reuters/Carswell), and *Cash Management Toolkit for Small and Medium Businesses* (CICA). Mr. Sherman holds a Bachelor of Commerce degree from the University of Toronto, an MBA from York University, is a Certified Investment Manager, and is a fellow of the Institute of Chartered Accountants of Ontario.

Michael Lovett

Michael Lovett joined the Manager as Managing Director on May 24, 2011. Previous to that, Mr. Lovett spent four years as Managing Director, Real Estate Capital with C.A. Bancorp Inc. where he founded, listed on the TSX and managed C.A. Bancorp Realty Finance Inc., a boutique closed-end mutual fund corporation specializing in real estate mezzanine lending. Before that, from 2005 to 2007, Mr. Lovett was President of Commercial Mortgage & Capital, a private commercial mortgage company controlled by Avison Young Commercial Real Estate Inc., which originated and placed commercial real estate loans and mortgages. Mr. Lovett was President and founder of Montrose Mortgage Corporation (Toronto) Ltd. from 2001 to 2005, where he was responsible for opening the Toronto office and originating and structuring commercial real estate loans. Mr. Lovett has also held senior real estate related positions in origination, risk assessment and special loans with CIBC Mortgages Inc. (National Sales Manager), National Trust (VP, Risk Management), and other financial institutions. Mr. Lovett attended Wilfred Laurier University and is a graduate of the Executive Summer Program at the University of Michigan.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of our directors or executive officers are, as at the date of this Prospectus, or was within ten (10) years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company, that was:

(a) subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that, in each case, was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that, in each case, was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is, as at the date of this Prospectus, or has been within the ten (10) years before the date of this Prospectus, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten (10) years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings,

arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Prussky was a director of Hamilton Tool Corp. from 1999 to April 2003. In April 2003, Hamilton Tool Corp. declared bankruptcy and was subsequently discharged from bankruptcy in January 2006.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

We are subject to various potential conflicts of interest because the Manager is controlled by insiders of the Corporation. See "Interests of Management and Others in Material Transactions". We have entered into the Non-Competition Arrangements with the Restricted Group, which addresses certain conflicts of interest. See "Management – Non-Competition Arrangements". We will rely upon the Manager to manage our business and to provide managerial skill. The directors and officers of the Manager may have a conflict of interest in allocating their time between the respective businesses and interests of the Manager and the Corporation, and other businesses or projects in which they may become involved.

The members of the Board may from time to time deal with parties with whom we may be dealing, or may be seeking investments similar to those desired by us. We have conflicts of interest policies requiring members of the Board to disclose material interests in material contracts and transactions and to refrain from voting thereon.

MANAGEMENT

General

Our investment policies and objectives are subject to the control and direction of the Board, a majority of whom must be Independent Directors. The Board is responsible for general oversight of our business and affairs. The Manager originates and underwrites all mortgage investments on our behalf, services the Mortgage Portfolio and supervises our day-to-day management and operations.

The Manager

Pursuant to the terms of the Management Agreement, the Manager acts as our exclusive manager and arranges and services our mortgage loans and otherwise directs our affairs and manages our business. The Manager is a corporation incorporated under the laws of the Province of Ontario on August 8, 1994. The Manager carries on business at 20 Adelaide Street East, Suite 900, Toronto, Ontario, Canada M5C 2T6.

The Manager has been our exclusive manager since our formation in 2001 and has grown our business from no mortgage investments at inception to a Mortgage Portfolio aggregating $156.8 million at December 31, 2011. The Manager has been in the business of originating and underwriting mortgage loans since 1994, and (through CMSC) servicing mortgage loans since 2000. The Manager is licensed by FSCO as a mortgage brokerage under the MBLAA and CMSC is licensed by FSCO as a mortgage administrator under the MBLAA. Since we are not licensed under the MBLAA, we cannot carry on the business of lending money on the security of real estate or dealing in or administering mortgages. We must therefore conduct our mortgage investment activities under contract with a licensed mortgage brokerage such as the Manager and a licensed mortgage administrator such as the Manager's wholly-owned subsidiary, CMSC. See "The Business – Licensing and Legislative Regime". The Manager is well known in the non-bank real estate lending industry in Ontario and it sources potential transactions principally through its reputation and extensive contacts with developers and real estate investors. The Manager employs a team of eight professionals located in its office in Toronto, Ontario with substantial experience in real estate financing and mortgage administration.

The Manager diligently seeks out, reviews and presents us with mortgage investment opportunities that are consistent with our investment policies and objectives and, through CMSC, services such mortgages on our behalf. The Manager has successfully originated, underwritten and serviced mortgage investments on behalf of numerous investor clients and financial institutions over the past 18 years. The underwriting, investment and operating policies adopted by the Manager have proven to be well suited to the market serviced by the Manager and form the basis for our investment policies and objectives. See “Investment Objectives and Policies”.

Subject to the provisions described under “– Non-Competition Arrangements” below, the Management Agreement does not limit or restrict the Manager, its affiliates, or any of the directors, officers, shareholders or employees of the Manager or its affiliates, from carrying on business ventures for its own account and for the account of others, including acting as a mortgage broker for, or manager of, any other person or entity. However, it is the policy of the Manager that the Corporation have the first opportunity to accept mortgage loans being originated by the Manager that fit within our investment objectives, policies, risk parameters and lending guidelines. The Manager may offer a mortgage loan to other lenders only if we elect not to pursue that mortgage loan (the Board or the requisite number of directors failing to approve the loan in accordance with our investment policies) or if the mortgage loan is outside our investment objectives, policies, risk parameters and lending guidelines. Mortgage loans arranged by the Manager for other lenders typically are “institutional quality” mortgages which command low interest rates and are therefore outside our investment objectives. See “Investment Objectives and Policies”, “Directors and Executive Officers – Conflicts of Interest” and “Risk Factors”.

Duties and Services Provided by the Manager

Pursuant to the Management Agreement, the Manager has the authority to manage our affairs and day-to-day activities. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in our best interests to do so. The Manager’s duties and services include:

- Sourcing and structuring new mortgage opportunities
- Undertaking due diligence before issuing a formal commitment to lend
- Providing mortgage servicing duties, including ongoing collection of principal and interest payments, regular assessment of the risk profile of each mortgage investment and active collection and pursuit of legal remedies in the event of default
- Carrying out all of our capital market activities
- Authorizing the payment of operating expenses
- Preparing our financial statements and financial and accounting information
- Ensuring that we comply with applicable law and regulatory requirements, including regulatory and shareholder reporting
- Recommending to the Board the amount of dividends to be declared
- Negotiating contracts with third-party providers of services, including registrars, transfer agents, auditors and printers

In performing its duties, the Manager must ensure that we qualify, and maintain our status, as a MIC.

The Management Agreement provides that the Manager shall, in its capacity as our manager, be subject to the overriding authority of the Board over our management and affairs. Consequently, the Board has oversight mechanisms in place to enable the Board to satisfy itself that the Manager is properly performing its duties under the Management Agreement. Following the end of each calendar quarter, the Board conducts a quarterly review of each Mortgage in the Mortgage Portfolio. In addition, in connection with each such quarterly review, any higher risk mortgage loans forming part of the Mortgage Portfolio are identified and the Manager provides the Board with a detailed review and strategy for dealing with them. We believe that this detailed oversight will lead to our continued strong performance, and the minimization of loan losses, over the long term.

Details of the Management Agreement

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties diligently, honestly and in good faith and in our best interests and to exercise the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. The Management Agreement provides

that the Manager and its directors, officers, securityholders, employees and agents will not be liable to us in any way for any default, failure or defect in the Mortgage Portfolio held by us or for any act performed, or failure to act, by the Manager within the scope of the authority conferred on the Manager by the Management Agreement, if it has satisfied the duties and the standard of care, diligence and skill set forth in the Management Agreement. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, gross negligence, breach of the Manager's standard of care or by any material breach or material default by it of its obligations under the Management Agreement.

The term of the Management Agreement commences on the Reporting Issuer Date and continues until December 31, 2020 unless renewed or terminated prior thereto. The Management Agreement will be automatically renewed for successive five year terms at the expiration of the initial term and any renewal term, unless either we (at the direction of the Board) or the Manager notifies the other in writing of non-renewal at least twelve (12) months prior to the expiration of the initial term or a renewal term.

The Management Agreement may be terminated by us at any time upon approval of a majority of the Independent Directors upon the occurrence of any of the following: (a) in the event of a breach by the Manager of any material term of the Management Agreement that is not cured within 60 days of written notice of such breach to the Manager (or such longer period, not to exceed 120 days, as may be reasonably required in the circumstances to cure such breach if such breach may be cured); (b) in the event of the commission (as determined by a court of competent jurisdiction with all rights of appeal having expired) by the Manager of any act constituting bad faith, wilful malfeasance, gross negligence or reckless disregard of its duties under the Management Agreement; or (c) if any proceedings in insolvency, bankruptcy, receivership or liquidation are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or declares itself or is declared to be insolvent.

The Management Agreement may also be terminated by us at any time (each, a "**No Cause Termination Right**"): (i) on or at any time after December 31, 2019 upon: (A) approval of two-thirds of the Independent Directors; and (B) twelve months' prior written notice to the Manager being given after the approval of Independent Directors is obtained; (ii) where Robert G. Goodall, through *bona fide* illness, physical or mental, is unable to devote sufficient time and attention to the services provided by the Manager for a period of 120 consecutive working days, upon: (A) approval of two-thirds of the Independent Directors; and (B) six months' prior written notice to the Manager being given after the approval of Independent Directors is obtained; or (iii) in the event of the successful completion of an amalgamation or other business combination transaction or "formal take-over bid" (as such term is defined in the *Securities Act* (Ontario)) following which, there is a change of control of the Corporation, upon twelve months' prior written notice to the Manager being given after the business combination transaction or "formal take-over bid" is completed.

The Management Agreement may be terminated by the Manager at any time: (a) on or at any time after December 31, 2019 upon not less than twelve months' prior written notice to us given on or after December 31, 2019; (b) in the event of a breach by us of any material term of the Management Agreement that is not cured within 60 days of written notice of such breach to us (or such longer period, not to exceed 120 days, as may be reasonably required in the circumstances to cure such breach if such breach may be cured) (a "**Material Corporation Breach**"); or (c) if any proceedings in insolvency, bankruptcy, receivership or liquidation are taken against us or if we make an assignment for the benefit of our creditors, commit any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or declare ourself, or we are declared to be, insolvent.

Upon the termination of the Management Agreement by us pursuant to a No Cause Termination Right or upon termination of the Management Agreement by the Manager pursuant to a Material Corporation Breach, we will pay to the Manager, in immediately available funds on the date of termination, an amount equal to two times the total amount of the Management Fee received and/or earned by the Manager pursuant to the Management Agreement during the twelve consecutive completed calendar months occurring on or prior to the date of the termination, plus applicable taxes.

Subject to the ability of the Manager to delegate its powers and duties, the Management Agreement (and any interest in the Management Agreement) may not be assigned or subcontracted by either party without the prior written consent of the other party. Any amendment, supplement or modification of the Management Agreement may only be executed by us if and when approved by a majority of the Independent Directors. In addition, the Manager and

each of its directors, officers, securityholders, employees and agents will be indemnified by us to the fullest extent permitted by law for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers, securityholders, employees and agents, in the exercise of its duties as our manager, except those resulting from the Manager's wilful misconduct, bad faith, gross negligence, breach of the Manager's standard of care or material breach or default by the Manager of its obligations under the Management Agreement.

Any direct or indirect change of control of the Manager will be subject to the prior approval of a majority of the Independent Directors. The management services to be provided by the Manager under the Management Agreement are not exclusive to us and nothing in the Management Agreement prevents the Manager from providing similar management services to other clients or from engaging in other activities.

Manager Fees and Expenses

In consideration for the services provided to us by the Manager, the Manager is paid a management fee (the "**Management Fee**") equal to 0.85% per annum of the aggregate face value of all assets invested in Mortgages, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Manager retains all origination fees up to 1.0% of the amount of the respective Mortgage investment and 50% of the origination fees in excess of that amount, plus applicable taxes. We retain the balance of such origination fees and also retain any prepayment fees or other lender fees due over the term of the mortgage.

We will pay for all expenses that we or the Manager incur on our behalf in connection with our operation and management, including: (a) financial reporting costs, and mailing and printing expenses for securityholder communications, and all costs and expenses incurred with respect to meetings of securityholders; (b) all costs and expenses incurred in the management and administration of our assets, including those for audit, accounting, bookkeeping, travel, telephone and reporting; (c) fees payable to our transfer agent and our custodian(s); (d) costs and fees payable to any agent, legal counsel, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (e) ongoing regulatory filing fees, license fees and other fees (including in respect of the Corporation, stock exchange fees and listing fees); (f) any expenses incurred in connection with any legal proceedings in which the Manager participates on our behalf or any other acts of the Manager or any other agent of the Corporation in connection with the maintenance or protection of our property, including costs associated with the enforcement of Mortgage loans; and (g) all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which we may incur or which may be incurred on our behalf from time to time, as applicable.

Under the Management Agreement, the Manager is responsible for employment expenses of its personnel, rent and other office and administrative expenses of the Manager (except as set out above), and all costs and fees associated with maintaining and complying with the licensing requirements of the MBLAA.

Under the terms of the Deferred Share Incentive Plan, Deferred Share Units under the Deferred Share Incentive Plan may be granted to directors, officers and employees of the Manager. See "Executive Compensation – Deferred Share Incentive Plan".

Officers and Directors of the Manager

The following table sets forth the names and municipalities of residence of those individuals who are directors and executive officers of the Manager, their current positions or offices with the Manager, the date when they first became a director and/or executive officer of the Manager, and their principal occupations:

Name and Municipality of Residence	Position with the Manager	Director/ Executive Officer Since	Principal Occupation
Robert G. Goodall Mississauga, Ontario Canada	Director, President and Chief Executive Officer	August 8, 1994	President, Chief Executive Officer and a director of the Manager

Name and Municipality of Residence	Position with the Manager	Director/ Executive Officer Since	Principal Occupation
Jeffrey D. Sherman Toronto, Ontario Canada	Chief Financial Officer	March 15, 2012	Chief Financial Officer of the Manager
Michael Lovett Mississauga, Ontario Canada	Managing Director	May 24, 2011	Managing Director of the Manager

Brief profiles of those listed above are set out under "Directors and Executive Officers – Biographies".

It is expected that each of Messrs. Goodall and Lovett will devote approximately 90% of their time to our affairs and that Mr. Sherman will devote approximately 30% of his time to our affairs.

Non-Competition Arrangements

On March 23, 2012, the date of execution of the Management Agreement, the Restricted Group entered into the Non-Competition Arrangements with us that restricts certain activities by them in the mortgage lending industry. Under the terms of the Non-Competition Arrangements, the Restricted Group may not, directly or indirectly, carry on or be engaged in a business that competes with us or be affiliated with or have an economic interest in a competitive business, anywhere in Canada. These restrictions do not apply to the Restricted Group in connection with any mortgage brokerage business, mortgage servicing business, the ownership, management or development of any real or immovable property and/or investments made by an individual which is part of the Restricted Group or his or her affiliates prior to the effective date of the Management Agreement. The foregoing restrictions commence on the effective date of the Management Agreement and end on the first anniversary of the earlier of: (a) the effective date of the termination or non-renewal of the Management Agreement; and (b) such date on which a Restricted Group member ceases to be employed by the Manager or otherwise ceases to assist in providing services on behalf of the Manager.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

As noted above under "Management", none of our executive officers, including the president and chief executive officer, the chief financial officer, and the vice president, received any compensation from us at any time.

Our senior management team consists of individuals employed by the Manager. Pursuant to the Management Agreement, the Manager directs the affairs and manages our business and administers or arranges for the administration of our day-to-day operations. We have no employment agreements with members of senior management and we do not pay any cash compensation to any individuals serving as our officers, directly or indirectly. Rather, those individuals are compensated by the Manager. In consideration for the services provided to us by the Manager, it is paid a Management Fee equal to 0.85% per annum of the aggregate face value of all assets invested in Mortgages, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Manager retains all origination fees up to 1.0% of the amount of the respective Mortgage investment and 50% of the origination fees in excess of that amount, plus applicable taxes. We retain the balance of such origination fees, and also retain any prepayment fees or other lender fees due over the term of the Mortgage investment. For the year ended December 31, 2011, the Manager was paid $961,359, compared to $626,713 in the previous year.

Although certain individuals hold titles as our officers, these officers are employees of the Manager. The board of directors of the Manager has sole responsibility for determining the compensation of the employees of the Manager, including those of the senior management team, other than the granting of Deferred Share Units under Deferred Share Incentive Plan, which is the responsibility of the Board.

As a result of our arrangements with the Manager, we do not employ any individuals. As such, the Board has determined that we do not require a compensation committee. Instead, the Board, as a whole, is responsible for compensation matters, to the extent applicable, including granting awards under the Deferred Share Incentive Plan.

Summary Compensation Table

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer of the Corporation for each of our three most recently completed financial years. "**Named Executive Officer**" is defined by securities legislation to mean: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; (iii) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under paragraph (iii) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.

During the year ended December 31, 2011, we had four Named Executive Officers (all of whom are employees of the Manager, and not the Corporation). The following table and notes thereto provide a summary of the compensation paid to each Named Executive Officer of the Corporation for the financial years ended December 31, 2009, December 31, 2010 and December 31, 2011.

Name and Principal Position of Named Executive Officer	Year Ended Dec. 31	Salary[1] ($)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation		All Other Compensation ($)	Total Compensation ($)[3]
					Annual Incentive Plans[2] ($)	Long-Term Incentive Plans ($)		
Robert G. Goodall[4] President and Chief Executive Officer	2011	150,000	Nil	Nil	554,531	Nil	Nil	704,531
	2010	150,000	Nil	Nil	544,539	Nil	Nil	694,539
	2009	150,000	Nil	Nil	187,500	Nil	Nil	337,500
Jeffrey D. Sherman[5] Chief Financial Officer and Secretary	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Paul Aiello[6] Vice President and Secretary	2011	35,000	Nil	Nil	21,626	Nil	Nil	56,626
	2010	35,000	Nil	Nil	46,184	Nil	Nil	81,184
	2009	43,750	Nil	Nil	32,447	Nil	Nil	76,197
Michael Lovett[7] Managing Director	2011	75,521	Nil	Nil	Nil	Nil	Nil	75,521
	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Represents the portion of salary paid by the Manager attributable to time spent on the activities of the Corporation.
(2) Represents the portion of annual bonus paid by the Manager attributable to time spent on the activities of the Corporation.
(3) The compensation indicated for Mr. Goodall and Mr. Aiello includes amounts received by entities related to the Named Executive Officer in connection with such entities' ownership interest in the Manager for activities related to the Corporation.
(4) None of the Named Executive Officers receives any compensation for acting as member of the Board. See "– Directors Compensation" below.
(5) Jeffrey D. Sherman was appointed Chief Financial Officer of the Corporation and of the Manager on March 15, 2012, and was appointed Secretary of the Corporation on April 27, 2012.
(6) Paul Aiello ceased employment with the Manager on April 24, 2012, and resigned as a director, Vice President and Secretary of the Corporation on April 27, 2012.
(7) Michael Lovett was appointed Managing Director of the Corporation and of the Manager on May 24, 2011.

Principal Elements of Compensation

The compensation of the Named Executive Officers includes four major elements: (1) base salary; (2) an annual cash bonus; (3) long-term equity incentives, consisting of Deferred Share Units granted under the Deferred Share Incentive Plan; and (4) dividends or other distributions on the ownership interests of the Manager. As a private company, the Manager's process for determining executive compensation is relatively straightforward, involving input from senior management of the company. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by the Manager for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Corporation. Objectives and performance measures may vary from year to year as determined to be appropriate by the Manager.

The Board has not specifically considered the implications of the risks associated with our compensation policies and practices given that the role of the Board in this regard is limited to grants of Deferred Share Units. Nevertheless, the Board has determined that, generally, processes and controls are in place to mitigate any risks and, overall, such risks are not significant and not reasonably likely to have a material adverse effect on the Corporation. Although the Board has not adopted any policies in this regard, in the event that a Named Executive Officer or director of the Corporation purchases financial instruments that are designed to hedge or offset a decrease in market value of our equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director, such purchases must be disclosed in the insider reporting filings of a Named Executive Officer or director.

The Named Executive Officers do not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the Named Executive Officers. The four principal elements of compensation are described below.

Base Salaries

Base salaries are paid by the Manager and are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Corporation, the position and responsibilities of the Named Executive Officers and competitive industry pay practices for other mortgage investment corporations and corporations of comparable size. The Manager does not engage compensation consultants or advisors for the purposes of performing benchmarking or apply specific criteria for the selection of comparable mortgage lending businesses.

Annual Cash Bonuses

Annual cash bonuses are paid by the Manager and are awarded primarily based upon qualitative and quantitative performance standards, and reward performance of the Corporation or the Named Executive Officer individually. The determination of the performance of the Corporation may vary from year to year depending on economic conditions and conditions in the mortgage lending industry, and may be based on measures such as share price performance, the meeting of financial targets against budget and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

Deferred Share Incentive Plan

The Board has adopted the Deferred Share Incentive Plan. The Deferred Share Incentive Plan is intended to, among other things, attract, motivate and retain certain directors and officers of the Corporation and employees of the Manager, align their interests with the interests of Shareholders and allow them to participate in the long term success of the Corporation. See "– Deferred Share Incentive Plan". Grants of Deferred Share Units under the Deferred Share Incentive Plan aligns the interests of the Named Executive Officers more closely with the interests of Shareholders, because they are tied to our financial and share trading performance and vest over a number of years. The Board may designate individuals eligible to receive grants of Deferred Share Units. In determining grants of Deferred Share Units, an individual's performance and contributions to our success, relative position, tenure and past grants are taken into consideration.

Ownership Interests of the Manager

Robert G. Goodall owns and, prior to ceasing employment with the Manager, Paul Aiello owned, indirectly, ownership interests in the Manager. A portion of the compensation received by Robert G. Goodall and Paul Aiello from the Manager (in relation to the Corporation) relates to dividends or other distributions on the ownership interests that they, indirectly, respectively own in the Manager through entities related to them (and not in their capacities as directors, officers and/or employees of the Manager). As neither Robert G. Goodall nor Paul Aiello owns a direct interest in the Manager, they may receive only a part of, or none of, the amounts received by their related entity at such time as is determined by that entity.

Incentive Plan Awards

On April 10, 2012, the Board adopted the Deferred Share Incentive Plan, which plan is effective on the Reporting Issuer Date and is our only incentive plan. See, "– Deferred Share Incentive Plan". Prior to April 10, 2012, we did not have any share based incentive plans. As at December 31, 2011, none of the Named Executive Officers held any incentive plan awards.

The table below sets forth information related to Deferred Share Units held by the Named Executive Officers as at the date of this Prospectus. On April 10, 2012, the Board made the following grants of Deferred Share Units under the Deferred Share Incentive Plan to the Named Executive Officers, each such grant only being effective on the Reporting Issuer Date.

	Share-Based Awards		
Name of Named Executive Officer	**Number of Deferred Share Units That Have Not Vested[1] (#)**	**Market or Payout Value of Share-Based Awards That Have Not Vested[2] ($)**	**Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed ($)**
Robert G. Goodall	5,000	N/A	Nil
Jeffrey D. Sherman	3,000	N/A	Nil
Paul Aiello[3]	3,000	N/A	Nil
Michael Lovett	3,000	N/A	Nil

Notes:

(1) Each Deferred Share Unit entitles the holder to receive one Common Share. On April 10, 2012, an aggregate of 24,500 Deferred Share Units were conditionally granted under the Deferred Share Incentive Plan, including to the Named Executive Officers as reflected in the table above. The grant of the Deferred Share Units will only be effective on the Reporting Issuer Date. Deferred Share Units granted to the Named Executive Officers, and their related Income Deferred Share Units, vest on a three year vesting schedule, pursuant to which one-third of the Deferred Share Units granted to such individuals, and their related Income Deferred Share Units, will vest on each anniversary of the Reporting Issuer Date for a period of three years. See "– Deferred Share Incentive Plan".

(2) As there is currently no active public market for the Common Shares, these values have not been determined. In addition, the Deferred Share Units granted will only be effective on the Reporting Issuer Date.

(3) Paul Aiello resigned as a director, Vice President and Secretary of the Corporation on April 27, 2012. Consequently, the Deferred Share Units held by Mr. Aiello have been forfeited in accordance with the terms of the Deferred Share Incentive Plan.

Director Compensation

A member of the Board who is not an Independent Director does not receive any remuneration from the Corporation for serving as a member of the Board or any Board committee. The Corporation pays Independent Directors' fees of $15,000 per Independent Director per annum. The Chair of the Board receives an additional fee of $15,000 per annum. The Audit Committee members receive an additional fee of $1,250 per annum and the Chair of the Audit Committee receives an additional fee of $2,500 per annum. No compensation is paid for directors attending any meetings of the Board or any Board committee.

Directors' compensation is subject to such amendments as the Independent Directors may determine from time to time. Members of the Board or any Board committee are entitled to reimbursement of their out-of-pocket expenses incurred in acting as a member of the Board or any Committee. The directors of the Corporation may also be entitled to additional remuneration from the Corporation for the performance of additional services and special projects for the Corporation. The amount of any such remuneration shall be determined by the Independent Directors. Our directors are entitled to participate in the Deferred Share Incentive Plan. As at December 31, 2011, none of our directors held any Deferred Share Units.

No compensation was paid to any members of the Board or any Board committee, in their capacities as directors of the Corporation, for the financial year ended December 31, 2011.

The table below sets forth information related to Deferred Share Units held by each director of the Corporation (other than those directors who are also Named Executive Officers and for which such information is set out above under "– Incentive Plan Awards") as at the date of this Prospectus. On April 10, 2012, the Board made the following grants of Deferred Share Units under the Deferred Share Incentive Plan to such directors, each such grant only being effective on the Reporting Issuer Date.

	Share-Based Awards		
Name of Director	Number of Deferred Share Units That Have Not Vested(1) (#)	Market or Payout Value of Share-Based Awards That Have Not Vested(2) ($)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed ($)
Peter P. Cohos	1,750	N/A	Nil
Michael J. Cooper	1,500	N/A	Nil
Robert H. DeGasperis	1,500	N/A	Nil
Dr. Murray Frum	2,000	N/A	Nil
David Prussky	2,000	N/A	Nil
Mark L. Silver	1,750	N/A	Nil

Notes:

(1) Each Deferred Share Unit entitles the holder to receive one Common Share. On April 10, 2012, an aggregate of 24,500 Deferred Share Units were conditionally granted under the Deferred Share Incentive Plan, including to the directors reflected in the table above. The grant of the Deferred Share Units will only be effective on the Reporting Issuer Date. Deferred Share Units granted to such directors, and their related Income Deferred Share Units, vest on a three year vesting schedule, pursuant to which one-third of the Deferred Share Units granted to such individuals, and their related Income Deferred Share Units, will vest on each anniversary of the Reporting Issuer Date for a period of three years. See "– Deferred Share Incentive Plan".

(2) As there is currently no active public market for the Common Shares, these values have not been determined. In addition, the Deferred Share Units granted will only be effective on the Reporting Issuer Date.

Deferred Share Incentive Plan

The Deferred Share Incentive Plan is intended to assist us in attracting, motivating and retaining individuals to allow them to participate in our long term success and to promote alignment of their interests with interests of the Shareholders.

Eligible Individuals may participate in the Deferred Share Incentive Plan. "**Eligible Individuals**" under the Deferred Share Incentive Plan consist of: (i) our directors and officers; (b) employees and consultants of the Corporation or any of its subsidiaries; and (iii) employees of certain service providers of the Corporation who spend a significant amount of time and attention on the affairs and business of one or more of the Corporation and its subsidiaries. The Deferred Share Incentive Plan provides for the grant to Eligible Individuals of Deferred Share Units and Income Deferred Share Units. Income Deferred Share Units are credited to holders of Deferred Share Units and Income Deferred Share Units based on dividends and other distributions paid by the Corporation on the Common Shares.

Currently, up to a maximum of 100,000 Deferred Share Units and Income Deferred Share Units are issuable under the Deferred Share Incentive Plan, representing approximately 0.66% of our outstanding Common Shares. As at the date hereof, a total of 21,500 Deferred Share Units (and no Income Deferred Share Units) have been conditionally granted and have not been forfeited. This represents approximately 0.14% of the Corporation's outstanding Common Shares. The grant of all such Deferred Share Units will only be effective on the Reporting Issuer Date. A total of 3,000 Deferred Share Units previously conditionally granted have been forfeited in accordance with the terms of the Deferred Share Incentive Plan.

The Deferred Share Incentive Plan provides that no one participant (a "**Plan Participant**") shall be granted an aggregate number of Deferred Share Units and Income Deferred Share Units in any year that exceeds 5% of the total number of outstanding Common Shares in such year. In addition, the Deferred Share Incentive Plan provides that the aggregate number of our securities: (a) issued to insiders (as such term is used in the TSX Company Manual) of the Corporation, within any one year period; and (b) issuable to insiders of the Corporation, at any time under the Deferred Share Incentive Plan, or when combined with all of the Corporation's other share compensation arrangements, shall not exceed 10% of our total issued and outstanding securities.

Under the Deferred Share Incentive Plan, Deferred Share Units may be granted from time to time to Eligible Individuals at the discretion of the Board. The number of Income Deferred Share Units credited to a holder of Deferred Share Units and/or Income Deferred Share Units will be calculated by multiplying the aggregate number of Deferred Share Units and Income Deferred Share Units held on the relevant dividend or other distribution record date by the amount of the dividends or other distributions paid by us on each Common Share, and dividing the result by the market value of the Common Shares on the dividend or other distribution payment date. Market value for this

purpose is the weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding the relevant dividend or other distribution payment date.

Deferred Share Units will vest on a three year vesting schedule, pursuant to which one-third of the Deferred Share Units granted will vest on each anniversary of the grant date for a period of three years. Income Deferred Share Units credited to Plan Participants vest on the same schedule as their corresponding Deferred Share Units and are issued on the same date as the Deferred Share Units or Income Deferred Share Units in respect of which they were credited.

Upon the vesting of Deferred Share Units and Income Deferred Share Units, we will issue Common Shares to Plan Participants on the basis of one Common Share for each Deferred Share Unit and Income Deferred Share Unit that has vested. Common Shares are issued by us at no cost to Plan Participants. Plan Participants who are employees, officers or directors of the Corporation or any of its affiliates have the ability to elect to defer the issuance of Common Shares to them on the vesting of their Deferred Share Units and Income Deferred Share Units in respect of any vesting date. The issuance of Common Shares to such Plan Participants may be deferred indefinitely, unless the Plan Participant's employment or term of office is terminated, in which case Common Shares will be issued on the relevant date of termination of employment or term of office.

Any unvested Deferred Share Units or Income Deferred Share Units held by an Eligible Individual will be forfeited if the employment, service or term of office of the individual is terminated for any reason, whether voluntarily or involuntarily. However, pursuant to the Deferred Share Incentive Plan, the Board may, at its discretion, accelerate the vesting of such units held by an individual whose employment or term of office is terminated. In these circumstances, any unvested Deferred Share Units or Income Deferred Share Units will vest effective upon the termination date of the individual, or on such later date or dates determined by the Board in its discretion.

Upon our entering into an agreement relating to, or otherwise becoming aware of, a transaction which, if completed, would result in a change in control of the Corporation, we will give written notice of the proposed change in control to the Plan Participants and the vesting of all Deferred Share Units and Income Deferred Share Units held by Plan Participants will be accelerated and be fully vested and conditionally delivered immediately prior to the completion of the change in control.

Deferred Share Units and Income Deferred Share Units are non-transferable, except to a Plan Participant's estate, and the rights of Plan Participants under the Deferred Share Incentive Plan are not assignable, except as required by law.

The Board may review and confirm the terms of the Deferred Share Incentive Plan from time to time and may, subject to the TSX rules, amend or suspend the Deferred Share Incentive Plan in whole or in part as well as terminate the Deferred Share Incentive Plan without prior notice as it deems appropriate.

The Board may from time to time amend or suspend the Deferred Share Incentive Plan in whole or in part and may at any time terminate the Deferred Share Incentive Plan without prior notice, as it deems appropriate; provided, however, that any amendment to the Deferred Share Incentive Plan that would: (a) result in any increase in the maximum number of Deferred Share Units and Income Deferred Share Units issuable under the plan; (b) permit Deferred Share Units or Income Deferred Share Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes; or (c) result in any modification to the amendment provisions of the plan or the insider participation limit, will, in each case, be subject to the approval of Shareholders. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Deferred Share Incentive Plan. Without limitation, the Board may, without obtaining the approval of Shareholders, make changes: (i) to correct errors, immaterial inconsistencies or ambiguities in the plan or making formal, minor or technical modifications, including amendments of a housekeeping nature; (ii) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); (iii) to the vesting provisions applicable to Deferred Share Units and Income Deferred Share Units issued under the plan; and (iv) that do not require shareholder approval under applicable laws or the applicable rules of the TSX. However, subject to the terms of the Deferred Share Incentive Plan, no amendment may adversely affect the Deferred Share Units or Income Deferred Share Units previously granted under the Deferred Share Incentive Plan without the consent of the affected Plan Participant.

Equity Compensation Plan Information

The following table sets forth aggregated information as at the date of this Prospectus with respect to compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance.

Plan Category [(1)]	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (US$)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in the second column)
Deferred Share Incentive Plan	21,500	N/A	78,500

Note:

(1) The only equity compensation plan of the Corporation is the Deferred Share Incentive Plan, which plan has been approved by the Board but has not been approved by Shareholders. Certain amendments to the Deferred Share Incentive Plan must be approved by Shareholders. See "– Deferred Share Incentive Plan" above.

Termination and Change of Control Benefits

The Management Agreement provides that upon the termination of the Management Agreement by us pursuant to a No Cause Termination Right or upon termination of the Management Agreement by the Manager pursuant to a Material Corporation Breach, we will be required to pay the Manager two times the total amount of the Management Fee received and/or earned by the Manager pursuant to the Management Agreement during the twelve consecutive completed calendar months occurring on or prior to the date of the termination, plus applicable taxes. If the Management Agreement was terminated by us pursuant to a No Cause Termination Right or terminated by the Manager pursuant to a Material Corporation Breach as at December 31, 2011, it is estimated that we would be required to pay the Manager approximately $1.9 million.

Insurance Coverage and Indemnification

We have obtained insurance policies that cover corporate indemnification of our directors and officers and our individual directors and officers in certain circumstances. In addition, our by-laws also provide for the indemnification of our directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, either for us or any affiliated entity, subject to certain customary limitations.

CORPORATE GOVERNANCE

Board of Directors

The Board is responsible for oversight of our business and affairs. The Board discharges its responsibilities directly and through one committee – the Audit Committee. That committee operates under a mandate that will be reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the Board delegates day-to-day authority to the Manager, while reserving the right to review decisions of the Manager and exercise final judgment on any matter. To date, the Board has not adopted a formal mandate, although our investment policies require that certain mortgage investments require approval of the full Board while other mortgage investments require the approval of three directors (at least two of whom are Independent Directors) or one director, as applicable. See "– Credit" and "Investment Objectives and Policies". The Manager will review with the Board on a periodic basis its strategic plan for us and deliver to the Board ongoing reports on the status of our business and operations. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature will be presented to the Board for approval.

Corporate Strategy

The Manager is responsible for the development of our long term strategy, and the role of the Board is to review, question, validate and propose changes to that strategy, in order to arrive at an approved strategy to be implemented. The Board will review our long term strategy on an ongoing basis.

Composition of the Board

The Board is comprised of seven directors. The Board is of the view that that its current size permits a diversity of experience and knowledge and is the appropriate size to foster and promote effective participation, decision making and oversight.

The Board is comprised of a majority of independent directors. It has not established fixed term limits for directors as it is of the view that such a policy would have the effect of forcing directors to resign from the Board who have developed, over a period of service, increased insight into our business and who, therefore, can be expected to provide an increasing contribution to the Board.

Other Public Company Directorships

Michael J. Cooper is a director or trustee, as applicable, of Dundee Corporation, Dundee Real Estate Investment Trust, Dundee International Real Estate Investment Trust and United Corporations Ltd., each of which is a reporting issuer in Canada.

David Prussky is a director of Carfinco Financial Group Inc., Lonestar West Inc. and Swisher Hygiene Inc., each of which is a reporting issuer in Canada.

Robert G. Goodall is a trustee of Dundee Real Estate Investment Trust, a reporting issuer in Canada.

Director Independence

Of the seven members of the Board, six are independent under NI 58-101, being Dr. Murray Frum (the Chair of the Board), Mark L. Silver, Michael J. Cooper, Peter P. Cohos, Robert H. DeGasperis and David Prussky. For the purposes of NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of such member’s independent judgment, and certain relationships are deemed to be material. Consequently, a majority of the members of the Board are independent.

The Board has determined that Robert G. Goodall is not independent by virtue of his position as President and Chief Executive Officer of the Corporation and the Manager and his ownership of securities of the Manager.

The Board has established procedures to enable it to function independently of management and to facilitate open and candid discussion among the Independent Directors. The Board intends to hold in camera Independent Director meetings following every scheduled Board meeting as well as following special Board meetings as deemed necessary.

Succession Planning

Management succession will be an ongoing activity to be reviewed by the Board, with input from the Manager, as appropriate. This planning process will include, on a continuous basis, the Chief Executive Officer’s recommendation of a possible successor in the event of an unexpected incapacitation of the Chief Executive Officer.

Roles of the Chair of the Board, Committee Chair and the CEO

While the Board has not adopted written position descriptions for the Chair of the Board, the Audit Committee chair or the Chief Executive Officer of the Corporation, the roles of each are understood. The responsibilities of Dr. Murray Frum, the Chair of the Board, include the efficient organization and operation of the Board. The Chair of the Board is also responsible for ensuring that effective communication exists between the Board and management and that the Board effectively carries out its mandate. Similarly, the Audit Committee chair is responsible for the effective organization and operation of the Audit Committee. The Chair of the Board will chair meetings of the Independent Directors and assume other responsibilities which the non-management directors may designate from time to time.

Our Chief Executive Officer reports formally to the Board, and, where appropriate, to the Audit Committee, as well as less formally through discussions with members of the Board and the Audit Committee, to advise the Board and

the Audit Committees on a timely basis of courses of action that are being considered and are being followed. The Chief Executive Officer establishes the strategic and operational orientation of the Corporation and, in so doing, provides leadership and vision for the effective overall management, profitability, increase in shareholder value and growth of the Corporation and for conformity with policies agreed upon by the Board. The Chief Executive Officer is directly accountable to the Board for all activities of the Corporation. The corporate objectives for which the Chief Executive Officer of the Corporation is responsible will be determined by strategic and financial plans initiated by the Chief Executive Officer, and developed with input from the Board.

Director Attendance

Board members are expected to attend all Board meetings and meetings of Board committees on which they serve. Eight members of the Board were elected as directors of the Corporation on March 23, 2012 and, since such date, there have been three meetings of the Board (one of which was attended by 7 of 8 members of the Board, with Michael J. Cooper absent, another of which was attended by 6 of 8 members of the Board, with Robert H. DeGasperis and Paul Aiello absent and another attended by all members of the Board). On April 27, 2012, Paul Aiello resigned as a director. The Audit Committee was formed on April 10, 2012 and, since that date, it has met twice with all members in attendance at each meeting.

Orientation and Continuing Education

We will establish a practice with respect to the orientation and education of new directors. They will be given the opportunity to meet with senior management and other directors to familiarize themselves with our business and activities and their responsibilities as directors. Directors will be provided with our recent regulatory filings, such as our annual information form and proxy material, the reporting requirements of the directors, information with respect to the Audit Committee and its written charter and certain policies and procedures of the Board.

On a continuing basis, management will provide periodic presentations to the Board to ensure that our directors are fully informed with respect to our business, and directors are free to contact the Chief Executive Officer and the Chief Financial Officer at any time to discuss any aspect of our business.

Ethical Business Conduct

We have adopted a Code of Business Conduct and Ethics which applies to the directors, officers and employees of the Corporation and the Manager (or any successor manager of the Corporation) in respect of its activities in connection with the Corporation, or any of their respective subsidiaries. The Code of Business Conduct and Ethics is provided to all such directors, officers, employees and other persons. The Code of Business Conduct and Ethics addresses such matters as compliance with laws, conflicts of interest, confidential information, protection and proper use of our assets, rules and regulations and the reporting of illegal and unethical behaviour.

We encourage those who become aware of a conflict or potential conflict or departures from the Code of Business Conduct and Ethics to bring it to the attention of one of our Chief Executive Officer, our Chief Financial Officer or the Chair of the Board. We have also established additional procedures for confidential and anonymous reporting of complaints concerning accounting, internal accounting controls and auditing matters. The Board requires every director and officer to disclose any direct or indirect conflict of interest that he or she has and, if applicable, not to vote on any resolution in connection with such matter unless permitted by the OBCA. The Board monitors compliance with its Code of Business Conduct and Ethics by making enquiries of the appropriate parties at each Board meeting.

Any waivers of the Code of Business Conduct and Ethics may only be granted by the Board (or a Board committee to whom that authority has been delegated).

Nomination of Directors

The Board does not currently have a nominating committee. The Manager and members of the Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the Independent Directors review and approve any director nominations proposed by the Manager.

The Board and the Manager are responsible for determining the appropriate criteria for selecting and assessing potential directors and selects candidates for nomination to the Board accordingly. At such time as it is determined that a new director is desirable, the Board and the Manager will engage in various activities to ensure an effective process for selecting candidates for nomination, including developing criteria for the selection of a new director, developing and maintaining a director skills matrix (identifying the desired competencies, independence, expertise, skills, background and personal qualities that are being sought in potential candidates), identifying and recommending individuals qualified and suitable to become directors, the Chair of the Board and/or the Chief Executive Officer will meet with potential new candidates prior to nomination to discuss the time commitments and performance expectations of the position and formal approval will be sought and obtained from the Board in respect of candidates for nomination.

Compensation

The Board does not currently have a compensation committee. As a result of our arrangements with the Manager, the Corporation does not employ any individuals (and has no employment contracts with any individuals), and thus the Board has determined that there is no need for a separate compensation committee. The compensation of the Manager is determined based on the provisions of the Management Agreement, which can only be amended with the approval of a majority of the Independent Directors.

The Board, as a whole, is responsible for implementing a process for reviewing the adequacy and form of compensation of directors of the Corporation and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director of the Corporation. The Board requires that remuneration be at a level that will attract and motivate competent members. Compensation is also based on the compensation of directors of similarly situated issuers. In order to ensure an objective process for determining compensation, the Board, through the Manager, reviews compensation paid to directors of various mortgage investment corporations and publicly traded companies.

Credit

Credit matters are reviewed by the entire Board or a certain number of the members of the Board, and are not delegated to a committee. The entire Board is responsible for the following:

(a) reviewing all of our investments annually or more frequently;

(b) adjudicating and advising on transactions involving potential conflicts of interest or any other transactions which may be detrimental to the interests of the Shareholders;

(c) the approval or rejection of investments in mortgages with a cost of $1,000,000 or greater; and

(d) reviewing and ratifying, if thought appropriate, investments in mortgages approved by any three directors or any one director, as applicable, in accordance with the following three paragraphs.

Any three directors, including at least two Independent Directors, must approve the following, for later ratification by the entire Board: investments in mortgages with a cost of less than $1,000,000 and more than $500,000.

Any one director must approve the following for later ratification by the entire Board: investments in mortgages with a cost of $500,000 or less.

Any three directors, including at least one Independent Director, must approve the following, for later ratification by the entire Board: investments in mortgages approved under clause (c) above, but where the mortgage amount exceeded the approved amount by up to $100,000.

We may invest in Authorized Interim Investments which are limited to investments guaranteed by the Government of Canada or of a province or territory of Canada or deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank in any amount without prior approval of the Board.

Assessments

The Board is responsible for implementing a process for assessing the effectiveness of the Board as a whole, the Audit Committee and the contribution of individual directors. In carrying out its responsibilities, the Board is required to periodically review the mandate of the Audit Committee and will make an assessment of the effectiveness of the directors. The Board has determined that the number of directors of the Corporation is appropriate for the Board to function at this time and that the Board is properly constituted to reflect the investment of all Shareholders in the Corporation. On an ongoing basis, the Board will review the size and composition of the Board.

Disclosure Policy

The Board has approved a Disclosure Policy that sets out our policies and procedures relating to the dissemination of material information. It designates certain employees as authorized spokespersons and establishes disclosure guidelines for determining whether information is material and how it is to be disclosed. The Disclosure Policy includes procedures designed to avoid selective disclosure and to ensure that timely and accurate information is provided to our senior management for inclusion in our statutory disclosure documents. The Board and, as applicable, the Audit Committee, will approve the statutory disclosure documents prior to their distribution.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee is responsible for overseeing, among other matters, the work of our external auditors, the integrity of our financial statements and financial reporting process, the qualifications and independence of the external auditors of the Corporation and our compliance with legal and regulatory requirements. The Audit Committee reviews and recommends to the Board for approval, our annual and interim financial statements and related management's discussion and analysis, earnings press releases, selected disclosure documents, including information pertaining to the Audit Committee contained in our annual information form and any other financial statements required by regulatory authorities, before they are released to the public or filed with the appropriate regulators. The Audit Committee will review its charter at least annually and recommends changes to the Board with respect to its charter, as necessary.

In accordance with NI 52-110, the Audit Committee has implemented procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by directors, officers, employees and others of concerns regarding questionable accounting or auditing matters. In this regard, the Board and the Audit Committee have established a Whistleblower Policy outlining such confidential reporting process where all such complaints are referred to the Chair of the Audit Committee for investigation and then the results are reported to the full Audit Committee, after which the Audit Committee determines what action should be taken with respect to any complaint.

The Audit Committee Charter is attached as Schedule "B".

Composition of the Audit Committee

The Audit Committee is comprised of David Prussky, as Chair, Mark L. Silver and Peter P. Cohos. Each member of the Audit Committee is independent and is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

Relevant Education and Experience

The relevant education and experience of each of the members of the Audit Committee is as follows:

Name of Audit Committee member	Relevant education and experience
David Prussky (Chair)	Mr. Prussky is president of a merchant bank, with extensive investment and capital markets experience. He is a director or past director of numerous public companies, including as a member of the audit committee of Swisher Hygiene Inc. and as a director and past chair of Carfinco Financial Group Inc. He has an LL.B and MBA, both from York University.
Peter P. Cohos	Mr. Cohos is CEO of Triovest Realty Advisors Inc., a national commercial real estate advisory company which has approximately $9 billion in assets under management. He has had extensive involvement with public and private corporations throughout his career. Mr. Cohos has a BBA from the University of Western Ontario, and an MBA from the University of Capetown.
Mark L. Silver	Mr. Silver has been a businessman and entrepreneur for over 30 years and has been President or Chief Executive Officer of many ventures. Until it was sold in 2009, Mr. Silver was CEO of Universal Energy, a company that was acquired by Just Energy for $425 million. The size of the businesses that he has built and the nature of his role as investor and operator have required that he thoroughly understand financial reporting issues.

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to the Corporation by the external auditors of the Corporation.

External Auditor Service Fees (By Category)

The following table sets out, by category, the fees billed by Soberman LLP, our external auditors, in each of the last two fiscal years for the services noted:

Category	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit fees(1)	$59,000	$22,500
Audit-related fees(2)	3,750	nil
Tax fees(3)	9,600	11,375
All other fees	nil	nil
Total:	**$72,350**	**$33,875**

Notes:

(1) Refers to the aggregate fees billed by our external auditor for audit services relating to the audit of the Corporation.

(2) Refers to the aggregate fees billed for assurance and related services by our external auditor that are reasonably related to the performance of the audit.

(3) Refers to the aggregate fees billed for professional services rendered by our external auditor for tax compliance, tax advice and tax planning.

MARKET FOR SECURITIES

There is currently no market for the Common Shares. The TSX has conditionally approved the listing of the Common Shares under the symbol “AI”. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before November 19, 2012. In the event that the approval of the TSX for the listing of the Common Shares cannot be obtained, holders of Common Shares will own securities in an unlisted company and this may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares and the extent of issuer regulation. There can be no assurance that the Common Shares will be listed on any stock exchange or market. See “Risk Factors – Risks Relating to the Common Shares – Market for Common Shares”.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As at the date hereof, we do not have any securities in escrow or that are subject to a contractual restriction on transfer.

RISK FACTORS

The risks and uncertainties described below are those that we currently believe to be material, but they are not the only ones that we face. If any of the following risks, or any other risks and uncertainties actually occur or become material risks, our business, financial condition, results of operations and cash flows and consequently the price of the Common Shares could be materially and adversely affected.

Risks Relating to our Business

Nature of the Investments

Investments in mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, new supply, occupancy rates, operating expenses, prevailing interest rates and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Investments in mortgages are relatively illiquid. Such lack of liquidity will tend to limit our ability to vary our Mortgage Portfolio promptly in response to changing economic or investment conditions.

Investments in mortgages relating to development or renovations may be riskier than investments in mortgages relating to property purchases or mortgage receivables. Land mortgages pose a unique risk in the event of default in that the work-out period can be lengthy while the asset has no capacity to generate cash flow. We may occasionally invest in mortgages at more than 75% of value, which exceeds the investment limit for conventional mortgage lending. Our Mortgages will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which we may not be able to insure against or which we may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

Risks Related to Mortgage Defaults

If a borrower under a Mortgage loan subsequently defaults under any terms of the loan, the Manager, on our behalf, has the ability to exercise our mortgage enforcement remedies in respect of the Mortgage loan. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact our cash flow. In addition, as a result of potential declines in real estate values, there is no assurance that we will be able to recover all or substantially all of the outstanding principal and interest owed to us in respect of such Mortgages by exercising our mortgage enforcement remedies. Should we be unable to recover all or substantially all of the principal and interest owed to us in respect of such Mortgage loans, the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their Mortgage loan, and we could therefore be forced to exercise our rights as mortgagee. The recovery of a portion of our assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of our rights as mortgagee. Legal fees and expenses and other costs incurred by us in enforcing our rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable, they will be borne by us.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. We may therefore be required to incur such expenditures to protect our investment, even if the borrower is not honouring its contractual obligations.

Reliance on the Manager

Because our day-to-day activities are managed and administered exclusively by the Manager, we are exposed to adverse developments in the business and affairs of the Manager, to the Manager's management and financial strength, to the Manager's ability to operate its businesses profitably and to the Manager's ability to retain its mortgage brokerage license issued to it (and the mortgage administrator license issued to the Manager's wholly-owned subsidiary, CMSC) under the MBLAA. The termination of the Management Agreement could have a material adverse affect on our business, financial condition and results of operation. See "Management".

Although the employees of the Manager who will be primarily responsible for our performance have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager in the future. The loss of the services of one or more of those individuals could have a material adverse effect on us. In addition, the Management Agreement may be terminated in certain circumstances. See "Management – Details of the Management Agreement". There is no assurance that the Manager will continue to provide services to the Corporation.

There is no certainty that the persons who are currently officers and directors of the Manager will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Manager from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager.

Environmental Matters

We may from time to time take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover our investment in such mortgage loans. Prior to taking possession of properties which secure a mortgage investment, we assess the potential environmental liability associated with it and determine whether it is significant. If we subsequently determine to take possession of the property, we could be subject to environmental liabilities in connection with the property, which could exceed its value. As part of the due diligence performed in respect of our mortgage investments, we obtain a Phase I Environmental Audit on the underlying real property provided as security for a mortgage, unless the Manager has determined that a Phase I Environmental Audit is not necessary. However, there can be no assurance that such Phase I Environmental Audits will reveal any or all existing or potential environmental liabilities. If hazardous substances are discovered on a property on which we have taken possession, we may be required to remove such substances and clean up the property. We may also be liable to tenants and other users of neighbouring properties and may find it difficult to resell the property prior to or following such clean-up.

Availability of Investments

Our ability to make investments in accordance with our objectives and policies depend upon the availability of suitable investments and the amount of funds available. There can be no assurance that the yields on the mortgages in the Mortgage Portfolio will be representative of yields to be obtained on our future mortgage investments. We may not be able to source suitable mortgages in which to reinvest our funds as Mortgages are repaid, in which case the funds will be invested in Authorized Interim Investments. The rates of return on Authorized Interim Investments are typically lower than the rates of return on our Mortgages. An inability to find suitable investments may have an adverse effect on our ability to sustain the level of dividends paid in the past. We compete with individuals, corporations and institutions for investment opportunities in the financing of real property. Certain of these competitors may have greater resources than do we and may therefore operate with greater flexibility.

Potential Conflicts of Interest

We are subject to various potential conflicts of interest because the Manager is controlled by insiders of the Corporation. See "Interests of Management and Others in Material Transactions". We have entered into the Non-Competition Arrangements with the Restricted Group, which addresses certain conflicts of interest. See "Management – Non-Competition Arrangements".

We rely upon the Manager to manage our business. The directors and officers of the Manager may have a conflict of interest in allocating their time between the respective businesses and interests of the Manager and us, and other businesses or projects in which they may become involved.

The members of the Board may from time to time deal with parties with whom we are dealing, or may be seeking investments similar to those desired by us. The Corporation has conflict of interest policies requiring members of the Board to disclose material interests in material contracts and transactions and to refrain from voting thereon. See "Directors and Executive Officers – Conflicts of Interest".

Borrowing

We may incur indebtedness secured by our assets to purchase mortgages or for ongoing mortgage investments. Such indebtedness may not exceed 50% of our total assets. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns. The security which we are required to furnish may include an assignment of our Mortgages to a third party lender. If we are unable to service our debt to such lender, a loss could result if the lender exercises its rights of foreclosure and sale.

Limited Sources of Borrowing

The Canadian financial marketplace is characterized as having a limited number of financial institutions that provide credit to entities such as us. The limited availability of sources of credit may limit our ability to take advantage of leveraging opportunities to enhance the yield on our Mortgage investments. We limit exposure to potential scarcity of funds by continuously seeking out new sources of credit and have also entered into the Operating Facility (see "Investment Strategies – Borrowing Strategy"). These loans are liabilities resulting from the funding of our Mortgage investments. Repayment of Mortgage investments results in a direct and corresponding pay down of these loans. The obligations for future mortgage advances under our Mortgage Portfolio are anticipated to be funded from our Operating Facility and borrower mortgage repayments. Upon funding of same, the funded amount forms part of our Mortgage investments. If payment under these loans is demanded, including as a result of our failing to meet certain financial covenants under these loans, and there is not a corresponding repayment of our Mortgage investments or if the Corporation is unable to find sources of credit to fund its Mortgage investments, there would be an adverse effect on our ability to pay dividends and there could also be a material adverse effect on our business, financial condition and results of operation.

Renewal of Mortgages Comprising the Mortgage Portfolio

There can be no assurances that any of the mortgages comprising the Mortgage Portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage comprising the Mortgage Portfolio, it is possible that the mortgagor, the mortgagee or both, will elect to not renew. In addition, if the mortgages in the Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

Composition of the Mortgage Portfolio

The composition of the Mortgage Portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Mortgage Portfolio being less diversified than at other times. Currently, the Mortgage Portfolio is concentrated in the Toronto and surrounding area. See "Our Mortgage Portfolio". A lack of diversification may result in us being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography. In particular, given the current concentration of the Mortgage Portfolio in the Toronto and surrounding area, we may be more susceptible to adverse economic or other occurrences affecting real property in such area than an issuer that holds a mortgage portfolio which is more diversified by geographic area.

Subordinated and Subsequent Debt Financing

Secondary financing which may be carried on by us is generally considered to be riskier than primary financing because we would not have a first-ranking charge on the underlying property. When a charge on a real property is in

a position other than first-ranking, it is possible for the holder of a prior charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the real property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the real property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the real property of the security of the real property. If an action is taken to sell the real property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof.

Reliance on Borrowers

After funding an investment, although we may monitor the situation, we rely upon borrowers to maintain adequate insurance and for proper adherence to environmental regulations.

No Guarantees or Insurance

There can be no assurance that our Mortgage loans will result in a guaranteed rate of return or any return to Shareholders or that losses will not be suffered on one or more Mortgage loans. Moreover, at any time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it may be expected that the aggregate yield on mortgage investments will also change.

The obligations of a mortgage borrower to us or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make us whole. Further, Common Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Litigation Risks

We may, from time to time, become involved in legal proceedings in the course of our business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, we might not receive payments of interest or principal on a mortgage loan that is the subject of litigation, which would affect our cash flows. An unfavourable resolution of any legal proceedings could have an adverse effect on us, our financial position and results of operations that could be material.

Ability to Manage Growth

We intend to grow our Mortgage Portfolio. In order to effectively deploy our capital and monitor our loans and investments in the future, we and/or the Manager will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that we would be able to effectively manage our growth and, if unable to do so, the Mortgage Portfolio, and the market price of our Common Shares, may be materially adversely affected.

Change in Legislation

There can be no assurance that certain laws applicable to us, including Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect us or fundamentally alter the tax consequences to Shareholders acquiring, holding or disposing of Common Shares.

Qualification as a Mortgage Investment Corporation

Although we intend to qualify at all times as a MIC, no assurance can be provided in this regard. If for any reason we do not maintain our qualification as a MIC under the Tax Act, taxable dividends and capital gains dividends paid by us on the Common Shares will cease to be fully or partly deductible by us in computing income for tax purposes

and such dividends will no longer be deemed by the rules in the Tax Act that apply to MICs to have been received by Shareholders as bond interest or a capital gain, as the case may be. As a consequence, the rules in the Tax Act regarding the taxation of public corporations and their shareholders should apply, with the result that the combined rate of corporate and shareholder tax could be significantly greater.

Risks Relating to the Common Shares

Market for Common Shares

We have applied to list the Common Shares on the TSX. The TSX has conditionally approved the listing of the Common Shares under the symbol "AI". Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before November 19, 2012. In the event that the approval of the TSX for the listing of the Common Shares cannot be obtained, holders of Common Shares will own securities in an unlisted company. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares and the extent of issuer regulation.

There can be no assurance that the Common Shares will be listed on any stock exchange or market. If the Common Shares are not listed on a "designated stock exchange" as defined in the Tax Act and the Corporation does not satisfy the MIC Requirements (as such term is defined herein under the heading "Eligibility for Investment"), holders of Common Shares that are trusts governed by Plans are cautioned that the Common Shares will not be qualified investments for such Plans. Holders should consult with their own tax advisors in this regard. See "Eligibility for Investment".

Unpredictability and Volatility of Market Price

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- actual or anticipated fluctuations in our annual or quarterly results of operations;
- changes in estimates of future results of operations by us or by securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to us;
- the addition or departure of executive officers or key personnel of the Manager;
- the transfer restrictions on outstanding Common Shares as result of our being a MIC;
- sales or expected sales of additional Common Shares;
- changes in applicable laws and regulations, including tax laws;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- news reports relating to the conditions in the economy in general and/or trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets have, at times, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil occur, our operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Payment of Dividends

The Corporation has established a dividend policy but the terms of such dividend policy remain, among other things, at the discretion of the Board. See “Dividends”. Future dividends, if any, will depend on our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors. For these and other reasons, our payment of dividends and the level thereof is uncertain.

Dilution

Pursuant to our Articles of Incorporation, as amended, we are authorized to issue an unlimited number of Common Shares. If the Common Shares are listed on the TSX, we must comply with the rules and regulations of the TSX and such other applicable securities regulations. We may issue additional Common Shares, for aggregate consideration and on terms and conditions as are determined appropriate by the Board, without the approval of Shareholders and Shareholders will have no pre-emptive rights in connection with such further issuances. Any further issuance of Common Shares will dilute the interests of existing Shareholders.

Limitations on Ownership and Repurchases of Shares

In order to maintain our status as a MIC, our Articles of Incorporation, as amended, provide that no shareholder is permitted to hold at any time, directly or indirectly, either alone or together with a person “related” to the shareholder (within the meaning of the Tax Act, a “**Related Person**”), more than 25% of any class or series of the issued shares of the Corporation. Although the Manager will monitor the foregoing limitation on ownership and advise the Board of any potential circumstances in which this limitation may be exceeded, there is no assurance that we will be able to indentify each particular circumstance prior to the limitation on ownership being exceeded. In the event that, as determined by the Board in its sole discretion, any transaction affecting the shares of the Corporation, if completed, would cause any Shareholder, either alone or together with Related Persons, to hold more than 25% of any class or series of our issued shares, that portion of the shares held which constitutes in excess of 24.9% of the issued shares of any class or series of shares will, immediately prior to the completion of the subject transaction, automatically be repurchased and cancelled by us without any further action by us or the subject Shareholder(s). See “Description of Share Capital – Limitation on Ownership”. Our failure to maintain our status as a MIC would have a material adverse effect on our business, operations, financial condition and general business prospects. In addition, such repurchases of Common Shares by us could be significant and, if so, we may be required to sell Mortgages in order to satisfy purchase payment obligations, and may not be able to complete such Mortgage sales on favourable terms or at all.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no outstanding legal proceedings material to us to which we are a party or in respect of which any of our properties are subject, nor are there any such proceedings known to be contemplated. In addition, there were no penalties or sanctions imposed against us by a court relating to securities legislation or by a securities regulatory authority since January 1, 2009, no other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by us with a court relating to securities legislation or with a securities regulatory authority since January 1, 2009.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, officer or employee of the Corporation, nor any associate or affiliate of any of them, is or was indebted to us at any time since January 1, 2011.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Certain of our mortgages are shared with other investors, including members of the Board and/or officers of the Corporation. In every case, our mortgage participation either ranks equally or in priority to other members of the syndicate as to receipt of principal and interest.

Robert G. Goodall is a member of the Board and an officer of the Corporation, and is also a shareholder, director, officer and/or is related to entities that own, directly or indirectly, an interest in the Manager, which is a party to the Management Agreement described under “Management”.

Certain of our directors and executive officers participated in private placement offerings of Common Shares at the same price and on the same terms as other arm’s length subscribers in such offerings.

Other than the foregoing or as otherwise disclosed in this Prospectus, there were no material interests, direct or indirect, of our directors or executive officers, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as such term is defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of our last completed financial year or in any proposed transaction which has materially affected or would materially affect us.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The independent auditors of the Corporation are Soberman LLP, Chartered Accountants, 2 St. Clair Avenue East, Suite 1100, Toronto, Ontario, Canada M4T 2T5.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices located in Toronto, Ontario, Canada.

EXPERTS

Certain legal matters relating to this Prospectus will be passed upon on behalf of the Corporation by Fogler, Rubinoff LLP. As of the date hereof, the respective partners and associates of Fogler, Rubinoff LLP own beneficially, directly or indirectly, less than 1% of any outstanding class of securities of the Corporation and less than 1% of the outstanding securities of any class of our associates or affiliates.

Soberman LLP, Chartered Accountants, are our auditors and, as such, have prepared an opinion with respect to our financial statements as at and for the fiscal years ended December 31, 2009, December 31, 2010 and December 31, 2011 appearing elsewhere in this Prospectus. Soberman LLP has confirmed that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

MATERIAL CONTRACTS

The following are the material contracts, other than contracts in the ordinary course of business, and material contracts in the ordinary course of business required to be listed, that the Corporation has entered into since January 1, 2011 or prior thereto but still in effect:

(a) the Management Agreement referred to under “Management”; and

(b) the Operating Facility letter agreement (as amended) referred to under “Investment Strategies – Borrowing Strategy”.

The Corporation has also adopted the Deferred Share Incentive Plan referred to under “Executive Compensation – Deferred Share Incentive Plan” and the New Dividend Reinvestment Plan referred to under “Dividends – Dividend Reinvestment Plan”.

AUDITOR'S CONSENT

To the Board of Directors of
Atrium Mortgage Investment Corporation

We have read the non-offering prospectus of Atrium Mortgage Investment Corporation (the "Corporation") dated August 24, 2012. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the board of directors of the Corporation on the statements of financial position of the Corporation as at December 31, 2009, December 31, 2010 and December 31, 2011 and the statements of changes in equity, comprehensive income and cash flows for each of the years then ended. Our report on the financial statements for the year ended December 31, 2009 is dated February 19, 2010. Our report on the financial statements for the year ended December 31, 2010 is dated March 28, 2011. Our report on the financial statements for the year ended December 31, 2011 is dated March 20, 2012, except as to Note 11, which is as of August 20, 2012.

(Signed) SOBERMAN LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
August 24, 2012

SCHEDULE "A"

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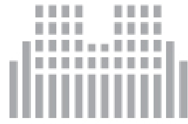

ATRIUM

MORTGAGE INVESTMENT CORPORATION

Condensed Interim Financial Statements

For the three-month and six-month periods ended June 30, 2012 and 2011
(Expressed in Canadian dollars)

(Unaudited)

ATRIUM MORTGAGE INVESTMENT CORPORATION
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(Expressed in Canadian dollars)	June 30 2012	December 31 2011
Assets		
Mortgages receivable *(Note 5)*	$ 166,767,311	$ 157,492,666
Cash	7,990	1,315,017
Amounts receivable	21,930	8,330
	$ 166,797,231	**$ 158,816,013**
Liabilities		
Bank loan and indebtedness *(Note 6)*	$ 11,600,000	$ 12,600,000
Accounts payable and accrued charges	282,490	212,546
Dividends payable *(Note 7)*	3,343,034	2,984,844
Due to related party *(Note 10)*	248,608	172,211
	15,474,132	15,969,601
Equity		
Share capital *(Note 9)*	150,389,811	142,141,036
Contributed surplus	645,023	645,023
Retained earnings	288,265	60,353
	151,323,099	142,846,412
	$ 166,797,231	**$ 158,816,013**

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

On behalf of the Board:

/s/ Rob Goodall

/s/ Murray Frum

ATRIUM MORTGAGE INVESTMENT CORPORATION
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(Expressed in Canadian dollars)

	Common Shares	Contributed Surplus	Retained Earnings	Total
Balance, December 31, 2010	$ 86,884,423	$ 645,023	$ 75,796	$ 87,605,242
Share issuance	8,360,000	-	-	8,360,000
Share redemption	(140,000)	-	-	(140,000)
Issue costs	(66,600)	-	-	(66,600)
Earnings and comprehensive income	-	-	3,846,145	3,846,145
Dividends declared	-	-	(3,950,531)	(3,950,531)
Balance, June 30, 2011	95,037,823	645,023	(28,590)	95,654,256
Share issuance	47,554,370	-	-	47,554,370
Share redemption	-	-	-	-
Issue costs	(451,157)	-	-	(451,157)
Earnings and comprehensive income	-	-	5,594,666	5,594,666
Dividends declared	-	-	(5,505,723)	(5,505,723)
Balance, December 31, 2011	142,141,036	645,023	60,353	142,846,412
Share issuance	8,381,725	-	-	8,381,725
Share redemption	-	-	-	-
Issue costs	(132,950)	-	-	(132,950)
Earnings and comprehensive income	-	-	6,709,114	6,709,114
Dividends declared	-	-	(6,481,202)	(6,481,202)
Balance, June 30, 2012	**$ 150,389,811**	**$ 645,023**	**$ 288,265**	**$ 151,323,099**

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

ATRIUM MORTGAGE INVESTMENT CORPORATION
CONDENSED INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30 2012	**June 30 2011**	**June 30 2012**	**June 30 2011**
Revenues				
Mortgage interest and other fees	$ 4,141,626	$ 2,454,185	$ 8,244,300	$ 4,550,149
Operating expenses				
Mortgage servicing and other fees	366,201	208,976	723,890	380,944
Interest and bank charges	235,770	134,488	467,052	164,560
Provision for mortgage losses	-	100,000	-	100,000
Expenses related to prospectus	54,679	-	117,149	-
Accounting, audit and legal fees	97,105	26,792	154,830	48,321
Other	30,401	6,429	72,265	10,179
	784,156	476,685	1,535,186	704,004
Earnings and comprehensive income for the period	**$ 3,357,470**	**$ 1,977,500**	**$ 6,709,114**	**$ 3,846,145**
Basic and diluted earnings per common share	**$ 0.22**	**$ 0.21**	**$ 0.45**	**$ 0.42**

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

ATRIUM MORTGAGE INVESTMENT CORPORATION
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended	
(Expressed in Canadian dollars)	**June 30 2012**	**June 30 2011**
Cash provided by (used in):		
Operating activities		
Earnings and comprehensive income for the period	$ 6,709,114	$ 3,846,145
Changes in non-cash working capital items		
Accrued interest receivable	(641,792)	(209,509)
Accounts payable and accrued charges	69,944	50,265
Capital taxes recoverable	-	9,661
Provision for mortgage losses	-	100,000
Amortization of mortgage discount	(25,097)	(7,113)
Amounts receivable	(13,600)	-
Change in deferred revenue	(340)	270,231
Cash provided by operating activities	6,098,229	4,059,680
Investing activities		
Advances on mortgages receivable	(45,605,224)	(62,862,924)
Repayment of mortgages receivable	36,997,809	14,973,779
Cash used by investing activities	(8,607,415)	(47,889,145)
Financing activities		
Bank loan advanced	49,900,000	40,900,000
Bank loan repaid	(50,900,000)	(15,200,000)
Due to related party	76,396	7,182
Proceeds from issuance of common shares	8,381,725	8,220,000
Share capital issue costs	(132,950)	(66,600)
Dividends paid	(6,123,012)	(3,720,803)
Cash provided by financing activities	1,202,159	30,139,779
Decrease in cash	(1,307,027)	(13,689,686)
Cash, beginning of period	1,315,017	15,228,126
Cash, end of period	**$ 7,990**	**$ 1,538,440**
Cash provided by operating activities includes:		
Interest received	$ 7,175,683	$ 4,138,364
Interest paid	$ 468,273	$ 103,887

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

1. Organization

Atrium Mortgage Investment Corporation (formerly DB Mortgage Investment Corporation #1) ("the Company") is incorporated and domiciled in Canada. The address of the Company's registered office or principal place of business is Suite 900, 20 Adelaide Street East, Toronto, Ontario M5C 2T6. The Company's main activity is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1(6) of the Canada *Income Tax Act* ("ITA"), and as such, is not taxed on income, provided that such income is paid to its shareholders in the form of dividends within 90 days after December 31.

2. Basis of presentation

(a) 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, 2011. In particular, the Company's significant accounting policies as presented in Note 2 of the financial statements for the year ended December 31, 2011, have been consistently applied in the preparation of these condensed interim financial statements.

These condensed interim financial statements were authorized for issuance by the Board of Directors on July 26, 2012.

(b) Basis of measurement

These financial statements were prepared under the historical cost convention.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The more subjective of such estimates are fair values of financial instruments and the provision for mortgages receivable. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

2. Basis of presentation, continued

Provisions
Provisions for mortgages receivable have been recorded based on the Company's estimates. These estimates include assumptions based on the current economic environment, prior encumbrances and other factors affecting the mortgage and underlying security of the mortgages receivable. Changes in assumptions could affect the reported provision for mortgage losses.

3. Significant accounting policies

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently to all periods presented in these condensed interim financial statements.

(a) Revenue recognition

Mortgage interest income is recognized in the statement of comprehensive income using the effective interest method. Interest income may, in certain circumstances include an origination fee from a borrower for arranging a mortgage which is included in interest income using the effective interest method. Mortgages issued at a premium or discount are recorded at their face value, adjusted for such premiums and discounts. Premiums or discounts are amortized into income over the term of the mortgage.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(b) Financial instruments

The Company classifies its financial instruments into the following categories: (i) financial instruments at fair value through profit or loss; (ii) loans and receivables; and (iii) other financial liabilities. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment quarterly and written down when there is evidence of impairment based on certain specific criteria set out below.

3. Significant accounting policies, continued

(b) Financial instruments, continued

(i) Financial assets at fair value through profit or loss
Financial instruments held for trading are held for the purpose of selling them in the short term. The financial instruments included in this category are initially and subsequently recognized at fair value. Directly attributable transaction costs are recognized in statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise. Instruments classified in this category include cash.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value, plus direct and incremental transaction costs, and are subsequently measured at amortized cost using the effective interest method less a provision for impairment. These instruments include mortgages receivable and amounts receivable.

(iii) Other financial liabilities
Other financial liabilities are initially recognized at fair value including direct and incremental transaction costs, and are subsequently measured at amortized cost using the effective interest method. They include the bank loan, accounts payable and accrued charges, amounts due to related parties, and dividends payable.

The Company had neither held to maturity nor available for sale instruments as at June 30, 2012, nor at December 31, 2011.

(c) Mortgages receivable

The Company reviews the mortgages receivable quarterly for impairment. An impairment loss in respect of the mortgages receivable measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the statement of comprehensive income and reflected in the allowance account against the mortgages receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

(d) Income taxes

The Company has in the past, and intends to maintain its status as a mortgage investment corporation, and as such is not taxed on income provided that such income flows through to the shareholders in the form of dividends within 90 days after December 31. It is the Company’s policy to pay such dividends out to the shareholders to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

(e) Earnings per common share
Earnings per common share is calculated by dividing earnings during the period by the daily weighted average number of common shares outstanding during the period.

4. Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2011. Pronouncements that are not applicable to the Company have been excluded from those described below. These recent accounting pronouncements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2011, as there has been no change from last year.

The following Standards were issued by the IASB, and are effective for annual periods beginning on or after January 1, 2013, except for IFRS 9 Financial Instruments, which is effective January 1, 2015. The Company does not plan to early adopt the following standards and is assessing the impact of the implementation of these standards on its annual financial statements.

- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements

5. Mortgages receivable

	June 30 2012	**December 31 2011**
Mortgages receivable	$ 165,658,670	$ 156,907,389
Accrued interest receivable	2,712,414	2,070,622
Mortgage discount, net of accumulated amortization	(194,827)	(76,059)
Mortgage origination fees, net of accumulated amortization	(514,570)	(514,910)
Provision for mortgage losses	(894,376)	(894,376)
	$ 166,767,311	**$ 157,492,666**

Provision for mortgage losses

	Three months ended		**Six months ended**	
	June 30 2012	**June 30 2011**	**June 30 2012**	**June 30 2011**
Balance, beginning of period	$ 894,376	$ 694,376	$ 894,376	$ 694,376
Increase in provision during the period	-	100,000	-	100,000
Balance, end of period	**$ 894,376**	**$ 794,376**	**$ 894,376**	**$ 794,376**

The fair value of mortgages receivable approximates their carrying amounts.

6. Bank loan and indebtedness

The Company has a $40,000,000 (December 31, 2011 - $40,000,000) line of credit from a Canadian financial institution. Interest on the utilized portion of this line is paid at a rate of prime plus 1.5% per annum. The line of credit is repayable upon demand and subject to certain conditions of drawdown and other covenants. A standby fee on the unused portion of the line is paid at the rate of 0.55% per annum. Extension fees are paid on the extension of the credit facility.

At June 30, 2012, $11,600,000 was owing under the line of credit (December 31, 2011 - $12,600,000).

The line of credit is secured by a lien over all of the Company's assets by means of a general security agreement. The amount that may be drawn down under the line of credit is determined by the aggregate value of mortgages that are acceptable to the lender. In addition, covenants must be met in respect of shareholders' equity, debt to total assets and interest coverage. At June 30, 2012, the Company was in compliance with these covenants.

7. Dividends

The Company follows a dividend policy so that it is non-taxable under the provisions of the *Income Tax Act* related to Mortgage Investment Corporations. Dividends amounted to $0.22 per share for the three months ended June 30, 2012 (2011 - $0.22) and $0.43 per share for the six months ended June 30, 2012 (2011 - $0.43).

	Three months ended		**Six months ended**	
	June 30 2012	**June 30 2011**	**June 30 2012**	**June 30 2011**
Operating income	$ 3,357,470	$ 1,977,500	$ 6,709,114	$ 3,846,145
Non-deductible expenses	54,679	10,000	117,149	10,000
Change in deferred revenue	(16,969)	274,878	(341)	270,232
Issue costs deductible pursuant to Section 20(1)(e) of the ITA	(58,696)	(30,093)	(111,924)	(54,749)
Amounts distributable to shareholders	**$ 3,336,484**	**$ 2,232,285**	**$ 6,713,998**	**$ 4,071,628**

	Six months ended June 30 2012	**Year ended December 31 2011**
Dividends payable, beginning of period	$ 2,984,844	$ 1,881,464
Dividends declared during the period	6,481,202	9,456,254
Dividends paid during the period	(6,123,012)	(8,352,874)
Dividends payable, end of period	**$ 3,343,034**	**$ 2,984,844**

8. Earnings per share

	Three months ended		Six months ended	
	June 30 2012	**June 30 2011**	**June 30 2012**	**June 30 2011**
Earnings for the period	$3,357,470	$ 1,977,500	$ 6,709,114	$ 3,846,145
Weighted average common shares outstanding	15,189,790	9,463,692	14,976,489	9,183,845
Earnings per share	$0.22	$0.21	$0.45	$0.42

The weighted average number of common shares outstanding for the periods ended June 30, 2011 have been adjusted to reflect the 100 for 1 share split on March 23, 2012 (see Note 9).

9. Share capital

The Company is authorized to issue an unlimited number of common shares. Shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Shares which are issued will participate pro rata in any dividend paid by the Company, including distributions upon termination and dissolution.

The Company has an optional dividend reinvestment plan for shareholders, whereby participants may reinvest cash dividends in additional common shares of the Company at the market price.

Articles of Amendment dated March 23, 2012 provided for changes to share capital to split each one common share into 100 common shares. The change is reflected below and comparative information has been restated accordingly.

Issued and outstanding	Six months ended June 30, 2012		Year ended December 31, 2011	
Balance, beginning of period	14,357,437	$ 142,141,036	8,780,000	$ 86,884,423
Issued during the period	805,800	8,058,000	5,568,100	55,681,000
Issued under dividend reinvestment plan	32,372	323,725	23,337	233,370
Redeemed during the period	-	-	(14,000)	(140,000)
Issue costs	-	(132,950)	-	(517,757)
Balance, end of period	**15,195,609**	**$ 150,389,811**	**14,357,437**	**$ 142,141,036**

10. Related party transactions

Canadian Mortgage Capital Corporation ("CMCC") and certain other shareholders of CMCC are shareholders of the Company. The Company pays mortgage servicing fees to Canadian Mortgage Servicing Corporation ("CMSC"), a subsidiary of CMCC. Amounts due to CMSC are in the normal course of business, non-interest-bearing and due on demand. CMCC is the manager of the Company and is responsible for the day to day affairs of the Company. The Company incurred mortgage servicing fees of $723,890 for the six months ended June 30, 2012 (June 30, 2011 – $380,944).

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, which represents fair value in the opinion of management.

Guarantees aggregating $6,645,000 at June 30, 2012 (December 31, 2011 - $5,295,000) have been provided on mortgages owned by the Company from a major development company of which one of the directors of the Company has a minority equity interest.

11. Subsequent events

Further to Note 5, as of August 20, 2012, the Company is committed to fund mortgages aggregating $18,995,000.

The Company is filing a non-offering prospectus with the securities regulatory authorities in each of the provinces of Canada, except Quebec, to enable the Company to become a reporting issuer pursuant to applicable securities legislation in each of these provinces.

Subsequent to the period end, 23,181 common shares ($231,810) were issued under the dividend reinvestment plan.

ATRIUM MORTGAGE INVESTMENT CORPORATION

(Formerly known as DB Mortgage Investment Corporation # 1)

(Expressed in Canadian Dollars)

FINANCIAL STATEMENTS

DECEMBER 31, 2011

ATRIUM MORTGAGE INVESTMENT CORPORATION
(Formerly known as DB Mortgage Investment Corporation # 1)
(Expressed in Canadian Dollars)
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Atrium Mortgage Investment Corporation

We have audited the accompanying financial statements of Atrium Mortgage Investment Corporation (formerly known as DB Mortgage Investment Corporation # 1), which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 controls 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 controls. 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atrium Mortgage Investment Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Soberman LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
March 20, 2012, except as to Note 11, which is as of August 20, 2012.

ATRIUM MORTGAGE INVESTMENT CORPORATION
(Formerly known as DB Mortgage Investment Corporation # 1)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

At	December 31 2011	December 31 2010	January 1 2010
ASSETS			
Mortgages receivable *(Note 3)*	**$ 157,492,666**	$ 74,412,893	$ 69,581,440
Cash	**1,315,017**	15,228,126	21,462
Amounts receivable	**8,330**	-	-
Capital taxes recoverable	**-**	9,661	99,529
	$ 158,816,013	$ 89,650,680	$ 69,702,431
LIABILITIES			
Bank loan and indebtedness *(Note 4)*	**$ 12,600,000**	$ -	$ 6,150,000
Accounts payable and accrued charges	**212,546**	68,662	99,113
Dividends payable *(Note 5)*	**2,984,844**	1,881,464	1,587,344
Due to related party *(Note 6)*	**172,211**	95,312	98,553
	15,969,601	2,045,438	7,935,010
EQUITY			
Capital stock *(Note 7)*	**142,141,036**	86,884,423	60,982,066
Contributed surplus	**645,023**	645,023	645,023
Retained earnings	**60,353**	75,796	140,332
	142,846,412	87,605,242	61,767,421
	$ 158,816,013	$ 89,650,680	$ 69,702,431

The accompanying notes are an integral part of the financial statements

On behalf of the Board

Rob Goodall

Murray Frum

ATRIUM MORTGAGE INVESTMENT CORPORATION
(Formerly known as DB Mortgage Investment Corporation #1)
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
Year ended December 31

	Common Shares	Contributed Surplus	Retained Earnings	Total
Balances, December 31, 2009	$ 60,982,066	$ 645,023	$ 140,332	$ 61,767,421
Share issuance	26,110,708	-	-	26,110,708
Issue costs	(208,351)	-	-	(208,351)
Earnings and comprehensive income	-	-	6,794,140	6,794,140
Dividends declared	-	-	(6,858,676)	(6,858,676)
Balances, December 31, 2010	86,884,423	645,023	75,796	87,605,242
Share issuance	55,914,370	-	-	55,914,370
Share redemption	(140,000)	-	-	(140,000)
Issue costs	(517,757)	-	-	(517,757)
Earnings and comprehensive income	-	-	9,440,811	9,440,811
Dividends declared	-	-	(9,456,254)	(9,456,254)
Balances, December 31, 2011	$ 142,141,036	$ 645,023	$ 60,353	$ 142,846,412

The accompanying notes are an integral part of the financial statements

ATRIUM MORTGAGE INVESTMENT CORPORATION
(Formerly known as DB Mortgage Investment Corporation #1)
STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Expressed in Canadian Dollars)

Year ended December 31	**2011**	2010
REVENUE		
Mortgage interest and other fees	**$ 11,414,661**	$ 8,453,973
OPERATING EXPENSES		
Mortgage servicing and other fees	**961,359**	626,713
Interest and bank charges *(Note 4)*	**609,803**	361,961
Provision for mortgage losses *(Note 3)*	**200,000**	452,405
Accounting, appraisal, audit and legal fees	**141,212**	99,408
Insurance	**35,690**	-
Other	**25,786**	11,127
Provincial capital taxes	**-**	108,219
	1,973,850	1,659,833
Earnings and comprehensive income for the year	**$ 9,440,811**	$ 6,794,140
Basic and diluted earnings per common share (weighted) *(Note 11(iii))*	**$ 0.88**	$ 0.91

The accompanying notes are an integral part of the financial statements

ATRIUM MORTGAGE INVESTMENT CORPORATION
(Formerly known as DB Mortgage Investment Corporation #1)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

Year ended December 31	**2011**	2010
SOURCES (USES) OF CASH		
Operating Activities		
Earnings and comprehensive income for the year	**$ 9,440,811**	$ 6,794,140
Changes in non-cash working capital items		
Amounts receivable	**(8,330)**	-
Accrued interest receivable	**(1,075,751)**	340,451
Accounts payable and accrued charges	**143,885**	(30,450)
Capital taxes recoverable	**9,661**	89,868
Provision for mortgage losses	**200,000**	320,444
Amortization of mortgage discount	**(14,227)**	(11,921)
Amortization of origination fees	**189,655**	118,873
Cash provided by operating activities	**8,885,704**	7,621,405
Investing activities		
Advances of mortgages receivable	**(116,424,513)**	(61,157,264)
Repayments of mortgages receivable	**34,045,062**	55,557,963
Cash used in investing activities	**(82,379,451)**	(5,599,301)
Financing activities		
Bank loan advanced	**100,800,000**	15,000,000
Bank loan repaid	**(88,200,000)**	(21,150,000)
Due to related party	**76,899**	(3,241)
Proceeds from issuance of common shares	**55,914,370**	26,110,708
Share capital issue costs	**(517,757)**	(208,351)
Redemption of common shares	**(140,000)**	-
Dividends paid	**(8,352,874)**	(6,564,556)
Cash provided by financing activities	**59,580,638**	13,184,560
Net decrease in cash	**(13,913,109)**	15,206,664
Cash, beginning of year	**15,228,126**	21,462
Cash, end of year	**$ 1,315,017**	$ 15,228,126
Cash provided by operating activities includes:		
Interest received	**$ 9,848,138**	$ 8,418,412
Interest paid	**509,970**	300,023

The accompanying notes are an integral part of the financial statements

1. Operations

Atrium Mortgage Investment Corporation (formerly known as DB Mortgage Investment Corporation #1) (the Company) is incorporated and domiciled in Canada. The address of the Company's registered office or principal place of business is 20 Adelaide Street East, Toronto, Ontario. The Company's main activity is a Mortgage Investment Corporation ("MIC") operating solely in Canada as defined in Section 130.1(6) of the Canadian Income Tax Act ("ITA") and as such is not taxed on income, provided that such income flows through to shareholders in the form of dividends within 90 days after December 31.

2. Significant accounting policies

Adoption of International Financial Reporting Standards

Effective January 1, 2011, the Company adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, to apply the new accounting framework: International Financial Reporting Standards (IFRS). These are the Company's first financial statements prepared in accordance with IFRS and the transitional provisions of IFRS 1, First-time Adoption of International Financial Reporting Standards which have been applied retrospectively. The accounting policies set out below have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

The December 31, 2010 financial statements were issued using the pre-changeover generally accepted accounting principles. The adoption of IFRS had no impact on the previously reported assets, liabilities and equity of the Company, and accordingly no adjustments have been recorded in the comparative statement of financial position, statement of comprehensive income, statement of changes in equity and the statement of cash flows. Certain of the Company's disclosures included in these financial statements reflect the new disclosure requirements of IFRS.

The comparative figures were reclassified to conform to the presentation of current financial statements. Mortgage origination fees net of amortization of $325,255 and $206,382 included in accounts payable for the years ended December 31, 2010 and January 1, 2010 were reclassified to mortgages receivable for the year ended December 31, 2011.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are presented in Canadian dollars. All amounts are disclosed in dollars.

The financial statements were approved and authorized for issue by the Company's Board of Directors on August 20, 2012.

These financial statements were prepared under the historical cost convention.

2. Significant accounting policies (*continued*)

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The more subjective of such estimates are fair values of financial instruments and provision for mortgages receivable. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates and assumptions

In the process of applying the Company's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

Provisions

Provisions for mortgages receivable have been recorded based on the Company's estimates. These estimates include assumptions based on the current economic environment, prior encumbrances and other factors affecting the mortgage and underlying security of the mortgages receivable. Changes in assumptions could affect the reported provision for mortgage losses.

Revenue recognition

Mortgage interest income is recognized in the statement of comprehensive income using the effective interest method. Interest income may, in certain circumstances include an origination fee from a borrower for arranging a mortgage which is included in interest income using the effective interest method. Mortgages issued at a premium or discount are recorded at their face value, adjusted for such premiums and discounts. Premiums or discounts are amortized into income over the term of the mortgage.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

2. Significant accounting policies (*continued*)

Financial instruments

The Company classifies its financial instruments into the following categories (i) financial instruments at fair value through profit or loss; (ii) loans and receivables; and (iii) other financial liabilities. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment annually and written down when there is evidence of impairment based on certain specific criteria mentioned further on.

(i) Financial assets at fair value through profit or loss

Financial instruments held for trading are held for the purpose of selling them in the short term. The financial instruments included in this category are initially and subsequently recognized at fair value. Directly attributable transaction costs are recognized in statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise. Instruments classified in this category include cash.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value, plus direct and incremental transaction costs, and are subsequently measured at amortized cost using the effective interest method less a provision for impairment. These instruments include mortgages receivable.

(iii) Other financial liabilities

Other financial liabilities are initially recognized at fair value including direct and incremental transaction costs, and are subsequently measured at amortized cost using the effective interest method. They include the bank loan, accounts payable and accrued charges, amounts due to related parties, and dividends payable.

The Company had neither held-to-maturity nor available-for-sale instruments as at December 31, 2011 and 2010 or during the years then ended.

2. Significant accounting policies (*continued*)

Mortgages receivable

The Company reviews the mortgages receivable annually for impairment. An impairment loss in respect of the mortgages receivable measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the statement of comprehensive income and reflected in the allowance account against the mortgages receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Income taxes

The Company has in the past, and intends to maintain its status as a mortgage investment corporation, and as such is not taxed on income provided that such income flows through to the shareholders in the form of dividends within 90 days after December 31. It is the Company's policy to pay such dividends out to the shareholders to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

Earnings per common share

Earnings per common share is calculated by dividing earnings during the period by the daily weighted average number of common shares outstanding during the period of 10,704,000 (2010 - 7,465,900), reflecting the stock split.

2. Significant accounting policies (*continued*)

IFRS standards issued but not yet effective

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective and will be adopted, if applicable, in the year in which they become effective:

Standards/Interpretation		Effective for annual periods beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards	Amendments regarding Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
IFRS 7 Financial Instruments: Disclosures,	Amendments regarding Disclosures — Transfers of Financial Assets	July 1, 2011
IFRS 9 Financial instruments	New; to replace IAS 39	January 1, 2015
IFRS 10 Financial Statements	New; to replace consolidation requirements in IAS27 and SIC-12	January 1, 2013
IFRS 11 Joint Arrangements	New; to replace IAS 31 and SIC-13	January 1, 2013
IFRS 12 Disclosure of Interests in Other entities	New; to replace disclosure requirements in IAS 27, IAS 28 and IAS 31	January 1, 2013
IFRS 13 Fair Value Measurement	New; to replace fair value measurement guidance in other IFRSs	January 1, 2013
IAS 1 Presentation of Financial Statements	2010 Improvements to IFRSs	July 1, 2012
IAS 12 Income Taxes	Amendments regarding Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IAS 19 Employee Benefits	Amended to eliminate the option of the "corridor approach"	January 1, 2013
IAS 27 Separate Financial Statements	2010 Improvements to IFRS's	January 1, 2012
IAS 28 Investments in Associates and Joint Ventures	Amended in 2011	January 1, 2012

Management does not believe that any of the recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

3. Mortgages receivable

	2011	2010	2009
Mortgages receivable	**$ 156,907,389**	$ 74,527,939	$ 68,839,442
Accrued interest receivable	**2,070,622**	994,871	1,335,322
Mortgage discounts, net of accumulated amortization	**(76,059)**	(90,286)	(13,010)
Mortgage origination fees, net of accumulated amortization	**(514,910)**	(325,255)	(206,382)
Provision for mortgage losses	**(894,376)**	(694,376)	(373,932)
	$ 157,492,666	$ 74,412,893	69,581,440

Reconciliation of provision for mortgage losses

	2011	2010
Balance, beginning of year	**$ (694,376)**	$ (373,932)
Recovered during the year	**190,204**	-
Allowance set up for the year	**(390,204)**	(452,405)
Write-offs	**-**	131,961
Balance, end of year	**$ (894,376)**	$ (694,376)

At December 31, 2011, the Company's portfolio consists of forty seven (47) mortgages (2010 – thirty two (32) mortgages). The mortgages are secured by real property and of the 47 mortgages, 3 are being renewed on a monthly basis and the remaining 44 have an average term of approximately 32 months (2010 - 40 months), earning an average interest rate of 9.2% (2010 – 9.3%). The average remaining term of these mortgages is 24.7 months (2010 – 30.6 months). During 2011, the Company earned origination fees of $490,772 (2010 - $376,012) relating to mortgages held in its portfolio.

Principal repayments based on contractual maturity dates are as follows:

Year ending December 31, 2012	$ 78,141,482
2013	42,910,336
2014	34,697,518
Thereafter	1,158,053
	$ 156,907,389

The fair value of mortgages receivable approximates their carrying amounts.

4. Bank loan and indebtedness

The Company has a $40,000,000 (2010 - $20,000,000) line of credit from a Canadian financial institution. Interest on the utilized portion of this line is paid at a rate of prime plus 1.5% per annum. The line of credit is repayable upon demand and subject to certain conditions of drawdown and other covenants. A standby fee on the unused portion of the line is paid at the rate of 0.55% per annum. Extension fees are paid on the extension of the credit facility. On December 31, 2011, $12,600,000 (2010 - $Nil) was owing by the Company under the line of credit. Interest and standby fees fees incurred during 2011 in respect of the line of credit were $509,970 (2010 - $300,023).

The line of credit is secured by a lien over all of the Company's assets by means of a general security agreement. In addition, the amount which may be drawn down under the line of credit is determined by the aggregate value of mortgages that are acceptable to the lender.

In addition, there are covenants required by the Company's banker regarding shareholders' equity, debt to total assets and interest coverage. At December 31, 2011, the Company was in compliance with these covenants.

5. Amount available for distribution

The Company follows the practice of paying dividends on a quarterly basis sufficient to remain non taxable under the provisions of the ITA related to Mortgage Investment Corporations. During the current year, the Company calculated amounts distributable to shareholders of $9,456,254 (2010 - $6,858,676). Dividends per share for 2011 of $0.88 (2010 - $0.91) is calculated by dividing dividends declared during the year by the daily weighted average number of common shares outstanding during the period of 10,704,000, reflecting the stock split (2010 - 7,465,900).

	2011	2010
Operating income during the current year	**$ 9,440,811**	$ 6,794,140
Non deductible expenses	**20,000**	43,265
Change in deferred revenue	**189,655**	118,873
Issue costs deductible pursuant to Section 20(1)(e) of the ITA	**(194,212)**	(97,602)
Amounts distributable to shareholders	**$ 9,456,254**	$ 6,858,676

	2011	2010
Dividends payable, beginning of year	**$ 1,881,464**	$ 1,587,344
Dividends declared during the year	**9,456,254**	6,858,676
Dividends paid during the year	**(8,352,874)**	(6,564,556)
Dividends payable, end of year	**$ 2,984,844**	$ 1,881,464

6. Due to related party

Canadian Mortgage Capital Corporation ("CMCC") and certain other shareholders of CMCC are shareholders of the Company. The Company incurred mortgage servicing fees from Canadian Mortgage Servicing Corporation ("CMSC"), a subsidiary of Canadian Mortgage Capital Corporation ("CMCC"). Amounts due to CMSC are in the normal course of business, non-interest bearing and due on demand.

7. Capital stock

The Company is authorized to issue an unlimited number of common shares. Shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Shares which are issued will participate pro rata in any dividend paid by the Company, including distributions upon termination and dissolution.

The Company has an optional Dividend Reinvestment Plan for shareholders, whereby participants may reinvest cash dividends in additional common shares of the Company at the market price.

Issued and outstanding		**2011**		2010
Balance, beginning of year	87,800.00	$ 86,884,423	61,576.00	$ 60,982,066
Issued during the year	55,681.00	55,681,000	26,224.00	26,110,708
Issued under dividend reinvestment plan	233.37	233,370	-	-
Redeemed during the year	(140.00)	(140,000)	-	-
Issue costs	-	(517,757)	-	(208,351)
Balance, end of year	143,574.37	$ 142,141,036	87,800.00	$ 86,884,423

8. Financial instruments

The Company regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting financial instruments include liquidity risk, credit risk and market risk (including interest rate risk, foreign currency risk and other price risk). The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date. There are no significant changes in the risk exposures from prior period.

Fair value

The fair value of cash, bank indebtedness and accounts payable and accrued charges approximates their carrying amounts because of the short-term maturity of these instruments.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability. Level 3 fair value measurements are derived from valuation techniques that include inputs for asset or liability that are not based on observable market data.

8. Financial instruments *(continued)*

Liquidity risk

The Company's financing is provided in the form of short-term bank credit facilities and projected repayments under the existing mortgage portfolio, which provide sufficient resources to fund its obligations as they come due, including funding of further advances to new and existing mortgages. In addition, the Company has cash of $1,315,017 deposited at major Canadian banks to meet its liquidity needs.

The Company is committed to funding $25,200,000 subsequent to year end for future advances under mortgages. These commitments are anticipated to be funded from the Company's short-term bank credit facilities and borrower repayments.

Credit risk

The Company is exposed to credit risk in the event of any instability in the real estate sector and and adverse change in economic conditions in Canada that would result in declines in the value of real property securing the Company's mortgages receivable. The Company mitigates its risk by adhering to the investment policies set out below.

The Company's maximum exposure to credit risk is represented by the fair values of mortgages receivable.

The Company's current investment policies are to invest in mortgages which are secured against real property situated in Canada. Generally, the Company will not invest in mortgages with terms in excess of ten (10) years or in mortgages with principal amounts in excess of $15,000,000 unless prior approval is obtained from the credit committee. The Company may invest in mortgages securing more than one property which are owned by the same mortgagor, but no single mortgagor will owe the Company more than $25,000,000 in principal amount unless prior approval is obtained from the credit committee. Mortgages secured by commercial real estate will not represent more than 50% of the Company's total assets. The Company will administer its working capital so as to maintain a debt to equity ratio of no greater than 3:1. None of the foregoing policies may be changed without the majority consent of the credit committee of the Company.

Interest rate risk

The Company is exposed to interest rate risk to the extent that cash maintained at financial institutions, the bank loan payable and mortgages receivable are subject to a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The impact of an increase or decrease of 1% in the interest rate risk on the Company's obligations and mortgages receivable is not considered significant.

9. Capital risk management

The Company's objectives when managing capital are to:

- maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; and
- optimize the use of its capital to provide an appropriate return on investment to its shareholders.

In the management of its capital, the Company includes all bank loans, $12,600,000 (2010 - $Nil) and shareholders' equity, $142,846,412 (2010 - $87,605,242). The capital risk management strategy remains unchanged from prior years. For external covenants refer to note 4.

10. Related party transactions

During the year the Company engaged in transactions in the normal course of operations which were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(i) CMCC acts as manager of the Company and is responsible for the day-to-day affairs of the Company. The Company incurred mortgage servicing fees of $961,359 (2010 - $626,713) from CMSC, a subsidiary of CMCC.

(ii) In addition, the Company incurred share issue costs of $488,846 (2010 - $165,895) and legal costs of $10,654 (2010 - $22,948) from certain shareholders, individuals related to a shareholder of the Company or companies directly or indirectly controlled by a shareholder of the Company.

(iii) Members of the Credit Committee have directly or indirectly invested in certain mortgages with the Company of $Nil (2010 - $14,500,000).

(iv) The Company also has mortgages outstanding of $8,000,000 (2010 - $Nil) to a partnership in which one of the limited partners has a principal who is a member the Company's Credit Committee.

(v) Guarantees of $5,295,000 (2010 - $3,044,000) have been provided by an entity a principal of which is a member of the Company's Credit Committee on mortgages at December 31, 2011.

11. Subsequent events

(i) Subsequent to the year end, an additional 8,058 common shares were issued for cash consideration of $1,000 per share, for a total of $7,925,000 after issue costs. In addition, common shares issued under the dividend reinvestment plan subsequent to year end totalled 32,372 common shares ($323,725).

(ii) Further to Note 8, the committed mortgage amount as at August 20, 2012 is $18,995,000.

(iii) Further to Articles of Amendment dated March 23, 2012, the Company changed its name to Atrium Mortgage Investment Corporation from DB Mortgage Investment Corporation # 1. The Articles of Amendment also contained changes to the share capital to subdivide and split each one common share into 100 common shares. The basic and diluted earnings per common share were adjusted for the stock split.

(iv) The Company is filing a non-offering prospectus with the securities regulatory authorities in each of the provinces of Canada, except Quebec, to enable the Company to become a reporting issuer pursuant to applicable securities legislation in each of these provinces.

(v) Further to the special meeting of directors held March 23, 2012, a revised management agreement with CMCC was approved which increases the management/administration fee to 0.85% per annum of the aggregate face value of all assets invested in mortgages by the Company. This revised agreement expires on December 31, 2020 with options for automatic five year renewals thereafter.

(vi) Dividends were declared subsequent to the year end in the aggregate amounts of $3,138,168 and $3,343,043 to the holders of issued and outstanding common shares of the company as of March 31, 2012 and June 30, 2012.

(vii) The Credit Committee that was in place at year end has been dissolved. Responsibilities of the Credit Committee will now be assumed by the Board of Directors.

DB MORTGAGE INVESTMENT CORPORATION #1

Financial Statements

December 31, 2010

SOBERMAN LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
DB Mortgage Investment Corporation #1

We have audited the accompanying financial statements of DB Mortgage Investment Corporation #1, which comprise the balance sheet as at December 31, 2010 and the statements of earnings, retained earnings and cash flows for the year then ended, 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 generally accepted accounting principles, 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 and 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 risk 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 circumstance, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of DB Mortgage Investment Corporation # 1 as at December 31, 2010, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Soberman LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 28, 2011

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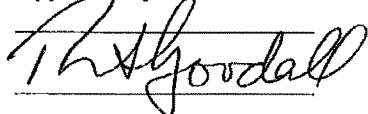
DB MORTGAGE INVESTMENT CORPORATION #1

Balance Sheet

At December 31	2010	2009
Assets		
Mortgages receivable, net (note 3)	$ 73,743,277	$ 68,452,499
Accrued interest receivable (note 3)	994,871	1,335,322
Cash	15,228,126	21,462
Capital taxes recoverable	9,661	99,529
	$ 89,975,935	**$ 69,908,812**
Liabilities		
Accounts payable and accrued liabilities	$ 393,917	$ 305,494
Due to related party (note 9)	95,312	98,553
Dividends payable (note 5)	1,881,464	1,587,344
Bank loan and indebtedness (note 8)	-	6,150,000
	2,370,693	8,141,391
Shareholders' Equity		
Share capital (note 4)	86,884,423	60,982,066
Contributed surplus	645,023	645,023
Retained earnings	75,796	140,332
	87,605,242	61,767,421
	$ 89,975,935	**$ 69,908,812**

Approved by the Directors:



DB MORTGAGE INVESTMENT CORPORATION #1

Statement of Income

Year ended December 31		2010		2009
Revenues				
Mortgage interest and other fees	$	8,453,973	$	7,947,421
Operating expenses				
Mortgage servicing and other fees		626,713		566,624
Interest and bank charges (note 8)		361,961		305,902
Provincial capital taxes		108,219		210,482
Accounting, appraisal, audit and legal fees		99,408		118,886
Other		11,127		15,857
		1,207,428		1,217,751
Operating income before the following		7,246,545		6,729,670
Loan loss provision		452,405		273,932
Net income	**$**	**6,794,140**	**$**	**6,455,738**
Net income per common share (weighted)	**$**	**91**	**$**	**99**

DB MORTGAGE INVESTMENT CORPORATION #1

Statement of Retained Earnings

Year ended December 31		2010		2009
Balance, beginning of year	$	140,332	$	(65,513)
Net income for the year		6,794,140		6,455,738
Dividends (note 5)		6,858,676		6,249,893
Balance, end of year	**$**	**75,796**	**$**	**140,332**

DB MORTGAGE INVESTMENT CORPORATION #1

Statement of Cash Flows

Year ended December 31		2010		2009
Cash provided by (used for)				
Operating activities				
Net income	$	6,794,140	$	6,455,738
Net changes in non-cash operating items				
Capital taxes recoverable		89,868		(35,502)
Accrued interest receivable		340,451		(592,611)
Accounts payable and accrued liabilities		88,423		(161,176)
Loan loss provision		320,444		273,932
Amortization of mortgage discount		(11,921)		(3,394)
		7,621,405		5,936,987
Financing activities				
Bank loan advanced		15,000,000		32,550,000
Bank loan repaid		(21,150,000)		(32,300,000)
Due to related party		(3,241)		42,140
Issuance of share capital		26,110,708		10,202,980
Share capital issue costs		(208,351)		(67,549)
Cash dividends paid during the year		(6,564,556)		(6,368,564)
Redemption of share capital		-		(21,068,057)
		13,184,560		(17,009,050)
Investment activities				
Mortgage investments		(61,157,264)		(9,725,056)
Repayment of mortgages		55,557,963		20,610,659
		(5,599,301)		10,885,603
Net cash increase (decrease)		15,206,664		(186,460)
Cash , beginning of year		21,462		207,922
Cash, end of year	**$**	**15,228,126**	**$**	**21,462**

1. Nature of operations

DB Mortgage Investment Corporation #1 (the "Company") was incorporated on July 30, 2001 under the laws of the Province of Ontario and commenced operations on November 28, 2001. The primary business of the Company is to invest in a portfolio of qualifying mortgages for the purpose of generating a stream of income.

Investment policies

The Company amended certain of its investment policies in June 2003, June 2004, June 2008 and in June 2009. The Company's current investment policies are to invest in mortgages which are secured against real property situated in Canada. Generally, the Company will not invest in mortgages with terms in excess of ten (10) years or in mortgages with principal amounts in excess of $10,000,000 unless prior approval is obtained from the credit committee. The Company may invest in mortgages securing more than one property which are owned by the same mortgagor, but no single mortgagor will owe the Company more than $15,000,000 in principal amount unless prior approval is obtained from the credit committee. Mortgages secured by commercial real estate will not represent more than 50% of the Corporation's total assets. The Company will administer its working capital so as to maintain a debt to equity ratio of no greater than 3:1. None of the foregoing policies may be changed without the majority consent of the credit committee of the Company.

2. Significant accounting policies

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies adopted by the Company are as follows:

Income and capital taxes

The Company is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1(6) of the Canadian Income Tax Act ("ITA") and as such is not taxed on income, provided that such income flows through to the shareholders in the form of dividends within 90 days after December 31. It is the Company's policy to pay such dividends out to the shareholders to remain non-taxable. Accordingly, no provision for Part I corporate income taxes has been made. However, a MIC is deemed a public corporation pursuant to the ITA. As such, the Company is liable to pay the Ontario capital tax where its taxable capital exceeds certain limits.

Revenue recognition

Interest income from mortgages is accrued as earned. Interest income may, in certain instances, include an origination fee from a borrower for arranging a mortgage which is included in interest income on a straight line basis over the term of the mortgage.

2. Significant accounting policies, continued

Provision for future mortgage losses

The Company may provide for specific losses based on a quarterly review of the status of individual mortgages. A provision for future mortgage losses was made in the current year based on a review of the mortgages outstanding and management's assessment of collection risk.

Net income per common share

Net income per common share is calculated by dividing net income earned during the period by the daily weighted average number of common shares outstanding during the period of 74,659 (2009 – 64,740).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

3. Mortgages and accrued interest receivable

At December 31, 2010, the Company's portfolio consists of thirty two (32) mortgages (2009 – twenty six (26) mortgages). Of the 32 mortgages, 2 were in default, the terms of another 4 were being renegotiated and the remaining 26 have an average term of approximately 40 months (2009 - 29 months), earning an average interest rate of 9.3% (2009 – 10.4%). The average remaining term of these mortgages is 30.6 months (2009 – 7.7 months). During 2010, the Company earned origination fees of $376,012 (2009 - $394,353) relating to mortgages held in its portfolio. Origination fees are included in mortgage interest revenue on a straight line basis over the term of the mortgage. Mortgages acquired at a premium or discount are recorded at their face value, adjusted for such premiums or discounts. Premiums or discounts are amortized into income on a straight line basis over the term of the mortgage. Mortgage principal and accrued interest receivable as at December 31, 2010 and 2009 is summarized in the table below:

	2010	2009
Mortgages and accrued interest receivable		
Mortgages receivable, beginning of year	$ 68,452,499	$ 79,608,640
Mortgages issued during the year	61,157,264	9,725,056
Mortgages repaid during the year	(55,557,963)	(20,610,659)
Loan loss provision	(320,444)	(273,932)
Amortization of mortgage discount	11,921	3,394
Mortgages receivable	73,743,277	68,452,499
Accrued interest	994,871	1,335,322
Balance as at December 31	**$ 74,738,148**	**$ 69,787,821**

The fair value of the mortgages receivable approximates carrying value when estimated using the present value of future cash flows based on current interest rates for loans with similar conditions and maturities.

4. Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares. Shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Shares which are issued will participate pro rata in any dividend paid by the Company, including distributions upon termination and dissolution.

Issued and outstanding

Balance, beginning of year	61,576	$ 60,982,066
Issued during the year	26,224	26,110,708
Issue costs	-	(208,351)
Outstanding December 31, 2010	87,800	86,884,423

Please refer to Note 10 for issuance of shares subsequent to year end.

5. Amount available for dividend distribution

The Company follows the practice of paying dividends on a quarterly basis sufficient to remain non-taxable under the provisions of the ITA related to Mortgage Investment Corporations. During the current year, the Company calculated amounts distributable to shareholders of $6,858,676 (2009 - $6,249,893).

	2010	2009
Operating income during the current year	$ 6,794,140	$ 6,455,738
Non deductible expenses	43,265	27,393
Change in deferred revenue	118,873	(160,037)
Issue costs deductible pursuant to Section 20(1)(e) of the ITA	(97,602)	(73,201)
Amounts distributable to shareholders	**$ 6,858,676**	**$ 6,249,893**

	2010	2009
Dividends payable, beginning of year	$ 1,587,344	$ 1,706,015
Dividends declared during the year	6,858,676	6,249,893
Dividends paid during the year	(6,564,556)	(6,368,564)
Dividends payable, end of year	**$ 1,881,464**	**$ 1,587,344**

6. Supplementary cash flow information

The Company paid interest and other bank charges of $301,961 (2009 - $230,902) during the current year. During 2010, the Company paid capital taxes of $17,538 (2009 - $245,983).

7. Financial instruments

Investments in mortgages are affected by general economic conditions, interest rates, local real estate markets, demand for leased premises, new supply, occupancy rates, operating expenses and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants.

Fair Value

The fair values of accrued interest receivable, and accounts payable and accrued liabilities approximate their carrying values.

The fair value estimate for due to related party cannot be determined with sufficient reliability as no active market exists for such a related party instrument.

The fair value of mortgages receivable has been disclosed in its respective note.

The Company has exposure to the following risks associated with its financial instruments:

Credit Risk

Credit risk is the risk of loss due to failure of a borrower or counterparty to fulfill its contractual obligations. The Company assesses the credit worthiness of each counterparty before entering into contracts and ensures that the counterparties meet minimum credit quality requirements.

The largest individual mortgage that the Company has funded to date is $ 9.5 million.

Interest rate risk

The Company is exposed to interest rate risk as a significant amount of revenues is derived from mortgage interest payments. Interest rate risk is the risk of gain or loss due to volatility of interest rates. Interest rate risk arises from the possibility that changes in the interest rate will affect the value of financial instruments. Unfavourable changes in the applicable interest rate may impact earnings and accrued interest receivable.

8. Bank loan

The Company has a $20,000,000 (2009 - $15,000,000) line of credit from a Canadian financial institution. Interest on the utilized portion of this line is paid at a rate of prime plus 2% per annum. The line of credit is repayable upon demand and subject to certain conditions of drawdown and other covenants. A standby fee on the unused portion of the line is paid at the rate of 0.6% per annum. On December 31, 2010, $Nil (2009 - $6,150,000) was owing by the Company under the line of credit. Interest and standby fees incurred during 2010 in respect of the line of credit was $300,023 (2009 - $229,112).

The line of credit is secured by a lien over all of the Company's assets by means of a general security agreement. In addition, the amount which may be drawn down under the line of credit is determined by the aggregate value of mortgages that are acceptable to the lender.

In addition, there are covenants required by the Company's banker regarding shareholders' equity, debt to total assets and interest coverage. At December 31, 2010, the Company was in compliance with the covenants.

9. Related party transactions

Manager

Canadian Mortgage Capital Corporation ("CMCC") acts as manager of the Company and is responsible for the day-to-day affairs of the Company. CMCC and certain other shareholders of CMCC are shareholders of the Company.

Amounts due to related party

Amounts due to CMCC are in the normal course of business, non-interest bearing and due on demand.

Mortgage servicing fees

During 2010, the Company paid mortgage servicing fees of $626,713 (2009 - $566,624) to Canada Mortgage Servicing Corporation, a wholly owned subsidiary of CMCC.

Issue costs

Included in current year issue costs is an amount of $75,419 (2009 - $46,699) paid to Dundee Securities Corporation, an indirect subsidiary of Dundee Corporation, a shareholder of the Company. These fees were paid to Dundee Securities Corporation in connection with the offering of shares of the Company on a best efforts basis.

10. Subsequent events

Subsequent to year end, the Company introduced a Dividend Reinvestment Plan whereby holders of Common shares have the option of purchasing additional shares in the Company instead of directly receiving cash dividends. The effective date of this plan is expected to be April 1, 2011.

On January 10, 2011, an additional 1,360 common shares were issued for cash consideration of $1,000 per share, for a total of $1,334,400 after issue costs.

DB MORTGAGE INVESTMENT CORPORATION #1

Financial Statements

December 31, 2009

AUDITORS' REPORT

To the Shareholders of
DB Mortgage Investment Corporation #1

We have audited the balance sheets of DB Mortgage Investment Corporation #1 (the "Company") as at December 31, 2009 and 2008 and the statements of income, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
February 19, 2010

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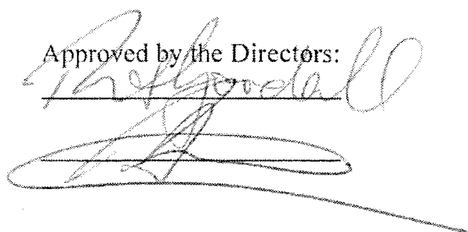
DB MORTGAGE INVESTMENT CORPORATION #1

Balance Sheet

At December 31, 2009

	2009	2008
Assets		
Mortgages receivable, net (note 3)	$ 68,452,499	$ 79,608,640
Accrued interest receivable (note 3)	1,335,322	742,711
Cash	21,462	207,922
Capital taxes recoverable	99,529	64,027
	$ 69,908,812	**$ 80,623,300**
Liabilities		
Bank loan and indebtedness (note 8)	$ 6,150,000	$ 5,900,000
Accounts payable and accrued liabilities	305,494	466,670
Due to related party (note 9)	98,553	56,413
Dividends payable (note 5)	1,587,344	1,706,015
	8,141,391	8,129,098
Shareholders' Equity		
Share capital (note 4)	60,982,066	72,559,715
Contributed surplus (note 4)	645,023	-
Retained earnings (deficit)	140,332	(65,513)
	61,767,421	72,494,202
	$ 69,908,812	**$ 80,623,300**

Approved by the Directors:



DB MORTGAGE INVESTMENT CORPORATION #1

Statement of Income

Year ended December 31, 2009	2009	2008
Revenues		
Mortgage interest and other fees	$ 7,947,421	$ 8,101,750
Operating expenses		
Interest and bank charges (note 8)	305,902	434,914
Mortgage servicing and other fees	566,624	586,778
Provincial capital taxes	210,482	205,487
Accounting, appraisal, audit and legal fees	138,366	103,086
Other	15,857	18,217
	1,237,231	1,348,482
Operating income before the following	6,710,190	6,753,268
Loan loss provision	273,932	100,000
Net income	**$ 6,436,258**	**$ 6,653,268**
Net income per common share (weighted)	**$ 99**	**$ 98**

DB MORTGAGE INVESTMENT CORPORATION #1

Statement of Retained Earnings (Deficit)

Year ended December 31, 2009

		2009		2008
Balance, beginning of year	$	(65,513)	$	(118,191)
Net income for the year		6,436,258		6,653,268
Dividends (note 5)		6,234,308		6,600,590
Balance, end of year	**$**	**136,437**	**$**	**(65,513)**

DB MORTGAGE INVESTMENT CORPORATION #1

Statement of Cash Flows

Year ended December 31, 2009

	2009	2008
Cash provided by (used for)		
Operating activities		
Net income	$ 6,436,258	$ 6,653,268
Net changes in non-cash operating items		
Capital taxes recoverable	(35,502)	(121,812)
Accrued interest receivable	(592,611)	(115,974)
Accounts payable and accrued liabilities	(161,176)	(12,449)
Loan provision	273,932	100,000
Amortization of mortgage discount	(3,394)	(3,394)
Accounts receivable	-	39,000
	5,917,507	6,538,639
Financing activities		
Bank loan advanced	32,550,000	30,470,000
Bank loan repaid	(32,300,000)	(40,370,000)
Increase in amounts due to related party	42,140	8,656
Issuance of share capital	10,202,980	15,389,000
Redemption of share capital	(21,068,057)	-
Share capital issue costs	(48,069)	(75,510)
Cash dividends paid during the year	(6,368,564)	(6,401,997)
	(16,989,570)	(979,851)
Investment activities		
Mortgage investments	(9,725,056)	(37,776,969)
Repayment of mortgages	20,610,659	32,350,866
	10,885,603	(5,426,103)
Net cash increase (decrease)	(186,460)	132,685
Cash , beginning of year	207,922	75,237
Cash, end of year	**$ 21,462**	**$ 207,922**

1. Nature of operations

DB Mortgage Investment Corporation #1 (the "Company") was incorporated on July 30, 2001 under the laws of the Province of Ontario and commenced operations on November 28, 2001. The primary business of the Company is to invest in a portfolio of qualifying mortgages for the purpose of generating a stream of income.

Investment policies

The Company amended certain of its investment policies in June 2003, June 2004, June 2008 and in June 2009. The Company's current investment policies are to invest in mortgages which are secured against real property situated in Canada. Generally, the Company will not invest in mortgages with terms in excess of ten (10) years or in mortgages with principal amounts in excess of $10,000,000 unless prior approval is obtained from the credit committee. The Company may invest in mortgages securing more than one property which are owned by the same mortgagor, but no single mortgagor will owe the Company more than $15,000,000 in principal amount unless prior approval is obtained from the credit committee. The Company will administer its working capital so as to maintain a debt to equity ratio of no greater than 3:1. None of the foregoing policies may be changed without the majority consent of the credit committee of the Company.

2. Significant accounting policies

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies adopted by the Company are as follows:

Income and capital taxes

The Company is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1(6) of the Canadian Income Tax Act ("ITA") and as such is not taxed on income, provided that such income flows through to the shareholders in the form of dividends within 90 days after December 31. It is the Company's policy to pay such dividends out to the shareholders to remain non-taxable. Accordingly, no provision for Part I corporate income taxes has been made. However, a MIC is deemed a public corporation pursuant to the ITA. As such, the Company is liable to pay the federal large corporation tax under Part 1.3 of the ITA and Ontario capital tax where its taxable capital exceeds certain limits.

Revenue recognition

Interest income from mortgages is accrued as earned. Interest income may, in certain instances, include an origination fee from a borrower for arranging a mortgage which is included in interest income on a straight line basis over the term of the mortgage.

Provision for future mortgage losses

The Company may provide for specific losses based on a quarterly review of the status of individual mortgages. A provision for future mortgage losses was made in the current year based on a review of the mortgages outstanding and management assessment of collection risk.

2. Significant accounting policies, continued

Net income per common share

Net income per common share is calculated by dividing net income earned during the period by the daily weighted average number of common shares outstanding during the period of 64,740 (2008 – 67,857).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

3. Mortgages and accrued interest receivable

At December 31, 2009, the Company's portfolio consists of twenty six (26) mortgages (2008 – thirty (30) mortgages), with an average term of approximately 29 months (2008 - 29 months), earning an average interest rate of 10.4% (2008 – 10.3%). The average remaining term of these mortgages is 7.7 months (2008 – 11.5 months). During 2009, the Company earned origination fees of $394,353 (2008 - $364,398) relating to mortgages held in its portfolio. Origination fees are included in mortgage interest revenue on a straight line basis over the term of the mortgage. Mortgages acquired at a premium or discount are recorded at their face value, adjusted for such premiums or discounts. Premiums or discounts are amortized into income on a straight line basis over the term of the mortgage. Mortgage principal and accrued interest receivable as at December 31, 2009 and 2008 is summarized in the table below:

	2009	**2008**
Mortgages and accrued interest receivable		
Mortgages receivable, beginning of year	$ 79,608,640	$ 74,279,143
Mortgages issued during the year	9,725,056	37,776,969
Mortgages repaid during the year	(20,610,659)	(32,350,866)
Loan loss provision	(273,932)	(100,000)
Amortization of mortgage discount	3,394	3,394
Mortgages receivable	68,452,499	79,608,640
Accrued interest	1,335,322	742,711
Balance as at December 31	**$ 69,787,821**	**$ 80,351,351**

DB MORTGAGE INVESTMENT CORPORATION #1
Notes to Financial Statements
December 31, 2009

4. Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares. Shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Shares which are issued will participate pro rata in any dividend paid by the Company, including distributions upon termination and dissolution.

Issued and outstanding		
Balance, beginning of year	73,044	$ 72,559,715
Issued during the year	10,390	10,202,980
Redeemed during the year	(21,858)	(21,713,080)
Issue costs	-	(48,069)
Outstanding December 31,2009	61,576	**$ 61,001,546**

During the year, the company redeemed for cancellation 21,858 shares for proceeds of $21,068,057. The resulting difference from the assigned amount and the redemption amount has been recorded as contributed surplus.

5. Amount available for dividend distribution

The Company follows the practice of paying dividends on a quarterly basis sufficient to remain non-taxable under the provisions of the ITA related to Mortgage Investment Corporations. During the current year, the Company calculated amounts distributable to shareholders of $6,234,308 (2008 - $6,600,590).

	2009	2008
Operating income during the current year	$ 6,436,258	$ 6,653,268
Non deductible expenses	27,393	10,000
Change in deferred revenue	(160,037)	6,827
Issue costs deductible pursuant to Section 20(1)(e) of the ITA	(69,306)	(69,505)
Amounts distributable to shareholders	**$ 6,234,308**	**$ 6,600,590**

	2009	2008
Dividends payable, beginning of period	$ 1,706,015	$ 1,507,422
Dividends declared during the period	6,234,308	6,600,590
Dividends paid during the period	(6,368,564)	(6,401,997)
Dividends payable, end of period	**$ 1,571,759**	**$ 1,706,015**

6. Supplementary cash flow information

The Company paid interest and other bank charges of $230,902 (2008 - $394,914) during the current year. During 2009, the Company paid capital taxes of $245,983 (2008 - $326,189).

7. Financial instruments

Investments in mortgages are affected by general economic conditions, interest rates, local real estate markets, demand for leased premises, new supply, occupancy rates, operating expenses and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants.

The fair value of mortgages and accrued interest receivable, bank loan, accounts payable and accrued liabilities and amounts due to or from related party approximate their carrying values.

8. Bank loan

The Company has a $15,000,000 line of credit from a Canadian financial institution. Interest on the utilized portion of this line is paid at a rate of prime plus 3% per annum. The line of credit is repayable upon demand and subject to certain conditions of drawdown and other covenants. A standby fee on the unused portion of the line is paid at the rate of 1% per annum. On December 31, 2009, $6,150,000 (2008 - $5,900,000) was owing by the Company under the line of credit. Interest and standby fees incurred during 2009 in respect of the line of credit was $229,112 (2008 - $392,479).

The line of credit is secured by a lien over all of the Company's assets by means of a general security agreement. In addition, the amount which may be drawn down under the line of credit is determined by the aggregate value of mortgages that are acceptable to the lender.

In addition, there are covenants required by the company's banker regarding shareholder equity, debt to total asset and interest coverage. At December 31, 2009, the company was in compliance with the covenants.

9. Related party transactions

Manager

Canadian Mortgage Capital Corporation ("CMCC") acts as manager of the Company and is responsible for the day-to-day affairs of the Company. CMCC and certain other shareholders of CMCC are shareholders of the Company.

Amounts due to related party

Amounts due to CMCC are in the normal course of business, non-interest bearing and due on demand.

Mortgage servicing fees

During 2009, the Company paid mortgage servicing fees of $566,624 (2008 - $586,778) to Canada Mortgage Servicing Corporation, a wholly owned subsidiary of CMCC.

Issue costs

Included in current year issue costs is an amount of $46,699 (2008 - $73,545) paid to Dundee Securities Corporation, an indirect subsidiary of Dundee Corporation, a shareholder of the Company. These fees were paid to Dundee Securities Corporation in connection with the offering of shares of the Company on a best efforts basis.

SCHEDULE "B"

ATRIUM MORTGAGE INVESTMENT CORPORATION
("Atrium")

AUDIT COMMITTEE CHARTER

Organization

This Charter governs the operations of the Audit Committee of Atrium (the "Committee"). The board of directors will appoint a Committee of at least three members and will designate one member as chair or delegate the authority to designate a chair to the Committee. All of the members will be directors who are "independent", as defined by National Instrument 52-110 – *Audit Committees*.

Each member of the Committee will be financially literate, or become financially literate within a reasonable period of time.

The Committee will meet at least quarterly. The Committee will meet separately and periodically with management, internal audit and with the independent auditors. The Committee will report regularly to the board with respect to its activities.

Purpose

The purpose of the Committee will be to provide assistance to the board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to: (i) the integrity of Atrium's financial statements; (ii) Atrium's compliance with legal and regulatory requirements; and (iii) the independent auditors' qualifications and independence.

The Committee may retain (and set and pay the compensation) of such outside legal, accounting or other advisors as it considers necessary to carry out its duties.

In fulfilling its purpose, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors and management, and to determine that all parties are aware of their responsibilities.

Duties and Responsibilities

The Committee has the responsibilities and powers set forth in this Charter. Management is responsible for the preparation, presentation, and integrity of Atrium's financial statements, for the appropriateness of the accounting principles and reporting policies that are used and for implementing and maintaining internal control over financial reporting. The independent auditors are responsible for auditing Atrium's annual financial statements and for reviewing Atrium's unaudited interim financial statements.

The following will be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee will be responsible to advise the board, for the board's recommendation to shareholders, in respect of the appointment, compensation and retention of the independent auditors.

- The Committee will be directly responsible for the oversight of the work of the independent auditors (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for Atrium, and the independent auditors report directly to the Committee.

- Annually, the Committee will obtain and review a report by the independent auditors describing: (i) the firm's internal quality control processes; (ii) all relationships between the independent auditors and Atrium (to assess the auditors' independence); and (iii) such other matters as are required by law or regulation.

- The Committee will determine that the independent audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under Canadian independence standards.

- The Committee will pre-approve all audit and non-audit services provided by the independent auditors and will only engage the independent auditors to perform non-audit services permitted by law or regulation. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

- The Committee will discuss with the independent auditors the overall scope and plans for their audits.

- The Committee will review with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and management's response. The Committee will review any accounting adjustments that were noted or proposed by the auditors but were not recorded (as immaterial or otherwise) and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm.

- The Committee will review and recommend approval of the quarterly and annual audited financial statements to the board, including Management's Discussion and Analysis, with management and the independent auditors prior to the issuance and/or filing of same. (References in this paragraph to the external auditors apply to the annual financial statements only.) The Committee's review of the financial statements will include: (i) major issues regarding accounting principles and financial statement presentation, including any significant changes in Atrium's selection or application of accounting principles, and major issues as to the adequacy of Atrium's internal controls and any specific remedial actions adopted in light of material control deficiencies; (ii) discussions with management and the independent auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iii) consideration of the judgment of both management and the independent auditors about the quality of accounting principles; and (iv) the clarity of the disclosures in the financial statements. Also, the Committee will discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under professional standards.

- The Committee will review and approve all related party transactions not in the ordinary course of business in the absence of a special committee of the board designated for such function.

- The Committee will review earnings press releases for recommendation to the board.

- The Committee will discuss with management and the independent auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management in respect of Canadian securities laws requirements.

- The Committee will review with management Atrium's compliance systems with respect to legal and regulatory requirements.

- The Committee will ensure that Atrium establish appropriate policies and procedures for the receipt, retention, and treatment of complaints received by Atrium regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of Atrium of concerns regarding questionable accounting or auditing matters.

- The Committee will ensure that Atrium has in effect clear hiring policies for employees or former employees of the independent auditors that meet Canadian independence standards and applicable stock exchange listing standards.

- The Committee will perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

- The Committee will review and reassess this Charter at least annually.

CERTIFICATE OF THE CORPORATION

Dated: August 24, 2012

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of each of the provinces of Canada, except Québec.

(Signed) ROBERT G. GOODALL President and Chief Executive Officer	(Signed) JEFFREY D. SHERMAN Chief Financial Officer and Secretary

On behalf of the Board of Directors

(Signed) MURRAY FRUM Chair of the Board, Director	(Signed) DAVID PRUSSKY Director