Second Quarter
2018

Three Months Ended
June 30, 2018

CANADA'S PREMIER NON-BANK LENDER™

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About Atrium Mortgage Investment Corporation

Safety – Consistency – Yield

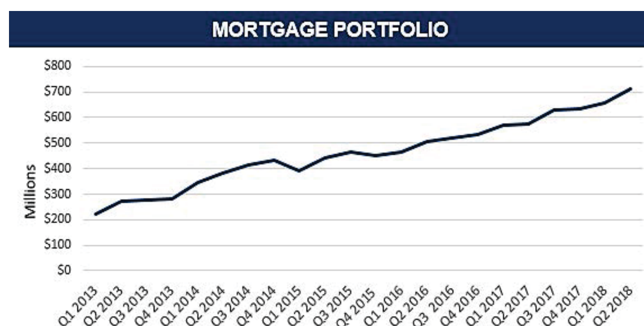
Atrium lends in major urban centres and where the stability and liquidity of real estate is high. As a mortgage lender, we fill the lending gap that results from the limited number of financial institutions operating in Canada. Our loan portfolio is high quality but we are able to charge higher rates than the banks because we offer flexibility, creativity and excellent service. Our mortgages are secured by all types of residential, multi-residential and commercial real property located in Canada, and must all be in strict compliance with our investment policies.

Atrium has an 18-year track record of success and consistency in achieving our strategic objectives: to grow in a controlled manner by focusing on real estate sectors with the lowest risk profiles.

Since commencing operations in 2001, our investment objectives have been to preserve our shareholders' equity and provide our shareholders with stable and secure dividends from our investments in mortgage loans within the criteria permitted for a Mortgage Investment Corporation (MIC). Working within conservative risk parameters, we endeavour to maximize income and dividends through careful underwriting and efficient management of our mortgage investments.

We were listed on the Toronto Stock Exchange in 2012; since then we have increased our regular dividends every year. Our regular dividend is paid monthly, currently at a rate of $0.075 per share per month.

Year	Regular dividend	Bonus dividend	Total dividends paid	Earnings per share (basic)
2013	$0.80	$0.05	$0.85	$0.85
2014	$0.82	$0.07	$0.89	$0.91
2015	$0.84	$0.09	$0.93	$0.94
2016	$0.86	$0.10	$0.96	$0.97
2017	$0.88	$0.04	$0.92	$0.95
2018	$0.90	to be determined		



FOR IMMEDIATE RELEASE

**ATRIUM MORTGAGE INVESTMENT CORPORATION
ACHIEVES STRONG RESULTS
IN SECOND QUARTER OF 2018**

TORONTO: July 26, 2018 – Atrium Mortgage Investment Corporation (TSX: AI) today released its unaudited financial results for the three- and six-month periods ended June 30, 2018.

Highlights for the quarter

- **Record net income of $8.6 million for the quarter, up 26.5% from prior year**
- **Record revenues of $14.6 million, up 21.1% from prior year**
- **$0.24 basic and diluted earnings per share for the quarter**
- **Portfolio of $710 million, up 12.2% from December 31, 2017**
- **High quality mortgage portfolio**
  - **80.6% of portfolio in first mortgages**
  - **86.9% of portfolio is less than 75% loan to value**
  - **average loan-to-value is 61.0%**

"We had a solid second quarter of 2018. Our mortgage portfolio grew to over $709 million, but more importantly we continued to lend conservatively, with a high percentage of first mortgages and an average loan to value of 61.0 %. Our weighted average interest rate increased for the third consecutive quarter, climbing to 8.54%, up from 8.50% at March 31, 2018 and 8.44% at December 31, 2017. On July 18, 2018, subsequent to quarter end, we successfully completed a $30 million public offering of 5.50% convertible unsecured subordinated debentures, which was upsized from the initial offer of $25 million due to strong shareholder demand." said Rob Goodall, CEO of Atrium.

Interested parties are invited to participate in a conference call with management on Friday, July 27, 2018 at 9:00 a.m. ET to discuss the results. To participate or listen to the conference call live, please call 1 (888) 241-0551 or (647) 427-3415. For a replay of the conference call (available until August 9, 2018) please call 1 (855) 859-2056, Conference ID 5083029.

Results of operations

Atrium achieved record results, as its assets grew to $702.7 million, and revenues grew for the quarter to a record $14.6 million, an increase of 21.1% from the prior year.

Net income for the three months ended June 30, 2018 were a record $8.6 million, an increase of 26.5% from the prior year. Basic and diluted earnings per common share were $0.24, for the three months ended June 30, 2018, compared with $0.23 basic and diluted earnings per common share, respectively, for the comparable quarter in the prior year. Net earnings for the six months ended June 30, 2018 were $28.0 million, an increase of 16.5% from the prior year. Basic and diluted earnings per common share were $0.48 and $0.47, respectively, for the six months ended June 30, 2018, compared with $0.47 basic and diluted earnings per common share for the comparable period in the previous year.

The company had $701.6 million of mortgages receivable as at June 30, 2018, an increase of 11.9% from the December 31, 2017. During the quarter, $70.3 million of mortgages were advanced, and $21.2 million of mortgages were repaid.

The weighted average interest rate on the mortgage portfolio increased to 8.54% at June 30, 2018, compared with 8.44% at December 31, 2017 and 8.42% at June 30, 2017.

Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited, 000s, except per share amounts)

Financial summary

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Revenue	$ 14,616	$ 12,069	$ 27,990	$ 24,035
Mortgage servicing and management fees	(1,610)	(1,292)	(3,064)	(2,584)
Other expenses	(317)	(303)	(569)	(588)
Provision for mortgage losses	(400)	(745)	(700)	(1,048)
Income before financing costs	12,289	9,729	23,657	19,815
Financing costs	(3,684)	(2,927)	(7,125)	(5,855)
Net income and comprehensive income	$ 8,605	$ 6,802	$ 16,532	$ 13,960
Basic earnings per share	$ 0.24	$ 0.23	$ 0.48	$ 0.47
Diluted earnings per share	$ 0.24	$ 0.23	$ 0.47	$ 0.47
Dividends declared	$ 8,140	$ 6,635	$ 15,817	$ 13,039
Mortgages receivable, end of period	$ 701,568	$ 567,895	$ 701,568	$ 567,895
Total assets, end of period	$ 702,709	$ 568,663	$ 702,709	$ 568,663
Shareholders' equity, end of period	$ 382,911	$ 314,683	$ 382,911	$ 314,683

Analysis of mortgage portfolio

(dollars in 000s)

	June 30, 2018			December 31, 2017		
Mortgage category	Number	Outstanding amount	% of Portfolio	Number	Outstanding amount	% of Portfolio
Low-rise residential	32	$ 209,334	29.5%	36	$ 234,343	37.1%
House and apartment	104	104,614	14.7%	120	86,287	13.6%
Mid-rise residential	12	99,840	14.1%	4	31,471	5.0%
Construction	9	80,410	11.3%	8	64,828	10.3%
High-rise residential	6	28,047	4.0%	7	44,949	7.1%
Condominium corporation	14	2,713	0.4%	14	2,887	0.4%
Residential portfolio	177	524,958	74.0%	189	464,765	73.5%
Commercial	24	184,636	26.0%	27	167,622	26.5%
Mortgage portfolio	201	709,594	100.0%	216	632,387	100.0%

Location of underlying property	June 30, 2018				
	Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average loan to value	Weighted average interest rate
(outstanding amounts in 000s)					
Greater Toronto Area	151	$ 428,613	60.4%	62.3%	8.65%
Non-GTA Ontario	25	17,402	2.5%	67.0%	8.50%
Saskatchewan	2	19,798	2.8%	100.0%	7.90%
Alberta	4	16,931	2.4%	54.1%	8.92%
British Columbia	19	226,850	31.9%	55.3%	8.36%
	201	$ 709,594	100.0%	61.0%	8.54%

Location of underlying property	December 31, 2017				
	Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average loan to value	Weighted average interest rate
(outstanding amounts in 000s)					
Greater Toronto Area	159	$ 397,293	62.8%	62.5%	8.51%
Non-GTA Ontario	35	26,383	4.2%	65.9%	8.54%
Saskatchewan	2	17,107	2.7%	100.0%	8.06%
Alberta	5	22,518	3.6%	59.4%	8.87%
British Columbia	15	169,086	26.7%	54.7%	8.24%
	216	$ 632,387	100.0%	61.5%	8.44%

For further information on the financial results, and further analysis of the company's mortgage portfolio, please refer to Atrium's unaudited interim consolidated financial statements and its management's discussion and analysis for the three- and six-month periods ended June 30, 2018, available on SEDAR at www.sedar.com, and on the company's website at www.atriummic.com.

Conference call

Interested parties are invited to participate in a conference call with management on Friday, July 27, 2018 at 9:00 a.m. ET to discuss the results. To participate or listen to the conference call live, please call 1 (888) 241-0551 or (647) 427-3415. For a replay of the conference call (available until August 9, 2018) please call 1 (855) 859-2056, Conference ID 5083029.

About Atrium

***Canada's Premier Non-Bank Lender*™**

Atrium is a non-bank provider of residential and commercial mortgages that lends in major urban centres in Canada where the stability and liquidity of real estate are high. Atrium's objectives are to provide its shareholders with stable and secure dividends and preserve shareholders' equity by lending within conservative risk parameters. Atrium is a Mortgage Investment Corporation (MIC) as defined in the Canada *Income Tax Act*, so is not taxed on income provided that its taxable income is paid to its shareholders in the form of dividends within 90 days after December 31 each year. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same position as if the mortgage investments made by the company had been made directly by the shareholder. For further information about Atrium, please refer to regulatory filings available at www.sedar.com or investor information on Atrium's website at www.atriummic.com.

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Jennifer Scoffield
Chief Financial Officer

MD&A

Management's Discussion And Analysis

Second Quarter
June 30, 2018

CANADA'S PREMIER NON-BANK LENDER™

Management's Discussion and Analysis

June 30, 2018

Our business

Atrium is a mortgage lender filling the lending gap that results from the limited number of financial institutions operating in Canada. We lend in major urban centres and where the stability and liquidity of real estate are high. Our loan portfolio is high quality but we are able to charge higher rates than the banks because we offer flexibility, creativity and excellent service. Our mortgages are secured by all types of residential, multi-residential and commercial real estate located in Canada, and must all be in strict compliance with our investment policies. Atrium has a 18-year track record of success and consistency in achieving our strategic objectives: to grow in a controlled manner by focusing on real estate sectors with the lowest risk profiles.

Our objective is to invest in a diverse portfolio of predominantly first mortgages that are relatively short-term, to provide our shareholders with stable and secure dividends while preserving shareholders' equity, all within the parameters mandated for a Mortgage Investment Corporation (MIC). Working within conservative risk parameters, we endeavour to maximize income and dividends through careful underwriting and efficient management of our mortgage investments.

Information herein is current as of July 26, 2018.

Highlights

Atrium continues to demonstrate strength and stability. For the quarter ended June 30, 2018, we had record revenues of $14.6 million, up 21.1% from the comparable period. Earnings were a record $8.6 million, or $0.24 basic per share, compared with $6.8 million, or $0.23 basic per share in the comparable period.

During the quarter we issued common shares for gross proceeds of $4.5 million to shareholders under the overallotment option of the public offering of common shares completed March 28, 2018. This issuance represented full exercise of the overallotment option.

We declared a regular dividend of $0.075 per share for each month in the quarter, a total of $0.45 for the year to date compared to $0.44 for the comparative period

Since listing on the Toronto Stock Exchange in 2012, we have increased our regular dividends every year:

Year	*Regular dividend*	*Bonus dividend*	*Total dividends paid*	*Earnings per share (basic)*
2013	$0.80	$0.05	$0.85	$0.85
2014	$0.82	$0.07	$0.89	$0.91
2015	$0.84	$0.09	$0.93	$0.94
2016	$0.86	$0.10	$0.96	$0.97
2017	$0.88	$0.04	$0.92	$0.95
2018	$0.90	to be determined		

We had $701.6 million of mortgages receivable as at June 30, 2018, an increase of 11.9% from December 31, 2017. During the quarter, $70.3 million of mortgages were advanced and $21.2 million of mortgages were repaid. The portfolio has a weighted average remaining term of 10.6 months.

Our focus continues to be lending in the major metropolitan areas of Ontario and British Columbia.

Revenues $14.6 million increased 21.1% from comparative quarter

Earnings per share $0.24 basic for the quarter
$0.48 basic year-to-date

Strong, high quality mortgage portfolio

81%
first mortgages

87%
less than 75% loan-to-value

Mortgages receivable $701.6 million, up 11.9% since year-end

We focus on first mortgages with high liquidity and low loan-to-value ratios

Investment portfolio

Our mortgage portfolio consisted of 201 mortgage loans and aggregated $709.6 million at June 30, 2018, an increase of 12.2% from December 31, 2017.

	June 30, 2018			December 31, 2017		
Mortgage category	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in 000s)						
Low-rise residential	32	$ 209,334	29.5%	36	$ 234,343	37.1%
House and apartment	104	104,614	14.7%	120	86,287	13.6%
Mid-rise residential	12	99,840	14.1%	4	31,471	5.0%
Construction	9	80,410	11.3%	8	64,828	10.3%
High-rise residential	6	28,047	4.0%	7	44,949	7.1%
Condominium corporation	14	2,713	0.4%	14	2,887	0.4%
Residential portfolio	177	524,958	74.0%	189	464,765	73.5%
Commercial	24	184,636	26.0%	27	167,622	26.5%
Mortgage portfolio	201	709,594	100.0%	216	632,387	100.0%
Accrued interest receivable		2,685			2,537	
Mortgage discount		(242)			(262)	
Unamortized origination fees		(569)			(706)	
Provision for mortgage losses		(9,900)			(7,200)	
Mortgages receivable		$ 701,568			$ 626,756	

A summary of our mortgages by size is presented below.

	June 30, 2018			December 31, 2017		
Mortgage amount	**Number**	**Outstanding amount**	**% of Portfolio**	**Number**	**Outstanding amount**	**% of Portfolio**
(outstanding amounts in 000s)						
$0 - $2,500,000	140	$ 95,648	13.5%	161	$ 105,386	16.7%
$2,500,001 - $5,000,000	19	73,290	10.3%	19	69,755	11.0%
$5,000,001 - $7,500,000	10	59,995	8.5%	10	60,555	9.6%
$7,500,001 - $10,000,000	9	81,521	11.5%	5	42,920	6.8%
$10,000,001 +	23	399,140	56.2%	21	353,771	55.9%
	201	$ 709,594	100.0%	216	$ 632,387	100.0%

As of June 30, 2018, the average outstanding mortgage balance was $3.5 million (December 31, 2017 – $2.9 million), and the median outstanding mortgage balance was $0.9 million (December 31, 2017 – $0.8 million).

The tables below show our mortgage portfolio by location of the underlying property and type of mortgage. The weighted average interest rates shown exclude the lender fees paid by the borrower, which reflect the yield to Atrium including any mortgage discount or premium.

We are continuing to reduce our exposure in Alberta; 91.8% of the remaining Alberta loans are first mortgages. In that market our exposure is further mitigated by not lending to office, high-rise condominiums or to hotels.

	June 30, 2018				
Location of underlying property	**Number of mortgages**	**Outstanding amount**	**Percentage outstanding**	**Weighted average loan to value**	**Weighted average interest rate**
(outstanding amounts in 000s)					
Greater Toronto Area	151	$ 428,613	60.4%	62.3%	8.65%
Non-GTA Ontario	25	17,402	2.5%	67.0%	8.50%
Saskatchewan	2	19,798	2.8%	100.0%	7.90%
Alberta	4	16,931	2.4%	54.1%	8.92%
British Columbia	19	226,850	31.9%	55.3%	8.36%
	201	$ 709,594	100.0%	61.0%	8.54%

Location of underlying property	December 31, 2017 Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average loan to value	Weighted average interest rate
(outstanding amounts in 000s)					
Greater Toronto Area	159	$ 397,293	62.8%	62.5%	8.51%
Non-GTA Ontario	35	26,383	4.2%	65.9%	8.54%
Saskatchewan	2	17,107	2.7%	100.0%	8.06%
Alberta	5	22,518	3.6%	59.4%	8.87%
British Columbia	15	169,086	26.7%	54.7%	8.24%
	216	$ 632,387	100.0%	61.5%	8.44%

We have an exceptionally high proportion of our portfolio invested in first mortgages (80.6%), which is one of our core strategies.

At June 30, 2018, the weighted average loan-to-value ratio in our mortgage portfolio was 61.0%, with 86.9% of the portfolio below 75% loan-to-value. (At December 31, 2017, the weighted average loan-to-value ratio in our mortgage portfolio was 61.5%, with 85.9% of the portfolio below 75% loan-to-value.)

Type of mortgage	June 30, 2018 Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average interest rate
(dollars in 000s)				
First mortgages				
Conventional	131	$ 524,329	73.9%	8.15%
Non-Conventional	6	44,885	6.3%	7.86%
Other	14	2,713	0.4%	7.47%
	151	571,927	80.6%	8.12%
Second and third mortgages				
Conventional	43	89,509	12.6%	9.99%
Non-conventional	7	48,158	6.8%	10.77%
	50	137,667	19.4%	10.26%
	201	$ 709,594	100.0%	8.54%

Type of mortgage	December 31, 2017 Number of mortgages	Outstanding amount	Percentage outstanding	Weighted average interest rate
(dollars in 000s)				
First mortgages				
Conventional	144	$ 467,583	73.9%	8.07%
Non-Conventional	8	46,672	7.4%	8.00%
Other	14	2,887	0.5%	7.49%
	166	517,142	81.8%	8.06%
Second and third mortgages				
Conventional	44	72,609	11.5%	9.78%
Non-conventional	6	42,636	6.7%	10.76%
	50	115,245	18.2%	10.14%
	216	$ 632,387	100.0%	8.44%

Conventional mortgages are those with a loan-to-value of less than or equal to 75%, which is the industry standard for determining that a mortgage is conventional. Non-conventional mortgages are those with a loan-to-value in excess of 75%.

The weighted average term remaining for our mortgage portfolio at June 30, 2018 is 10.6 months (December 31, 2017 – 12.4 months).

Our business

In Canada there is a lending gap due to the limited number of financial institutions operating. Our business is to help fill that gap by focusing on loans that cannot be placed with larger financial institutions but represent an acceptable underwriting risk. Our borrowers benefit from our efficient, thorough and fast underwriting process. We lend in major urban centres where the stability and liquidity of real estate are at the highest levels.

Our policy is 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%. At June 30, 2018, the weighted average loan-to-value ratio of the mortgage portfolio was considerably lower than that, at 61.0%, compared to 61.5% at December 31, 2017.

A typical loan in our portfolio has an interest rate of 7.75% to 10% per annum, a one or two-year term and monthly interest-only mortgage payments.

Our lending parameters are as follows:

- Mortgages on residential and commercial properties up to a maximum of 75% of appraised value.
- Loans on single family residences up to 75% of appraised value.
- Mortgages on income-producing real estate up to a maximum of 85% of appraised value.
- Construction loans up to a maximum of 90% of cost.
- Loans to condominium corporations.

Mortgage loan amounts are generally $300,000 to $30 million. The largest single mortgage in our mortgage portfolio as at June 30, 2018 was $34.8 million (December 31, 2017 – $32.3 million). For loan amounts in excess of $30 million, we generally co-lend with a financial institution or private lender.

Our investment policies, which may be changed by our board of directors, are as follows:

- We may invest only in residential mortgages, commercial mortgages, commercial mortgage backed securities and certain related investments.
- All investments must be mortgages on the security of real property situated within Canada, loans to condominium corporations, or certain permitted interim investments.
- Commercial mortgages may not constitute more than 50% of our total assets at any time.
- The term of the mortgage may generally be no greater than ten years.
- Mortgages are subject to the following geographic limits at the time of funding: Ontario – maximum 80% of total mortgages; Alberta – maximum 15% of total mortgages; British Columbia – maximum of 35% of total mortgages
- No single borrower may account for more than 15% of our total assets.
- All mortgages are supported by external appraisals by a qualified appraiser. All mortgages, except mortgages secured by one to six residential units, are also supported by environmental audits.
- The maximum initial loan-to-value ratio of an individual mortgage is 85% including any prior ranking encumbrances, and the weighted average loan-to-value ratio of our mortgage portfolio at the time of underwriting each loan may not exceed 75%.
- Our ratio of debt to equity must be less than 1:1.
- We do not invest directly in real property, although real property may be acquired by foreclosing on a mortgage.
- A mortgage investment of: (i) $2,000,000 or more requires approval of the board; (ii) between $1,000,000 and $2,000,000 requires approval of three members of the board, including at least two independent directors; and (iii) $1,000,000 or less requires approval of any one member of the board. For loans previously approved, the approval of one member of the board is required for changes to the loan that do not exceed the approved amount by more than $200,000 and/or for minor technical amendments that do not change other underwriting considerations, provided the loan-to-value ratio increases by less than 5% and the ratio is 75% or less. We may invest in interim investments that are guaranteed by the Government of Canada or of a province or territory of Canada or deposits or certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank in any amount without prior board approval.
- We may not make unsecured loans to, nor invest in securities issued by, our manager or its affiliates, nor make loans to the directors or officers of the manager.
- We may not make any investment, or incur any indebtedness, that would result in our not qualifying as a MIC.

Our objective is to invest in a diverse portfolio of predominantly first mortgages that are relatively short-term, to provide our shareholders with stable and secure dividends while preserving shareholders' equity, all within the parameters mandated for a MIC. Working within conservative risk parameters, we endeavour to maximize income and dividends through the sourcing and efficient management of our mortgage investments.

We are a non-bank lender and invest in mortgages secured by all types of residential, multi-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, commercial properties and store-front retail properties, commercial properties, residential and commercial land development sites and construction projects. We also provide short-term bridge financing for real estate developers. Our strategy is to grow in a controlled manner by diversifying geographically, and focusing on real estate sectors with the lowest risk profiles.

We qualify as a MIC and are restricted from any activity that would result in us failing to qualify as a MIC. In order to qualify as a MIC, we must satisfy the requirements in subsection 130.1(6) of the *Income Tax Act* (Canada) ("ITA") throughout the taxation year. Among the requirements are:

- We can only invest or manage funds and cannot manage or develop real property.
- We cannot own debts secured on real property situated outside Canada, debts owing by non-residents unless such debts were secured on real property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real property situated outside of Canada or any leasehold interest in such property.
- No shareholder (together with related persons, as defined in the ITA) may at any time own, directly or indirectly, more than 25% of our common shares.
- The cost for tax purposes of cash on hand, debts secured on 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 must constitute at least 50% of the cost of all of our property.
- The cost for tax purposes of any interests in real property (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) may not exceed 25% of the cost of all of our property.
- There are certain restrictions as to our maximum debt-to-equity ratio.

We are managed by Canadian Mortgage Capital Corporation (the "manager" or "CMCC"), which is our exclusive manager and arranges and services our mortgage loans and otherwise directs our affairs and manages our business. For explanations as to some of the terms used herein, please refer to our Annual Information Form for the year ended December 31, 2017, which is available at www.sedar.com.

Results of Operations

(In this section, dollars are in thousands of Canadian dollars, except per share amounts)

Financial summary

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Revenue	$ 14,616	$ 12,069	$ 27,990	$ 24,035
Mortgage servicing and management fees	(1,610)	(1,292)	(3,064)	(2,584)
Other expenses	(317)	(303)	(569)	(588)
Provision for mortgage losses	(400)	(745)	(700)	(1,048)
Income before financing costs	12,289	9,729	23,657	19,815
Financing costs	(3,684)	(2,927)	(7,125)	(5,855)
Net income and comprehensive income	$ 8,605	$ 6,802	$ 16,532	$ 13,960
Basic earnings per share	$ 0.24	$ 0.23	$ 0.48	$ 0.47
Diluted earnings per share	$ 0.24	$ 0.23	$ 0.47	$ 0.47
Dividends declared	$ 8,140	$ 6,635	$ 15,817	$ 13,039
Mortgages receivable, end of period	$ 701,568	$ 567,895	$ 701,568	$ 567,895
Total assets, end of period	$ 702,709	$ 568,663	$ 702,709	$ 568,663
Shareholders' equity, end of period	$ 382,911	$ 314,683	$ 382,911	$ 314,683

Summary of quarterly results *(unaudited)*

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue	14,616	13,374	13,656	12,668	12,069	11,966	11,776	11,459
Mortgage servicing and management fees	(1,610)	(1,454)	(1,501)	(1,385)	(1,292)	(1,292)	(1,298)	(1,185)
Other expenses	(317)	(252)	(389)	(274)	(303)	(285)	(377)	(287)
Provision for mortgage losses	(400)	(300)	(402)	(400)	(745)	(303)	(550)	(350)
Income before financing costs	12,289	11,368	11,364	10,609	9,729	10,086	9,551	9,637
Financing costs	(3,684)	(3,441)	(3,477)	(3,397)	(2,927)	(2,928)	(2,791)	(2,832)
Net income and comprehensive income	$ 8,605	$ 7,927	$ 7,887	$ 7,212	$ 6,802	$ 7,158	$ 6,760	$ 6,805
Basic earnings per share	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.23	$ 0.25	$ 0.25	$ 0.25
Diluted earnings per share	$ 0.24	$ 0.24	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.25
Dividends declared	$ 8,140	$ 7,677	$ 8,640	$ 6,866	$ 6,635	$ 6,404	$ 8,534	$ 5,809

Results of operations – three months ended June 30, 2018

For the three months ended June 30, 2018, mortgage interest and fees revenues aggregated a record $14,616, compared to $12,069 in the comparative period, an increase of 21.1%, as a result of the growth of our mortgage portfolio and an increase in the weighted average interest rate. The weighted average interest rate on our mortgage portfolio was 8.54% at June 30, 2018, compared with 8.44% at the previous year end, December 31, 2017 and 8.42% at June 30, 2017.

Operating expenses, excluding the provision for mortgage losses, for the three months ended June 30, 2018 were $1,927, compared to $1,595 in the comparative period, an increase of 20.8%, due to the growth of the mortgage portfolio. The provision for mortgage losses was $400 in the quarter to bring the total reserve to $9,900.

Mortgage servicing and other fees paid to the manager (that is, the management fee plus HST) aggregated $1,610 for the three months ended June 30, 2018, compared with $1,292 in the prior year period. This increase was due to the increase in the size of the mortgage portfolio. Financing costs for the three months ended June 30, 2018 were $3,684, compared to $2,927 in the same period of 2017, an increase of 25.9%. This increase is due to the increased utilization of our bank line of credit compared to the comparable period, an increase in interest rates, as well as an increase in our operating line to $210,000 in the fourth quarter of 2017.

Net income for the three months ended June 30, 2018 was a record $8,605, an increase of 26.5% from net income of $6,802 for the same period in the prior year. Basic and diluted earnings per common share were $0.24, for the three months ended June 30, 2018, compared with $0.23 basic and diluted, for the comparable period in the previous year. Earnings per share has increased slightly from the comparative period due to the increase in earnings for the quarter, which were offset somewhat by the two public offering issuances of shares completed in 2017 and a public offering of shares in the first quarter of 2018.

During the three months ended June 30, 2018, we funded mortgages aggregating $76,512. Of those advances, $53,420 were first mortgages, representing 69.8% of the total loans funded. British Columbia advances were $34,979, advances of $92 were on properties in Alberta, $177 were non-GTA Ontario, $1,632 were on properties in Saskatchewan and the remaining $39,632 were for mortgages on properties located in the Greater Toronto Area. There were $22,491 of repayments during the period. The total portfolio increased from $655,573 to $709,594 during the three-month period.

Results of operations – Six months ended June 30, 2018

For the six months ended June 30, 2018, mortgage interest and fees revenues aggregated a record $27,990, compared to $24,035 in the comparative period, an increase of 16.5%, as a result of the growth of our mortgage portfolio and an increase in the weighted average interest rate. The weighted average interest rate on our mortgage portfolio was 8.54% at June 30, 2018, compared with 8.44% at the previous year end, December 31, 2017 and 8.42% at June 30, 2017.

Operating expenses, excluding the provision for mortgage losses, for the six months ended June 30, 2018 were $3,633, compared to $3,172 in the comparative period, an increase of 14.5%, due to the growth of the mortgage portfolio. The provision for mortgage losses was $700 in the period to bring the total reserve to $9,900.

Mortgage servicing and other fees paid to the manager (that is, the management fee plus HST) aggregated $3,064 for the six months ended June 30, 2018, compared with $2,584 in the prior year period. This increase was due to the increase in the size of the mortgage portfolio. Financing costs for the six months ended June 30, 2018 were $7,125, compared to $5,855 in the same period of 2017, an increase of 21.7%. This increase is due to the increased utilization of our bank line of credit compared to the comparable period, an increase in interest rates, as well as an increase in our operating line to $210,000 in the fourth quarter of 2017.

Net income for the six months ended June 30, 2018 was a record $16,532, an increase of 18.4% from net income of $13,960 for the same period in the prior year. Basic and diluted earnings per common share were $0.48 and $0.47, respectively, for the six months ended June 30, 2018, compared with $0.47 basic and diluted, for the comparable period in the previous year. Earnings per share has increased slightly from the comparative period due to the increase

in earnings for the period, which were offset somewhat by the two public offering issuances of shares completed in 2017 and a public offering of shares in the first quarter of 2018.

During the six months ended June 30, 2018, we funded mortgages aggregating $152,462. Of those advances, $118,082 were first mortgages, representing 77.5% of the total loans funded. British Columbia advances were $74,602, advances of $185 were on properties in Alberta, $935 were non-GTA Ontario, $2,691 were on properties in Saskatchewan and the remaining $74,049 were for mortgages on properties located in the Greater Toronto Area. There were $75,255 of repayments during the period. The total portfolio increased from $632,387 to $709,594 during the six-month period.

Liquidity and capital resources

At June 30, 2018, we had borrowings under credit facility (excluding unamortized finance costs) of $186,846. The credit facility, currently authorized for up to $210,000 (December 31, 2017 – $210,000), is provided by a syndicate of four major chartered banks, drawn through a combination of bankers' acceptances and bank loans to minimize our borrowing costs. At any time during the term of the credit facility, we have the one-time right to increase the credit facility by up to $30,000 (such that the total maximum availability would be up to $240,000). We were in compliance with the covenants in the credit facility as at June 30, 2018, and we expect to remain in compliance with such covenants going forward.

We also have four series of convertible debentures outstanding, with a total book value of $126,565 at June 30, 2018, and a face value (and maturity value) of $129,816. (For additional information on the operating credit facility and the debentures, please refer to notes 7 and 9, respectively, of our accompanying interim consolidated financial statements.)

During the six months ended we completed a bought deal public offering and issued 2,400,000 common shares for gross proceeds of $30,000. The full amount of the overallotment option was exercised, resulting in the issuance of an additional 360,000 common shares for gross proceeds of $4,500.

The growth in our mortgage portfolio has been financed by the issuance of common shares, of convertible debt, and through the operating credit facility. We expect to be able to generate sufficient funds for future growth in net mortgage loan investments by utilizing those three sources of funds. As at June 30, 2018, total debt (consisting of borrowings under operating credit facility and convertible debentures) was 45.1% of total assets (December 31, 2017 – 43.7%). Our policy and our banking arrangements both require that total debt not exceed 50% of total assets.

Changes in financial position

During the six months ended June 30, 2018, we completed one public offering, issuing a total of 2,760,000 common shares for gross proceeds of $34,500. Cash provided by financing activities included net advances of the operating facility of $41,692. Cash used in financing activities included dividends paid of $14,848 and interest paid of $6,655, resulting in net cash provided by financing activities of $53,156.

Cash used in investing activities during the six months ended June 30, 2018 consisted primarily of advances on mortgage loan investments of $141,079, less repayments received of $70,113, for net cash invested in mortgage loan investments of $70,966 to support the growth in our mortgage portfolio.

Borrowings under our operating credit facility increased to $186,846 at June 30, 2018, from $145,154 at December 31, 2017, as a result of the increase in our mortgage portfolio, net of the effect of the issuances of shares completed during the period, as described above.

Accounts payable and accrued liabilities, including accrued convertible debenture interest, were $4,413 at June 30, 2018 compared to $4,596 at December 31, 2017. This decrease is due to timing differences of payments. Dividends payable were $2,715 at June 30, 2018 down from $3,769 at December 31, 2017. The decrease was primarily due to the accrual of the special dividend at December 31, 2017.

Share capital increased to $380,553 at June 30, 2018 from $345,325 at December 31, 2017 due to issuances of our common shares completed during the first two quarters of 2018.

Contractual obligations

Contractual obligations due at June 30, 2018 were as follows:

June 30, 2018	Total obligation	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years
Borrowings under credit facility	186,846	–	186,846	–	–
Accounts payable and accrued liabilities	1,839	1,839	–	–	–
Accrued convertible debenture interest	2,574	2,574	–	–	–
Dividends payable	2,715	2,715	–	–	–
Convertible debentures	129,816	31,766	32,500	40,250	25,300
Total contractual obligations	323,790	38,894	219,346	40,250	25,300

We have commitments to advance additional funds under existing mortgages of $65,672 and for new mortgages of $18,250 at June 30, 2018 (December 31, 2017 – $65,005 and $9,489 respectively). Generally, outstanding commitments are expected to be funded within the next 24 months. However, our experience has been that a portion of the unfunded amounts on existing mortgages will never be drawn.

Off-balance sheet arrangements

As at June 30, 2018, we had $3,212 (December 31, 2017 – $3,640) of letters of credit (LCs) outstanding which were issued under our operating credit facility. The maximum available by way of LCs under our operating credit facility is $10,000. LCs represent irrevocable assurances that our banks will make payments in the event that a customer cannot meet its obligations to third parties. LCs carry the same credit risk, recourse and collateral security requirements as mortgages extended to customers.

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 management and mortgage servicing fees from a subsidiary of the manager of $3,064 for the six months ended June 30, 2018 (six months ended June 30, 2017 – $2,584). Mr. Robert G. Goodall is a director and part of the key management personnel of the manager, received compensation from the manager, and is also a director of Atrium. The management agreement between us and the manager contains provisions for the payment of termination fees to the manager in the event that the management agreement is terminated in certain circumstances. The manager also acts as broker for our mortgages. The manager receives origination fees from the borrowers of up to 1% of the amount being funded; origination fees in excess of 1% are split equally between the manager and Atrium.

Certain of our mortgages are shared with other investors. As at June 30, 2018, companies owned by a director and officer of the company had co-invested in one syndicated mortgage. The total amount of the mortgage is $47,853 (December 31, 2017 – one syndicated mortgage of $45,360) of which the company's share is $23,927 (December 31, 2017 – $22,680).

As at June 30, 2018, the company had two mortgages receivable which a director and officer of the company has joint control over the borrowers of these mortgages. (December 31, 2017 – two).

- A mortgage loan with a total gross commitment of $3,490 (December 31, 2017 – $3,490), of which $3,227 (December 31, 2017 – $3,071) had been funded at June 30, 2018. During the six months ended June 30, 2018, the company recognized net mortgage interest and fees of $136 (six months ended June 30, 2017 – $nil) from this mortgage receivable.
- A mortgage loan with a total gross commitment of $8,738 (December 31, 2017 – $8,738). The company's share of the commitment is $2,330 (December 31, 2017 – $2,330), of which $2,330 had been funded at June 30, 2018 (December 31, 2017 – $2,330). During the six months ended June 30, 2018, the company recognized net mortgage interest and fees of $111 (six months ended June 30, 2017 – $nil) from this mortgage receivable.

Critical accounting estimates and policies

Our interim consolidated annual financial statements for the quarter ended June 30, 2018 are prepared in accordance with Canadian generally accepted accounting principles and IFRS, as set out in Part I of the CPA Canada *Handbook*. 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 preparation of consolidated financial statements in accordance with IFRS requires us to make estimates and assumptions and to apply judgement. The most subjective of these are the valuation of mortgages receivable including the provision for mortgage losses, as well as the measurement of the liability and equity components of our convertible debentures. We believe that our estimates are appropriate; however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed each quarter. The more significant accounting policies are set out below.

Revenue recognition

Mortgage interest and fees revenues are recognized in the statement of income and comprehensive income using the effective interest method. Mortgage interest and fees revenues include the company's share of any fees received, as well as the effect of any discount or premium on the mortgage. Interest revenue is calculated on the gross carrying amount for mortgages receivable in Stage 1 and 2 and on the net carrying amount for mortgages receivable in Stage 3.

The effective interest method derives the interest rate that discounts the estimated future cash receipts during the expected life of the mortgage receivable (or, where appropriate, a shorter period) to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received. Fees and transaction costs include incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

Mortgages receivable

Mortgages receivable are a financial asset and are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method. The company's business model is to hold mortgages receivable to collect contractual cash flows that represent solely payments of principal and interest. Mortgages receivable are assessed for impairment at the end of each reporting period in accordance with IFRS 9 as outlined below and are presented net of provisions for mortgage losses on the interim consolidated statement of financial position.

IFRS 9 uses an expected credit loss (ECL) model to determine impairment. The impairment requirements in IFRS 9 apply to financial assets that are measured at amortized cost or FVOCI, and off-balance-sheet lending commitments such as loan commitments and letters of credit (which are collectively referred to in this note as financial assets). The ECL model is forward looking and results in a provision for mortgage losses being recorded on all financial assets regardless of whether there has been a loss event. ECLs are the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received.

The ECL model uses a three-stage impairment approach based on changes in the credit risk of the financial asset since initial recognition. The three stages are as follows: Stage 1 – financial assets that have not experienced a significant increase in credit risk since initial recognition, Stage 2 – financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date, and Stage 3 – financial assets for which there is objective evidence of impairment at the reporting date. The ECL model requires the recognition of credit losses equal to 12-month ECLs for Stage 1 financial assets and ECLs for the remaining life of the financial assets (lifetime expected credit losses) for financial assets classified as Stage 2 and 3. The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of a financial instrument weighted by the likelihood of a loss. The company considers a loan to be in default if it is greater than 30 days past due (90 days for single-family residential mortgages) or if an event of default has occurred under the terms of the mortgage commitment, including non-payment of property taxes, a material adverse change in the financial position of the borrower and/or guarantors or a material adverse change in the property given as security.

To identify whether the credit risk of a financial asset has significantly increased since initial recognition, management considers a number of factors, including past events, current market conditions and supportable forward-looking information, including macro-economic factors as well as information related to the specific borrower. Interest revenue is calculated on the gross carrying amount for financial assets in Stage 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Three factors are primarily used to measure ECLs: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These factors are used to estimate the ECLs for mortgages receivable classified as Stage

1. When mortgages receivable are considered to have experienced a significant increase in credit risk (Stage 2) or are considered to be impaired (Stage 3), each loan is assessed and the ECL estimated individually for each mortgage.

Convertible debentures

The convertible debentures can be converted into our common shares at the option of the investor. They are compound financial instruments with two components: a financial liability, and a call option which is an equity instrument. The fair value of the liability component is measured as of the date that the debentures were issued, and the equity instrument is valued on that date based upon the difference between the fair value of the debenture and the fair value of the liability component.

The measurement of the fair value of the liability component is based upon market rates of interest on similar debt instruments without the conversion feature. Expenses of issue are allocated between the two components on a *pro-rata* basis. The book value of the debt is accreted up to its face value over the life of the debentures using the effective interest method, which provides for the application of a constant interest rate over the life of the debenture. The value of the equity component is not re-measured subsequent to its initial measurement date.

Income taxes

We are, and intend to maintain our status as, a MIC, and as such are not taxed on income provided that it flows through to our shareholders as dividends during the year or within 90 days after December 31 each year. It is our policy to pay such dividends to our shareholders to remain non-taxable. Accordingly, no provision for current or future income taxes is required.

Future changes in accounting policies

Various pronouncements have been issued by the IASB or IFRS Interpretations Committee (IFRIC) that will be effective for future accounting periods. The company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements.

Controls and procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument (NI) 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

We designed the DC&P and ICFR, the latter of which was using the framework in *Internal Control – Integrated Framework* (published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and as revised in 2013) to provide reasonable assurance that material information relating to us is made known to our CEO and CFO during the reporting period; and information required to be disclosed by us in our filings under securities legislation is recorded, processed, summarized and reported within the required time periods; and provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (GAAP).

Our CEO and CFO evaluated the design effectiveness of the DC&P and ICFR, as defined by NI 52-109, as of June 30, 2018. Based on this evaluation, they concluded that the designs of the DC&P and ICFR were effective as of that date. NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No such change to ICFR has occurred during the most recently completed quarter.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Because of the inherent limitations in any control system, no evaluation of control can provide absolute assurance that all control weaknesses including, for example, any instances of fraud, have been detected. Inherent limitations include: (i) that management's assumptions and judgements could ultimately prove to be incorrect as conditions and circumstances vary; (ii) the impact of any undetected errors; and (iii) controls may be circumvented through the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of control is also based upon assumptions as to the likelihood of future events and there is no assurance that any design will succeed in achieving its goals under future conditions.

Outstanding share data

Our authorized capital consists of an unlimited number of common shares, of which 36,202,907 were issued and outstanding at June 30, 2018, and 36,227,932 were issued and outstanding as at the date hereof. In addition, as at the date hereof, 2,407,408, 2,388,422, 2,747,440 and 1,693,440 common shares are issuable upon conversion or

redemption or in respect of repayment at maturity of the outstanding 5.25%, 6.25%, 5.50% and the 5.30% convertible debentures, using the conversion price of $13.50, $13.30, $14.65, and $14.94 respectively, for each common share.

We also have an employee share purchase plan, a deferred share incentive plan and a dividend reinvestment plan pursuant to which common shares are issued from time to time.

Subsequent to June 30, 2018, we completed a public offering of 5.50% convertible unsecured subordinated debentures. At the date hereof, 1,923,076 common shares are issuable upon conversion or redemption or in respect of repayment at maturity of this outstanding convertible debenture using the conversion price of $15.60 for each common share. The company has also granted to the underwriters an overallotment option to purchase up to an additional $4,500 aggregate principal amount of debentures at the same price, exercisable in whole or in part at any time for a period of 30 days from July 18, 2018.

Risks and uncertainties

We are subject to many risks and uncertainties that may limit our ability to execute our strategies and achieve our objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while others cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage loans at rates consistent with rates historically achieved, not having adequate mortgage loan opportunities presented to us, and not having adequate sources of bank finance available.

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. 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 loan 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.

Please also refer to "Forward-looking information," below, and the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2017 which is incorporated herein by reference and is available at www.sedar.com and at www.atriummic.com.

Forward-looking information

From time to time in our public communications we provide forward-looking statements. Such statements are disclosures regarding possible events, conditions, results of operations or changes in financial position that are based upon assumptions and expectations. These are not based upon historical facts but are with respect to management's beliefs, estimates, and intentions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Forward-looking statements regarding earnings, possible mortgage losses, and mortgage portfolio growth are based upon assumptions regarding performance of the economy in general and real estate markets in particular. Forward-looking statements generally assume that our revenues and expenses continue to follow current trends, and that current trends in our mortgage portfolio growth continue.

All forward-looking statements reflect management's current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A or elsewhere. Those risks and uncertainties include risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and the general economic environment. For other risks and uncertainties, please refer to "Risks and uncertainties" above, and the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2017 which is available at www.sedar.com and at www.atriummic.com. That list is not exhaustive, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on any forward-looking statements.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. We will not publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, unless required to do so by law.

Responsibility of management and the board of directors

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, our audit committee and board of directors provide an oversight role with respect to our public financial disclosures, and have reviewed and approved this MD&A and the annual financial statements.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan (DRIP) is available to holders of our common shares. The DRIP allows participants to have their monthly cash dividends reinvested in additional common shares, at a discount of 2% from the market price. Shareholders who wish to enroll or who would like further information about the DRIP should contact their broker or our agent for the DRIP, Computershare Trust Company of Canada, at 1 (800) 564-6253 or www.computershare.com.

Additional information

Additional information about Atrium, including our Annual Information Form for the year ended December 31, 2017, is available on SEDAR at www.sedar.com. You may also obtain further information about us from our website at www.atriummic.com, by telephone at (416) 607-4200, or by email at info@atriummic.com.

Interim Consolidated Financial Statements

Second Quarter
June 30, 2018

CANADA'S PREMIER NON-BANK LENDER™

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands of Canadian dollars)

	Notes	June 30 2018	December 31 2017
Assets			
Mortgages receivable	5	$ 701,568	$ 626,756
Foreclosed properties	6	1,063	1,064
Prepaid expenses		78	39
		$ 702,709	$ 627,859
Liabilities			
Borrowings under credit facility	7	$ 186,105	$ 144,454
Accounts payable and accrued liabilities	8	1,839	1,960
Accrued convertible debenture interest		2,574	2,636
Dividends payable		2,715	3,769
Convertible debentures	9	126,565	125,976
		319,798	278,795
Shareholders' equity			
Share capital		380,553	345,325
Deferred share incentive plan units		706	802
Equity component of convertible debentures		1,322	1,322
Contributed surplus		645	645
Retained earnings (deficit)		(315)	970
		382,911	349,064
		$ 702,709	$ 627,859
Commitments	*7, 13(d)*		

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

Approved on behalf of the board of directors:

"Robert Goodall"	*"Mark Silver"*
Robert Goodall, Director	Mark Silver, Director

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(in thousands of Canadian dollars, except for number of common shares)

	Notes	Common shares Number	Common shares Amount	Deferred share incentive plan units	Equity component of convertible debentures	Contributed surplus	Retained earnings (deficit)	Total
Balance, December 31, 2016		27,105,703	$ 275,785	$ 592	$ 1,062	$ 645	$ 456	$ 278,540
Shares issued by prospectus		2,915,250	34,546	–	–	–	–	34,546
Shares issued under dividend reinvestment plan	10	155,047	1,824	–	–	–	–	1,824
Shares issued under employee share purchase plan	10	5,703	69	–	–	–	–	69
Shares issued under deferred share incentive plan	11	6,314	70	(70)	–	–	–	–
Issue costs		–	(1,649)	–	–	–	–	(1,649)
Share-based payments	11	–	–	172	–	–	–	172
Equity component of convertible debentures issued	9	–	–	–	274	–	–	274
Issue costs attributable to equity component of convertible debentures issued	9	–	–	–	(14)	–	–	(14)
Net income and comprehensive income		–	–	–	–	–	13,960	13,960
Dividends declared		–	–	–	–	–	(13,039)	(13,039)
Balance, June 30, 2017		30,188,017	310,645	694	1,322	645	1,377	314,683
Shares issued by prospectus		2,911,800	34,505	–	–	–	–	34,505
Shares issued under dividend reinvestment plan	10	138,575	1,657	–	–	–	–	1,657
Shares issued under employee share purchase plan	10	5,917	73	–	–	–	–	73
Shares issued under deferred share incentive plan	11	7,830	91	(91)	–	–	–	–
Issue costs		–	(1,646)	–	–	–	–	(1,646)
Share-based payments	11	–	–	199	–	–	–	199
Net income and comprehensive income		–	–	–	–	–	15,099	15,099
Dividends declared		–	–	–	–	–	(15,506)	(15,506)
Balance, December 31, 2017		33,252,139	345,325	802	1,322	645	970	349,064
Shares issued by prospectus		2,760,000	34,500	–	–	–	–	34,500
Shares issued under dividend reinvestment plan	10	164,157	2,023	–	–	–	–	2,023
Shares issued under employee share purchase plan	10	6,388	81	–	–	–	–	81
Shares issued under deferred share incentive plan	11	20,223	238	(238)	–	–	–	–
Issue costs		–	(1,614)	–	–	–	–	(1,614)
Share-based payments	11	–	–	142	–	–	–	142
Impact of adoption of IFRS 9	2(b)	–	–	–	–	–	(2,000)	(2,000)
Net income and comprehensive income		–	–	–	–	–	16,532	16,532
Dividends declared		–	–	–	–	–	(15,817)	(15,817)
Balance, June 30, 2018		36,202,907	$ 380,553	$ 706	$ 1,322	$ 645	$ (315)	$ 382,911

Dividends amounted to $0.45 per share for the six months ended June 30, 2018 (six months ended June 30, 2017 – $0.44, year ended December 31, 2017 – $0.92)

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands of Canadian dollars, except for per share amounts)

	Notes	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Revenues					
Mortgage interest and fees		$ 14,616	$ 12,069	$ 27,990	$ 24,035
Operating expenses					
Mortgage servicing and management fees	8	1,610	1,292	3,064	2,584
Transfer agent, regulatory fees and investor relations		112	61	179	142
Share-based payments	8, 11	60	82	142	172
Professional fees		35	45	82	76
Directors' expense	8	50	49	100	98
Administration and general		60	47	66	81
Loss from sale of foreclosed property	6	–	19	–	19
Provision for mortgage losses	5(b)	400	745	700	1,048
		2,327	2,340	4,333	4,220
Income before financing costs		12,289	9,729	23,657	19,815
Financing costs					
Interest on convertible debentures		2,107	1,793	4,222	3,528
Interest and other bank charges		1,577	1,134	2,903	2,327
		3,684	2,927	7,125	5,855
Net income and comprehensive income for the period		$ 8,605	$ 6,802	$ 16,532	$ 13,960
Earnings per common share					
Basic	12	$ 0.24	$ 0.23	$ 0.48	$ 0.47
Diluted	12	$ 0.24	$ 0.23	$ 0.47	$ 0.47

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2018	**2017**	**2018**	**2017**
Cash provided by (used in):				
Operating activities				
Net income and comprehensive income for the period	$ 8,605	$ 6,802	$ 16,532	$ 13,960
Adjustments to determine net cash flows from (used in) operating activities –				
Share-based payments	60	82	142	172
Mortgage interest and fees earned	(14,616)	(12,069)	(27,990)	(24,035)
Mortgage interest and fees received	9,484	9,759	21,185	18,001
Interest on convertible debentures expensed	2,107	1,793	4,222	3,528
Interest and other bank charges expensed	1,577	1,134	2,903	2,327
Provision for mortgage losses	400	745	700	1,048
Loss on disposition of foreclosed property	–	19	–	19
	7,617	8,265	17,694	15,020
Changes in operating assets and liabilities –				
Prepaid expenses	27	30	(39)	(21)
Accounts payable and accrued liabilities	319	58	(104)	(22)
Additions to unamortized origination fees	129	189	259	375
	475	277	116	332
Cash provided by operating activities	8,092	8,542	17,810	15,352
Investing activities				
Cash advances of mortgages receivable	(70,300)	(88,725)	(141,079)	(168,390)
Cash repayments of mortgages receivable	21,184	86,237	70,113	135,696
Improvements to foreclosed properties	–	(1)	–	(1)
Proceeds from disposition of foreclosed assets	–	539	–	539
Cash used in investing activities	(49,116)	(1,950)	(70,966)	(32,156)
Financing activities				
Advances under credit facility	128,843	174,867	206,884	311,389
Repayments under credit facility	(81,292)	(197,900)	(165,192)	(332,600)
Interest on convertible debentures paid	(2,100)	(856)	(3,695)	(2,974)
Interest and other bank charges paid	(1,622)	(963)	(2,960)	(2,386)
Issuance of common shares	4,540	35	34,581	34,615
Share capital issue costs	(165)	–	(1,614)	(1,649)
Issuance of convertible debentures	–	25,300	–	25,300
Convertible debenture issue costs	–	(1,237)	–	(1,237)
Cash dividends paid	(7,180)	(5,838)	(14,848)	(13,654)
Cash provided by (used in) financing activities	41,024	(6,592)	53,156	16,804
Increase (decrease) in cash	–	–	–	–
Cash, beginning of period	–	–	–	–
Cash, end of period	$ –	$ –	$ –	$ –

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

NOTE 1 – NATURE OF OPERATIONS

Atrium Mortgage Investment Corporation is a corporation domiciled in Canada, incorporated under the Ontario *Business Corporations Act*. The address of the company's registered head office and principal place of business is Suite 900, 20 Adelaide Street East, Toronto, Ontario M5C 2T6.

The company is a Mortgage Investment Corporation (MIC) as defined in Section 130.1(6) of the Canada *Income Tax Act* (ITA). Accordingly, the company is not taxed on income provided that its taxable income is paid to its shareholders in the form of dividends within 90 days after December 31 each year. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same position as if the mortgage investments made by the company had been made directly by the shareholder.

The company's common shares are listed on the Toronto Stock Exchange (TSX) under the symbol AI and its convertible debentures are listed under the symbols AI.DB, AI.DB.A, AI.DB.B and AI.DB.C.

NOTE 2 – BASIS OF PRESENTATION

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and follow International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) as set out in Part I of the *CPA Canada Handbook – Accounting*. These interim consolidated financial statements should be read in conjunction with the company's audited financial statements for the year ended December 31, 2017. Except as indicated in Note 2(b), significant accounting policies have been consistently applied in the preparation of these interim consolidated financial statements. These statements were authorized for issuance by the board of directors on July 26, 2018.

(b) Change in accounting policy

Effective January 1, 2018, the company adopted IFRS 9 *Financial Instruments* (IFRS 9), which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses classification and measurement of financial assets and liabilities, as well as impairment of financial assets. As a result of the application of IFRS 9, the company changed its accounting policies for financial assets and mortgages receivable effective January 1, 2018. As permitted by the transition provisions of IFRS 9, prior periods have not been restated. The company's financial assets continue to be measured at amortized cost, therefore, no reclassifications were required. Measurement differences in the carrying amounts on January 1, 2018 have been recognized through an adjustment to retained earnings on that date. See Notes 3(b), 3(d) and 5(b).

Financial liabilities continue to be recognized initially at fair value net of transaction costs, and are subsequently measured at amortized cost (see Note 3(g)).

(c) Basis of measurement

These interim consolidated financial statements are prepared on the historical cost basis.

(d) Functional and presentation currency

These interim consolidated financial statements are presented in Canadian dollars, which is also the company's functional currency. Dollars are expressed in thousands except for per share amounts or where the context requires otherwise.

(e) Principles of consolidation

These interim consolidated financial statements include the accounts of the company and CMCC Sisyphus LP, which is considered to be a subsidiary for accounting purposes. Consolidation commenced the date the company obtained control and continues until control ceases. Atrium has consolidated the subsidiary from August 5, 2016, the date of its formation. All transactions and balances between the company and the subsidiary have been eliminated, including unrealized gains and losses, if any.

NOTE 2 – BASIS OF PRESENTATION (continued)

(f) Use of estimates and judgements

The preparation of interim consolidated financial statements in accordance with 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 most subjective of these estimates relates to: (a) valuation of mortgages receivable, which is affected primarily by the provision for mortgage losses, and (b) the measurement of the liability and equity components of the convertible debentures which depend upon the estimated market interest rates for a comparable debenture without the convertibility feature. Management believes that its estimates are appropriate; however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed each quarter. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Mortgage interest and fees revenues are recognized in the statement of income and comprehensive income using the effective interest method. Mortgage interest and fees revenues include the company’s share of any fees received, as well as the effect of any discount or premium on the mortgage. Interest revenue is calculated on the gross carrying amount for mortgages receivable in Stage 1 and 2 and on the net carrying amount for mortgages receivable in Stage 3.

The effective interest method derives the interest rate that discounts the estimated future cash receipts during the expected life of the mortgage receivable (or, where appropriate, a shorter period) to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses (see Note 3 (d)). The calculation of the effective interest rate includes all fees and transaction costs paid or received. Fees and transaction costs include incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

(b) Financial assets – classification, initial recognition and measurement

The company’s business model and a financial instrument’s contractual cash flows determine its classification and measurement in the financial statements. Upon initial recognition, each financial asset will be classified as either fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI). All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent solely principal and interest. Otherwise it is recorded at FVTPL.

All financial assets are reviewed for impairment quarterly, and written down when there is evidence of impairment. A financial asset is considered to be impaired when there is objective evidence that the present value of all contractual cash flows due under the original terms of the contract are less than the present value of cash flows expected to be received. (see Note 3(d)).

(c) Financial instruments – derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the asset expire. When the company exercises its security and takes title to the underlying real estate, a mortgage receivable is derecognized on the date of foreclosure. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expires.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Mortgages receivable and provision for mortgage losses

Mortgages receivable are a financial asset and are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method. The company's business model is to hold mortgages receivable to collect contractual cash flows that represent solely payments of principal and interest. Mortgages receivable are assessed for impairment at the end of each reporting period in accordance with IFRS 9 as outlined below and are presented net of provisions for mortgage losses on the interim consolidated statement of financial position.

IFRS 9 uses an expected credit loss (ECL) model to determine impairment. The impairment requirements in IFRS 9 apply to financial assets that are measured at amortized cost or FVOCI, and off-balance-sheet lending commitments such as loan commitments and letters of credit (which are collectively referred to in this note as financial assets). The ECL model is forward looking and results in a provision for mortgage losses being recorded on all financial assets regardless of whether there has been a loss event. ECLs are the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received.

The ECL model uses a three-stage impairment approach based on changes in the credit risk of the financial asset since initial recognition. The three stages are as follows: Stage 1 – financial assets that have not experienced a significant increase in credit risk since initial recognition, Stage 2 – financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date, and Stage 3 – financial assets for which there is objective evidence of impairment at the reporting date. The company considers a number of factors when assessing if there has been a significant increase in credit risk, including the number of days past due, changes in the financial condition of the borrower, responsiveness of the borrower and other borrower or property specific information that may be available. The company also considers past events, current market conditions including interest rates, housing prices, real estate market statistics and employment statistics, and supportable forward-looking information, including macro-economic factors. Interest revenue is calculated on the gross carrying amount for financial assets in Stage 1 and 2 and on the net carrying amount for financial assets in Stage 3.

The ECL model requires the recognition of credit losses equal to 12-month ECLs for Stage 1 financial assets and ECLs for the remaining life of the financial assets (lifetime expected credit losses) for financial assets classified as Stage 2 and 3. The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of a financial instrument weighted by the likelihood of a loss. Three factors are primarily used to measure ECLs: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These factors are used to estimate the ECLs for mortgages receivable classified as Stage 1. When mortgages receivable are considered to have experienced a significant increase in credit risk (Stage 2) or are considered to be impaired (Stage 3), each loan is assessed and the ECL estimated individually for each mortgage. The company considers a loan to be in default if it is greater than 30 days past due (90 days for single-family residential mortgages) or if an event of default has occurred under the terms of the mortgage commitment, including non-payment of property taxes, a material adverse change in the financial position of the borrower and/or guarantors or a material adverse change in the property given as security.

(e) Foreclosed properties

Foreclosed properties are properties over which the company has taken title through exercise of its security interest. Such properties are accounted for under the cost model of IAS 40, Investment Property. A foreclosed property is initially recognized at cost on the date of foreclosure, which is the book value of the respective mortgage net of any related provision for mortgage loss. Any costs subsequently incurred to complete the construction or development of a foreclosed property are capitalized. Depreciation is recorded from the date the property is substantially complete. If the higher of the fair value and the value in use of a foreclosed property (its recoverable amount) is less than its carrying amount, then an impairment loss is recognized for the excess. Any impairment loss, or gain or loss realized on disposal is recognized in the statement of income and comprehensive income.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Convertible debentures

Convertible debentures can be converted into common shares of the company at the option of the investor. They are compound financial instruments with two components: a financial liability, and a call option which is an equity instrument. The fair value of the liability component is measured as of the date that the debentures were issued, and the equity instrument is valued on that date based upon the difference between the fair value of the convertible debenture and the fair value of the liability component. The measurement of the fair value of the liability component is based upon market rates of interest on similar debt instruments without the conversion feature. Expenses of issue are allocated between the two components on a pro-rata basis. The book value of the debt is accreted up to its face value over the life of the debentures using the effective interest method, which applies a constant interest rate over the life of each debenture. The value of the equity component is not remeasured subsequent to its initial measurement date.

(g) Other financial liabilities

Other financial liabilities are non-derivative liabilities recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost using the effective interest method. The company has classified borrowings under credit facility, accounts payable and accrued liabilities, dividends payable and the liability component of convertible debentures as other financial liabilities.

(h) Income taxes

The company qualifies as a Mortgage Investment Corporation under the ITA, and as such is not taxed on income provided that its taxable income is distributed to its shareholders in the form of dividends within 90 days after December 31 each year. It is the company's policy to pay such dividends to remain non-taxable. Accordingly, no provision for current or deferred income taxes is required.

(i) Earnings per common share

Basic earnings per common share is calculated by dividing earnings during the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the income and comprehensive income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive items such as convertible debentures and deferred share incentive plans.

(j) Share-based payments

The company has an equity-settled share-based compensation plan for grants to eligible directors, officers, and senior management under its deferred share incentive plan. Grants are measured based upon the fair value of the awards granted, using the volume-weighted average trading share price for the five trading days prior to date of the grant.

NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS

Various pronouncements have been issued by the IASB or IFRS Interpretations Committee (IFRIC) that will be effective for future accounting periods. The company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements. None of the standards issued to date are expected to have a material effect on the financial statements.

NOTE 5 – MORTGAGES RECEIVABLE

(a) Mortgage portfolio

	June 30, 2018			December 31, 2017		
Mortgage category	Number	Outstanding amount	% of Portfolio	Number	Outstanding amount	% of Portfolio
Low-rise residential	32	$ 209,334	29.5%	36	$ 234,343	37.1%
House and apartment	104	104,614	14.7%	120	86,287	13.6%
Mid-rise residential	12	99,840	14.1%	4	31,471	5.0%
Construction	9	80,410	11.3%	8	64,828	10.3%
High-rise residential	6	28,047	4.0%	7	44,949	7.1%
Condominium corporation	14	2,713	0.4%	14	2,887	0.4%
Residential portfolio	177	524,958	74.0%	189	464,765	73.5%
Commercial	24	184,636	26.0%	27	167,622	26.5%
Mortgage portfolio	201	709,594	100.0%	216	632,387	100.0%
Accrued interest receivable		2,685			2,537	
Mortgage discount		(242)			(262)	
Unamortized origination fees		(569)			(706)	
Provision for mortgage losses		(9,900)			(7,200)	
Mortgages receivable		$ 701,568			$ 626,756	

The mortgage portfolio has maturity dates between 2018 and 2030 with a weighted average remaining term of 10.6 months at June 30, 2018 (December 31, 2017 – 12.4 months). The portfolio has a weighted average interest rate (which excludes lender fees earned by the company) of 8.54% as at June 30, 2018 (8.44% as at December 31, 2017, 8.42% as at June 30, 2017).

Within the mortgage portfolio, at June 30, 2018 there were 12 loans aggregating $41,598 (5.9% of the mortgage portfolio) in which the company has a subordinate position in a syndicated mortgage (December 31, 2017 – 13 mortgages aggregating $40,550, 6.4% of the portfolio). Additional analysis of the mortgage portfolio, including by location of underlying property and type of mortgage, is set out in the "Investment Portfolio" section of the Management's Discussion and Analysis for the quarter ended June 30, 2018.

Principal repayments based on contractual maturity dates are as follows:

Six months ended December 31, 2018	$ 291,697	41.1%
Years ended December 31, 2019	268,018	37.8%
2020	114,064	16.1%
2021	28,930	4.0%
2022	304	0.1%
Thereafter	6,581	0.9%
	$ 709,594	100.0%

(b) Provision for mortgage losses

The expected credit loss model uses a three-stage impairment approach that is based on changes in the credit quality of the mortgage receivable since initial recognition. The provision for mortgage losses for the period is the sum of the ECLs for all mortgages in the portfolio. Probability of default (PD), loss given default (LGD) and exposure at default (EAD) are used to estimate the ECLs from default events that are possible within the next 12 months for mortgages receivable classified as Stage 1. These variables are determined using historical data and current and future expected conditions are taken into consideration at each reporting period. When mortgages receivable are considered to have experienced a significant increase in credit risk (Stage 2) or are considered to be impaired (Stage 3), each loan is reviewed on an individual basis and the ECL estimated individually for each mortgage. Lifetime ECLs are estimated for mortgages with a significant increase in credit risk or that are considered to be impaired.

NOTE 5 – MORTGAGES RECEIVABLE (continued)

(b) Provision for mortgage losses (continued)

Gross carrying amount	As at June 30, 2018			
Mortgage category	Stage 1	Stage 2	Stage 3	Total
Low-rise residential	$ 209,334	$ –	$ –	$ 209,334
House and apartment	102,173	993	1,448	104,614
Mid-rise residential	99,840	–	–	99,840
Construction	60,612	–	19,798	80,410
High-rise residential	28,047	–	–	28,047
Condominium corporation	2,713	–	–	2,713
Commercial	180,854	3,782	–	184,636
Mortgage portfolio	$ 683,573	$ 4,775	$ 21,246	$ 709,594

Provision for mortgage losses	As at June 30, 2018			
Mortgage category	Stage 1	Stage 2	Stage 3	Total
Low-rise residential	$ 1,188	$ –	$ –	$ 1,188
House and apartment	329	–	360	689
Mid-rise residential	567	–	–	567
Construction	344	–	5,910	6,254
High-rise residential	159	–	–	159
Condominium corporation	16	–	–	16
Commercial	1,027	–	–	1,027
Mortgage portfolio	$ 3,630	$ –	$ 6,270	$ 9,900

The provision for mortgage losses at June 30, 2018 is $9,900, of which $6,270 represents management's estimate of the expected credit losses on those specific loans where there is objective evidence of impairment (Stage 3). The balance of $3,630 is a provision for mortgage losses on the balance of our portfolio on mortgages that have not experienced a significant increase in credit risk since initial recognition (Stage 1).

The changes in the provision for mortgage losses are shown in the following tables.

IFRS 9	Three months ended June 30, 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 3,500	$ –	$ 6,000	$ 9,500
Provision for mortgage losses	130	–	270	400
Balance, June 30, 2018	$ 3,630	$ –	$ 6,270	$ 9,900

		IFRS 9 as at January 1, 2018 and six months ended June 30, 2018			
		Stage 1	Stage 2	Stage 3	Total
IAS 39 balance, December 31, 2017	$ 7,200				
Transition adjustment (Note 2(b))	2,000				
IFRS 9 opening balance, January 1, 2018	$ 9,200	$ 3,300	$ –	$ 5,900	$ 9,200
Provision for mortgage losses		330	–	370	700
Balance, June 30, 2018		$ 3,630	$ –	$ 6,270	$ 9,900

During the three and six month periods ended June 30, 2018, the provision for mortgage losses for mortgages classified as Stage 1 increased as a result of the overall increase in the mortgage portfolio. The increase in the provision for mortgage losses for mortgages classified as Stage 3 was a result of a combination of an increase in the outstanding balance of the mortgages and an increase in the expected credit loss for these mortgages.

NOTE 5 – MORTGAGES RECEIVABLE (continued)

(b) Provision for mortgage losses (continued)

IAS 39	Three months ended June 30 2017	Six months ended June 30 2017
Balance, beginning of period	$ 5,900	$ 5,800
Mortgages settled during the period	(245)	(448)
Provision for mortgage losses	745	1,048
Balance, end of period	$ 6,400	$ 6,400

NOTE 6 – FORECLOSED PROPERTIES

In 2016, the company foreclosed on two properties which were the underlying security for mortgages receivable. The properties were recognized at cost of $1,179 on the dates of foreclosure. During the year ended December 31, 2017 the company disposed of one foreclosed property with a book value of $558 resulting in a net loss of $19. The book value at June 30, 2018 and December 31, 2017 approximates fair value.

	Six months ended June 30 2018	Year ended December 31 2017
Balance, beginning of period	$ 1,064	$ 1,223
Capital improvements (reimbursements)	(1)	399
Disposition of foreclosed property	–	(558)
Balance, end of period	$ 1,063	$ 1,064

NOTE 7 – CREDIT FACILITY

At June 30, 2018, the company had a credit facility from a syndicate of four Canadian financial institutions of $210,000 (December 31, 2017 – $210,000) at a formula rate that varies with bank prime and the market bankers' acceptance rate. The annualized weighted average rate for the period ended June 30, 2018 was 3.45% (3.12% for the year ended December 31, 2017). Drawings under the credit facility may be by way of a bank loan (including an overdraft facility of up to $500), bankers' acceptances or letters of credit (LCs). LCs represent irrevocable assurances that the company's banks will make payments in the event that a customer cannot meet its obligations to third parties. LCs carry the same credit risk, recourse and collateral security requirements as mortgages extended to customers. The committed credit facility was effective November 28, 2017, has a term to January 11, 2020, and is subject to certain conditions of drawdown and other covenants.

The credit facility 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 credit facility is determined by the aggregate value of mortgages that are acceptable to the lender. Under the terms of the credit facility, covenants must be met in respect of shareholders' equity, debt to total assets and interest coverage. At June 30, 2018 and December 31, 2017, the company was in compliance with these covenants.

Credit facility	June 30 2018	December 31 2017
Bankers' acceptances	$ 167,000	$ 125,000
Bank loan	19,458	19,900
Overdraft facility	388	254
Unamortized finance costs	(741)	(700)
Borrowings under credit facility	186,105	144,454
Letters of credit	3,212	3,640
Total credit facility utilization	$ 189,317	$ 148,094

NOTE 8 – RELATED PARTY TRANSACTIONS

The company pays management and mortgage servicing fees to Canadian Mortgage Capital Corporation (CMCC), which is the manager of the company, and responsible for its day-to-day management. The majority beneficial owner and Chief Executive Officer (CEO) of the manager is also CEO of the company. The company incurred management and mortgage servicing fees of $3,064 for the six months ended June 30, 2018 (six months ended June 30, 2017 – $2,584). The management agreement between the company and CMCC contains provisions for the payment of termination fees to the manager in the event that the management agreement is terminated in certain circumstances. Amounts due to related party of $595 (December 31, 2017 – $1,021) are included in accounts payable and accrued liabilities and are due to CMCC, are in the normal course of business, are non-interest bearing, due on demand and are paid within 30 days of each period end.

Certain of our mortgages are shared with other investors. As at June 30, 2018, companies owned by a director and officer of the company had co-invested in one syndicated mortgage. The total amount of the mortgage is $47,853 (December 31, 2017 – one syndicated mortgage of $45,360) of which the company's share is $23,927 (December 31, 2017 – $22,680).

As at June 30, 2018, the company had two mortgages receivable which a director and officer of the company has joint control over the borrowers of these mortgages. (December 31, 2017 – two).

- A mortgage loan with a total gross commitment of $3,490 (December 31, 2017 – $3,490), of which $3,227 (December 31, 2017 – $3,071) had been funded at June 30, 2018. During the six months ended June 30, 2018, the company recognized net mortgage interest and fees of $136 (six months ended June 30, 2017 – $nil) from this mortgage receivable.
- A mortgage loan with a total gross commitment of $8,738 (December 31, 2017 – $8,738). The company's share of the commitment is $2,330 (December 31, 2017 – $2,330), of which $2,330 had been funded at June 30, 2018 (December 31, 2017 – $2,330). During the six months ended June 30, 2018, the company recognized net mortgage interest and fees of $111 (six months ended June 30, 2017 – $nil) from this mortgage receivable.

Key management includes directors and officers of the company. Compensation expenses for key management personnel include:

	Three months ended June 30		Six months ended June 30	
	2018	**2017**	**2018**	**2017**
Directors' fees	$ 45	$ 45	$ 90	$ 90
Share-based payments to directors (Note 11)	44	33	79	70
Share-based payments to officers (Note 11)	12	19	29	40
	$ 101	$ 97	$ 198	$ 200

Related party transactions 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.

NOTE 9 – CONVERTIBLE DEBENTURES

	Convertible debenture				
	5.30% AI.DB.C	**5.50% AI.DB.B**	**6.25% AI.DB.A**	**5.25% AI.DB**	**Total**
Six months ended June 30, 2018					
Issued and outstanding face value	$ 25,300	$ 40,250	$ 31,766	$ 32,500	$ 129,816
Book value –					
Convertible debentures, beginning of period	$ 23,916	$ 38,961	$ 31,340	$ 31,759	$ 125,976
Accretion for the period	104	168	170	147	589
Convertible debentures, end of period	$ 24,020	$ 39,129	$ 31,510	$ 31,906	$ 126,565
Six months ended June 30, 2017					
Issued and outstanding face value	$ 25,300	$ 40,250	$ 31,766	$ 32,500	$ 129,816
Book value –					
Convertible debentures, beginning of period	$ –	$ 38,627	$ 31,003	$ 31,468	$ 101,098
Issued	25,300	–	–	–	25,300
Equity component	(274)	–	–	–	(274)
Issue costs	(1,237)	–	–	–	(1,237)
Issue costs attributed to equity component	14	–	–	–	14
Accretion for the period	9	167	168	145	489
Convertible debentures, end of period	$ 23,812	$ 38,794	$ 31,171	$ 31,613	$ 125,390

	Convertible debenture			
	5.30% AI.DB.C	**5.50% AI.DB.B**	**6.25% AI.DB.A**	**5.25% AI.DB**
Maturity date	June 30, 2024	Sept. 30, 2021	March 31, 2019	June 30, 2020
Initial term	7 years	7 years	5 years	7 years
Conversion at option of shareholder at	$ 14.94/share	$ 14.65/share	$ 13.30/share	$ 13.50/share
Interest payment dates	June 30, Dec. 31	March 31, Sept. 30	March 31, Sept. 30	June 30, Dec. 31
Redeemable at the company's option at par plus accrued interest, provided the weighted average trading price of common shares is not less than 125% of the conversion price from	June 30, 2020	Sept. 30, 2017	March 31, 2017	June 30, 2016
to	June 30, 2022	Sept. 30, 2019	March 31, 2018	June 30, 2018
Redeemable at the company's option at par plus accrued interest and unpaid interest after	June 30, 2022	Sept. 30, 2019	March 31, 2018	June 30, 2018

NOTE 10 – SHARE CAPITAL

The company is authorized to issue an unlimited number of common shares without par value. Common shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Common shares participate pro rata with respect to any dividends paid, including distributions upon termination and dissolution.

NOTE 10 – SHARE CAPITAL (continued)

The company has an optional dividend reinvestment plan (DRIP) for shareholders, whereby participants may reinvest cash dividends in additional common shares of the company at the volume weighted average price for five days prior to distribution, less a 2% discount. During the three and six months ended June 30, 2018, 74,948 and 164,157 common shares were issued under the Company's DRIP (June 30, 2017 – 67,310 and 155,047), using reinvested dividends of $926 and $2,023 (June 30, 2017 - $792 and $1,824). Shares issued under the DRIP are issued by the company from treasury. (See Note 15 – Subsequent events.)

Under the employee share purchase plan (ESPP), each participant may contribute up to an annual maximum to the ESPP, and CMCC (the manager) matches 50% of the participant's contribution. Thus, the company does not bear any of the cost of the ESPP, as it is reimbursed by CMCC and the participants.

NOTE 11 – SHARE-BASED PAYMENTS

	Six months ended June 30, 2018			Year ended December 31, 2017		
	Deferred share units	Income deferred share units	Total	Deferred share units	Income deferred share units	Total
Balance, beginning of period	81,667	11,502	93,169	68,917	8,448	77,365
Units granted	–	–	–	24,000	–	24,000
Units cancelled	(3,000)	(331)	(3,331)	–	–	–
Units earned	–	2,332	2,332	–	5,948	5,948
Common shares issued	(17,000)	(3,223)	(20,223)	(11,250)	(2,894)	(14,144)
Balance, end of period	61,667	10,280	71,947	81,667	11,502	93,169

Share compensation expense:	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
September 1, 2017 grant	$ 44	$ –	$ 85	$ –
September 1, 2016 grant	10	48	34	98
September 1, 2015 grant	2	23	14	49
September 1, 2014 grant	3	9	7	20
August 30, 2013 grant	1	2	2	5
August 29, 2012 grant	–	–	–	–
	$ 60	$ 82	$ 142	$ 172

Grants are provided to directors and certain employees of the manager under the company's deferred share incentive plan ("DSIP"). The deferred share units vest annually over three years. Common shares are issued to participants on the vesting date of each tranche of deferred share units, unless a participant elects to defer the issuance. In addition, income deferred share units ("IDSU") are credited to holders of deferred share units granted before 2017 based upon dividends paid on common shares. The fair value of share-based compensation was based upon the volume weighted average market price of the common shares five days prior to the grant date of September 1, 2017 ($12.26).

NOTE 12 – EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Basic earnings per share –				
Numerator				
Net income and comprehensive income for the period	$ 8,605	$ 6,802	$ 16,532	$ 13,960
Denominator				
Weighted average common shares outstanding	36,130,549	30,151,605	34,778,308	29,450,537
Basic earnings per share	$ 0.24	$ 0.23	$ 0.48	$ 0.47

NOTE 12 – EARNINGS PER SHARE (continued)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Diluted earnings per share –				
Numerator				
Net income and comprehensive income for the period	$ 8,605	$ 6,802	$ 16,532	$ 13,960
Interest on convertible debentures	2,107	1,793	4,222	3,528
Net income and comprehensive income for diluted earnings per share	10,712	8,595	20,754	17,488
Denominator				
Weighted average common shares outstanding	36,130,549	30,151,605	34,778,308	29,450,537
Convertible debentures	9,236,711	7,858,819	9,236,711	7,701,916
Deferred share incentive plan	69,008	68,255	73,987	69,579
Income deferred share units	8,497	8,159	8,806	7,690
Weighted average common shares outstanding – diluted basis	45,444,765	38,086,838	44,097,812	37,229,722
Diluted earnings per share	$ 0.24	$ 0.23	$ 0.47	$ 0.47

NOTE 13 – FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets comprise mortgages receivable and are classified and measured at amortized cost. Financial liabilities comprise borrowings under credit facility, accounts payable and accrued liabilities, dividends payable and the liability component of convertible debentures. All financial liabilities are classified as other financial liabilities.

(b) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between arm's length market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. All financial assets are classified and measured at amortized cost. Their carrying values approximate their fair value due to their relatively short-term maturities and because market interest rates have not fluctuated significantly since the date at which the loans were entered into. The fair value of borrowings under credit facility approximates book value since it bears interest at floating rates. The accounts payable and accrued liabilities and dividends payable carrying value approximates their fair value due to the short term nature of the items.

The fair value of convertible debentures at the time of issue is established using Level 2 inputs. The fair value of convertible debentures has been determined based on the closing prices of the convertible debentures on the TSX on the respective dates.

NOTE 13 – FINANCIAL INSTRUMENTS (continued)

(b) Fair value (continued)

Convertible debentures	June 30 2018	December 31 2017
Fair value	$ 129,809	$ 131,134
Less book value of equity component	(1,322)	(1,322)
	$ 128,487	$ 129,812
Book value of financial liability component	$ 126,565	$ 125,976

(c) Credit risk

Mortgages receivable and issued letters of credit are exposed to credit risk. Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation or commitment, resulting in a financial loss to the company.

The company mitigates the credit risk by maintaining strict credit policies including due diligence processes, credit limits, documentation requirements, review and approval of new mortgages by the board of directors or a subgroup thereof, quarterly review of the entire portfolio by the board of directors, and other credit policies approved by the board of directors. Credit risk is approved by the board of directors. At June 30, 2018, the largest borrower group accounted for 10.4% of mortgages receivable (December 31, 2017 – 9.0%). See Note 5(a) for a breakdown of mortgages by category.

(d) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its obligations when due. The primary sources of liquidity risk are the requirements to fund commitments for new mortgages, advances on existing mortgages, as well as obligations under the company's credit facility. The company's liquidity risk is managed on an ongoing basis in accordance with the policies and procedures in place that reduce the risk to an acceptable level. Policies and procedures include continual monitoring of expected cash flows, reviewing credit requirements with the company's bankers, issuing convertible debentures or common shares in the public markets from time to time as required, and staggering the maturities of convertible debentures when they are issued. From time to time the company has arranged temporary increases in its credit facility with its banks in order to manage liquidity requirements, and expects to be able to continue to do so in the future if required. The company's significant financial liabilities include borrowings under credit facility, accounts payable and accrued liabilities, dividends payable and the liability component of convertible debentures. The borrowings under credit facility are drawn upon as required to discharge accounts payable and accrued liabilities as well as to pay out dividends on a monthly basis. The company's agreement with the lender is that the operating line will not be called provided that all covenants are met and that any significant excess cash is used to pay down the borrowings under credit facility.

NOTE 13 – FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk (continued)

June 30, 2018	Carrying value	Contractual cash flow	Within 1 year	1 to 3 years	3 to 5 years
Borrowings under credit facility[1]	$186,846	$196,797	$6,539	$190,258	$ –
Accounts payable and accrued liabilities	1,839	1,839	1,839	–	–
Dividends payable	2,715	2,715	2,715	–	–
Convertible debentures[2]	126,565	137,947	67,821	43,485	26,641
Total	317,965	339,298	78,914	233,743	26,641
Unadvanced mortgage commitments[3]	–	83,922	83,922	–	–
Total contractual liabilities	$317,965	$423,220	$162,836	$233,743	$ 26,641

Notes:

(1) Includes interest assuming the outstanding balance is not repaid until maturity on January 11, 2020.

(2) The 5.25% debentures are assumed to be repaid July 1, 2018; 6.25% debentures are assumed to be repaid July 1, 2018; 5.50% debentures are assumed to be repaid September 30, 2019 and 5.3% debentures are assumed to be repaid June 30, 2022.

(3) Unadvanced mortgage commitments include additional funds on existing mortgage and new mortgage commitments. The experience of the company has been that a portion of the unadvanced amounts on existing mortgages will never be drawn.

As at June 30, 2018, management considers that it has adequate procedures in place to manage liquidity risk.

(e) Interest rate risk

The company is exposed to interest rate risk in that an increase in interest rates will result in increased interest expense due to its borrowings under credit facility being set at a variable rate and mortgages are set at a combination of fixed and variable rates. The financial structure of the company results in relatively moderate interest rate risk because a majority of the company's financing is through common shares and convertible debentures, with a moderate amount of borrowings under the credit facility that bear floating interest rates.

If interest rates on debt had been one percentage point higher (lower) during the period ended June 30, 2018, income and comprehensive income would have been reduced (increased) by approximately $1,567 during the period, assuming that no changes had been made to the interest rates at which new mortgage loans were entered into. However, if new mortgage loans had been entered into at higher (lower) interest rates, the resulting reduction of income and comprehensive income would have been less than (greater than) $1,567.

(f) Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. The company is not exposed to currency risk as all assets and liabilities are denominated in Canadian funds.

NOTE 14 – CAPITAL MANAGEMENT

The company defines capital as total debt plus shareholders' equity, as shown below:

	June 30 2018	December 31 2017
Borrowings under credit facility	$ 186,105	$ 144,454
Convertible debentures	126,565	125,976
Total debt	312,670	270,430
Shareholders' equity	382,911	349,064
Capital employed	$ 695,581	$ 619,494

NOTE 14 – CAPITAL MANAGEMENT (continued)

The company's objectives for managing capital are to preserve shareholders' equity, provide shareholders with stable dividends, and to use leverage in a conservative manner to improve return to shareholders. The company finances growth of its portfolio by issuing common shares and debt. In addition, a small amount of equity is raised every month through a dividend reinvestment plan for shareholders and the employee share purchase plan.

As bank borrowings increase, the company could expect to raise further funds through public offerings of convertible debentures or common shares, and through private placements of debt. The borrowings under credit facility are subject to external covenants as set out in Note 7. There has been no change in the company's capital management objectives since the prior period.

NOTE 15 – SUBSEQUENT EVENTS

On July 12, 2018, the company issued 25,025 common shares ($319) to shareholders under its dividend reinvestment plan.

On July 9, 2018, the company announced that it had entered into an underwriting agreement with a syndicate of underwriters to purchase $25,000 aggregate principal amount of 5.50% convertible unsecured subordinated debentures. On July 10, 2018, the company announced an increase in the size of this bought deal financing to $30,000. Gross proceeds of $30,000 were received by the company on July 18, 2018. The company has also granted to the underwriters an over-allotment option to purchase up to an additional $4,500 aggregate principal amount of debentures at the same price, exercisable in whole or in part at any time for a period of 30 days from July 18, 2018. If the over-allotment is exercised in full, the gross proceed of the offering will total $34,500.

Corporate Directory

Board of Directors

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Chair of the Board,
Atrium Mortgage
Investment Corporation
President, Optus Capital Corporation

Robert G. Goodall
CEO and President,
Atrium Mortgage
Investment Corporation

Peter P. Cohos [1,4]
President,
Copez Properties Ltd.

Robert H. DeGasperis
President,
Metrus Properties Inc.

Andrew Grant [4]
President,
PCI Group

Maish Kagan [2]
President,
Canal Group

Nancy H. O. Lockhart [2,3]
Director,
Barrick Gold Corporation
Chair of the Board of Directors,
Gluskin Sheff + Associates
Director,
Loblaw Companies Ltd.

1. Chair of Audit Committee
2. Member of Audit Committee
3. Chair of Compensation, Nominating and Governance Committee
4. Member of Compensation, Nominating and Governance Committee

Management

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CEO and President

Jennifer Scoffield CPA, CA
CFO and Secretary

Bram Rothman
Managing Director – Ontario

Richard Munroe
Managing Director – Ontario

Phil Fiuza
Managing Director –
Ontario, Residential

Marianne Dobslaw
Managing Director –
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*For 5.3% (AI.DB.C) and 5.5%
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Auditors

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Share Listing

Common shares,
TSX: AI

Convertible debentures 5.25%,
TSX: AI.DB

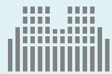
Convertible debentures 6.25%,
TSX: AI.DB.A

Convertible debentures 5.5%,
TSX: AI.DB.B

Convertible debentures 5.3%,
TSX: AI.DB.C

Convertible debentures 5.5%,
TSX: AI.DB.D

Atrium® offers a dividend reinvestment plan (DRIP) so that shareholders may automatically reinvest their dividends in new shares of Atrium at a 2% discount from market price and with no commissions. This provides an easy way to realize the benefits of compound growth of their investment in Atrium. Shareholders can enroll in the DRIP program by contacting their investment advisor or Computershare



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