ATRIUM
MORTGAGE INVESTMENT
CORPORATION

Condensed Interim Financial Statements

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

(Unaudited)

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

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

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

On behalf of the Board:

/s/ Rob Goodall

/s/ Murray Frum

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

(Expressed in Canadian dollars)

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

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

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

(Expressed in Canadian dollars)

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

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

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

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

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

1. Organization

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

2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2011. In particular, the Company's significant accounting policies as presented in Note 2 of the financial statements for the year ended December 31, 2011, have been consistently applied in the preparation of these condensed interim financial statements.

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

(b) Basis of measurement

These financial statements were prepared under the historical cost convention.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

2. Basis of presentation, continued

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

3. Significant accounting policies

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

(a) Revenue recognition

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

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

(b) Financial instruments

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

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

3. Significant accounting policies, continued

(b) Financial instruments, continued

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

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

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

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

(c) Mortgages receivable

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

(d) Income taxes

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

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

4. Recent accounting pronouncements

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

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

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

5. Mortgages receivable

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

Provision for mortgage losses

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

The fair value of mortgages receivable approximates their carrying amounts.

6. Bank loan and indebtedness

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

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

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

7. Dividends

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

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

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

8. Earnings per share

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

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

9. Share capital

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

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

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

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

10. Related party transactions

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

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

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

11. Subsequent events

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

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

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