ATRIUM
MORTGAGE INVESTMENT
CORPORATION

Condensed Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2012 and 2011

(Expressed in Canadian dollars)

(Unaudited)

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

(Expressed in Canadian dollars)	Notes	September 30 2012	December 31 2011
Assets			
Mortgages receivable	5	$ 193,462,257	$ 157,492,666
Cash		39,758	1,315,017
Prepaid expenses		26,816	8,330
		$ 193,528,831	$ 158,816,013
Liabilities			
Bank loan and indebtedness	6	$ 38,100,000	$ 12,600,000
Accounts payable and accrued liabilities		532,286	212,546
Dividends payable	7	3,037,004	2,984,844
Due to related party	11	333,307	172,211
		$ 42,002,597	$ 15,969,601
Equity			
Share capital	9	150,627,339	142,141,036
Contributed surplus		645,023	645,023
Retained earnings		253,872	60,353
		151,526,234	142,846,412
		$ 193,528,831	$ 158,816,013

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

Approved on behalf of the Board:

"Rob Goodall"
Rob Goodall, Director

"Murray Frum"
Murray Frum, Director

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	34,504,209	–	–	34,504,209
Share redemption	(140,000)	–	–	(140,000)
Issue costs	(258,198)	–	–	(258,198)
Earnings and comprehensive income	–	–	6,484,170	6,484,170
Dividends declared	–	–	(6,471,410)	(6,471,410)
Balance, September 30, 2011	120,990,434	645,023	88,556	121,724,013
Share issuance	21,410,161	–	–	21,410,161
Issue costs	(259,559)	–	–	(259,559)
Earnings and comprehensive income	–	–	2,956,641	2,956,641
Dividends declared	–	–	(2,984,844)	(2,984,844)
Balance, December 31, 2011	142,141,036	645,023	60,353	142,846,412
Share issuance	8,613,535	–	–	8,613,535
Issue costs	(132,950)	–	–	(132,950)
Share based payments	5,718	–	–	5,718
Earnings and comprehensive income	–	–	9,713,843	9,713,843
Dividends declared	–	–	(9,520,324)	(9,520,324)
Balance, September 30, 2012	$ 150,627,339	$ 645,023	$ 253,872	$ 151,526,234

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)	Notes	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Revenues					
Mortgage interest and other fees		$ 4,231,114	$ 3,278,802	$ 12,475,414	$ 7,828,950
Operating expenses					
Mortgage servicing and other fees		390,693	276,858	1,114,583	657,801
Interest and bank charges		398,052	214,315	865,104	378,872
Provision for mortgage losses		–	100,000	–	200,000
Expenses related to TSX listing		335,368	–	452,518	–
Accounting, audit and legal fees		20,261	40,607	175,091	88,928
Transfer agent and investor relations		22,293	–	22,293	–
Administration and general		54,005	9,000	126,264	19,179
Share based payments	10	5,718	–	5,718	–
		1,226,390	640,780	2,761,571	1,344,780
Earnings and comprehensive income for the period		$ 3,004,724	$ 2,638,022	$ 9,713,843	$ 6,484,170
Earnings per common share					
Basic		$ 0.20	$ 0.22	$ 0.65	$ 0.65
Diluted		$ 0.20	$ 0.22	$ 0.65	$ 0.65

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)	Nine months ended September 30 2012	2011
Cash provided by (used in):		
Operating activities		
Earnings and comprehensive income for the period	$ 9,713,843	$ 6,484,170
Add non-cash item		
Share based payments	5,718	–
	9,719,561	6,484,170
Changes in non-cash working capital items		
Accrued interest receivable	(1,217,992)	(830,425)
Prepaid expense	(18,486)	–
Accounts payable and accrued liabilities	371,900	747,799
Capital taxes recoverable	–	9,661
Provision for mortgage losses	–	200,000
Additions to mortgage discount	232,429	–
Amortization of mortgage discount	(49,037)	(10,670)
Additions to mortgage origination fees	665,935	538,076
Amortization of mortgage origination fees	(518,833)	(330,935)
	(534,084)	323,506
Cash provided by operating activities	9,185,477	6,807,676
Investing activities		
Advances on mortgages receivable	(79,998,396)	(81,390,957)
Repayment of mortgages receivable	44,916,303	16,266,625
Cash used by investing activities	(35,082,093)	(65,124,332)
Financing activities		
Bank loan advanced	86,400,000	59,900,000
Bank loan repaid	(60,900,000)	(44,400,000)
Increase in due to related party	161,096	55,383
Proceeds from issuance of common shares	8,613,535	34,504,209
Share capital issue costs	(132,950)	(258,198)
Redemption of common shares	–	(140,000)
Dividends paid	(9,520,324)	(6,471,410)
Cash provided by financing activities	24,621,357	43,189,984
Decrease in cash	(1,275,259)	(15,126,672)
Cash, beginning of period	1,315,017	15,228,126
Cash, end of period	$ 39,758	$ 101,454
Cash provided by operating activities includes:		
Interest received	$ 10,668,184	$ 6,656,685
Interest paid	$ 794,242	$ 330,077

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

1. NATURE OF OPERATIONS

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 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 (as defined under the ITA) provided that it is distributed as 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 October 25, 2012.

(b) Basis of measurement

These financial statements were prepared on the historical cost basis except for financial assets at fair value through profit and loss.

(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 each quarter. 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 earnings and 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 possible 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.

(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 the statement of earnings and comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of earnings and comprehensive income in the period in which they arise. Instruments classified in this category include cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(ii) Loans and receivables

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

(iii) Other financial liabilities

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

The Company had neither held to maturity nor available for sale instruments as at September 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 MIC under the ITA, and as such is not taxed on income provided that such income flows through to the shareholders in the form of dividends within 90 days after December 31. It is the Company's policy to pay such dividends out to the shareholders to remain non-taxable. Accordingly, no provision for 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 adjusted for any items that have dilutive attributes.

(f) Share-based payments

On April 10, 2012, the Company adopted a deferred share incentive plan (see note 10). Under the deferred share incentive plan the cost of equity-settled and cash-settled transactions are measured based on the fair value of the awards granted. The fair value is determined based on the observable share price at the time the deferred share units and the income deferred share units are granted.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB issued or amended the following standards which have not yet been adopted by the Company: IFRS 9, Financial Instruments IFRS 13, Fair Value Measurement and IAS 1, Presentation of Financial Statements. The Company is assessing the impact that the new and amended standards will have on its financial statements and whether to early adopt any of the new requirements. The following is a brief summary of the new standards:

IAS 1 – Presentation of Financial Statements

This standard is effective for annual periods beginning on or after July 1, 2012 and requires companies preparing financial statements under IFRS to group items within Other Comprehensive Income (“OCI”) that may be reclassified to profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

IFRS 9 – Financial Instruments

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2015. IFRS 9 has two measurement categories: amortized cost and fair value. 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 principal and interest. Otherwise it is recorded at fair value through profit or loss.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards and is effective for annual periods beginning on or after January 1, 2013. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

5. MORTGAGES RECEIVABLE

	September 30 2012	December 31 2011
Mortgage portfolio	$ 191,989,482	$ 156,907,389
Accrued interest receivable	3,288,614	2,070,622
Mortgage discount, net of accumulated amortization	(259,451)	(76,059)
Mortgage origination fees, net of accumulated amortization	(662,012)	(514,910)
Provision for mortgage losses	(894,376)	(894,376)
Mortgages receivable	$ 193,462,257	$ 157,492,666

5. MORTGAGES RECEIVABLE (continued)

Provision for mortgage losses

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Balance, beginning of period	$ 894,376	$ 794,376	$ 894,376	$ 694,376
Increase in provision during the period	–	100,000	–	200,000
Balance, end of period	$ 894,376	$ 894,376	$ 894,376	$ 894,376

The fair value of mortgages receivable approximates their carrying amounts.

6. BANK LOAN AND INDEBTEDNESS

The Company has a line of credit from a Canadian financial institution of $75,000,000 (December 31, 2011 - $40,000,000). 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 0.50% per annum. Extension fees are paid on the extension of the credit facility.

At September 30, 2012, $38,100,000 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. $25,000,000 of the line of credit expires six months from September 25, 2012 subject to extension fees after the first three months. Further, that amount would be permanently reduced by the net proceeds of any capital market equity issue. Under the terms of the line of credit, covenants must be met in respect of shareholders' equity, debt to total assets and interest coverage. At September 30, 2012, the Company was in compliance with these covenants.

As at September 30, 2012, the Corporation had $332,458 of Letters of Credit outstanding ("LCs") which were issued under the operating credit facility. The LCs reduce the maximum availability under the operating credit facility by the amount of the LCs. The maximum available by way of LCs under the operating credit facility is $2 million.

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 $0.20 per share for the three months ended September 30, 2012 (2011 - $0.18) and $0.63 per share for the nine months ended September 30, 2012 (2011 - $0.45).

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Operating income	$ 3,004,724	$ 2,638,022	$ 9,713,843	$ 6,484,170
Non-deductible expenses	120,668	10,000	237,818	20,000
Change in deferred revenue	147,442	(63,092)	147,102	207,141
Issue costs deductible pursuant to Section 20(1)(e) of the ITA	(59,582)	(54,764)	(171,506)	(109,512)
Amounts distributable to shareholders	$ 3,213,252	$ 2,530,166	$ 9,927,259	$ 6,601,799

	Nine months ended September 30 2012	Year ended December 31 2011
Dividends payable, beginning of period	$ 2,984,844	$ 1,881,464
Dividends declared during the period	9,520,324	9,456,254
Dividends paid during the period	(9,468,163)	(8,352,874)
Dividends payable, end of period	$ 3,037,004	$ 2,984,844

8. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Earnings for the period	$ 3,004,724	$ 2,638,022	$ 9,713,843	$ 6,484,170
Weighted average common shares outstanding	15,212,743	11,783,513	15,055,815	10,051,979
Weighted average common shares outstanding – diluted basis	15,218,127	11,783,513	15,057,466	10,051,979
Earnings per share				
Basic	$ 0.20	$ 0.22	$ 0.65	$ 0.65
Diluted	$ 0.20	$ 0.22	$ 0.65	$ 0.65

The weighted average number of common shares outstanding for the period ended September 30, 2011 has 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. Common shares rank equally with each other and have no preference, conversion, exchange or redemption rights. Common shares which are issued will participate pro rata in any dividend paid, 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. That change is reflected below and comparative information has been restated accordingly.

	Nine months ended September 30, 2012		Year ended December 31, 2011	
	Shares	**Amount**	**Shares**	**Amount**
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	55,554	555,535	23,337	233,370
Redeemed during the period	–	–	(14,000)	(140,000)
Issue costs	–	(132,950)	–	(517,757)
Share based payments	–	5,718	–	
Balance, end of period	15,218,791	$ 150,627,339	14,357,437	$ 142,141,036

10. SHARE BASED PAYMENTS

During the year, the Company implemented a deferred share incentive plan for employees, officers and directors. The plan allows the board to issue deferred share units up to a maximum number equal to 10% of the issued and outstanding common shares to eligible individuals. Holders of deferred share units are also eligible to receive income deferred share units from any dividends paid. The number of Common shares these income deferred share units represent is calculated by dividing: (a) the amount obtained by multiplying the dividends or other distributions paid on each Common share by the aggregate number of deferred share units and income deferred share units in the account of each participant by; (b) the market value of the Common shares on the distribution record date defined as the date in which the deferred share units were granted.

During the period ended September 31, 2012 the Company granted 21,500 deferred share units. These deferred share units were valued using the company's share price on its first trading day of September 7, 2012, $11.00. These deferred share units will vest over a three year period from the reporting issuer date (September 7, 2012) and have been amortized on a straight-line basis from this date.

11. RELATED PARTY TRANSACTIONS

Canadian Mortgage Capital Corporation ("CMCC"), the manager of the Company, and certain 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 responsible for the day to day management of the Company. The Company incurred mortgage servicing fees of $1,114,581 for the nine months ended September 30, 2012 (September, 30 2011 – $657,801).

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 $6,145,000 at September 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.

12. SUBSEQUENT EVENTS

Subsequent to the period, the Corporation will issue common shares under the dividend reinvestment plan in the aggregate of $148,286.