ATRIUM
MORTGAGE INVESTMENT CORPORATION

Condensed Interim Financial Statements

Three months ended March 31, 2013 and 2012

(Unaudited)

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim financial statements of Atrium Mortgage Investment Corporation and all the information contained in the financial statements are the responsibility of management and have been approved by the Board of Directors. These have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and set out in Part I of the *Handbook* issued by the Canadian Institute of Chartered Accountants. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibilities for the financial statements through the Audit Committee. The Audit Committee periodically reviews and discusses financial reporting matters with the company's auditors, Crowe Soberman, as well as with management. These financial statements have not been audited or reviewed by Atrium's auditors.

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

(Expressed in Canadian dollars)	Notes	March 31 2013	December 31 2012
Assets			
Cash		$ –	$ 10,628,383
Mortgages receivable	5	224,529,637	201,954,951
Accounts receivable		164,375	–
Prepaid expenses		41,807	19,577
		$ 224,735,819	$ 212,602,911
Liabilities			
Bank indebtedness	6	$ 51,148	$ –
Bankers’ acceptance	6	10,000,000	–
Loan payable	6	2,217,000	–
Accounts payable		123,276	180,800
Accrued liabilities		169,742	279,768
Dividends payable	7	1,406,847	1,826,813
Due to related party	8	391,987	205,605
		$ 14,360,000	$ 2,492,986
Shareholders’ equity			
Share capital	9	209,642,066	209,383,307
Contributed surplus		729,331	693,199
Retained earnings		4,422	33,419
		210,375,819	210,109,925
		$ 224,735,819	$ 212,602,911
Commitments	*5*		

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

Approved on behalf of the board of directors:

“Rob Goodall”
Rob Goodall, Director

“Murray Frum”
Murray Frum, Director

ATRIUM MORTGAGE INVESTMENT CORPORATION
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)	Notes	Common shares Number	Common shares Amount	Contributed surplus	Retained earnings	Total
Balance, December 31, 2011		14,357,437	$ 142,141,036	$ 645,023	$ 60,353	$ 142,846,412
Shares issued	9	805,800	8,058,000	–	–	8,058,000
Shares issued under dividend reinvestment plan	9	14,720	147,201	–	–	147,201
Issue costs	9	–	(132,950)	–	–	(132,950)
Earnings and comprehensive income		–	–	–	3,351,645	3,351,645
Dividends declared		–	–	–	(3,138,168)	(3,138,168)
Balance, March 31, 2012		15,177,957	150,213,287	645,023	273,830	151,132,140
Shares issued	9	5,837,400	62,285,058	–	–	62,285,058
Shares issued under dividend reinvestment plan	9	63,180	640,674	–	–	640,674
Issue costs	9	–	(3,755,712)	–	–	(3,755,712)
Share based payments		–	–	48,176	–	48,176
Earnings and comprehensive income		–	–	–	10,006,682	10,006,682
Dividends declared		–	–	–	(10,247,093)	(10,247,093)
Balance, December 31, 2012		21,078,537	209,383,307	693,199	33,419	210,109,925
Shares issued under dividend reinvestment plan	9	24,068	258,759	–	–	258,759
Share based payments		–	–	36,132	–	36,132
Earnings and comprehensive income		–	–	–	4,189,667	4,189,667
Dividends declared		–	–	–	(4,218,664)	(4,218,664)
Balance, March 31, 2013		21,102,605	$ 209,642,066	$ 729,331	$ 4,422	$ 210,375,819

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

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

(Expressed in Canadian dollars)		**Three months ended**	
	Notes	**March 31 2013**	**March 31 2012**
Revenues			
Mortgage interest and fees		$ 5,089,468	$ 4,102,674
Operating expenses			
Mortgage servicing and management fees	8	518,005	357,689
Interest and bank charges		129,422	231,282
Expenses for the non-offering prospectus and the related TSX listing		–	62,470
Accounting, audit and legal fees		83,632	57,725
Investor relations and transfer agent		85,800	–
Directors expense	8	28,454	–
Administration and general		18,356	41,863
Share based payments	8, 10	36,132	–
		899,801	751,029
Earnings and comprehensive income for the period		$ 4,189,667	$ 3,351,645
Earnings per common share			
Basic	11	$ 0.20	$ 0.23
Diluted	11	$ 0.20	$ 0.23

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

ATRIUM MORTGAGE INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

(Expressed in Canadian dollars)	Three months ended March 31 2013	March 31 2012
Cash provided by (used in):		
Operating activities		
Earnings and comprehensive income for the period	$ 4,160,107	$ 3,351,645
Add (subtract) non-cash items		
Share based payments	36,132	–
Interest capitalized to mortgages	(656,457)	(575,064)
Amortization of mortgage discount	(48,942)	(3,556)
Amortization of mortgage origination fees	(167,489)	(165,364)
	3,352,911	2,607,661
Changes in balance sheet amounts		
Accrued interest receivable	(770,732)	(237,981)
Accounts receivable	(164,375)	(10,000)
Prepaid expenses	7,330	–
Accounts payable and accrued liabilities	(167,550)	(9,049)
Additions to mortgage origination fees	280,451	181,992
Cash provided by operating activities	2,508,475	2,532,623
Investing activities		
Advances on mortgages receivable	(48,030,193)	(32,294,375)
Repayment of mortgages receivable	26,162,219	11,946,948
Interest capitalized to mortgages	656,457	575,064
Cash used by investing activities	(21,211,517)	(19,772,363)
Financing activities		
Loan amount advanced	38,377,000	34,100,000
Loan amount repaid	(26,160,000)	(15,700,000)
Increase in due to related party	186,382	37,191
Issuance of common shares	258,759	8,205,201
Share issue costs	–	(132,950)
Dividends paid	(4,638,630)	(2,984,844)
Cash provided by financing activities	8,023,511	23,524,598
Increase (decrease) in (bank indebtedness) cash	(10,679,531)	6,284,858
Cash, beginning of period	10,628,383	1,315,017
Cash (bank indebtedness), end of period	$ (51,148)	$ 7,599,875

Cash provided by operating activities includes:		
Interest received	$ 3,613,847	$ 3,285,752
Interest paid	$ 130,244	$ 218,895

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

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."

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, 2012. In particular, the company's significant accounting policies as presented in Note 2 of the financial statements for the year ended December 31, 2012, 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 April 25, 2013.

(b) Basis of measurement

These condensed interim financial statements were prepared on the historical cost basis.

(c) Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is also 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 most subjective of these estimates is the provision for mortgage losses. 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. In the process of applying the company's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

Provisions
Provisions for mortgage losses 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.

(a) Revenue recognition

Mortgage interest and fees revenue is recognized in the statement of earnings and comprehensive income using the effective interest method. Mortgage interest and fees revenue includes the company's share of any fees received, as well as the effect of any discount or premium received on the mortgage.

The effective interest method discounts the estimated future cash payments and receipts through the expected life of the mortgage receivable to its carrying amount. When estimating future cash flows, the contractual terms of the mortgage are considered although possible future credit losses are ignored (see note 3(d)).

(b) Financial assets – classification, recognition and measurement

Classification of financial assets depends on the purpose for which the financial assets were acquired or incurred. Management determines the classification of financial assets at initial recognition. All of the company's financial assets are classified as loans and receivables.

All financial assets are subject to review for impairment quarterly and written down when there is evidence of impairment.

Loans and receivables
Classification
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category consist of cash, accounts receivable and mortgages receivable.

Recognition and measurement
Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. At each reporting date, management considers whether any reserves for credit impairment or due to changes in market interest rates are required.

(c) Mortgages receivable

The company reviews mortgages receivable quarterly for impairment. An impairment loss is calculated as the difference between the carrying amount of the mortgage receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the statement of earnings and comprehensive income and reflected in the provision for mortgage losses. When a subsequent event causes the amount of impairment loss to decrease, the provision for mortgage losses is reversed through the statement of earnings and comprehensive income.

(d) 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 each period. The company had classified bank indebtedness, accounts payable and accrued liabilities, dividends payable, and due to related parties as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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 paid 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 future income taxes is required.

(f) Earnings per common share

Earnings per common share is calculated by dividing earnings during the period by the weighted average number of common shares outstanding during the period adjusted for any dilutive items.

(g) Share based payments

The company has an equity-settled share based compensation plan for grants to eligible directors, officers, senior management and consultants under its deferred share incentive plan. No awards have been issued to consultants. Grants are measured based upon the fair value of the awards granted, based on the share price at the time of the grant.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements have been issued by the IASB or IFRIC (IFRS Interpretations Committee) that will be effective for future accounting periods. Many of these are not applicable to the company and so are not listed below. Except as noted, these pronouncements are effective for accounting periods beginning after January 1, 2014. It is unlikely that adopting the new pronouncements would have a material impact on the company's financial statements. The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 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. 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

	March 31, 2013			December 31, 2012		
Mortgage category[1]	Number	Outstanding amount	% of Portfolio	Number	Outstanding amount	% of Portfolio
Mixed use real	17	77,846,095	34.9%	15	$ 69,334,931	34.4%
Condominium corporation	10	1,572,696	0.7%	10	1,629,664	0.8%
Low rise residential	13	36,100,176	16.2%	8	24,302,272	12.0%
Midrise residential	5	13,915,654	6.2%	5	24,381,184	12.1%
High rise residential	4	25,036,000	11.2%	4	23,686,000	11.8%
House and apartment	43	51,834,128	23.2%	31	43,061,190	21.4%
Construction	5	17,046,447	7.6%	4	15,087,981	7.5%
Mortgage portfolio	97	223,351,196	100.0%	77	201,483,222	100.0%
Accrued interest receivable		3,360,371			2,589,639	
Mortgage discount[2]		(336,566)			(385,508)	
Mortgage origination fees[2]		(757,697)			(644,735)	
Provision for mortgage losses		(1,087,667)			(1,087,667)	
Mortgages receivable		$ 224,529,637			$201,954,951	

Notes: (1) Mixed use real estate/condominium – Properties that have aspects of commercial as well as residential activities
Condominium corporation – Guest suite units located within condominium complexes
Low rise residential – Residential properties from one to three stories in height
Midrise residential – Residential properties from three to eight stories in height
High rise residential – Residential properties in excess of nine stories in height
House and apartment – Individual residential houses and apartment buildings
Construction - Properties that are the site of condominium construction projects
(2) Net of accumulated amortization

The loans comprising mortgages receivable bear interest at the weighted average yield of 8.80% (Dec 31, 2012 – 8.93%) and mature between 2013 and 2022 with a weighted average term to maturity of 14.1 months (2012 – 13.0 months)

The company has committed to advance additional funds under both existing and new mortgages aggregating $40,584,475 at March 31, 2013 (Dec 31, 2012 - $34,949,643).

Principal repayments based on contractual maturity dates are as follows:

Year ending December 31,	2013	$ 85,522,317
	2014	92,667,025
	2015	36,299,253
	2016	7,500,000
	2017	215,091
	Thereafter	1,147,510
		$ 223,351,196

Two mortgages are in default as at March 31, 2013. The provision for mortgage losses is based upon expected losses resulting therefrom and is based upon management's assessment as to market conditions, the value of the real property securing the mortgage, and consequently the likely amount ultimately recoverable.

6. BANK LOAN AND INDEBTEDNESS

The company has a credit facility from a major Canadian financial institution of $50,000,000 (Dec 31, 2012 – $50,000,000). Advances may be obtained under the credit facility by way of a maximum $500,000 overdraft at a rate of prime plus 1.5%, a bank loan at a rate of prime plus 1.5% per annum or bankers' acceptances at the BA rate on date of drawdown plus a stamping fee of 2.5% per annum. The credit facility is repayable upon demand and subject to certain conditions of drawdown and other covenants. The standby fee on the unused portion of the facility is 0.50% per annum.

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 March 31, 2013, the company was in compliance with these covenants.

As at March 31, 2013, the company had $332,458 (Dec 31, 2012 - $357,458) of Letters of Credit (LCs) outstanding which were issued under the credit facility. The LCs reduce the maximum availability under the credit facility by the amount of the LCs drawn. The maximum available by way of LCs under the credit facility is $2 million.

Borrowing facility	Interest rate	March 31 2013	Interest rate	December 31 2012
Bank indebtedness	4.50%	51,148	–	–
Bankers' acceptances	3.72%	10,000,000	–	–
Loan payable	4.50%	2,217,000	–	–
Total borrowing under credit facility		12,268,148		–

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 March 31, 2013 (March 31, 2012 - $0.21).

	Three months ended March 31 2013	Three months ended March 31 2012
Dividends payable, beginning of year	$ 1,826,813	$ 2,984,844
Dividends declared during the period	4,218,664	3,138,168
Dividends paid during the period	(4,638,630)	(2,984,844)
Dividends payable, end of period	$ 1,406,847	$ 3,138,168

8. RELATED PARTY TRANSACTIONS

The company pays management and mortgage servicing fees to Canadian Mortgage Servicing Corporation ("CMSC"), a subsidiary of Canadian Mortgage Capital Corporation ("CMCC") the manager of the company, which is responsible for the day to day management of the company. The majority beneficial owner and CEO of the manager is also CEO of the company. The company incurred management and mortgage servicing fees from CMSC of $515,149 for the period ended March31, 2013 (2012 – $357,689). Unpaid amounts are in the normal course of business, non-interest bearing and due on demand. Due to related parties is due to CMCC and its subsidiaries.

Guarantees aggregating $4,190,000 at March 31, 2013 (2012 - $8,290,000) 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. No guarantees fees have been paid in the period.

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

	Three months ended March 31 2013	Three months ended March 31 2012
Fees to directors	$ 28,454	$ –
Share based payments to directors (note 10)	17,646	–
Share based payments to officers (note 10)	18,486	–
	$ 64,586	$ –

Related party transactions 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.

9. 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.

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 market price less a 2% discount. Shares issued under the DRIP are issued by the company from its treasury.

	Common shares Number	Common shares Amount
Shares issued –		
DRIP, January 29, 2013	6,580	70,801
DRIP, February 26, 2013	6,814	73,732
DRIP March 21, 2013	1,785	19,106
DRIP March 27, 2013	8,889	95,120
Total shares issued three months ended March 31, 2013	24,068	$ 258,759
DRIP	24,068	258,759
Total shares issued three months ended March 31, 2013	24,068	$ 258,759

9. SHARE CAPITAL (continued)

	Common shares	
	Number	**Amount**
Shares issued –		
DRIP, January 31, 2012	14,720	$ 147,201
Private placement, February 15, 2012	805,800	8,058,000
Total shares issued three months ended March 31, 2012	820,520	$ 8,205,201
Private placement	805,800	$ 8,058,000
DRIP	14,720	147,201
Total shares issued three months ended March 31, 2012	820,520	$ 8,205,201

Issue costs for the February 15, 2012 private placement aggregated $132,950.

10. SHARE BASED PAYMENTS

During the year ended December 31, 2012 the board granted 21,500 deferred share units to directors and officers. Common shares are automatically issued to participants on the vesting date of each tranche of deferred share units, unless a participant elects in writing to defer the issue. At December 31, 2012 none of the related common shares were issuable, nor were any income deferred share units issuable.

The total value of the stock based compensation is estimated to be $236,500 on the date of grant. Stock based compensation expense recognized during the period was $36,132 (2012 – $48,176), with a corresponding credit to contributed surplus. The fair value of the stock based compensation was based on a market price of the common shares on the grant date of $11.00.

11. EARNINGS PER SHARE

	Three months ended	
	March 31 2013	**March 31 2012**
Basic earnings per share –		
Numerator		
Earnings for the period	$ 4,189,667	$ 3,351,645
Denominator		
Weighted average common shares outstanding	21,086,089	14,763,189
Basic earnings per share	$ 0.20	$ 0.23
Diluted earnings per share –		
Numerator		
Earnings for the period	$ 4,189,667	$ 3,351,645
Denominator		
Weighted average common shares outstanding	21,068,089	14,763,189
Deferred share incentive plan	21,890	–
Weighted average common shares outstanding – diluted basis	21,107,979	14,763,189
Diluted earnings per share	$ 0.20	$ 0.23

12. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets comprise cash and mortgages receivable. All financial assets are classified as loans and receivables. Financial liabilities comprise bank indebtedness, accounts payable and accrued liabilities, dividends payable, and due to related party. 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 as loans and receivables and are recorded at 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. Fair value of mortgages receivable would be established by level 3 inputs, other financial assets and liabilities as level 3.

(c) Credit risk

The following assets are exposed to credit risk: cash and mortgages receivable. 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 credit risk for cash is very low because the company maintains cash balances with a major Schedule I chartered bank.

The company controls the credit risk of mortgages receivable by maintaining strict credit policies including 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. In the prior year ultimate approval of credit risk was by a non-board credit committee. Since March 23, 2012 ultimate approval of credit risk is by the board of directors. No single borrower accounts for more than 9.0% of mortgages receivable.

The company's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at March 31, 2013 and December 31, 2012 is represented by the respective carrying amounts of the relevant financial assets in the balance sheet.

12. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its obligations when due. The company's liquidity risk is managed on an ongoing basis by the Manager in accordance with the policies and procedures in place. The company's significant financial liabilities include bank loan and indebtedness, accounts payable and accrued liabilities and dividends payable. The bank loan and indebtedness is drawn on to pay accounts payable as well as to pay out dividends on a monthly basis. The company's agreement with the lender is that the bank loan will not be called as long as all covenants are met and that any significant excess cash is used to pay down the bank loan and indebtedness.

As at March 31, 2013, management considers that the company does not have significant exposure to liquidity risk as the line of credit is not fully utilized and the company is in compliance with all covenants.

(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 bank loan and indebtedness being set at a variable rate but all mortgages being set at fixed rates.

As at March 31, 2013, management considers that the company does not have significant exposure to interest rate risk as the maturity of its mortgage portfolio is fairly short, and interest rates are not expected to be particularly volatile during the weighted average term of the mortgage portfolio.

(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 currently exposed to significant currency risk as almost all assets and liabilities are denominated in Canadian funds.

(g) Changes to risk exposure and management of risk exposure

There have been no changes to risk exposure or the management of that exposure since the prior year.

13. CAPITAL RISK MANAGEMENT

The company defines capital as shareholders' equity, $210,375,819 (Dec 31, 2012 - $210,109,925) and total bank loan and indebtedness, $12,268,148 (Dec 31, 2012 - $ nil).

The company's objectives for managing capital are to:

- preserve shareholders' equity
- provide shareholders with stable dividends
- use leverage in a conservative manner to improve return to shareholders

The company manages capital by using relatively small amounts of financial leverage to improve its return to shareholders. The company intends to grow the mortgage portfolio by increasing its bank indebtedness as required. A small amount of equity is raised every month through the company's dividend reinvestment plan for shareholders. Once borrowings aggregate above a certain level, the company would expect to raise more funds through public share offerings. The company's bank loan and indebtedness is subject to external covenants as detailed in note 6. There has been no change in the company's capital risk management objectives since the prior year.

14. SUBSEQUENT EVENTS

On March 12, 2013 the company declared dividends of $0.066667 per share, aggregating $1,406,847 for shareholders of record March 29, 2013 payable on April 15, 2013.