

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE YEAR ENDED DECEMBER 31, 2007**

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can obtain a copy of the annual financial statements at your request, and at no cost, by any of the following methods:

By telephone: (888) 955-1002

By Internet: Our Website at www.PrimeWest.ca

SEDAR at www.sedar.com

By mail: PrimeWest Mortgage Investment Corporation
220-728 Spadina Crescent East
Saskatoon, Saskatchewan S7K 3H2

Shareholders may also contact us using one of these methods to request a copy of the Corporation's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategy

Investment objective

The Corporation's objective is to generate income while preserving, for its beneficial shareholders, capital for re-investment. As a mortgage investment corporation, the Corporation expects to derive its earnings principally from the receipt of mortgage interest payments, mortgage fees, and of interest or interest like distributions on the cash reserves of the Corporation.

Investment Strategy

The Corporation will achieve its investment objective by lending on the security of mortgages on real properties mostly situated in the province of Saskatchewan. The mortgages transacted by the Corporation will not generally meet the underwriting criteria of conventional lenders. The Corporation, however, does not trade in mortgages in the secondary market. The mortgage term is not to exceed two years, but providing the mortgage is in good standing and mutual agreement is reached, the mortgage may be renewed for one or more additional terms. As a result, the Corporation's investments are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. The Corporation is required to

have at all times approximately 10% of its total assets in cash or near cash securities in order to meet redemption requests and thereby provide an element of liquidity to the investor.

Risks

As of the date of this Management Report of Fund Performance, management is not aware of any negative risk factor which has adversely affected the return on investments for 2007. Management must continually identify and evaluate mortgage applications that meet its eligibility criteria. All bad or questionable loans have been accounted for in the financial statement and no trends are known at this time that will likely either affect the capital base of the Corporation, the ability of the Corporation to find and fund mortgage loans or decrease the Corporation's investment income.

The business operations of the Corporation are subject to the following risks, amongst others, that could affect shareholder's equity and the Corporation's ability to generate returns: relative illiquid nature of mortgage investments, ability of borrowers to make mortgage payments, inability of the Corporation to find suitable mortgage investments, changes in land value, ranking of mortgages, no guarantees to investor on returns or lack of losses, and reliance on third parties. These risks are described in greater detail in the Corporation's prospectus, a copy of which may be obtained through SEDAR at www.sedar.com, or by visiting our website at www.PrimeWest.ca.

Who Should Invest in this Corporation?

An investment in PrimeWest Mortgage Investment Corporation may be suitable for medium to long-term investors who are:

1. are looking for an investment that generates quarterly returns;
2. are willing to accept a low to medium level of risk;
3. are seeking an RRSP, RESP, and RRIF eligible investment; and
4. do not need the ability to redeem all or any portion of their shares more than once per year.

In 2007 the Corporation increased its capital through private placements and on December 6, 2007, a final receipt for a prospectus was issued for an \$8,000,000 offering of Class A Shares and Convertible Debentures with the Corporation's long term interest being to increase its capital base and thereby provide greater profitability for its shareholders.

Results of Operations

The financial statements of PrimeWest Mortgage Investment Corporation are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and National Instrument 81-106 Investment Funds Continuous Disclosure and all amounts are expressed in Canadian dollars.

Operating Results for the Period

The following table presents the results from operations for the year ended December 31:

	2007	2006
Total revenues	1,088,515	592,234
-per weighted average common share	2.90	3.80
Net earnings	320,209	216,288
-per weighted average common share	.85	1.39

The revenues of the Corporation represent mortgage fees and interest from investments, substantially all of which is earned on its investment in mortgages.

Basic net earnings per share is computed by dividing net earnings for the year by the weighted average number of units outstanding during the year.

Outstanding Share Data and Transactions for the Period

The Corporation is authorized to issue an unlimited number of common shares. The following table presents a summary of share data and transactions for the year ended December 31:

	2007	2006
Number of Shares	#	#
Balance – beginning of year	245,170	129,720
Issued	455,990	124,400
Redeemed	(8,900)	(8,950)
<u>Balance – end of year</u>	<u>692,260</u>	<u>245,170</u>
	2007	2007
Dollars	\$	\$
Balance – beginning of year	2,193,423	1,167,932
Issued	4,292,407	1,112,993
Redeemed	(87,002)	(87,502)
<u>Balance – end of year</u>	<u>6,398,828</u>	<u>2,193,423</u>

Convertible Debentures

The Corporation distributed 564 7.25% convertible, unsecured, subordinated debentures at a price of \$1,000 per debenture for Gross proceeds of \$564,000. The debentures mature on December 31, 2010 and pay interest quarterly and in arrears on April 15, July 15, October 15, and December 15.

Credit Line

The margined, demand credit line bears interest at prime plus 2%, has an authorized limit of \$5,000,000 and is secured by a general security agreement and an assignment of debenture mortgages.

Credit Line	2007	2006
	\$	\$
Balance – beginning of year	2,000,000	Nil
Minimum loan balance – for the period	1,100,000	200,000
Maximum loan balance – for the period	4,813,000	2,000,000
Balance – end of year	4,813,000	2,000,000
Percentage of net assets – end of period	74%	89%

The proceeds of the line of credit, together with the Corporation's capital are used to invest in mortgages.

Recent Developments

Since December 31, 2006 the Corporation has adopted the following changes that have a material effect on its operation:

Mortgage Investment Policies

Since inception and as at December 31, 2006 all of the mortgages in which the Corporation invested were against properties located throughout the province of Saskatchewan. During the second half of 2007, PrimeWest amended the investment policy to properties located in Major Urban Centers in Western Canada, with key focus being Saskatoon and Regina.

Related Party Transactions

The Corporation had various transactions with directors and companies owned by certain directors. These transactions included \$41,818 (2006, - \$32,250) of Directors fees, \$0.00 (2006 - \$3,000) to certain directors for expense allowance, \$42,482 (2006 - \$78,729) to certain directors in respect of mortgage broker fees and \$nil (2006 - \$9,000) to a director in respect of share issuance costs.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties. Any program to provide loans to officers or directors for the acquisition of shares within the Corporation has been discontinued.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Corporation and are intended to help you understand the Corporation's financial performance over the past two years.

Declared Dividends

Dividends and Dividend Dates Fiscal 2007

Record Date	Payment Date	Dividends Declared
December 15, 2007	December 31, 2007	\$0.20
September 15, 2007	September 30, 2007	\$0.20
June 1, 2007	July 4, 2007	\$0.20
March 15, 2007	March 31, 2007	\$0.20

Dividends and Dividend Dates Fiscal 2006

Record Date	Payment Date	Dividends Declared
December 1, 2006	January 20, 2007	\$0.30
September 30, 2006	October 20, 2006	\$0.20
June 30, 2006	July 20, 2006	\$0.20
March 15, 2006	March 20, 2006	\$0.15

Rates and Supplemental Data (December 31):

	2007	2006
Net assets	\$ 6,478,839	\$ 2,247,228
Number of shares outstanding	692,260	245,170
Management expense ratio	6.10%	N/A
Portfolio turnover rate	68.08%	N/A

PAST PERFORMANCE

The Corporation became a reporting issuer on December 5, 2007 under an initial public offering prospectus. The prospectus contains information relating to the Corporation's mortgage portfolio and financial statements. A copy of the Corporation's prospectus may be obtained through SEDAR at www.sedar.com, or by visiting our website at www.PrimeWest.ca. Although past performance can help you understand the risk of investing in the Corporation, it is not indicative of future performance.

Summary of Investment Portfolio

The following represents the Corporation's 25 largest investments as at December 31, 2007:

Asset	Market Value	Percentage of Net Assets
Private Mortgages (1)	\$ 8,737,719	1.3487%
Cash and cash equivalents	\$ 2,909,446	44.91%

(1) These mortgages are uninsured conventional pre-payable mortgages with interest rates ranging from 7.95% to 13.50% and terms of maturity ranging from 1 to 2 years. A further breakdown of the mortgages can be found in the Statement of Investment Portfolio which forms part of the Corporation's financial statements.

The actual holdings will change following this date due to on-going portfolio transactions in the Corporation. A quarterly portfolio update may be obtained by contacting the Corporate Secretary by telephone toll-free at (888) 955-1002 or by mail at PrimeWest Mortgage Investment Corporation, 220-728 Spadina Crescent East, Saskatoon, Saskatchewan, S7K 3H2.