

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION  
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE SIX MONTHS ENDED JUNE 30, 2013**

This interim management report of fund performance contains financial highlights but does not contain either interim or annual financial statements of the investment fund. You can obtain a copy of the interim or 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](http://www.PrimeWest.ca)

SEDAR at [www.sedar.com](http://www.sedar.com)

By mail: PrimeWest Mortgage Investment Corporation  
700-750 Spadina Crescent East  
Saskatoon, Saskatchewan S7K 3H3

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

**MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

**Results of Operations**

The financial statements of the Company 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.

***Restatement of comparative financial statements***

The retained earnings at June 30, 2012, previously reported as \$2,266,398 has been restated to show a retroactive charge of \$1,204,488, the amount by which fees income has been adjusted for a correction to an error in unearned revenue. The Company incorrectly recognized non-refundable mortgage fee revenue upon issuance of a mortgage rather than deferring and amortizing the revenue over the term of the mortgage. The Company also showed broker and agent fees on the gross basis rather than the net basis. These fees were collected and paid directly to the brokers and agents, and as such, should have been netted with mortgage fee revenues.

The restatement gave rise to the following adjustments to the 2012 financial statements:

<b>Statement of Net Assets</b>		
Unearned revenue	\$	1,204,488
Deficit		(1,204,488)
Net assets per share		(0.57)
<b>Statement of Operations</b>		
Fees	\$	(684,710)
Broker and agent fees		157,100
Net reduction in fees	\$	<u>(527,610)</u>

Increase in net assets from operations

The figures provided for comparative purposes have been restated to reflect these changes. Of this amount, a net charge of \$676,878 is applicable to years prior to 2012 and has been charged to the deficit at that time.

### ***Operating Results for the Period***

The following table presents the results from operations for the indicated periods ended June 30:

	<b>2013</b>	<b>2012(Restated)</b>
<b>Total income</b>	\$ 1,682,268	\$ 1,351,742
Per weighted average common share	\$ 0.80	\$ 0.65
<b>Increase in net assets from operations</b>	\$ 1,110,579	\$ 595,797
Per weighted average common share	\$ 0.53	\$ 0.29

The revenues of the Company represent mortgage fees and interest from investments, substantially all of which is earned on its investment in mortgages. Increases in revenues were a reflection of two factors: (1) an increased turnover of mortgages and (2) an increase in the weighted average interest rate and mortgage fees earned on new mortgages during the period.

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

Diluted net earnings per share are computed similarly to basic net earnings per unit. Because there are no dilutive instruments outstanding, basic and fully diluted earnings per share are the same.

### *Outstanding Share Data and Transactions for the Period*

The Company is authorized to issue an unlimited number of common shares. The following table presents a summary of share data and transactions for the period ended June 30:

<b>Share Capital - Number of Shares</b>	<b>2013</b>	<b>2012</b>
Balance – beginning of period	<b>2,095,305</b>	2,088,591
Issued	-	12,000
Redeemed	(-)	(5,275)
<b>Balance – end of period</b>	<b>2,095,305</b>	<b>2,095,316</b>

<b>Share Capital - Value</b>	<b>2013</b>	<b>2012</b>
Balance – beginning of period	\$ 17,617,162	\$ 19,546,640
Issued	-	120,000
Redeemed	(-)	(52,750)
Excess of redemption value over book value	-	3,383
Special resolution of the shareholders	-	(2,000,000)
<b>Balance – end of period</b>	<b>\$ 17,617,162</b>	<b>\$ 17,617,273</b>

### *Credit Line*

The margined, demand credit line bears interest at prime plus 1.00%, has an authorized limit of \$15,000,000 and is secured by a general security agreement and an assignment of debenture mortgages. Subsequent to year end, the Company moved its bank accounts and operating line of credit to a different financial institution. The new margined, demand operating line of credit bears interest at prime plus 2.50%, has an authorized limit which is the lesser of the margin calculation and \$15,000,000 and is secured by a general security agreement and an assignment of mortgage debentures.

<b>Credit Line Balance</b>	<b>2013</b>	<b>2012(Restated)</b>
Balance – beginning of period	\$ 5,759,091	\$ 6,018,243
Minimum loan balance – for the period	6,154	3,323,913
Maximum loan balance – for the period	5,759,091	8,198,794
<b>Balance – end of period</b>	<b>\$ 1,369,690</b>	<b>\$ 5,838,664</b>
<b>Percentage of net assets – end of period</b>	<b>7.0%</b>	<b>31.3%</b>

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

## Recent Developments

Since June 30, 2013 the Company has not adopted any changes that have a material effect on its operation.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance over the past two periods. The information is derived from the Company's unaudited interim financial statements.

### Net Asset Value of the Company per Share:

	2013		2012(Restated)	
Net asset value, beginning of period	\$	9.28	\$	9.03
Increase (decrease) from operation:				
Total revenue		0.80		0.65
Total expenses		(0.27)		(0.36)
<b>Total increase (decrease) from operations</b>	<b>\$</b>	<b>0.53</b>	<b>\$</b>	<b>0.29</b>
Distributions:				
As dividend	\$	0.40	\$	0.40
<b>Total interim distributions</b>		<b>0.40</b>		<b>0.40</b>
<b>Net asset value at June 30</b>	<b>\$</b>	<b>9.41</b>	<b>\$</b>	<b>8.91</b>

Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the period. Distributions were paid in cash.

## Declared Dividends

### Dividends and Dividend Dates Fiscal 2013

Record Date	Payment Date	Dividends Declared
May 15, 2013	June 30, 2013	\$0.20
February 15, 2013	March 31, 2013	\$0.20

### Dividends and Dividend Dates Fiscal 2012

Record Date	Payment Date	Record Date
November 15, 2012	December 31, 2012	\$0.20
August 15, 2012	September 30, 2012	\$0.20
May 15, 2012	June 30, 2012	\$0.20
February 15, 2012	March 31, 2012	\$0.20

Since PrimeWest Mortgage Investment Corporation is a mortgage investment corporation (MIC) as defined by the MIC securities regulations and therefore is not subject to income tax, dividends received by investors of the Company are taxed as interest. The shares of the Company are eligible for investment in registered plans under federal securities legislation.

### Rates and Supplemental Data (June 30):

	2013	2012(Restated)
Net assets	\$ 19,714,088	\$ 18,679,183
Number of shares outstanding	2,095,305	2,095,316
Management expense ratio	2.91%	2.83%
<b>Portfolio turnover rate</b>	<b>47.0%</b>	<b>29.2%</b>

The Company calculates the portfolio turnover ratio by dividing the mortgage payouts by the monthly average mortgage receivable balance.

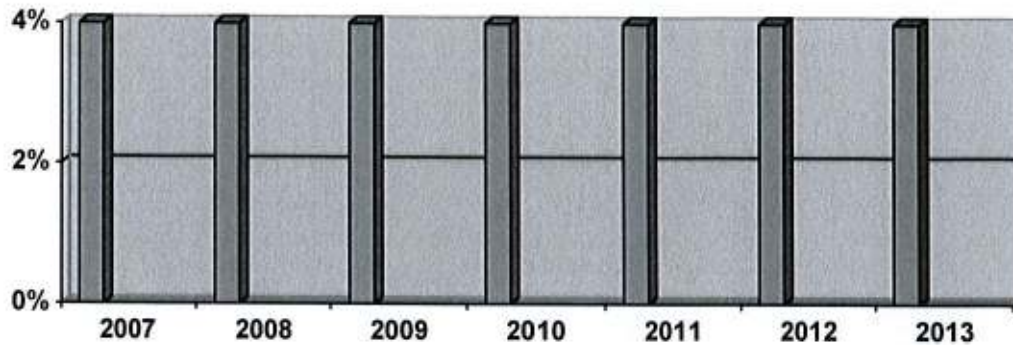
## PAST PERFORMANCE

The Company became a reporting issuer on December 5, 2007 under an initial public offering prospectus. Although past performance can help you understand the risk of investing in the Corporation, it is not indicative of future performance.

### Year-by-Year Returns

The Company's share price is fixed at \$10.00 per share. Since the company became a reporting issuer in December 2007, the Company has paid a quarterly dividend of \$0.20 per share. The following bar chart shows the Company's annual performance for each of the periods shown.

**Return to June 30**



**Summary of Investment Portfolio**

The following represents the Company's 25 largest investments as at June 30, 2013:

Asset	Market Value	Percentage of Net Assets
Private Mortgages (1)	\$ 19,259,973	97.6%
Cash and cash equivalents	\$ 71,166	0.3%
Assets taken in settlement of debt	\$ 1,869,595	9.4%

*(1) These mortgages are uninsured conventional mortgages with interest rates ranging from 7.95% to 14.0% and terms of maturity ranging from 1 month to 2 years. A further breakdown of the mortgages can be found in the Statement of Investment Portfolio which forms part of the Company's financial statements.*

The actual holdings will change following this date due to on-going portfolio transactions in the Company. 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, 700 - 750 Spadina Crescent East, Saskatoon, Saskatchewan, S7K 3H3.