

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

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
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

Investment Objective and Strategy

Investment objective

The Company's objective is to generate income while preserving, for its beneficial shareholders, capital for re-investment. As a mortgage investment corporation, the Company 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 Company.

Investment Strategy

The Company will achieve its investment objective by lending on the security of mortgages on real properties in urban western Canada, primarily situated in the province of Saskatchewan. The mortgages transacted by the Company will not generally meet the underwriting criteria of conventional lenders. The Company, 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 Company's investments are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. The Company 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 2009. 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 Company, the ability of the Company to find and fund mortgage loans or decrease the Company's investment income.

The business operations of the Company are subject to the following risks, amongst others, that could affect shareholder's equity and the Company's ability to generate returns: relative illiquid nature of mortgage investments, ability of borrowers to make mortgage payments, inability of the Company 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 Company'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 Company?

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 2009 the Company increased its capital through private placements and issuances from offering memorandums dated March 23, 2009 and December 1, 2009.

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:

	2009	2008
Total revenue	\$ 2,260,640	\$ 1,699,733
Per weighted average common share	\$ 1.87	\$ 2.12
Net earnings	\$ 996,791	\$ 694,684
Per weighted average common share	\$ 0.82	\$ 0.87

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 percentage of net assets invested in mortgages and (2) an increase in the weighted average interest rate earned on new mortgages during the year.

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.

Diluted net earnings per share are computed similarly to basic net earnings per unit, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed conversion of the convertible debentures and net earnings is adjusted to remove any interest paid to the holders of the convertible debentures, if dilutive. The number of additional shares is calculated by assuming that the outstanding convertible debentures were exercised at the earlier of issue date and the beginning of the fiscal period

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 year ended December 31:

Share Capital - Number of Shares	2009	2008
Balance – beginning of year	1,011,550	692,260
Issued	480,687	382,240
Redeemed	(26,305)	(62,950)
<i>Balance – end of year</i>	1,465,932	1,011,550

Share Capital – Value	2009	2008
Balance – beginning of year	\$ 9,319,289	\$ 6,398,828
Issued	4,503,497	3,488,986
Redeemed	(242,346)	(568,525)
<i>Balance – end of year</i>	\$ 13,580,440	\$ 9,319,289

Credit Line

The margined, demand credit line bears interest at the greater of 4.75% and prime plus 2.0%, has an authorized limit of \$10,500,000 and is secured by a general security agreement and an assignment of debenture mortgages.

Credit Line Balance	2009	2008
Balance – beginning of year	\$ 4,710,388	\$ 4,813,000
Minimum loan balance – for the period	1,695,096	50
Maximum loan balance – for the period	6,109,253	4,924,035
Balance – end of year	\$ 3,406,792	\$ 4,710,388
<i>Percentage of net assets – end of period</i>	25%	50%

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

Recent Developments

Since December 31, 2009 the Company has not adopted any changes that have a material effect on its operation.

Related Party Transactions

The Company incurred \$48,600 (2008 - \$43,305) of Directors fees which were paid in full during the year.

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

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 years. The information is derived from the Company's audited annual financial statements.

Net Asset Value of the Company per Share:

	2009	2008
Net asset value, beginning of year	\$ 9.28	\$ 9.36
Increase (decrease) from operation:		
Total revenue	1.87	2.12
Total expenses	(1.05)	(1.25)
Total increase (decrease) from operations	\$ 0.82	\$ 0.87
Distributions:		
As dividend	\$ 0.80	\$ 0.80
Total annual distributions	0.80	0.80
Net asset value at December 31	\$ 9.28	\$ 9.28

Book 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 year. Distributions were paid in cash.

Declared Dividends

Dividends and Dividend Dates Fiscal 2009

Record Date	Payment Date	Dividends Declared
November 15, 2009	December 31, 2009	\$0.20
August 15, 2009	September 30, 2009	\$0.20
June 1, 2009	June 30, 2009	\$0.20
March 15, 2009	March 31, 2009	\$0.20

Dividends and Dividend Dates Fiscal 2008

Record Date	Payment Date	Dividends Declared
December 15, 2008	December 31, 2008	\$0.20
September 15, 2008	September 30, 2008	\$0.20
June 1, 2008	July 4, 2008	\$0.20
March 15, 2008	March 31, 2008	\$0.20

Rates and Supplemental Data (December 31):

	2009	2008
Net assets	\$ 13,610,389	\$ 9,384,436
Number of shares outstanding	1,465,932	1,011,550
Management expense ratio	3.80%	4.22%
<i>Portfolio turnover rate</i>	53.5%	63.7%

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. The prospectus contains information relating to the Company's mortgage portfolio and financial statements. A copy of the Company'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 Company, it is not indicative of future performance.

Year-by-Year Returns

The following bar chart shows the investment fund's annual performance for each of the years shown and illustrates how the investment fund's performance has changed from year to year. The Company's share price is fixed at \$10.00 per share. Since the company became a reporting issuer the company has paid a quarterly dividend of \$0.20 per share. The following bar chart shows the investment fund's annual returns of an investment made on the first day of the year and held to the end of the year.



Annual Compound Returns

The following table presents the Company's annual compound return for each share:

One year	8.0%
Since inception	8.0%

Summary of Investment Portfolio

The following represents the Company's 25 largest investments as at December 31, 2009

Asset	Market Value	Percentage of Net Assets
Private Mortgages (1)	\$ 18,323,977	134.54%
Cash and cash equivalents	\$ 534	0.004%

(1) *These mortgages are uninsured conventional pre-payable mortgages with interest rates ranging from 7.95% to 14.50% and terms of maturity ranging from 6 months 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.