

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION  
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

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 Corporation'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 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 period ended June 30:

	<b>2010</b>	<b>2009</b>
<b>Total revenue</b>	\$ 1,497,171	\$ 968,276
Per weighted average common share	\$ 0.83	\$ 0.91
<b>Net earnings</b>	\$ 762,369	\$ 329,934
Per weighted average common share	\$ 0.42	\$ 0.31

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 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, 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 Corporation 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>2010</b>	<b>2009</b>
Balance – beginning of period	1,465,932	1,011,550
Issued	600,814	192,720
Redeemed	(1,400)	(8,305)
<b>Balance – end of period</b>	<b>2,065,346</b>	<b>1,195,956</b>

<b>Share Capital – Value</b>	<b>2010</b>	<b>2009</b>
Balance – beginning of period	\$ 13,580,440	\$ 9,319,289
Issued	6,008,140	1,927,200
Redeemed	(14,000)	(83,050)
Excess of redemption value over book value	1,024	19,820
Share issuance costs applied to share capital	(301,111)	(98,339)
<b>Balance – end of period</b>	<b>\$ 19,274,493</b>	<b>\$ 11,084,920</b>

### ***Convertible Debentures***

The Company issued nil (2009 – nil) 7.25% convertible, unsecured, subordinated debentures at a price of \$1,000 per debenture for Gross proceeds of \$Nil (2009 - \$Nil). During the period, no (2009 – 728) debentures were converted into Class A shares. There are no debentures (2009 – 10) remain outstanding at period end.

### ***Credit Line***

The margined, demand credit line bears interest at the greater of 4.25% and prime plus 2.0%, has an authorized limit of \$12,500,000 and is secured by a general security agreement and an assignment of debenture mortgages.

<b>Credit Line Balance</b>	<b>2010</b>	<b>2009</b>
Balance – beginning of period	\$ 3,406,258	\$ 4,710,388
Minimum loan balance – for the period	0.00	3,781,111
Maximum loan balance – for the period	4,007,920	5,052,966
<b>Balance – end of period</b>	<b>\$ 3,214,953</b>	<b>\$ 4,635,760</b>
<b>Percentage of net assets – end of period</b>	<b>16.6%</b>	<b>41%</b>

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

### **Recent Developments**

Since December 31, 2009 there have been no changes that have a material effect on its operation:

### **Related Party Transactions**

The Company incurred \$23,700 (2009 - \$24,900) of Directors fees which were paid in full during the period.

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 periods. The information is derived from the Company's unaudited interim financial statements.

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

	<b>2010</b>	<b>2009</b>
Net asset value, beginning of period	\$ 9.29	\$ 9.28
Increase (decrease) from operation:		
Total revenue	0.83	0.91
Total expenses	(0.41)	(0.60)
<b>Total increase (decrease) from operations</b>	<b>\$ 0.42</b>	<b>\$ 0.31</b>
Distributions:		
As dividend	\$ 0.40	\$ 0.40
<b>Total interim distributions</b>	<b>0.40</b>	<b>0.40</b>
<i>Net asset value at June 30</i>	<b>\$ 9.36</b>	<b>\$ 9.19</b>

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 period. Distributions were paid in cash.

### Declared Dividends

#### Dividends and Dividend Dates Fiscal 2010

Record Date	Payment Date	Dividends Declared
May 15, 2009	June 30, 2009	\$0.20
February 15, 2009	March 31, 2009	\$0.20

#### Dividends and Dividend Dates Fiscal 2009

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

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

	<b>2010</b>	<b>2009</b>
Net assets	\$ 19,328,524	\$ 10,992,424
Number of shares outstanding	2,065,346	1,195,965
Management expense ratio	2.55%	3.71%
<b>Portfolio turnover rate</b>	<b>31.5%</b>	<b>16.85%</b>

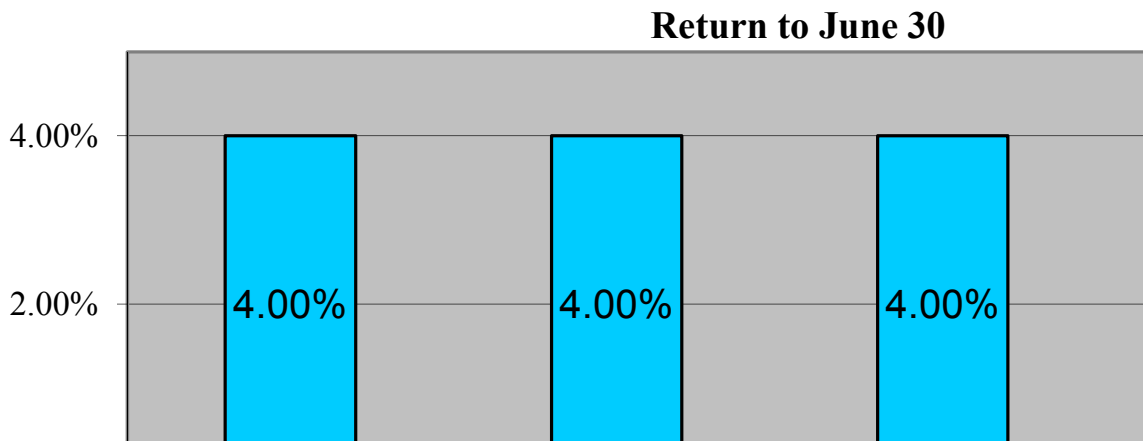
The Company calculates the portfolio turnover ratio by dividing the mortgage payouts by the monthly average mortgage receivable balance.

**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](http://www.sedar.com), or by visiting our website at [www.PrimeWest.ca](http://www.PrimeWest.ca). 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 the company has paid a quarterly dividend of \$0.20 per share. The following bar chart shows the investment fund's annual performance for each of the years shown.



## Summary of Investment Portfolio

The following represents the Corporation's 25 largest investments as at June 30, 2010:

<b>Asset</b>	<b>Market Value</b>	<b>Percentage of Net Assets</b>
Private Mortgages (1)	\$ 22,302,876	115.8%
<i>Cash and cash equivalents</i>	\$ 433,401	2.24%

*(1) These mortgages are uninsured conventional pre-payable mortgages with interest rates ranging from 6.95% to 14.50% and terms of maturity ranging from six months 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 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.