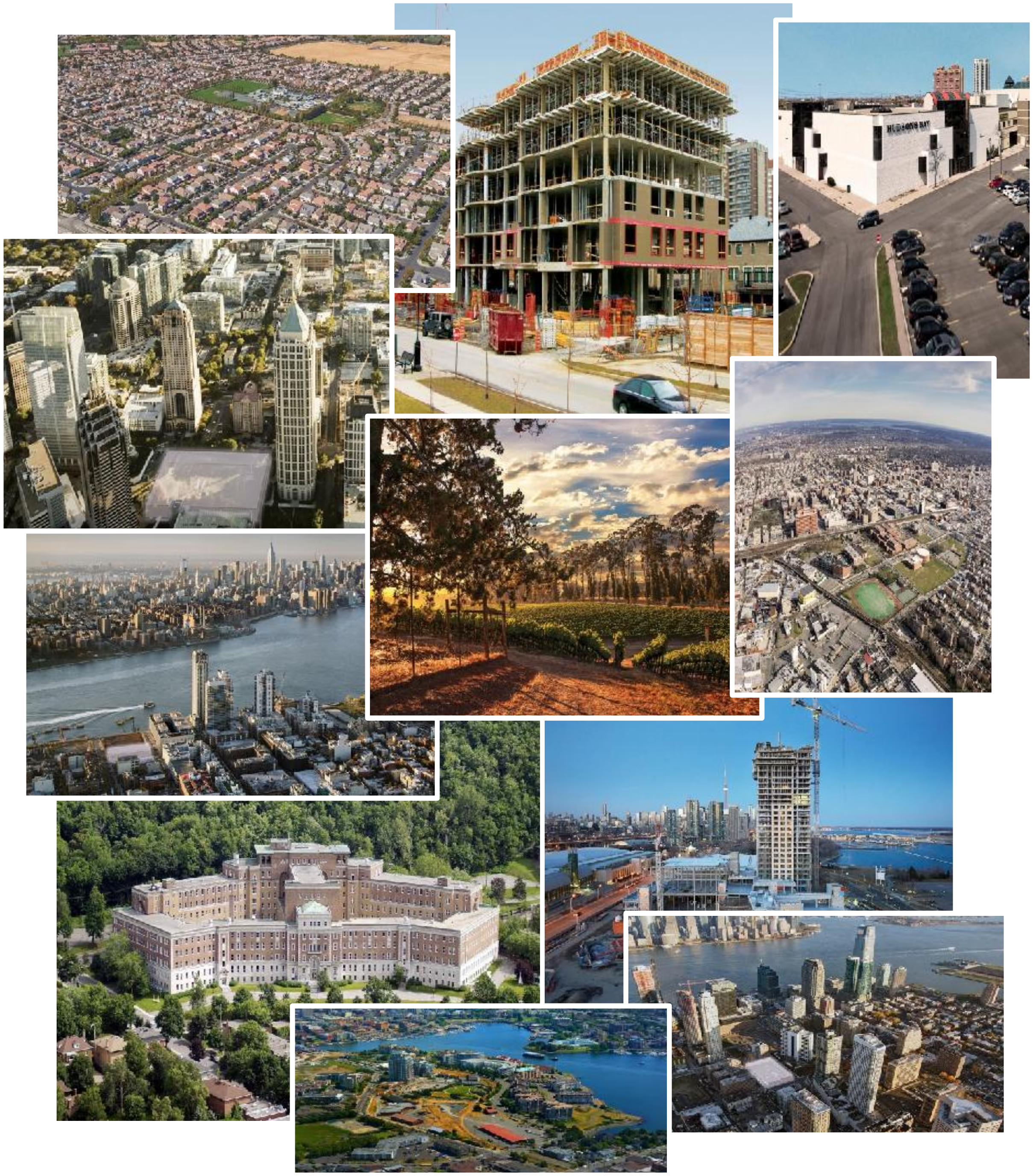


Romspen Mortgage Investment Fund

Second Quarter 2017 Report

ROMSPEN

Romspen has a long-term track record of successful mortgage investing. With its origins in the mid-60's, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in Canada with a portfolio in excess of $1.9 billion. Our investors are high net worth individuals, foundations, endowments and pension plans.

The Fund's investment mandate is focused on capital preservation, strong absolute returns, and performance consistency.

We originate, own and service short-term first mortgages tailored to specific borrower requirements. Loans are conservatively underwritten and we keep to a limited, but diversified, pool of mortgages to maintain a "high-touch" approach to investing.

Romspen has generated 20 consecutive years of positive net investor returns (7.4% - 10.6%) with positive returns each and every month.

Contents

TRUSTEES' LETTER

Dear Fellow Investors:

Romspen's performance in the second quarter was as expected with steady distributions. On a year-to-date and trailing twelve-month basis, the Fund has continued to strongly outperform the fixed income benchmarks.

Comparative Performance

The compounded net yield to unitholders for the first six months of 2017 was 3.8%, compared to 3.9% a year ago. This compares with T-bills, FTSE/TMX Short-Term Bond Index ("FTSE/TMX-STBI"), and the S&P/TSX, which yielded 0.3%, 0.3%, and 0.7% respectively on a year-to-date basis.

For the twelve-month period ended June 30, the Fund's compounded net yield to unitholders was 7.9%. This compares to T-bills, FTSE/TMX-STBI, and S&P/TSX returning 0.5%, 0.2%, and 11.0% respectively.

Financial Highlights

Net earnings for the second quarter of 2017 were $29.3 million or $0.16 per unit compared to $25.0 million or $0.17 per unit year ago. Unitholder distributions were $0.18 per unit during the second quarter, compared to $0.19 year ago. On a year-to-date basis, net earnings were $0.34 per unit, consistent with last year. Unitholder distributions were slightly lower at $0.37 per unit compared to $0.38 per unit last year.

As at June 30, the net investment portfolio was $1.9 billion, an increase of 11% compared to a year ago. The portfolio growth largely reflects a continuing expanded set of market opportunities for alternative private credit, particularly in the US, due to a plethora of tightened regulatory conditions impacting traditional lenders. Within the portfolio, we remain well diversified across property types and continue to diversify our geographic exposure through growth in the US market across multiple states. The weighted average interest rate of the mortgage portfolio at June 30 was lower at 11.0% compared to 11.3% a year ago.

Non-performing loans totalled 25% of the portfolio. The rates at which we lend are predicated on the expectation that some percentage of mortgages in the portfolio will become non-compliant despite our rigorous underwriting process. It is simply a feature of the unique niche in which we lend and does not necessarily lead to realized losses. Non-compliant loans typically result in extended terms, foregone interest and increased administration to achieve successful outcomes, but not usually losses of principal outside of what we provide for. In the past decade, since the Fund's inception, realized loan losses have amounted to $22 million on over $5.1 billion of invested capital, or about 0.4%, a percentage that has remained relatively stable over time. Managing non-compliant mortgages effectively is an important aspect in preserving capital and generating strong, consistent returns over the long run. Our ability to resolve these challenging loans successfully represents a significant competitive advantage in the niche in which we operate.

The Fund had net debt (debt less unrestricted cash) of $90 million at the end of the second quarter compared to net debt of $214 million a year ago. Total unitholder capital was $1.8 billion at quarter end. The total loss provision at quarter end increased to $52 million from $42 million a year ago, thereby maintaining a strong reserve position against potential losses.

Unitholder value at June 30 was $9.94 per unit, down $0.02 per unit compared to last year. At quarter end, more than 90% of the Fund's US dollar portfolio exposure was hedged as part of our policy to mitigate foreign exchange loss exposure.

Financial Presentation

Effective January 1, 2016, an amendment was made to the International Financial Reporting Standards by the International Accounting Standards Board, which resulted in an unconsolidated financial presentation of the Fund that provides limited insight into the true performance of the portfolio. In an effort to continue to provide valuable, transparent and comparable information, a set of combined financial statements, similar to previous reporting, have been included in the management's discussion and analysis ("MD&A", pp. 4-11). It is highly encouraged that these financials in the MD&A be used as the primary reference point.

Outlook

Global economies overall are finally showing signs of broad-based growth. Outside of the US, despite the absorption of economic slack, wage pressure is absent and inflation, while it may have bottomed out, is also largely absent in reported macro-economic indicators. The strong outperformance of many advanced economies has given rise to a discussion of how and when central banks will begin removing monetary stimulus in favour of normalizing rates. This will be a delicate process as near zero rates have driven up asset prices, stock market valuations and encouraged borrowers around the world to take on huge levels of low-cost debt, the value of which is estimated to significantly exceed the value of global gross domestic product – an early "red flag". In the event trade protectionism becomes a reality, the resulting disruption of global supply chains could adversely impact the nascent global economic recovery.

Canada experienced broad-based growth beyond consumer spending and residential real estate such that 2017 is anticipated to be the first year since 2014 that all major sectors of the economy are expected to contribute to economic growth. Some key emerging external risks include the renegotiation of NAFTA and the potential impact of US tax reforms. Measures introduced in Ontario to cool speculative activity in the GTA housing market and rising borrowing costs from the recent Bank of Canada rate increase will add to the headwinds and there are early signs the housing market is beginning to moderate.

The US economy has seen unemployment fall to a 16 year low and consumer spending going forward will be driven by income gains rather than pent up demand. Virtually no meaningful tax reform or expanded infrastructure spending will be implemented by the government over the next 18 months and the puzzling lack of inflation in the face of nearly full employment will likely cause the Federal Reserve to take a cautious approach to raising rates. The lending climate in the US continues to offer us a range of diverse and good quality projects and borrowers to lend to. While some small regional banks have resumed their lending activities, large banks are still hampered in their ability to lend to commercial real estate projects by the regulatory climate. The US component of the Fund has risen to $832 million (US$643 million) or 43% of the portfolio, consistent with last year. The US portfolio is well diversified across 20 states with the highest concentration of loans in New York (18%), California (16%) and Florida (16%).

On behalf of the Romspen team, we thank you for your continued support. For further information, please contact Investor Relations at 416-966-1100, or consult our website: www.romspen.com.

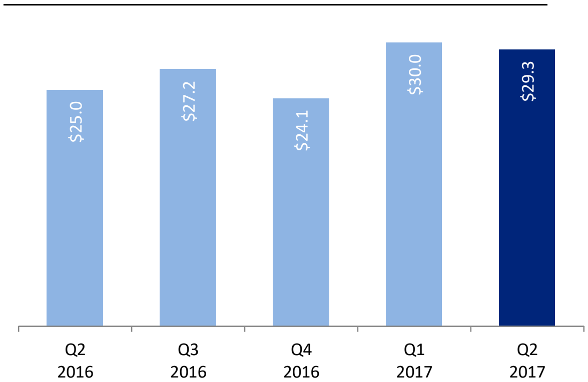
Respectfully submitted,

Sheldon Esbin	Mark Hilson	Arthur Resnick	Wesley Roitman

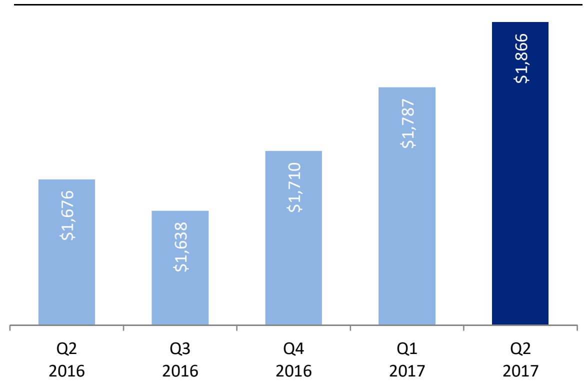
Trustees of the Fund
July 26, 2017

Key Metrics

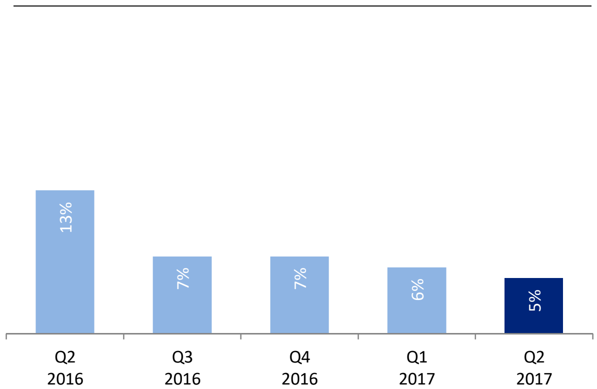
Net Earnings ($millions)



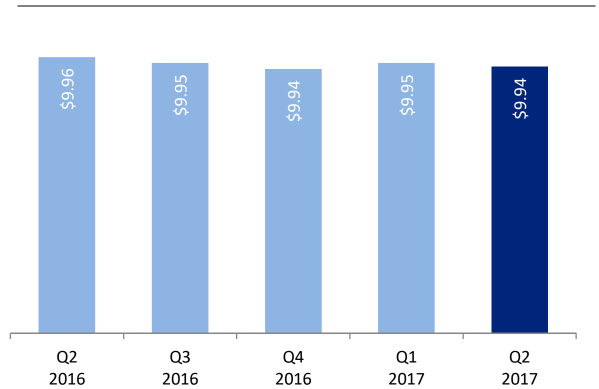
Net Investment Portfolio ($millions)



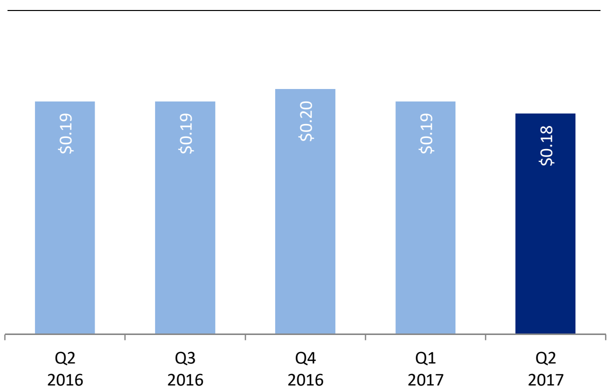
Net Leverage (% of gross investment portfolio)



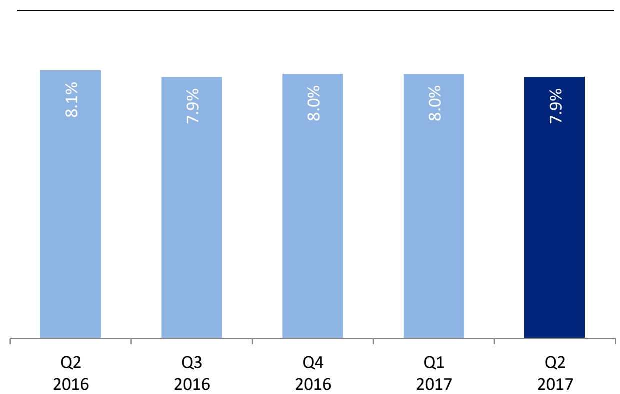
Unitholder Value* ($/unit)



Unitholder Distributions ($/unit)



Trailing-12-Months Net Compounded Return (%)

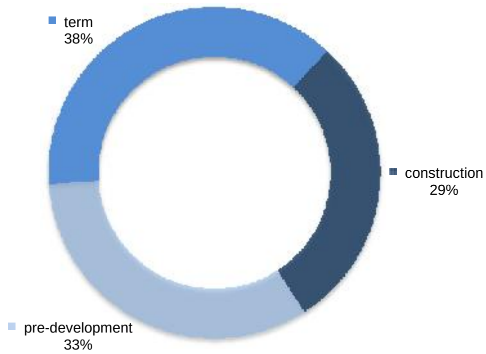


* Unitholder value equals NAV (net asset value) adjusted for recent material unrealized foreign exchange gains.

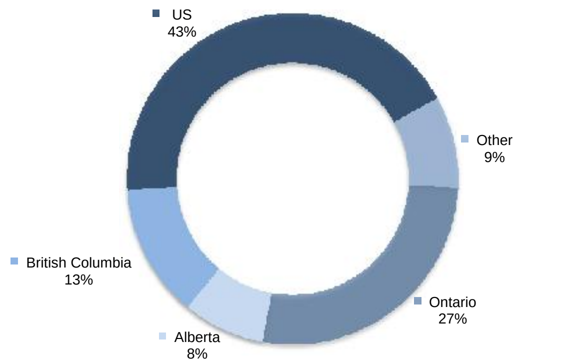
Investment Portfolio Profile

As of June 30, 2017

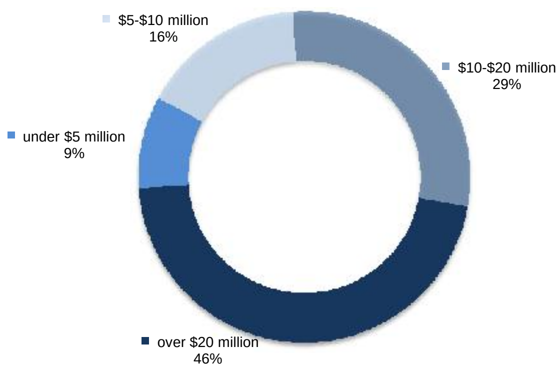
By Type



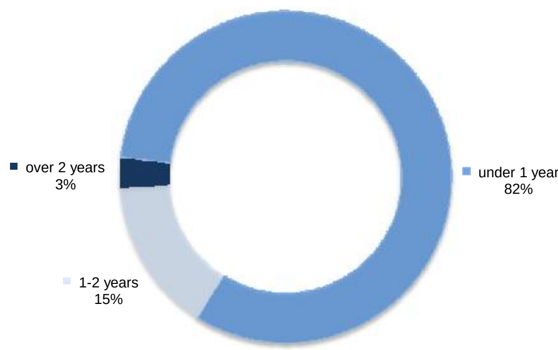
By Geography



By Amount



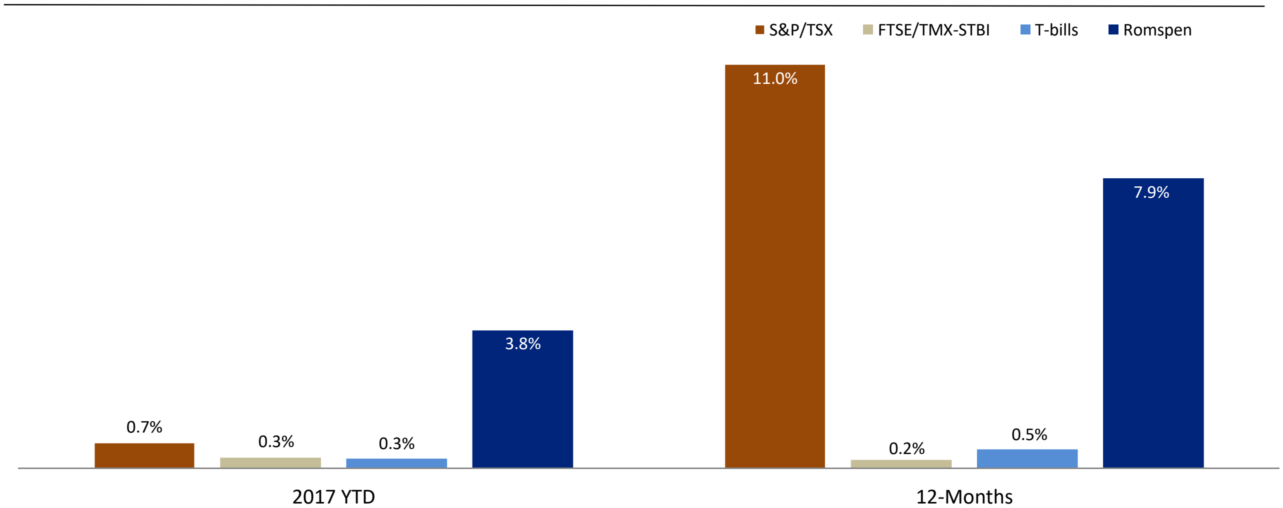
By Maturity



Comparative Performance

Net Compounded Return - %

As of June 30, 2017



Responsibility of Management

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund ("the Fund") should be read in conjunction with the financial statements and notes thereto for the quarter ended June 30, 2017 included herein and the audited financial statements and MD&A for the year ended December 31, 2016. Investment in the Fund is subject to certain risks and uncertainties described in the Fund's Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at: www.romspen.com.

Management is responsible for the information disclosed in this MD&A. The Fund has in place appropriate procedures, systems and controls to ensure such information is materially complete and reliable. In addition, the Fund's trustees have reviewed and approved the MD&A and the financial statements for the quarter ended June 30, 2017.

This MD&A contains certain forward-looking statements and non-IFRS financial measures, see "Forward-Looking Statements" and "Non-IFRS Financial Measures".

Forward-Looking Statements

From time to time, the Fund makes written and verbal forward-looking statements. These are included in its quarterly Management's Discussion and Analysis ("MD&A"), Fund presentations and other Fund communications.

Forward-looking statements include, but are not limited to, business objectives and targets, Fund strategies, operations, anticipated financial results and the outlook for the Fund, its industry, and the Canadian economy. These statements regarding future performance are "financial outlooks" within the meaning of National Instrument 52-102. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "estimate", "plan", "may", and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, changes in foreign exchange rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change.

The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Fund does not undertake to update any forward looking statements, whether written or verbal, that may be made from time to time by it or on its behalf except as required by securities laws.

Non-IFRS Financial Measures

This MD&A contains certain non-IFRS financial measures. A non-IFRS financial measure is defined as a numerical measure of the Fund's historical or future financial performance, financial position, or cash flows that excludes amounts or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with IFRS in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Non-IFRS financial measures disclosed herein are meant to provide additional information and insight regarding the historical operating results and financial position of the Fund. These measures are not in accordance with or a substitute for IFRS and may be different from or inconsistent with non-IFRS financial measures used by others.

Introduction

The Fund is an unincorporated closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust indenture dated as at May 20, 2005. The Fund is a non-bank lender providing and investing primarily in short and medium-term commercial mortgages. The Fund is the sole limited partner in Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income while preserving equity.

Romspen Investment Corporation ("Romspen") is the Fund Manager and acts as the primary loan originator, underwriter and syndicator for the Partnership. Romspen also acts as administrator of the Fund's affairs. Romspen and its principals, through predecessor companies, have been in the business of mortgage origination, servicing and syndication since 1966.

The Fund commenced operations on January 16, 2006, and raised $158.9 million pursuant to the Exchange Offering, whereby Romspen's investors exchanged their syndicated mortgage interests for units of the Fund, and $15.3 million pursuant to the Unit Offering described in its Offering Memorandum dated March 15, 2005.

On June 22, 2007, new federal legislation came into force that altered the taxation regime for specified investment flow-through trusts or partnerships ("SIFT") (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general corporate tax rate. Distributions paid by a SIFT as returns of capital will not be subject to the tax. As its units are not listed on a stock exchange or other public market, the Fund is not subject to the SIFT tax regime.

The Offering Memorandum, financial statements and additional information on the Fund are available and updated regularly on the Fund's website at: www.romspen.com. Unitholders who would like further information may also contact the Investor Relations department of the Fund at: 416-966-1100.

Related Party Transactions

Romspen acts as mortgage manager for the Partnership and administrator for the Fund. The trustees of the Fund are all principals of Romspen. In consideration for its mortgage origination and capital raising services, Romspen receives a fee equal to 1% per annum, calculated daily and paid monthly, of the total of all mortgage investments plus the fair value of any non-mortgage investments. Romspen also receives all lender, broker, origination, commitment, renewal, extension, discharge, participation, and other administrative fees charged to borrowers. In addition, the Partnership has granted to Romspen the option to purchase any mortgage investment held by the Partnership for a purchase price equal to the principal amount of such mortgage plus any accrued interest.

From time to time, the Partnership may invest in mortgage loans made to borrowers who are related to Romspen or the trustees of the Fund. The Partnership may also invest in mortgages which are syndicated among Romspen, the Fund's trustees, or related parties. These related party transactions are further discussed in the notes to the accompanying unconsolidated financial statements.

Portfolio

As of June 30, 2017, the Fund's mortgage and investment Portfolio (the "Portfolio"), net of fair value provisions, was $1.9 billion compared with $1.7 billion at June 30, 2016. This increase of $0.2 billion or 11% reflects the increased activity in mortgage markets supported by a strong inflow of investor capital. The Portfolio included 151 mortgages and investments versus 160 last year.

Approximately 94% of the Portfolio was invested in first mortgages as at June 30, 2017 (June 30, 2016 – 94%). The weighted average interest rate of the Portfolio decreased marginally to 11.0% at the end of the second quarter versus 11.3% a year ago.

The Portfolio continues to consist mainly of short-term mortgages to third parties and mortgages to the Fund's investment subsidiaries. Approximately 82% of the Portfolio's investments mature within one year (June 30, 2016 - 82%) and 97% mature within two years (June 30, 2016 - 98%). In addition, all of our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's Portfolio permits opportunities to continually and rapidly evolve the Portfolio in response to changes in the real estate and credit markets. The Fund Manager believes this flexibility is far more important in our market niche than securing long-term fixed interest rates.

As of June 30, 2017, approximately 27% of our investments were in Ontario, compared to 28% a year ago. Approximately 21% of the Portfolio was invested in Western Canada, 9% in other provinces and 43% in the US. The Fund Manager believes this broad level of North American diversification adds stability to the Fund's performance by reducing dependency on the economic activity and cycles in any given geographic region.

Total fair value provisions as of June 30, 2017 were $52 million, which represented 3% of the original cost of the Fund's investments or $0.28 per unit outstanding as at June 30, 2017. During the second quarter of 2017, the Fund realized $0.1 million of losses in the Portfolio that were fully reserved for in the previous years. The establishment of the fair value provision is based on facts and interpretation of circumstances relating to the Fund's Portfolio. Thus, it is a complex and dynamic process influenced by many factors. The provision relies on the judgement and opinions of individuals on historic trends, prevailing legal, economic, and regulatory trends and on expectations of future developments. The process of determining the provision necessarily involves risk that the actual outcome will deviate, perhaps substantially, from the best estimates made. The fair value provision will continue to be reviewed by the Fund Manager and the Fund's trustees on a regular basis and, if appropriate, will be adjusted.

Financial Presentation

An amendment was made to IFRS 10, IFRS 12 and IAS 28 - applying consolidation exception, which is effective for annual periods beginning January 1, 2016. This amendment results in an unconsolidated financial presentation of the Portfolio that provides limited insight into the true performance of the Fund. In an effort to continue to provide valuable, transparent and comparable information, a set of combined financial statements are provided in the following pages, consistent with past reporting practices. It is highly encouraged that the following financials in the MD&A be used as the primary reference point.

Combined Balance Sheet

June 30, 2017, with comparative figures for 2016

Below is the combined balance sheet of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

In thousands of dollars, except per unit amounts, unless otherwise noted	June 30, 2017	December 31, 2016	June 30, 2016
Assets	(unaudited)	(audited)	(unaudited)
Cash	$ 32,296	$ 40,139	$ 21,689
Accrued interest receivable	76,474	64,665	62,344
Mortgage investments	1,557,128	1,414,008	1,454,701
Investment in subsidiaries	308,617	296,308	220,843
Other assets	4,110	4,404	4,459
	$ 1,978,625	$ 1,819,524	$ 1,764,036
Liabilities and Unitholders' Equity			
Revolving loan facility	$ 122,305	$ 155,753	$ 235,296
Accounts payable and accrued liabilities	1,635	1,562	1,561
Unrealized (gain) loss on foreign exchange forward contracts	(9,347)	6,247	(1,265)
Deferred revenue	-	-	67
Prepaid unit capital	11,630	9,320	3,165
Unitholders' distributions payable	11,084	11,451	9,040
	137,307	184,333	247,864
Units submitted for redemption	18,155	42,448	7,371
Unitholders' equity	1,823,163	1,592,743	1,508,801
	$ 1,978,625	$ 1,819,524	$ 1,764,036

Combined Statement of Earnings

Six months ended June 30, 2017, with comparative figures for 2016

Below is the combined statement of earnings of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

In thousands of dollars, except per unit amounts, unless otherwise noted	3 Months ended June 30, 2017	3 Months ended June 30, 2016	6 Months ended June 30, 2017	6 Months ended June 30, 2016
Revenue	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Mortgage interest	$ 39,838	$ 32,506	$ 79,755	$ 69,157
Other	675	331	785	596
Realized gain (loss) on foreign exchange	697	5,007	1,359	3,241
Unrealized gain (loss) on foreign exchange	(739)	(2,778)	(2,466)	(6,020)
	40,471	35,066	79,433	66,974
Expenses				
Management fees	4,705	4,127	9,094	8,057
Interest	1,304	1,345	2,932	2,750
Change in fair value of mortgage investments and investments In subsidiaries	4,200	3,800	7,000	5,000
Realized loss on mortgage investments	100	282	106	1,337
Other (gains) losses	340	129	(79)	(239)
Audit fees	54	50	108	104
Legal fees	30	25	43	45
Other	451	312	960	741
	11,184	10,070	20,164	17,795
Net earnings	$ 29,287	$ 24,996	$ 59,269	$ 49,179
Net earnings per unit	$ 0.16	$ 0.17	$ 0.34	$ 0.34
Weighted average number of units issued and outstanding	181,014,372	148,598,982	175,587,689	145,182,217

Combined Statement of Unitholders' Equity

Six months ended June 30, 2017, with comparative figures for 2016

Below is the combined statement of unitholders' equity of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

In thousands of dollars, except per unit amounts, unless otherwise noted	June 30, 2017 (unaudited)	December 31, 2016 (audited)	June 30, 2016 (unaudited)
Unit capital			
Balance, beginning of year	$ 1,595,409	$ 1,367,339	$ 1,367,339
Proceeds from issuance of units, net of redemptions	211,733	263,284	133,935
Penalties on redemptions	1	4	-
Decrease (increase) in units submitted for redemption	24,293	(35,218)	(141)
Balance, end of year	$ 1,831,436	$ 1,595,409	$ 1,501,133
Cumulative earnings			
Balance, beginning of year	$ 666,224	$ 565,747	$ 565,747
Net earnings	59,269	100,477	49,179
Balance, end of year	$ 725,493	$ 666,224	$ 614,926
Cumulative distributions to unitholders			
Balance, beginning of year	$ (668,890)	$ (552,191)	$ (552,191)
Distributions to unitholders	(64,876)	(116,699)	(55,067)
Balance, end of year	$ (733,766)	$ (668,890)	$ (607,258)
Unitholders' equity	$ 1,823,163	$ 1,592,743	$ 1,508,801
Units issued and outstanding, excluding units submitted for redemption	182,899,305	159,309,728	149,918,695

Combined Cash Flow Statement

Six months ended June 30, 2017, with comparative figures for 2016

Below is the combined cash flow statement of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

In thousands of dollars, except per unit amounts, unless otherwise noted	**3 Months ended June 30, 2017 (unaudited)**	3 Months ended June 30, 2016 (unaudited)	**6 Months ended June 30, 2017 (unaudited)**	6 Months ended June 30, 2016 (unaudited)
Cash provided by (used in)				
Operations:				
Net earnings	$ 29,287	$ 24,996	$ 59,269	$ 49,179
Items not affecting Cash:				
Amortization of revolving loan facility financing costs	99	90	197	173
Change in fair value of mortgage investments and investments in subsidiaries	4,200	3,800	7,000	5,000
Realized loss on mortgage investments	100	282	106	1,337
Unrealized (gain) loss on foreign exchange	739	2,778	2,466	6,020
Amortization of discount	(1,221)	(35)	(1,222)	(69)
Other (gains) losses	340	129	(79)	(239)
Change in non-cash operating items:				
Accrued interest receivable	(2,936)	(4,440)	(12,872)	(12,940)
Other assets	(134)	(223)	176	(515)
Accounts payable and accrued liabilities and unitholders' distributions payable	(994)	676	(294)	838
	29,480	28,053	54,747	48,784
Financing				
Proceeds from issuance of units, net of redemptions and reinvested funds	107,887	43,933	175,820	106,345
Penalties on redemptions	-	-	1	-
Prepaid unit capital	(10,887)	(5,827)	2,310	(5,895)
Change in revolving loan facility	(10,852)	79,000	(25,565)	78,882
Distributions to unitholders, net of reinvested funds	(13,915)	(13,733)	(28,963)	(27,477)
	72,233	103,373	123,603	151,855
Investments				
Funding of mortgage investments	(241,013)	(301,472)	(435,665)	(462,623)
Discharge of mortgage investments	150,820	178,404	264,038	278,121
Net funding of investment in subsidiaries	(8,456)	(1,629)	(14,566)	(7,281)
	(98,649)	(124,697)	(186,193)	(191,783)
Increase (decrease) in cash and restricted cash	3,064	6,729	(7,843)	8,856
Cash and restricted cash, beginning of year	29,232	14,960	40,139	12,833
Cash and restricted cash, end of year	$ 32,296	$ 21,689	$ 32,296	$ 21,689

Investment in Subsidiaries

The controlled subsidiaries acquired control of properties in order to finish development and divest of the property with the goal of maximizing return to investors, which may involve, but not specifically require, the advancement of additional funds. These subsidiaries are not consolidated by the Fund and are summarized as follows:

Name	Ownership	Description	Location	Jun 30, 2017
Guild	100%	Office complex	CA	$ 22,291
Camperdown	100%	Land for res. development	CA	996
Railside	100%	Condominium development	CA	2,650
Aspen Lakes	100%	Residential development	CA	16,427
Almonte	50%	Retail plaza	CA	5,555
Bear Mountain	100%	Office complex	CA	9,927
Falconridge	100%	Residential subdivision	CA	38,187
Beach one	100%	Commercial development	CA	1,985
Medallion	100%	Office complex	CA	218
Planetwide	100%	Land for res. development	CA	5,158
Royal Oaks	100%	Residential subdivision	CA	12,156
Haldimand	100%	Landfill	CA	27,442
High Street	100%	Commercial/Residential	CA	18,140
Egreen	100%	Land for industrial development	CA	1,446
Carolina Golf	100%	Various golf courses	US	50,939
Big Nob	100%	Land for res. development	CA	6,226
RIC (Kash)	100%	Recreational land	CA	1,936
Midland	100%	Land for res. development	CA	16,396
Kettle Creek	100%	Land for res. development	CA	24,093
Langford Lake	100%	Land for res. development	CA	15,791
Ponderosa	100%	Residential development	CA	32,063
Drought	100%	Land for res. development	CA	10,921
Northern Premier	100%	Land for industrial development	CA	11,627
Hampton Circle	100%	Residential construction	CA	4,652
				$ 337,222
		Fair Value Adjustment		(28,605)
				$ 308,617

Income Statement Highlights

Total revenues for the quarter ended June 30, 2017 were $40.5 million compared to $35.1 million in the previous year, a 15% increase. Current year revenues are higher due to growth in the Portfolio and lower unrealized foreign exchange losses as a result of stronger Canadian dollar appreciation over the current quarter, offset moderately by more realized foreign exchange losses on forward contracts.

Net earnings for the quarter were $29.3 million compared to $25.0 million for the same period last year. The increase is largely due to the same reasons noted above, offset by a larger reserve expense compared to the previous year. The basic weighted average earnings per unit for the quarter were $0.16 per unit compared to $0.17 per unit last year.

The Fund distributed $32.6 million or $0.18 per unit during the second quarter (2016 - $28.2 million or $0.19 per unit). The simple and compounded net yield to unitholders for the six month period ended June 30, 2017 were 3.7% and 3.8% respectively. The net yield to unitholders on a simple and compounded basis for the preceding twelve-month period was 7.6% and 7.9% respectively.

Management fees payable to the Fund Manager and other general and administrative expenses of the Fund were $5.2 million for the quarter compared to $4.6 million in the previous year. These expenses were higher than the previous year as a result of a larger Portfolio value.

Balance Sheet Highlights

Total assets as of June 30, 2017 were $2.0 billion compared to $1.8 billion a year ago. Under IFRS, mortgages that are owed from subsidiary companies holding foreclosed properties have been reclassified from mortgage investments to investment in subsidiaries. Total assets are comprised primarily of mortgages recorded at fair market value, investment in subsidiaries, and accrued interest receivable.

Total liabilities excluding units submitted for redemption as of June 30, 2017 were $137 million compared with $248 million a year earlier. Liabilities at the end of the second quarter were comprised mainly of a $122 million line of credit, $12 million in prepaid capital from unitholders, and $13 million in accounts payable and distributions payable to unitholders. Drawings under the revolving loan facility, together with net cash proceeds of the Unit Offering, are used to increase the Portfolio. The revolving loan facility bears interest not exceeding prime plus 1.0% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. Net debt (debt less unrestricted cash) stood at $90 million (5% of the Portfolio) at quarter end versus $214 million (13% of the Portfolio) a year ago.

Unitholders' equity plus units submitted for redemption as of June 30, 2017 were $1.8 billion compared with $1.5 billion as of June 30, 2016. The increase is primarily from proceeds of issuances of $414 million in excess of redemptions of $73 million during the previous 12 months. There were a total of 184,725,035 units outstanding on June 30, 2017 compared to 150,658,655 on June 30, 2016. There are no options or other commitments to issue additional units.

Liquidity and Capital Resources

Pursuant to the trust indenture, 100% of the Fund's net taxable earnings are intended to be distributed to unitholders. This means that growth in the Portfolio can only be achieved through the raising of additional unitholder equity and utilizing available borrowing capacity. Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of mortgages held by the Fund. As of June 30, 2017 borrowings totalled approximately 7% of the book value of investments held by the Fund, compared to 13% last year.

During the six months ended June 30, 2017, proceeds from the issuance of units net of redemptions and costs were $212 million compared to $134 million during the same period in 2016.

The Fund's mortgages are largely short-term in nature with the result that continual repayment by borrowers of existing mortgages creates liquidity for new mortgage investments. We expect continuing growth in the Portfolio to outstrip our funding capability based on current resources. As such, we expect to raise additional equity in future periods and syndicate a portion of new loans to third parties.

Risk Management

The Fund is exposed to various financial instrument risks in the normal course of business. The Fund Manager and trustees have put in place various procedures and safeguards to mitigate these risks in order to ensure the preservation of capital as well as the achievement of acceptable and consistent rates of return.

Outlook

Global economies are experiencing sufficient signs of recovery to warrant central banks to consider removal of monetary stimulus put in place as a result of the economic crisis. The absorption of economic slack without the resultant rising of inflationary pressures is the hallmark of the post-financial crisis world and poses a unique challenge to central banks trying to normalize rates after such an extended period of historically low rates. Inflation appears to have bottomed out and above-trend growth in the Euro zone has been broad-based across sectors and geographies. Improving credit conditions and a more optimistic business climate should allow the ECB to begin tapering asset purchases next year while the US and Canada are expected to raise rates. Nonetheless, after seven years of low interest rates, asset prices around the world are very expensive and global debt sits at an historic high. Disruption of the global supply chain caused by more protectionist trade policies, the unknown impact of Brexit or the potential for debt defaults by Greece or Italy are some of the many geopolitical risks that could upset the fragile recovery.

First quarter growth in Canada was amongst the strongest of the G7 countries and for the first time since 2014, economic growth is expected to be broadly based across sectors and no longer dependent primarily on consumer spending and residential real estate. Trade and export prices have improved as has business investment and announced government expenditures should also contribute to growth. Economic slack should be absorbed by mid-year resulting in the building up of inflationary pressures. The loss of consumer spending associated with rising house prices and the drag of high levels of consumer debt will somewhat moderate the recovery. The key external risk to Canada is the renegotiation of NAFTA and the potential effect of US tax reforms. Government actions designed to cool hot housing markets in Vancouver and Toronto have been successful, but an overcorrection of housing markets would be highly disruptive to the recovery. National cap rates for Commercial Real Estate ("CRE") have continued to decrease particularly in the thriving industrial sector and high housing costs have created strong investor demand for multifamily assets regardless of property type and location. Tight yields in Vancouver and the GTA are pushing investors towards other markets in Alberta, Saskatchewan and Quebec.

The US economy, despite a slow first quarter, continued to demonstrate the strongest growth of all global economies with consumer spending remaining the major driver of growth. Low unemployment, rising wages, healthy household balance sheets and positive consumer sentiment are expected to support continued demand. Business investment has finally accelerated with a boost from the oil and gas sector with more spending expected to occur once the impact and timing of promised tax cuts becomes evident. The US dollar is expected to edge lower over the next 18 months as other global economies move to normalize rates which will reduce headwinds for exporters. Inflation pressure remains strangely subdued which will make the Federal Reserve more cautious than initially expected when raising rates. Risks to the outlook include a potential government shut down in September if the debt ceiling is not raised by Congress before the August recess. If negotiations go to the wire, markets will likely become more volatile. The main risk to the US economy after geopolitical risks remains policy mistakes by the Trump Administration. Businesses are more likely to delay spending until there is more clarity on potential tax treatment of income. Assets and markets are expensive in the wake of a prolonged period of low interest rates and have already priced in the benefit of promised reforms leaving them vulnerable to poor or delayed execution by the Trump Administration.

CRE fundamentals in the US are expected to remain positive, however, a slowdown in sales volumes of large cap real estate transactions may be indicative of a maturing real estate cycle. Domestic and international investors are taking their search for yield to secondary and tertiary markets where there is a shortage of inventory. Banks have tightened underwriting standards for commercial loans in the wake of increased regulatory scrutiny resulting in inadequate funding for many commercial transactions.

Against this backdrop, Romspen continues to attract borrowers in Canada and the US due to our ability to fund large complex projects on a timely basis and our growing reputation in multiple markets for providing excellent service. Our deal pipeline continues to expand beyond our capacity to lend, which affords us the opportunity to screen multiple opportunities against our risk management framework and lend to the best quality projects for the best possible outcomes. Given the volume and quality of lending opportunities we see, we are optimistic that our results for the year will be in keeping with our recent historical returns.

Interim Unconsolidated Financial Statements

ROMSPEN MORTGAGE INVESTMENT FUND

Six months ended June 30, 2017 (Unaudited)

INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017, with comparative information for 2016

In thousands of dollars, except per unit amounts, unless otherwise noted	June 30, 2017 (unaudited)	December 31, 2016 (audited)	June 30, 2016 (unaudited)
Assets			
Cash	$ 11,669	$ 9,347	$ 3,264
Investment in Partnership at fair value through profit or loss ("FVTPL") (note 3)	1,853,336	1,647,662	1,526,034
Other assets	-	-	19
	$ 1,865,005	$ 1,657,009	$ 1,529,317
Liabilities and Unitholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities	$ 973	$ 1,047	$ 940
Prepaid unit capital	11,630	9,320	3,165
Unitholders' distributions payable	11,084	11,451	9,040
	23,687	21,818	13,145
Units submitted for redemption (note 5)	18,155	42,448	7,371
Unitholders' equity (note 4)	1,823,163	1,592,743	1,508,801
Commitments and contingent liabilities (note 9)			
	$ 1,865,005	$ 1,657,009	$ 1,529,317
Net asset value per unit (note 5)	$ 9.97	$ 10.00	$ 10.06

See accompanying notes to unconsolidated financial statements.

INTERIM UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Six months ended June 30, 2017, with comparative information for 2016

In thousands of dollars, except per unit amounts, unless otherwise noted	3 Months ended June 30, 2017 (unaudited)	3 Months ended June 30, 2016 (unaudited)	6 Months ended June 30, 2017 (unaudited)	6 Months ended June 30, 2016 (unaudited)
Revenue				
Realized gain (loss) from investment in Partnership at FVTPL (note 3)	$ 35,908	$ 32,996	$ 71,957	$ 63,129
Unrealized gain (loss) from investment in Partnership at FVTPL (note 3)	(4,939)	(6,578)	(9,466)	(11,020)
Total revenue	30,969	26,418	62,491	52,109
Expenses				
Management fees (note 8 (a))	1,553	1,362	3,001	2,659
Accounting and Legal Fees	-	7	-	11
Other	129	53	221	260
Total expenses	1,682	1,422	3,222	2,930
Net income and comprehensive income	$ 29,287	$ 24,996	$ 59,269	$ 49,179
Net income and comprehensive income per unit (note 5)	$ 0.16	$ 0.17	$ 0.34	$ 0.34
Weighted average number of units issued and outstanding (note 5)	181,014,372	148,598,982	175,587,689	145,182,217

See accompanying notes to unconsolidated financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

Six months ended June 30, 2017, with comparative information for 2016

In thousands of dollars, except per unit amounts, unless otherwise noted	June 30, 2017 (unaudited)	December 31, 2016 (audited)	June 30, 2016 (unaudited)
Unit capital:			
Balance, beginning of year	$ 1,595,409	$ 1,367,339	$ 1,367,339
Proceeds from issuance of units, net of redemptions (note 4)	211,733	263,284	133,935
Penalties on redemptions	1	4	-
Decrease (increase) in units submitted for redemption (note 4)	24,293	(35,218)	(141)
Balance, end of year	$ 1,831,436	$ 1,595,409	$ 1,501,133
Cumulative earnings:			
Balance, beginning of year	$ 666,224	$ 565,747	$ 565,747
Net income and comprehensive income	59,269	100,477	49,179
Balance, end of year	$ 725,493	$ 666,224	$ 614,926
Cumulative distributions to unitholders:			
Balance, beginning of year	$ (668,890)	$ (552,191)	$ (552,191)
Distributions to unitholders (note 6)	(64,786)	(116,699)	(55,067)
Balance, end of year	$ (733,766)	$ (668,890)	$ (607,258)
Unitholders' equity	$ 1,823,163	$ 1,592,743	$ 1,508,801
Units issued and outstanding, excluding units submitted for redemption (note 5)	182,899,305	159,309,728	149,918,695

See accompanying notes to unconsolidated financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CASHFLOWS

Six months ended June 30, 2017, with comparative information for 2016

In thousands of dollars, except per unit amounts, unless otherwise noted	3 months ended June 30, 2017 (unaudited)	3 months ended June 30, 2016 (unaudited)	6 months ended June 30, 2017 (unaudited)	6 months ended June 30, 2016 (unaudited)
Cash flow provided by (used in):				
Operations:				
Net income and comprehensive income	$ 29,287	$ 24,996	$ 59,269	$ 49,179
Items not affecting cash:				
Change in unrealized gain (loss) from investments in Partnership at FVTPL	4,939	6,578	9,466	11,020
Change in non-cash operating items:				
Other assets	-	19	-	19
Accounts payable and accrued liabilities and unitholders' distributions payable	(1,015)	(39)	(441)	(239)
	33,211	31,554	68,294	59,979
Financing				
Proceeds from issuance of units	117,067	66,437	226,880	159,061
Redemption of units	(9,180)	(22,504)	(51,060)	(52,716)
Penalties on redemptions	-	-	1	-
Prepaid unit capital	(10,887)	(5,827)	2,310	(5,895)
Distributions to unitholders	(13,915)	(13,733)	(28,963)	(27,477)
	83,085	24,373	149,168	72,973
Investments				
Net funding of investment in Partnership at FVTPL	(124,446)	(61,786)	(215,140)	(138,846)
	(124,446)	(61,786)	(215,140)	(138,846)
Increase (decrease) in cash	(8,150)	(5,859)	2,322	(5,894)
Cash, beginning of year	19,819	9,123	9,347	9,158
Cash, end of year	$ 11,669	$ 3,264	$ 11,669	$ 3,264

See accompanying notes to unconsolidated financial statements.

Romspen Mortgage Investment Fund (the "Fund") is an unincorporated closed-end investment trust established under the laws of the Province of Ontario, pursuant to a trust indenture dated as at May 20, 2005. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income, while preserving unitholders' equity. The Fund's registered office is 162 Cumberland Street, Suite 300, Toronto, ON M5R 3N5.

Romspen Investment Corporation ("Romspen") is the Fund's mortgage manager and acts as the primary loan originator, underwriter and syndicator for the Partnership.

The Fund commenced operations on January 16, 2006. These interim unconsolidated financial statements and accompanying footnotes have been authorized for issue by the Trustees of the Fund (the "Trustees") on July 26, 2017.

1. Basis of presentation

These interim unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim unconsolidated financial statements are measured and presented in Canadian dollars; amounts are rounded to the nearest thousand, unless otherwise stated. The interim unconsolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value.

The Fund meets the definition of an investment entity and as a result, the Fund accounts for its investment in the Partnership at FVTPL rather than by consolidating it. The results of operations and the financial position of the Partnership are provided separately in note 3.

2. Significant accounting policies

A) Use of estimates

In preparing these financial statements management has made judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, as well as critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in note 3.

B) Net income and comprehensive income per unit

Net income and comprehensive income per unit is computed by dividing net income and comprehensive income for the year by the weighted average number of units issued and outstanding during the year.

C) Prepaid unit capital

Prepaid unit capital consists of subscription amounts received in advance of the unit issuance date.

D) Financial assets and financial liabilities

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in profit or loss. Financial assets and financial liabilities not at FVTPL are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred or in which the Partnership neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. A liability is derecognized when its contractual obligations are discharged or cancelled, or expired.

E) Current and future accounting changes in accounting policies

IFRS 9 was published by the IASB in July 2014 and will replace International Accounting Standard ("IAS") 39, Financial Instruments – Presentation. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for the annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of this standard on the Fund has not yet been assessed.

In thousands of dollars, except per unit amounts, unless otherwise noted

3. Investment in Partnership at FVTPL

The Partnership is a wholly owned investment subsidiary of the Fund, which conducts all the lending activities. The Partnership is not consolidated by the Fund and sections of its results of operations and statement of financial position are provided below:

Statement of financial position:

	Jun 30, 2017 (unaudited)	Dec 31, 2016 (audited)
Assets		
Cash	$ 20,627	$ 30,792
Accrued interest receivable	76,474	64,665
Mortgage investments (note 3(b))	1,557,128	1,414,008
Investment in subsidiaries (note 3(c))	308,617	296,308
Other assets	4,110	4,404
	$ 1,966,956	$ 1,810,177
Liabilities and Unitholders' Equity		
Liabilities:		
Revolving loan facility (note 3(d))	$ 122,305	$ 155,753
Accounts payable and accrued liabilities	662	515
Unrealized (gain) loss on foreign exchange forward contracts (note 3(e))	(9,347)	6,247
	113,620	162,515
Net assets attributable to unitholders of the Partnership	1,853,336	1,647,662
	$ 1,966,956	$ 1,810,177

Statement of comprehensive income:

	6 Months ended Jun 30, 2017 (unaudited)	6 Months ended Jun 30, 2016 (unaudited)
Revenue		
Mortgage interest	$ 79,775	$ 69,157
Other	785	596
Realized gain (loss) on foreign exchange	1,359	3,241
Unrealized gain (loss) on foreign exchange	(2,466)	(6,020)
	79,433	66,974
Expenses		
Management fees	6,093	5,398
Interest	2,932	2,750
Change in fair value of mortgage investments and investments in subsidiaries	7,000	5,000
Realized loss on mortgage investments	106	1,337
Other (gains) losses	(79)	(239)
Audit fees	108	93
Legal fees	43	45
Other	739	481
	16,942	14,865
Net income and comprehensive income	$ 62,491	$ 52,109

A) Significant accounting policies of the Partnership

i) **Mortgage investments** All mortgages have been designated as FVTPL. Mortgage investments are recorded at fair value, with any changes in fair value reflected in the Partnership's statements of earnings, in accordance with IAS 39 and IFRS 13, Fair Value Measurement ("IFRS 13").

In determining fair value of individual mortgages, management considers the length of time the mortgage has been in arrears, the overall financial strength of the borrowers and the residual value of the security pledged. Any unrealized changes in the fair value of mortgage investments are recorded in the Partnership's statement of comprehensive income as an unrealized fair value adjustment.

ii) **Investments in subsidiaries** Entities are formed by the Fund to obtain legal title of the underlying security of an impaired mortgage investment. These entities are considered to be subsidiaries due to the Partnership's control and exposure to variable returns from its involvement in these entities. The Partnership is an investment entity and measures investments in its subsidiaries at FVTPL. The carrying value of the mortgage investment, which comprises principal, accrued interest and a fair value adjustment, if any, is reclassified from mortgage investments to investments in subsidiaries. At each reporting date, the Partnership uses management's best estimates to determine fair value of the subsidiaries (note 3(c)).

iii) **Interest income** Interest income, funding and participation fees are recognized using the effective interest method ("EIM"). The EIM discounts the estimated future cash receipts through the expected life of the loan and mortgage to its carrying amount.

iv) **Use of estimates** The mortgage investments are recorded in the Partnership's statement of financial position at fair value. The estimates may include: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments. Actual results may differ from those estimates.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Credit markets, equity markets and consumer spending are factors in the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

In thousands of dollars, except per unit amounts, unless otherwise noted

v) **Foreign currency translation** Foreign exchange gains and losses on the receipts of payments on mortgage investments are included in realized gain/loss on foreign exchange on the statement of earnings. All unrealized foreign exchange gains and losses on each balance sheet item are included in unrealized foreign exchange gain/loss on the Partnership's statement of comprehensive income.

vi) **Financial assets and financial liabilities** Financial assets or liabilities at FVTPL are initially recognized on the trade date, which is the date the Partnership becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Partnership becomes a party to the contractual provisions for the mortgage investments when cash is advanced to the third party borrower.

IAS 39 and IFRS 13 establish standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. In accordance with these standards, the Partnership has classified its financial assets as one of the following: FVTPL or loans and receivables. All financial liabilities must be classified as FVTPL or other financial liabilities. The Partnership's designations are as follows:

A) Mortgage investments are classified as debt instruments and are designated as FVTPL, categorized into Level 3 of the fair value hierarchy.

B) Investments in subsidiaries – entities over which the Partnership has control are designated as FVTPL and categorized into Level 3 of the fair value hierarchy, as permitted by IFRS 10, Investment Entities – Exception to Consolidation.

C) The revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital, unitholders' distributions payable and units submitted for redemption are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Financial assets classified as FVTPL are carried at fair value on the financial statements of financial position. The net realized and unrealized gains and losses from fair value changes and foreign exchange differences, excluding interest, are recorded in the Partnership's statement of comprehensive income and statement of cash flows.

B) Mortgage investments (excluding mortgages to investment subsidiaries)

The following is a summary of the mortgages:

			Jun 30, 2017	Jun 30, 2016
	Number of mortgages	Original cost	Fair Value	Fair Value
First mortgages	120	$ 1,485,896	$ 1,462,217	$ 1,373,746
Second mortgages	5	94,911	94,911	80,955
		$ 1,580,807	$ 1,557,128	$ 1,454,701

A reconciliation of the mortgage investments for the six months ended June 30, 2017 is as follows:

Mortgage investments	Jun 30, 2017	Jun 30, 2016
Investments balance, beginning of year	$ 1,414,008	$ 1,339,939
Funding of mortgage investments	435,665	462,623
Discharge of mortgage investments	(264,038)	(278,121)
Non-cash transfer to investment in subsidiaries	-	(37,845)
Unrealized gain (loss) in the value of investments	(4,419)	(597)
Realized gain (loss) on investments	(106)	(1,337)
Amortization of discount	1,222	69
Foreign currency adjustment on investments	(25,204)	(30,030)
Investments balance, end of year	$ 1,557,128	$ 1,454,701

Credit risk arises from the possibility that mortgagors may be unable to fulfill their obligations. In accordance with the Fund's policies, the Partnership mitigates this risk by ensuring that its mix of mortgages is diversified and by limited exposure to any one mortgagor or property.

As part of the assessment of fair value, management of the Fund routinely reviews each mortgage for impairment to determine whether or not a mortgage should be recorded at its estimated realizable value.

Principal repayments based on contractual maturity dates are as follows:

In 12 Months	$ 1,241,042
In 24 Months	291,174
In 36 Months	22,937
Thereafter	25,654
	$ 1,580,807

Included in the Due In 12 Months category are loans which are past due or on a month-to-month arrangement. Borrowers have the option to repay principal at any time prior to the maturity date.

C) Investments in subsidiaries

	Jun 30, 2017	Jun 30, 2016
Investments in subsidiaries at cost	$ 337,222	$ 249,754
Fair value adjustment	(28,605)	(28,911)
	$ 308,617	$ 220,843

The Fund's investments in subsidiaries are measured at fair value using Level 3 unobservable inputs. As a result, all investments in subsidiaries have been classified in Level 3 of the valuation hierarchy.

In thousands of dollars, except per unit amounts, unless otherwise noted

A reconciliation of investments in subsidiaries for the six months ended June 30, 2017 is as follows:

Investments in subsidiaries	Jun 30, 2017	Jun 30, 2016
Investments balance, beginning of year	$ 296,308	$ 179,811
Funding of investments	17,122	8,660
Discharge of investments	(2,556)	(1,379)
Non-cash transfer from mortgage investments	-	37,845
Net unrealized loss in the fair value of investments	(2,581)	(4,403)
Foreign currency adjustment on investments	324	309
Investments balance, end of year	$ 308,617	$ 220,843

D) Revolving loan facility

The Partnership entered into a revolving loan facility on July 16, 2012 and it was amended on November 12, 2015 with an increased maximum amount of $298,000 (2016 – $298,000) including borrowings of equivalent amount denominated in US dollars. Approximately $175,695 (2016 – $62,704) is available and $122,305 has been drawn as at June 30, 2017 (2016 – $235,296). Interest on the loan is charged at a maximum of prime rate plus 1.0%. The minimum and maximum amounts, denominated in US dollars, drawn under the revolving loan facility during the six months ended June 30, 2017 were $73,000 and $116,000 (2016 – $92,000 and $228,000), respectively. The loan is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. The loan matures on July 18, 2017.

The costs associated with the establishment of the revolving loan facility are amortized over the two-year initial term of the facility and have been included in other assets for $20 (2016 – $376), net of accumulated amortization of $588 (2016 – $227).

E) Foreign exchange forward contracts

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars. The following table sets out the fair values and the notional amount of foreign exchange forward contract derivative assets and liabilities held by the Partnership as at June 30, 2017 and 2016:

Foreign exchange gain (loss) on forward contracts as of June 30, 2017:

	Currency received to be delivered in US$ (CDN$)	Fair value at foreign exchange	Unrealized gain (loss)
Jun 30, 2017	$ 365,696	$ 356,349	$ 9,347
Jun 30, 2016	239,069	237,804	1,265

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars and are classified as held-for-trading.

Included in the Partnership's statement of comprehensive income are unrealized foreign exchange gains on forward contracts, which are economically offset by unrealized losses for a net loss amount of $2,466 (2016 – $6,020) on assets classified as FVTPL.

The realized foreign exchange gain in the Partnership's statements of comprehensive income consists mainly of realized foreign exchange loss of $3,719 (2016 – $1,352) on forward contracts, which are offset by $5,078 (2016 – $4,593) net gains on assets classified as FVTPL and revolving credit facility.

4. Unitholders' equity

The beneficial interests in the Fund are represented by a single class of units, which are unlimited in number. Each unit carries a single vote at any meeting of unitholders and carries the right to participate pro-rata in any distributions. These units are classified as equity as they are puttable instruments that entitle the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation. They are in a class of instruments that are subordinate to all other classes of instruments, and have identical features. Unitholders have a limited right to redeem their units, on a monthly basis, upon a minimum of 30 days' notice. Partial or complete redemption of units is limited on a monthly basis to 1% of the aggregate fair market value of units outstanding on the valuation date immediately preceding the said redemption date. Redemption notices on any given redemption date shall maintain their order of priority until the unit redemption price for such units has been paid in full. Additionally, the trustees shall be entitled in their sole discretion to extend the time for payment of any unit redemption prices if, in the reasonable opinion of the trustees, such payment would be materially prejudicial to the interests of the remaining unitholders in the Fund.

In the extraordinary circumstance where the number of units properly tendered for redemption ("Tendered Units") by unitholders ("Tendering Unitholders") on any given redemption date exceeds 3% of the total number of units outstanding on such redemption date, the trustees are entitled in their sole discretion to modify or suspend unitholder redemption rights. Specifically, if the extraordinary circumstance referenced above occurs, the trustees are entitled, in their sole discretion, to implement one of the following measures:

A) **Discounted redemptions** The trustees shall give notice to Tendering Unitholders that their Tendered Units shall be redeemed on the next redemption date at a redemption price discounted by a discount factor to be determined by the trustees in their sole discretion, acting reasonably. In determining the discount factor, the trustees may consider such factors as market prices for similar investments that are traded on a stock exchange in Canada, the variation inherent in any estimates used in the calculation of the fair market value of the Tendered Units to be redeemed, the liquidity reasonably available to the Fund and general economic conditions in Canada. Unitholders may choose to retract their redemption request upon receiving notice from the trustees of a discounted redemption; however, unitholders who retract will be prohibited from redeeming the Tendered Units to which their retraction applies for a period of up to twelve months following the date the discounted redemptions are processed.

In thousands of dollars, except per unit amounts, unless otherwise noted

B) Temporary suspension of redemptions The trustees shall give notice to all unitholders that normal course redemption rights are suspended for a period of up to six months. Issuance of a suspension notice by trustees will have the effect of cancelling all pending redemption requests. At the end of the suspension period, the trustees may call a special meeting of unitholders to approve an extension of the suspension period, failing which normal course redemptions will resume.

As at June 30, 2017, unitholders representing approximately 1,825,730 (2016 – 739,960) units have requested redemption of their units, the redemption of which is subject to the above restrictions. These units have been reclassed to liabilities from unitholders' equity in order to comply with applicable accounting rules. These units, however, continue to have the same rights and no priority over the remaining units. Units submitted for redemption are redeemed at the net asset value.

A) The following units are issued and outstanding

		Jun 30, 2017		Jun 30, 2016
	Units	Amount	Units	Amount
Balance, beginning of year	163,581,841	$ 1,637,653	137,286,096	$ 1,374,369
New units issued	22,688,051	226,880	15,906,033	159,061
New units issued under distribution reinvestment plan	3,591,254	35,913	2,759,036	27,590
Units redeemed	(5,136,111)	(51,060)	(5,292,510)	(52,716)
Proceeds from issuance of units, net of redemptions	21,143,194	211,733	13,372,559	133,935
Balance, end of year	184,725,035	$ 1,849,386	150,658,655	$ 1,508,304

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In 2017, the Fund received requests for redemption of 2,689,728 units (2016 – 5,306,134) and redeemed 5,136,111 units (2016 – 5,292,510) for $51,060 (2016 - $52,716) in accordance with its policies.

The Fund continues to issue new units and receive redemption requests, which will be processed in accordance with the above-mentioned policies.

B) Distribution reinvestment plan and direct unit purchase plan

The Fund has a distribution reinvestment plan and direct unit purchase plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at a unit price equivalent to $10.00 per unit.

5. Net asset value per unit and net income and comprehensive per unit

Net asset value per unit is calculated as total assets less total liabilities allocable to outstanding units, excluding units submitted for redemption, of 182,899,305 as at June 30, 2017 (2016 – 149,918,695).

Net income and comprehensive income per unit have been computed using the weighted average number of units issued and outstanding of 175,587,689 for the six months ended June 30, 2017 (2016 – 145,182,217).

6. Distributions

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture indicates that the Fund intends to distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders. For the six months ended June 30, 2017, the Fund declared distributions of $0.37 (2016 – $0.38) per unit and a total of $64,876 (2016 – $55,067) was distributed to the unitholders.

7. Income taxes

The Fund is taxed as a mutual fund trust for income tax purposes. Pursuant to the trust indenture, the Fund intends to distribute 100% of its income for income tax purposes each period to such an extent that it will not be liable for income tax under the Income Tax Act (Canada). Therefore, no provision for income taxes is required on earnings of the Fund.

On June 22, 2007, new legislation relating to the federal income taxation of a specified investment flow-through trust or partnership ("SIFT") received royal assent (the "SIFT Rules").

Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to income taxes on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to income taxes.

The Fund is not subject to the SIFT tax regime as its units are not listed or traded on a stock exchange or other public market. Accordingly, the Fund has not recorded a provision for income taxes or future income tax assets or liabilities in respect of the SIFT Rules.

8. Related party transactions and balances

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which represents fair market value.

Other than the transactions disclosed elsewhere in these financial statements, the Fund and the Partnership had the following significant related party transactions:

A) The majority of the trustees of the Fund are owners of Romspen. Under the Mortgage Origination and Capital Raising Agreement, Romspen provides capital raising services to the Fund. Romspen receives fees totalling 0.33% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments. For the six months ended June 30, 2017, the total amount was $3,001 (2016 - $2,659).

B) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to the Partnership. Romspen receives fees totalling 0.67% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments. For the six months ended June 30, 2017, this amount was $6,093 (2016 - $5,398).

C) Romspen and related entities also receive certain fees directly from the borrower, generated from the Partnership's mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the six month ended June 30, 2017, this amount was $14,941 (2016 – $11,752).

D) Several of the Partnership's mortgages are syndicated with other investors of Romspen, which may include Romspen, members of management of Romspen and officers or trustees of the Fund. The Partnership ranks equally with, or in priority to, other members of the syndicate as to receipt of principal and income. Employees and directors of Romspen, along with related parties, are also permitted to invest in the Fund.

E) As at June 30, 2017, the Partnership had two (2016 - two) investments outstanding with an original cost of $30,691 (2016 - $32,214), including accrued interest of $382 (2016 - $382) and fair value of $20,773 (2016 - $24,534) due from mortgagors and investments in which members of management of Romspen own non-controlling equity interests.

F) Included in the Fund's accounts payable and accrued liabilities is a total amount of $52 (2016 - $68) payable to Romspen.

G) Included in the Partnership's accounts payable and accrued liabilities is an amount of $105 (2016 – $139) payable to Romspen.

9. Commitments and contingent liabilities

A) In the event that management agreements are terminated, the various management agreements between the Fund, the Partnership and Romspen contain provisions for the payment of termination fees of an amount equal to 2% of the fair market value of the Partnership's assets under administration on the date on which the termination notice is received, in addition to any other amounts owing by the Partnership. These amounts will be satisfied by the payment of cash, interests in mortgages or in such combination thereof as determined by the mortgage manager. These agreements continue in force until terminated in accordance with their provisions.

B) The Partnership has granted an irrevocable option to Romspen to purchase, at any time, any or all Partnership mortgages at a purchase price equal to the principal amount of such mortgage plus accrued interest.

C) The Partnership in certain situations provides guarantees for its subsidiaries. As of June 30, 2017, there were $17,200 of guarantees outstanding (2016 – $17,200).

D) The Partnership has letters of guarantee outstanding at June 30, 2017 of $16,167 (2016 – $15,013).

10. Fair values of financial instruments

IFRS 13 establishes enhanced disclosure requirement for fair value measurements of financial instruments and liquidity risks. A three-level valuation hierarchy is used for disclosure of financial instruments measured at fair value based upon the degree to which the inputs used to value an asset or liability as of the measurement date are observable:

- Level 1 – quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fund

The Fund's investment in the Partnership has been classified in Level 2 of the hierarchy.

Fair value of the investment in the Partnership is the amount of net assets attributable to unitholders of the Partnership. The fund routinely redeems and issues the redeemable Partnership units at the amount equal to the proportionate share of net assets of the Partnership at the time of redemption. Accordingly, the carrying amount of net assets attributable to unitholders of the Partnership approximates their fair value.

In thousands of dollars, except per unit amounts, unless otherwise noted

The fair values of cash, accounts payable and accrued liabilities, unitholders' distributions payable and prepaid unit capital approximate their carrying values due to their short-term maturities.

Partnership

The Partnership's mortgage investments are measured at fair value using unobservable inputs. As a result, all mortgage investments have been classified in Level 3 of the valuation hierarchy.

The Partnership's investments in subsidiaries are measured at fair value using Level 3 unobservable inputs, including comparable market property values, appraisals and discounted cash flows.

Fair value of the portfolio is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties under no compulsion to act. As there is no quoted price in an active market for these mortgages, Romspen makes its determination of fair value based on the assessment of the current lending market for investments of same or similar terms. Typically, the fair value of mortgages approximate their carrying values given the mortgage and loan investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. When collection of the principal amount of a mortgage or loan is no longer reasonably assured, the fair value of the investment is adjusted to the fair value of the underlying security.

The fair value of the Partnership's investments in subsidiaries is generally determined using a variety of methodologies, including comparable market property values, market research data, third-party and in-house appraisals, and discounted cash flow analysis, which would include inputs related to discount rates, future cash flows, liquidity, etc.

The fair value of the Partnership's total investments is as follows:

Description	Jun 30, 2017	Jun 30, 2016
Mortgage investments and investments in subsidiaries, at amortized cost	$ 1,918,029	$ 1,717,826
Unrealized fair value adjustment	(52,284)	(42,282)
	$ 1,865,745	$ 1,675,544

Description	Jun 30, 2017	Jun 30, 2016
Mortgage investments	$ 1,557,128	$ 1,454,701
Investment in subsidiaries	308,617	220,843
	$ 1,865,745	$ 1,675,544

The fair values of cash, accrued interest receivable, revolving loan facility and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

Romspen regularly reviews significant unobservable inputs and valuation adjustments and will use market observable data when available. When third-party appraisals are used to measure fair values of its investments in subsidiaries, the Fund will assess the evidence obtained to support valuations that meet the requirements of IFRS.

11. Financial instrument risk management

The Fund is exposed in varying degrees to a variety of risks from its use of financial instruments. The trustees and Romspen discuss the principal risks of the business on a day-to-day basis. The trustees set the policy framework for the implementation of systems to manage, monitor and mitigate identifiable risks. The Fund's risk management objective in relation to these instruments is to protect and minimize volatility to net assets and mitigate financial risks, including credit risk, liquidity risk, market risk (including interest rate risk and currency risk) and capital management risk. Romspen seeks to minimize potential adverse effects of risk by retaining experienced analysts and advisors, monitoring the Partnership's positions, market events and entering into hedge contracts. The types of risks the Fund is exposed to, the source of risk exposure and how each is managed is outlined hereafter:

A) Credit risk

Credit risk is the risk of loss due to a counterparty to a financial instrument failing to discharge their obligations.

Fund

The Fund is exposed to credit risk through its investment in the Partnership.

Partnership

Credit risk arises from mortgage investments held, from investments in subsidiaries and also from foreign exchange forward contracts. The Partnership's sole activity is to discharge their obligations. The Partnership's sole activity is investing in mortgages (note 3) and, therefore, its assets are exposed to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing its mortgage investments. Romspen manages credit risk by adhering to the investment and operating policies, as set out in its Offering Memorandum. This includes the following policies:

i) no more than 20% of the Fund's capital may be invested in subordinate mortgages; and
ii) no more than 10% of the Fund's capital may be invested in any single mortgage or to any single borrower.

The Partnership focuses its investments in the commercial mortgage market segments described in its Offering Memorandum, which includes development mortgages, construction mortgages, term financing mortgages and residential mortgages. These mortgages generally have the following characteristics:

i) initial terms of 12 to 24 months;
ii) loan to value ratios of approximately 65% at time of underwriting;

iii) significant at-risk capital and/or additional collateral of property owner; and

iv) full recourse to property owners supported by personal guarantees.

In addition, the Fund's Trustees meet regularly to review and approve each mortgage investment and to review the overall portfolio to ensure it is adequately diversified.

Romspen manages counterparty credit risk on foreign exchange forward contracts by dealing with counterparties with high credit ratings.

B) Liquidity risk

Liquidity risk is the risk that the Fund or the Partnership will not have sufficient cash to meet its obligations as they become due.

Fund

Unitholders in the Fund have the limited right to redeem their units in the Fund, as described in its Offering Memorandum and paragraph 5.25 of the Fund's Declaration of Trust. The Trustees are entitled, in their sole discretion, to extend the time for payment of any unitholder redemption if, in their reasonable opinion, such payment would be materially prejudicial to the interests of the remaining unitholders.

The Fund is obliged to pay management fees to Romspen, which are funded out of interest income earned from the Partnership.

Partnership

The Partnership mitigates this risk by monitoring its scheduled mortgage repayments and ensuring that sufficient funds are available in the near term to satisfy all of its obligations. The Partnership's obligations are primarily those which arise under the revolving loan facility, the Mortgage Management Agreement and its Declaration of Trust. In the current economic climate and capital markets, the lenders may continue to tighten their lending standards which could make it challenging for the Partnership to obtain financing on favourable terms, or to obtain financing at all.

The Partnership's revolving loan facility (note 3(d)) was renewed and matures on July 18, 2017. If it is not extended at maturity, repayments under the Partnership's portfolio would be utilized to repay the revolving loan facility. The Partnership's mortgages are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

If the Partnership is unable to continue to have access to its revolving loan facility, the size of the Partnership's portfolio will decrease and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

As at June 30, 2017, the Partnership had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

The Partnership is not obliged to invest in any mortgages originated by Romspen and, therefore, has no future funding obligations in respect of the Romspen's mortgage commitments. The Fund is obliged to pay management fees to Romspen, which are funded out of interest income earned from the Partnership.

C) Market risk

Market risk is the risk that changes in market prices – such as interest rates, foreign exchange rates, equity prices and credit spreads – will affect income or fair value of financial instruments.

Fund

The Fund is exposed to market risk through its investment in the Partnership.

Partnership

Market risk arises on the fair value of the collateral securing any of the Partnership's mortgage investments. Romspen ensures that it is aware of real estate market conditions in the regions in which it operates. Real estate market trends are monitored on an ongoing basis and Romspen's lending practices and policies are adjusted when necessary.

i) Interest rate risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund manages this risk by investing primarily in short-term mortgages. The Partnership's investment objective is to obtain an acceptable and consistent absolute rate of return that is not related to any market-based interest rate benchmark.

As a result, the credit characteristics of the mortgages will evolve such that in periods of higher market interest rates, the mortgages will be those with narrower credit spreads, and vice versa in periods of lower market interest rates compared to other benchmark interest rates.

The majority of the Partnership's investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is no secondary market for the Partnership's mortgages and in syndication transactions; these mortgages are generally traded at face value without regard to changes in market interest rates.

The Partnership's debt under the revolving loan facility (note 3(d)) bears interest not exceeding the prime rate plus 1.0%.

As at June 30, 2017, if interest rates on the revolving loan facility had been 100 points basis lower or higher, with all other variables held constant, net income and comprehensive income for the year would be affected with a total increase or decrease of $472 (2016 – $709).

Romspen monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

ii) Currency risk Currency risk is the risk that the fair value or future cash flows of the Partnership's portfolio will fluctuate based on changes in foreign currency exchange rates. Approximately $821,980 (2016 – $679,308), 43% (2016 – 41%) of the total Fund's investments at year end, are denominated in US dollars and secured primarily by charges on real estate located in United States; consequently, the Fund is subject to currency fluctuations that may impact its financial position and results. The Fund reduces currency risk on mortgages by having the Partnership enter into foreign exchange forward contracts and include mortgage contract terms whereby the borrower is responsible for foreign exchange losses.

A weakening of the Canadian dollar against the US dollar by 5% would have resulted in an increase in net asset value of $0.07 (2016 – $0.05), assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The Partnership uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

D) Capital risk management

The Fund manages capital to attain its objective of providing stable and secure cash distributions of income while preserving unitholders' equity. The Fund defines capital as being capital raised by issuing Fund units. The Fund intends to distribute its taxable income to unitholders, with the result that growth in the portfolio can only be achieved through the raising of additional equity capital and by utilizing the Partnership's available borrowing capacity.

The Fund raises equity capital on a monthly basis during periods where Romspen projects a greater volume of investment opportunities than the Fund's near-term capital would be sufficient to fund. In the event the Fund may have surplus equity capital, the trustees of the Fund have the right to redeem units held by unitholders or to declare a return of capital distribution.

The Partnership may borrow up to 35% of the book value of its mortgages. The primary purpose of the borrowing strategy is to ensure that the Fund's unitholders' capital is fully invested. The secondary purpose is to obtain a spread between the interest rates payable under its mortgage investments and its borrowings. As of June 30, 2017, the Partnership's borrowings totalled 7% (2016 – 14%) of the book value of its total investments and the Fund was in compliance with all covenants under its revolving loan facility.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

13. Exemption from filing

The Fund is relying on the exemption obtained in National Instrument 81 106, Part 2.11 to not file their financial statements in SEDAR.

TRUSTEES & MANAGEMENT

Romspen's team of investment professionals is led by eight Managing Partners who collectively have over 250 years of finance and real estate experience. The investment team is supported by more than 30 professionals dedicated to the financial control, underwriting, legal and reporting matters of our business. The trustees and the management team are collectively the largest investor in the Fund. This alignment is essential to preserving capital and generating strong consistent returns for all investors.

Romspen Mortgage Investment Fund

Sheldon Esbin
Trustee

Mark Hilson
Trustee

Arthur Resnick
Trustee

Wesley Roitman
Trustee

Romspen Investment Corporation

Sheldon Esbin
Managing General Partner

Mark Hilson
Managing General Partner

Wesley Roitman
Managing General Partner

Blake Cassidy
Managing Partner

Mary Gianfriddo
Managing Partner

Peter Oelbaum
Managing Partner

Arthur Resnick
Managing Partner

Richard Weldon
Managing Partner

Arnie Bose
Vice President, Finance

Lisa Calandra
Vice President, Investor Relations

Vitor Fonseca
Vice President and Treasurer

Joel Mickelson
Corporate Counsel

Dianna Price
Executive Vice President, Investor Relations

Romspen Investment Corporation FSCO licence #10172, 11600

UNITHOLDER INFORMATION

Units

The Fund units represent a beneficial ownership interest in the Romspen Mortgage Investment Fund. The Fund is an unincorporated closed-end investment trust and is the sole limited partner in the Romspen Mortgage Limited Partnership.

Distributions

Distributions on Fund units are payable on or about the 15th day of each month. The Fund intends to distribute its taxable earnings each year to the unitholders.

Distribution Reinvestment Plan

The distribution reinvestment plan provides unitholders a means to reinvest cash distributions in new units of the Fund. To participate, registered unitholders should contact Romspen.

Investor Relations Contact

Requests for the Fund's annual report, quarterly reports, or other corporate communications should be directed to:
Investor Relations
Romspen Mortgage Investment Fund
Suite 300, 162 Cumberland Street
Toronto, Ontario M5R 3N5
416-966-1100

Duplicate Communication

Registered holders of Romspen units may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when units are registered under different names and/or addresses, multiple mailings result. Unitholders who receive, but do not require, more than one mailing for the same ownership are requested to contact Investor Relations and arrangements will be made to combine the accounts for mailing purposes.

Auditors

KPMG LLP Chartered Accountants

Legal Counsel

Gardiner Roberts LLP

Website

www.romspen.com

ROMSPEN