ROMSPEN

mortgage investment fund

Third Quarter 2011 Report

ROMSPEN

Romspen has a long-term track record of successful mortgage investing across Canada. With its origins in the mid-60's, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in Canada. The Fund's investment mandate is focused on capital preservation, absolute returns of 10% and performance consistency. Our investors are high net-worth individuals, foundations, endowments and pension plans.

Contents

Trustees' Report

November 4, 2011

Dear Fellow Investors:

Romspen's performance during the third quarter continued to match our expectations and previous quarterly performance during 2011. On a YTD and past twelve-month basis, the Fund has demonstrably outperformed all comparable benchmarks, where returns have been poor and subject to extreme bouts of volatility.

Financial Highlights

Net income for the third quarter of 2011 was $13.2 million or $0.19 per unit compared to $9.5 million or $0.19 per unit a year ago. Unitholder distributions were $0.20 per unit during the third quarter compared to $0.21 per unit last year.

As at September 30, 2011, the net mortgage portfolio was $655.0 million, an increase of 28% compared to a year ago and remains well diversified. The portfolio growth corresponds with the increase in economic activity which has translated into a larger number of borrowers seeking credit for projects. The weighted average interest rate of the mortgage portfolio at September 30, 2011 decreased to 10.9% compared to 11.5% a year ago as downward rate pressure across the yield curve remains pervasive. The Fund had a net positive cash position of $41.3 million at the end of the third quarter compared to net debt (debt less unrestricted cash) of $19.9 million a year ago. Total unitholder capital surpassed $700 million by the end of the quarter and we are gratified by investors' continued confidence in the Fund's performance. The total loss provision at quarter end increased to $7.4 million to maintain a margin of safety on our balance sheet against unforeseen exposures. During the third quarter, there were recognized losses of $0.3 million which were previously reserved for.

Comparative Performance

The compounded net yield to investors for the first three quarters of 2011 was 6.2% compared to 6.5% a year ago. This compares with T-bills, DEX Short Term Bond Index ("DEX-STBI"), and the S&P/TSX which yielded 0.7%, 4.1% and (11.9%) respectively during the first nine months of 2011.

For the twelve-month period ended September 30, 2011, the Fund's compounded net yield to unitholders was 8.4%. This was demonstrably ahead of T-bills, the DEX-STBI, and the S&P/TSX which yielded 1.0%, 3.9%, and (3.6%) respectively.

Outlook

European Union debt issues, the sluggish US economic recovery and the risk of a recurring recession continue to dominate the economic and investment landscape. We do not expect the tenor of this to change anytime soon and believe the low growth, low return investment climate will persist, with real downside risks. Behind the scenes, we believe there is a real risk the world is moving toward a secondary credit crisis, parts of which are being "played-out" now in Europe. Excessive levels of sovereign debt and the on-going use of unconventional monetary tools by central banks around the world highlights the inherent risks being confronted. While Canada has meaningfully less direct exposure to these issues, its economy will feel the adverse effects in indirect ways that will impact both growth and investment.

Presently, we are expecting a robust funding schedule as the 2011 year winds down. In general, the overall quality of new mortgages is solid and as the Fund continues to grow our average loan size does as well. The generational lows in interest rates will remain prevalent for many years to come and will impact all investment returns, including Romspen's. While we could readily improve our returns to match historical levels by taking on greater risk, we have deliberately chosen not to do this and have maintained a strict focus on our historical underwriting standards. As such, we have declined many lending opportunities that we have been shown over the past several months.

Even though the Fund's overall return has been lower on an absolute basis over the past few years compared to our history, our relative returns have actually improved modestly. Specifically, Romspen's return spread to T-bills over the past twelve months has been 746 basis points compared to 726 basis points over the past five years and 719 basis points over the past ten years.

We appreciate and thank you for your continuing confidence and support. If you require further information, please contact any one of us directly or Ms. Ann Ralston at the Fund, or consult our website: www.romspen.com.

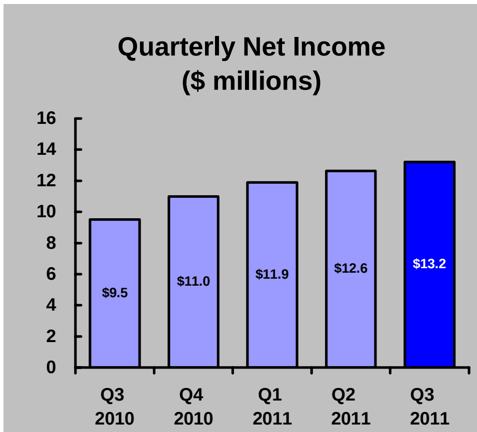
Respectfully submitted,

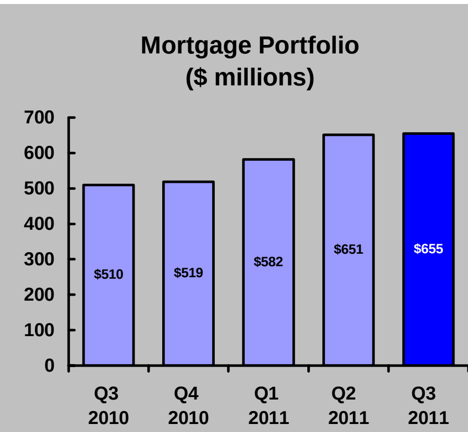
Sheldon Esbin	Mark Hilson	Arthur Resnick	Wesley Roitman

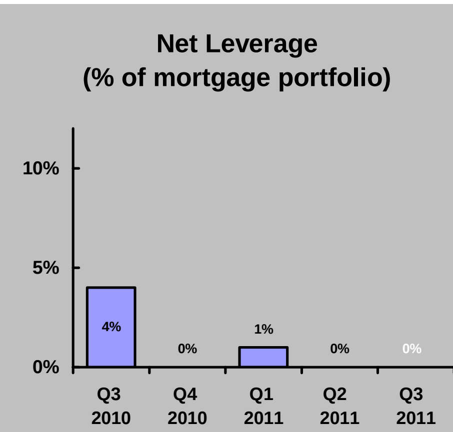
Trustees of the Fund

Financial Highlights – Third Quarter 2011

Key Metrics



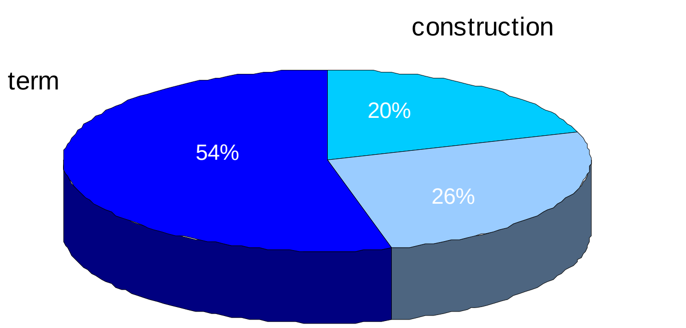




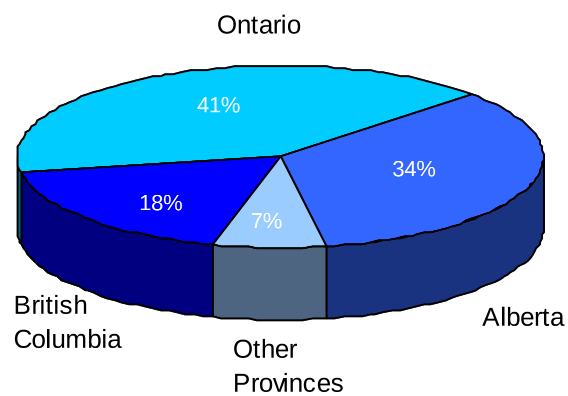
Mortgage Portfolio Profile

As of September 30, 2011

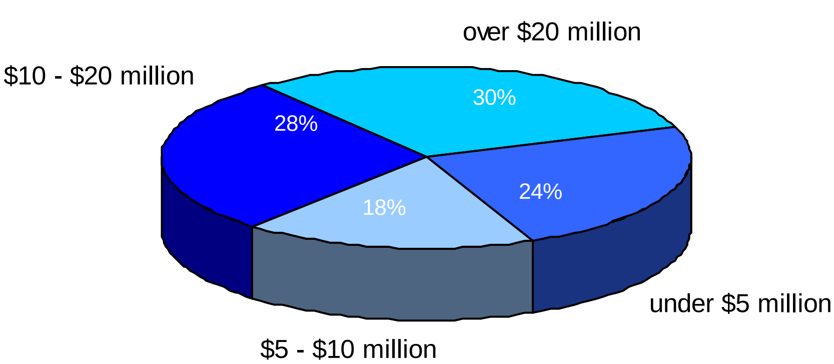
By Type



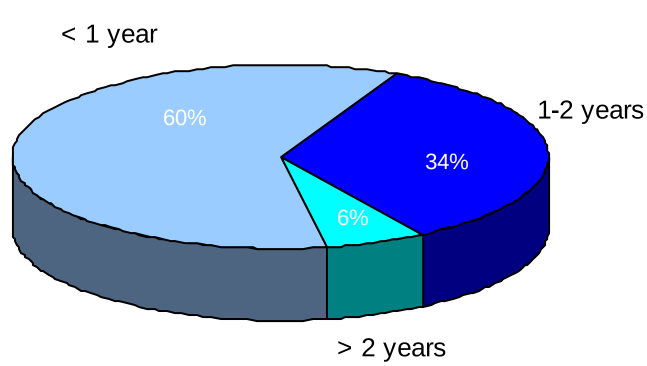
By Geography

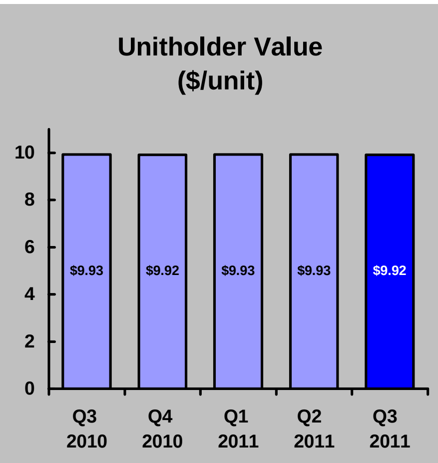


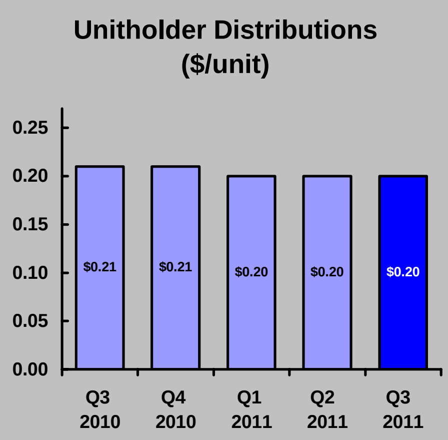
By Amount

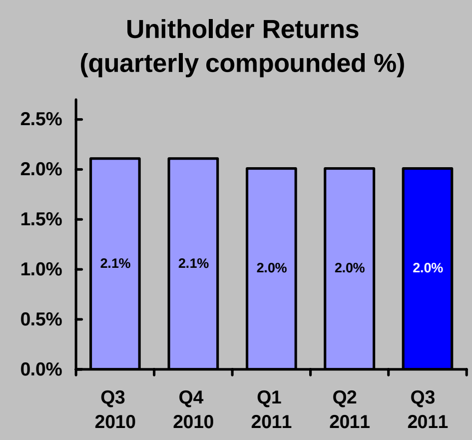


By Maturity



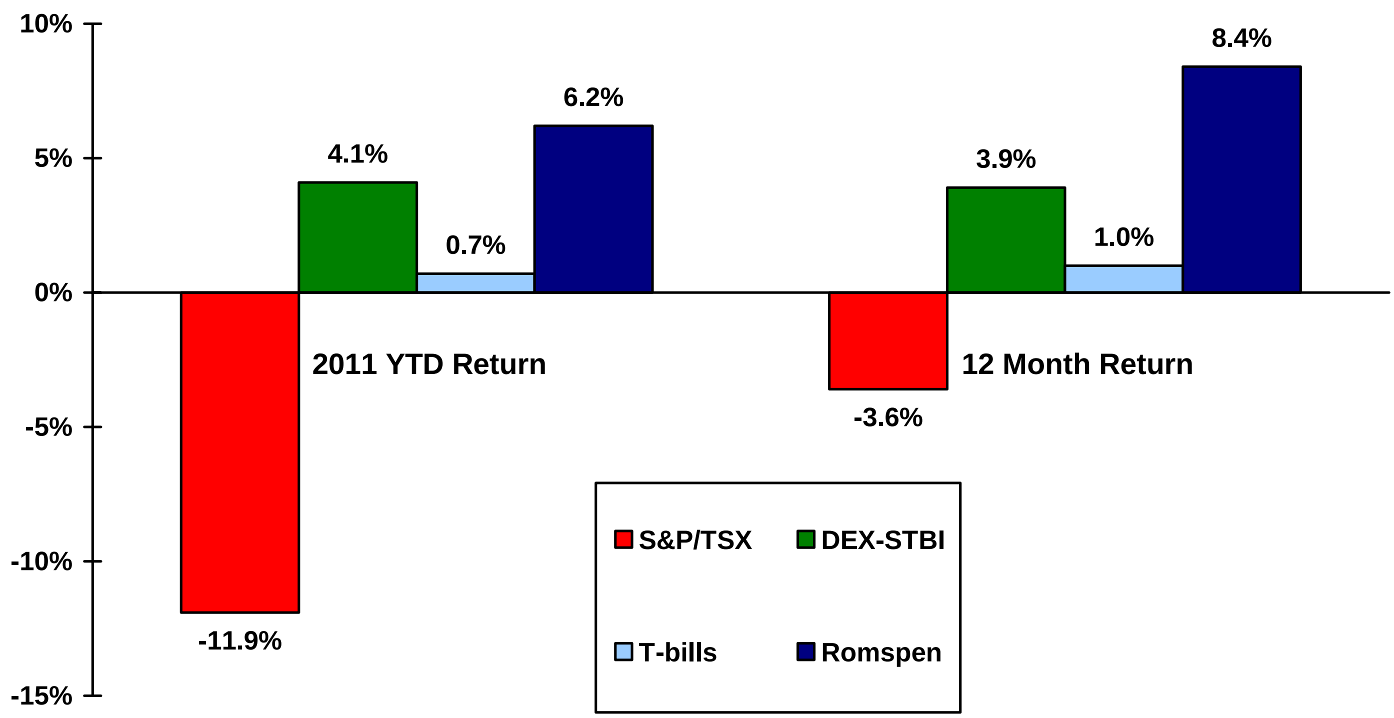






Comparative Performance

Compounded Returns as of September 30, 2011



Management’s Discussion & Analysis

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 September 30, 2011 included herein and the audited financial statements and MD&A for the year ended December 31, 2010. 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 year ended December 31, 2010.

This MD&A contains certain forward-looking statements and non-GAAP financial measures, see “Forward-Looking Statements” and “Non-GAAP 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, 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-GAAP Financial Measures

This MD&A contains certain non-GAAP financial measures. A non-GAAP 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 GAAP 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-GAAP 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, GAAP and may be different from or inconsistent with non-GAAP 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-term and medium-term commercial mortgages. 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 equity.

Romspen Investment Corporation ("Romspen") is the Fund Manager and acts as the primary loan originator, underwriter, administrator 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 during the first quarter of 2006 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 September 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.

Mortgage Portfolio

As of September 30, 2011, the Fund's mortgage portfolio, net of fair value provisions, was $655.0 million compared with $510.2 million at September 30, 2010. This increase of 28% or $144.8 million reflects the increased activity in mortgage markets supported by a strong inflow of investor capital. The portfolio increased to 118 mortgages versus 113 in the prior year.

Approximately 94% of the portfolio was invested in first mortgages at September 30, 2011 which is unchanged from a year ago. The weighted average interest rate of the portfolio decreased to 10.9% at the end of the third quarter versus 11.5% a year ago reflecting a reversal of the previous tightening of credit markets and an interest rate environment currently facing historic lows.

The portfolio continues to consist mainly of short-term mortgages. Approximately 60% of the portfolio's mortgage investments mature within one year (September 30, 2010 – 82%) and 94% mature within two years (September 30, 2010 – 100%). In addition, all of our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's portfolio provides us with the opportunity to continually 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 September 30, 2011, approximately 41% of our mortgage investments were in Ontario compared to 43% a year ago. Approximately 52% of the Portfolio was invested in Western Canada and 7% in other areas. The Fund Manager believes this level of 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 September 30, 2011 were $7.4 million, which represented 1.1% of the original cost of the Fund's mortgage investments as at September 30, 2011. During the third quarter, $0.3 million of previously reserved for losses were recognized. The fair value provision is based on assumptions relating to the Fund's mortgage investments and only the passage of time will determine the actual performance of the mortgages. The fair value provision will continue to be reviewed by the Fund Manager and the Fund's trustees and, if appropriate, will be adjusted.

Income Statement Highlights

Total revenues for the quarter ended September 30, 2011 were $17.9 million compared to $11.2 million in the previous year. The increase in revenue reflects an increase in the size of the portfolio offset by a decrease in the weighted average interest rate of the portfolio. Other income was also up reflecting revenue from mortgages purchased at a discount.

Net earnings for the quarter increased to $13.2 million from $9.5 million for the third quarter last year due to higher revenues partially offset by an increase in the loan reserve. Basic weighted average earnings per unit for the quarter of $0.19 per unit were the same as the prior year.

The Fund distributed $14.0 million or $0.20 per unit during the third quarter (2010 - $10.5 million or $0.21 per unit). The simple and compounded net yield to unitholders for the nine month period ended September 30, 2011 were 6.0% and 6.2% respectively. The net yield to unitholders on a simple and compound basis for the preceding twelve-month period were 8.1% and 8.4% respectively.

Management fees payable to the Fund Manager and other general and administrative expenses of the Fund were $1.8 million for the quarter compared to $1.3 million in the previous year. These expenses were higher than the previous year and reflect the larger portfolio value.

Balance Sheet Highlights

Total assets as of September 30, 2011 were $729.5 million compared to $546.9 million a year ago. Total assets are comprised primarily of mortgages recorded at fair market value and accrued interest receivable on those mortgages. In addition, the Fund had excess cash at quarter end of $38.7 million which we expect to invest during the fourth quarter.

Total liabilities excluding units submitted for redemption as of September 30, 2011 were $15.5 million compared with $28.7 million a year earlier. Liabilities at the end of the third quarter were comprised mainly of $5.0 million of prepaid unit capital, $2.4 million of deferred revenue, and $8.2 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 Fund's mortgage portfolio. The revolving loan facility bears interest at prime plus 3.5% 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 $41.3 million of positive cash (6% of mortgage portfolio) at quarter end versus net debt of $19.9 million (4% of mortgage portfolio) last year.

Unitholders' equity plus units submitted for redemption as of September 30, 2011 were $714.0 million compared with $518.3 million as of September 30, 2010. The increase is primarily from proceeds of issuances of $224.4 million in excess of redemptions of $26.8 million during the previous 12 months. These amounts represented approximately ten dollars per unit outstanding at the end of each reporting period. There were a total of 71,953,371 units outstanding on September 30, 2011 compared to 52,210,968 on September 30, 2010. 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 earnings must be distributed to unitholders. This means that growth in the mortgage 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. The Fund was not levered as of September 30, 2011 compared to 4% borrowings as of September 30, 2010.

During the nine months ended September 30, 2011, proceeds from the issuance of units net of redemptions and costs were $162.7 million compared to $36.5 million during the same period of 2010. This increase stems from reduced investment contributions during 2010 where the Fund was closed to new investments for a few months in efforts to reduce the amount of excess cash on hand as well as increased contributions during 2011 because of the attractiveness of the Fund's high yield in the current investment environment.

The Fund's mortgages are predominantly short-term in nature with the result that continual repayment by borrowers creates liquidity for ongoing mortgage investments.

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 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. The Partnership's interests in such syndications rank either pari-passu with, or in priority to, the related party investors.

These related party transactions are further discussed in the notes to the accompanying audited consolidated financial statements.

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. For details on financial instrument risks and management's response to these risks, please see note 14 of the Financial Statements.

Outlook

The Fund's investment objective is to return a predictable and secure cash yield to unitholders while preserving capital through prudent loan underwriting and management.

Our evaluation of new opportunities remains cautious as the world economy continues to be unsettled. We continue to operate in a low growth environment where investment returns have diminished and risk remains at the forefront. Uncertainty remains about the future direction of the economy and mounting sovereign debt combined with significant changes in monetary policy have not sufficiently abated the possibility of another credit crisis or recession. This uncertainty will impact mortgage investment decisions and as a consequence, we will be highly selective with new loan evaluation and funding.

We continue to see a gradual turnover of the portfolio where some non-performing loans in the portfolio are replaced with newer and better performing loans, albeit at lower rates than current. Furthermore, our previous decisions to not accrue interest on certain loans where the collection and/or timing on interest remains unclear, moderately reduces our returns. Investors should note that we are in the process of taking over one property which will be reflected in the fourth quarter's results.

We continue to work on evaluating a strong pipeline of mortgage opportunities and expect continued growth in the portfolio during the balance of the year. While Romspen has the opportunity to take on investments that will create a higher yield, we have instead chosen to focus on safety and consistency in our new loans, consistent with our historical underwriting standards.

Though activity is slowly increasing in the mortgage markets, we continue to see downward pressure on interest rates, which is broadly prevalent through the economy. In spite of the negative impact on returns from a lower interest rate environment, the Fund's spread over T-bill returns has in fact increased in the last year.

Romspen has strongly outperformed most other investment alternatives over the three year period 2008-2010; a challenging investment climate for all investors. Based on YTD performance, we expect this outperformance to extend to four years as 2011 draws to a close. While other investments have showed gains over short periods followed by periods of lower returns, losses, or erratic and unpredictable volatility, Romspen's performance has been consistently strong and has kept to the Fund's objective of preserving capital while providing a relatively stable and predictable return.

Interim Consolidated Financial Statements

ROMSPEN MORTGAGE INVESTMENT FUND

Nine months ended September 30, 2011
(Unaudited)

Romspen Mortgage Investment Fund

Interim Consolidated Balance Sheet

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

September 30, 2011, with comparative figures for 2010

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Assets			
Cash	$ 38,713	$ 14,046	$ 3,430
Restricted cash (note 5)	2,628	1,627	-
Accrued interest receivable	32,181	32,298	32,317
Mortgages, net of fair value provision (note 4)	654,962	518,951	510,230
Sundry assets	1,061	93	968
	$729,545	$ 567,015	$ 546,945
Liabilities and Unitholders' Equity			
Liabilities:			
Revolving loan facility (note 6)	$ -	$ -	$ 23,300
Accounts payable and accrued liabilities	3,119	4,663	169
Deferred revenue (note 11e)	2,370	792	218
Prepaid unit capital	5,000	5,000	1,317
Unitholders' distributions payable	5,037	3,898	3,655
	15,526	14,353	28,659
Units submitted for redemption (note 7)	3,353	2,255	4,048
Unitholders' equity (note 7)	710,666	550,407	514,238
Commitments and contingent liabilities (note 12)			
	$729,545	$ 567,015	$ 546,945
Net asset value per unit (note 8)	$9.92	$ 9.92	$ 9.93

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund

Interim Consolidated Statement of Earnings

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

Nine months ended September 30, 2011, with comparative figures for 2010

	3 months ended September 30, 2011 (Unaudited)	3 months ended September 30, 2010 (Unaudited)	9 months ended September 30, 2011 (Unaudited)	9 months ended September 30, 2010 (Unaudited)
Revenue:				
Mortgage interest	$ 15,897	$ 10,737	$ 43,011	$ 33,114
Other income	2,045	463	3,723	987
	17,942	11,200	46,734	34,101
Expenses:				
Management fees (note 11)	1,686	1,242	4,647	3,598
Interest	-	345	150	476
Unrealized loss in value of mortgage investments	2,579	(3,726)	3,544	(3,696)
Realized loss on mortgage investments	294	3,726	294	3,726
Audit fees	27	5	67	37
Legal fees	2	2	23	24
Other	111	98	290	277
	4,699	1,692	9,015	4,442
Net earnings	$ 13,243	$9,508	$ 37,719	$ 29,659
Net earnings per unit (note 8)	$ 0.19	$0.19	$ 0.58	$ 0.60
Weighted average number of units issued and outstanding (note 8)	70,186,219	49,810,549	65,359,507	49,444,148

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund

Interim Consolidated Statements of Unitholders' Equity

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

Nine months ended September 30, 2011, with comparative figures for 2010

	September 30, 2011 (Unaudited)	Dec. 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Unit capital:			
Balance, beginning of period	$ 554,943	$ 483,644	$ 483,644
Proceeds from issuance of units, net of redemptions (note 7)	162,793	71,309	36,484
Penalties on redemptions	28	60	59
Reduction in units submitted for redemption (note 7)	(1,098)	(70)	(1,863)
Balance, end of period	$ 716,666	$ 554,943	$ 518,324
Cumulative earnings:			
Balance, beginning of period	$ 162,147	$ 121,501	$ 121,501
Net earnings for the period	37,720	40,646	29,659
Balance, end of period	$ 199,867	$ 162,147	$ 151,160
Cumulative distributions to unitholders:			
Balance, beginning of period	(166,683)	(124,195)	(124,195)
Distributions to unitholders (note 9)	(39,184)	(42,488)	(31,051)
Balance, end of period	$ (205,867)	$ (166,683)	$ (155,246)
Unitholders' equity	$ 710,666	$ 550,407	$ 514,238
Units issued and outstanding, excluding units submitted for redemption (note 7)	71,615,438	55,461,687	51,803,205

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund

Interim Consolidated Statement of Cash Flows

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

Nine months ended September 30, 2011, with comparative figures for 2010

	3 months ended September 30, 2011 (Unaudited)	3 months ended September 30, 2010 (Unaudited)	9 months ended September 30, 2011 (Unaudited)	9 months ended September 30, 2010 (Unaudited)
Cash provided by (used in):				
Operations:				
Net earnings	13,243	$9,508	$ 37,720	$29,659
Items not affecting cash:				
Unrealized loss in value of mortgages	2,579	3,726	3,838	3,756
Realized loss on mortgage investments	(294)	(3,726)	(294)	(3,726)
Amortization of Discount Income	(2,218)	-	5,471	-
Change in non-cash operating items:				
Accrued interest receivable and deferred financing costs	(2,398)	(3,207)	117	(10,356)
Accounts payable and accrued liabilities	4,949	1,528	2,024	937
Other assets	(431)	3,084	(1,031)	(967)
Deferred Revenue	(127)	(275)	(851)	(703)
	15,303	10,638	46,994	18,600
Financing:				
Proceeds from issuance of units, net of offering costs & redemptions	37,677	36,553	162,793	36,484
Penalties on redemptions	24	3	27	59
Prepaid Unit Capital	-	-	-	-
Change in revolving loan facility	-	23,437	63	13,343
Distributions to unitholders	(14,032)	(10,459)	(39,183)	(31,051)
	23,669	49,514	123,700	18,835
Investments:				
Funding of mortgages	(61,288)	(122,360)	(370,716)	(169,395)
Discharge of mortgages	57,223	60,228	225,690	135,090
	(4,065)	(62,132)	(145,026)	(34,305)
Increase/(decrease) in cash	34,907	(1,980)	25,668	3,130
Cash and restricted cash, beginning of period	6,434	5,410	15,673	300
Cash, end of period	41,341	$3,430	$ 41,341	$3,430
Supplemental cash flow information:				
Interest paid	-	$ 345	$ 150	$ 477

See accompanying notes to consolidated 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.

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

The Fund commenced operations on January 16, 2006. Under an exchange offering completed in January 2006, mortgages in the aggregate principal amount of $158,855 were exchanged for 15,885,461 units of the Fund.

1. Basis of presentation:

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The consolidated financial statements include the accounts of the Fund and the Partnership.

2. Significant accounting policies:

(a) Mortgage investments:

Mortgage investments are stated at their fair values. Certain of the Fund's mortgages are in arrears and realization by the Fund may result in a shortfall. 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.

(b) Revenue recognition:

Interest income is accounted for on the accrual basis. Funding fees received are amortized over the expected term of the mortgage.

2. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The most significant estimates that the Fund is required to make relate to the fair value of the mortgage investments in (a) above. 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.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Illiquid credit markets, volatile equity markets and declines in consumer spending have combined to increase 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.

(d) Net earnings per unit:

Net earnings per unit are computed by dividing net earnings for the period by the weighted average number of units outstanding during the period.

(e) Prepaid unit capital:

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

(f) Financial instruments-recognition and measurement:

CICA Section 3855, Financial Instruments - Recognition and Measurement, establishes standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. In accordance with this new standard, the Fund has classified its financial assets as one of the following: held-to-maturity; loans and receivables; held-for-trading or (iv) available-for-sale. All financial liabilities must be classified as: held-for-trading or other liabilities. The Fund's designations are as follows:

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

2. Significant accounting policies (continued):

(i) Cash and accrued interest receivable is classified as loans and receivables and are measured at amortized cost.

(ii) The revolving loan facility, promissory note payable, accounts payable and accrued liabilities and unitholders' distribution payable are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

3. New accounting policies:

The Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of International Financial Reporting Standards ("IFRS") would be effective for the interim and annual periods beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the Fund in the first quarter of 2011.

In January 2011, The AcSB announced amendments which will provide investment companies with the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. As a result of the amendments, the Fund will adopt IFRS at the earliest beginning January 1, 2013, and will issue its first interim financial statements in accordance with IFRS, including comparative IFRS information for the previous fiscal period, for the interim period ending June 30, 2013.

4. Mortgage investments:

The following is a summary of the 118 mortgages held as at September 30, 2011:

			Sep. 30, 2011	Dec. 31, 2010
	Number of mortgages making up balance	Original cost	Fair value	Fair value
First mortgages	108	$ 624,145	$ 622,108	$ 487,360
Second mortgages	9	34,404	29,044	31,591
Third mortgages	1	3,810	3,810	-
	118	$ 662,359	$ 654,962	$ 518,951

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

4. Mortgage investments (continued):

The following is a summary of the original cost of mortgages segmented by interest rate at September 30, 2011:

Interest rates	Sep. 30, 2011	Dec. 31, 2010
0% - 10.00%	$ 209,354	$ 94,198
10.01% - 11.00%	72,448	102,412
11.01% - 12.00%	235,615	182,933
12.01% - 20.00%	141,225	139,545
Over 20.00%	3,717	3,717
	$ 662,359	$ 522,805

In June 2009, the AcSB amended Section 3862, by providing enhanced disclosure requirements for fair value measurements of financial instruments and liquidity risks. Section 3862 establishes a three-level valuation hierarchy 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 assets or liability that are not based on observable market data (unobservable inputs).

The Fund'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.

A reconciliation of Level 3 assets for the 9 months ended September 30, 2011 is as follows:

	2011	2010
Mortgage investment balance, beginning of year	$ 518,951	$ 475,955
Funding of mortgage investments	370,716	169,395
Discharge of mortgage investments	(225,690)	(135,090)
Fair value adjustment unrealized loss included in earnings	(3,250)	3,696
Realized Losses	(294)	(3,726)
Amortization of Discount Income	(5,471)	-
Mortgage investment balance, end of quarter	$ 654,962	$ 510,230

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

4. Mortgage investments (continued):

The mortgages are secured by real property and other security, bear interest at a weighted average rate of 10.9% at September 30, 2011 (December 31, 2010 – 11.51%) and mature between 2011 and 2015.

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

Where appropriate, management makes specific provisions for loan losses.

Principal repayments based on contractual maturity dates are as follows:

2011	$ 248,756
2012	200,776
2013	189,389
2014	21,803
2015	1,635
	$ 662,359

Borrowers have the option to repay principal at any time prior to the maturity date.

From 2008 to 2010, the Partnership has subscribed for shares in the following corporations to either improve, redevelop, or complete these properties in order to maximize their disposition value.

Company	Property	Description	Mortgage Value
1460518 Alberta Inc.	9420 51st Avenue, Edmonton, AB	Office complex	$13,657
2220740 Ontario Inc.	Old Lakeshore Road, Collingwood, ON	Land for residential development	$730
3231451 Nova Scotia Ltd.	24 Harbourside Drive, Wolfville, NS	Condominium development	$3.832
Aspen Lakes Communities Ltd.	Blackfalds, AB	Land for residential development	$14,131
22411497 Ontario Ltd.	430 Ottawa Street, Almonte, ON	Retail plaza	$4,305
Big Mac Athletic Corp.	Langford, BC	Office complex	$7,561
Romspen FC Homes Inc.	Abbotsford, BC	Residential subdivision	$3,280
RIC Management Inc. (in trust)	1 Dunsford Lane Wymbolwood Beach, ON	Commercial development	$1,034

5. Restricted Cash:

Restricted cash represents irrevocable standby letters of credit issued by the Fund.

6. Revolving loan facility:

The Partnership has entered into a revolving loan facility in the maximum amount of $40,000, of which approximately $40,000 (December 31, 2010 - $60,000) is available and $nil has been drawn as at September 30, 2011 (December 31, 2010 - nil). Interest on the loan is charged at the Equitable Trust prime rate plus 3.5%. The minimum and maximum amounts drawn under the revolving loan facility during the nine months ended September 30, 2011 were nil and $27,000 (2010 - nil and $10,000), 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 June 1, 2012.

The costs associated with the establishment of the revolving loan facility are amortized over the one year initial term of the facility and have been included in other assets for $25 (2010 - $17), net of accumulated amortization of $125 (2010 – $83).

7. 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. 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.

As at September 30, 2011, unitholders representing approximately 337,933 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.

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

7. Unitholders' equity (continued):

(a) The following units are issued and outstanding:

	Nine months ended September 30			
	2011		2010	
	Units	Amount	Units	Amount
Balance, beginning of period	55,687,187	$ 557,101	48,581,891	$ 485,792
New units issued	16,776,549	167,765	6,680,394	66,804
New units issued under distribution reinvestment plan	1,370,565	13,706	908,002	9,080
Units redeemed	(1,880,930)	(18,678)	(3,959,319)	(39,370)
Proceeds from issuance of units, net of redemptions	16,266,184	162,793	3,629,077	(36,514)
Balance, end of period	71,953,371	719,894	52,210,968	$ 522,206

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In the first nine months of 2011, the Fund received requests for redemptions of 1,992,172 units and redeemed 1,880,930 units for $18,678 in accordance with its policies.

The Fund continues to 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.

8. Net asset value per unit and net earnings 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 71,615,438 as at September 30, 2011 (year ended Dec 31, 2010 – 55,461,687).

Net earnings per unit has been computed using the weighted average number of units outstanding of 65,359,507 for the nine months ended September 30, 2011 (September 30, 2010 – 49,444,148).

9. Distributions:

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture requires that the Fund will distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders.

For the nine months ended September 30, 2011, the Fund declared distributions of $0.60 (2010 - $0.63) per unit and a total of $39,184 (2010 - $31,051) was distributed to the unitholders.

10. Income taxes:

The Fund is taxed as a mutual fund trust for income tax purposes. Pursuant to the trust indenture, the Fund is required 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 the income taxes.

The Fund is not subject to the SIFT tax regime as its units are not listed 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.

11. 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 had the following significant related party transactions:

(a) All the trustees of the Fund are owners of Romspen. Under various agreements, Romspen manages all the day-to-day affairs of the Fund and the Partnership. Romspen receives fees totalling 1% per annum, calculated daily and payable monthly, of the principal balance of all

11. Related party transactions and balances (continued):

mortgage investments and the fair market value of all other non-mortgage investments. For the nine months ended September 30, 2011, the amount was $4,647 (2010 - $3,598).

(b) Romspen and related entities also receive certain fees directly from the borrower generated from Fund mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, non-sufficient funds and administration fees generated on the mortgages. For the nine months ended September 30, 2011, this amount was $4,810 (2010 - $4,254).

(c) Several of the Fund'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 Fund ranks equally with, or in priority to, other members of the syndicate as to receipt of principal and income.

(d) For the nine months ended September 30, 2011, the Fund had six (December 31, 2010 - six) mortgages outstanding with a cost of $30,423 (December 31, 2010 - $34,222) plus accrued interest of $6,423 (December 31, 2010 - $5,669) and fair value of $35,049 (December 31, 2010 - $31,915) due from mortgagors in which members of management of Romspen own non-controlling equity interests.

(e) At the discretion of Romspen, the Fund participated in 50% of the Funding fees received by Romspen on certain mortgage advances. As of September 30, 2011, the Fund has $469 (nil – 2010) of deferred funding fees included in deferred revenue.

12. 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.

13. Fair values of financial instruments:

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

14. Financial instrument risk management:

(a) 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 achieves this mitigating strategy by investing primarily in short-term mortgages. The Fund'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 Fund's mortgages will evolve such that in periods of higher market interest rates, the Fund's 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 Fund's investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions these mortgages are generally traded at face value without regard to changes in market interest rates.

The Fund's debt under the revolving loan facility (note 5) bears interest based on the prime rate plus 3.5%.

As at September 30, 2011, if interest rates on the revolving loan facility had been 100 basis points lower or higher, with all other variables held constant, net income for the year would be affected with a total increase or decrease of $nil. The Fund monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

(b) Credit risk:

Credit risk is the risk of loss due to borrowers under the Fund's mortgages failing to discharge their obligations. The Fund's sole activity is investing in mortgages and, therefore, generally all of its assets are exposed to credit risk. The Fund manages credit risk by adhering to the investment and operating policies as set out in its Offering Memorandum. This includes the following policies:

14. Financial instrument risk management (continued):

(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 Fund 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 less than 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.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will not have sufficient cash to meet its obligations as they become due. The Fund 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 Fund'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 Fund to obtain financing on favourable terms, or to obtain financing at all.

The Fund's revolving loan facility (note 5) matured on June 1, 2011 and was renewed. The new facility matures June 1, 2012. If it is not extended at maturity, repayments under the Fund's mortgage portfolio would be utilized to repay the revolving loan facility. The Fund'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.

14. Financial instrument risk management (continued):

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

As at September 30, 2011, the Fund had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

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

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.

(d) Market risk:

Market risk is the risk that the fair value of the collateral securing any of the Fund's mortgage investments falls to a level approaching the loan amount. The Fund manager 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 the Fund manager's lending practices and policies are adjusted when necessary.

(e) Currency risk:

Currency risk is the risk that the fair value or future cash flows the Fund's mortgages will fluctuate based on changes in foreign currency exchange rates. All of the Fund's mortgages are denominated in Canadian dollars and secured primarily by charges on real estate located in Canada, consequently the Fund is not subject to currency risk.

(f) 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. It is the Fund's policy to distribute 100% of its taxable income to unitholders, with the result that growth in the mortgage portfolio can only be achieved through the raising of additional equity capital and by utilizing available borrowing capacity.

14. Financial instrument risk management (continued):

The Fund raises equity capital on a monthly basis during periods where the Fund manager projects a greater volume of mortgage 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.

Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of its mortgages. The primary purpose of the Fund's borrowing strategy is to ensure that 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 September 30, 2010, the Fund's borrowings totalled 0% of the book value of its mortgages and the Fund was in compliance with all covenants under its revolving loan facility.

15. 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 Mortgage Investment Fund

Romspen Investment Corporation

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 is required to distribute its net 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

Auditors

KPMG LLP
Chartered Accountants

Legal Counsel

Gardiner Roberts LLP

Website

www.romspen.com

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.

ROMSPEN