

October 28, 2008

Dear Fellow Unitholders:

We are pleased to report the financial results for the Romspen Mortgage Investment Fund (the "Fund") for the third quarter of 2008. This quarter, we decided to mail investors copies of this report as well as the enclosed market update to ensure all investors were fully informed about our results. Our general practice however is to post all information and updates immediately on our website: www.romspen.com. In addition to providing the most timely and comprehensive information to investors, the website is more cost effective and environmentally responsible. Any investors requiring quarterly reports to be mailed regularly should contact our office to make the necessary arrangements, which we will be pleased to accommodate.

The Fund continued to perform well during the third quarter of 2008 with net income of \$9.9 million or \$0.239 per unit compared with \$7.5 million or \$0.246 per unit a year ago. Net income for the nine month period ended September 30, 2008 was \$0.726 per unit compared to \$0.749 per unit a year ago. Unitholder distributions were \$0.24 per unit during the third quarter and \$0.73 per unit during the nine months. The weighted average interest rate of the portfolio at September 30, 2008 was 11.70%, compared to 11.61% last year. At September 30, 2008, the mortgage portfolio was at \$445.6 million, an increase of 13% compared to the same time last year. Total net debt (debt less cash) at September 30, 2008 was \$29.2 million or 6.2% of assets compared to \$95.8 million last year or 22.1% of assets. The net yield to unitholders for the twelve month period ended September 30, 2008 was 9.82%.

In addition to this strong quarterly performance, in an otherwise dismal investment climate, Romspen has produced an exemplary return, with almost no volatility, over the past 15 years through 2007 and on a year-to-date basis in 2008. Specifically, for the 15 year period ended December 2007, Romspen produced an annualized 10% return to investors and year-to-date through the third quarter the Fund has yielded 7.3%. As the enclosed market update report illustrates, these returns are outstanding compared to most other investment alternatives. Based on results to-date and expectations for the balance of the year, we believe overall 2008 performance should be in-line with 2007.

We continue to focus on the preservation of capital in light of current expectations for reduced economic growth and have been lending defensively over the past two years. To-date, however, Canadian real estate markets have remained reasonably stable, reflecting lower interest rates and a more moderate appreciation in values compared to the US over the past few years. Credit markets remain under stress due to continuing problems that began in the US residential subprime mortgage market and have moved through the financial system and on to consumers and businesses. From a lending perspective, Romspen has been experiencing a greater than usual number of quality applications from borrowers since the late summer of 2007 and this continued into the fourth quarter of 2008. This affords us the opportunity to be highly selective in choosing those investments that best meet our return and risk criteria.

Our historic growth has been organically driven through the issuance of more units in the Fund without the assistance of brokers or other intermediaries. We would like to thank all our investors for their referrals and ask you to please continue to recommend the Fund to your friends, colleagues and acquaintances.

We remain investor focused and always welcome your feedback. If you require further information, please contact either Mr. Arthur Resnick or Ms. Ann Ralston at the Fund. Once again, we thank you for your continued support and confidence.

Respectfully submitted,

Sheldon Esbin
Trustees of the Fund

Mark Hilson

Arthur Resnick

Wesley Roitman

ROMSPEN MORTGAGE INVESTMENT FUND

Management's Discussion And Analysis

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

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund (the "Fund") should be read in conjunction with the unaudited financial statements and notes thereto for the quarter ended September 30, 2008 and the audited financial statements and MD&A for the year ended December 31, 2007. Investment in the Fund is subject to certain risks and uncertainties which are 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, 2007.

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

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 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 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 \$159 pursuant to the Exchange Offering, whereby Romspen's investors exchanged their syndicated mortgage interests for units of the Fund, and \$15 pursuant to the Unit Offering described in its Offering Memorandum dated September 15, 2005.

On September 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

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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 is 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

On September 30, 2008, the Fund's mortgage portfolio (the "Portfolio"), net of fair value provisions, was \$445.6, compared with \$394.0 at September 30, 2007, an increase of 13%. Over this same period, the fair value provision increased by \$3.2 to \$6.4 at September 30, 2008. The term "fair value provision" is the new terminology under Accounting Guideline AcG-18 for what in the prior year was referred to as "loan loss provision". The Portfolio consisted of 114 mortgage investments, compared with 108 at September 30, 2007.

Approximately 97% of the Portfolio as of September 30, 2008, was invested in first mortgages compared with 93% one year ago. The weighted average interest rate of the Portfolio was 11.70% per annum (2007 – 11.61%). The Fund Manager continues to concentrate its effort during 2008 on strategies to increase the proportion of higher yielding mortgages that maintain loan-to-value and other underwriting criteria consistent with the traditional investment philosophy of the Fund Manager.

The Portfolio continues to be heavily concentrated in short-term mortgages. Approximately 83% of the Portfolio's mortgage investments mature within one year (2007-52%) and 98% mature within two years (2007-95%). In addition, the vast majority 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 revolve the Portfolio in relation 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, 2008 the Fund held no floating rate loans.

As of September 30, 2008, approximately 51% of our mortgage investments were in Ontario, compared with 69% one year prior. The Fund Manager continues to cautiously expand geographically to increase the Fund's diversification and reduce overall Portfolio risk. Approximately 41% of the Portfolio as of September 30, 2008, was invested in Western Canada, 3% in Quebec, and 4% in Atlantic Canada. The Fund Manager selectively reviews investment opportunities in most urban markets in Canada and the Fund's concentration in Ontario may continue to decline over time. However, the Fund is now reasonably diversified geographically and such decline will likely stabilize in future years.

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The Fund made specific fair value provisions of \$0.6 during the quarter. Total fair value provisions as of September 30, 2008, were \$6.4, which represented 1.4% of the original cost of the Fund's mortgage investments or \$0.15 per unit outstanding as at September 30, 2008. The Fund Manager believes this provision is prudent and conservative. 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.

RESULTS OF OPERATIONS

Total revenues for the quarter ended September 30, 2008 were \$12.4 compared with \$10.2 for the quarter ended September 30, 2007. This growth was largely a result of a higher level of mortgages outstanding during 2008. Interest income net of interest expense of \$1.2 for the current quarter was \$11.2 compared to \$9.1 in the quarter ended September 30, 2007.

Net earnings after all expenses for the current quarter was \$9.9 compared to \$7.5 for the quarter ended September 30, 2007. Basic weighted average earnings per unit for the three months ended September 30, 2008 of \$0.239 were marginally lower than the comparable 2007 weighted average earnings per unit of \$0.246.

Net earnings for the nine month period ended September 30, 2008 increased to \$27.7 from \$21.2 for the period ended September 30 of last year. Basic weighted average earnings per unit for the nine months ended September 30, 2008 of \$0.726 were lower than the comparable 2007 weighted average earnings per unit of \$0.749 due largely to the decline in leverage from the revolving line of credit.

Management fees payable to the Fund Manager and other general and administrative expenses of the Fund were \$1.2 during the quarter ended September 30, 2008 compared to \$1.0 during the quarter ended September 30, 2007. In both periods, these fees and expenses represented approximately 0.25% of average gross mortgage assets.

For the three month period ended September 30, 2008, the Fund distributed \$10.0 or \$0.24 per unit, versus \$7.6, or \$0.25 per unit for the three months ended September 30, 2007. For the nine month period ended September 30, 2008, the Fund distributed \$27.9 or \$0.73 per unit, versus \$21.2 or \$0.75 per unit for the period ended September 30, 2007.

The net yield to unit holders for the twelve month period ended September 30, 2008 was 9.82%¹

¹ These are non-GAAP financial measures (see "Non-GAAP Financial Measures").

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CHANGES IN FINANCIAL POSITION

Total assets as of September 30, 2008 were \$473.7 compared with \$404.8 as of September 30, 2007. Total assets are comprised primarily of mortgages recorded at fair market value, accrued interest receivable on those mortgages and income producing property.

Total liabilities as of September 30, 2008 were \$44.4 comprised primarily of \$40.8 in outstanding indebtedness under the Fund's revolving loan facility and \$3.6 in accounts payable and distributions payable to unitholders. As of September 30, 2007 total liabilities were \$95.2.

Drawings under the revolving loan facility together with net cash proceeds of the Unit Offering are used to increase the Fund's Portfolio. The revolving loan facility bears interest at the floating rate of TD Bank prime plus 2% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund.

Unitholders' equity as of September 30, 2008 was \$429.3 compared with \$309.6 as of September 30, 2007. These amounts represented approximately \$10.00 per unit outstanding at the end of each reporting period. There were a total of 43,004,625 units outstanding on September 30, 2008 compared to 30,978,511 on September 30, 2007. 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 Portfolio can only be achieved through the raising of additional 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 fully leveraged as of September 30, 2008. Borrowings totalled approximately 9%¹ of the book value of mortgages held by the Fund compared to 23%¹ as of September 30, 2007. The average daily utilization of the Fund's borrowing for the nine month period ended September 30, 2008 was 12.6%¹ compared to 17.8%¹ for the same period last year.¹

During the period ended September 30, 2008 proceeds from the issuance of units net of redemptions and costs were \$98.1 compared to \$63.0 for the period ended September 30, 2007.

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

¹ These are non-GAAP financial measures (see "Non-GAAP Financial Measures").

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mortgage investments. The Fund Manager intends to continue directing most of its mortgage investment opportunities to the Fund, which results in a continuous transfer of mortgage syndication interests to the Fund as syndicated mortgages are refinanced and renewed. We believe that the Fund's combined borrowing capacity and expected near-term mortgage repayments are not sufficient to finance expected near-term growth in the Portfolio. Consequently, we expect to raise additional equity in future periods.

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 ranks 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 unaudited consolidated financial statements.

RISK MANAGEMENT

The Fund is exposed various financial instruments 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 insure the preservation of capital as well as the achieving of acceptable and consistent rates of return. These risks include:

- (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 mitigates this risk by investing primarily in short-term mortgages. In addition, 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

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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 bears interest at the TD Canada Trust Bank prime rate plus 2%.

(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:

- no more than 20% of the Fund's capital may be invested in subordinate mortgages; and
- 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 and Term Financing Mortgages. These mortgages generally have the following characteristics:

- Initial terms of 12 to 24 months;
- loan to value ratios of less than 65% at time of underwriting;
- significant at-risk capital and/or additional collateral of property owner; and
- 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.

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Under the Mortgage Manager Agreement the Fund Manager is responsible to manage the Fund's mortgages in accordance with a servicing standard. To meet this requirement, the Fund Manager is committed to several processes to ensure credit risk is appropriately managed. This includes:

- employment of an experienced team of loan originators and underwriters;
- comprehensive investigation into the creditworthiness of all borrowers;
- engagement of qualified independent consultants such as lawyers, quantity surveyors, real estate appraisers and insurance consultants to assist in the due diligence process of mortgage underwriting;
- weekly meetings to review due diligence findings on all pending mortgages;
- implementation of an acceptable geographic diversification strategy; and
- prompt initiation of recovery strategies for loans which are overdue or otherwise considered to be at risk;

(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.

The Fund's revolving loan facility was renewed in May 2008. The new facility matures on June 1, 2009 subject to an automatic renewal provision that stipulates either party may, not less than 60 days prior to June 1st of each year, provide written notice of its election not to renew.

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

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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 management

The Fund manages capital to attain its objective of providing stable and secure cash distributions of income while preserving unitholders' equity. It is the Fund's policy to distribute 100% of 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 available borrowing capacity.

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. During periods where the Fund Manager projects a lesser volume of mortgage investment opportunities, the Fund does not raise additional equity. 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, 2008 the Fund's borrowings totalled 9% of the book value of its mortgages and the Fund was in compliance with all covenants under its revolving loan facility.

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OUTLOOK

The Fund's investment objective is to return a stable and secure cash yield to unitholders while preserving capital through prudent loan underwriting and management. The Fund Manager is confident this can be accomplished by holding to its historical prudent and comprehensive approach to mortgage lending. As a result of its recent marketing efforts, long-standing reputation and current conditions in the credit markets, the Fund Manager continues to be presented with a significant volume of attractive, high quality mortgage opportunities. This has resulted in significant growth of the Portfolio since the Fund's commencement of operations in early 2006, and continued growth is expected throughout the balance of 2008 and beyond.

The severe disruption and decline in liquidity which began to affect the global credit markets in the third quarter of 2007 has become a ubiquitous contagion that has raised the cost of borrowing, reduced the availability of credit and compressed asset values. The compromised subprime residential mortgages in the United States that underlie many bonds and other complex debt securities have continued to impact credit markets, asset values and overall lending practices and liquidity. These residential subprime mortgages were generally very high loan-to-value loans with low introductory interest rates and minimal documentation and underwriting. As it became apparent that many of the subprime loans underlying mortgage-backed securities would default and large losses would result, banks and other large credit market participants withdrew credit from those who they viewed were exposed to these losses. The broad credit market fallout, with dramatic and continuing, losses at most large global banks and financial institutions, and related asset re-pricing and de-leveraging will likely continue with more after-shocks occurring well into 2009.

The extent of these impacts on the general economy is uncertain, but it will certainly be negative until financial market stability and confidence is restored. While, the area of the economy directly affected will be US residential real estate markets the financial crisis is also adversely impacting stock market values, consumer confidence, employment, and other consumer and business credit. The impact on the Canadian economy appears more indirect, but evident nonetheless. Several factors, including government budget surpluses, high commodity prices, low interest rates and sensible local credit practices have somewhat insulated Canada from the severity of these impacts. Further, to the extent the recent and dramatic decline in the Canadian dollar against the US dollar is sustained, Canadian manufacturing and service companies will see improving prospects. Despite these mitigating influences, it is our expectation that the Canadian economy will experience a protracted, but mild recession.

These events have also impacted the Fund. The Fund Manager continues to experience strong loan applications as borrowers struggled to replace commitments cancelled by banks and others. Many of these applications were of a higher credit quality than the Fund Manager customarily finds itself competitive. The Fund Manager believes that the current environment is

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ideal for its business in two respects. First, it provides the Fund with excellent mortgage opportunities for investment at higher yields than were previously available and, second, many current loans will remain in the Fund as borrowers find refinancing opportunities more limited. The Fund Manager expects that, provided sufficient capital is available to the Fund, it will experience strong growth through the balance of 2008 and into 2009.

FORWARD-LOOKING STATEMENTS

From time to time the Fund makes written and verbal forward-looking statements. These are included in their quarterly Management 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.

Interim Consolidated Financial Statements of

**ROMSPEN MORTGAGE
INVESTMENT FUND**

Nine months ended September 30, 2008 and 2007
(Unaudited)

ROMSPEN MORTGAGE INVESTMENT FUND

Interim Consolidated Balance Sheets

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

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)	September 30, 2007 (Unaudited)
Assets			
Cash	\$ 11,931	\$ 2,144	\$ 2,619
Accrued interest receivable	11,086	7,694	8,208
Mortgages, net of fair value provision (note 4)	445,636	422,898	393,950
Commercial property investment (note 5)	5,072	-	-
	\$ 473,725	\$ 432,736	\$ 404,777
Liabilities and Unitholders' Equity			
Liabilities:			
Revolving loan facility (note 6)	\$ 40,822	\$ 82,884	\$ 91,845
Accounts payable	124	421	589
Promissory note payable (note 7)	-	15,000	-
Unitholders' distributions payable	3,440	3,037	2,788
	44,386	101,342	95,222
Unitholders' equity (note 8)	429,339	331,394	309,555
Commitments and contingent liabilities (note 13)			
	\$ 473,725	\$ 432,736	\$ 404,777
Net asset value per unit (note 9)	\$ 9.98	\$ 9.98	\$ 9.99

See accompanying notes to consolidated financial statements.

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Interim Consolidated Statements of Earnings

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

	3 months ended September 30, 2008 (Unaudited)	3 months ended September 30, 2007 (Unaudited)	9 months ended September 30, 2008 (Unaudited)	9 months ended September 30, 2007 (Unaudited)
Revenue:				
Mortgage interest	\$ 12,291	\$ 10,091	\$ 36,151	\$ 29,075
Other interest	84	107	661	494
	12,375	10,198	36,812	29,569
Expenses:				
Management fees (note 12)	1,167	956	3,424	2,713
Interest	593	1,112	3,089	3,532
Unrealized loss in value of mortgages	625	475	2,355	1,925
Audit fees	7	14	21	21
Legal fees	14	37	45	82
Other expenses	48	84	144	93
	2,454	2,678	9,078	8,366
Net earnings	\$ 9,921	\$ 7,520	\$ 27,734	\$ 21,203
Net earnings per unit (note 9)	\$ 0.239	\$ 0.246	\$ 0.726	\$ 0.749
Weighted average number of units issued and outstanding (note 9)	41,550,538	30,513,116	38,221,548	28,312,085

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)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)	September 30, 2007 (Unaudited)
Unit capital:			
Balance, beginning of period	\$ 331,840	\$ 246,691	\$ 246,691
Proceeds from issuance of units (note 8)	98,089	85,168	62,996
Offering expenses	-	(19)	-
Balance, end of period	\$ 429,929	\$ 331,840	\$ 309,687
Cumulative earnings:			
Balance, beginning of period	\$ 47,794	\$ 18,789	\$ 18,789
Net earnings for the period	27,734	29,005	21,203
Balance, end of period	\$ 75,528	\$ 47,794	\$ 39,992
Cumulative distributions to unitholders:			
Balance, beginning of period	(48,240)	(18,902)	(18,902)
Distributions to unitholders (note 10)	(27,878)	(29,338)	(21,222)
Balance, end of period	\$ (76,118)	\$ (48,240)	\$ (40,124)
Unitholders' equity	\$ 429,339	\$ 331,394	\$ 309,555
Units issued and outstanding	43,004,625	33,195,610	30,978,511

See accompanying notes to consolidated financial statements.

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Interim Consolidated Statements of Cash Flows

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

	3 months ended September 30, 2008 (Unaudited)	3 months ended September 30, 2007 (Unaudited)	9 months ended September 30,2008 (Unaudited)	9 months ended September 30, 2007 (Unaudited)
Cash provided by (used in):				
Operations:				
Net earnings	\$ 9,921	\$ 7,520	\$ 27,734	\$ 21,203
Items not affecting cash:				
Amortization of deferred financing costs	75	135	213	333
Unrealized loss in value of mortgages	625	475	2,355	1,925
Change in non-cash operating items:				
Accrued interest receivable and deferred financing costs	(2,043)	(1,833)	(3,557)	(5,098)
Accounts payable and unitholders' distributions payable	(636)	95	106	973
	7,942	6,392	26,851	19,336
Financing:				
Proceeds from issuance of units, net of offering costs and redemptions	39,083	19,781	98,089	62,996
Change in revolving loan facility	9,047	35,000	(42,062)	35,500
Repayment of promissory note	-	-	(15,000)	-
Distributions to unitholders	(9,973)	(7,622)	(27,878)	(21,222)
	38,157	47,159	13,149	77,274
Investments:				
Additions to commercial property held for sale	(440)	-	(1,272)	-
Funding of mortgages	(46,516)	(65,155)	(167,642)	(138,361)
Discharge of mortgages	10,080	12,474	138,701	42,760
	(36,876)	(52,681)	(30,213)	(95,601)
Increase/(decrease) in cash	9,223	870	9,787	1,009
Cash, beginning of period	2,708	1,749	2,144	1,610
Cash, end of period	\$ 11,931	\$ 2,619	\$ 11,931	\$ 2,619
Supplemental cash flow information:				
Interest paid	\$ 518	\$ 977	\$ 2,875	\$ 3,199
Commercial property investment acquired in exchange for discharge of mortgage (note 5)	\$ -	\$ -	\$ 3,800	\$ -

See accompany notes to consolidated financial statements.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements

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

Nine months ended September 30, 2008 and 2007

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.

During the period, the Partnership subscribed for all the outstanding shares of Splash Canyon Inc., ("SCI"). SCI acquired a recreational trailer and water park facility from a defaulting mortgagor in exchange for the assumption of the outstanding debt owed to 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, the Partnership and its wholly owned subsidiary, Splash Canyon Inc.

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.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

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. Actual results could differ from those estimates.

(d) Net earnings per unit:

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

(e) 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: (i) held-to-maturity; (ii) loans and receivables; (iii) held-for-trading or (iv) available-for-sale. All financial liabilities must be classified as: (i) held-for-trading or (ii) other liabilities. The Fund's designations are as follows:

- Accrued interest receivable is classified as loans and receivables and is measured at amortized cost.
- 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.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

3. New accounting policies:

New accounting standards issued in December 2006, Handbook Sections 3862 (Financial Instruments – Disclosures) and Section 3863 (Financial Instruments – Presentation), replace Section 3861 (Financial Instruments – Disclosure and Presentation). The new standards require increased qualitative and quantitative disclosures about an entity's exposure to risks arising from financial instruments and how the entity manages those risks. These new standards are effective for the Fund commencing on January 1, 2008. The required note disclosure is set out in note 14 to these financial statements.

4. Mortgage investments:

The following is a summary of the 114 mortgages held as at September 30, 2008:

		September 30, 2008		December 31, 2007
	Number of mortgages making up balance	Original cost	Fair value	Fair value
First mortgages	107	\$ 437,891	\$ 431,461	\$ 390,588
Second mortgages	7	14,223	14,223	26,423
Third mortgages	-	-	-	5,887
	114	\$ 452,114	\$ 445,684	\$ 422,898

The following is a summary of the original cost of mortgages segmented by interest rate at September 30, 2008:

Interest rates	September 30, 2008	December 31, 2007
9.00% - 10.00%	\$ 32,890	\$ 42,170
10.01% - 11.00%	149,242	171,877
11.01% - 12.00%	225,939	178,836
12.01% - 20.00%	42,043	33,890
Over 20.00%	2,000	1,000
	\$ 452,114	\$ 427,773

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

4. Mortgage investments (continued):

The mortgages are secured by real property and other security, bear interest at a weighted average rate of 11.70% at September 30, 2008 (December 31, 2007 - 11.63%) and mature between 2008 and 2011.

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:

The twelve months ended:

September 30, 2009	\$ 376,292
2010	65,705
2011	10,117
	<hr/>
	\$ 452,114

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

5. Commercial property investment:

In April 2008, the Fund acquired Splash Canyon Inc., a recreational trailer and water park facility, located in Barrie, Ontario. This project, which was under development, was acquired from a defaulting mortgagor in exchange for the discharge of the mortgage held by the Fund in the amount of \$3,800. The Fund continued to develop the property with the investment of additional funds of \$1,272. The asset is held in the Fund's wholly owned subsidiary.

	Cost	Fair Market Value	December 31, 2007
Land	\$ 2,524	\$ 2,524	\$ -
Building and equipment	2,548	2,548	-
	<hr/>		
	\$ 5,072	\$ 5,072	\$ -

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

6. Revolving loan facility:

The Partnership has entered into a revolving loan facility in the maximum amount of \$100,000, of which approximately \$59,000 (December 31, 2007 - \$37,000) is available and \$41,000 has been drawn as at September 30, 2008 (December 31, 2007 - \$83,000). Interest on the loan is charged at the TD Canada Trust Bank prime rate plus 2%. The minimum and maximum amounts drawn under the revolving loan facility during the nine months ended September 30, 2008 were \$20,000 and \$102,000 (2007 - \$56,000 and \$76,465), 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, 2009 and is subject to automatic renewal provisions and an annual renewal fee of 0.25% of the maximum facility. Either party may, on 60-days notice, elect not to renew the loan.

	September 30, 2008	December 31, 2007
Carrying value of revolving loan facility	\$ 41,000	\$ 83,000
Revolving loan facility financing costs, net of accumulated amortization of \$100 (December 31, 2007 - \$468)	(178)	(116)
	<u>\$ 40,822</u>	<u>\$ 82,884</u>

The costs associated with the establishment of the revolving loan facility are amortized over the one year initial term of the facility.

7. Promissory note payable:

The promissory note payable was due on demand and bore interest at 9% per annum with interest only payable monthly. The promissory note was secured by a general security agreement over the assets of the Fund. The note was paid in full during the nine months ended September 30, 2008.

8. 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 permitted only if the total amount of requests for redemption for that

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

8. Unitholders' equity (continued):

month is less than 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. The Fund also has the right to redeem units held by any unitholder.

(a) The following units are issued and outstanding:

	Nine months ended September 30,			
	2008		2007	
	Units	Amount	Units	Amount
Balance, beginning of period	33,195,610	\$ 331,840	24,678,904	\$ 246,691
New units issued	9,734,476	97,345	6,910,778	69,108
New units issued under distribution reinvestment plan	855,463	8,554	549,253	5,492
Units redeemed	(780,924)	(7,810)	(1,160,424)	(11,604)
Balance, end of period	43,004,625	\$ 429,929	30,978,511	\$ 309,687

(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.

9. 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 of 43,004,625 as at September 30, 2008 (year ended December 31, 2007 - 33,195,610).

Net earnings per unit has been computed using the weighted average number of units outstanding of 38,221,548 for the nine months ended September 30, 2008 (year ended December 31, 2007 - 29,299,636).

10. 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.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

10. Distributions (continued):

For the nine months ended September 30, 2008, the Fund declared distributions of \$0.73 (2007 - \$0.75) per unit and a total of \$27,878 (2007 - \$21,222) was distributed to the unitholders.

11. 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 September 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.

The wholly owned subsidiary, Splash Canyon Inc. is subject to income taxes under the Income Tax Act. Taxable income from operations of the Corporation for the period ended September 30, 2008 was nil. Based on the lack of historical taxable income, it cannot be reasonably estimated at this time if it is more likely than not that the Corporation will realize the benefits from future income tax assets. This valuation will be adjusted when it is determined whether some portion or all of the future tax assets will be realized.

12. 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.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

12. Related party transactions and balances (continued):

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 mortgage investments and the fair market value of all other non-mortgage investments. For the nine months ended September 30, 2008, the amount was \$3,424 (2007 - \$2,713).
- (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, 2008, this amount was \$4,637 (2007 - \$5,510).
- (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, 2008, the Fund had 4 (December 31, 2007 - 3) mortgages outstanding with an original cost of \$22,377 (December 31, 2007 - \$12,745) including accrued interest of \$1,283 (December 31, 2007 - \$986) and fair value of \$21,681 (December 31, 2007 - \$12,049) due from mortgagors in which members of management of Romspen own non-controlling equity interests.

13. 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.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

13. Commitments and contingent liabilities (continued):

- (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.

14. 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.

15. 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 (see Note 5) bears interest based at the TD Canada Trust Bank prime rate plus 2%.

As at September 30, 2008, 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 quarter would not have been materially affected.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

15. Financial instrument risk management (continued):

(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:

- no more than 20% of the Fund's capital may be invested in subordinate mortgages; and
- 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 and Term Financing Mortgages. These mortgages generally have the following characteristics:

- Initial terms of 12 to 24 months;
- loan to value ratios of less than 65% at time of underwriting;
- significant at-risk capital and/or additional collateral of property owner; and
- 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.

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

15. Financial instrument risk management (continued):

The Fund's revolving loan facility (see Note 5) matured on May 31, 2008 and was renewed. The new facility matures June 1, 2009 and is subject to an automatic renewal provision that stipulates either party may, not less than 60 days prior to June 1st of each year, provide written notice of its election not to renew.

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. It is the Fund's policy to distribute 100% of its taxable income to unitholders, with the result that growth in the

ROMSPEN MORTGAGE INVESTMENT FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Nine months ended September 30, 2008 and 2007

15. Financial instrument risk management (continued):

Portfolio can only be achieved through the raising of additional equity capital and by utilizing available borrowing capacity.

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. During periods where the Fund manager projects a lesser volume of mortgage investment opportunities, the Fund does not raise additional equity. 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, 2008 the Fund's borrowings totalled 9% of the book value of its mortgages and the Fund was in compliance with all covenants under its revolving loan facility.

16. 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.