

WHITEROCK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

(unaudited)

WHITEROCK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	<u>June 30</u> <u>2005</u>	December 31 <u>2004</u>
Assets		
Income properties (Note 3)	\$ 2,853,481	\$ -
Deferred charges (Note 4)	199,492	-
Intangible assets (Note 5)	218,498	-
Other assets (Note 6)	1,263,902	-
Amounts receivable	31,502	-
Cash and cash equivalents	<u>35,703,642</u>	<u>350,000</u>
	<u>\$ 40,270,517</u>	<u>\$ 350,000</u>
Liabilities and Equity		
Mortgages payable (Note 7)	\$ 2,475,000	\$ -
Accounts payable and accrued liabilities	113,491	-
Convertible debentures (Note 8)	<u>12,328,958</u>	<u>-</u>
	14,917,449	-
Unitholders' Equity	<u>25,353,068</u>	<u>350,000</u>
	<u>\$ 40,270,517</u>	<u>\$ 350,000</u>

Approved by the Trustees

"Arni C. Thorsteinson"

"Jason Underwood"

WHITEROCK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

	<u>Shares</u>	<u>\$</u>
CPII Inc. share capital, December 31, 2004	3,500,000	350,000
February 23, 2005 public offering	5,000,000	1,000,000
March 9, 2005 private placement	<u>3,250,000</u>	<u>650,000</u>
CPII Inc. March 31, 2005 share capital	11,750,000	2,000,000
Share issue costs, three months ended March 31, 2005		(179,944)
Loss, three months ended March 31, 2005	<u>-</u>	<u>(24,695)</u>
CPII Inc. equity, March 31, 2005	<u>11,750,000</u>	<u>1,795,361</u>
	<u>Units</u>	<u>\$</u>
Conversion of CPII Inc. common shares to Whiterock Units (Note 1)	2,350,000	1,795,361
June 28, 2005 public offering	11,628,000	25,000,200
Unit issue costs, three months ended June 30, 2005	-	(2,035,629)
Loss, three months ended June 30, 2005	<u>-</u>	<u>(78,786)</u>
	13,978,000	24,681,146
Equity component of convertible debentures (Note 8)	<u>-</u>	<u>671,922</u>
Equity, end of period	<u><u>13,978,000</u></u>	<u><u>25,353,068</u></u>

WHITEROCK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Three Months Ended June 30 2005	Six Months Ended June 30 2005
Revenue		
Rentals from income property	\$ 3,418	\$ 3,418
Interest income	<u>10,604</u>	<u>10,639</u>
	<u>14,022</u>	<u>14,057</u>
Expenses		
Property operating costs	1,031	1,031
Interest	14,849	14,983
General and administrative expenses	76,266	100,862
Amortization	<u>662</u>	<u>662</u>
	<u>92,808</u>	<u>117,538</u>
Income (loss)	<u><u>\$ (78,786)</u></u>	<u><u>\$ (103,481)</u></u>
Income (loss) per unit (Note 14)		
Basic	\$ (0.03)	\$ (0.05)
Diluted	\$ (0.03)	\$ (0.05)

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended June 30 <u>2005</u>	Six Months Ended June 30 <u>2005</u>
Cash provided by (used in) operating activities		
Income (loss)	\$ (78,786)	\$ (103,481)
Items not affecting cash		
Accrued financing expenses on convertible debentures	880	880
Amortization	<u>2,727</u>	<u>2,727</u>
Cash from operations	(75,179)	(99,874)
Changes in non-cash operating items (net of effects of acquisition of income properties)	<u>(6,638)</u>	<u>4,060</u>
	<u>(81,817)</u>	<u>(95,814)</u>
Cash provided by (used in) financing activities		
Proceeds of convertible debentures	13,000,000	13,000,000
Public offering of units	25,000,200	27,000,200
Convertible debenture issue costs	(1,235,176)	(1,235,176)
Unit issue costs	<u>(1,994,830)</u>	<u>(2,174,774)</u>
	<u>34,770,194</u>	<u>36,590,250</u>
Cash provided by (used in) investing activities		
Furniture and equipment	(10,661)	(10,661)
Income property acquired (Note 3)	<u>(780,133)</u>	<u>(780,133)</u>
	<u>(790,794)</u>	<u>(790,794)</u>
Increase in cash and cash equivalents; cash and cash equivalents, end of period	<u>\$ 33,897,583</u>	<u>\$ 35,703,642</u>
Supplementary cash flow information		
Interest paid on mortgage financing	<u>\$ 2,753</u>	<u>\$ 2,753</u>

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

1 Organization and Basis of Presentation

Whiterock Real Estate Investment Trust ("Whiterock") is an open-ended real estate investment trust which was created under a Declaration of Trust on May 17, 2005. Whiterock acquired all the assets of CPII Inc. on June 28, 2005 in return for its Units pursuant to a Plan of Arrangement approved by CPII Inc. shareholders. Subsequent to the Plan of Arrangement, the shareholders of CPII Inc. controlled Whiterock and so, the Arrangement has been accounted for as a continuity of interests.

No comparative income or cash flow amounts have been disclosed in these financial statements as the Trust was inactive in the comparative prior periods.

2 Significant accounting policies

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements reflect the operations of Whiterock and its wholly owned trust, WR Trust (together the "Trust"). The Trust engages in the strategic acquisition, ownership and management of income-producing office, industrial and retail properties in select markets across Canada.

These quarterly interim financial statements do not include all the information and discussion required by Canadian generally accepted accounting principles for annual financial statements.

Income properties

Income properties are carried at cost. If events or circumstances indicate that the carrying value of the income properties may be impaired, a recoverability analysis is performed based on the estimated undiscounted cash flows to be generated from the income properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income properties are written down to estimated fair value and an impairment loss is recognized.

Buildings and improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years.

Furniture and equipment is amortized on a straight-line basis over five years.

Deferred charges

Deferred charges include tenant inducements and leasing expenses. Tenant inducements and leasing expenses are deferred and amortized on a straight-line basis over the term of the respective leases

Tenant origination costs (tenant inducements and leasing expenses) associated with in place leases related to income property acquisitions are included in deferred charges.

Intangible assets

Lease origination costs, costs related to tenant relationships and the value of above or below market leases are included in intangible assets and are amortized over the remaining term of the associated tenant leases.

Convertible debentures

The Trust's convertible debentures are classified into their debt and equity components. The equity component represents the estimated value of the conversion rights of the holders.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

2 Significant accounting policies (continued)

Unit options

The Trust has a unit option plan available for officers, employees and trustees. Consideration paid by option holders on exercise of unit options is credited to Unitholders' equity. The fair value based method of accounting is applied to all unit-based compensation. The fair value of the unit options granted is estimated on the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized when unit options are granted.

Revenue recognition

Rents are recognized as revenue over the terms of the related lease agreements. Rental revenue from leases with contractual rent increases are recognized on a straight-line basis over the term of the respective leases. Recoveries from tenants for property operating costs are recognized as revenues during the period in which the applicable costs are incurred.

Distributable income

Distributable income is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization and excluding any gains or losses on the disposition of any asset. Interest expense on convertible debentures for purposes of determining distributable income is calculated based on the actual interest payable on debentures.

Income taxes

In accordance with the terms of the Declaration of the Trust, The Trust intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Income Tax Act. A provision for income taxes on the operations of The Trust is, therefore, not required.

Net income and distributable income per unit

Per unit amounts are calculated using the weighted average number of units outstanding during the period. The dilutive effect on per unit amounts resulting from outstanding unit options is calculated using the treasury stock method. Under this method, the diluted weighted average number of units is calculated assuming the proceeds that arise from the exercise of the outstanding options are used to purchase units of the Trust at their average market price for the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from the estimates, and as adjustments become necessary, the adjustments are reported in earnings in the period in which the adjustments become known.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005

3 *Income properties*

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value June 30 2005</u>
Land	\$ 915,000	\$ -	\$ 915,000
Buildings and improvements	1,928,335	(495)	1,927,840
Furniture and equipment	<u>10,661</u>	<u>(20)</u>	<u>10,641</u>
	<u>\$ 2,853,996</u>	<u>\$ (515)</u>	<u>\$ 2,853,481</u>

On June 28, 2005, the Trust acquired its first income property, a 26,043 square foot commercial building located in Charlottetown, Prince Edward Island for \$3,255,133, including closing costs. The acquisition was funded by a first mortgage loan of \$2,475,000 with the balance paid in cash.

The net assets acquired were as follows:

	<u>Total</u>
Income Property	
Land	\$ 915,000
Building and improvements	1,928,335
Deferred charges	
Tenant inducements	193,222
Intangible assets	
Lease origination costs	174,525
Tenant relationships	<u>44,051</u>
	<u>\$ 3,255,133</u>
Consideration:	
Cash	\$ 780,133
Mortgage financing	<u>2,475,000</u>
	<u>\$ 3,255,133</u>

4 *Deferred charges*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value June 30 2005</u>
Tenant inducements on acquisitions	\$ 193,222	\$ (69)	\$ 193,153
Pre-acquisition costs deferred	<u>6,339</u>	<u>-</u>	<u>6,339</u>
	<u>\$ 193,222</u>	<u>\$ (69)</u>	<u>\$ 199,492</u>

Tenant inducements on acquisitions are amortized over 23 years, the remaining term of the tenant's lease, including renewal options.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005

5 *Intangible assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value June 30 2005</u>
Lease origination costs	\$ 174,525	\$ (62)	\$ 174,463
Tenant relationships	44,051	(16)	44,035
	<u>\$ 218,576</u>	<u>\$ (78)</u>	<u>\$ 218,498</u>

Amortization of intangible assets consists of the following:

	<u>Three Months Ended June 30 2005</u>	<u>Six Months Ended June 30 2005</u>
Lease origination costs	\$ 62	\$ 62
Tenant relationships	16	16
	<u>\$ 78</u>	<u>\$ 78</u>

Lease origination costs and costs related to tenant relationships on acquisitions are amortized over the remaining term of the tenant's lease, 23 years, including renewal options.

6 *Other assets*

	<u>June 30 2005</u>
Deferred financing costs – convertible debentures	\$ 1,256,391
Less: accumulated amortization	(2,065)
	1,254,326
Prepaid expenses	7,182
Deposits	2,394
	<u>\$ 1,263,902</u>

Deferred financing costs are amortized over the term of the related financing.

7 *Mortgages payable*

Mortgages payable consist of a \$2,475,000 first mortgage on 655 University Avenue, Charlottetown. The mortgage is non-recourse to the Trust, pays only interest for the first five years at 5.11 per cent and matures in June 2015.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

8 *Convertible debentures*

On June 28, 2005, the Trust issued 8 per cent subordinated unsecured convertible debentures in the amount of \$13,000,000 which mature on June 28, 2010. The debentures are convertible at the request of the holder after June 28, 2007, subject to certain terms and conditions at a conversion price per unit of \$2.55 (the "Conversion Price").

The debentures are redeemable at the option of the Trust, subject to certain terms and conditions, after June 28, 2007 and prior to June 29, 2009 at 150 per cent of the Conversion Price and after June 28, 2009 at 125 per cent of the Conversion Price.

The allocation of the convertible debentures to their debt and equity components is as follows:

<u>June 30, 2005</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u>
Convertible debentures	<u>\$ 12,328,958</u>	<u>\$ 671,922</u>	<u>\$ 13,000,000</u>

The accretion of the debt component for the three and six month periods ended June 30, 2005, of \$880, which increases the debt component from the initial carrying amount, is included in interest expense.

9 *Related party transactions*

Services and Asset Management agreements

In June 2005, the Trust entered into exclusive agreements with Whiterock Real Estate Capital Inc. (Whiterock Capital") to provide the services of two officers of the Trust. The two officers are Trustees of the Trust and principals of Whiterock Capital. The remuneration for their services is an annual fee of 0.3 per cent of the Adjusted Cost Base ("ACB") of WR Trust's assets, paid quarterly. Additionally, once Whiterock's ACB exceeds \$50 million, an acquisition fee of 0.5% of ACB is payable in shares of the Trust. When ACB exceeds \$200 million, the 0.5% annual fee is payable 50% in shares and 50% in cash. The Agreements have a five year term and may be cancelled with two years notice. No amounts were paid under these agreements to June 30, 2005.

Shelter agreement

In June 2005, the Trust entered into an agreement for a two year term with Shelter Canadian Properties Limited ("Shelter"). Under the agreement, which is cancelable on payment of approximately \$60,000, Shelter provides all accounting, reporting and financial preparation relating to the activities of the Trust. An officer of Shelter is a Trustee of Whiterock. In the three and six months ended June 30, 2005, general and administrative expenses includes \$18,000 to Shelter under the Shelter Agreement.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

10 Units

During the period, CPII Inc. had outstanding issued common shares as follows:

	<u>Shares</u>	<u>\$</u>
CPII Inc. share capital, December 31, 2004	3,500,000	350,000
February 23, 2005 public offering	5,000,000	1,000,000
March 9, 2005 private placement	<u>3,250,000</u>	<u>650,000</u>
CPII Inc. March 31, 2005 share capital	11,750,000	2,000,000

During the period, the Trust had outstanding units as follows:

	<u>Units</u>	<u>\$</u>
Conversion of CPII Inc. common shares to units of the Trust In connection with a Plan of Arrangement (Note 1)	2,350,000	2,000,000
June 28, 2005 public offering	<u>11,628,000</u>	<u>25,000,200</u>
	<u>13,978,000</u>	<u>27,000,200</u>

11 Unit options

The Trust may grant options to the Trustees, senior officers, investor relations consultants and technical consultants to the Trust. The maximum number of units reserved for issuance under the unit option plan will be limited to 10% of the total number of issued and outstanding units. The Trustees shall set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the discounted market price of the units as determined under the policies of the Exchange on the date of grant. The options will have a maximum term of five years from the date of grant.

On February 23, 2005, CPII Inc. granted 850,000 options at a price \$0.20 per share to directors and officers in connection with a public offering. On completion of the Arrangement, the CPII options were exchanged for Trust Units having identical terms, on a five for one basis, into 170,000 options at an exercise price of \$1.00 per Unit. The options expire five years from the date of the original grant. The fair value of the options was estimated at \$56,600 using the Black-Scholes option pricing model.

In connection with the February 23, 2005 public offering, CPII granted the agent an option to purchase 500,000 common shares at \$0.20 per share. On completion of the Arrangement, the options were consolidated on a five for one basis, into 100,000 options at an exercise price of \$1.00 per Unit. The agent's options have vested and expire 18 months from the date of grant. The fair value of the options was estimated at \$28,000 using the Black-Scholes option pricing model.

In connection with the June 28, 2005 public offering, the Trust granted options to trustees and officers to acquire an aggregate of 625,000 units at \$2.15 per unit. The options have vested and expire June 28, 2010. The fair value of the options is estimated at \$116,937 using the Black-Scholes option pricing model.

The options are treated as a cost related to the issuing and are charged directly to the deficit. No options have been exercised to date.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 Warrants

March 9, 2005, CPPI Inc. completed a private placement for 3,250,000 CPPI shares. Each CPPI share was comprised of one common share and a half common share purchase warrant. Each warrant entitled the holder to purchase one common share at a price of \$0.27 for a period of two years from the date of issue. On completion of the Plan of Arrangement, the warrants were consolidated on a five for one basis, into 325,000 warrants at an exercise price of \$1.35 per Unit. The fair value of the warrants is estimated at \$75,400 using the Black-Scholes option pricing model. The warrants are treated as a cost related to the issuing and are charged directly to the deficit. No warrants have been exercised to date.

13 Distributable income

Distributable income is defined by the Declaration of Trust and represents non-GAAP information, which may not be comparable to measures used by other issuers.

Distributable income and distributable income per unit are calculated, as follows:

	Three Months Ended June 30 2005	Six Months Ended June 30 2005
Income (loss)	\$ (78,786)	\$ (103,481)
Add (deduct):		
Financing expense on convertible debentures	9,428	9,428
Interest paid on convertible debentures	(8,548)	(8,548)
Amortization	<u>662</u>	<u>662</u>
Distributable income (loss)	\$ (77,244)	\$ (101,939)
Distributable income per unit (Note 14)		
Basic	\$ (0.03)	\$ (0.05)
Diluted	\$ (0.03)	\$ (0.05)

14 Per unit calculations

Basic per unit information is calculated based on the weighted average number of units outstanding for the period. The diluted per unit information is calculated based on the weighted average diluted number of units for the period, considering the potential exercise of outstanding unit options and warrants to the extent that the unit options are dilutive and the potential conversion of outstanding convertible debentures to the extent that the debentures are dilutive.

Income per unit calculations are based on the following:

	Three Months Ended June 30 2005	Six Months Ended June 30 2005
Income(loss)	<u>\$ (78,786)</u>	<u>\$ (103,481)</u>
Diluted income(loss)	<u>\$ (78,786)</u>	<u>\$ (78,786)</u>
Weighted average number of units	<u>2,655,868</u>	<u>1,970,354</u>
Weighted average diluted number of units	<u>\$ 2,655,868</u>	<u>\$ 1,970,354</u>

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005

14 *Per unit calculations (continued)*

Distributable income per unit calculations are based on the following:

	Three Months Ended June 30 2005	Six Months Ended June 30 2005
Distributable income(loss)	\$ (77,244)	\$ (101,939)
Diluted distributable income(loss)	\$ (77,244)	\$ (101,939)
Weighted average number of units	2,655,868	1,970,354
Dilutive options and warrants	-	-
Weighted average diluted number of units	2,655,868	1,970,354

15 *Financial instruments and risk management*

Fair values

Financial instruments include cash, amounts receivable, accounts payable, mortgage loans payable and debenture payable. The carrying value of financial instruments approximate fair value.

Risk management

The Trust is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its tenants. The Trust manages the risks, as follows:

- Obtaining long term mortgages minimizes interest rate risk. The Declaration of Trust restricts mortgage loans on income properties from being greater than 75% of the appraised value of the income properties.
- Credit risk arises from the possibility that tenants may experience financial difficulty and may not be able to fulfill their lease commitments. The risk of credit loss is mitigated by leasing policies which require that the financial viability of prospective tenants are investigated in order to ensure that the tenant mix is comprised of tenants with credit worthy covenants.

16 *Segmented financial information*

At June 30, 2005, one commercial retail property was owned by Whiterock, located in Charlottetown, Prince Edward Island.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005

17 *Subsequent events*

Acquisitions

In July 2005, the Trust entered into a purchase and sale agreement relating to the acquisition of three government-leased office buildings, totaling 178,000 square feet, in Regina, Saskatchewan for approximately \$18 million, subject to the usual closing adjustments. The transaction is expected to close in the third quarter.

In July 2005, the Trust entered into a purchase and sale agreement relating to the acquisition of five multi-tenant industrial buildings, totaling 164,000 square feet, in Regina, Saskatchewan for approximately \$6.7 million, subject to the usual closing adjustments. The transaction is expected to close in the third quarter.