

WHITEROCK REAL ESTATE INVESTMENT TRUST

2005 SECOND QUARTER REPORT

June 30, 2005

REPORT TO UNITHOLDERS

Our initial objectives for the second quarter were to complete the acquisition of 655 University Avenue in Charlottetown, P.E.I. and reorganize Whiterock from a capital pool company into a real estate investment trust. Having done that, we have been successfully identifying and moving forward on additional property acquisition opportunities. To date, we have announced two further property portfolio acquisitions. These assets are very well located, in very good physical condition and have strong tenants and leases including provincial governments, utilities and financial institutions. These assets are typical of the high quality portfolio Whiterock is acquiring. We are also pleased with the number of other opportunities that are available in our marketplace.

I also note the closing price of Whiterock's Units on August 26, 2005, the date of this report, was \$2.32. This represents a 7.9% appreciation in value over the past two months compared to the \$2.15 per Unit in the June 28, 2005 public offering.

In anticipation of strategic acquisitions of income properties in select markets across Canada we have added two new members to our senior management team, Frank Bucys and David Hopkinson. They bring over 35 years of combined experience in real estate with them and we are confident that they will enhance our ability to execute and manage our high-growth strategy.

WHITEROCK REAL ESTATE INVESTMENT TRUST

(signed) Jason Underwood
Chief Executive Officer
August 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following comments regarding the financial position and operating results of Whiterock should be read in conjunction with the financial statements for the second quarter ended June 30, 2005 and accompanying notes. In addition, certain statements in the Management's Discussion and Analysis could be considered as forward-looking information. The forward-looking information is subject to certain risks and uncertainties which could result in actual results differing materially from the forward-looking statements

CREATION OF WHITEROCK REAL ESTATE INVESTMENT TRUST ("WHITEROCK")

Prior to its reorganization as a real estate investment trust, Whiterock existed as a capital pool company known as "CPII Inc.". CPII Inc. was incorporated under the Canada Business Corporations Act on December 8, 2004 and completed its initial public offering and became a publicly listed company on the TSX venture exchange on February 23, 2005.

On June 28, 2005, CPII Inc. completed a qualifying transaction whereby, pursuant to a Plan of Arrangement, CPII Inc. was reorganized into a real estate investment trust, under the name "Whiterock Real Estate Investment Trust". In accordance with the Plan of Arrangement, the common shares of CPII Inc. were exchanged for trust units of Whiterock on a five to one basis. As part of the Qualifying Transaction, Whiterock completed a public offering of 11,628,000 trust units at \$2.15 per unit and \$13 million subordinated convertible redeemable debentures, for aggregate gross proceeds of \$38,000,200 and acquired a commercial retail building at 655 University Avenue in Charlottetown, Prince Edward Island.

The trust units and convertible debentures commenced trading on the TSX Venture Exchange on June 29, 2005.

OVERALL INVESTMENT OBJECTIVES AND STRATEGY

Whiterock is focused on owning and acquiring income-producing commercial properties in primary and secondary markets across Canada. The income producing secondary market commercial property segment is characterized by a relatively high supply of existing investment product, historically stable yields, inherently accretive returns and opportunities for organic income growth, diversification opportunities and readily available financing. Whiterock believes that many high quality secondary market commercial properties generally fall within an asset class that is of interest to fewer national competitors than other segments of the commercial property market. Additionally, Whiterock believes that geographic diversity decreases the likelihood that a single regional economic downturn will have a material adverse impact on Whiterock's distributions.

The objectives of Whiterock are to to: (i) generate stable and growing cash distributions on a tax efficient basis; (ii) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets; and (iii) expand the asset base of Whiterock REIT and increase its distributable income through an accretive acquisition program. Whiterock plans to achieve its objectives by employing the internal and external growth strategies set out below.

Internal Growth through Active Asset Management

Whiterock intends to achieve internal growth by capturing market rate rents as existing leases expire and by renewing tenant leases, where possible, since renewals, in contrast to tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, avoid costs of renovations and interruptions in rental income resulting from periods of vacancy. Where an existing tenant chooses not to renew its lease, Whiterock will attempt to identify, as early as possible, a replacement tenant at the best available market terms and lowest possible transaction costs.

External Growth Through Acquisitions

Whiterock's external growth strategy will focus on acquisitions. Whiterock will actively seek accretive acquisitions in select markets that present opportunities for favourable and stable returns. Whiterock will focus on acquiring additional income-producing office, industrial and retail properties across Canada with the long-term objective of creating and enhancing a geographically diversified portfolio. Whiterock believes that the current market conditions are providing buyers of well located and well tenanted secondary market real estate the opportunity to benefit from attractive yields on an unlevered basis, significant potential for capital appreciation and the availability of both short and long-term financing at favourable interest rates.

Throughout the acquisition process, Whiterock will identify potential property acquisitions using investment criteria that focus primarily on return on equity, security of cash flow and the potential for capital appreciation. Additionally, Whiterock will consider the potential to increase value by more efficient management of the assets being acquired, including cost cutting measures, and accessing capital for expansion and development of those assets, which might otherwise not be available to competitors and other property owners.

Whiterock's investment strategy is to pursue the acquisition of commercial properties from several sources, including: (i) the property market for secondary market commercial properties including private owners pursuing non-marketed sale transactions; (ii) institutional investors disposing of commercial properties in order to rebalance their investment portfolios; and (iii) Whiterock's network of contacts in real estate development and ownership, including pension funds and institutional and other owners of commercial real estate that are in the process of, or are contemplating, divesting certain real estate investments as part of rebalancing their investment portfolios.

INVESTMENT ACTIVITIES

On its inception as a real estate investment trust, Whiterock acquired a 26,043 square foot commercial retail building located at 655 University Avenue in Charlottetown, Prince Edward Island. The property is 100% leased to The Business Depot Ltd. carrying on business as Staples/Business Depot. The lease, which generates base rent of \$11 per square foot, net, expires May 31, 2013. The tenant has three renewal options for five years each. The renewal rent for each option is subject to an inflation factor defined as 75% of the result of the following formula; $(A-B)/B$ where A is the Consumer Price Index at the end of the term and B is the Consumer Price Index five years prior to the end of the term.

FINANCING ACTIVITIES

On June 28, 2005, at the inception of Whiterock as a real estate investment trust, Whiterock completed a public offering of 11,628,000 trust units at \$2.15 per unit and \$13 million subordinated convertible redeemable debentures, for aggregate gross proceeds of \$38,000,200. This significantly increased the \$2 million of equity raised previously by CPII through three separate transactions.

Whiterock intends to use mortgage financing to fund between 60 and 75 per cent of the cost of property acquisitions. At June 30, 2005, Whiterock's mortgage indebtedness consists of a \$2,475,000 first mortgage on 655 University Avenue, Charlottetown, P.E.I. 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.

FINANCIAL HIGHLIGHTS

	Three Months June 30 2005	Six Months June 30 2005
	<u>June 30 2005</u>	<u>December 31 2004</u>
Total revenue	\$ 14,022	\$ 14,057
Net loss	(78,786)	(103,481)
Distributable income(loss)	(77,244)	(101,939)
Cash and cash equivalents	35,703,642	350,000
Mortgages payable	2,475,000	-
Convertible debentures(face value)	13,000,000	-
Unitholders' equity	25,353,068	350,000

Net income

The three and six months ended June 30, 2005 had three days of operations as an active business. Prior to that, Whiterock was incurring general and administrative expenses as it prepared to begin operations. General and administrative expenses totaled \$76,266 for the three months ended June 30, 2005, compared to \$100,862 for the six months ended June 30, 2005.

Cash from Operations

Cash flow from operations for the three and six months ended June 30, 2005 was an outflow of \$75,179 and \$99,874, respectively. This was primarily due to general and administrative costs being incurred during the entire period compared to the three days of operations as an active business.

Balance Sheet

The major changes to the balance sheet accounts pertain to the public offering in which \$25,000,200 in gross proceeds were raised by way of an issue of Units at \$2.15 per Unit and \$13,000,000 in gross proceeds were raised through an offering of 8 per cent subordinated convertible redeemable debentures. In conjunction with this transaction, Whiterock acquired a 26,043 square foot commercial retail building located at 655 University Avenue in Charlottetown, Prince Edward Island for \$3,255,133. The acquisition was funded by a first mortgage loan of \$2,475,000 with the balance paid in cash.

CASH DISTRIBUTIONS

Whiterock intends to make cash distributions to Unitholders on each quarterly distribution date equal, on an annual basis, to approximately 85% of its distributable income. The initial distribution is intended to be approximately \$0.07 per Unit per quarter. Until such time as the net proceeds from the June 28, 2005 public offering are fully invested in additional properties which are accretive to cash flow, Whiterock intends to make cash distributions in excess of its distributable income in order to provide investors with stable cash flow.

CAPITAL RESOURCES AND LIQUIDITY

Whiterock's cash outflows in the second quarter were greater than its inflows as it only actively began operations on June 28, 2005. At the quarter end, Whiterock's cash and cash equivalents balance was \$35,703,642. During the third and fourth quarter of 2005, the cash reserves will be significantly reduced as additional properties are acquired. This will lead to improving cash flow in the latter part of the year.

OPERATING RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. These risks are described on pages 34 to 40 of Whiterock's prospectus dated June 21, 2005, a copy of which is available by contacting Whiterock at 49 Spadina Avenue, Suite 406, Toronto, ON, M5V 2J1.