



WHITEROCK REAL ESTATE INVESTMENT TRUST

2005 THIRD QUARTER REPORT

September 30, 2005

REPORT TO UNITHOLDERS

Having completed the initial qualifying acquisition of 655 University Avenue in Charlottetown, P.E.I. and reorganized Whiterock from a capital pool company into a real estate investment trust at the end of the second quarter, we have been identifying additional property acquisition opportunities. To date, we have completed the acquisition of approximately \$110 million of property (\$22 million as at September 30) and have announced eight additional potential acquisitions totaling approximately \$90 million, which are under conditional purchase and sale agreements or a letter of intent. These acquisitions would bring our total portfolio to approximately \$200 million. These assets are well located, in good physical condition and have strong tenants and leases including provincial governments, utilities and financial institutions. Approximately 73% of the revenues from these assets are from government or credit tenants. This high quality revenue stream is ideal for a REIT and provides a stable platform from which we intend to grow our asset base accretively.

Effective with the October 31st distribution, we moved from a quarterly to a monthly distribution. This change was in response to a number of requests from our Unitholders for more frequent distributions. Our monthly distribution rate of \$0.02334 equates to an annualized yield of 10.8%, based on Whiterock's closing price of \$2.59 on November 25, 2005. This closing price represents an appreciation in value of over 20% in the past five months when compared to the \$2.15 per Unit price in the June 28, 2005 public offering.

We believe that our announced portfolio of properties is an excellent start for Whiterock. We will be looking for additional accretive acquisitions in approximately 10 markets, further diversifying our portfolio on both a geographic and segment basis. As we continue our strategic growth, we are also implementing the organizational structure and human resources to support this growth and to ensure continued good corporate governance.

WHITEROCK REAL ESTATE INVESTMENT TRUST

(signed) Jason Underwood
Chief Executive Officer
November 28, 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 third quarter ended September 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 a rapidly expanding, growth oriented, REIT focused on owning and acquiring income-producing commercial properties in select primary and secondary markets across Canada. The income producing secondary market commercial property segment is characterized by a good supply of existing investment product, historically stable yields, opportunities for organic income growth, 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: (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 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. Renewals, in contrast to tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, avoid costs of renovations and prevent 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. The assets being targeted typically are well leased, well located, in solid physical condition and acquired significantly below replacement cost.

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 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, physical condition of the asset, location 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 commercial property market 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.

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 for approximately \$3.3 million, including closing costs. 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 acquisition was financed with \$2.475 million of first mortgage financing and the balance with cash.

On August 31, 2005, Whiterock acquired Chestemere Industrial Park, a multi-tenant industrial complex, located on two adjacent sites. The buildings, in Regina, Saskatchewan, total 164,092 square feet and were acquired for approximately \$6.8 million, including closing costs. The property is 95% leased and was purchased for cash. In October 2005, Whiterock arranged first mortgage financing of \$5.063 million on this property.

On September 1, 2005 Whiterock acquired the TD Tower and Domeview, two office buildings in Regina, Saskatchewan for approximately \$11.8 million cash. In October 2005, Whiterock arranged financing of \$8.775 million on these acquisitions.

TD Tower, located at 1914 Hamilton Street, in the heart of downtown Regina, totals 83,290 square feet and is 97.1% leased. Average lease term is 4.2 years and 58.8% of the rent is from SaskPower and TD Bank at below market rates. The \$8.1 million purchase price, including closing costs, was initially financed by cash.

Domeview, located at 2400 College Avenue in Regina, across the street from Wascana Park and the Provincial Legislative Building, totals 35,550 square feet and is 100% leased. Average lease term is 8.7 years and 88.8% of the rent is from government or investment grade tenants. 75% of the building is leased to the Crown Investments Corporation (the "CIC") for a ten year term expiring 2015. CIC is the holding company for provincial utilities including SaskPower, SaskEnergy, Saskatchewan Water and Saskatchewan Telecommunications. The \$3.7 million purchase price, including closing costs, was initially financed by cash.

Acquisitions subsequent to September 30, 2005

In October and November 2005, Whiterock acquired six primarily government occupied office buildings in Quebec City, Quebec, and an industrial building in Mississauga, Ontario. These properties produce a 14% return on equity and are leveraged at 72% with long-term fixed rate financing.

The Quebec City properties were acquired for \$82.4 million, before closing costs, and total 692,600 square feet of office and industrial space (95.7% and 4.3%, respectively). 73% of the assets' revenues are attributable to provincial government leases with an

average remaining lease term of 8.5 years. These assets are well located, well maintained, and acquired at a significant discount to replacement cost.

The asset located in Mississauga is a light industrial facility totaling 45,600 square feet and was purchased for \$3.1 million, before closing costs. The property is 100% leased for 10 years by a longstanding manufacturer and supplier of storm water treatment systems.

Further details on the Quebec City assets are as follows:

200 Chemin Ste-Foy – this 380,000 square foot office building is 100% leased until 2015 by the Société immobilière du Québec (a division of the Quebec provincial government). The building was significantly upgraded in 1990, and again in 2005, when \$8 million was invested in a new exterior façade, HVAC and mechanical equipment, lobbies, washrooms, elevators, and other common areas. The property contains an approximately 425-stall underground parkade, which is also 100% leased for the 10 year term.

900 D'Youville – this property is located directly across the street from the Hôtel du Parlement (Quebec Parliament Building) totals approximately 123,500 square feet, and is 100% occupied. Approximately 76% of the property is leased to the Société immobilière du Québec (Quebec provincial government) at below market rates with approximately five years remaining on the lease term.

580 Grand-Allée – this property has a prestigious address only a few blocks from the Hôtel du Parlement, and is well located within a premier office, hotel, and entertainment node. The approximately 96,800 square foot asset is currently 90% leased and contains a mix of legal, banking, advertising, and government tenants including the law firm Cain Lamarre Casgrain Wells, Laurentian Bank, and the Conseil régional de concertation et développement de la région de Québec (Economic Regional Council of Quebec).

1305 Chemin Ste-Foy – this property provides high quality office space in a densely populated infill location with a long term track record of high occupancy rates, and is currently 94% leased. The approximately 39,500 square foot property is leased to tenants including Cogeco Radio, Association des cadres supérieurs (Quebec Association of Senior Management Government Employees), Société des alcools du Québec (Quebec liquor retail outlet), and the Société immobilière du Québec (Quebec provincial government).

141-175 St-Jean – 52% of this approximately 23,000 square foot property is leased for ten years to the Ministère de la Santé et des Services sociaux (Ministry of Health and Social Services). The property is 100% leased.

400 Rue Volta – this industrial property is 100% leased, consists of approximately 29,700 square feet and is very well located with direct access from Hwy 740 and 440.

Subsequent Agreements to Acquire Properties

On November 1, 2005 Whiterock announced that it had identified seven additional properties for acquisition, and will be seeking additional funding through a \$30 million private placement.

Whiterock has entered into conditional agreements and a non-binding letter of intent to acquire the seven properties in Quebec City, Regina and Halifax for approximately \$75.2 million, before closing costs. Together with a previously announced conditional agreement on an office building in Regina, this brings completed or announced property acquisitions by Whiterock to approximately \$200 million since the initial public offering on June 28, 2005.

The properties are under contract from four separate vendors and total approximately 600,000 square feet (approximately 57% office, 23% retail, and 20% industrial) located in Quebec City, Regina, and Halifax. Approximately 75% of the revenues from the properties are generated from provincial governments, national banks, and other credit-rated national or international firms. These assets are currently 99% occupied with an average lease term remaining of approximately eight years.

Whiterock is acquiring a 50% interest in the four Quebec City office properties. Another 45% will be owned by major Montreal and Quebec City based pension funds and 5% by the developer of the properties.

There can be no assurance that Whiterock will complete any or all of these potential acquisitions.

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.

The \$2.475 million first mortgage on 665 University Ave. in Charlottetown, acquired in conjunction with the public offering, is non-recourse to Whiterock, pays interest only for the first five years at 5.11% and matures in June 2015.

Financings subsequent to quarter end

In October 2005, Whiterock obtained first mortgages secured by TD Tower and Chestemere Industrial Park in Regina, of \$6.075 million and \$5.063 million, respectively. The interest rate on these mortgages floats at 225 bps over the Banker's Acceptance rate. The mortgages have a term of two years and mature November 1, 2007. Based on the leases in place this provides an accretive yield in excess of 19%

In October 2005, Whiterock obtained a \$2.7 million mortgage loan secured by Domeview, in Regina. The 5.34% first mortgage has a ten year term and matures November 1, 2015. Based on the lease in place this provides an accretive yield in excess of 20%.

The six office buildings in Quebec City and the industrial building in Mississauga acquired in October and November were financed with \$49.34 million of 10 year mortgage financing at a blended rate of 5.26% and \$10 million of 5 year financing at 5.14%. In addition, one property currently supports \$4.5 million of mezzanine financing at 7.71%.

Whiterock announced on November 1, 2005 that it had engaged a syndicate of investment dealers (the “Agents”) in connection with a private placement offering (the “offering”), on a best efforts basis, of up to \$20 million in trust units, (“Units”) and \$10 million aggregate principal amount of subordinated convertible redeemable debentures (“Debentures”), for gross proceeds to Whiterock of up to \$30 million. The pricing of the Units and the Debentures, and the terms of the conversion and the redemption of the Debentures, will be determined by the Agents and Whiterock in the context of the market. The Offering is expected to close in December 2005. Units and Debentures sold pursuant to the Offering will be subject to a four-month hold period under applicable Canadian securities laws and shall be subject to the approval of the TSX Venture Exchange. The proceeds of the Offering are intended to be used to satisfy the cash portion of the purchase price for the future acquisition of the properties described above, other future acquisitions and for general corporate purposes.

FINANCIAL HIGHLIGHTS

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Total revenue	\$ 522,984	\$ 537,042
Property operating income	228,379	230,768
Income (loss)	(300,024)	(403,505)
Distributable income (loss)	(205,562)	(307,501)
PER UNIT		
Income(loss) - basic and fully diluted	(0.02)	(0.07)
Distributable income (loss) - basic and fully diluted	(0.01)	(0.05)
	September 30, 2005	December 31, 2005
Cash and cash equivalents	\$ 10,876,891	\$ 350,000
Income properties	20,794,457	-
Total assets	41,687,126	350,000
Mortgages payable	2,475,000	-
Convertible debentures (face value)	13,000,000	-
Unitholders' equity	24,055,247	350,000

Net income

Whiterock began operations as an active business on June 28, 2005 with the purchase of a \$3.3 million income property and an initial public offering, issuing \$25 million of equity and \$13 million of convertible debentures. Prior to that, Whiterock was incurring general and administrative expenses with no offsetting revenue as it prepared to begin more active operations. By September 1, 2005, Whiterock had acquired an additional \$20.9 million of income properties for cash. Whiterock began its third quarter with \$35.7 million cash on hand and ended it with \$10.9 million as a result of the acquisitions and the need for deposits on future acquisitions. As a result of the timing difference between the receipt of investment capital and the investment of the capital in appropriately leveraged income producing properties, income from the invested cash and the net operating income of the income producing properties were outweighed by interest on Whiterock's convertible debentures and mortgage debt, by general and administrative expenses and by amortization on assets acquired.

General and administrative expenses in the third quarter included a \$60,000 termination fee paid to Shelter Canadian Properties Limited to terminate its agreement to provide accounting, reporting and financial preparation relating to the activities of Whiterock and \$15,000 relating to recruiting a CFO who could bring these activities in-house.

As a result of all of the above factors, Whiterock's loss for the three and nine months ended September 30, 2005 was \$300,024 and \$403,505, respectively. Whiterock expects that as it expands its income property asset base and appropriately leverages these assets, the income from additional acquisitions net of interest expense will increase both income and distributable income.

Cash from Operations

Cash flow from operations for the three and nine months ended September 30, 2005 was an outflow of \$205,562 and \$307,501, respectively. This was primarily due to income from the invested cash and the net operating income on the properties acquired being outweighed by interest on its \$13 million of 8% convertible debentures and by general and administrative expenses as noted above.

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 \$3.3 million, including closing costs. The acquisition was funded by a first mortgage of \$2,475,000 with the balance paid in cash.

In the quarter ended September 30, 2005, three income properties were acquired for cash of \$18.6 million. In addition, Whiterock invested \$5.3 million in deposits on future potential acquisitions.

CASH DISTRIBUTIONS

Effective with the October 31st distribution, Whiterock converted from a quarterly to a monthly distribution. Whiterock intends to make cash distributions to Unitholders on each monthly distribution date equal, on an annual basis, to approximately 85% of its distributable income. 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 unitholders with stable cash flow.

CAPITAL RESOURCES AND LIQUIDITY

Whiterock's cash outflows in the third quarter and year to date were greater than its inflows as it only actively began operations on June 28, 2005 and has not fully invested and levered its equity. At the quarter end, Whiterock's cash and cash equivalents balance was approximately \$10.9 million. During the fourth quarter of 2005, leverage and cash flow will increase as additional properties are acquired and this will lead to improving cash flow.

The main sources of acquisition funds for Whiterock are proceeds from convertible debenture and trust unit offerings and cash flows from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions.

As described under Financings Subsequent to Quarter End above, Whiterock has secured first mortgage financing on a number of its properties subsequent to the end of the third quarter as well as announcing a private placement offering of up to \$30 million.

The actual level of future borrowings and equity offerings will be determined based on prevailing interest rates, debt and equity market conditions and management's general view of the required leverage in the business.

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.