



WHITEROCK REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis
December 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock") that follows should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 and the period December 8, 2004 to December 31, 2004 and the accompanying notes. Additional information relating to Whiterock, including its Annual Information Form and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

This MD&A is based on information available to management as at March 24, 2006.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

Certain statements included in this MD&A constitute forward-looking statements including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to Whiterock or its management. The forward-looking statements reflect Whiterock's current expectations regarding future results or events and are based on information currently available to management. Management believes that the expectations reflected in the forward-looking statements are based upon reasonable assumptions; however, management can give no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties which could result in actual results or events differing materially from the forward-looking statements or current expectations, including the matters discussed under "Risks and Uncertainties" and in other sections of this MD&A. Whiterock assumes no obligation to update or revise such forward looking statements to reflect actual events or new circumstances. Factors that could cause actual results or events to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, the availability of properties, Whiterock's ability to maintain occupancy and to lease or re-lease space at current or anticipated rates, tenant bankruptcies and defaults, changes in interest rates, changes in operating costs, Whiterock's ability to obtain insurance coverage at a reasonable cost and the availability of financing.

NON-GAAP MEASURES

Funds from Operations and Adjusted Funds from Operations are non-GAAP measures commonly used by Canadian income trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

Management uses Funds from Operations and Adjusted Funds from Operations to analyze operating performance. Funds from Operations and Adjusted Funds from Operations are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, Funds from Operations and Adjusted Funds from Operations may not be comparable to similar measures presented by other issuers. Neither Funds from Operations and Adjusted Funds from Operations is intended to represent operating profits for the period or from a property nor should either be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

HIGHLIGHTS

- **February 23, 2005** – Prospectus offering closes, bringing gross proceeds raised by CPII (a predecessor company of Whiterock) to \$1,350,000 in equity; CPII shares list for trading on the TSX Venture Exchange as a Capital Pool Corporation.
- **March 9, 2005** – Private placement closes, raising an additional \$650,000 in equity.
- **June 28, 2005** – Initial Public Offering (“IPO”) of Whiterock closes, raising gross proceeds of \$25.0 million in Units (at \$2.15 per Unit) and \$13.0 million in Series A convertible debentures. Acquired a 26,043 square foot commercial retail building at 655 University Avenue in Charlottetown, Prince Edward Island for \$3.3 million, financed with a \$2.5 million first mortgage, as part of the qualifying transaction that created Whiterock as a real estate investment trust.
- **Quarter ended September 30, 2005** – Acquired, for cash, a multi-tenant industrial building totaling 164,092 square feet and two office buildings totaling 118,869 square feet in Regina, Saskatchewan for \$18.6 million, including closing costs. Subsequently financed these properties with first mortgages totaling \$13.8 million.
- **Quarter ended December 31, 2005** – Acquired five office buildings in Quebec City, Quebec totaling 662,050 square feet. Acquired three single-tenant industrial buildings totaling 191,073 square feet in Halifax, Nova Scotia, Quebec City, Quebec and Mississauga, Ontario. The purchase price for these assets was \$94.5 million, including closing costs, of which \$67.9 million was financed through first mortgages.
- **December 2005** - raised gross proceeds of \$16.3 million in Units (at \$2.50 per Unit) and \$12.0 million in Series B and C convertible debentures for future acquisitions and general corporate purposes.
- **December 31, 2005** – closing Unit price of \$2.70, an annualized increase of 65% including dividends since the June 2005 initial public offering.
- **December 31, 2005 portfolio profile** – 58.9% of revenues from government leases. 67.4% of revenues from high quality credit tenants. Average lease term of portfolio is approximately 6.8 years.
- **January 1, 2006 to March 24, 2006** – Acquired an office building in Quebec City, Quebec and an office building in Regina, Saskatchewan totaling 291,090 square feet for \$37.6 million, before closing costs. Acquired two retail centres in Regina, Saskatchewan totaling 126,034 square feet for \$21.0 million before closing costs.
- **March 24, 2006 portfolio profile** – 47% of revenues from government leases. 73.7% of revenues from government and other high quality credit tenants. Average lease term of entire portfolio is approximately 8.8 years.
- **March, 2006** – Whiterock obtains conditional approval to move its listing from the TSX Venture Exchange to the Toronto Stock Exchange (TSX).

BUSINESS OVERVIEW

Whiterock is a rapidly expanding, growth-oriented real estate investment trust (“REIT”) focused on increasing Unitholder value through the strategic acquisition, ownership and management of well-located, well-leased office, industrial and retail properties in select markets across Canada. Since its formation as a REIT on June 28, 2005, Whiterock has acquired 1.58 million square feet of properties at an acquisition price of approximately \$175 million, as follows:

	Number of Properties	Gross Leasable Area (GLA)	Value on Acquisition ⁽¹⁾
June 28, 2005 to September 30, 2005	4	309,004	\$21,940,000
October 1, 2005 to December 31, 2005	8	853,123	94,454,000
Total - December 31, 2005	12	1,162,127	\$116,394,000
January 1, 2006 to March 24, 2006	4	417,124	58,604,000
Total - March 24, 2006	16	1,579,251	\$174,998,000

(1) 2006 acquisitions are before closing costs.

In addition, Whiterock has announced its intention to acquire a 50% interest in a three asset office portfolio in Quebec City, Quebec. Whiterock’s 50% interest in the portfolio’s GLA totals 364,277 square feet with a value on acquisition, excluding closing costs, of \$46.9 million.

At December 31, 2005, 58.9% of Whiterock’s revenue stream was derived from government leases and, when combined with high quality credit tenants, supply 67.4% of the revenue stream. The properties acquired in 2006 continue this trend. As at March 24, 2006, 73.7% of the revenue stream is derived from government and other high quality credit tenants with an average remaining lease term in excess of eight years.

Whiterock intends to assemble a national portfolio of office, industrial and retail assets creating product and sector diversification to compliment the well-located and well-leased aspects of the overall portfolio.

At December 31, 2005, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA
Quebec	5	662,050			1	29,700
Saskatchewan	2	118,869			1	164,092
Ontario					1	45,600
Nova Scotia					1	115,773
Prince Edward Island			1	26,043		
Total	7	780,919	1	26,043	4	355,165

Subsequent to December 31, 2005, Whiterock completed the acquisition of an additional office building and two retail properties in Regina, Saskatchewan totaling 59,590 and

126,034 square feet, respectively and one office complex in Saint-Hyacinthe, Quebec totaling 231,500 square feet.

Management believes that there are significant leasing and operating synergies available from a critical mass of properties in defined regions and will continue executing this strategy. Areas in which management intends to consider acquisitions in the next twelve months include Western Canada, Ontario, Quebec and Atlantic Canada. Acquisitions will only be made if they meet Whiterock's overall investment criteria, as specified in its declaration of trust, a copy of which may be obtained at www.sedar.com.

While it is Whiterock's intention to acquire a mix of office, retail and industrial property, to date, office buildings have comprised the majority of the acquisitions. Management believes this segment provided the most opportunities in 2005. Going forward, management intends to continue to acquire property in the segments of the market which it believes provide the most potential value over the long-term.

OVERALL INVESTMENT OBJECTIVES AND STRATEGY

Whiterock's business strategy is to acquire and operate a top-tier diversified portfolio of office, industrial and retail assets in select markets across Canada which produces an attractive and consistent return to investors. In order to capitalize on this opportunity, Whiterock focuses on transactions that are not the primary focus of larger institutional investors while maintaining Whiterock's real estate investment fundamentals and buying quality real estate.

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

External Growth through Acquisitions

Whiterock's external growth strategy focuses on acquiring a geographically diversified portfolio of income-producing office, industrial and retail properties. 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, significant potential for capital appreciation and the availability of both short- and long-term financing at favourable interest rates. The assets being targeted typically are: (i) well located, (ii) in good physical condition, (iii) leased to quality tenants, and (iv) at an appropriate cost basis (which, for the most part, is at or below replacement cost).

Additionally, Whiterock considers 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 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.

Internal Growth through Active Asset Management

Whiterock intends to achieve internal growth by realizing market rate rents as existing below market rate leases expire and by renewing or extending tenant leases, when 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. When an existing tenant chooses not to renew its lease, Whiterock attempts to identify, as early as possible, a replacement tenant at the best available market terms and lowest possible transaction costs.

KEY PERFORMANCE MEASURES

Several factors contribute to the successful operation of Whiterock's business. These include rental and renewal rates, occupancy levels, quality of tenant revenue stream, availability of properties that meet our acquisition criteria, financing rates and availability, tenant inducements, capital expenditures and the general economic environment. In Whiterock's first year of activity, management determined the success of Whiterock's performance based on its ability to acquire well located real estate with a large proportion of tenants with high credit ratings having long-term leases and matching these acquisitions with fixed rate debt of similar term. Going forward, in the opinion of management, the key performance measures of Whiterock's performance are:

- funds from operations ("FFO") per unit
- adjusted funds from operations ("AFFO") per unit;
- payout ratio;
- percentage of revenue from high quality credit tenants;
- future acquisitions as they relate to our investment criteria;
- average debt cost;
- interest coverage ratio; and
- occupancy level.

Due to its high growth rate and the relatively short period that Whiterock has been in operation and owning properties, management believes it is important to apply these on a "run rate" basis rather than only a historical basis in order to better measure Whiterock's ongoing and future performance.

2005 performance compared to objectives

In 2005, Whiterock's objectives were to acquire well-located real estate with a large proportion of high quality credit tenants having long-term leases and matching these acquisitions with fixed-rate debt of similar term. Management believes Whiterock has met or exceeded all of its objectives. By December 31, 2005 Whiterock had acquired \$116.4 million of income properties with 58.9% of the revenue stream derived from government leases.

High quality credit tenants supply 67.4% of the revenue stream and the average remaining lease term of the portfolio at December 31, 2005 was 6.8 years. The properties acquired in 2006 to date continue this trend. As at March 24, 2006, 73.7% of Whiterock's revenue stream comes from government and other high quality credit tenants and the average lease term increased to 8.8 years. At December 31, 2005, these properties were 72.3% levered with first mortgages at an average interest rate of 5.4% and an average term of 7.9 years. Fixed rate financing accounts for 86.8% of total mortgage financing.

SELECTED ANNUAL INFORMATION

Additional selected annual information for Whiterock as at, and for the year ended, December 31, 2005 is as follows:

(\$ except per share data and ratios)

Real estate acquired	116,394,106
Total assets	157,558,989
Mortgages payable	84,193,305
Convertible debentures	24,039,144
Unitholders' equity	38,218,035
Income property rental revenue	3,385,988
Property operating costs	1,341,395
Property operating income	2,044,593
Interest expense	1,606,219
Income (loss)	(660,953)
Income (loss) per unit - basic and diluted	(0.08)
Funds from operations (FFO)	24,638
FFO per unit - basic and diluted	\$0.00
Adjusted Funds from operations (AFFO)	39,759
AFFO per unit - basic and diluted	\$0.00
Weighted average units outstanding - basic	8,382,134
- diluted	8,631,954
Net debt to total market capitalization - debentures as equity	40.6%
Net debt to total market capitalization - debentures as debt	58.9%
Interest coverage - including debentures as equity	2.09
Interest coverage - including debentures as debt	1.32
Total distributions (for 6 months)	\$2,117,347
Total distributions per unit (for 6 months)	\$0.14

Whiterock defines FFO as property operating income and interest income less interest expense and general and administrative expenses (including management services fees). AFFO is defined by Whiterock to be FFO adjusted for non-cash items including amortization of deferred finance costs, convertible debenture accretion in excess of coupon interest rate, non-cash compensation expense and management services fees, accrued straight-line rental revenue and below market lease amortization, and reduced by capital expenditures and leasing costs.

INVESTMENT ACTIVITIES

Whiterock acquired 12 properties from the time of its IPO in June 2005 to December 31, 2005. Property information for Whiterock as at December 31, 2005 is as follows:

(\$ in thousands)

Property Name	City	Province	Date Acquired	GLA (sq. ft.)	Gross	
					Book Value	Financing
655 University	Charlottetown	PEI	06/28/05	26,043	\$3,282	\$2,475
Chestemere	Regina	SK	08/31/05	164,092	6,847	5,054
TD Tower	Regina	SK	09/01/05	83,326	8,147	6,064
Domeview	Regina	SK	09/01/05	35,543	3,664	2,697
880 Rangeview	Mississauga	ON	10/14/05	45,600	3,208	2,098
900 D'Youville	Quebec	QC	11/03/05	123,468	13,903	9,684
580 Grande Allée	Quebec	QC	11/03/05	96,873	14,838	9,983
1305 Chemin Ste-Foy	Quebec	QC	11/03/05	39,509	4,792	2,726
141-175 St-Jean	Quebec	QC	11/03/05	23,014	2,566	898
400 Rue Volta	Quebec	QC	11/03/05	29,700	1,042	699
200 Chemin Ste-Foy	Quebec	QC	11/09/05	379,186	47,918	37,500
131 Thornhill	Dartmouth	NS	12/05/05	115,773	6,187	4,315
Total				1,162,127	\$116,394	\$84,193

655 University - is 100% leased to The Business Depot Ltd., which carries on business as Staples/Business Depot. The acquisition was the qualifying transaction of Whiterock under Exchange Policy 2.4 *Capital Pool Companies*.

Chestemere - a multi-tenant industrial complex, located at 628-668 Henderson Drive and 102-118 and 155-201 Leonard Street North in Regina, Saskatchewan with direct access from Regina's perimeter highway. The complex is 93.3% leased at December 31, 2005 and is configured and located to attract tenants in the light manufacturing and retail distribution market.

TD Tower - is located at 1914 Hamilton Street in the heart of downtown Regina, Saskatchewan. At December 31, 2005, the property was 100% leased with an average remaining lease term of 3.9 years with 62.1% of the rent from SaskPower and TD Bank which are at below market rates.

Domeview - is located at 2400 College Avenue in Regina, Saskatchewan, across the street from Wascana Park and the Provincial Legislative Building. The property is 100% leased with an average remaining lease term of 8.3 years and 88.9% of the rent from government and other high quality credit tenants. At December 31, 2005, 75% of the building is leased to the Crown Investments Corporation ("CIC") for a ten-year term expiring 2015. CIC is the holding company for provincial government utilities including SaskPower, SaskEnergy, Saskatchewan Water and Saskatchewan Telecommunications.

880 Rangeview - is a light industrial property that is 100% leased for 10 years by a longstanding manufacturer and supplier of storm water treatment systems.

On November 3, 2005, Whiterock acquired a portfolio of four office properties and one industrial property in Quebec City, Quebec for a total purchase price of \$37.1 million, including closing costs. Further details on the Quebec City assets are as follows:

- **900 D'Youville** – is located directly across the street from the Hôtel du Parlement (Quebec Parliament Building) and is 100% occupied. Approximately 80% of the property is leased to the Société immobilière du Québec (Quebec government agency) at below market rates with approximately five years remaining on the lease term.
- **580 Grande Allée** – is located at a prestigious address only a few blocks from the Hôtel du Parlement and is well located within a premier office, hotel and entertainment node. It is 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** – provides high quality office space in a densely populated infill location with a long-term track record of high occupancy rates and is currently 89% leased. The 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 government agency).
- **141-175 St-Jean** – 47% of this 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 and is very well located in the Jean Talon Industrial Park with direct access from Hwy 740 and 440.

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

131 Thornhill – is an industrial property 100% leased until 2015 to Helly Hansen Canada. The property is well located within the Burnside Industrial park in Dartmouth, Nova Scotia just outside of Halifax.

At December 31, 2005, Whiterock's properties are 72.3% leveraged, generally with long-term fixed rate financing. Approximately 67% of the portfolio's revenues at December 31, 2005 are attributable to provincial government or other high quality credit tenants with an average remaining lease term of 6.8 years. These assets are well located, well maintained and generally acquired at below replacement cost.

Acquisitions completed subsequent to December 31, 2005

(\$ in thousands)

Property Name	City	Province	Date Acquired	GLA (sq. ft.)	Gross	
					Book Value (1)	Financing (2)
4250 Albert	Regina	SK	1/10/06	41,181	\$7,150	\$5,750
2550 Quance	Regina	SK	1/12/06	84,853	13,850	10,500
2220 College	Regina	SK	2/28/06	59,590	7,500	5,650
2450 Girouard	St.-Hyacinthe	QC	3/23/06	231,500	30,104	20,000
Total				417,124	\$58,604	\$41,900

(1) before closing costs

(2) on acquisition

4250 Albert (Lakeside) - is a retail property located on the primary north-south artery in Regina and is anchored by a Sobeys. Other major tenants include TD Bank, a UPS store and Ultracuts.

2550 Quance (Quance and University) - is a retail property located at 2510-2660 Quance Street, 2660 Starlight Street and 625-635 University Park Drive, one of the busiest intersections in Regina, Saskatchewan. Primary tenants include Staples, Saskatchewan Liquor Store, Boston Pizza and Scotiabank. The centre is shadow anchored by a Costco Superstore.

2220 College (Parkview) – is an office property located at 2220 College Avenue in Regina, Saskatchewan, directly adjacent to Wascana Park and the Legislative Buildings. It is 100% leased to the Saskatchewan Provincial Government for 5.6 years.

2450 Girouard (ING) – is a 231,500 square foot office complex located at 2450 rue Girouard Ouest and 455 Saint-Joseph Avenue in Saint-Hyacinthe, Quebec. This complex is 100% leased in a sale lease-back until 2026 with four, five-year extensions on a triple net basis, including all structural repairs and maintenance expenses. The tenant is ING Insurance Company of Canada ("ING"), one of the largest providers of property and casualty insurance in Canada with an A+ credit rating by Standard and Poor's. 2450 Girouard consists of two buildings connected by an elevated walkway, of which one building, totalling 115,000 square feet, was newly constructed in 2005 and the second building, totalling 87,000 square feet, is currently undergoing significant renovations at ING's cost. The third building, totalling approximately 29,500 square feet, was significantly upgraded in 1990 and again in 2005.

Subsequent Agreements to Acquire Properties

Whiterock has entered into agreements to acquire a 50% ownership interest in three office properties in Quebec City, for approximately \$46.9 million, before closing costs. Another 45% will be owned by major Montreal and Quebec City based pension funds and 5% by the developer of the properties. Whiterock intends to finance these properties through assumed and new first mortgages totaling approximately \$32.1 million.

Whiterock's 50% ownership interest in the properties totals approximately 364,277 square feet. Approximately 91.5% of the revenues from the properties are generated from provincial governments and other credit-rated national or international firms. These assets are currently 100% occupied with an average remaining lease term of approximately eight years.

Upon closing, these properties would bring property acquisitions by Whiterock to approximately \$225 million since the IPO on June 28, 2005.

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

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three months and year ended December 31, 2005 are as follows:

	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Property operating income	\$1,813,825	\$2,044,593
Interest income	92,541	280,440
Interest expense	(1,205,727)	(1,606,219)
General and administrative expenses	(348,438)	(694,176)
Amortization	(609,649)	(685,591)
Income (loss)	(\$257,448)	(\$660,953)

A discussion of individual income components follows.

Property operating income

	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Income property rentals		
2005 acquisitions	\$2,758,091	\$3,091,576
Straight-line rent	40,661	41,735
Below market lease adjustments	238,093	252,677
Income property rentals	\$3,036,845	\$3,385,988
Property operating costs	(1,223,020)	(1,341,395)
Property operating income	\$1,813,825	\$2,044,593

Property operating income represents non-GAAP information and may not be comparable to measures used by other issuers. Property operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

Whiterock acquired eight properties in the three months ended December 31, 2005 and 12 properties in the year ended December 31, 2005. Whiterock's property operating income is derived from these acquisitions. Property operating income in the three months and year ended December 31, 2005 includes \$40,661 and \$41,735 respectively, from leases with contractual rent increases which are recognized on a straight-line basis.

Property operating income also includes amortization of below market lease adjustments. The total value of below market leases on acquisitions in 2005 is approximately \$7.3 million. Management intends to capture this value over time in the form of higher rental rates as tenants' leases are renewed.

Property operating income by segment for the year ended December 31, 2005 was as follows:

	Office	Retail	Industrial
Income property rentals	\$2,656,961	\$185,617	\$543,410
Property operating costs	(1,086,467)	(40,518)	(214,410)
Property operating income	\$1,570,494	\$145,099	\$329,000

Interest income

	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Interest income	\$92,541	\$280,440

Interest income for the three months and year ended December 31, 2005 totaled \$92,541 and \$280,440, respectively and was derived primarily from interest on funds raised from equity and convertible debenture offerings in advance of the use of those funds to acquire properties. Management expects that interest income will be reduced in 2006 but that distributable income per unit and funds from operations per unit will be increased by obtaining an acquisition line that it will use to help initially fund the equity portion of future acquisitions.

Interest expense

	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Mortgage and other interest	\$767,487	\$804,854
Debenture interest	305,945	576,629
Deferred finance cost - mortgages	26,732	26,732
Deferred finance cost - convertible debentures	74,228	139,113
Implicit interest rate in excess of coupon - convertible debentures	31,335	58,891
Interest expense	\$1,205,727	\$1,606,219

Interest for the three months and year ended December 31, 2005 results primarily from mortgages on properties acquired and convertible debentures issued during the period.

General and administrative expenses

	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Salaries and wages	\$140,829	\$195,910
Shelter Agreement, including termination costs	-	98,000
Legal and regulatory	19,126	67,139
Accrued services and asset management fees	64,381	64,461
Recruiting costs	16,908	40,888
Costs related to properties not acquired	1,332	35,979
Other general and administrative	105,863	191,799
General and administration expenses	\$348,439	\$694,176

General and administrative expenses for the year ended December 31, 2005 included a \$60,000 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 \$40,888 relating to recruiting a CFO and other senior management in order to bring certain management activities in-house.

Amortization

	Three Months Ended December 31, 2005	Year Ended December 31, 2005
Building and improvements	\$421,590	\$477,706
Deferred charges - tenants inducements	94,959	101,895
Intangible assets - lease origination	56,589	64,201
- tenant relationships	35,334	39,528
Furniture and fixtures	1,177	2,261
Amortization	\$609,649	\$685,591

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$608,472 and \$683,330 in the three months and year ended December 31, 2005, respectively.

Net income

Whiterock began operations as an active business on June 28, 2005 with the purchase of a \$3.3 million income property and its IPO, 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 30, 2005, Whiterock had acquired an additional \$18.6 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. In the fourth quarter, Whiterock acquired \$94.5 million of properties and raised an additional \$81.7 million in mortgages. After an equity and debenture financing completed in December 2005, Whiterock ended the year with \$29.3 million of cash on hand. 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.

As a result of all of the above factors, Whiterock's loss for the three months and year ended December 31, 2005 was \$257,448 and \$660,953, 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 income.

Cash flow from operations

Cash flow from operations for the three months and year ended December 31, 2005 was \$282,799 and (\$24,702), respectively. This was primarily due to income from the net operating income on the properties acquired and the invested cash being partly offset by interest on its mortgages and convertible debentures and by general and administrative expenses as noted above.

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% of the Adjusted Cost Base ("ACB") of WR Trust's assets, paid in arrears. Additionally, once the Trust's ACB exceeds \$50 million, a fee of 0.5% of ACB is payable on acquisitions, in arrears, in units of the Trust. The Agreements have a five year term and may be cancelled with two years notice. \$64,461 was accrued in general and administrative expenses under these agreements and \$318,134 was accrued in the acquisition cost of income properties in the year ended December 31, 2005. Whiterock Capital has agreed to receive the amount accrued to December 31, 2005 in respect of these agreements in units of the Trust. This arrangement has served to conserve Whiterock's cash during its first year of operation.

Shelter agreement

In the three month period ended June 2005, the Trust entered into an agreement for a two year term with Shelter Canadian Properties Limited ("Shelter"). Under the agreement, Shelter provided all accounting, reporting and financial preparation relating to the activities of the Trust. An officer of Shelter is a Trustee of Whiterock. The agreement was cancelled effective August 31, 2005 on the payment of a \$60,000 termination fee. In the year ended December 31, 2005, general and administrative expenses includes \$98,000 paid to Shelter under the agreement.

SUMMARY OF QUARTERLY RESULTS

(in \$'s)	2005				2004
	Q4	Q3	Q2	Q1	Q4
Total revenue	3,129,386	522,985	14,022	35	-
Property operating income	1,813,825	228,381	2,387	-	-
Income (loss)	(257,448)	(300,024)	(78,786)	(24,695)	-
Income (loss) per unit - basic	(0.02)	(0.02)	(0.03)	(0.02)	-
Income (loss) per unit - diluted	(0.02)	(0.02)	(0.03)	(0.02)	-
Funds from operations (FFO)	352,201	(224,744)	(78,124)	(24,695)	-
FFO per unit - basic	0.02	(0.02)	(0.03)	(0.02)	-
FFO per unit - diluted	0.02	(0.02)	(0.03)	(0.02)	-
Adjusted Funds From Operations (AFFO)	282,295	(142,662)	(75,179)	(24,695)	-
AFFO per unit - basic	0.02	(0.01)	(0.03)	(0.02)	-
AFFO per unit - diluted	0.02	(0.01)	(0.03)	(0.02)	-
Cash distribution per unit	0.07	0.07	-	-	-

Whiterock's operations, and therefore its quarterly results, are generally not subject to seasonal influences, but they are impacted by economic events and cycles of a local, national or international nature which may impact the demand for space and the level of interest rates. Whiterock's leases generally have provisions which allow for increases in rents to offset the effects of inflation on operating costs.

Whiterock was created through a predecessor entity on December 8, 2004. It began active operations on June 28, 2005 in conjunction with an IPO. Whiterock's quarterly information reflects this situation and the asset acquisitions identified under "Investment Activities".

FINANCIAL POSITION

Selected balance sheet information follows:

(in \$'s)	December 31, 2005	December 31, 2004
Real estate acquired	116,394,106	-
Mortgages payable	84,193,305	-
Convertible debentures	24,039,144	-
Cash	29,281,723	350,000
Unitholders' Equity	38,218,035	350,000

The major changes to the balance sheet accounts at December 31, 2005 result from the acquisition and financing of 12 properties as described under "Investment Activities" and under "Financing Activities". Further detail for mortgages payable, convertible debentures and Unitholders equity follows.

MORTGAGES PAYABLE

Whiterock's Declaration of Trust allows a leverage ratio of mortgages to gross book value of up to 75%. At December 31, 2005, Whiterock has mortgages outstanding totaling \$84.2 million on properties with a gross book value of \$116.4 million, (see "Investment Activities") giving a leverage ratio of 72.3%.

It is management's intention to reduce Whiterock's overall leverage ratio over time.

Whiterock's fixed and floating rate mortgage debt as at December 31, 2005 is as follows:

	Total \$	% of Total
Fixed rate	\$73,075,080	86.8%
Floating rate	11,118,225	13.2%
	\$84,193,305	100.0%

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties, when practicable.

The following table summarizes Whiterock's mortgage maturity schedule as at December 31, 2005.

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2006	\$877,567	-	\$877,567	5.31%
2007	880,969	10,674,185	11,555,154	5.48%
2008	709,953	4,500,000	5,209,953	7.37%
2009	747,635	-	747,635	5.24%
2010	835,565	12,716,598	13,552,163	5.17%
2011	1,167,788	-	1,167,788	5.27%
2012	1,230,084	-	1,230,084	5.27%
2013	1,295,702	-	1,295,702	5.27%
2014	1,364,822	-	1,364,822	5.27%
2015	1,305,249	42,671,393	43,976,642	5.26%
Thereafter	11,790	3,204,005	3,215,795	5.30%
	\$10,427,124	\$73,766,181	\$84,193,305	5.41%

CONVERTIBLE DEBENTURES

Whiterock raised \$25 million through the issue of redeemable subordinated convertible debentures as follows:

Series A

On June 28, 2005, the Trust issued 8% subordinated unsecured convertible debentures in the amount of \$13,000,000 with interest payable semi-annually and 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 "Series A 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% of the Series A Conversion Price and after June 28, 2009 at 125% of the Series A Conversion Price.

On the date of issue, the debentures were allocated into a \$12,328,078 liability component and a \$671,922 equity component.

Series B

On December 14, 2005, the Trust issued 9% subordinated unsecured convertible debentures in the amount of \$9,000,000 with interest payable monthly and which mature on December 14, 2008. Up to 50% of the debentures are convertible at the request of the holder until December 14, 2006 and 100% thereafter, subject to certain terms and conditions, at a conversion price per unit of \$3.00 (the "Series B Conversion Price").

The debentures are redeemable at the option of the Trust:

- 1) Until December 14, 2006, at the principal amount plus \$3.25 less the Series B Conversion Price multiplied by the underlying as-if converted Units;
- 2) From December 15, 2006 until June 14, 2008, at the principal amount plus the greater of the 20 day weighted average trading price and \$3.25 less the Series B Conversion Price multiplied by the underlying as-if converted Units; and,
- 3) after June 14, 2008, at the principal amount plus the greater of the 20 day weighted average trading price and \$3.50 less the Series B Conversion Price multiplied by the underlying as-if converted Units.

On the date of issue, the debentures were allocated into an \$8,769,115 liability component and a \$230,885 equity component.

Series C

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the amount of \$3,000,000 with interest payable monthly and which mature on December 21, 2010. The debentures are convertible at the request of the holder after December 21, 2006, subject to certain terms and conditions at a conversion price per unit of \$3.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 21, 2006 and until June 21, 2008, providing that the 20 day weighted average trading price of the Units is at least \$3.25 and, after June 21, 2008, providing that the 20 day weighted average trading price is at least \$3.50.

On the date of issue, the debentures were allocated into a \$2,883,060 liability component and a \$116,940 equity component.

Management considered the convertible debentures to be good long-term sources of capital, which could be issued at a lower cost than Unit equity. The Series A debentures have a \$2.55 conversion price compared to the closing market price for Whiterock's Units of \$2.70 at December 31, 2005. It is management's expectation that these debentures will be converted by Unitholders into equity prior to their maturity if the price of Whiterock's Units continues above \$2.50.

UNITHOLDERS' EQUITY

Unitholders' equity at December 31, 2005 consists of the following:

Trust units	\$39,401,889
Unit options	499,299
Warrants	75,400
Equity component of convertible debentures	1,019,747
Cumulative earnings	(660,953)
Cumulative distributions to unitholders	(2,117,347)
	\$38,218,035

Trust units

In total, Whiterock raised gross proceeds from the issuance of unit equity in 2005 of \$43.1 million. The issuance of 19.8 million units, as part of the IPO and by way of private placements, accounted for approximately 43.0 million of this amount. Approximately \$0.1 million arose from the exercise of approximately 0.2 million unit options. The offering price of the units increased through the year from \$1.00 to \$2.50.

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 for 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 \$38.0 million, and acquired a commercial retail building at 655 University Avenue in Charlottetown, Prince Edward Island.

The trust units and Series A convertible debentures were listed for trading on the TSX Venture Exchange on July 4, 2005.

In March 2006, Whiterock received conditional approval to move its listing from the TSX Venture Exchange to the Toronto Stock Exchange.

A summary of units issued in 2005 follows:

	Units	\$
Units outstanding, beginning of period ⁽¹⁾	700,000	\$350,000
Units Issued		
Public offering	11,628,000	25,000,200
Private placements	8,177,839	17,969,597
Unit option plan	152,050	152,050
Value associated with unit option grants exercised		47,074
Unit issue costs		(4,117,032)
Units outstanding, end of period	20,657,889	\$39,401,889

(1) Adjusted to reflect the impact of the five for one consolidation as noted below.

In 2004, CPII Inc., a predecessor company of Whiterock issued 3,500,000 shares for gross proceeds of \$350,000. On June 28, 2005, pursuant to a Plan of Arrangement approved by CPII Inc. shareholders, there was a five for one consolidation of these shares into 700,000 units outstanding. The beginning-of-period amounts above have been adjusted to reflect the impact of the five for one consolidation.

Included in unit issue costs for the year ended December 31, 2005 is \$526,037 related to the value associated with unit option grants issued in connection with the Trust's public offering and private placements.

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 is limited to 10% of the total number of issued and outstanding units. The Trustees 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 have a maximum term of five years from the date of grant.

Unit options with a Black-Scholes calculated value of \$499,299 were outstanding at December 31, 2005. Details of unit options granted follow:

	Unit Options	Weighted Average Exercise Price
Outstanding, December 31, 2004	-	\$ -
Granted	1,845,000	\$ 2.12
Exercised	(152,050)	\$ 1.00
Outstanding, December 31, 2005	1,692,950	\$ 2.22
Options vested, December 31, 2005	1,292,950	\$ 2.19
Weighted average remaining life (years)	4.6	

The objective of granting options is to encourage the holder to acquire an ownership interest over a period of time which acts as a financial incentive for the holder to consider the long-term interest of Whiterock and its unitholders. It also serves as non-cash compensation, which conserves the cash resources of Whiterock during its initial period of operations.

Warrants

On March 9, 2005, CPII Inc. completed a private placement for 3,250,000 CPII shares. Each CPII Inc. 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 warrants represent a means of conserving the cash resources of Whiterock during its initial period of operations.

The Black-Scholes calculated value of warrants outstanding at December 31, 2005 was \$75,400. No warrants were exercised in 2005.

CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The maximum number of Units that would be outstanding if all convertible securities were to be converted is as follows:

	December 31, 2005	March 24, 2006
Units outstanding	20,657,889	20,767,339
Unit options	1,692,950	1,892,500
Warrants	325,000	216,000
Convertible debentures		
Series A	5,098,039	5,098,039
Series B	3,000,000	3,000,000
Series C	1,000,000	1,000,000
	31,773,878	31,973,878

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 equity raises 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 year-to-date were greater than its inflows as it only actively began operations on June 28, 2005 and had not fully invested in properties at an appropriate leverage ratio.

In the fourth quarter, as funds continued to be invested in properties, cash flow from operating activities turned modestly positive. At December 31, 2005, Whiterock's cash balance was approximately \$29.3 million. In 2006, cash flow is expected to increase as additional properties are acquired and the proceeds of the December equity financing are invested in properties.

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.

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.

Whiterock expects to meet all of its ongoing obligations.

See "Investment Activities" for further disclosure on three properties under conditional sales agreements.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to the audited Consolidated Financial Statements. Management believes the policies that are most subject to estimation and management's judgment are outlined below.

Income Property Acquisitions

Management is required to allocate the purchase price of income property acquisitions to land, building and improvements, tenant inducements and intangible assets such as lease origination costs and the value of tenant relationships. Management uses estimates and judgment to determine the following:

- The fair value of land as of the acquisition date;
- The value of the replacement cost of buildings and improvements as of the acquisition date based on prevailing construction costs for buildings of a similar class and age;
- The value of deferred leasing costs, including tenant improvements associated with in-place leases based on estimates of prevailing tenant allowances, taking into account the condition of tenants' premises and remaining lease term;
- The value of lease origination costs, including leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period, based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions;
- The value ascribed to above and below market in-place leases based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents;

- The value of tenant relationships, based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew; and
- The fair value of debt assumed on acquisition by reference to market interest rates.

Such estimates of fair values and market interest rates could vary and affect reported financial results.

Amortization of Income Properties

Buildings and improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based on management's estimates. If the allocation to the building is inappropriate or the estimated useful lives of the buildings prove to be incorrect, the computation of amortization will not be appropriately reflected over future periods.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, together with other management, have evaluated, as of December 31, 2005, the effectiveness of Whiterock's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that Whiterock's disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating to Whiterock (and its subsidiary entities) would have been made known to them.

RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are outlined below

Public Market Risk

It is not possible to predict the price at which Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the properties of Whiterock. Accordingly, the Units may trade at a premium or a discount to the value implied by the value of the properties of Whiterock. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Whiterock.

General Risks Associated with Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Whiterock's financial performance would be adversely affected if its tenants were to become unable to meet their obligations under their leases. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Whiterock than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and costs to protect Whiterock's investment may be incurred. Furthermore, at any time, a tenant of any of Whiterock's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby adversely affect the financial performance of Whiterock.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income.

Lease Maturities Risk Management

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 4.5% to 8.7% of the annualized gross rent in Whiterock's portfolio. Whiterock's lease maturity profile at December 31, 2005 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Total Revenue
2006	62,802	5.4%	4.5%
2007	69,487	6.0%	6.0%
2008	60,709	5.2%	4.5%
2009	98,785	8.5%	8.7%
2010	67,757	5.8%	6.6%
2011	128,969	11.1%	12.0%
2012	27,860	2.4%	3.4%
2013	29,906	2.6%	3.1%
2014	0	0.0%	0.0%
2015	590,122	50.8%	51.2%
Thereafter	0	0.0%	0.0%
Total / Average	1,136,397	97.8%	100.0%
Vacant	25,730	2.2%	0.0%
	1,162,127	100.0%	100.0%

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Whiterock's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Whiterock were to liquidate a real property investment, the proceeds might be significantly less than the aggregate carrying value of such property.

Debt Financing Risk

Whiterock has outstanding indebtedness and intends to incur additional indebtedness in the future, including by way of additional mortgage loans and may include additional debentures and/or a revolving line of credit. A portion of the cash flow generated by properties owned by Whiterock will be devoted to servicing such debt and there can be no assurance that Whiterock will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the debt.

The property mortgage indebtedness and, when arranged, a revolving line of credit, will be senior to the indebtedness under Whiterock's convertible debentures.

Whiterock is subject to the risks associated with debt financing, including the risk that any mortgages and credit facilities secured by properties of Whiterock will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In addition, if Whiterock were to fail to meet its obligations under its mortgage indebtedness or revolving line of credit, distributions to Whiterock may be affected, which in turn may affect distributions to Unitholders or the repayment of indebtedness under the debentures.

In order to minimize this risk, Whiterock attempts to appropriately structure the timing of significant tenant lease renewals on the respective property in relation to the time at which mortgage indebtedness on such property becomes due for refinancing.

Credit Risk

Whiterock may experience loss due to failure of a tenant to fulfill the obligation of required payments. Also, there is a risk that current tenants will be unable or unwilling to fulfill their lease term commitments. To mitigate this risk, Whiterock will endeavor to acquire additional properties in order to diversify its investments and to target acquisitions with tenants having good credit profiles.

The following table summarizes the top five tenants of Whiterock at December 31, 2005, which together represents 66.3% of Whiterock's annualized revenues from its income property portfolio at December 31, 2005.

Tenant	Rank	Square Feet	% of Total Revenues
SIQ (Quebec government agency)	1	493,575	48.9%
Crown Investment Corporation	2	59,878	6.8%
Helly Hansen	3	115,773	5.4%
Monteco Holdings	4	45,600	2.7%
Staples/Business Depot	5	26,043	2.5%
Total: Top 5 Tenants		740,869	66.3%

Management believes that the high credit rating of its provincial Government tenants helps mitigate credit risk for Whiterock.

Competition

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties will compete with Whiterock in seeking properties. The existence of competing developers and owners could have an adverse effect on Whiterock's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to Whiterock at fair prices or at all.

General Uninsured Losses

Whiterock carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, Whiterock could lose its investment in, and anticipated profits and cash flows from, its properties and Whiterock would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Interest Rate Fluctuations and Financing Risk

Whiterock's financing may include indebtedness with interest rates based on variable interest rates that result in fluctuations in Whiterock's cost of borrowing. Whiterock will be required to refinance its debt from time to time and, if new debt has less favourable terms or if such refinancing cannot be obtained, there is a potential negative impact on Whiterock's cash available for distribution. At December 31, 2005, 86.8% of Whiterock's debt was at fixed rates.

Environmental Matters

As an owner of real property, Whiterock will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Whiterock could be

liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Whiterock's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against Whiterock. Management is not aware of any material non-compliance with environmental laws with respect to its income properties. Moreover, Whiterock is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with its properties.

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. Series 2 Notes or Series 3 Notes which may be distributed *in specie* to holders of Units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities and such securities may be subject to an indefinite "hold period" or other resale restriction under applicable securities laws. Series 2 Notes and Series 3 Notes so distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with a distribution of a Series 2 Note or Series 3 Note *in specie* to holders of Units in connection with a redemption of Units.

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Whiterock in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$20,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and (iii) the trading of the Units has not been suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day period commencing immediately after the redemption date.

Lack of Availability of Growth Opportunities

Whiterock's business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If Whiterock is unable to find suitable growth opportunities or manage its growth effectively, its business, operating results, financial condition and distributions may be adversely affected.

There can be no assurance that Whiterock consistently will be able to acquire assets on an accretive basis or that distributions from Whiterock to Unitholders will increase.

Diversification Risk

While Whiterock's investment strategy is to acquire properties in order to obtain its investment objectives, the portfolio of Whiterock is currently comprised of a limited number of properties. The value of the Units and the ability of Whiterock to fund distributions are dependent on the ability of Whiterock to derive income from these properties.

Reliance on Anchor or Single Tenant Properties

Retail shopping centres have traditionally relied upon anchor tenants and therefore an investment in retail shopping centres is subject to the risk that such anchor tenants may move out of the property or default on their obligations under their leases.

Certain of Whiterock's properties have only a single tenant or a limited number of tenants and in the event that the tenant defaults on payment obligations under its lease, there will be a negative effect on Whiterock. Whiterock's largest tenant is SIQ, a Quebec government agency. Its top five tenants are identified under "Credit Risk".

Potential Unitholder Liability

Recourse for any liability of Whiterock is intended to be limited to the assets of Whiterock. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Whiterock or its Trustees.

Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of Whiterock (to the extent that claims are not satisfied by Whiterock) in respect of contracts entered into and for certain liabilities arising other than out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Whiterock's operations to be conducted in such a way as to minimize such risk, including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Whiterock contain an express disavowal of liability against the Unitholders.

However, in conducting its affairs, Whiterock acquires real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations under existing mortgages and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Whiterock may not be able to obtain such modifications in all cases. To the extent that claims are not satisfied by Whiterock, there is a risk that a Unitholder or an annuitant will be held personally liable for obligations of Whiterock where the liability is not disavowed as described above.

Potential Conflicts of Interest

There are potential conflicts of interest which the Trustees and officers of Whiterock will be subject to in connection with the operations of Whiterock. Jason Underwood and Paul Simcox are directors and officers of Whiterock Capital, which intends to engage in a wide range of real estate and other business activities, including the development and management of real estate. Arni Thorsteinson is a director and officer of Shelter, which is engaged in a wide range of real estate and other business activities, including the development and management of real estate.

Arni Thorsteinson is also a trustee and the Chief Executive Officer of Lanesborough Real Estate Investment Trust, which is a real estate investment trust whose investment strategy is primarily focused on investing in multi-family residential properties. Mr. Thorsteinson is also a trustee and the President and Chief Executive Officer of Huntingdon Real Estate Investment Trust, which is a real estate investment trust whose investment strategy is focused on investing in properties other than multi-family residential properties. Whiterock Capital and Shelter and their respective affiliates and associates and their respective directors and officers, including Mr. Underwood, Mr. Simcox and Mr. Thorsteinson, may become involved in transactions in which their interests actually, or are perceived to, conflict with the interests of Whiterock. Such conflicts will be subject to the procedures and remedies similar to those provided under the Canada Business Corporations Act (“CBCA”), except as otherwise disclosed herein.

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on Whiterock. As the Trustees may be engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA that require each Trustee to disclose to Whiterock any interest in a material contract or transaction or proposed material contract or transaction with Whiterock (or an Affiliate of Whiterock). A Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction except in limited circumstances such as where the contract or transaction is one for indemnity under the provisions of the Declaration of Trust or liability insurance. Each of Jason Underwood and Paul Simcox has disclosed in writing that he has an interest in any contract or transaction or proposed contract or transaction with Whiterock Capital and its Affiliates, including the Services Agreement and the Asset Management Agreement. Arni Thorsteinson has disclosed in writing that he has an interest in any contract or transaction or proposed contract or transaction with Shelter and its Affiliates, including the Shelter Agreement.

The Declaration of Trust further provides that the Manager, a Property Manager, the Trustees and officers of the Trust (and their respective Affiliates and Associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, manager or property manager of other trusts or portfolios) in real estate investments and other activities identical or similar to and competitive with the activities of the Trust and its Subsidiaries. The Declaration of Trust further provides that neither the Manager, a Property Manager, a Trustee or officer of the Trust, nor any of their respective Affiliates or Associates (or their respective directors and officers) shall incur or be under any liability to the Trust, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.

Shelter and/or Mr. Thorsteinson have granted a number of rights to other parties which may conflict with interests of Whiterock. Shelter has entered into a letter agreement dated January 30, 2004 with Lanesborough Real Estate Investment Trust pursuant to which Shelter has, subject to limited exceptions, granted a right of first refusal to Lanesborough Real Estate Investment Trust with respect to any multi-family residential properties which are presented to Shelter or which Shelter has secured as potential investments.

Shelter and Mr. Thorsteinson have also entered into a right of first refusal agreement dated July 20, 2004 pursuant to which Shelter and Mr. Thorsteinson granted to the Manitoba Property Fund Limited Partnership (subject to the prior right of Lanesborough Real Estate Investment Trust with respect to multi-family residential properties set forth the above) a right

of first refusal with respect to all commercial, multi-family residential or mixed properties located within certain boundaries in the City of Winnipeg which are presented or made available for sale (in whole or in part) to Shelter or one or more of its Affiliates or in which Shelter or one or more of its Affiliates has the opportunity to purchase or invest in, directly or indirectly.

Shelter and Mr. Thorsteinson have also publicly disclosed that they intend to refer to Huntingdon REIT all potential properties other than: (a) multi-family residential properties (which they are required to first refer to Lanesborough Real Estate Investment Trust); and (b) properties subject to the right of first refusal in favour of the Manitoba Property Fund Limited Partnership.

Relationship with Whiterock Capital

The financial performance of Whiterock will depend in part on the performance of Whiterock Capital. Whiterock Capital is the Manager of Whiterock pursuant to the Services Agreement and the Asset Manager of WR Trust pursuant to the Asset Management Agreement.

Availability of Cash Flow

Distributable Income may exceed actual cash available to Whiterock from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Whiterock may be required to use part of its debt capacity or reduce distributions to Unitholders in order to accommodate such items.

Fluctuations in Cash Distributions

A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk and the return on an investment in Units is based on many performance assumptions. Although Whiterock intends to make cash distributions, the actual amount distributed in respect of Units will depend on numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and other factors that may be beyond the control of Whiterock. In addition, the market value of the Units may decline if Whiterock is unable to provide a satisfactory return to Unitholders.

Market Price of Units

One of the factors that may influence the market price of the Units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of Units to expect a higher annual yield, which could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the market for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of Whiterock.

Legal Rights attaching to Units

As a holder of Units, a Unitholder will not have all of the statutory rights normally associated with the ownership of shares in a corporation including, for example, the right to bring “oppression” or “derivative” actions against Whiterock. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, Whiterock will not be a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Failure to Obtain Additional Financing

Whiterock may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. In addition, upon the expiry of the term of financing or refinancing of any particular property owned by Whiterock, refinancing may not be available in amounts required or may be available only on terms less favourable to Whiterock than existing financing. Future financing may take many forms, including debt or equity financing which could alter Whiterock’s debt-to-equity ratio or which could be dilutive to Unitholders.

Dilution

The number of Units that Whiterock is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units which may have a dilutive effect on Unitholders.

Reliance on Key Personnel

The success of Whiterock is highly dependent on the services of certain management personnel, including Jason Underwood and Paul Simcox. The loss of the services of such personnel could have an adverse effect on Whiterock.

Changes in Legislation

There can be no assurance that income tax laws will not be changed in a manner that will adversely affect Whiterock or its Unitholders.

Failure to Obtain or Maintain Mutual Fund Trust Status

If Whiterock ceases to qualify as a mutual fund trust for the purposes of the Income Tax Act, the Units and Debentures will not be qualified investments for registered retirement savings plans and other similar plans (“Plans”), which will have adverse consequences to such Plans and/or their annuitants or beneficiaries. The Income Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Investors should consult their own professional advisors as to the tax consequences to them in the event that Whiterock were not to qualify as a mutual fund trust.

Other Tax Related Risk Factors

The extent to which distributions will be tax deferred in the future will depend on the extent to which Whiterock can shelter its taxable income by claiming capital cost allowances and other available deductions.

There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and/or assessing practices of Canada Revenue Agency) and/or the treatment of mutual fund trusts will not be changed in a manner which would adversely affect Unitholders.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Any Series 2 Note or Series 3 Note or other property distributed to a Unitholder on an *in specie* redemption of Units may not be a qualified investment for Plans and may also be foreign property under the Tax Act.

Interest on the Series 1 Notes accrues for income tax purposes whether or not actually paid. As the Declaration of Trust provides that Whiterock shall, subject to the Trustees resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate Whiterock's liability for tax under Part I of the Tax Act, where the amount of net income and net realized capital gains of Whiterock in a taxation year exceeds the cash available for distribution in the year (including, for instance, where interest payments on the Series 1 Notes are due but not paid in whole or in part during such year), such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.