



Consolidated Financial Statements
March 31, 2007
(unaudited)

**WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS**

	Note	March 31, 2007 (unaudited)	December 31, 2006
Assets			
Income properties	3	\$ 343,423,753	\$ 339,543,719
Deferred charges	4	17,710,396	17,599,205
Intangible assets	5	22,518,463	22,844,369
		383,652,612	379,987,293
Other assets	6	6,844,763	9,685,146
Cash		5,477,014	9,298,240
		\$ 395,974,389	\$ 398,970,679
Liabilities and Equity			
Mortgages payable	7	\$ 244,674,488	\$ 247,285,884
Acquisition facility	8	7,313,584	3,600,000
Accounts payable and accrued liabilities	9	19,623,930	18,938,601
Convertible debentures	10	46,174,337	48,893,755
		317,786,339	318,718,240
Unitholders' Equity		78,188,050	80,252,439
		\$ 395,974,389	\$ 398,970,679

See accompanying notes to the interim consolidated financial statements

Approved by the Board of Trustees

"Jason Underwood"

Trustee

"Paul Simcox"

Trustee

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME

(unaudited)	Note	Three months ended March 31,	
		2007	2006
Revenue			
Income property rentals	14	\$ 11,874,581	\$ 5,001,941
Interest income		91,437	183,202
		11,966,018	5,185,143
Expenses			
Property operating costs		4,806,929	1,864,988
Interest	15	4,258,175	2,123,406
General and administrative expenses	16	610,020	436,625
Asset management and management services fees	17	-	103,336
Amortization	18	2,827,996	1,149,760
		12,503,120	5,678,115
Income (loss) from continuing operations		(537,102)	(492,972)
Income from discontinued operations	20	312,545	-
Net income (loss) and comprehensive income		\$ (224,557)	\$ (492,972)
Basic and diluted net income (loss) per unit			
Continuing operations	21	\$ (0.05)	\$ (0.10)
Discontinued operations		0.03	-
Basic and diluted		\$ (0.02)	\$ (0.10)

See accompanying notes to the interim consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(unaudited)	Note	Three months ended March 31,	
		2007	2006
Units			
	11		
Balance, beginning of period		\$ 94,226,033	\$ 39,401,889
Issuance of units		912,686	147,600
Value associated with unit options exercised		-	126
Value associated with warrants exercised		5,220	25,288
Unit issue costs		(21,090)	(6,398)
Balance, end of period		95,122,849	39,568,505
Unit Options			
	12		
Balance, beginning of period		840,738	499,299
Value associated with unit options vested		20,901	69,048
Value associated with unit options exercised		-	(126)
Balance, end of period		861,639	568,221
Warrants			
	13		
Balance, beginning of period		320,020	75,400
Value associated with warrants exercised		(5,220)	(25,288)
Balance, end of period		314,800	50,112
Equity Component of Convertible Debentures			
	10		
Balance, beginning of period		2,335,991	1,019,747
Equity component of convertible debentures converted		(12,592)	-
Balance, end of period		2,323,399	1,019,747
Cumulative Earnings and Accumulated Comprehensive Earnings			
Balance, beginning of period		(7,509,446)	(660,953)
Transition amount to conform to new accounting policy	2	65,150	-
Income (loss)		(224,557)	(492,972)
Balance, end of period		(7,668,853)	(1,153,925)
Cumulative Distributions to Unitholders			
Balance, beginning of period		(9,960,897)	(2,117,347)
Distributions to unitholders		(2,804,887)	(1,452,168)
Balance, end of period		(12,765,784)	(3,569,515)
Total Unitholders' Equity		\$ 78,188,050	\$ 36,483,145
Units Issued and Outstanding	11	9,945,026	5,191,835

See accompanying notes to the interim consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Note	Three months ended March 31,	
		2007	2006
Cash provided by (used in) operating activities			
Income (loss) from continuing operations		\$ (537,102)	\$ (492,972)
Items not affecting cash			
Amortization	18	2,827,996	1,149,760
Deferred finance cost amortization			
- mortgages payable		52,507	45,140
Deferred finance cost amortization			
- acquisition facility		106,052	-
Deferred finance cost amortization			
- convertible debentures		128,331	124,376
Implicit interest rate in excess of coupon			
rate - convertible debentures		100,686	49,342
Non-cash compensation expense		20,901	69,048
Non-cash management services fees	17	-	103,336
Deferred revenue		1,711	-
Accrued rental revenue recognized			
on a straight-line basis		(386,064)	(73,920)
Above and below market lease amortization		(331,759)	(352,731)
		1,983,259	621,379
Changes in non-cash operating items		145,808	(212,060)
		2,129,067	409,319
Cash provided by (used in) financing activities			
Mortgage principal repayments		(669,949)	(233,177)
Issue of units	11	30,375	147,600
Mortgage financing costs		(15,895)	(528,286)
Acquisition facility financing costs		(3,500)	-
Unit issue costs		(4,010)	(6,398)
Distributions to unitholders		(2,696,701)	(1,452,168)
		(3,359,680)	(2,072,429)
Cash provided by (used in) investing activities			
Income properties acquired	3	(1,913,462)	(17,995,680)
Leasing costs and capital expenditures		(218,424)	(116,470)
Furniture and equipment		-	(57,347)
		(2,131,886)	(18,169,497)
Change in cash - Continuing operations		(3,362,499)	(19,832,607)
Change in cash - Discontinued operations	20	(458,727)	-
Cash, beginning of period		9,298,240	29,281,723
Cash, end of period		\$ 5,477,014	\$ 9,449,116
Supplementary cash flow information			
Cash interest paid	15	\$ 3,907,336	\$ 1,530,920

See accompanying notes to the interim consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007 and 2006 (unaudited)

1. Organization and Basis of Presentation

Whiterock Real Estate Investment Trust (“Whiterock” or “the Trust”) is an open-ended real estate investment trust which was created under a Declaration of Trust on May 17, 2005. CPII Inc. was incorporated under the Canada Business Corporations Act on December 8, 2004. Whiterock acquired all the assets of CPII Inc. on June 28, 2005 in return for its Units pursuant to a Plan of Arrangement approved by CPII Inc. shareholders.

2. Significant Accounting Policies

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The accounting principles used in these interim consolidated financial statements are consistent with those used in Whiterock’s December 31, 2006 and 2005 annual consolidated financial statements, except as noted below. These interim consolidated financial statements do not include all of the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2006 and 2005 annual consolidated financial statements.

Changes to Significant Accounting Policies

The CICA has issued three new standards: Comprehensive Income – Handbook Section 1530; Financial Instruments, Recognition and Measurement – Handbook Section 3855; and Hedges – Handbook Section 3865, which were adopted by the Trust on January 1, 2007.

(i) Comprehensive income, CICA Handbook Section 1530

This standard provides for new disclosure of Other Comprehensive Income (“OCI”), to be included in the consolidated financial statements. OCI generally includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Trust’s consolidated financial statements includes a consolidated statement of income (loss) and comprehensive income while the cumulative amount and accumulated other comprehensive income (“AOCI”), is disclosed in the statement of unitholders’ equity.

(ii) Financial instruments – recognition and measurement, CICA Handbook Section 3855

This standard provides guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments are recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net earnings, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are required to be recognized in OCI.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

The standard permits the Trust to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

The standard specifically excludes Section 3065, Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract.

Upon adoption of the new standard, the Trust designated cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Mortgages payable, convertible debentures, acquisition facility payable, and accounts payable, net of transaction costs, have been classified as other financial liabilities and are measured at amortized cost using the effective interest method.

(iii) Hedges, CICA Handbook Section 3865

This standard specifies the criteria under which hedge accounting is applied and how hedge accounting should be executed for each of the permitted hedging strategies including fair value hedges and cash flow hedges.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective as defined by the standard ("effective"), is offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in OCI. The ineffective portion as defined by the standard ("ineffective") is recognized in net income. The amounts recognized in AOCI are reclassified to net income in those periods in which net income is affected by the variability in the cash flows of the hedged item.

(iv) Impact of adopting CICA Handbook Sections 1530, 3855 and 3865

In accordance with the transitional provisions of the respective standards, these changes were adopted retroactively without restatement effective January 1, 2007. The impact of these changes in accounting policies was to change the method of amortization of the deferred financing costs to the effective interest rate method from straight-line, which increased cumulative earnings and accumulated comprehensive earnings by \$65,150; and to reclassify deferred financing costs of \$5,007,203 from other assets to net against the relevant host contract within the liability portion of the consolidated balance sheet.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

3. Income Properties

	March 31, 2007	December 31, 2006
Land	\$ 44,822,455	\$ 43,934,455
Buildings and improvements	260,792,616	256,050,374
	305,615,071	299,984,829
Accumulated amortization	(6,296,863)	(4,666,019)
	299,318,208	295,318,810
Discontinued operations (note 20)	44,105,545	44,224,909
	\$ 343,423,753	\$ 339,543,719

During the three months ended March 31, 2007, the Trust acquired an interest in one retail centre for \$6.6 million including closing costs, which was financed in part by a \$4.2 million draw on the Trust's acquisition facility.

During the three months ended March 31, 2006, the Trust acquired an interest in two office properties for \$38.6 million including closing costs, financed in part by \$25.7 million of fixed rate mortgages. Two retail centres were also acquired for \$21.3 million including closing costs, and were financed in part by \$16.2 million of fixed rate mortgages.

The net assets acquired and consideration provided at the time of acquisition were as follows:

	Three months ended March 31,	
	2007	2006
Income properties - Land	\$ 888,000	\$ 5,394,484
Income properties - Building and improvements	4,587,320	44,944,611
Deferred charges - Tenant inducements	587,835	3,787,905
Intangible assets - Lease origination costs	349,826	4,004,989
Intangible assets - Tenant relationships	204,019	2,575,691
Intangible assets - Above market rents	-	22,851
Accounts payable and accrued liabilities - Below market rents	-	(834,851)
	\$ 6,617,000	\$ 59,895,680
Consideration provided:		
Mortgage financing	\$ -	\$ 41,900,000
Acquisition facility financing	4,200,000	-
Purchase price holdback	503,538	-
Cash	1,913,462	17,995,680
	\$ 6,617,000	\$ 59,895,680

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

4. Deferred Charges

	March 31, 2007	December 31, 2006
Tenant inducements on acquisitions	\$ 13,590,065	\$ 13,002,230
Leasing costs	4,177,888	4,114,386
	17,767,953	17,116,616
Accumulated amortization		
Tenant inducements on acquisitions	(1,626,007)	(1,184,976)
Leasing costs	(191,153)	(124,461)
	(1,817,160)	(1,309,437)
	15,950,793	15,807,179
Discontinued operations (note 20)	1,759,603	1,792,026
	\$ 17,710,396	\$ 17,599,205

5. Intangible Assets

	March 31, 2007	December 31, 2006
Lease origination costs	\$ 12,497,887	\$ 12,148,061
Tenant relationships	7,779,062	7,575,043
Above market rents on acquisitions	1,565,218	1,565,218
	21,842,167	21,288,322
Accumulated amortization		
Lease origination costs	(1,386,521)	(971,660)
Tenant relationships	(875,954)	(613,039)
Above market rents on acquisitions	(294,247)	(158,997)
	(2,556,722)	(1,743,696)
	19,285,445	19,544,626
Discontinued operations (note 20)	3,233,018	3,299,743
	\$ 22,518,463	\$ 22,844,369

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

6. Other Assets

	March 31, 2007	December 31, 2006
Prepaid expenses and other assets	\$ 4,226,700	\$ 2,700,031
Properties under option	-	339,048
Amounts receivable	673,338	627,837
Straight line rent receivable	1,080,333	694,269
Deferred financing costs (note 2(iv))	-	5,631,616
	5,980,371	9,992,801
Deferred financing costs - Accumulated amortization (note 2(iv))	-	(863,483)
	5,980,371	9,129,318
Discontinued operations (note 20)	864,392	555,828
	\$ 6,844,763	\$ 9,685,146

7. Mortgages Payable

Mortgages payable are secured by income properties.

	March 31, 2007	December 31, 2006
Continuing operations	\$ 214,827,665	\$ 215,497,614
Discontinued operations (note 20)	31,636,468	31,788,270
Mortgage liability	246,464,133	247,285,884
Continuing operations	(1,771,916)	-
Discontinued operations (note 20)	(263,909)	-
Deferred financing fees	(2,035,825)	-
Continuing operations	228,994	-
Discontinued operations (note 20)	17,186	-
Deferred financing fees - Accumulated amortization	246,180	-
	\$ 244,674,488	\$ 247,285,884

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

The fixed and floating components of the mortgages are as follows:

	March 31, 2007	December 31, 2006
Fixed rate	\$ 204,006,065	\$ 204,616,689
Floating rate	10,821,600	10,880,925
	214,827,665	215,497,614
Discontinued operations - Fixed Rate	31,636,468	31,788,270
	\$ 246,464,133	\$ 247,285,884

Fixed rate financing bears interest at a weighted average fixed rate of 5.4%, excluding mortgages relating to discontinued operations. Floating rate financing bears interest at floating rates determined by reference to 30 day Bankers Acceptance rates plus a spread of 225 basis points.

Principal repayments of mortgages payable outstanding as of March 31, 2007 are as follows:

	Scheduled Amortization	Balloon Payments	Total
2007	\$ 2,030,575	\$ 10,674,185	\$ 12,704,760
2008	2,635,118	4,500,000	7,135,118
2009	2,784,647	-	2,784,647
2010	2,986,859	12,716,598	15,703,457
2011	3,539,112	-	3,539,112
2012	4,487,337	-	4,487,337
Thereafter	27,869,449	140,603,785	168,473,234
	46,333,097	168,494,568	214,827,665
Discontinued operations (note 20)	7,000,958	24,635,510	31,636,468
	\$ 53,334,055	\$ 193,130,078	\$ 246,464,133

8. Acquisition Facility

On April 28, 2006, Whiterock entered into an 8.5% revolving \$23.5 million acquisition facility with a third party provider, maturing in May 2008. Effective July 31, 2006, the maximum amount available to be drawn under the facility was increased to \$45 million. As consideration for the facility, as amended, Whiterock issued 125,000 warrants with a \$13.76 exercise price and 90,500 warrants with a \$14.20 exercise price (note 13), with a term of 5 years. At March 31, 2007, all warrants are exercisable.

In addition, Whiterock issued at the time of the initial draw under the facility, as additional compensation, 9,811 Units to the lender, and issued an additional 9,811 Units when cumulative draws under the facility totaled \$15 million.

The Trust has guaranteed that the gross proceeds received by Kimco from the Units and Warrants will at least equal \$450,000 in certain circumstances, including upon disposition of the Units and Warrants and on termination of the agreement. The total gross proceeds receivable by Kimco from the Units and Warrants based on the March 31, 2007 closing unit price of \$13.96 is \$298,923, resulting in an unrecorded guarantee amount of \$151,077.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

The acquisition facility, net of financing costs, is as follows:

Outstanding balance - December 31, 2006	\$ 3,600,000
Draw on acquisition	4,200,000
Outstanding balance - March 31, 2007	7,800,000
Deferred financing fees	(838,310)
Deferred financing fees - Accumulated amortization	351,894
	(486,416)
	\$ 7,313,584

As at March 31, 2007, \$7.8 million was outstanding under the acquisition facility. On April 13, 2007, the revolving acquisition facility was repaid in full (note 25).

9. Accounts Payable and Accrued Liabilities

	March 31, 2007	December 31, 2006
Below market rents on acquisitions	\$ 10,175,273	\$ 10,175,273
Accrued acquisition and management services fees (note 17)	-	687,782
Accrued mortgage, acquisition facility, and debenture interest	1,867,339	1,433,523
Security deposits	386,834	431,621
Purchase price holdback (note 3)	503,538	-
Distributions payable	949,060	19,201
Other accounts payable and accrued liabilities	5,877,999	5,634,515
	19,760,043	18,381,915
Accumulated Amortization		
Below market rents on acquisitions	(2,209,737)	(1,742,728)
	17,550,306	16,639,187
Discontinued operations (note 20)	2,073,624	2,299,414
	\$ 19,623,930	\$ 18,938,601

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

10. Convertible Debentures

As at March 31, 2007, the Trust has four series of convertible debentures outstanding.

	Principal (\$)	Interest rate	Conversion Price	Interest Payable	Maturity
Series A	13,000,000	8.0%	\$10.20 per unit	semi-annually	June 28, 2010
Series C	3,000,000	9.0%	\$12.00 per unit	quarterly	December 21, 2010
Series D	10,000,000	7.5%	\$15.00 per unit	semi-annually	July 31, 2011
Series E	25,000,000	6.3%	\$13.75 per unit	semi-annually	December 31, 2011

The convertible debentures were allocated into their liability and equity components on the date of issuance as follows:

	Series A	Series B	Series C	Series D	Series E	Total
Liability	\$ 12,328,078	\$ 8,769,115	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 57,433,124
Equity	671,922	230,885	116,940	435,744	1,111,385	2,566,876
Principal on issuance	13,000,000	9,000,000	3,000,000	10,000,000	25,000,000	60,000,000
Conversion of debentures	-	(900,000)	-	-	-	(900,000)
Redemption of debentures	-	(8,100,000)	-	-	-	(8,100,000)
Principal - December 31, 2006	13,000,000	-	3,000,000	10,000,000	25,000,000	51,000,000
Conversion of debentures	-	-	(323,000)	-	-	(323,000)
Principal - March 31, 2007	\$ 13,000,000	\$ -	\$ 2,677,000	\$ 10,000,000	\$ 25,000,000	\$ 50,677,000

The accretion of the liability component of the convertible debentures, which increases the liability component from the initial allocation on the date of issuance, is included in interest expense.

	Series A	Series B	Series C	Series D	Series E	Total
Liability, December 31, 2005	\$ 12,383,116	\$ 8,772,416	\$ 2,883,612	\$ -	\$ -	\$ 24,039,144
Issuance of debentures	-	-	-	9,564,256	23,888,615	33,452,871
Implicit interest rate in excess of coupon rate	115,501	41,813	18,458	27,463	12,734	215,969
Conversion of debentures	-	(888,531)	-	-	-	(888,531)
Redemption of debentures	-	(7,925,698)	-	-	-	(7,925,698)
Liability - December 31, 2006	12,498,617	-	2,902,070	9,591,719	23,901,349	48,893,755
Implicit interest rate in excess of coupon rate	31,112	-	4,732	18,412	46,430	100,686
Conversion of debentures	-	-	(312,456)	-	-	(312,456)
Liability - March 31, 2007	12,529,729	-	2,594,346	9,610,131	23,947,779	48,681,985
Deferred financing fees	(1,263,391)	-	(185,065)	(237,708)	(1,335,711)	(3,021,875)
Deferred financing fees - Accumulated amortization	379,439	-	35,332	26,188	73,268	514,227
Balance - March 31, 2007	\$ 11,645,777	\$ -	\$ 2,444,613	\$ 9,398,611	\$ 22,685,336	\$ 46,174,337

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

Series A

On June 28, 2005, the Trust issued 8% redeemable 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 \$10.20.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from June 29, 2007 and until June 28, 2009, providing that the 20-day weighted average trading price of the Units is at least \$15.30 and, after June 28, 2009, providing that the 20-day weighted average trading price is at least \$12.75.

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 quarterly 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 \$12.00.

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 \$13.00 and, after June 21, 2008, providing that the 20-day weighted average trading price is at least \$14.00.

In the three months ended March 31, 2007, \$323,000 debentures (2006 – nil) were converted into 26,914 units.

Series D

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the amount of \$10,000,000 with interest payable semi-annually and which mature on July 31, 2011. The debentures are convertible at the request of the holder after July 31, 2007, subject to certain terms and conditions at a conversion price per unit of \$15.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from July 31, 2009 and until July 14, 2010, providing that the 20-day weighted average trading price of the Units is at least \$18.75 and, after July 14, 2010, at their principal amount.

Series E

On December 8, 2006, the Trust issued 6.3% redeemable subordinated unsecured convertible debentures in the amount of \$25,000,000 with interest payable semi-annually and which mature on December 31, 2011. The debentures are convertible at the request of the holder, subject to certain terms and conditions at a conversion price per unit of \$13.75.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 31, 2009 and prior to December 31, 2010, providing that the 20-day weighted average trading price of the Units is at least \$17.19 and, after December 30, 2010, at their principal amount.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

11. Units

	2007		2006	
	Units	\$	Units	\$
Issued and outstanding, January 1	9,869,877	\$ 94,226,033	5,164,472	\$ 39,401,889
Units Issued				
Issuance of Units in settlement of accrued Management Services Fees (note 17)	34,708	449,077	-	-
Conversion of Series C Debentures (note 10)	26,914	325,048	-	-
Distribution Reinvestment Plan	7,902	108,186	-	-
Exercise of Warrants (note 13)	5,625	30,375	27,250	147,150
Exercise of unit options (note 12)	-	-	113	450
Value associated with unit option grants exercised		-		126
Value associated with warrants exercised		5,220		25,288
Unit issue costs		(21,090)		(6,398)
Issued and outstanding, March 31	9,945,026	\$ 95,122,849	5,191,835	\$ 39,568,505

On August 21, 2006, the Trust consolidated its issued and outstanding Units on the basis of one post-consolidation Unit for every four pre-consolidation Units. All references to Units, Unit Options, and Warrants in these financial statements, including per Unit values, have been adjusted to a post-consolidation basis.

LP Class B Units

LP Class B units, which were issued in 2006 by Whiterock Limited Partnership, a subsidiary of Whiterock, together with the accompanying Special Trust Units, had economic and voting rights equivalent in all material respects to the Units and could only be converted into Units of the Trust. During the three months ended March 31, 2007, all of the remaining 205,354 LP Class B Units were converted to Units of the Trust.

Distribution Reinvestment and Unit Purchase Plan

In April 2006, the Trust established a Distribution Reinvestment Plan ("DRIP") which allows Unitholders, subject to certain terms and conditions, to elect to have cash distributions from the Trust reinvested in additional units. Units purchased through reinvestment of distributions are purchased at 96% of the Average Market Price of the Units for the 10 trading days preceding the distribution payment date.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

12. Unit Options

The Trust may grant unit options to the Trustees, senior officers, investor relations consultants and technical consultants to the Trust. The maximum number of Units reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding Units. The Trustees set the exercise price at the time that a unit option is granted under the plan, which exercise price shall not be less than the 5 day weighted average market price of the Units as determined under the policies of the Exchange. The unit options have a maximum term of five years from the date of grant and vest over a period of up to two years.

	2007		2006	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, January 1,	645,250	\$10.68	423,238	\$8.88
Granted	-	-	50,000	\$11.60
Exercised	-	-	(113)	\$4.00
Outstanding, March 31	645,250	\$10.68	473,125	\$9.20
Unit Options vested, end of period	576,500	\$10.66	360,625	\$8.97
Weighted average remaining life (years)	3.8		4.4	

The fair value associated with the unit options issued during the three months ended March 31, 2006 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 25% on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.12, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

13. Warrants

	2007		2006	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, January 1	221,125	\$13.73	81,250	\$5.40
Exercised	(5,625)	\$5.40	(27,250)	\$5.40
Outstanding, March 31	215,500	\$13.94	54,000	\$5.40
Warrants exercisable, End of period	215,500	\$13.94	54,000	\$5.40
Weighted average remaining life (years)	4.2		0.9	

As of March 31, 2007, all of the outstanding warrants are held by the third party provider of the revolving acquisition facility (note 8).

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

14. Income Property Rentals

	Three months ended March 31,	
	2007	2006
Revenue from tenant leases	\$ 11,156,758	\$ 4,575,290
Accrued rental revenue recognized on a straight-line basis	386,064	73,920
Above and below market lease amortization	331,759	352,731
	\$ 11,874,581	\$ 5,001,941

15. Interest

	Three months ended March 31,	
	2007	2006
Mortgage interest expense	\$ 2,941,240	\$ 1,426,949
Acquisition facility interest expense	183,460	-
Debenture interest expense	1,133,475	696,457
Interest expense - continuing operations	4,258,175	2,123,406
Interest expense - discontinued operations (note 20)	476,797	-
Deferred finance cost amortization:		
mortgages payable	(52,507)	(45,140)
mortgages payable - discontinued operations (note 20)	(6,244)	-
acquisition facility	(106,052)	-
convertible debentures	(128,331)	(124,376)
Implicit interest rate in excess of coupon rate -		
convertible debentures	(100,686)	(49,342)
Change in accrued interest	(433,816)	(373,628)
Cash interest paid	\$ 3,907,336	\$ 1,530,920

16. General and Administrative Expenses

	Three months ended March 31,	
	2007	2006
Salaries and wages	\$ 346,198	\$ 260,690
Non-cash compensation expense	20,901	69,048
Trustee fees	41,596	-
Legal, audit and regulatory	31,330	24,329
Office rent	20,645	12,328
Insurance	15,116	10,679
Other general and administrative	30,963	50,324
	506,749	427,398
Costs related to properties not acquired	103,271	3,302
Recruiting costs	-	5,925
	\$ 610,020	\$ 436,625

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

17. Asset Management and Management Services Fees

In June 2005, the Trust entered into exclusive agreements (the "Agreements") with Whiterock Real Estate Capital Inc. ("Whiterock Capital") to provide the services of two officers of the Trust (the "Officers"). The two Officers are Trustees of the Trust and principals of Whiterock Capital. Under these Agreements, Whiterock Capital earned acquisition fees equal to 0.5% of the cost of property acquired, as defined, and an annual advisory fee, equal to 0.3% of the adjusted cost base, as defined, of Whiterock's assets. The Agreements had a five year term.

On December 12, 2006, the Trust issued, through its subsidiary Whiterock Limited Partnership ("Whiterock LP") 286,671 LP Class C Units valued at \$3.5 million to a company controlled by the Officers in connection with the internalization of the management function and the acquisition of the Agreements, and the Officers became employees of a subsidiary of the Trust.

By their terms, the LP Class C Units were automatically converted into LP Class B Units of Whiterock LP on a one-for-one basis, following approval at the special meeting of Unitholders held on December 28, 2006. On December 29, 2006, 286,671 of the LP Class B Units were then exchanged on a one-for-one basis for Units of the Trust.

Subsequent to Whiterock LP's acquisition of the Agreements, the agreements were cancelled.

For the three months ended March 31, 2006, \$103,336 was expensed under these agreements and \$293,436 was recorded as an acquisition cost of income properties. There were no related costs incurred in 2007.

On January 3, 2007, the Trust issued 34,708 Units valued at \$449,077 and paid \$238,705 cash to settle the remaining outstanding fees accrued as of December 31, 2006 in accordance with the original terms of the agreements (note 9).

18. Amortization

	Three months ended March 31,	
	2007	2006
Building and improvements	\$ 1,630,844	\$ 736,817
Deferred charges		
- tenant inducements on acquisition	441,031	187,685
- leasing costs	64,981	4,161
Intangible assets		
- lease origination	414,861	132,738
- tenant relationships	262,915	82,992
Furniture and fixtures	13,364	5,367
Amortization expense	\$ 2,827,996	\$ 1,149,760

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

19. Income Taxes

The Trust is taxed as a “Mutual Fund Trust” for Canadian income tax purposes. Pursuant to the declaration of Trust, the Trustees intend to distribute all taxable income to the Unitholders of the Trust and to deduct such distributions for Canadian income tax purposes, and therefore does not record a provision for income taxes in income earned by the Trust or any of its subsidiary Trusts or entities.

On March 29, 2007, the Canadian Minister of Finance tabled revised draft Legislative Proposals Concerning Specified Investment Flow-Through Trusts and Partnerships (the “Proposed SIFT Legislation”), relating to the federal income taxation of publicly traded income trusts and certain other public flow-through entities (“SIFTs”). Under the Proposed SIFT Legislation, certain distributions will no longer be deductible in calculating a trust’s taxable income, and therefore a trust may be subject to tax on distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian Corporation.

The Proposed SIFT Legislation provided that a SIFT which was publicly listed before November 1, 2006 (an “Existing trust”) would become subject to the tax on distribution commencing with the 2011 taxation year end. However, an Existing trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain safe harbour limits measured against its market capitalization of the Existing trust at the close of trading on October 31, 2006 (the “Safe Harbour Limits”).

Under the Proposed SIFT Legislation, a real estate investment trust (a “REIT”) that meets defined criteria relating to the nature of its income and investments will not be subject to the new tax rules. An existing REIT must meet all of the defined criteria, otherwise if the Proposed SIFT Legislation is enacted without modification, it would subject an existing REIT to tax after it exceeds the Safe Harbour Limits or in 2011, which may adversely impact the level of cash otherwise available for distribution.

As the Proposed SIFT Legislation is drafted, the Trust may not meet the defined REIT criteria, which contain a number of technical provisions that do not fully accommodate common real estate property and business structures.

The Minister of Finance’s stated intention is to exempt REITs from taxation as SIFTs in recognition of the unique history and role of collective real estate investment vehicles.

It is possible that changes may be made to the Proposed SIFT Legislation prior to the enactment, which would make it more likely that an existing REIT would not be subject to income tax in 2011. If the Proposed SIFT Legislation is not changed, the Trust may need to restructure its business entities and processes in order to minimize or eliminate the impact of the legislation. There can be no assurances, however, that changes will be made to the Proposed SIFT Legislation or that the Trust would be able to restructure such that the Trust would not be subject to the tax contemplated by the Proposed SIFT Legislation.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

20. Discontinued Operations

On February 16, 2007, Whiterock announced that it has agreed to sell to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreement, which were initiated by Whiterock, its 50% undivided, non-managed interest in three Quebec City office properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy, subject to closing conditions and adjustments, for \$51.75 million (note 25). These properties were acquired in May 2006. The operating results for these properties have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475:

	Three months ended March 31,	
	2007	2006
Revenue		
Income property rentals	\$ 1,966,215	\$ -
Interest income	17,563	-
	1,983,778	-
Expenses		
Property operating costs	985,868	-
Interest	476,797	-
Amortization	208,568	-
	1,671,233	-
Income from discontinued operations	\$ 312,545	\$ -

	Three months ended March 31,	
	2007	2006
Cash provided by (used in) operating activities		
Income (loss)	\$ 312,545	\$ -
Items not affecting cash		
Amortization	208,568	-
Deferred finance cost amortization		
- mortgages payable	6,244	-
Accrued rental revenue recognized		
on a straight-line basis	(28,911)	-
Above and below market lease amortization	(74,725)	-
	423,721	-
Changes in non-cash operating items	(726,253)	-
	(302,532)	-
Cash provided by (used in) financing activities		
Mortgage principal repayments	(151,802)	-
Mortgage financing costs	(4,005)	-
	(155,807)	-
Cash provided by (used in) investing activities		
Leasing costs and capital expenditures	(388)	-
	(388)	-
Change in cash - Discontinued operations	\$ (458,727)	\$ -

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

21. Per Unit Calculations

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

Income from continuing operations and net income per Unit calculations are based on the following:

	Three months ended March 31,	
	2007	2006
Weighted average number of Units - Basic and Diluted	9,924,803	5,178,361

The LP Class B Units are included in the basic weighted average unit calculation.

All unit options (note 12) and warrants (note 13) are excluded from the diluted unit calculation for the three months ended March 31, 2007 and 2006 as they were anti-dilutive.

The weighted average units that would have been outstanding for the following securities were also not included in the diluted unit count for the three months ended March 31, 2007 and 2006 as the effect would have been anti-dilutive:

	Three months ended March	
	2007	2006
Number of weighted average units if converted		
Convertible Debentures		
Series A (8.0%)	\$ 10.20	1,274,510
Series B (9.0%)	\$ 12.00	-
Series C (9.0%)	\$ 12.00	234,077
Series D (7.5%)	\$ 15.00	666,667
Series E (6.3%)	\$ 13.75	1,818,182

22. Financial Instruments and Risk Management

Fair values

For purposes of disclosure, the Trust calculates the fair value of certain assets and liabilities. The fair values of the Trust's financial assets and liabilities which represent net working capital, and the Trust's revolving acquisition facility, approximate their recorded values at March 31, 2007 and December 31, 2006, due to their short term nature.

The fair value of the Trust's mortgages payable approximates carrying value. The fair value of mortgages payable has been estimated based on current market rates for mortgages with similar terms and conditions.

The fair value of the Trust's convertible debentures liability component approximates carrying value. The fair value of convertible debenture liability component has been estimated based on current market rates for debentures with similar terms and conditions.

At March 31, 2007 and December 31, 2006, the Trust did not have any cash flow or interest rate hedges in place.

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

Risk management

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

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

23. Segmented Financial Information

The Trust and its subsidiaries operate in the office, retail and industrial segments of the real estate industry in Canada.

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended March 31, 2007 is summarized as follows:

	Three months ended March 31, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 9,053,004	\$ 1,309,969	\$ 1,511,608	\$ 11,874,581
Property operating costs	3,948,148	406,591	452,190	4,806,929
Property operating income	\$ 5,104,856	\$ 903,378	\$ 1,059,418	\$ 7,067,652
Income properties	\$ 262,855,789	\$ 40,456,559	\$ 40,111,405	\$ 343,423,753

Property operating income and income properties by segment for the three months ended March 31, 2006 is summarized as follows:

	Three months ended March 31, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 3,702,975	\$ 702,611	\$ 596,355	\$ 5,001,941
Property operating costs	1,465,780	210,109	189,099	1,864,988
Property operating income	\$ 2,237,195	\$ 492,502	\$ 407,256	\$ 3,136,953
Income properties	\$ 125,896,338	\$ 20,728,727	\$ 15,582,439	\$ 162,207,504

For the three months ended March 31, 2007, there is one tenant whom accounts for more than 10% of the Trusts' total revenue. SIQ (Quebec government agency) comprised approximately 23% (three months ended March 31, 2006 – 38%) of the Trust's total revenue.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

24. Process to Solicit Acquisition or Merger Proposals

On January 16, 2007, Whiterock announced that it has commenced a process to solicit proposals to acquire or merge with Whiterock (the "Sale Process"), in an effort to continue to enhance its unit value.

The Board of Trustees of Whiterock established a Special Committee of Independent Trustees to advise the Board, which is comprised of David Thomson, currently serving as Chairman of the Board of Trustees, and Stanley Swartzman, currently serving as Chairman of the Investment Committee. Whiterock has retained Canaccord Adams and BMO Capital Markets to act as co-financial advisors to manage the process.

On January 29, 2007, Whiterock announced that, in connection with its previously announced Sale Process, its Board of Trustees had adopted a unitholder rights plan (the "Plan"), which was effective immediately. TSX approval for the Plan was obtained on February 1, 2007. The Plan remains subject to Unitholder ratification within six months.

The Plan was adopted in order to ensure that the Board has sufficient time to consider any take-over bid or other change of control transaction that may arise outside of the Sale Process and, in the event that such a bid or transaction is proposed, to provide the Board of Trustees and the Special Committee thereof with an appropriate period of time to permit the Sale Process to effectively operate in order to maximize unitholder value for all unitholders.

The Plan will operate to prevent an attempt to acquire control of Whiterock other than by means of an offer made to all unitholders that is a "Permitted Bid" as defined in the Plan. Under the Plan, those bids that meet certain requirements intended to protect the interests of unitholders are considered to be "Permitted Bids." A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws, remain open for 60 days, be made to all unitholders, and satisfy certain other conditions.

25. Subsequent Events

Sale of Interests in Three Quebec City Properties

Effective April 10, 2007, Whiterock completed its previously announced sale to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreement, which were initiated by Whiterock, its 50% undivided, non-managed interest in three Quebec City properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy, subject to closing conditions and adjustments, for gross proceeds \$51.75 million.

On April 13, 2007, the Trust used \$7.8 million of the proceeds from the sale to fully repay its acquisition facility.

26. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.