



Consolidated Financial Statements
June 30, 2006
(unaudited)

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

(unaudited)	Note	June 30, 2006	December 31, 2005
Assets			
Income properties	3	\$ 223,979,059	\$ 112,605,225
Deferred charges	4	11,770,469	5,364,180
Intangible assets	5	15,813,153	5,074,327
		251,562,681	123,043,732
Other assets	6	7,064,122	5,233,534
Cash		25,736,572	29,281,723
		\$ 284,363,375	\$ 157,558,989
Liabilities and Equity			
Mortgages payable	7	\$ 167,226,204	\$ 84,193,305
Acquisition facility	8	12,000,000	-
Accounts payable and accrued liabilities	9	15,561,186	11,108,505
Convertible debentures	10	23,247,439	24,039,144
		218,034,829	119,340,954
Unitholders' Equity		66,328,546	38,218,035
		\$ 284,363,375	\$ 157,558,989

Approved by the Board of Trustees

"Jason Underwood"

Trustee

"Paul Simcox"

Trustee

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

(unaudited)	Note	Three months ended June 30,		Six months ended June 30,	
		2006	2005	2006	2005
Revenue					
Income property rentals	15	\$ 6,865,175	\$ 3,418	\$ 11,867,116	\$ 3,418
Interest income		178,248	10,604	361,450	10,639
		7,043,423	14,022	12,228,566	14,057
Expenses					
Property operating costs		2,444,098	1,031	4,309,086	1,031
Interest	16	2,869,638	14,849	4,993,044	14,983
General and administrative expenses	17	664,757	76,266	1,204,718	100,862
Provision for loss on debenture redemption	18	690,838	-	690,838	-
Amortization	19	1,671,746	662	2,821,506	662
		8,341,077	92,808	14,019,192	117,538
Income (loss)		\$ (1,297,654)	\$ (78,786)	\$ (1,790,626)	\$ (103,481)
Income (loss) per unit					
Basic and diluted	20	\$ (0.05)	\$ (0.03)	\$ (0.08)	\$ (0.05)

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(unaudited)	Note	Three months ended June 30,		Six months ended June 30,	
		2006	2005	2006	2005
Trust Units					
	12				
Balance, beginning of period		\$ 39,568,505	\$ 1,820,056	\$ 39,401,889	\$ 350,000
Issuance of trust units		35,025,190	25,000,200	35,172,790	26,650,200
Value associated with unit options exercised		50,005	-	50,131	-
Value associated with warrants exercised		11,600	-	36,888	-
Unit issue costs		(2,164,252)	(2,035,629)	(2,170,650)	(2,215,573)
Balance, end of period		72,491,048	24,784,627	72,491,048	24,784,627
Unit Options					
	13				
Balance, beginning of period		568,221	-	499,299	-
Value associated with unit options vested		313,759	-	382,807	-
Value associated with unit options exercised		(50,005)	-	(50,131)	-
Balance, end of period		831,975	-	831,975	-
Warrants					
	14				
Balance, beginning of period		50,112	-	75,400	-
Value associated with warrants issued		85,000	-	85,000	-
Value associated with warrants exercised		(11,600)	-	(36,888)	-
Balance, end of period		123,512	-	123,512	-
Equity Component of Convertible Debentures					
	10				
Balance, beginning of period		1,019,747	-	1,019,747	-
Equity component of convertible debentures issued		-	671,922	-	671,922
Equity component of convertible debentures converted		(13,806)	-	(13,806)	-
Balance, end of period		1,005,941	671,922	1,005,941	671,922
Cumulative Earnings					
Balance, beginning of period		(1,153,925)	(24,695)	(660,953)	-
Redemption of convertible debentures	18	(377,225)	-	(377,225)	-
Income (loss)		(1,297,654)	(78,786)	(1,790,626)	(103,481)
Balance, end of period		(2,828,804)	(103,481)	(2,828,804)	(103,481)
Cumulative Distributions to Unitholders					
Balance, beginning of period		(3,569,515)	-	(2,117,347)	-
Distributions to unitholders		(1,725,611)	-	(3,177,779)	-
Balance, end of period		(5,295,126)	-	(5,295,126)	-
Total Unitholders' Equity		\$ 66,328,546	\$ 25,353,068	\$ 66,328,546	\$ 25,353,068
Units Issued and Outstanding	12	31,658,155	13,978,000	31,658,155	13,978,000

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash provided by (used in) operating activities				
Income (loss)	\$ (1,297,654)	\$ (78,786)	\$ (1,790,626)	\$ (103,481)
Items not affecting cash				
Amortization	1,671,746	2,727	2,821,506	2,727
Deferred finance cost amortization				
- mortgages payable	52,163	-	97,303	-
Deferred finance cost amortization				
- acquisition facility	26,146	-	26,146	-
Deferred finance cost amortization				
- convertible debentures	120,234	-	244,610	-
Implicit interest rate in excess of coupon				
rate - convertible debentures	47,484	880	96,826	880
Provision for loss on debenture				
redemption	690,838	-	690,838	-
Non-cash compensation expense	58,009	-	127,057	-
Accrued rental revenue recognized on a				
straight-line basis	(97,748)	-	(171,668)	-
Below market lease amortization	(391,765)	-	(744,496)	-
	879,453	(75,179)	1,397,496	(99,874)
Changes in non-cash operating items				
(net of effects of acquisition of				
income properties)	1,207,983	(6,639)	1,099,259	4,060
	2,087,436	(81,818)	2,496,755	(95,814)
Cash provided by (used in) financing activities				
Mortgage principal repayments	(380,664)	-	(613,841)	-
Proceeds of convertible debenture				
financing	-	13,000,000	-	13,000,000
Issue of units	33,951,612	25,000,200	34,099,212	26,650,200
Mortgage financing costs	(319,932)	-	(848,218)	-
Acquisition facility financing costs	(198,330)	-	(198,330)	-
Convertible debentures issue costs	(15,064)	(1,235,176)	(15,064)	(1,235,176)
Unit issue costs	(1,853,661)	(1,994,830)	(1,860,059)	(2,174,774)
Distributions to unitholders	(1,689,369)	-	(3,141,537)	-
	29,494,592	34,770,194	27,422,163	36,240,250
Cash provided by (used in) investing activities				
Income properties acquired (Note 3)	(14,989,745)	(780,133)	(32,985,425)	(780,133)
Leasing costs and capital expenditures	(265,112)	-	(381,582)	-
Furniture and equipment	(39,715)	(10,661)	(97,062)	(10,661)
	(15,294,572)	(790,794)	(33,464,069)	(790,794)
Change in cash	16,287,456	33,897,582	(3,545,151)	35,353,642
Cash, beginning of period	9,449,116	1,806,060	29,281,723	350,000
Cash, end of period	\$ 25,736,572	\$ 35,703,642	\$ 25,736,572	\$ 35,703,642
Supplementary cash flow information				
Cash interest paid (Note 16)	\$ 2,688,533	\$ 11,904	\$ 4,219,453	\$ 12,038

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 and 2005 (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. CPIL Inc. was incorporated under the Canada Business Corporations Act on December 8, 2004. Whiterock acquired all the assets of CPIL Inc. on June 28, 2005 in return for its Units pursuant to a Plan of Arrangement approved by CPIL Inc. shareholders. Subsequent to the Plan of Arrangement, the shareholders of CPIL Inc. controlled Whiterock and so, the Arrangement has been accounted for as a continuity of interests.

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, 2005 annual consolidated financial statements. 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, 2005 annual consolidated financial statements.

Variable Interest Entities

CICA Accounting Guideline 15 Consolidation of Variable Interest Entities requires an assessment of whether control of an entity exists through financial interests other than voting control, and if so, to consolidate the entity in the financial results. Whiterock has reviewed its interests, specifically its co-ownerships, and has determined that they do not qualify as variable interests, and as a result are proportionately consolidated in the financial statements.

Financing Costs

In addition to the accounting policies for mortgage and convertible debenture financing costs disclosed in the December 31, 2005 audited financial statements, financing costs associated with the acquisition facility are amortized into interest expense over the term of the facility.

3. Income Properties

	June 30, 2006	December 31, 2005
Land	\$ 31,567,947	\$ 16,983,629
Buildings and improvements	194,665,178	96,099,302
	226,233,125	113,082,931
Accumulated amortization	(2,254,066)	(477,706)
	\$ 223,979,059	\$ 112,605,225

During the three months ended March 31, 2006, the Trust acquired an office building in St. Hyacinthe, Quebec and an office building in Regina, Saskatchewan for \$38.5 million, including closing costs, funded by new first mortgages of \$25.6 million and the balance paid in cash. Two retail centres in Regina, Saskatchewan were also acquired for \$21.3 million including closing costs. These retail properties were funded by \$16.3 million of new first mortgages with the balance paid in cash.

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

During the three months ended June 30, 2006, the Trust acquired an interest in three office properties in Quebec City, Quebec and an office building in Fredericton, New Brunswick for \$58.3 million including closing costs, funded by new first mortgages of \$21.9 million, \$16.2 million of assumed first mortgage financing, \$12.0 million drawn on the acquisition facility, and the balance paid in cash. Two industrial centres in Moncton, New Brunswick and one industrial centre in Regina, Saskatchewan were also acquired for \$10.4 million, including closing costs, and were funded by \$3.7 million of new first mortgages, with the balance paid in cash.

The net assets acquired and consideration provided were as follows:

	Three months ended June 30, 2006	Six months ended June 30, 2006
Income properties - Land	\$ 9,189,834	\$ 14,584,318
Income properties - Building and improvements	53,621,265	98,565,876
Deferred charges - Tenant inducements	2,703,525	6,491,430
Intangible assets - Lease origination costs	2,899,186	6,904,175
Intangible assets - Tenant relationships	1,822,678	4,398,369
Accounts payable and accrued liabilities - Below market rents	(1,500,003)	(2,312,003)
	\$ 68,736,485	\$ 128,632,165
Consideration provided:		
Mortgage financing	\$ 41,746,740	\$ 83,646,740
Acquisition facility financing	12,000,000	12,000,000
Cash	14,989,745	32,985,425
	\$ 68,736,485	\$ 128,632,165

4. Deferred Charges

	June 30, 2006	December 31, 2005
Tenant inducements on acquisitions	\$ 11,949,074	\$ 5,457,644
Tenant inducements	195,196	8,431
Leasing costs	194,817	-
	12,339,087	5,466,075
Accumulated amortization		
Tenant inducements on acquisitions	(553,215)	(101,753)
Tenant inducements	(7,068)	(142)
Leasing costs	(8,335)	-
	(568,618)	(101,895)
	\$ 11,770,469	\$ 5,364,180

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

5. Intangible Assets

	June 30, 2006	December 31, 2005
Lease origination costs	\$ 10,157,485	\$ 3,253,310
Tenant relationships	6,323,115	1,924,746
	16,480,600	5,178,056
Accumulated amortization		
Lease origination costs	(410,100)	(64,201)
Tenant relationships	(257,347)	(39,528)
	(667,447)	(103,729)
	\$ 15,813,153	\$ 5,074,327

6. Other Assets

	June 30, 2006	December 31, 2005
Prepaid expenses and other assets	\$ 2,761,898	\$ 529,240
Properties under option	538,082	1,863,051
Amounts receivable	516,133	187,773
Straight line rent receivable	213,403	41,735
Deferred financing cost - mortgages payable	1,554,086	705,868
Deferred financing cost - acquisition facility	418,329	-
Deferred financing cost - convertible debentures	2,031,935	2,071,712
	8,033,866	5,399,379
Accumulated amortization		
Deferred financing cost - mortgages payable	(124,035)	(26,732)
Deferred financing cost - acquisition facility	(26,146)	-
Deferred financing cost - convertible debentures	(819,563)	(139,113)
	(969,744)	(165,845)
	\$ 7,064,122	\$ 5,233,534

A provision for the impairment of deferred financing costs of the Series B convertible debentures in the amount of \$435,840 have been recorded in the provision for loss on debenture redemption (Note 18).

7. Mortgages Payable

	June 30, 2006	December 31, 2005
Fixed rate	\$ 156,226,629	\$ 73,075,080
Floating rate	10,999,575	11,118,225
	\$ 167,226,204	\$ 84,193,305

Mortgages payable are secured by income properties.

Fixed rate financing bears interest at a weighted average fixed rate of 5.5%. Floating rate financing bears interest at floating rates determined by reference to 30 day Bankers Acceptance rates plus a spread of 225 basis points.

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

Principal repayments of mortgages payable outstanding as of June 30, 2006 are as follows:

2006	\$	1,283,803
2007		13,300,515
2008		2,563,379
2009		2,714,475
2010		20,114,310
2011		3,330,839
Thereafter		123,918,883
Total	\$	167,226,204

8. Acquisition Facility

During the three months ended June 30, 2006, Whiterock negotiated a revolving \$23.5 million acquisition facility with an affiliate of Kimco Realty Corporation, maturing in May 2008. As consideration, Whiterock issued 250,000 warrants (Note 14) with a term of five years at \$3.44 and 39,244 trust units (Note 12) to the Lender upon the initial draw on the facility. An additional, 250,000 warrants at \$3.44 and 39,244 trust units will be issued should the cumulative loan proceeds advanced exceed \$15 million.

As at June 30, 2006 \$12.0 million was drawn under the facility.

9. Accounts Payable and Accrued Liabilities

	June 30, 2006	December 31, 2005
Below market rents on acquisitions	\$ 9,636,528	\$ 7,324,525
Accrued acquisition, services and asset management fees	1,263,128	382,595
Unitholder distributions payable	738,901	-
Accrued mortgage, acquisition facility, and debenture interest	715,619	406,913
Provision for loss on debenture redemption	632,223	-
Security deposits	424,315	471,080
Other accounts payable and accrued liabilities	3,147,645	2,776,069
	16,558,359	11,361,182
Accumulated Amortization		
Below market rents on acquisitions	(997,173)	(252,677)
	\$ 15,561,186	\$ 11,108,505

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

10. Convertible Debentures

As at June 30, 2006, the Trust has three series of convertible debentures outstanding.

	Principal (\$)	Interest rate	Conversion Price	Interest Payable	Maturity
Series A	13,000,000	8.0%	\$2.55 per unit	semi-annually	June 28, 2010
Series B	8,100,000	9.0%	\$3.00 per unit	monthly	December 14, 2008
Series C	3,000,000	9.0%	\$3.00 per unit	quarterly	December 21, 2010

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

	Series A	Series B	Series C	Total
Liability	\$ 12,328,078	\$ 8,769,115	\$ 2,883,060	\$ 23,980,253
Equity	671,922	230,885	116,940	1,019,747
Principal on issuance	13,000,000	9,000,000	3,000,000	25,000,000
Conversion of debentures	-	(900,000)	-	(900,000)
Principal - June 30, 2006	\$ 13,000,000	\$ 8,100,000	\$ 3,000,000	\$ 24,100,000

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.

In the three and six months ended June 30, 2006, \$900,000 principal amount (2005 - \$nil) of the Series B convertible debentures were converted into 300,000 units of the Trust (Note 12).

	Series A	Series B	Series C	Total
Liability, December 31, 2005	\$ 12,383,116	\$ 8,772,416	\$ 2,883,612	\$ 24,039,144
Implicit interest rate in excess of coupon rate	56,706	30,850	9,270	96,826
Conversion of debentures	-	(888,531)	-	(888,531)
Liability, June 30, 2006	\$ 12,439,822	\$ 7,914,735	\$ 2,892,882	\$ 23,247,439

On August 3, 2006, the Trust announced the issuance of \$10 million of 7.5% Redeemable Subordinated Convertible Debentures to fund the redemption of the 9% Redeemable Subordinated Series B Convertible Debentures plus all applicable redemption premiums and accrued interest and for general business purposes (Note 22).

11. 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 shares of the Trust. The Agreements have a five year term and may be cancelled with two years notice. For the six months ended June 30, 2006, \$0.3 million (2005 - \$nil) was accrued in general and administrative expenses under these agreements and \$0.6 million (2005 - \$nil) was accrued in the acquisition cost of income properties.

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

12. Units

	Units	\$
Issued and outstanding at December 31, 2005	20,657,889	\$ 39,401,889
Units Issued		
Exercise of warrants	109,000	147,150
Exercise of options	450	450
Value associated with unit option grants exercised		126
Value associated with warrants exercised		25,288
Unit issue costs		(6,398)
Issued and outstanding at March 31, 2006	20,767,339	39,568,505
Units Issued		
Private Placement	10,318,650	33,535,612
Conversion of Series B Debentures (Note 10)	300,000	902,337
Distribution Reinvestment Plan	11,422	36,242
Financing fees paid in units (Note 8)	39,244	134,999
Exercise of warrants	50,000	67,500
Exercise of options	171,500	348,500
Value associated with unit option grants exercised		50,005
Value associated with warrants exercised		11,600
Unit issue costs		(2,164,252)
Issued and outstanding at June 30, 2006	31,658,155	\$ 72,491,048

Subsequent to June 30, 2006, the Trust announced a four for one consolidation of its Units, to be effective August 21, 2006 (Note 22).

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

13. 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 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 an 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 options have a maximum term of five years from the date of grant and vest over a period of up to two years.

	2006		2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, January 1,	1,692,950	\$2.22	-	-
Granted	200,000	\$2.90	270,000	\$1.00
Exercised	(450)	\$1.00	-	-
Outstanding, March 31,	1,892,500	\$2.30	270,000	\$1.00
Granted	875,000	\$3.28	625,000	\$2.15
Exercised	(171,500)	\$2.03	-	-
Outstanding, June 30	2,596,000	\$2.65	895,000	\$1.80
Options vested, end of period	2,218,500	\$2.67	895,000	\$1.80
Weighted average remaining life (years)	4.5		4.6	

The fair value associated with the options issued during the three and six months ended June 30, 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 \$0.28, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

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

14. Warrants

	2006		2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, January 1	325,000	\$1.35	-	-
Issued	-	-	325,000	\$1.35
Exercised	(109,000)	\$1.35	-	-
Outstanding, March 31	216,000	\$1.35	325,000	\$1.35
Issued (Note 8)	250,000	\$3.44	325,000	\$1.35
Exercised	(50,000)	\$1.35	-	-
Outstanding, June 30,	416,000	\$2.61	325,000	\$1.35
Weighted average remaining life (years)	1.4		1.7	

The fair value associated with the warrants issued during the three and six months ended June 30, 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 \$0.28, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

15. Income Property Rentals

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Revenue from tenant leases	\$ 6,375,662	\$ 3,418	\$ 10,950,952	\$ 3,418
Accrued rental revenue recognized on a straight-line basis	97,748	-	171,668	-
Below market lease amortization	391,765	-	744,496	-
	\$ 6,865,175	\$ 3,418	\$ 11,867,116	\$ 3,418

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

16. Interest

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Mortgage interest expense	\$ 2,023,478	\$ 3,356	\$ 3,450,427	\$ 3,490
Acquisition facility interest expense	162,798	-	162,798	-
Debenture interest expense	683,362	11,493	1,379,819	11,493
Interest expense	2,869,638	14,849	4,993,044	14,983
Deferred finance cost amortization - mortgages payable	(52,163)	-	(97,303)	-
Deferred finance cost amortization - acquisition facility	(26,146)	-	(26,146)	-
Deferred finance cost amortization - convertible debentures	(120,234)	(2,065)	(244,610)	(2,065)
Implicit interest rate in excess of coupon rate - convertible debentures	(47,484)	(880)	(96,826)	(880)
Change in accrued interest	64,922	-	(308,706)	-
Cash interest paid	\$ 2,688,533	\$ 11,904	\$ 4,219,453	\$ 12,038

Interest expense excludes \$435,840 of impaired convertible debentures financing fees included in the Provision for Loss on Debenture Redemption (Note 18).

17. General and Administrative Expenses

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Salaries and wages	\$ 283,130	\$ -	\$ 543,820	\$ -
Non-cash compensation expense	58,009	-	127,057	-
Legal and regulatory	20,773	16,846	30,102	29,443
Accrued services and asset management agreement fees (Note 11)	150,938	-	254,274	-
Recruiting costs	29,884	8,670	35,809	8,670
Costs related to properties not acquired	9,139	6,271	12,441	6,271
Other general and administrative	112,884	44,479	201,215	56,478
	\$ 664,757	\$ 76,266	\$ 1,204,718	\$ 100,862

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

18. Provision for Loss on Debenture Redemption

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Impairment of convertible debenture deferred financing fees	\$ 435,840	\$ -	\$ 435,840	\$ -
Provision for early redemption of debenture liability	254,998	-	254,998	-
	\$ 690,838	\$ -	\$ 690,838	\$ -

The Trust has announced the redemption of \$8.1 million outstanding principal amount of its Series B Debentures (Note 22). The debentures are being redeemed at \$0.7 million in excess of their face value. The estimated premium to be paid on the early redemption of the liability component of the Series B Debentures totals \$0.3 million, and the estimated premium to be paid on the early redemption of the equity component of the Series B Debentures totals \$0.4 million. The premium on the early redemption of the equity component has been reflected as a direct charge to equity on the consolidated statement of Unitholders' equity. The redemption also confirms the impairment of deferred financing costs incurred at the time of original issuance of the Series B Debentures, estimated in the amount of \$0.4 million. As a result, a total of \$0.7 million has been charged to income as provision for loss on debenture redemption.

The debenture holder has the ability to convert, prior to redemption, up to \$3.6 million of the principal amount outstanding into units of the Trust. Conversion prior to redemption could reduce the loss on redemption.

19. Amortization

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Building and improvements	\$ 1,039,543	\$ 495	\$ 1,776,360	\$ 495
Deferred charges				
- tenant inducements on acquisition	263,777	69	451,462	69
- tenant inducements	5,578	-	6,926	-
- leasing costs	5,522	-	8,335	-
Intangible assets				
- lease origination	213,161	62	345,899	62
- tenant relationships	134,827	16	217,819	16
Furniture and fixtures	9,338	20	14,705	20
	\$ 1,671,746	\$ 662	\$ 2,821,506	\$ 662

20. Per Unit Calculations

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

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Income per unit calculations are based on the following:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Weighted average number of units -				
Basic	23,700,230	2,655,868	22,215,088	1,970,354
Diluted	23,700,230	2,655,868	22,215,088	1,970,354

The following securities were not included in the diluted share count for the six month period ended June 30, 2006 and 2005 as the effect would have been anti-dilutive:

	Exercise Price	Number of shares if converted	
		June 30, 2006	June 30, 2005
Convertible Debentures - Series A (8.0%)	\$ 2.55	5,098,039	5,098,039
Convertible Debentures - Series B (9.0%)	\$ 3.00	2,700,000	-
Convertible Debentures - Series C (9.0%)	\$ 3.00	1,000,000	-

21. 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 by segment for the three months ended June 30, 2006 is summarized as follows:

	Three months ended June 30, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 5,390,782	\$ 814,975	\$ 659,418	\$ 6,865,175
Property operating costs	2,006,178	225,143	212,777	2,444,098
Property operating income	\$ 3,384,604	\$ 589,832	\$ 446,641	\$ 4,421,077

Property operating income by segment for the three months ended June 30, 2005 is summarized as follows:

	Three months ended June 30, 2005			
	Office	Retail	Industrial	Total
Income property rentals	\$ -	\$ 3,418	\$ -	\$ 3,418
Property operating costs	-	1,031	-	1,031
Property operating income	\$ -	\$ 2,387	\$ -	\$ 2,387

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Property operating income by segment for the six months ended June 30, 2006 are summarized as follows:

	Six months ended June 30, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 9,093,757	\$ 1,517,586	\$ 1,255,773	\$ 11,867,116
Property operating costs	3,471,958	435,252	401,876	4,309,086
Property operating income	\$ 5,621,799	\$ 1,082,334	\$ 853,897	\$ 7,558,030

Property operating income by segment for the six months ended June 30, 2005 is summarized as follows:

	Six months ended June 30, 2005			
	Office	Retail	Industrial	Total
Income property rentals	\$ -	\$ 3,418	\$ -	\$ 3,418
Property operating costs	-	1,031	-	\$ 1,031
Property operating income	\$ -	\$ 2,387	\$ -	\$ 2,387

At June 30, 2006, there are two tenants whom each account individually for more than 10% of the Trusts' total revenue. SIQ (Quebec government agency) comprises approximately 33% (December 31, 2005 - 48%) and ING Canada Inc. comprises approximately 14% (December 31, 2005 - nil) of the Trusts' total revenue.

22. Subsequent Events

Property Acquisitions

Subsequent to June 30, 2006, the Trust acquired a newly constructed retail centre in Halifax, Nova Scotia, and an industrial centre in Windsor, Ontario for \$10.4 million, excluding closing costs, financed with \$7.1 million first mortgage, and the remainder paid in cash.

Convertible Debenture Refinancing

On August 3, 2006, the Trust announced the issuance of \$10 million, 7.5% Redeemable Subordinated Convertible Debentures (the "Series D Debentures") to fund the redemption of the 9% Redeemable Subordinated Series B Convertible Debentures (the "Series B Debentures") plus all applicable redemption premiums and accrued interest and for general business purposes. This accretive refinancing results in reduced interest payments, an extension of term and an increase in conversion price.

WHITEROCK REAL ESTATE INVESTMENT TRUST
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The Trust has entered into an agreement for a private placement of the Series D Debentures with an affiliate of Kimco Realty Corporation, with interest payable semi-annually and maturing on July 31, 2011. The Series D 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 \$3.75 (the "Conversion Price"). The Series D Debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from July 31, 2009 to July 15, 2010 provided that the 20 day weighted average trading price of Whiterock's Units on the TSX exceeds 125% of the Conversion Price. From July 15, 2010 onward, the Series D Debentures will be redeemable at their principal amount. The Series D Debentures are expected to be issued on or about August 14, 2006 and will rank pari passu with the Series A and Series C Convertible Debentures previously issued by Whiterock

As at August 2, 2006, \$8.1 million principal amount of Series B Debentures remained outstanding. The Series B Debentures have been called for redemption on August 16, 2006.

These transactions are subject to TSX approval and the completion of definitive documentation.

Four for One Unit Consolidation

On August 3, 2006, the Trust announced a four for one consolidation of its Units, to be effective August 21, 2006

23. Comparative Amounts

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