



Management's Discussion and Analysis
June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2006 and 2005, the accompanying notes as well as the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2005. 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 August 9, 2006.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

This Management's Discussion and Analysis contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to financial performance, sale-leaseback opportunities, proposed acquisitions and equity offerings, new markets for growth, financial position, comparable commercial REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the public financial market for Whiterock's securities, the general risks associated with real property ownership and acquisition (including in particular but without limitation that any or all of the properties subject to conditional agreement of purchase and sale will be acquired as scheduled and/or on the terms currently anticipated and/or described) including that future accretive acquisition opportunities will be identified and/or completed by Whiterock, lease maturities, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth opportunities, diversification, reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the relationship with Whiterock Real Estate Capital Inc., the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Whiterock's units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risk Factors" in Whiterock's Annual Information Form dated April 26, 2006, which can be obtained at www.sedar.com.

Although Whiterock has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Whiterock does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

HIGHLIGHTS – First and Second Quarter

- **Q1 Growth**– Acquired an office building in St. Hyacinthe, Quebec and an office building in Regina, Saskatchewan totaling 291,090 square feet for \$38.5 million, including closing costs. Acquired two retail centres in Regina, Saskatchewan totaling 126,042 square feet for \$21.3 million including closing costs.
- **Q2 Continuing Growth** – Acquired an interest in three office properties in Quebec City, Quebec and an office building in Fredericton, New Brunswick totaling 444,439 square feet for \$58.3 million, including closing costs. Acquired two industrial centres in Moncton, New Brunswick and one centre in Regina, Saskatchewan totaling 244,038 square feet for \$10.4 million including closing costs. These acquisitions brought total investment in income properties for the six months ended June 30, 2006 to \$128.6 million.
- **TSX Listing** – Listing moved to the Toronto Stock Exchange (TSX) from the TSX Venture Exchange.
- **DRIP Established** – Distribution reinvestment plan established for Unitholders.
- **Acquisition Facility** – Announced a \$23.5 million revolving debt facility to fund future acquisitions, with an affiliate of Kimco Realty Corporation.
- **Additional Equity** - Completed a private placement offering on June 8, 2006 for \$33.5 million in trust units led by RBC Capital Markets.
- **Unit Price Appreciation** – Unit price closed at \$3.38, a one year increase of 72%, including dividend reinvestment, since the June 2005 initial public offering.
- **High Quality Credit Tenants on Long-Term Leases** – At June 30, 2006, 51% of revenues from government leases. 75% of revenues from government and other high quality credit tenants. Average lease term of portfolio is approximately 7.9 years.

HIGHLIGHTS – Subsequent events

- **Debenture Refinancing** – Announced a convertible debenture refinancing in which \$10 million of 7.5% Redeemable Subordinated Convertible Debentures (the “Series D Debentures”) are to be issued to fund the redemption of all of Whiterock’s 9% Redeemable Subordinated Series B Convertible Debentures (the “Series B Debentures”). This accretive refinancing results in reduced interest payments, an extension of term and an increase in conversion price.
- **Unit Consolidation** – Announced a four for one Unit consolidation, to be effective August 21, 2006.

- **Continuing to Close on the Acquisition Pipeline** – Acquired a 33,857 square foot retail centre in Halifax, Nova Scotia and a 44,800 square foot industrial building in Windsor, Ontario totaling \$10.4 million before closing costs.

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 approximately 2.3 million square feet of properties with gross book values totaling approximately \$245 million at June 30, 2006, as follows:

Acquisition Period	Number of Properties	Gross Leasable Area (GLA)	Gross Book Value (000's)
June 28, 2005 to September 30, 2005	4	309,004	\$22,029
October 1, 2005 to December 31, 2005	8	853,630	94,781
Total - December 31, 2005	12	1,162,634	\$116,810
January 1, 2006 to March 31, 2006	4	417,132	59,869
April 1, 2006 to June 30, 2006	7	688,477	68,737
Total - June 30, 2006	23	2,268,243	\$245,416

At June 30, 2006, 51% of Whiterock’s revenue stream was derived from government leases. Government leases combined with other high quality credit tenants, supply 75% of the revenue stream with an average remaining lease term of 7.9 years.

At June 30, 2006, 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	9	1,258,334			1	29,700
Saskatchewan	3	178,459	2	126,042	2	273,426
New Brunswick	1	80,162			2	134,704
Nova Scotia					1	115,773
Ontario					1	45,600
Prince Edward Island			1	26,043		
Total	13	1,516,955	3	152,085	7	599,203

Management believes that there are significant leasing and operating synergies which can be derived 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 satisfy Whiterock’s investment criteria, contained in its declaration of trust, as amended, (the “Declaration of Trust”) a copy of which may be obtained at www.sedar.com.

While it is Whiterock's intention to acquire a geographically diversified mix of office, retail and industrial properties, office buildings have comprised the majority of its acquisitions to date. Management believes this segment has provided the most favourable acquisition opportunities to date and intends to continue to acquire property in those segments of the market which it believes provide the most potential value over the long-term.

OVERALL BUSINESS STRATEGY AND OBJECTIVES

Whiterock's business strategy is to acquire and operate a high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. Whiterock executes on this strategy by focusing on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

The objectives of Whiterock are to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) expand Whiterock's asset base 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 offer 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 (which management believes, for the most part, to be at or below replacement cost).

As part of its due diligence, Whiterock considers the possibility of increasing the value of potential acquisitions 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 measures of Whiterock's performance will be:

- funds from operations ("FFO") per unit;
- adjusted funds from operations ("AFFO") per unit;
- property operating income;
- payout ratio;
- percentage of revenue from high quality credit tenants;
- future acquisitions as they relate to Whiterock's investment criteria;
- cost of debt compared to prevailing market rates;
- interest coverage ratio
- percentage of revenue from high quality credit tenants; 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 measures on a "run rate" basis rather than only a historical basis in order to better measure Whiterock's ongoing and future performance.

2006 Performance Compared to Objectives

Whiterock's long term objectives continue to be 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. In the shorter term, during the initial period of operations, Whiterock's objectives are to continue 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. In the six months ended June 30, 2006, Whiterock acquired \$128.6 million of income properties to bring total acquisitions since its June 2005 initial public offering to \$245 million. The 11 properties acquired in the six months ended June 30, 2006 were 65.1% levered with mortgages at an average rate of 5.65% and an average term of 12.5 years. This compares to 72.3% levered properties with first mortgages at an average interest rate of 5.4% and an average term of 7.9 years at December 31, 2005. Fixed rate financing accounts for 93.4% of total mortgage financing at June 30, 2006 compared to 86.8% at December 31, 2005. Government and other high quality credit tenants supply 75% of the revenue stream compared to 67% at December 31, 2005. Average remaining lease term was 7.9 years at June 30, 2006 compared to 6.8 years at December 31, 2005.

INVESTMENT ACTIVITIES

Whiterock acquired 12 properties from the time of its initial public offering in June 2005 to December 31, 2005 with a gross leasable area of 1,162,634 square feet and a gross book value of \$116,394,000 with \$84,193,000 of financing on acquisition. In the six months ended June 30, 2006, Whiterock has invested in new properties as follows:

(\$ in thousands)

Property Name	City	Province	Acquired	GLA (Sq. Ft.) ⁽²⁾	Gross Book Value ⁽²⁾	Mortgage Financing ⁽¹⁾
First Quarter						
4250 Albert	Regina	SK	1/10/06	41,181	\$7,267	\$5,750
2550 Quance	Regina	SK	1/12/06	84,861	14,076	10,500
2220 College	Regina	SK	2/28/06	59,590	7,603	5,650
2450 Girouard	St.-Hyacinthe	QC	3/23/06	231,500	30,923	20,000
				417,132	\$59,869	\$41,900
Second Quarter						
410 Charest	Quebec	QC	5/17/06	84,324	\$16,733	\$10,200
750 Charest	Quebec	QC	5/17/06	107,403	11,312	7,800
880 & 930 Chemin Ste-Foy	Quebec	QC	5/17/06	172,550	20,667	14,100
722 Edinburgh	Moncton	NB	6/1/06	41,200	1,747	1,285
250 King	Fredericton	NB	6/13/06	80,162	9,582	5,977
222 Edinburgh	Moncton	NB	6/15/06	93,504	3,376	2,400
Victoria Industrial Park	Regina	SK	6/30/06	109,334	5,320	-
				688,477	\$68,737	\$41,762
Six months ended June 30, 2006				1,105,609	\$128,606	\$83,662

(1) on acquisition.

(2) at Whiterock's interest.

4250 Albert (Lakeside) - is a retail property located on the primary north-south artery in Regina and is anchored by a Sobeys. Other 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 until 2011.

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, recently completed significant renovations at ING's cost. The third building, totalling approximately 29,500 square feet, was significantly upgraded in 1990 and again in 2005.

410 Charest – is a recently redeveloped office building located at 410 Charest Boulevard in Quebec City, Quebec. Major tenants include CGI, a large multinational corporation and Le Soleil, a premier Quebec newspaper.

750 Charest – is an office building located at 750 Charest Boulevard in Quebec City, Quebec. The property is 100% occupied with 89% leased to Société immobilière du Québec, an agency of the Quebec provincial government. The property underwent a complete renovation in 2001.

880 & 930 Chemin Ste-Foy – is an office complex located at 880 and 930 Chemin Ste-Foy in Quebec City, Quebec. The property is 100% occupied and leased by Société immobilière du Québec, an agency of the Quebec provincial government. The property underwent a significant renovation in 2005 and 2006.

Whiterock has a 50% interest in 410 Charest, 750 Charest and 880 & 930 Chemin Ste-Foy. In addition to Whiterock's interest, another 45% is owned by major Montreal and Quebec City based pension funds and 5% by the developer of the properties.

722 Edinburgh - On June 1, 2006, Whiterock acquired 722 Edinburgh in Moncton, New Brunswick, a 41,200 square foot single tenant industrial building originally built in 1977-78 with an addition and further capital improvements completed in 1999. The property is located in the Moncton Industrial Park, and provides excellent access to all major transportation corridors. The building is 100% leased on a long-term basis to Hercules Canada, the Canadian division of an international tire and wheel supplier. The \$1,711,000 purchase price, excluding closing costs, represents a 9.9% capitalization rate and was financed with a 5.72% 10 year \$1,285,000 first mortgage.

250 King Street - On June 13, 2006, Whiterock acquired 250 King Street in Moncton New Brunswick, an 80,200 square foot, four storey, office building located in Fredericton's downtown business district. The building is 100% leased to the Province of New Brunswick on a long-term basis and has been since its original construction in 2000. The site comprises an area of approximately 1.41 acres and provides 132 above ground parking spaces. The \$9,413,000 purchase price, excluding closing costs, represents a 8.7% capitalization rate and was financed with the assumption of an existing 5.7%, 14 year, \$6,015,800 first mortgage.

222 Edinburgh - On June 15, 2006 Whiterock acquired 222 Edinburgh in Moncton, New Brunswick, a 93,500 square foot, one storey, multiple tenant industrial building in the Moncton Industrial Park, with good access to all major transportation corridors. The property is fully leased, with the majority of the building occupied by Sonoco Limited, a global supplier of consumer and industrial packaging. The \$3,200,000 purchase price, excluding closing costs, represents a 9.6% capitalization rate and was financed with a 5.6% 10 year \$2,400,000 first mortgage.

Victoria Industrial Park - On June 30, 2006, Whiterock acquired Victoria Industrial Park a 109,300 square foot industrial park, located at Park Drive and Ring Road in Regina Saskatchewan, near Whiterock's existing Chestemere industrial property. The property is 100% leased. The \$5,110,000 purchase price, excluding closing costs, was financed by cash and represents an 8.3% capitalization rate. Whiterock expects to arrange \$3,600,000 of 10 year first mortgage financing on this property at 110 to 125 basis points over the 10 year government of Canada bond rate.

At June 30, 2006, Whiterock's mortgage debt to gross book value is 68%, with long-term fixed rate financing. Approximately 75% of the portfolio's revenues at June 30, 2006 are attributable to provincial government or other high quality credit tenants with an average remaining lease term of 7.9 years. These assets are well located, well maintained and generally acquired at below replacement cost.

Acquisitions Completed Subsequent to June 30, 2006

(\$ in thousands)

Property Name	City	Province	Acquisition		Gross Book	
			Date	GLA (sq. ft.)	Value ⁽¹⁾	Financing ⁽²⁾
998 Parkland Drive	Halifax	NS	8/1/06	33,857	\$6,745	\$4,721
9305 Twin Oaks	Windsor	ON	8/10/06	44,800	3,637	2,725
Total				78,657	\$10,382	\$7,446

(1) before closing costs.

(2) on acquisition.

998 Parkland Drive - On August 1, 2006 Whiterock acquired Parkland Plaza, in Halifax, Nova Scotia, a newly constructed 100% leased unenclosed retail centre anchored by a Lawton's Drug Store. The \$6,745,457 purchase price, excluding closing costs, represents a 7.9% capitalization rate and was financed with a 5.6% 10 year \$4,721,500 first mortgage with interest only payments during the first five years.

9305 Twin Oaks – On August 10, 2006 Whiterock acquired 9305 Twin Oaks Drive in Windsor Ontario, a newly constructed 100% leased industrial building. The \$3,637,000 purchase price, excluding closing costs, represents an 8.5% capitalization rate and was financed with a 5.43% 10 year \$2,725,000 first mortgage.

Subsequent Agreements to Acquire Properties

Whiterock enters into conditional agreements to acquire properties in the normal course of business. This acquisition pipeline is currently in excess of \$100 million. Properties in this pipeline have similar characteristics to properties acquired to date. Management expects to be able to continue to source similar quality product at a pace consistent with its historic pace of acquisition.

Whiterock intends to fund these properties with cash on hand, use of its acquisition facility and first mortgages; however, there can be no assurance that Whiterock will complete any or all of these potential acquisitions.

SUMMARY OF QUARTERLY RESULTS

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

(in \$'s)	2006			2005			2004
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	7,043,423	5,185,143	3,129,386	522,985	14,022	35	-
Property operating income	4,421,077	3,136,953	1,813,825	228,381	2,387	-	-
Income (loss)	(1,297,654)	(492,972)	(257,448)	(300,024)	(78,786)	(24,695)	-
Income (loss) per unit - basic	(0.05)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	-
Income (loss) per unit - diluted	(0.05)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	-
Funds from operations (FFO)	364,754	651,421	352,201	(224,744)	(78,124)	(24,695)	-
FFO per unit - basic	0.02	0.03	0.02	(0.02)	(0.03)	(0.02)	-
FFO per unit - diluted	0.01	0.03	0.02	(0.02)	(0.03)	(0.02)	-
Adjusted Funds From Operations (AFFO)	500,943	499,542	282,295	(142,662)	(75,179)	(24,695)	-
AFFO per unit - basic	0.02	0.02	0.02	(0.01)	(0.03)	(0.02)	-
AFFO per unit - diluted	0.02	0.02	0.02	(0.01)	(0.03)	(0.02)	-
Cash distribution per unit	0.07	0.07	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 and 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.

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three and six months ended June 30, 2006 and 2005 are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Property operating income	\$4,421,077	\$2,387	\$7,558,030	\$2,387
Interest income	178,248	10,604	361,450	10,639
Interest expense	(2,869,638)	(14,849)	(4,993,044)	(14,983)
General and administrative expenses	(664,757)	(76,266)	(1,204,718)	(100,862)
Provision for loss on debenture redemption	(690,838)	-	(690,838)	-
Amortization	(1,671,746)	(662)	(2,821,506)	(662)
Income (loss)	(\$1,297,654)	(\$78,786)	(\$1,790,626)	(\$103,481)

A discussion of individual income components follows.

Property operating income

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Income property rentals				
2006 acquisitions				
Rental income	\$2,478,469	-	\$3,202,953	-
Straight-line rent	\$38,297	-	48,851	-
Below market lease adjustments	\$65,445	-	91,856	-
2005 acquisitions				
Rental income	3,897,193	3,418	7,747,999	3,418
Straight-line rent	59,451	-	122,817	-
Below market lease adjustments	326,320	-	652,640	-
Income property rentals	6,865,175	3,418	11,867,116	3,418
Property operating costs				
2006 acquisitions	(769,292)	-	(990,546)	-
2005 acquisitions	(1,674,806)	(1,031)	(3,318,540)	(1,031)
Property operating costs	(2,444,098)	(1,031)	(4,309,086)	(1,031)
Property operating income	\$4,421,077	\$2,387	\$7,558,030	\$2,387

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 interests in 7 properties in the three months ended June 30, 2006, (2005 – 1) and 11 properties in the six months ended June 30, 2006 (2005 – 1). Whiterock's property operating income is derived from these acquisitions. Property operating income in the three and six months ended June 30, 2006 includes \$97,748 and \$171,668, 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 gross value of below market leases on acquisitions at June 30, 2006 is \$9,636,528. 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 three months ended June 30, 2006 was as follows:

	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 six months ended June 30, 2006 was as follows:

	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

Interest income

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Interest income	\$178,248	\$10,604	\$361,450	10,639

Interest income for the three and six months ended June 30, 2006 totaled \$178,248 and \$361,450, 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 continue to decrease throughout the remainder of 2006 but that distributable income per unit and funds from operations per unit will be increased by utilizing the acquisition line that was obtained in May 2006 to help initially fund the equity portion of future acquisitions.

Interest expense

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Mortgage and other interest	\$1,971,315	\$3,356	\$3,353,124	\$3,490
Acquisition facility interest	136,652	-	136,652	-
Debenture interest	515,644	8,548	1,038,383	8,548
Deferred finance cost - mortgages	52,163	-	97,303	-
Deferred finance cost - acquisition facility	26,146	-	26,146	-
Deferred finance cost - convertible debentures	120,234	2,065	244,610	2,065
Implicit interest rate in excess of coupon				
- convertible debentures	47,484	880	96,826	880
Interest expense	\$2,869,638	\$14,849	\$4,993,044	\$14,983

Interest for the three and six months ended June 30, 2006 results from mortgages on properties acquired in 2005 and 2006 and convertible debentures issued during 2005.

General and administrative expenses

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 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	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
General and administrative expenses	\$664,757	\$76,266	\$1,204,718	\$100,862

General and administrative expenses for the three and six months ended June 30, 2006 included \$58,009 and \$127,057, respectively, relating to the value of options given to trustees and recent additions to the management team of Whiterock.

Provision for loss on debenture redemption

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 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	-

Whiterock has announced the redemption of \$8.1 million outstanding principal amount of its Series B Debentures. 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 \$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.

Amortization

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Building and improvements	\$1,039,543	\$495	\$1,776,360	\$495
Deferred charges				
- tenants inducements on acquisitions	263,777	69	451,462	69
- tenants 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
Amortization	\$1,671,746	\$662	\$2,821,506	\$662

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$1,671,746 and \$2,821,506, respectively, in the three and six months ended June 30, 2006.

Net income

After an equity and debenture financing completed in December 2005, Whiterock ended the year with \$29,281,723 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 ended June 30, 2006 was \$1,297,654 (2005 – \$78,786) or \$0.05 and loss per unit basic and diluted (2005 – \$0.03 loss per unit basic and diluted). Whiterock's loss for the six months ended June 30, 2006 was \$1,790,626 (2005 – \$103,481), or \$0.08 loss per unit basic and diluted (2005 – \$0.05 loss per unit basic and diluted).

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 operating activities for the three and six months ended June 30, 2006 was \$2,087,436 and \$2,496,755, respectively, compared to an outflow of \$81,818 and \$95,814 in the comparative prior year periods. 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.

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. "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.

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. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004.

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.

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Income (loss) for the period	(\$1,297,654)	(\$78,786)	(\$1,790,626)	(\$103,481)
Add:				
Amortization of building and improvements	1,039,543	515	1,776,360	515
Amortization of tenant inducements on acquisition	263,777	69	451,462	69
Amortization of tenant inducements	5,578	-	6,926	-
Amortization of leasing costs	5,522	-	8,335	-
Amortization of lease origination costs	213,161	62	345,899	62
Amortization of tenant relationships	134,827	16	217,819	16
Funds from Operations (FFO)	364,754	(78,124)	1,016,175	(102,819)
Amortization of deferred finance costs	198,543	2,065	368,059	2,065
Provision for deferred finance costs - debentures	435,840	-	435,840	-
Convertible debentures implicit interest rate in excess of coupon rate	47,484	880	96,826	880
Non cash compensation expense	58,009	-	127,057	-
Non cash management services fees	150,938	-	254,274	-
Accrued straight line rental revenue	(97,748)	-	(171,668)	-
Below market lease amortization	(391,765)	-	(744,496)	-
Leasing costs and capital expenditures	(265,112)	-	(381,582)	-
Adjusted Funds from Operations (AFFO)	\$500,943	(\$75,179)	\$1,000,485	(\$99,874)
Weighted average number of units	23,700,230	2,655,868	22,215,088	1,970,354
Diluted weighted average number of units	24,501,025	2,655,868	22,997,133	1,970,354
FFO per unit - basic	\$0.02	(\$0.03)	\$0.05	(\$0.05)
FFO per unit - diluted	\$0.01	(\$0.03)	\$0.04	(\$0.05)
AFFO per unit - basic	\$0.02	(\$0.03)	\$0.04	(\$0.05)
AFFO per unit - diluted	\$0.02	(\$0.03)	\$0.04	(\$0.05)

Basic FFO per Unit increased \$0.05 per unit to \$0.02 for the three months ended June 30, 2006 compared to the same period in 2005. Diluted FFO per Unit increased \$0.04 per unit to \$0.01 for the three months ended June 30, 2006 compared to the same period in 2005.

For the six months ended June 30, 2006, basic FFO per Unit increased \$0.10 per unit to \$0.05 compared to the same period in 2005. Diluted FFO per Unit increased \$0.09 per unit to \$0.04 compared to the same period in 2005.

These increases are due to the income from accretive acquisitions completed in 2005 and 2006 exceeding interest and administrative costs. FFO in 2006 was negatively impacted by \$0.03 because of the provision recorded for the redemption of Whiterock's Series B debentures.

AFFO includes the impact of leasing costs and capital expenditures, which totaled \$265,112 and \$381,582, respectively, for the three and six months ended June 30, 2006 (2005 – nil and nil). Leasing costs included costs related to early renewals of leases. AFFO per Unit (Basic and Diluted) increased \$0.05 per unit to \$0.02 for the three months ended June 30, 2006 compared to the same period in 2005. AFFO per Unit (Basic and Diluted) increased \$0.09 per unit to \$0.04 for the six months ended June 30, 2006 compared to the same period in 2005. AFFO in 2006 was negatively impacted by \$0.01 because of the provision recorded for the redemption of Whiterock's Series B debentures

Management expects FFO and AFFO to continue to increase through 2006 as the full year impact of its 2005 acquisitions and the impact of its 2006 acquisitions is reflected in Whiterock's financial results.

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 Whiterock. 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 the assets of Whiterock's subsidiary WR Trust, paid in arrears. Additionally, once the ACB exceeds \$50 million, a fee equal to 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. \$254,274 (2005 – nil) was accrued in general and administrative expenses under these agreements and \$628,932 (2005 – nil) was accrued in the acquisition cost of income properties in the six months ended June 30, 2006.

FINANCIAL POSITION

Selected balance sheet information follows:

	June 30, 2006	December 31, 2005
Investment in real estate	\$245,416,284	\$116,402,537
Total assets	\$284,363,375	\$157,558,989
Mortgages payable	\$167,226,204	\$84,193,305
Acquisition facility	\$12,000,000	-
Convertible debentures	\$23,247,439	\$24,039,144
Cash	\$25,736,572	\$29,281,723
Unitholders' Equity	\$66,328,546	\$38,218,035

The major changes to the balance sheet accounts at June 30, 2006 result from the acquisition and financing of eleven properties as described under "Investment Activities". Further detail for mortgages payable, convertible debentures and Unitholders' equity follows.

MORTGAGES PAYABLE

Whiterock's Declaration of Trust provided that total indebtedness may not exceed 75% of Gross Book Value (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed at Whiterock's annual and special meeting of unitholders that this limitation on total indebtedness (which term shall be amended to include the aggregate principal amount of all convertible subordinated debentures of the Trust) be reduced to 65% of Gross Book Value, which reduction shall take effect at such time as the total assets of the Trust, as reflected on its audited annual consolidated financial statements for its most recently completed fiscal year, exceeds \$750 million.

Whiterock's fixed and floating rate mortgage debt as at June 30, 2006 and December 31, 2005 is as follows:

	June 30, 2006		December 31, 2005	
	Total \$	% of Total	Total \$	% of Total
Fixed rate	\$156,226,629	93.4%	\$73,075,080	86.8%
Floating rate	10,999,575	6.6%	11,118,225	13.2%
	\$167,226,204	100.0%	\$84,193,305	100.0%

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

The following table summarizes Whiterock's mortgage maturity schedule as at June 30, 2006:

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2006	\$1,283,803	-	\$1,283,803	5.63%
2007	2,626,330	10,674,185	13,300,515	6.39%
2008	2,563,379	4,500,000	7,063,379	6.92%
2009	2,714,475	-	2,714,475	5.54%
2010	2,897,712	12,716,598	15,614,310	5.24%
2011	3,330,839	-	3,330,839	5.52%
2012	3,551,284	-	3,551,284	5.52%
2013	3,785,376	-	3,785,376	5.52%
2014	4,332,124	8,094,462	12,426,586	6.20%
2015	3,613,014	57,488,942	61,101,956	5.42%
Thereafter	17,887,124	25,166,557	43,053,681	5.39%
	\$48,585,460	\$118,640,744	\$167,226,204	5.60%

CONVERTIBLE DEBENTURES

Whiterock has \$24,100,000 of redeemable subordinated convertible debentures outstanding at June 30, 2006 (December 31, 2005 - \$25,000,000) as follows:

Series A Convertible Debentures

On June 28, 2005, Whiterock 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 Whiterock, 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 Convertible Debentures

On December 14, 2005, Whiterock 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 Whiterock:

- 1) Until December 14, 2006, at the principal amount plus \$3.25 per unit 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 per unit 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 per unit 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.

During the quarter ended June 30, 2006 \$900,000 of Series B debentures were converted by the Debenture holder into 300,000 Units of Whiterock.

On August 3, 2006, Whiterock announced that the Series B Debentures had been called for redemption on August 16, 2006. The debenture holder has the ability to convert, prior to redemption, up to \$3,600,000 of the principal amount outstanding into Units of Whiterock.

Series C Convertible Debentures

On December 21, 2005, Whiterock 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 Whiterock at the principal amount, subject to certain terms and conditions, from December 21, 2006 and until June 21, 2008, provided that the 20 day weighted average trading price is at least \$3.25 per unit and, after June 21, 2008, provided that the 20 day weighted average trading price is at least \$3.50 per unit.

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

Series D Convertible Debentures

Whiterock has entered into an agreement for a private placement of \$10 million of 7.5% Redeemable Subordinated Convertible Debentures (the "Series D Debentures") with an affiliate of Kimco Realty Corporation, to fund the redemption of all of Whiterock's 9% Redeemable Subordinated Series B Convertible Debentures (the "Series B Debentures") and for general corporate purposes. The Series D debentures will pay interest semi-annually and mature 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 Whiterock 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.

UNITHOLDERS' EQUITY

Unitholders' equity at June 30, 2006 and December 31, 2005 consists of the following:

	June 30, 2006	December 31, 2005
Trust units	\$72,491,048	\$39,401,889
Unit options	831,975	499,299
Warrants	123,512	75,400
Equity component of convertible debentures	1,005,941	1,019,747
Cumulative earnings (loss)	(2,828,804)	(660,953)
Cumulative distributions to unitholders	(5,295,126)	(2,117,347)
	\$66,328,546	\$38,218,035

Distributions per Unit totaled \$0.14 in 2005 (from June 28, 2005, the date of the initial public offering of Whiterock) and \$0.14 for the six months ended June 30, 2006.

Trust units

A summary of units issued in 2006 follows:

	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	300,000	902,337
Distribution Reinvestment Plan	11,422	36,242
Financing fees paid in units	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

On April 24, 2006 the Trust units, Series A convertible debentures and Series C convertible debentures were listed for trading on the Toronto Stock Exchange.

On June 8, 2006, Whiterock completed a private placement offering, raising gross proceeds of \$33,535,612 from the issuance of 10.3 million Units. The \$3.25 offering price of the units was 30% higher than the previous private placement in December 2005. Issuance of the Units was approved at an annual and special meeting of Unitholders on May 29, 2006.

During the three months ended June 30, 2006, \$900,000 of Series B convertible debentures were converted into 300,000 Units of Whiterock.

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

Since the end of the second quarter, 25,000 options were exercised at \$1.00, 76,000 warrants were exercised at \$1.35 and 10,011 Units were issued at \$3.24 per Unit in connection with Whiterock's distribution reinvestment plan. As result, as at August 9, 2006, 31,769,166 Units were issued and outstanding.

Unit options

Whiterock may grant options to the Trustees, senior officers, investor relations consultants and technical consultants to Whiterock. 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 volume weighted average price of the units on the five trading days prior to 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 \$831,975 were outstanding at June 30, 2006 (December 31, 2005 - \$499,299). Details of unit options granted follow:

	Three months ended June 30, 2006		Three months ended June 30, 2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	\$1,892,500	\$2.30	270,000	\$1.00
Granted	875,000	\$3.28	625,000	\$2.15
Exercised	(171,500)	\$2.03	-	-
Outstanding, end of period	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	

	Six months ended June 30, 2006		Six months ended June 30, 2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	\$1,692,950	\$2.22	-	-
Granted	1,075,000	\$3.21	895,000	\$1.80
Exercised	(171,950)	\$2.03	-	-
Outstanding, end of period	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	

Subsequent to June 30, 2006, 25,000 options were exercised at \$1.00 per Unit. As a result, on August 9, 2006, a total of 2,571,000 options were outstanding.

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.

Warrants

	Three months ended June 30, 2006		Three months ended June 30, 2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	\$216,000	\$1.35	325,000	\$1.35
Issued	250,000	\$3.44	-	-
Exercised	(50,000)	\$1.35	-	-
Outstanding, end of period	416,000	\$2.61	325,000	\$1.35
Weighted average remaining life (years)	1.4		1.7	

	Six months ended June 30, 2006		Six months ended June 30, 2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	\$325,000	\$1.35	-	-
Issued	250,000	\$3.44	325,000	\$1.35
Exercised	(159,000)	\$1.35	-	-
Outstanding, end of period	416,000	\$2.61	325,000	\$1.35
Weighted average remaining life (years)	1.4		1.7	

The Black-Scholes calculated value of warrants outstanding at June 30, 2006 was \$123,512.

On July 31, 2006, 76,000 warrants were exercised at \$1.35 per Unit. As a result, on August 9, 2006, a total of 340,000 warrants were outstanding.

LEASE MATURITIES PROFILE

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 2.1% to 9.8% of the annualized total revenue of Whiterock's portfolio.

Whiterock's lease maturity profile at June 30, 2006 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Total Revenue
2006	49,865	2.2%	2.1%
2007	131,726	5.8%	5.4%
2008	77,328	3.4%	3.4%
2009	218,046	9.6%	9.8%
2010	132,959	5.9%	6.7%
2011	305,127	13.5%	9.1%
2012	122,844	5.4%	5.0%
2013	40,210	1.8%	4.7%
2014	3,483	0.2%	0.4%
2015	598,538	26.4%	8.9%
2016	69,445	3.1%	4.1%
Thereafter	481,197	21.0%	40.4%
Total / Average	2,230,768	98.3%	100.0%
Vacant	37,475	1.7%	0.0%
	2,268,243	100.0%	100.0%

TENANT PROFILE

The following table summarizes the top ten tenants of Whiterock at June 30, 2006, which together represents 71.3% of Whiterock's annualized revenues from its income property portfolio at June 30, 2006:

Tenant	Rank	Square Feet	% of Total Revenues
SIQ (Quebec government agency)	1	760,004	37.2%
ING	2	231,500	10.2%
Province of New Brunswick	3	80,162	4.5%
SPMC (Saskatchewan government agency)	4	70,287	4.0%
Crown Investment Corporation	5	59,878	3.4%
CGI	6	39,071	3.2%
Helly Hansen Canada	7	115,773	2.7%
Staples/Business Depot	8	51,693	2.6%
Sobeys	9	33,368	2.1%
Le Soleil	10	25,206	1.6%
Total: Top 10 Tenants		1,466,942	71.5%

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

CASH DISTRIBUTIONS

Effective with the October 31, 2005 distribution, Whiterock amended its Declaration of Trust to provide for a monthly distribution instead of a quarterly 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 flow from operating activities for the three and six months ended June 30, 2006 was \$2,087,436 and \$2,496,755, respectively. As funds continued to be invested in properties, cash flow from operating activities continued to increase. At June 30, 2006, Whiterock's cash balance was \$25,736,572. During the remainder of 2006, cash flow is expected to continue to increase as additional properties are acquired and cash on hand is 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. In May 2006, Whiterock completed the negotiation of a \$23,500,000 revolving debt facility to further assist in the initial funding of future acquisitions. As at June 30, 2006, \$12,000,000 was drawn on this facility.

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 existing obligations.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to the December 31, 2005 audited Consolidated Financial Statements and in Note 2 to the June 30, 2006 Consolidated Financial Statements. Management's discussion and analysis for the year ended December 31, 2005 outlines the policies that management believes are most subject to estimation and management's judgement.

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Management monitors issued accounting pronouncements from the Canadian Institute of Chartered Accountants ("CICA") and assesses the applicability and impact, if any, of these pronouncements on Whiterock's consolidated financial statements.

The CICA released handbook section 1530, Comprehensive Income, which is applicable to Whiterock commencing January 1, 2007. This standard provides for a new statement, Comprehensive Income, to be included in the consolidated financial statements. Whiterock is in the process of assessing the impact of this new standard on Whiterock's consolidated financial statements.

The CICA released handbook section 3855, Financial Instruments – Recognition and Measurement, which standard is applicable to Whiterock commencing January 1, 2007. This standard provides more comprehensive guidance on how to recognize financial instruments on the balance sheet, how to measure them, and how to account for gains and losses. Whiterock is in the process of assessing the impact of this new standard on Whiterock's consolidated financial statements.

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 disclosed in the management's discussion and analysis of Whiterock for the year ended December 31, 2005 and in Whiterock's Annual Information Form dated April 26, 2006.