



Consolidated Financial Statements
June 30, 2007
(unaudited)

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

	Note	June 30, 2007 (unaudited)	December 31, 2006
Assets			
Income properties	3	\$ 297,709,066	\$ 339,543,719
Deferred charges	4	15,601,248	17,599,205
Intangible assets	5	18,459,391	22,844,369
		331,769,705	379,987,293
Other assets	6	6,244,491	9,685,146
Cash		14,893,731	9,298,240
Future income taxes	19	800,000	-
		\$ 353,707,927	\$ 398,970,679
Liabilities and Equity			
Mortgages payable and acquisition facility	7	\$ 212,215,120	\$ 250,885,884
Accounts payable and accrued liabilities	8	17,482,721	18,938,601
Convertible debentures	9	46,406,259	48,893,755
		276,104,100	318,718,240
Unitholders' Equity		77,603,827	80,252,439
		\$ 353,707,927	\$ 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 June 30,		Six months ended June 30,	
		2007	2006	2007	2006
Revenue					
Income property rentals	13	\$ 11,758,170	\$ 5,951,022	\$ 23,632,751	\$ 10,952,963
Interest income		180,179	178,248	271,616	361,450
		11,938,349	6,129,270	23,904,367	11,314,413
Expenses					
Property operating costs		4,509,315	2,059,747	9,316,244	3,924,735
Interest	14	4,204,851	2,630,749	8,463,026	4,754,155
General and administrative expenses	15	558,217	664,757	1,168,237	1,204,718
Amortization	16	2,890,045	1,467,621	5,718,041	2,617,381
		12,162,428	6,822,874	24,665,548	12,500,989
Income (loss) before the undernoted		(224,079)	(693,604)	(761,181)	(1,186,576)
Strategic alternatives costs	17	(2,141,667)	-	(2,141,667)	-
Provision for loss on debenture redemption	18	-	(690,838)	-	(690,838)
Future income taxes	19	800,000	-	800,000	-
Income (loss) from continuing operations		(1,565,746)	(1,384,442)	(2,102,848)	(1,877,414)
Income from discontinued operations	20	29,263	86,788	341,808	86,788
Gain on disposition of property	20	3,514,785	-	3,514,785	-
Net income (loss) and comprehensive income		\$ 1,978,302	\$ (1,297,654)	\$ 1,753,745	\$ (1,790,626)
Basic net income (loss) per unit					
Continuing operations	21	\$ (0.16)	\$ (0.23)	\$ (0.21)	\$ (0.34)
Discontinued operations		\$ 0.36	\$ 0.01	\$ 0.39	\$ 0.02
Net income per unit		\$ 0.20	\$ (0.22)	\$ 0.18	\$ (0.32)
Diluted net income (loss) per unit					
Continuing operations	21	\$ (0.16)	\$ (0.23)	\$ (0.21)	\$ (0.34)
Discontinued operations		\$ 0.33	\$ 0.01	\$ 0.38	\$ 0.02
Net income per unit		\$ 0.20	\$ (0.22)	\$ 0.17	\$ (0.32)

See accompanying notes to the interim consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(unaudited)	Note	Three months ended June 30,		Six months ended June 30,	
		2007	2006	2007	2006
Units					
	10				
Balance, beginning of period		\$ 95,122,849	\$ 39,568,505	\$ 94,226,033	\$ 39,401,889
Issuance of units		199,472	35,025,190	1,112,158	35,172,790
Value associated with unit options exercised		-	50,005	-	50,131
Value associated with warrants exercised		-	11,600	5,220	36,888
Unit issue costs		(5,273)	(2,164,252)	(26,363)	(2,170,650)
Balance, end of period		95,317,048	72,491,048	95,317,048	72,491,048
Unit Options					
	11				
Balance, beginning of period		861,639	568,221	840,738	499,299
Value associated with unit options vested		16,435	313,759	37,336	382,807
Value associated with unit options exercised		-	(50,005)	-	(50,131)
Balance, end of period		878,074	831,975	878,074	831,975
Warrants					
	12				
Balance, beginning of period		314,800	50,112	320,020	75,400
Value associated with warrants issued		-	85,000	-	85,000
Value associated with warrants exercised		-	(11,600)	(5,220)	(36,888)
Balance, end of period		314,800	123,512	314,800	123,512
Equity Component of Convertible Debentures					
	9				
Balance, beginning of period		2,323,399	1,019,747	2,335,991	1,019,747
Equity component of convertible debentures converted		-	(13,806)	(12,592)	(13,806)
Balance, end of period		2,323,399	1,005,941	2,323,399	1,005,941
Cumulative Earnings and Accumulated Comprehensive Earnings					
Balance, beginning of period		(7,668,853)	(1,153,925)	(7,509,446)	(660,953)
Redemption of convertible debentures	18	-	(377,225)	-	(377,225)
Transition amount to conform to new accounting policy	2	-	-	65,150	-
Income (loss)		1,978,302	(1,297,654)	1,753,745	(1,790,626)
Balance, end of period		(5,690,551)	(2,828,804)	(5,690,551)	(2,828,804)
Cumulative Distributions to Unitholders					
Balance, beginning of period		(12,765,784)	(3,569,515)	(9,960,897)	(2,117,347)
Distributions to unitholders		(2,773,159)	(1,725,611)	(5,578,046)	(3,177,779)
Balance, end of period		(15,538,943)	(5,295,126)	(15,538,943)	(5,295,126)
Total Unitholders' Equity		\$ 77,603,827	\$ 66,328,546	\$ 77,603,827	\$ 66,328,546
Units Issued and Outstanding	10	9,960,601	7,914,539	9,960,601	7,914,539

See accompanying notes to the interim consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Note	Three months ended June 30,		Six months ended June 30,	
		2007	2006	2007	2006
Cash provided by (used in) operating activities					
Income (loss) from continuing operations		\$ (1,565,746)	\$ (1,384,442)	\$ (2,102,848)	\$ (1,877,414)
Items not affecting cash					
Amortization	16	2,890,045	1,467,621	5,718,041	2,617,381
Deferred finance cost amortization					
- mortgages payable		57,318	48,032	109,825	93,172
Deferred finance cost amortization					
- acquisition facility		108,321	26,146	214,373	26,146
Deferred finance cost amortization					
- convertible debentures		133,878	120,234	262,209	244,610
Implicit interest rate in excess of					
coupon rate - convertible debentures		100,794	47,484	201,480	96,826
Provision for loss on debenture					
redemption		-	690,838	-	690,838
Non-cash compensation expense	15	16,435	58,009	37,336	127,057
Non-cash management services					
fees	15	-	150,938	-	254,274
Deferred revenue		504	-	2,215	-
Future Income Taxes		(800,000)	-	(800,000)	-
Accrued rental revenue recognized					
on a straight-line basis		(361,060)	(70,047)	(747,124)	(143,967)
Above and below market lease					
amortization		(333,437)	(352,730)	(665,196)	(705,461)
		247,052	802,083	2,230,311	1,423,462
Changes in non-cash operating items		415,026	684,525	560,834	472,465
		662,078	1,486,608	2,791,145	1,895,927
Cash provided by (used in) financing activities					
Mortgage principal repayments		(678,416)	(364,855)	(1,348,365)	(598,032)
Draw on acquisition facility		-	12,000,000	4,200,000	12,000,000
Repayment of acquisition facility		(7,800,000)	-	(7,800,000)	-
Issue of units	10	-	33,951,612	30,375	34,099,212
Mortgage financing costs		(70,430)	(80,305)	(86,325)	(608,591)
Acquisition facility financing costs		-	(198,330)	(3,500)	(198,330)
Convertible debentures issue costs		-	(15,064)	-	(15,064)
Unit issue costs		(5,273)	(1,853,661)	(9,283)	(1,860,059)
Distributions to unitholders		(2,573,687)	(1,689,369)	(5,270,388)	(3,141,537)
		(11,127,806)	41,750,028	(10,287,486)	39,677,599
Cash provided by (used in) investing activities					
Income properties acquired	3	-	(10,378,166)	(6,113,462)	(28,373,846)
Leasing costs and capital expenditures		(227,589)	(265,112)	(446,013)	(381,582)
Furniture and equipment		-	(39,715)	-	(97,062)
		(227,589)	(10,682,993)	(6,559,475)	(28,852,490)
Change in cash - Continuing operations		(10,693,317)	32,553,643	(14,055,816)	12,721,036
Change in cash - Discontinued					
operations	20	20,110,034	(16,266,187)	19,651,307	(16,266,187)
Cash, beginning of period		5,477,014	9,449,116	9,298,240	29,281,723
Cash, end of period		\$ 14,893,731	\$ 25,736,572	\$ 14,893,731	\$ 25,736,572
Supplementary cash flow information					
Cash interest paid	14	\$ 4,442,063	\$ 2,688,533	\$ 8,349,399	\$ 4,219,453

See accompanying notes to the interim consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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.

3. Income Properties

	June 30, 2007	December 31, 2006
Land	\$ 44,822,455	\$ 43,934,455
Buildings and improvements	260,844,859	256,050,374
	305,667,314	299,984,829
Accumulated amortization	(7,958,248)	(4,666,019)
	297,709,066	295,318,810
Discontinued operations (note 20)	-	44,224,909
	\$ 297,709,066	\$ 339,543,719

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

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 June 30, 2007, the Trust disposed of its interest in three office properties for gross proceeds of \$51.75 million, less mortgages assumed by the purchaser totaling \$31.6 million. Proceeds from the sales were also used to repay the entire \$7.8 million outstanding on the Trust's acquisition facility (note 7).

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 \$25.6 million of fixed rate mortgages, and the balance paid in cash. Two retail centres were also acquired for \$21.3 million including closing costs, and were funded in part by \$16.3 million of new fixed rate first mortgages with the balance paid in cash.

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 (continuing operations) and consideration provided were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Income properties				
- Land	\$ -	\$ 2,159,916	\$ 888,000	\$ 7,554,400
- Building and improvements	-	15,835,954	4,587,320	60,780,565
Deferred charges				
- Tenant inducements	-	749,436	587,835	4,537,341
Intangible assets				
- Lease origination costs	-	872,975	349,826	4,877,964
- Tenant relationships	-	526,919	204,019	3,102,610
Accounts payable and accrued liabilities				
- Below market rents	-	(121,299)	-	(933,299)
	\$ -	\$ 20,023,901	\$ 6,617,000	\$ 79,919,581

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Consideration provided:				
Mortgage financing	\$ -	\$ 9,645,735	\$ -	\$ 51,545,735
Purchase price holdback	-	-	503,538	-
Cash	-	10,378,166	6,113,462	28,373,846
	\$ -	\$ 20,023,901	\$ 6,617,000	\$ 79,919,581

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

4. Deferred Charges

	June 30, 2007	December 31, 2006
Tenant inducements on acquisitions	\$ 13,590,065	\$ 13,002,230
Leasing costs	4,354,470	4,114,386
	17,944,535	17,116,616
Accumulated amortization		
Tenant inducements on acquisitions	(2,081,617)	(1,184,976)
Leasing costs	(261,670)	(124,461)
	(2,343,287)	(1,309,437)
	15,601,248	15,807,179
Discontinued operations (note 20)	-	1,792,026
	\$ 15,601,248	\$ 17,599,205

5. Intangible Assets

	June 30, 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	(1,810,058)	(971,660)
Tenant relationships	(1,143,929)	(613,039)
Above market rents on acquisitions	(428,789)	(158,997)
	(3,382,776)	(1,743,696)
	18,459,391	19,544,626
Discontinued operations (note 20)	-	3,299,743
	\$ 18,459,391	\$ 22,844,369

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

6. Other Assets

	June 30, 2007	December 31, 2006
Prepaid expenses and other assets	\$ 4,145,486	\$ 2,700,031
Properties under option	13,993	339,048
Amounts receivable	643,619	627,837
Straight line rent receivable	1,441,393	694,269
Deferred financing costs (note 2(iv))	-	5,631,616
	6,244,491	9,992,801
Deferred financing costs - Accumulated amortization (note 2(iv))	-	(863,483)
	6,244,491	9,129,318
Discontinued operations (note 20)	-	555,828
	\$ 6,244,491	\$ 9,685,146

7. Mortgages Payable and Acquisition Facility

Mortgages payable and the acquisition facility are secured by income properties.

	June 30, 2007	December 31, 2006
Continuing operations	\$ 214,149,249	\$ 215,497,614
Discontinued operations (note 20)	-	31,788,270
Mortgage liability	214,149,249	247,285,884
Continuing operations	(1,842,346)	-
Discontinued operations (note 20)	-	-
Mortgage deferred financing fees	(1,842,346)	-
Continuing operations	286,312	-
Discontinued operations (note 20)	-	-
Mortgage deferred financing fees - Accumulated amortization	286,312	-
Acquisition facility liability	-	3,600,000
Deferred financing fees	(838,310)	-
Deferred financing fees - Accumulated amortization	460,215	-
Acquisition facility - Deferred financing fees (net)	(378,095)	-
	\$ 212,215,120	\$ 250,885,884

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

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

	June 30, 2007	December 31, 2006
Fixed rate	\$ 203,386,974	\$ 204,616,689
Floating rate	10,762,275	10,880,925
	214,149,249	215,497,614
Discontinued operations - Fixed Rate	-	31,788,270
	\$ 214,149,249	\$ 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 June 30, 2007 are as follows:

	Scheduled Amortization	Balloon Payments	Total
2007	\$ 1,352,159	\$ 10,674,185	\$ 12,026,344
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
	\$ 45,654,681	\$ 168,494,568	\$ 214,149,249

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 12), with a term of 5 years. At June 30, 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 June 30, 2007 closing unit price of \$12.30 is \$241,351, resulting in an unrecorded guarantee amount of \$208,649.

On April 13, 2007, the revolving acquisition facility was repaid in full (note 3). As at June 30, 2007, no amount was outstanding under the acquisition facility.

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

8. Accounts Payable and Accrued Liabilities

	June 30, 2007	December 31, 2006
Below market rents on acquisitions	\$ 10,169,954	\$ 10,175,273
Accrued acquisition and management services fees (note 15)	-	687,782
Accrued mortgage, acquisition facility, and debenture interest	1,277,734	1,433,523
Security deposits	394,299	431,621
Purchase price holdback (note 3)	503,538	-
Distributions payable	931,326	19,201
Other accounts payable and accrued liabilities	6,878,267	5,634,515
	20,155,118	18,381,915
Accumulated Amortization		
Below market rents on acquisitions	(2,672,397)	(1,742,728)
	17,482,721	16,639,187
Discontinued operations (note 20)	-	2,299,414
	\$ 17,482,721	\$ 18,938,601

9. Convertible Debentures

As at June 30, 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	2,677,000	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

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

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 - June 30, 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	62,224	-	9,315	37,081	92,860	201,480
Conversion of debentures	-	-	(312,456)	-	-	(312,456)
Liability - June 30, 2007	12,560,841	-	2,598,929	9,628,800	23,994,209	48,782,779
Deferred financing fees	(1,263,391)	-	(185,065)	(237,708)	(1,338,461)	(3,024,625)
Deferred financing fees - Accumulated amortization	438,670	-	43,520	36,396	129,519	648,105
Balance - June 30, 2007	\$ 11,736,120	\$ -	\$ 2,457,384	\$ 9,427,488	\$ 22,785,267	\$ 46,406,259

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.

Subsequent to June 30, 2007, \$2,269,000 debentures were converted into 222,448 units (note 24).

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

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*

10. 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 15)	34,708	449,077	-	-
Conversion of Series C Debentures (note 9)	26,914	325,048	-	-
Distribution Reinvestment Plan	7,902	108,186	-	-
Exercise of warrants (note 12)	5,625	30,375	27,250	147,150
Exercise of unit options (note 11)	-	-	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
Units Issued				
Private Placement	-	-	2,579,662	33,535,612
Conversion of Series B Debentures (note 9)	-	-	75,000	902,337
Distribution Reinvestment Plan	15,575	199,472	2,856	36,242
Exercise of unit options (note 11)	-	-	42,875	348,500
Exercise of warrants (note 12)	-	-	12,500	67,500
Financing fees paid in units (Note 7)			9,811	134,999
Value associated with unit option grants exercised		-		50,005
Value associated with warrants exercised		-		11,600
Unit issue costs		(5,273)		(2,164,252)
Issued and outstanding, June 30	9,960,601	\$ 95,317,048	7,914,539	\$ 72,491,048

Effective 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.

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

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.

11. 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.

	<u>2007</u>		<u>2006</u>	
	<u>Unit Options</u>	<u>Weighted Average Exercise Price</u>	<u>Unit Options</u>	<u>Weighted Average Exercise Price</u>
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
Granted	-	-	218,750	\$13.12
Exercised	-	-	(42,875)	\$8.12
Outstanding, June 30	645,250	\$10.68	649,000	\$10.60
Unit Options vested, end of period	592,125	\$10.67	554,625	\$10.68
Weighted average remaining life (years)	3.5		4.5	

The fair value associated with the unit 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 \$1.12, 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*

12. 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
Issued (Note 7)	-	-	125,000	\$13.76
Exercised	-	-	(12,500)	\$5.40
Outstanding, June 30	215,500	\$13.94	166,500	\$11.68
Warrants exercisable, End of period	215,500	\$13.94	104,000	\$10.42
Weighted average remaining life (years)	4.0		3.8	

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 \$1.12, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

As of June 30, 2007, all of the outstanding warrants are held by the third party provider of the revolving acquisition facility (note 7).

13. Income Property Rentals

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenue from tenant leases	\$ 11,063,673	\$ 5,528,245	\$ 22,220,431	\$ 10,103,535
Accrued rental revenue recognized on a straight-line basis	361,060	70,047	747,124	143,967
Above and below market lease amortization	333,437	352,730	665,196	705,461
	\$ 11,758,170	\$ 5,951,022	\$ 23,632,751	\$ 10,952,963

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

14. Interest

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Mortgage interest expense	\$ 2,937,598	\$ 1,779,943	\$ 5,878,838	\$ 3,206,892
Acquisition facility interest expense	131,097	167,444	314,557	167,444
Debenture interest expense	1,136,156	683,362	2,269,631	1,379,819
Interest expense				
- continuing operations	4,204,851	2,630,749	8,463,026	4,754,155
Interest expense				
- discontinued operations (note 20)	49,656	238,889	526,453	238,889
Deferred finance cost amortization:				
mortgages payable	(57,318)	(48,032)	(109,825)	(93,172)
mortgages payable				
- discontinued operations (note 20)	(1,700)	(4,131)	(7,944)	(4,131)
acquisition facility	(108,321)	(26,146)	(214,373)	(26,146)
convertible debentures	(133,878)	(120,234)	(262,209)	(244,610)
Implicit interest rate in excess of coupon rate - convertible debentures	(100,832)	(47,484)	(201,518)	(96,826)
Change in accrued interest	589,605	64,922	155,789	(308,706)
Cash interest paid	\$ 4,442,063	\$ 2,688,533	\$ 8,349,399	\$ 4,219,453

15. General and Administrative Expenses

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Salaries and wages	\$ 359,038	\$ 283,130	\$ 705,236	\$ 543,820
Asset management and management services fees	-	150,938	-	254,274
Non-cash compensation expense	16,435	58,009	37,336	127,057
Trustee fees	43,750	-	85,346	-
Legal, audit and regulatory	58,716	62,029	90,046	71,358
Office rent	21,335	12,364	41,980	24,692
Insurance	15,117	10,518	30,233	21,197
Other general and administrative	43,826	48,746	74,789	114,070
	558,217	625,734	1,064,966	1,156,468
Costs related to properties not acquired	-	9,139	103,271	12,441
Recruiting costs	-	29,884	-	35,809
	\$ 558,217	\$ 664,757	\$ 1,168,237	\$ 1,204,718

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.

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

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 and six months ended June 30, 2006, \$0.2 million and \$0.3 million, respectively was expensed under these agreements and \$0.3 million and \$0.6 million, respectively 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.

16. Amortization

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Building and improvements	\$ 1,661,385	\$ 922,003	\$ 3,292,229	\$ 1,658,820
Deferred charges				
- tenant inducements on acquisition	455,610	231,483	896,641	419,168
- leasing costs	68,777	11,100	133,758	15,261
Intangible assets				
- lease origination	423,537	179,609	838,398	312,347
- tenant relationships	267,975	114,088	530,890	197,080
Furniture and fixtures	12,761	9,338	26,125	14,705
Amortization expense	\$ 2,890,045	\$ 1,467,621	\$ 5,718,041	\$ 2,617,381

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

17. Strategic Alternatives Costs

On January 16, 2007, Whiterock announced that it had commenced a process to review its strategic alternatives and to solicit proposals to acquire or merge with Whiterock (the "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. Whiterock also 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, and on June 28, 2007 unitholders ratified the Plan.

The Plan operates 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.

On July 18, 2007, Whiterock announced that it had completed the Process, and determined that having management continue to operate the business is the best means to build and deliver value to Unitholders. As a result, the Special Committee of Trustees was disbanded. Whiterock expensed \$2.1 million of costs, primarily for legal, special committee and independent trustee fees and due diligence costs relating to the process, in the six months ended June 30, 2007.

18. Provision for Loss on Debenture Redemption

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Impairment of convertible debenture deferred financing fees	\$ -	\$ 435,840	\$ -	\$ 435,840
Loss on early redemption of debenture liability	-	254,998	-	254,998
	\$ -	\$ 690,838	\$ -	\$ 690,838

During the three months ended June 30, 2006, the Trust announced the redemption of \$8.1 million outstanding principal amount of its Series B Debentures. The debentures were redeemed at \$0.7 million in excess of their face value. The premium paid on the early redemption of the liability component of the Series B Debentures totaled \$0.3 million, and the premium paid on the early redemption of the equity component of the Series B Debentures totaled \$0.4 million. The premium on the early redemption of the equity component was reflected as a direct charge to equity on the consolidated statement of Unitholders' equity. The redemption also confirmed the impairment of deferred financing costs incurred at the time of original issuance of the Series B Debentures, in the amount of \$0.4 million. As a result, \$0.7 million was charged to income as provision for loss on debenture redemption.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

19. Income Taxes

The Trust currently qualifies as a Mutual Fund Trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly-listed or traded trusts, as discussed below, income earned by the Trust and distributed annually to unitholders was not, and would not be, subject to taxation in the Trust, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the Trust's distributions was treated as an exemption from taxation as the Trust distributed and was committed to continue distributing all of its taxable income to its unitholders. Accordingly, the Trust did not previously record a provision for income taxes, or future income tax assets or liabilities, in respect of the Trust or its wholly owned subsidiary trust.

On June 22, 2007, legislation relating to the federal income taxation of a "specified investment flow-through" trust or partnership (a "SIFT"), received royal assent (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership and trust, such as an income trust and real estate investment trusts which do not meet certain conditions. The Trust is a SIFT, as discussed below.

Under the SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

A SIFT which was publicly listed before November 1, 2006 (an "Existing Trust") will become subject to the tax on distributions 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 limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006.

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, the Trust does not meet the REIT Conditions and, therefore is a SIFT. Accordingly, commencing in 2011, unless it restructures to meet the REIT Conditions, the REIT will become subject to tax on distributions of certain income.

Due to the SIFT Rules, the Trust commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities, and those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets or liabilities are recorded using substantively enacted tax rates and laws expected to apply when the temporary differences are expected to reverse. The SIFT Rules resulted in the Trust including a future income tax asset of \$0.8 million in the consolidated balance sheet at June 30, 2007, with a corresponding future income tax recovery of \$0.8 million reflected in consolidated income for the three months and six months ended June 30, 2007. Temporary differences expected to reverse in or after 2011 have been measured using a tax rate of 31.5%.

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

20. Discontinued Operations

On April 10, 2007, Whiterock completed a sale to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreement, which were initiated by Whiterock, of its 50% undivided, non-managed interest in three Quebec City office properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy. The sale, for \$51.75 million, less mortgages assumed of \$31.6 million resulted in a gain on disposition of \$3.5 million. 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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2007	2006	2007	2006
Revenue				
Income property rentals	\$ 203,648	\$ 914,153	\$ 2,169,863	\$ 914,153
Interest income	-	-	17,563	-
	203,648	914,153	2,187,426	914,153
Expenses				
Property operating costs	124,729	384,351	1,110,597	384,351
Interest	49,656	238,889	526,453	238,889
Amortization	-	204,125	208,568	204,125
	174,385	827,365	1,845,618	827,365
Income before the undernoted	29,263	86,788	341,808	86,788
Gain on disposition of properties	3,514,785	-	3,514,785	-
Income from discontinued operations	\$ 3,544,048	\$ 86,788	\$ 3,856,593	\$ 86,788

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Cash provided by (used in) operating activities				
Income	\$ 3,544,048	\$ 86,788	\$ 3,856,593	\$ 86,788
Items not affecting cash				
Amortization	-	204,125	208,568	204,125
Deferred finance cost amortization				
- mortgages payable	1,700	4,131	7,944	4,131
Accrued rental revenue recognized				
on a straight-line basis	(9,559)	(27,701)	(38,470)	(27,701)
Above and below market				
lease amortization	(8,302)	(39,035)	(83,027)	(39,035)
Gain on disposition of properties	(3,514,785)	-	(3,514,785)	-
	13,102	228,308	436,823	228,308
Changes in non-cash operating items	43,236	372,520	(683,017)	372,520
	56,338	600,828	(246,194)	600,828
Cash used in financing activities				
Mortgage principal repayments	(16,682)	(15,809)	(168,484)	(15,809)
Mortgage financing costs	-	(239,627)	(4,005)	(239,627)
	(16,682)	(255,436)	(172,489)	(255,436)
Cash provided by (used in) investing activities				
Income properties acquired	-	(16,611,579)	-	(16,611,579)
Proceeds from disposition of properties	20,098,007	-	20,098,007	-
Leasing costs and capital expenditures	(27,629)	-	(28,017)	-
Furniture and equipment	-	-	-	-
	20,070,378	(16,611,579)	20,069,990	(16,611,579)
Change in cash				
- Discontinued operations	\$ 20,110,034	\$(16,266,187)	\$ 19,651,307	\$(16,266,187)

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 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.

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Weighted average number of Units - Basic	9,952,508	5,925,058	9,938,732	5,553,772
Diluted - Continuing Operations	9,952,508	5,925,058	9,938,732	5,553,772
Diluted - Discontinued Operations	14,071,796	6,105,564	10,088,782	5,725,115
Diluted - Net Income	10,083,888	5,925,058	10,088,782	5,553,772

The maximum number of units that would be outstanding if all of the convertible debentures were to be converted and all options and warrants were exercised would be as follows:

	Potential Dilutive Units	
	June 30, 2007	June 30, 2006
Units Outstanding - end of Period	9,960,601	7,914,539
Unit options	645,250	649,000
Warrants	215,500	166,500
Convertible Debentures		
Series A (8.0%)	1,274,510	1,274,510
Series B (9.0%)	-	675,000
Series C (9.0%)	223,083	250,000
Series D (7.5%)	666,667	-
Series E (6.3%)	1,818,182	-
	14,803,793	10,929,549

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

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 June 30, 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 June 30, 2007 and December 31, 2006, the Trust did not have any cash flow or interest rate hedges in place.

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 June 30, 2007 is summarized as follows:

	Three months ended June 30, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 8,920,980	\$ 1,377,924	\$ 1,459,266	\$ 11,758,170
Property operating costs	3,759,853	323,943	425,519	4,509,315
Property operating income	\$ 5,161,127	\$ 1,053,981	\$ 1,033,747	\$ 7,248,855
Income properties	\$ 217,593,778	\$ 40,231,379	\$ 39,883,909	\$ 297,709,066

WHITEROCK REAL ESTATE INVESTMENT TRUST
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Property operating income (excluding discontinued operations) and income properties 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	\$ 4,476,627	\$ 814,975	\$ 659,420	\$ 5,951,022
Property operating costs	1,625,176	222,723	211,848	2,059,747
Property operating income	\$ 2,851,451	\$ 592,252	\$ 447,572	\$ 3,891,275
Income properties	\$ 132,990,531	\$ 20,615,029	\$ 25,675,811	\$ 179,281,371

Property operating income (excluding discontinued operations) by segment for the six months ended June 30, 2007 is summarized as follows:

	Six months ended June 30, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 17,973,984	\$ 2,687,893	\$ 2,970,874	\$ 23,632,751
Property operating costs	7,708,001	730,534	877,709	9,316,244
Property operating income	\$ 10,265,983	\$ 1,957,359	\$ 2,093,165	\$ 14,316,507

Property operating income (excluding discontinued operations) by segment for the six months ended June 30, 2006 is summarized as follows:

	Six months ended June 30, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 8,179,602	\$ 1,517,586	\$ 1,255,775	\$ 10,952,963
Property operating costs	3,090,956	432,832	400,947	3,924,735
Property operating income	\$ 5,088,646	\$ 1,084,754	\$ 854,828	\$ 7,028,228

For the six months ended June 30, 2007, there is one tenant that accounts for more than 10% of the Trusts' total revenue. SIQ (Quebec government agency) comprised approximately 20% (six months ended June 30, 2006 – 32%) of the Trust's total revenue.

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24. Subsequent Events

Conversion of Series A Debentures

Subsequent to June 30, 2007, \$2,269,000 of Whiterock's Series A (8.0%) debentures were converted by debentureholders into 222,448 units.

25. Comparative Amounts

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