



Consolidated Financial Statements
June 30, 2008
(unaudited)

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

	Note	June 30, 2008 (unaudited)	December 31, 2007
Assets			
Income properties	3	\$ 297,705,159	\$ 314,128,715
Deferred charges	4	14,049,220	15,137,436
Intangible assets	5	15,367,998	17,117,794
Mortgages receivable	6	7,254,563	-
		334,376,940	346,383,945
Other assets	7	8,550,852	4,496,522
Cash		142,491	4,152,370
Future income tax asset	18	70,000	140,000
		\$ 343,140,283	\$ 355,172,837
Liabilities and Equity			
Mortgages payable and facilities	8	\$ 216,857,065	\$ 224,598,967
Convertible debentures	9	41,178,881	43,507,560
Accounts payable and accrued liabilities	10	11,529,610	12,204,780
		269,565,556	280,311,307
Unitholders' Equity		73,574,727	74,861,530
		\$ 343,140,283	\$ 355,172,837

See accompanying notes to the consolidated financial statements

Approved by the Board of Trustees:

"Jason Underwood"
Trustee

"Paul Simcox"
Trustee

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited)	Note	Three months ended June 30,		Six months ended June 30,	
		2008	2007	2008	2007
Revenue					
Income property rentals	14	\$ 12,603,862	\$ 11,758,170	\$ 25,414,111	\$ 23,632,751
Interest income		256,682	180,179	455,381	271,616
		12,860,544	11,938,349	25,869,492	23,904,367
Expenses					
Property operating costs		4,847,456	4,509,315	9,984,579	9,316,244
Interest	15	4,005,675	4,204,851	8,095,732	8,463,026
General and administrative expenses	16	448,020	558,217	826,863	1,168,237
Amortization	17	2,939,689	2,890,045	5,903,026	5,718,041
		12,240,840	12,162,428	24,810,200	24,665,548
Income (loss) before the undernoted		619,704	(224,079)	1,059,292	(761,181)
Strategic alternatives costs	24	-	(2,141,667)	-	(2,141,667)
Future income tax recovery (expense)	18	-	800,000	(70,000)	800,000
Income (loss) from continuing operations		619,704	(1,565,746)	989,292	(2,102,848)
Income (loss) from discontinued operations	19	-	29,263	(55,546)	341,808
Gain on disposition of property	19	-	3,514,785	44,819	3,514,785
Net income and comprehensive income		\$ 619,704	\$ 1,978,302	\$ 978,565	\$ 1,753,745
Basic net income (loss) per unit					
	20				
Continuing operations		\$ 0.06	\$ (0.16)	\$ 0.09	\$ (0.21)
Discontinued operations		\$ -	\$ 0.36	\$ -	\$ 0.39
Net income per unit		\$ 0.06	\$ 0.20	\$ 0.09	\$ 0.18
Diluted net income (loss) per unit					
	20				
Continuing operations		\$ 0.06	\$ (0.16)	\$ 0.09	\$ (0.21)
Discontinued operations		\$ -	\$ 0.33	\$ -	\$ 0.38
Net income per unit		\$ 0.06	\$ 0.20	\$ 0.09	\$ 0.17

See accompanying notes to the 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,	
		2008	2007	2008	2007
Units					
	11				
Balance, beginning of period		\$101,390,614	\$ 95,122,849	\$ 99,571,778	\$ 94,226,033
Issuance of units		2,017,601	199,472	3,928,443	1,112,158
Value associated with unit options exercised		4,677	-	4,677	-
Value associated with warrants exercised		-	-	-	5,220
Unit issue costs		(83,090)	(5,273)	(175,096)	(26,363)
Balance, end of period		103,329,802	95,317,048	103,329,802	95,317,048
Unit Options					
	12				
Balance, beginning of period		773,145	861,639	756,212	840,738
Value associated with unit options exercised		(4,677)	-	(4,677)	-
Value associated with unit options vested		63,100	16,435	80,033	37,336
Value associated with unit options cancelled		(5,088)	-	(5,088)	-
Balance, end of period		826,480	878,074	826,480	878,074
Warrants					
	13				
Balance, beginning of period		314,800	314,800	314,800	320,020
Value associated with warrants exercised		-	-	-	(5,220)
Balance, end of period		314,800	314,800	314,800	314,800
Equity Component of Convertible Debentures					
	9				
Balance, beginning of period		2,046,258	2,323,399	2,132,625	2,335,991
Equity component of convertible debentures converted		(61,558)	-	(147,925)	(12,592)
Balance, end of period		1,984,700	2,323,399	1,984,700	2,323,399
Cumulative Earnings and Accumulated Comprehensive Earnings					
Balance, beginning of period		(6,270,710)	(7,668,853)	(6,629,571)	(7,509,446)
Transition amount - adoption of financial instruments		-	-	-	65,150
Net income (loss)		619,704	1,978,302	978,565	1,753,745
Balance, end of period		(5,651,006)	(5,690,551)	(5,651,006)	(5,690,551)
Cumulative Distributions to Unitholders					
Balance, beginning of period		(24,218,076)	(12,765,784)	(21,284,314)	(9,960,897)
Distributions to unitholders (cash and units)		(3,011,973)	(2,773,159)	(5,945,735)	(5,578,046)
Balance, end of period		(27,230,049)	(15,538,943)	(27,230,049)	(15,538,943)
Total Unitholders' Equity		\$ 73,574,727	\$ 77,603,827	\$ 73,574,727	\$ 77,603,827
Units Issued and Outstanding	11	10,759,078	9,960,601	10,759,078	9,960,601

See accompanying notes to the 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,	
		2008	2007	2008	2007
Cash provided by (used in) operating activities					
Income (loss) from continuing operations		\$ 619,704	\$ (1,565,746)	\$ 989,292	\$ (2,102,848)
Items not affecting cash					
Amortization	17	2,939,689	2,890,045	5,903,026	5,718,041
Deferred finance cost amortization					
- mortgages payable		50,429	57,318	101,944	109,825
- acquisition and operating facilities		34,394	108,321	110,688	214,373
- convertible debentures		113,154	133,878	240,924	262,209
Implicit interest rate in excess of coupon rate - convertible debentures		92,523	100,794	190,708	201,480
Non-cash compensation expense	16	84,262	16,435	125,362	37,336
Future income taxes	18	-	(800,000)	70,000	(800,000)
Accrued rental revenue recognized on a straight line basis		(317,388)	(361,060)	(612,820)	(747,124)
Above and below market lease amortization		(395,595)	(333,437)	(781,065)	(665,196)
		3,221,172	246,548	6,338,059	2,228,096
Changes in non-cash operating items		(3,456,052)	415,530	(2,657,348)	563,049
		(234,880)	662,078	3,680,711	2,791,145
Cash provided by (used in) financing activities					
Mortgage principal instalment payments		(731,861)	(678,416)	(1,448,287)	(1,348,365)
Mortgage financing costs		-	(70,430)	-	(86,325)
Draw on operating facility (net of transaction costs)		640,086	-	996,877	(3,500)
Repayment of acquisition facility		-	(7,800,000)	-	(7,800,000)
Issuance of units	11	53,750	-	53,750	30,375
Unit issue costs		(22,631)	(5,273)	(32,753)	(9,283)
Distributions to unitholders		(2,435,447)	(2,573,687)	(5,172,037)	(5,270,388)
		(2,496,103)	(11,127,806)	(5,602,450)	(14,487,486)
Cash provided by (used in) investing activities					
Income properties acquired	3	-	-	-	(1,913,462)
Issuance of mortgages receivable		-	-	(10,425,000)	-
Repayment of mortgages receivable		3,175,000	-	3,175,000	-
Revenue enhancing capital expenditures		(376,162)	-	(868,987)	-
Leasing costs and other capital expenditures		(86,131)	(227,589)	(151,127)	(446,013)
Furniture and equipment		(16,881)	-	(27,035)	-
		2,695,826	(227,589)	(8,297,149)	(2,359,475)
Change in cash - Continuing operations		(35,157)	(10,693,317)	(10,218,888)	(14,055,816)
Change in cash - Discontinued operations	19	-	20,110,034	6,209,009	19,651,307
Cash, beginning of period		177,648	5,477,014	4,152,370	9,298,240
Cash, end of period		\$ 142,491	\$ 14,893,731	\$ 142,491	\$ 14,893,731
Supplementary cash flow information					
Cash interest paid	15	\$ 4,099,216	\$ 4,442,063	\$ 7,487,385	\$ 8,349,399

See accompanying notes to the consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007 (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.

2. Significant Accounting Policies

(a) Basis of Accounting

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, 2007 and 2006 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, 2007 and 2006 annual consolidated financial statements.

(b) Changes to Significant Accounting Policies

The Canadian Institute of Chartered Accountants (“CICA”) issued three new accounting standards that are effective for the Trust’s fiscal year commencing January 1, 2008: CICA Handbook Section 1535, Capital Disclosures; CICA Handbook Section 3862 – Financial Instruments – Disclosures; and Section 3863 – Financial Instruments – Presentation.

Section 1535 includes required disclosures of an entity’s objectives, policies and processes for managing capital, and quantitative data about the entity’s various sources of capital (Note 22).

Sections 3862 and 3863 replace the existing Section 3861, Financial Instruments – Disclosure and Presentation. These new Sections revise and enhance disclosure requirements and carry forward unchanged existing presentation requirements. The new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks (Note 23).

The new standards have no impact on the classification and measurement of the Trust’s financial instruments.

(c) Future Changes to Significant Accounting Policies

The CICA has issued a new accounting standard, CICA Handbook Section 3064, Goodwill and Intangible Assets, effective for the Trust’s 2009 fiscal year, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The Trust is in the process of evaluating the impact of these Standards on its 2009 consolidated financial statements.

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

3. Income Properties

	June 30, 2008	December 31, 2007
Land	\$ 46,060,937	\$ 46,060,937
Buildings and improvements	266,333,132	265,399,455
	312,394,069	311,460,392
Accumulated amortization	(14,688,910)	(11,288,859)
	297,705,159	300,171,533
Discontinued operations (Note 19)	-	13,957,182
	\$ 297,705,159	\$ 314,128,715

Effective January 28, 2008, the Trust disposed of its interest in one industrial property for gross proceeds of \$14.0 million (Note 19), less mortgages assumed by the purchaser of \$7.5 million.

Effective March 30, 2007, the Trust acquired an interest in a 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, with the balance paid in cash.

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

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2008	2007	2008	2007
Income properties				
- Land	\$ -	\$ -	\$ -	\$ 888,000
- Building and improvements	-	-	-	4,587,320
Deferred charges				
- Tenant inducements	-	-	-	587,835
Intangible assets				
- Lease origination costs	-	-	-	349,826
- Tenant relationships	-	-	-	204,019
	\$ -	\$ -	\$ -	\$ 6,617,000
Consideration provided:				
Purchase price holdback	-	-	-	503,538
Cash and acquisition facilities	-	-	-	6,113,462
	\$ -	\$ -	\$ -	\$ 6,617,000

Subsequent to June 30, 2008 the Trust acquired nine properties in two transactions for \$85.4 million before closing costs. The acquisitions were financed through a combination of new and assumed mortgages, issuance of convertible debentures and Whiterock units and a draw on the Trust's revolving credit facility (Note 25).

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

4. Deferred Charges

	June 30, 2008	December 31, 2007
Tenant inducements on acquisitions	\$ 13,719,782	\$ 13,727,056
Leasing costs	4,859,075	4,772,968
	18,578,857	18,500,024
Accumulated amortization		
Tenant inducements on acquisitions	(3,873,689)	(2,989,796)
Leasing costs	(655,948)	(457,739)
	(4,529,637)	(3,447,535)
	14,049,220	15,052,489
Discontinued operations (Note 19)	-	84,947
	\$ 14,049,220	\$ 15,137,436

5. Intangible Assets

	June 30, 2008	December 31, 2007
Lease origination costs	\$ 12,533,079	\$ 12,547,480
Tenant relationships	7,808,787	7,808,787
Above market rents on acquisitions	1,565,218	1,565,218
	21,907,084	21,921,485
Accumulated amortization		
Lease origination costs	(3,490,546)	(2,656,798)
Tenant relationships	(2,210,720)	(1,679,611)
Above market rents on acquisitions	(837,820)	(688,969)
	(6,539,086)	(5,025,378)
	15,367,998	16,896,107
Discontinued operations (Note 19)	-	221,687
	\$ 15,367,998	\$ 17,117,794

6. Mortgages Receivable

	June 30, 2008	December 31, 2007
Mortgages receivable	\$ 7,250,000	\$ -
Deferred financing costs	7,687	-
Accumulated amortization	(3,124)	-
Mortgages receivable - including deferred financing costs	\$ 7,254,563	\$ -

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

In conjunction with the disposition of an industrial property in Regina, Saskatchewan, the Trust provided a \$7.25 million second mortgage at a 10% interest rate in priority to the additional equity capital provided by the purchaser. The Trust has the right to acquire the property at market once substantially leased. As a condition of financing, the Trust continues to guarantee the \$7.5 million first mortgage financing on the property.

During the three months ended March 31, 2008, the Trust provided short term first mortgage financing on a property in Dartmouth, Nova Scotia. The total amount funded was \$3.2 million at an interest rate of 8.5% and was fully repaid during the second quarter of 2008. The Trust continues to have an option to acquire the property at fair market value.

7. Other Assets

	June 30, 2008	December 31, 2007
Prepaid expenses and other assets	\$ 2,849,543	\$ 1,756,584
Properties under option	2,049,716	10,787
Trade amounts receivable	903,662	624,637
Interest receivable	60,417	23,648
Straight line rent receivable	2,687,514	2,078,750
	8,550,852	4,494,406
Discontinued operations (Note 19)	-	2,116
	\$ 8,550,852	\$ 4,496,522

Trade amounts receivable are net of an allowance for doubtful accounts of \$153,000 at June 30, 2008 and \$109,000 at December 31, 2007 with the difference being charged against property operating costs. An allowance is established when there is objective evidence that the Trust will not be able to collect the amount due. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Approximately \$42,000 of uncollected trade amounts receivable were three months past due at June 30, 2008 but not considered impaired.

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

8. Mortgages Payable and Facilities

Mortgages payable and facilities are secured by income properties and are summarized as follows:

	June 30, 2008	December 31, 2007
Mortgage liability - continuing	\$ 217,384,695	\$ 218,832,982
Mortgage liability - discontinued	-	7,500,000
Mortgage deferred financing fees	(1,885,866)	(2,016,987)
Accumulated amortization	366,650	398,254
Mortgage liability - net of deferred financing costs	215,865,479	224,714,249
Acquisition and operating facilities	1,070,000	-
Acquisition and operating facilities deferred financing fees	(93,152)	(860,766)
Accumulated amortization	14,738	745,484
Acquisition and operating facilities - net of deferred financing fees	991,586	(115,282)
	\$ 216,857,065	\$ 224,598,967

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

	June 30, 2008	December 31, 2007
Fixed rate	\$ 217,384,695	\$ 218,832,982
Floating rate	-	-
	217,384,695	218,832,982
Discontinued operations - floating rate	-	7,500,000
	\$ 217,384,695	\$ 226,332,982

Fixed rate financing bears interest at a weighted average fixed rate of 5.4% (2007 – 5.4%), excluding mortgages relating to discontinued operations. Floating rate financing bears interest at rates determined by reference to the prime rate plus 25 basis points at December 31, 2007.

Principal repayments of mortgages payable outstanding as of June 30, 2008 are as follows:

	Scheduled Amortization	Balloon Payments	Total
2008	\$ 1,494,435	\$ 4,500,000	\$ 5,994,435
2009	3,115,890	-	3,115,890
2010	3,337,414	12,716,598	16,054,012
2011	3,910,109	-	3,910,109
2012	4,853,331	12,045,982	16,899,313
2013	4,746,109	2,930,702	7,676,811
Thereafter	23,187,212	140,546,913	163,734,125
	\$ 44,644,500	\$ 172,740,195	\$ 217,384,695

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

Acquisition and Operating Facilities

On June 19, 2008, Whiterock entered into a demand revolving credit facility of up to \$40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and can be used for acquisitions, operations and general corporate purposes. The facility bears interest at floating rates determined, at Whiterock's option, by reference to the prime rate plus 150 basis points or Bankers Acceptance rates plus 250 basis points. As at June 30, 2008, no amount was outstanding under the facility.

On December 18, 2007, the Trust entered into a one year, \$5 million revolving line of credit, secured by mortgages on existing property, at a floating rate determined by reference to the prime rate plus 50 basis points. As at June 30, 2008, \$1.1 million was outstanding under this facility (December 31, 2007 – nil).

On April 28, 2006, Whiterock entered into an 8.5% revolving \$23.5 million acquisition facility with a third party provider which was amended on July 31, 2006, so that the maximum amount available to be drawn was increased to \$45 million. As consideration for the amendment, Whiterock issued 125,000 warrants with a \$13.76 exercise price and 90,500 warrants with a \$14.20 exercise price (Note 13), with a term of 5 years. 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. This facility expired in May 2008 and was replaced by the new \$40 million revolving credit facility.

9. Convertible Debentures

As at June 30, 2008, the Trust has four series of convertible debentures outstanding.

	Principal (\$)	Interest rate	Conversion Price	Interest Payable	Maturity Date
Series A	6,797,700	8.0%	\$10.20 per unit	semi-annually	June 28, 2010
Series C	2,212,000	9.0%	\$12.00 per unit	quarterly	December 21, 2010
Series D	10,000,000	7.5%	\$15.00 per unit	semi-annually	July 31, 2011
Series E	25,000,000	6.3%	\$13.75 per unit	semi-annually	December 31, 2011

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

	Series A	Series C	Series D	Series E	Total
Liability	\$ 12,328,078	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 48,664,009
Equity	671,922	116,940	435,744	1,111,385	2,335,991
Principal on issuance	13,000,000	3,000,000	10,000,000	25,000,000	51,000,000
Conversion of debentures	(3,691,000)	(323,000)	-	-	(4,014,000)
Principal - December 31, 2007	9,309,000	2,677,000	10,000,000	25,000,000	46,986,000
Conversion of debentures	(2,511,300)	(465,000)	-	-	(2,976,300)
Principal - June 30, 2008	\$ 6,797,700	\$ 2,212,000	\$ 10,000,000	\$ 25,000,000	\$ 44,009,700

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

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 C	Series D	Series E	Total
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	115,190	18,945	75,692	189,140	398,967
Conversion of debentures	(3,569,771)	(312,456)	-	-	(3,882,227)
Liability -					
December 31, 2007	9,044,036	2,608,559	9,667,411	24,090,489	45,410,495
Implicit interest rate in excess of coupon rate	41,361	9,249	40,270	99,828	190,708
Conversion of debentures	(2,447,831)	(454,823)	-	-	(2,902,654)
Liability -					
June 30, 2008	6,637,566	2,162,985	9,707,681	24,190,317	42,698,549
Deferred financing fees	(922,431)	(165,067)	(240,458)	(1,338,461)	(2,666,417)
Deferred financing fees - Accumulated amortization	624,869	76,788	80,048	365,044	1,146,749
Balance -					
June 30, 2008	\$ 6,340,004	\$ 2,074,706	\$ 9,547,271	\$ 23,216,900	\$ 41,178,881

Series A

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the original principal 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.

In the six months ended June 30, 2008, \$2,511,300 of Series A debentures were converted into 246,203 units. In the three months ended June 30, 2008, \$840,300 of Series A debentures were converted into 82,381 units.

Series C

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the original principal 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.

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

In the three and six months ended June 30, 2008, \$465,000 of Series C debentures were converted into 38,750 units. In the six months ended June 30, 2007, \$323,000 of Series C debentures were converted into 26,914 units.

Series D

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the original principal 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 original principal 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.

Series F

Subsequent to June 30, 2008, the Trust issued 6.0% redeemable subordinated unsecured convertible debentures in the original principal amount of \$11,400,000 with interest payable quarterly and which mature on July 15, 2012 (Note 25). The debentures are convertible at the request of the holder after July 15, 2009, subject to certain terms and conditions at a conversion price of \$13.22.

The debentures are redeemable at the option of the Trust at 115% of the principal amount subject to certain terms and conditions.

10. Accounts Payable and Accrued Liabilities

	June 30, 2008	December 31, 2007
Below market rents on acquisitions	\$ 10,320,399	\$ 10,329,358
Accrued mortgage, acquisition facility, and debenture interest	1,231,845	1,224,830
Security deposits	405,633	389,652
Distributions payable	972,781	-
Other accounts payable and accrued liabilities	3,102,516	3,297,351
	16,033,174	15,241,191
Accumulated Amortization		
Below market rents on acquisitions	(4,503,564)	(3,582,607)
	11,529,610	11,658,584
Discontinued operations (Note 19)	-	546,196
	\$ 11,529,610	\$ 12,204,780

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

11. Units

	Note	2008		2007	
		Units	\$	Units	\$
Issued and outstanding, January 1		10,385,274	\$ 99,571,778	9,869,877	\$ 94,226,033
Units Issued					
Settlement of accrued management services fees		-	-	34,708	449,077
Conversion of Series A Debentures		163,822	1,713,670	-	-
Conversion of Series C Debentures		-	-	26,914	325,048
Exercise of warrants	13	-	-	5,625	30,375
Distribution reinvestment plan		20,810	197,172	7,902	108,186
Value associated with warrants exercised			-		5,220
Unit issue costs			(92,006)		(21,090)
Issued and outstanding, March 31		10,569,906	\$ 101,390,614	9,945,026	\$ 95,122,849
Units Issued					
Conversion of Series A Debentures		82,381	863,960	-	-
Conversion of Series C Debentures		38,750	472,949	-	-
Exercise of options		6,250	53,750	-	-
Exercise of equity rights		5,148	50,416	-	-
Distribution reinvestment plan		56,643	576,526	15,575	199,472
Value associated with options exercised			4,677		-
Unit issue costs			(83,090)		(5,273)
Issued and outstanding, June 30		10,759,078	\$ 103,329,802	9,960,601	\$ 95,317,048

Units issued and outstanding at January 1, 2007 in the table above include 205,354 LP Class B units issued in 2006 by Whiterock Limited Partnership, a subsidiary of Whiterock. The LP Class B units, together with their accompanying Special Trust Units, had economic and voting rights equivalent in all material respects to the Trust units and could only be converted into Trust units. 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.

On January 3, 2007, the Trust issued 34,708 units valued at \$449,077 and paid \$238,705 cash to two officers and Trustees of the Trust to settle the remaining outstanding fees accrued as of December 31, 2006 in accordance with the original terms of their management services agreements.

In the six months ended June 30, 2008, the Trust issued 5,148 equity rights to the independent Trustees of Whiterock in lieu of paying the quarterly retainers for the six months ended June 30, 2008 to the Trustees. The equity rights, which were approved by unitholders at Whiterock's Annual Meeting of Unitholders, were issued at a price of \$9.79, based on the 20 day weighted average trading price of the units, and were converted into Whiterock units after approval at the Annual Meeting of Unitholders.

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

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 weighted average market price of the units for the 10 trading days preceding the distribution payment date.

12. Unit Options

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

	2008		2007	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, January 1,	576,875	\$10.62	645,250	\$10.68
Granted	55,000	9.83	-	-
Expired	(3,125)	12.16	-	-
Outstanding, March 31	628,750	\$10.55	645,250	\$10.68
Granted	170,000	\$9.80	-	-
Exercised	(6,250)	8.60	-	-
Cancelled	(9,062)	11.10	-	-
Outstanding, June 30	783,438	\$10.39	645,250	\$10.68
Options vested, end of period	763,594	\$9.85	592,125	\$10.67
Weighted average remaining life (years)	3.3		3.5	

The fair value associated with the unit options issued during the six months ended June 30, 2008 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 22% (2007 – 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 (the five year Canada bond rate at the date of grant).

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

13. Warrants

	2008		2007	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, January 1,	215,500	\$13.94	221,125	\$13.73
Exercised	-	-	(5,625)	\$5.40
Outstanding, March 31	215,500	\$13.94	215,500	\$13.94
Exercised	-	-	-	-
Outstanding, June 30	215,500	\$13.94	215,500	\$13.94
Warrants exercisable, end of period	215,500	\$13.94	215,500	\$13.94
Weighted average remaining life (years)	3.0		4.0	

No warrants were issued during the six months ended June 30, 2008 (2007 – nil).

14. Income Property Rentals

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue from tenant leases	\$ 11,890,879	\$ 11,063,673	\$ 24,020,226	\$ 22,220,431
Accrued rental revenue recognized on a straight-line basis	317,388	361,060	612,820	747,124
Above and below market lease amortization	395,595	333,437	781,065	665,196
	\$ 12,603,862	\$ 11,758,170	\$ 25,414,111	\$ 23,632,751

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

15. Interest

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Mortgage interest expense	\$ 2,956,243	\$ 2,937,598	\$ 5,924,553	\$ 5,878,838
Facilities and other interest expense	69,271	131,097	146,897	314,557
Debenture interest expense	980,161	1,136,156	2,024,282	2,269,631
Interest expense - continuing operations	4,005,675	4,204,851	8,095,732	8,463,026
Interest expense				
- discontinued operations (Note 19)	-	49,656	42,932	526,453
Deferred finance cost amortization:				
mortgages payable	(50,429)	(57,318)	(101,944)	(109,825)
mortgages payable				
- discontinued operations (Note 19)	-	(1,700)	-	(7,944)
acquisition and operating facilities	(35,630)	(108,321)	(110,688)	(214,373)
convertible debentures	(113,154)	(133,878)	(240,924)	(262,209)
Implicit interest rate in excess of coupon				
rate - convertible debentures	(92,523)	(100,832)	(190,708)	(201,518)
Change in accrued interest	385,277	589,605	(7,015)	155,789
Cash interest paid	\$ 4,099,216	\$ 4,442,063	\$ 7,487,385	\$ 8,349,399

16. General and Administrative Expenses

	Three months ended June 30,		Six months ended June 30	
	2008	2007	2008	2007
Salaries and wages	\$ 159,359	\$ 359,038	\$ 391,522	\$ 705,236
Non-cash compensation expense	84,262	16,435	125,362	37,336
Trustee fees	7,853	43,750	22,706	85,346
Legal, audit and regulatory	100,238	58,716	149,471	90,046
Office rent	-	21,335	-	41,980
Insurance	14,216	15,117	28,432	30,233
Other general and administrative	39,012	43,826	66,290	74,789
	404,940	558,217	783,783	1,064,966
Costs related to properties				
not acquired	-	-	-	103,271
Recruiting costs	43,080	-	43,080	-
	\$ 448,020	\$ 558,217	\$ 826,863	\$ 1,168,237

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

17. Amortization

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Building and improvements	\$ 1,706,853	\$ 1,661,385	\$ 3,400,051	\$ 3,292,229
Deferred charges				
- tenant inducements on acquisition	436,342	455,610	891,167	896,641
- leasing costs	93,207	68,777	184,948	133,758
Intangible assets				
- lease origination	415,467	423,537	848,149	838,398
- tenant relationships	263,025	267,975	531,109	530,890
Furniture and fixtures	24,795	12,761	47,602	26,125
Amortization expense	\$ 2,939,689	\$ 2,890,045	\$ 5,903,026	\$ 5,718,041

18. 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 currently 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. In fiscal 2006 and 2007, all of the Trust's distributions were classed as returns of capital for tax purposes.

A SIFT that was publicly listed before November 1, 2006 (an "Existing Trust") will become subject to the tax on certain 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. The Trust has not exceeded such limits.

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, without further action, commencing in 2011 the Trust will become subject to tax on distributions of certain income. The Trust intends to take the necessary steps to qualify for the REIT conditions prior to 2011.

Due to the SIFT Rules, on June 30, 2007 the Trust commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax basis of its assets and liabilities, including those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets and liabilities are recorded using substantively enacted tax rates and

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

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 \$70,000 in the consolidated balance sheet at June 30, 2008, with a corresponding future income tax recovery of \$70,000 reflected in consolidated income for the six months ended June 30, 2008.

The October 30, 2007, Canadian Federal Economic Statement announced several general corporate income tax rate reductions. Legislation for such rate reductions, which apply to the computation of SIFT tax, received Royal Assent on December 14, 2007. Consequently, in accounting for the Trust's future income taxes, the impact of these tax rate reductions from 31.5% to 29.5% for 2011 and 28.0% for 2012 and later have been applied in the periods that such temporary differences are expected to reverse.

The tax effect of temporary differences that give rise to significant portions of the future income tax assets are as follows:

	June 30, 2008	December 31, 2007
Future income tax asset:		
Income producing property	\$ 470,000	\$ 706,000
Straight line rent receivable	(750,000)	(582,000)
Other assets and receivables	350,000	16,000
Net future income tax asset	\$ 70,000	\$ 140,000

19. Discontinued Operations

Effective January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximates the Trust's gross book value. In conjunction with the sale, the Trust has provided a \$7.25 million second mortgage (Note 6) at a 10% interest rate in priority to the additional equity capital provided by the purchaser. The Trust has the right to acquire the property at market once substantially leased. As a condition of financing, the Trust continues to guarantee the \$7.5 million first mortgage financing on the property.

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 \$51.8 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:

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue				
Income property rentals	\$ -	\$ 203,648	\$ 115,894	\$ 2,169,863
Interest income	-	-	271	17,563
	-	203,648	116,165	2,187,426
Expenses				
Property operating costs	-	124,729	97,901	1,110,597
Interest	-	49,656	42,932	526,453
Amortization	-	-	30,878	208,568
	-	174,385	171,711	1,845,618
Income (loss) before the undernoted	-	29,263	(55,546)	341,808
Gain on disposition of properties	-	3,514,785	44,819	3,514,785
Income (loss) and gain from discontinued operations	\$ -	\$ 3,544,048	\$ (10,727)	\$ 3,856,593

Cash flow from discontinued operations for the three and six months ended June 30, 2008 and 2007 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Cash provided by (used in) operating activities				
Income (loss) and gain from discontinued operations	\$ -	\$ 3,544,048	\$ (10,727)	\$ 3,856,593
Items not affecting cash				
Amortization	-	-	30,878	208,568
Deferred finance cost amortization - mortgages payable	-	1,700	-	7,944
Accrued rental revenue recognized on a straight-line basis	-	(9,559)	-	(38,470)
Above and below market lease amortization	-	(8,302)	(8,831)	(83,027)
Gain on disposition of properties	-	(3,514,785)	(44,819)	(3,514,785)
	-	13,102	(33,499)	436,823
Changes in non-cash operating items	-	43,236	(189,070)	(683,017)
	-	56,338	(222,569)	(246,194)
Cash used in financing activities				
Mortgage principal repayments	-	(16,682)	-	(168,484)
Mortgage financing costs	-	-	-	(4,005)
	-	(16,682)	-	(172,489)
Cash used in investing activities				
Proceeds from disposition of properties	-	20,098,007	6,431,578	20,098,007
Leasing costs and capital expenditures	-	(27,629)	-	(28,017)
	-	20,070,378	6,431,578	20,069,990
Change in cash - Discontinued operations	\$ -	\$ 20,110,034	\$ 6,209,009	\$ 19,651,307

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

20. Per Unit Calculations

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

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,	
	2008	2007	2008	2007
Weighted average number of Units				
Basic	10,711,045	9,952,508	10,561,943	9,938,732
Diluted - Continuing Operations	10,736,564	9,952,508	10,587,106	9,938,732
Diluted - Discontinued Operations	10,711,045	14,066,304	10,561,943	10,088,782
Diluted - Net Income	10,736,564	10,083,862	10,587,106	10,088,782

The following securities were not included in the diluted net income per unit calculation as the effect would have been anti-dilutive:

	Exercise / Conversion Price	Number of Units if Converted or Exercised at June 30, 2008
Unit options		
	\$ 10.00	131,250
	\$ 10.04	12,500
	\$ 10.88	57,500
	\$ 11.60	18,750
	\$ 12.16	4,688
	\$ 13.08	166,250
Warrants		
	\$ 13.76	125,000
	\$ 14.20	90,500
Convertible Debentures		
Series A (8.0%)	\$ 10.20	666,441
Series C (9.0%)	\$ 12.00	184,333
Series D (7.5%)	\$ 15.00	666,667
Series E (6.3%)	\$ 13.75	1,818,182
		3,942,061

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

21. Segmented Financial Information

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

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended June 30, 2008 and 2007 are summarized as follows:

	Three months ended June 30, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 9,540,196	\$ 1,501,696	\$ 1,561,970	\$ 12,603,862
Property operating costs	3,949,375	422,969	475,112	4,847,456
Property operating income	\$ 5,590,821	\$ 1,078,727	\$ 1,086,858	\$ 7,756,406

	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

Property operating income (excluding discontinued operations) and income properties by segment for the six months ended June 30, 2008 and 2007 is summarized as follows:

	Six months ended June 30, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 19,159,568	\$ 3,085,323	\$ 3,169,220	\$ 25,414,111
Property operating costs	8,073,791	913,102	997,686	9,984,579
Property operating income	\$ 11,085,777	\$ 2,172,221	\$ 2,171,534	\$ 15,429,532

Income properties - continuing \$ 219,400,570 \$ 39,330,664 \$ 38,973,925 \$ 297,705,159

	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

Income properties - continuing \$ 217,593,778 \$ 40,231,379 \$ 39,883,909 \$ 297,709,066

For the six months ended June 30, 2008, there is one tenant that accounts for more than 10% of the Trusts' total revenue. SIQ (Quebec government agency) comprised approximately 19% (June 30, 2007 – 21%) of the Trust's total revenue.

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

22. Capital Management

The Trust defines capital that it manages as the aggregate of unitholders' equity and interest bearing debt. Whiterock's objectives when managing capital are to safeguard and build long term unitholder value, fund its ongoing long term business strategies and provide reasonable returns to unitholders taking into account levels of risk.

The Trust manages its capital structure and makes adjustments to it taking into account changes in economic conditions, availability of capital and the risk characteristics of its underlying assets.

The total managed capital for the Trust is summarized below:

	June 30, 2008	December 31, 2007
Mortgages payable and facilities	\$ 216,857,065	\$ 224,598,967
Convertible debentures	41,178,881	43,507,560
	258,035,946	268,106,527
Unitholders' Equity	73,574,727	74,861,530
	\$ 331,610,673	\$ 342,968,057

The Trust monitors capital from time-to-time using a variety of measures. The Trust's Declaration of Trust contains provisions that have the effect of limiting capital expended by the Trust for, among other items, the following:

Whiterock's Declaration of Trust provides that total indebtedness, which excludes convertible debentures and short term credit facilities, may not exceed 75% of gross book value of the Trust's total assets ("GBV"). Whiterock continues to be in compliance with this ratio. At June 30, 2008, according to the calculation as defined in the Declaration of Trust, this ratio was 58.9% (December 31, 2007 – 60.3%). It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed at an 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 GBV. The 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.

Monitoring procedures are typically performed as a part of the overall management of Whiterock's operations. The Trust's strategy during the year, which was unchanged from the prior year, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Trust cannot predict.

23. 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 acquisition facility, approximate their recorded values at June 30, 2008 and December 31, 2007, 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.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

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. Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions.

At June 30, 2008 and December 31, 2007, the Trust did not have any cash flow or interest rate hedges in place.

Risk management

The main risks that arise from the Trust's financial instruments are credit, interest and liquidity risk. The Trust's approach to managing these risks, is summarized below:

Management's risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Trust has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Trust, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them, are as follows:

Liquidity risk

Liquidity risk is the risk that the Trust may not have sufficient debt and equity capital available to fund its growth program and refinance its debts as they mature. As discussed in Note 22, The Trust's Declaration of Trust provides that total indebtedness, which excludes convertible debentures and short term credit facilities, may not exceed 75% of gross book value of the Trust's total assets. As at June 30, 2008, the Trust has up to \$45 million of facilities available for acquisitions, operations and general corporate purposes, of which \$1.1 million was drawn. The Trust also endeavors to stagger its debt maturities. Of the Trust's \$217.4 million of mortgage debt, \$4.5 million is scheduled to mature in 2008. None of the Trust's convertible debentures are scheduled to mature in 2008.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining long-term mortgages with fixed interest rates minimizes cash flow risk. All of the Trust's outstanding mortgages and convertible debentures are fixed rate. Of the Trust's \$217.4 million of mortgage debt, \$4.5 million is scheduled to mature in 2008. None of the Trust's convertible debentures are scheduled to mature in 2008.

Credit risk

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 and that the tenant mix is comprised of tenants with credit worthy covenants, by staggered lease maturities and by an appropriate geographic mix of tenants.

24. Review of Strategic Alternatives in 2007

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.

WHITEROCK REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

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 \$2.2 million of costs, primarily for legal, special committee and due diligence costs relating to the process, in the year ended December 31, 2007.

25. Subsequent Events

Acquisition of Properties

Subsequent to June 30, 2008, Whiterock acquired 8 commercial properties in Calgary and Edmonton Alberta for \$79.75 million before closing costs. The purchase price was satisfied by a \$22.8 million private placement of new units and new convertible unsecured subordinated debentures to the vendor, with the balance of the funds provided by the assumption of \$23.3 million of mortgages with a weighted average interest rate of 5.9%, \$11.5 million of new mortgages with an interest rate of 5.5%, and the balance of funds from Whiterock's \$40 million credit facility. The vendor received \$11.4 million of new Whiterock units issued at \$11.50 per unit and \$11.4 million of new 6% convertible unsecured subordinated debentures with a 4-year term, and a conversion price of \$13.22 per unit.

Whiterock has also completed the purchase of one office building in Chatham, Ontario for \$5.6 million before closing costs financed from Whiterock's \$40 million credit facility.

Whiterock also has agreed to acquire an office building in Halifax, Nova Scotia for \$4.5 million before closing costs. Closing is scheduled to occur in August, 2008.

26. Comparative Amounts

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