



Consolidated Financial Statements  
September 30, 2007  
(unaudited)

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

	Note	September 30, 2007 (unaudited)	December 31, 2006
<b>Assets</b>			
Income properties	3	\$ 296,272,591	\$ 339,543,719
Deferred charges	4	15,353,190	17,599,205
Intangible assets	5	17,636,064	22,844,369
		<b>329,261,845</b>	<b>379,987,293</b>
Other assets	6	7,153,776	9,685,146
Cash		10,162,078	9,298,240
Future income taxes	19	800,000	-
		<b>\$ 347,377,699</b>	<b>\$ 398,970,679</b>
<b>Liabilities and Equity</b>			
Mortgages payable and acquisition facility	7	\$ 211,695,934	\$ 250,885,884
Accounts payable and accrued liabilities	8	14,371,836	18,938,601
Convertible debentures	9	44,545,347	48,893,755
		<b>270,613,117</b>	<b>318,718,240</b>
Unitholders' Equity		<b>76,764,582</b>	<b>80,252,439</b>
		<b>\$ 347,377,699</b>	<b>\$ 398,970,679</b>

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		Nine months ended	
		September 30,		September 30,	
		2007	2006	2007	2006
<b>Revenue</b>					
Income property rentals	13	\$ 11,873,018	\$ 7,183,328	\$ 35,505,769	\$ 18,136,291
Interest income		132,220	155,301	403,836	516,751
		<b>12,005,238</b>	<b>7,338,629</b>	<b>35,909,605</b>	<b>18,653,042</b>
<b>Expenses</b>					
Property operating costs		4,615,852	2,499,497	13,932,096	6,424,232
Interest	14	4,113,196	2,976,336	12,576,222	7,730,491
General and administrative expenses	15	527,270	643,934	1,695,507	1,848,652
Amortization	16	2,895,916	1,745,054	8,613,957	4,362,435
		<b>12,152,234</b>	<b>7,864,821</b>	<b>36,817,782</b>	<b>20,365,810</b>
Income (loss) before the undernoted		(146,996)	(526,192)	(908,177)	(1,712,768)
Strategic alternatives costs	17	(87,623)	-	(2,229,290)	-
Loss on debenture redemption	18	-	-	-	(690,838)
Future income taxes	19	-	-	800,000	-
<b>Income (loss) from continuing operations</b>		<b>(234,619)</b>	<b>(526,192)</b>	<b>(2,337,467)</b>	<b>(2,403,606)</b>
Income from discontinued operations	20	-	88,132	341,808	174,920
Gain on disposition of property	20	-	-	3,514,785	-
<b>Net income (loss) and comprehensive income</b>		<b>\$ (234,619)</b>	<b>\$ (438,060)</b>	<b>\$ 1,519,126</b>	<b>\$ (2,228,686)</b>
<b>Basic net income (loss) per unit</b> 21					
Continuing operations		\$ (0.02)	\$ (0.07)	\$ (0.23)	\$ (0.38)
Discontinued operations		\$ -	\$ 0.01	\$ 0.39	\$ 0.03
Net income per unit		\$ (0.02)	\$ (0.06)	\$ 0.15	\$ (0.35)
<b>Diluted net income (loss) per unit</b> 21					
Continuing operations		\$ (0.02)	\$ (0.07)	\$ (0.23)	\$ (0.38)
Discontinued operations		\$ -	\$ 0.01	\$ 0.38	\$ 0.03
Net income per unit		\$ (0.02)	\$ (0.06)	\$ 0.15	\$ (0.35)

See accompanying notes to the interim consolidated financial statements

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY**

(unaudited)	Note	Three months ended September 30,		Nine months ended September 30,	
		2007	2006	2007	2006
<b>Units</b>					
	10				
Balance, beginning of period		\$ 95,317,048	\$ 72,491,048	\$ 94,226,033	\$ 39,401,889
Issuance of units		2,495,525	355,958	3,607,683	35,528,748
Value associated with unit options exercised		-	7,000	-	57,131
Value associated with warrants exercised		-	33,292	5,220	70,180
Unit issue costs		(156,193)	(34,255)	(182,556)	(2,204,905)
Balance, end of period		97,656,380	72,853,043	97,656,380	72,853,043
<b>Unit Options</b>					
	11				
Balance, beginning of period		878,074	831,975	840,738	499,299
Value associated with unit options vested, net of cancellations		34,408	12,020	71,744	394,827
Value associated with unit options exercised		-	(7,000)	-	(57,131)
Balance, end of period		912,482	836,995	912,482	836,995
<b>Warrants</b>					
	12				
Balance, beginning of period		314,800	123,512	320,020	75,400
Value associated with warrants issued		-	-	-	85,000
Value associated with warrants exercised		-	(33,292)	(5,220)	(70,180)
Balance, end of period		314,800	90,220	314,800	90,220
<b>Equity Component of Convertible Debentures</b>					
	9				
Balance, beginning of period		2,323,399	1,005,941	2,335,991	1,019,747
Equity component of convertible debentures issued		-	435,744	-	435,744
Equity component of convertible debentures converted		(119,395)	-	(131,987)	(13,806)
Equity component of convertible debentures redeemed		-	(217,079)	-	(217,079)
Balance, end of period		2,204,004	1,224,606	2,204,004	1,224,606
<b>Cumulative Earnings and Accumulated Comprehensive Earnings</b>					
Balance, beginning of period		(5,690,551)	(2,828,804)	(7,509,446)	(660,953)
Convertible debenture redemption	18	-	-	-	(377,225)
Transition amount to conform to new accounting policy	2	-	-	65,150	-
Income (loss)		(234,619)	(438,060)	1,519,126	(2,228,686)
Balance, end of period		(5,925,170)	(3,266,864)	(5,925,170)	(3,266,864)
<b>Cumulative Distributions to Unitholders</b>					
Balance, beginning of period		(15,538,943)	(5,295,126)	(9,960,897)	(2,117,347)
Distributions to unitholders		(2,858,971)	(2,229,464)	(8,437,017)	(5,407,243)
Balance, end of period		(18,397,914)	(7,524,590)	(18,397,914)	(7,524,590)
<b>Total Unitholders' Equity</b>		<b>\$ 76,764,582</b>	<b>\$ 64,213,410</b>	<b>\$ 76,764,582</b>	<b>\$ 64,213,410</b>
<b>Units Issued and Outstanding</b>	10	<b>10,200,008</b>	<b>7,967,654</b>	<b>10,200,008</b>	<b>7,967,654</b>

See accompanying notes to the interim consolidated financial statements

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)	Note	Three months ended September 30,		Nine months ended September 30,	
		2007	2006	2007	2006
<b>Cash provided by (used in) operating activities</b>					
Income (loss) from continuing operations		\$ (234,619)	\$ (526,192)	\$ (2,337,467)	\$ (2,403,606)
Items not affecting cash					
Amortization	16	2,895,916	1,745,054	8,613,957	4,362,435
Deferred finance cost amortization					
- mortgages payable		58,250	49,992	168,075	143,164
- acquisition facility		110,639	55,557	325,012	81,703
- convertible debentures		130,541	111,633	392,750	356,243
Implicit interest rate in excess of coupon rate - convertible debentures		99,019	50,690	300,499	147,516
Loss on debenture redemption		-	-	-	690,838
Non-cash compensation expense	15	34,408	12,020	71,744	139,077
Deferred revenue		(26,155)	-	(26,155)	-
Future income taxes		-	-	(800,000)	-
Accrued rental revenue recognized on a straight-line basis		(361,730)	(210,493)	(1,108,854)	(354,460)
Above and below market lease amortization		(320,621)	(260,157)	(985,817)	(965,618)
		2,385,648	1,028,104	4,613,744	2,197,292
Changes in non-cash operating items		(3,176,019)	(1,199,872)	(2,615,185)	(473,133)
		(790,371)	(171,768)	1,998,559	1,724,159
<b>Cash provided by (used in) financing activities</b>					
Mortgage principal repayments		(687,002)	(505,497)	(2,035,367)	(1,103,529)
Mortgage financing proceeds		-	3,600,000	-	3,600,000
Convertible debenture financing proceeds		-	10,000,000	-	10,000,000
Redemption of convertible debentures		-	(8,775,000)	-	(8,775,000)
Draw on acquisition facility		-	-	4,200,000	12,000,000
Repayment of acquisition facility		-	-	(7,800,000)	-
Issue of units	10	-	218,725	30,375	34,317,937
Mortgage financing costs		(1,073)	(57,917)	(87,398)	(666,508)
Acquisition facility financing costs		-	(45,742)	(3,500)	(244,072)
Convertible debenture issue costs		-	(247,880)	-	(262,944)
Unit issue costs		(11,950)	(34,255)	(21,233)	(1,894,314)
Distributions to unitholders		(2,714,806)	(2,092,231)	(7,985,194)	(5,233,768)
		(3,414,831)	2,060,203	(13,702,317)	41,737,802
<b>Cash provided by (used in) investing activities</b>					
Income properties acquired	3	(226,001)	(18,605,934)	(6,339,463)	(46,979,780)
Leasing costs and capital expenditures		(253,187)	(3,684,116)	(699,200)	(4,065,698)
Furniture and equipment		(45,048)	(144,667)	(45,048)	(241,729)
		(524,236)	(22,434,717)	(7,083,711)	(51,287,207)
Change in cash - Continuing operations		(4,729,438)	(20,546,282)	(18,787,469)	(7,825,246)
Change in cash - Discontinued operations	20	-	543,877	19,651,307	(15,722,310)
Cash, beginning of period		14,891,516	25,736,572	9,298,240	29,281,723
<b>Cash, end of period</b>		<b>\$ 10,162,078</b>	<b>\$ 5,734,167</b>	<b>\$ 10,162,078</b>	<b>\$ 5,734,167</b>
<b>Supplementary cash flow information</b>					
Cash interest paid	14	\$ 3,319,770	\$ 2,802,167	\$ 11,669,169	\$ 7,021,620

See accompanying notes to the interim consolidated financial statements

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**September 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. CPIL Inc. was incorporated under the Canada Business Corporations Act on December 8, 2004. Whiterock acquired all the assets of CPIL Inc. on June 28, 2005 in return for its Units pursuant to a Plan of Arrangement approved by CPIL Inc. shareholders.

**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**

	<b>September 30, 2007</b>	December 31, 2006
Land	<b>\$ 45,048,456</b>	\$ 43,934,455
Buildings and improvements	<b>260,844,859</b>	256,050,374
	<b>305,893,315</b>	299,984,829
Accumulated amortization	<b>(9,620,724)</b>	(4,666,019)
	<b>296,272,591</b>	295,318,810
Discontinued operations (note 20)	-	44,224,909
	<b>\$ 296,272,591</b>	\$ 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 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 50% 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 September 30, 2007, the Trust acquired land in St. Hyacinthe, Quebec for \$0.2 million in cash, which was leased for 18 years to an existing tenant of the Trust.

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 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.

During the three months ended September 30, 2006, the Trust acquired an office building in Ottawa, Ontario, an industrial property in Windsor, Ontario and a retail centre in each of Charlottetown, Prince Edward Island, Saskatoon, Saskatchewan and Halifax, Nova Scotia. The five properties were acquired for \$28.7 million, financed with \$7.4 million of fixed rate mortgages, \$2.6 million of purchase price holdback (subsequently paid in cash) and the balance paid in cash.

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

The net assets acquired (continuing operations) and consideration provided for the three and nine months ended September 30, 2007 and 2006 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Income properties				
- Land	\$ 226,001	\$ 2,862,445	\$ 1,114,001	\$ 10,416,845
- Building and improvements	-	22,148,051	4,587,320	82,928,616
Deferred charges				
- Tenant inducements	-	936,086	587,835	5,473,427
Intangible assets				
- Lease origination costs	-	1,677,394	349,826	6,555,358
- Tenant relationships	-	1,057,184	204,019	4,159,794
- Above market rents	-	266,400	-	266,400
Accounts payable and accrued liabilities				
- Below market rents	-	(304,399)	-	(1,237,698)
	<b>\$ 226,001</b>	<b>\$ 28,643,161</b>	<b>\$ 6,843,001</b>	<b>\$ 108,562,742</b>
Consideration provided:				
Mortgage financing				
- New mortgages	\$ -	\$ 7,462,309	\$ -	\$ 53,031,500
- Assumed mortgages	-	-	-	5,976,544
Purchase price holdback	-	2,574,918	503,538	2,574,918
Cash	226,001	18,605,934	6,339,463	46,979,780
	<b>\$ 226,001</b>	<b>\$ 28,643,161</b>	<b>\$ 6,843,001</b>	<b>\$ 108,562,742</b>

**4. Deferred Charges**

	September 30, 2007	December 31, 2006
Tenant inducements on acquisitions	\$ 13,590,065	\$ 13,002,230
Leasing costs	4,638,694	4,114,386
	<b>18,228,759</b>	17,116,616
Accumulated amortization		
- Tenant inducements on acquisitions	(2,537,226)	(1,184,976)
- Leasing costs	(338,343)	(124,461)
	<b>(2,875,569)</b>	(1,309,437)
	<b>15,353,190</b>	15,807,179
Discontinued operations (note 20)	-	1,792,026
	<b>\$ 15,353,190</b>	<b>\$ 17,599,205</b>

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

**5. Intangible Assets**

	<b>September 30, 2007</b>	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
	<b>21,842,167</b>	21,288,322
Accumulated amortization		
Lease origination costs	(2,233,595)	(971,660)
Tenant relationships	(1,411,903)	(613,039)
Above market rents on acquisitions	(560,605)	(158,997)
	<b>(4,206,103)</b>	(1,743,696)
	<b>17,636,064</b>	19,544,626
Discontinued operations (note 20)	-	3,299,743
	<b>\$ 17,636,064</b>	<b>\$ 22,844,369</b>

**6. Other Assets**

	<b>September 30, 2007</b>	December 31, 2006
Prepaid expenses and other assets	\$ 4,121,955	\$ 2,700,031
Properties under option	704,957	339,048
Amounts receivable	523,741	627,837
Straight line rent receivable	1,803,123	694,269
Deferred financing costs (note 2(iv))	-	5,631,616
	<b>7,153,776</b>	9,992,801
Deferred financing costs -		
Accumulated amortization (note 2(iv))	-	(863,483)
	<b>7,153,776</b>	9,129,318
Discontinued operations (note 20)	-	555,828
	<b>\$ 7,153,776</b>	<b>\$ 9,685,146</b>

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

**7. Mortgages Payable and Acquisition Facility**

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

	September 30, 2007	December 31, 2006
Continuing operations	\$ 213,462,247	\$ 215,497,614
Discontinued operations (note 20)	-	31,788,270
<b>Mortgage liability</b>	<b>213,462,247</b>	<b>247,285,884</b>
Continuing operations	(1,843,419)	-
Discontinued operations (note 20)	-	-
<b>Mortgage deferred financing fees</b>	<b>(1,843,419)</b>	<b>-</b>
Continuing operations	344,562	-
Discontinued operations (note 20)	-	-
Mortgage deferred financing fees		
- Accumulated amortization	344,562	-
Acquisition facility liability	-	3,600,000
Deferred financing fees	(838,310)	-
Deferred financing fees - Accumulated amortization	570,854	-
<b>Acquisition facility - Deferred financing fees (net)</b>	<b>(267,456)</b>	<b>-</b>
	<b>\$ 211,695,934</b>	<b>\$ 250,885,884</b>

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

	September 30, 2007	December 31, 2006
Fixed rate	\$ 202,759,297	\$ 204,616,689
Floating rate	10,702,950	10,880,925
	<b>213,462,247</b>	<b>215,497,614</b>
Discontinued operations - Fixed Rate	-	31,788,270
	<b>\$ 213,462,247</b>	<b>\$ 247,285,884</b>

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.

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

Principal repayments of mortgages payable outstanding as of September 30, 2007 are as follows:

	Scheduled Amortization	Balloon Payments	Total
2007	\$ 665,157	\$ 10,674,185	\$ <b>11,339,342</b>
2008	2,635,118	4,500,000	<b>7,135,118</b>
2009	2,784,647	-	<b>2,784,647</b>
2010	2,986,859	12,716,598	<b>15,703,457</b>
2011	3,539,112	-	<b>3,539,112</b>
2012	4,487,337	-	<b>4,487,337</b>
Thereafter	27,869,449	140,603,785	<b>168,473,234</b>
	\$ 44,967,679	\$ 168,494,568	\$ <b>213,462,247</b>

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 September 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 the lender 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 September 30, 2007 closing unit price of \$11.02 is \$216,234, resulting in an unrecorded guarantee amount of \$233,766.

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

Subsequent to September 30, 2007, Whiterock refinanced its \$10.7 million floating rate mortgages, resulting in a reduced interest rate fixed at an average rate of 5.89% for a five year term and additional mortgage proceeds of \$2.8 million.

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

**8. Accounts Payable and Accrued Liabilities**

	September 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	1,672,683	1,433,523
Security deposits	408,048	431,621
Distributions payable	953,710	19,201
Other accounts payable and accrued liabilities	4,292,275	5,634,515
	<b>17,496,670</b>	<b>18,381,915</b>
Accumulated Amortization		
Below market rents on acquisitions	<b>(3,124,834)</b>	<b>(1,742,728)</b>
	<b>14,371,836</b>	<b>16,639,187</b>
Discontinued operations (note 20)	-	2,299,414
	<b>\$ 14,371,836</b>	<b>\$ 18,938,601</b>

**9. Convertible Debentures**

As at September 30, 2007, the Trust has four series of convertible debentures outstanding.

	Principal (\$)	Interest rate	Conversion Price	Interest Payable	Maturity
Series A	10,690,000	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

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	(2,310,000)	-	(323,000)	-	-	(2,633,000)
<b>Principal -</b>						
<b>September 30, 2007</b>	<b>\$ 10,690,000</b>	<b>\$ -</b>	<b>\$ 2,677,000</b>	<b>\$ 10,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 48,367,000</b>

**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 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	89,194	-	14,052	56,253	141,000	300,499
Conversion of debentures	(2,231,965)	-	(312,456)	-	-	(2,544,421)
Liability -						
September 30, 2007	10,355,846	-	2,603,666	9,647,972	24,042,349	46,649,833
Deferred financing fees	(1,119,148)	-	(185,065)	(240,458)	(1,338,461)	(2,883,132)
Deferred financing fees - Accumulated amortization	492,963	-	51,915	46,965	186,803	778,646
<b>Balance -</b>						
<b>September 30, 2007</b>	<b>\$ 9,729,661</b>	<b>\$ -</b>	<b>\$ 2,470,516</b>	<b>\$ 9,454,479</b>	<b>\$ 22,890,691</b>	<b>\$ 44,545,347</b>

**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.

In the three months ended September 30, 2007, \$2,310,000 million of debentures (2006 – nil) were converted into 226,467 units. Subsequent to September 30, 2007, \$10,000 of debentures were converted into 980 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**

	Note	2007		2006	
		Units	\$	Units	\$
Issued and outstanding, January 1		9,869,877	\$ 94,226,033	5,164,472	\$ 39,401,889
Units Issued					
Settlement of accrued					
Management Services Fees	15	34,708	449,077	-	-
Conversion of Series C Debentures	9	26,914	325,048	-	-
Distribution Reinvestment Plan		7,902	108,186	-	-
Exercise of unit options	11	-	-	113	450
Exercise of warrants	12	5,625	30,375	27,250	147,150
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	9	-	-	75,000	902,337
Distribution Reinvestment Plan		15,575	199,472	2,856	36,242
Exercise of unit options	11	-	-	42,875	348,500
Exercise of warrants	12	-	-	12,500	67,500
Financing fees paid in units	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
Units Issued					
Conversion of Series A Debentures	9	226,467	2,351,360	-	-
Distribution Reinvestment Plan		12,940	144,165	10,990	137,233
Exercise of unit options	11	-	-	6,250	25,000
Exercise of warrants	12	-	-	35,875	193,725
Value associated with unit option grants exercised			-		7,000
Value associated with warrants exercised			-		33,292
Unit issue costs			(156,193)		(34,255)
<b>Issued and outstanding, September 30</b>		<b>10,200,008</b>	<b>\$ 97,656,380</b>	<b>7,967,654</b>	<b>\$ 72,853,043</b>

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.

	2007		2006	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, January 1	645,250	\$10.68	423,238	\$8.88
Granted	-	-	50,000	\$11.60
Exercised	-	-	(113)	\$4.00
Outstanding, March 31	645,250	\$10.68	473,125	\$9.20
Granted	-	-	218,750	\$13.12
Exercised	-	-	(42,875)	\$8.12
Outstanding, June 30	645,250	\$10.68	649,000	\$10.60
Granted	65,000	\$10.88	-	-
Exercised	-	-	(6,250)	\$4.00
Cancelled	(20,312)	\$10.72	(9,375)	\$10.00
Outstanding, September 30	689,938	\$10.70	633,375	\$10.66
Unit Options vested, end of period	665,876	\$10.65	562,906	\$10.74
Weighted average remaining life (years)	2.9		4.2	

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

The fair value associated with the unit options issued during the three and nine months ended September 30, 2007 and 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 (the five year Canada bond rate at the date of grant).

**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
Issued (Note 7)	-	-	90,500	\$14.20
Exercised	-	-	(35,875)	\$5.40
Outstanding, September 30	215,500	\$13.94	221,125	\$13.73
Warrants exercisable, End of period	215,500	\$13.94	68,125	\$13.07
Weighted average remaining life (years)	3.7		4.6	

The fair value associated with the warrants issued during the three and nine months ended September 30, 2007 and 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 (the five year Canada bond rate at the date of grant).

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

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

**13. Income Property Rentals**

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue from tenant leases	\$ 11,190,667	\$ 6,712,678	\$ 33,411,098	\$ 16,816,213
Accrued rental revenue recognized on a straight-line basis	361,730	210,493	1,108,854	354,460
Above and below market lease amortization	320,621	260,157	985,817	965,618
	<b>\$ 11,873,018</b>	<b>\$ 7,183,328</b>	<b>\$ 35,505,769</b>	<b>\$ 18,136,291</b>

**14. Interest**

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Mortgage interest expense	\$ 2,937,282	\$ 1,988,520	\$ 8,816,120	\$ 5,195,412
Acquisition facility interest expense	110,639	305,492	425,196	472,936
Debenture interest expense	1,065,275	682,324	3,334,906	2,062,143
<b>Interest expense</b>				
- continuing operations	4,113,196	2,976,336	12,576,222	7,730,491
Interest expense				
- discontinued operations (note 20)	-	490,793	526,453	729,682
Deferred finance cost amortization:				
mortgages payable	(58,250)	(49,992)	(168,075)	(143,164)
mortgages payable				
- discontinued operations (note 20)	-	(8,352)	(7,944)	(12,483)
acquisition facility	(110,639)	(55,557)	(325,012)	(81,703)
convertible debentures	(130,541)	(111,633)	(392,750)	(356,243)
Implicit interest rate in excess of coupon rate - convertible debentures	(99,047)	(50,690)	(300,565)	(147,516)
Change in accrued interest	(394,949)	(388,738)	(239,160)	(697,444)
<b>Cash interest paid</b>	<b>\$ 3,319,770</b>	<b>\$ 2,802,167</b>	<b>\$ 11,669,169</b>	<b>\$ 7,021,620</b>

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

**15. General and Administrative Expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Salaries and wages	\$ 259,366	\$ 250,788	\$ 964,602	\$ 794,608
Asset management and management services fees	-	246,302	-	500,576
Non-cash compensation expense	34,408	12,020	71,744	139,077
Trustee fees	28,500	-	113,846	-
Legal, audit and regulatory	95,971	42,140	186,017	113,498
Office rent	21,004	17,960	62,984	42,652
Insurance	17,229	10,692	47,462	31,889
Other general and administrative	8,718	27,044	83,507	141,114
	<b>465,196</b>	606,946	<b>1,530,162</b>	1,763,414
Costs related to properties not acquired	3,211	27,628	106,482	40,069
Office relocation costs	38,543	-	38,543	-
Recruiting costs	20,320	9,360	20,320	45,169
	<b>\$ 527,270</b>	\$ 643,934	<b>\$ 1,695,507</b>	\$ 1,848,652

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

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

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

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

For the three and nine months ended September 30, 2006, \$0.2 million and \$0.5 million, respectively was expensed under these agreements and \$0.1 million and \$0.8 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.

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

**16. Amortization**

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Building and improvements	<b>\$ 1,662,476</b>	\$ 1,063,329	<b>\$ 4,954,705</b>	\$ 2,722,149
Deferred charges				
- tenant inducements on acquisition	<b>455,609</b>	273,173	<b>1,352,250</b>	692,341
- leasing costs	<b>74,006</b>	20,380	<b>207,764</b>	35,641
Intangible assets				
- lease origination	<b>423,537</b>	231,618	<b>1,261,935</b>	543,965
- tenant relationships	<b>267,974</b>	146,519	<b>798,864</b>	343,599
Furniture and fixtures	<b>12,314</b>	10,035	<b>38,439</b>	24,740
Amortization expense	<b>\$ 2,895,916</b>	\$ 1,745,054	<b>\$ 8,613,957</b>	\$ 4,362,435

**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 \$2.2 million of costs, primarily for legal, special committee and due diligence costs relating to the process, in the nine months ended September 30, 2007.

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

**18. Loss on Debenture Redemption**

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

During the nine months ended September 30, 2006, the Trust redeemed \$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, a total of \$0.7 million was charged to income as a loss on debenture redemption.

**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.

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

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 the Trust restructures to meet the REIT Conditions, the Trust 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 September 30, 2007, with a corresponding future income tax recovery of \$0.8 million reflected in consolidated income for the nine months ended September 30, 2007. Temporary differences expected to reverse in or after 2011 have been measured using a tax rate of 31.5%.

**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:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
<b>Revenue</b>				
Income property rentals	\$ -	\$ 1,812,430	\$ 2,169,863	\$ 2,726,583
Interest income	-	-	17,563	-
	-	1,812,430	2,187,426	2,726,583
<b>Expenses</b>				
Property operating costs	-	819,592	1,110,597	1,203,943
Interest	-	490,793	526,453	729,682
Amortization	-	413,913	208,568	618,038
	-	1,724,298	1,845,618	2,551,663
Income before the undernoted	-	88,132	341,808	174,920
Gain on disposition of properties	-	-	3,514,785	-
<b>Income from discontinued operations</b>	<b>\$ -</b>	<b>\$ 88,132</b>	<b>\$ 3,856,593</b>	<b>\$ 174,920</b>

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

Cash flow from discontinued operations for the three and nine months ended September 30, 2007 and 2006 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
<b>Cash provided by (used in) operating activities</b>				
Income	\$ -	\$ 88,132	\$ 3,856,593	\$ 174,920
Items not affecting cash				
Amortization	-	413,913	208,568	618,038
Deferred finance cost amortization				
- mortgages payable	-	8,352	7,944	12,483
Accrued rental revenue recognized on a straight-line basis	-	(12,350)	(38,470)	(40,051)
Above and below market lease amortization	-	(72,788)	(83,027)	(111,823)
Gain on disposition of properties	-	-	(3,514,785)	-
	-	425,259	436,823	653,567
Changes in non-cash operating items	-	260,229	(683,017)	632,749
	-	685,488	(246,194)	1,286,316
<b>Cash used in financing activities</b>				
Mortgage principal repayments	-	(141,611)	(168,484)	(157,420)
Mortgage financing costs	-	-	(4,005)	(239,627)
	-	(141,611)	(172,489)	(397,047)
<b>Cash provided by (used in) investing activities</b>				
Income properties acquired	-	-	-	(16,611,579)
Proceeds from disposition of properties	-	-	20,098,007	-
Leasing costs and capital expenditures	-	-	(28,017)	-
	-	-	20,069,990	(16,611,579)
<b>Change in cash</b>				
- Discontinued operations	\$ -	\$ 543,877	\$ 19,651,307	\$ (15,722,310)

**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.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	<b>2007</b>	2006	<b>2007</b>	2006
Weighted average number of Units -				
Basic	<b>10,164,402</b>	7,938,777	<b>10,014,782</b>	6,357,510
Diluted - Continuing Operations	<b>10,164,402</b>	7,938,777	<b>10,014,782</b>	6,357,510
Diluted - Discontinued Operations	<b>10,164,402</b>	8,071,025	<b>10,133,984</b>	6,514,404
Diluted - Net Income	<b>10,164,402</b>	7,938,777	<b>10,133,984</b>	6,357,510

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	
	<b>September 30, 2007</b>	September 30, 2006
Units Outstanding - end of Period	<b>10,200,008</b>	7,967,654
Unit options	<b>689,938</b>	633,375
Warrants	<b>215,500</b>	221,125
Convertible Debentures		
Series A (8.0%)	<b>1,048,039</b>	1,274,510
Series C (9.0%)	<b>223,083</b>	250,000
Series D (7.5%)	<b>666,667</b>	666,667
Series E (6.3%)	<b>1,818,182</b>	-
	<b>14,861,417</b>	11,013,331

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

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

**Risk management**

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

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

**23. Segmented Financial Information**

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

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended September 30, 2007 and 2006 is summarized as follows:

	<b>Three months ended September 30, 2007</b>			
	<b>Office</b>	<b>Retail</b>	<b>Industrial</b>	<b>Total</b>
<b>Income property rentals</b>	<b>\$ 8,872,993</b>	<b>\$ 1,455,068</b>	<b>\$ 1,544,957</b>	<b>\$ 11,873,018</b>
<b>Property operating costs</b>	<b>3,746,073</b>	<b>399,870</b>	<b>469,909</b>	<b>4,615,852</b>
<b>Property operating income</b>	<b>\$ 5,126,920</b>	<b>\$ 1,055,198</b>	<b>\$ 1,075,048</b>	<b>\$ 7,257,166</b>
<b>Income properties</b>	<b>\$ 216,609,976</b>	<b>\$ 40,006,201</b>	<b>\$ 39,656,414</b>	<b>\$ 296,272,591</b>

	<b>Three months ended September 30, 2006</b>			
	<b>Office</b>	<b>Retail</b>	<b>Industrial</b>	<b>Total</b>
<b>Income property rentals</b>	<b>\$ 5,167,044</b>	<b>\$ 972,419</b>	<b>\$ 1,043,865</b>	<b>\$ 7,183,328</b>
<b>Property operating costs</b>	<b>1,896,380</b>	<b>286,372</b>	<b>316,745</b>	<b>2,499,497</b>
<b>Property operating income</b>	<b>\$ 3,270,664</b>	<b>\$ 686,047</b>	<b>\$ 727,120</b>	<b>\$ 4,683,831</b>
<b>Income properties</b>	<b>\$ 136,588,923</b>	<b>\$ 35,374,873</b>	<b>\$ 31,264,742</b>	<b>\$ 203,228,538</b>

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

Property operating income (excluding discontinued operations) by segment for the nine months ended September 30, 2007 and 2006 is summarized as follows:

	Nine months ended September 30, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 26,846,977	\$ 4,142,961	\$ 4,515,831	\$ 35,505,769
Property operating costs	11,454,074	1,130,404	1,347,618	13,932,096
<b>Property operating income</b>	<b>\$ 15,392,903</b>	<b>\$ 3,012,557</b>	<b>\$ 3,168,213</b>	<b>\$ 21,573,673</b>

	Nine months ended September 30, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 13,346,646	\$ 2,490,005	\$ 2,299,640	\$ 18,136,291
Property operating costs	4,987,336	719,204	717,692	6,424,232
<b>Property operating income</b>	<b>\$ 8,359,310</b>	<b>\$ 1,770,801</b>	<b>\$ 1,581,948</b>	<b>\$ 11,712,059</b>

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

**24. Subsequent Events**

**Property Acquisitions**

Subsequent to September 30, 2007, the Trust acquired an industrial property in Regina, Saskatchewan, for \$13.6 million, excluding closing costs, financed with a \$7.5 million mortgage and the balance paid in cash.

**Conversion of Series A Debentures**

Subsequent to September 30, 2007, \$10,000 of Whiterock's Series A (8.0%) debentures were converted by debentureholders into 980 units.

**25. Comparative Amounts**

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