



Consolidated Financial Statements
September 30, 2008
(unaudited)

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

	Note	September 30, 2008 (unaudited)	December 31, 2007
Assets			
Income properties	3	\$ 382,477,799	\$ 314,128,715
Deferred charges	4	16,113,847	15,137,436
Intangible assets	5	22,547,180	17,117,794
Mortgages receivable	6	7,252,635	-
		428,391,461	346,383,945
Other assets	7	6,955,587	4,496,522
Cash		127,175	4,152,370
Future income tax asset	18	70,000	140,000
		\$ 435,544,223	\$ 355,172,837
Liabilities and Equity			
Mortgages payable and facilities	8	\$ 282,839,299	\$ 224,598,967
Convertible debentures	9	52,291,016	43,507,560
Accounts payable and accrued liabilities	10	17,502,003	12,204,780
		352,632,318	280,311,307
Unitholders' Equity		82,911,905	74,861,530
		\$ 435,544,223	\$ 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 September 30,		Nine months ended September 30,	
		2008	2007	2008	2007
Revenue					
Income property rentals	14	\$ 14,609,309	\$11,873,018	\$40,023,420	\$35,505,769
Interest income		195,159	132,220	650,540	403,836
		14,804,468	12,005,238	40,673,960	35,909,605
Expenses					
Property operating costs		5,240,485	4,615,852	15,225,064	13,932,096
Interest	15	5,008,174	4,113,196	13,103,906	12,576,222
General and administrative expenses	16	494,555	527,270	1,321,418	1,695,507
Amortization	17	3,683,895	2,895,916	9,586,921	8,613,957
		14,427,109	12,152,234	39,237,309	36,817,782
Income (loss) before the undernoted		377,359	(146,996)	1,436,651	(908,177)
Strategic alternatives costs	24	-	(87,623)	-	(2,229,290)
Future income tax recovery (expense)	18	-	-	(70,000)	800,000
Income (loss) from continuing operations		377,359	(234,619)	1,366,651	(2,337,467)
Income (loss) from discontinued operations	19	-	-	(55,546)	341,808
Gain on disposition of property	19	-	-	44,819	3,514,785
Net income (loss) and comprehensive income (loss)		\$ 377,359	\$ (234,619)	\$ 1,355,924	\$ 1,519,126
Basic net income (loss) per unit					
	20				
Continuing operations		\$ 0.03	\$ (0.02)	\$ 0.13	\$ (0.23)
Discontinued operations		\$ -	\$ -	\$ -	\$ 0.39
Net income per unit		\$ 0.03	\$ (0.02)	\$ 0.12	\$ 0.15
Diluted net income (loss) per unit					
	20				
Continuing operations		\$ 0.03	\$ (0.02)	\$ 0.12	\$ (0.23)
Discontinued operations		\$ -	\$ -	\$ -	\$ 0.38
Net income per unit		\$ 0.03	\$ (0.02)	\$ 0.12	\$ 0.15

See accompanying notes to the consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(unaudited)	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2008	2007	2008	2007
Units	11				
Balance, beginning of period		\$ 103,329,802	\$ 95,317,048	\$ 99,571,778	\$ 94,226,033
Issuance of units		11,844,770	2,495,525	15,773,213	3,607,683
Value associated with unit options exercised		-	-	4,677	-
Value associated with warrants exercised		-	-	-	5,220
Unit issue costs		(177,598)	(156,193)	(352,694)	(182,556)
Balance, end of period		114,996,974	97,656,380	114,996,974	97,656,380
Unit Options	12				
Balance, beginning of period		826,480	878,074	756,212	840,738
Value associated with unit options exercised		-	-	(4,677)	-
Value associated with unit options vested		22,339	34,408	102,372	71,744
Value associated with unit options cancelled		-	-	(5,088)	-
Balance, end of period		848,819	912,482	848,819	912,482
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		1,984,700	2,323,399	2,132,625	2,335,991
Equity component of convertible debentures issued		412,546	-	412,546	-
Equity component of convertible debentures converted		-	(119,395)	(147,925)	(131,987)
Balance, end of period		2,397,246	2,204,004	2,397,246	2,204,004
Cumulative Earnings and Accumulated Comprehensive Earnings					
Balance, beginning of period		(5,651,006)	(5,690,551)	(6,629,571)	(7,509,446)
Transition amount - adoption of financial instruments		-	-	-	65,150
Net income (loss)		377,359	(234,619)	1,355,924	1,519,126
Balance, end of period		(5,273,647)	(5,925,170)	(5,273,647)	(5,925,170)
Cumulative Distributions to Unitholders					
Balance, beginning of period		(27,230,049)	(15,538,943)	(21,284,314)	(9,960,897)
Distributions to unitholders (cash and units)		(3,142,238)	(2,858,971)	(9,087,973)	(8,437,017)
Balance, end of period		(30,372,287)	(18,397,914)	(30,372,287)	(18,397,914)
Total Unitholders' Equity		\$ 82,911,905	\$ 76,764,582	\$ 82,911,905	\$ 76,764,582
Units Issued and Outstanding	11	11,796,245	10,200,008	11,796,245	10,200,008

See accompanying notes to the 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,	
		2008	2007	2008	2007
Cash provided by (used in) operating activities					
Income (loss) from continuing operations		\$ 377,359	\$ (234,619)	\$ 1,366,651	\$ (2,337,467)
Items not affecting cash					
Amortization	17	3,683,895	2,895,916	9,586,921	8,613,957
Deferred finance cost amortization					
- mortgages payable		63,238	58,250	165,182	168,075
- acquisition and operating facilities		96,392	110,639	207,080	325,012
- convertible debentures		119,278	130,541	360,202	392,750
Implicit interest rate in excess of coupon rate - convertible debentures		114,161	99,019	304,869	300,499
Non-cash compensation expense	16	48,589	34,408	173,951	71,744
Future income taxes	18	-	-	70,000	(800,000)
Accrued rental revenue recognized on a straight line basis		(319,479)	(361,730)	(932,299)	(1,108,854)
Above and below market lease amortization		(534,560)	(320,621)	(1,315,625)	(985,817)
		3,648,873	2,411,803	9,986,932	4,639,899
Changes in non-cash operating items		4,998,320	(3,202,174)	2,340,972	(2,641,340)
		8,647,193	(790,371)	12,327,904	1,998,559
Cash provided by (used in) financing activities					
Mortgage principal instalment payments		(842,689)	(687,002)	(2,290,976)	(2,035,367)
Mortgage principal repayments on maturity		(9,800,166)	-	(9,800,166)	-
Mortgage financing, net of costs		11,846,702	(1,073)	11,846,702	(87,398)
Draw on facilities, net of costs		29,096,839	-	30,093,716	4,196,500
Repayment of acquisition facility		(1,830,000)	-	(1,830,000)	(7,800,000)
Issuance of units	11	-	-	53,750	30,375
Convertible debenture issue costs		(108,758)	-	(108,758)	-
Unit issue costs		(177,598)	(11,950)	(210,351)	(21,233)
Distributions to unitholders (in cash)		(2,723,701)	(2,714,806)	(7,895,738)	(7,985,194)
		25,460,629	(3,414,831)	19,858,179	(13,702,317)
Cash provided by (used in) investing activities					
Income properties acquired	3	(33,565,182)	(226,001)	(33,565,182)	(6,339,463)
Issuance of mortgages receivable		-	-	(10,425,000)	-
Repayment of mortgages receivable		-	-	3,175,000	-
Revenue enhancing capital expenditures		-	-	(868,987)	-
Leasing costs and other capital expenditures		(539,997)	(253,187)	(691,124)	(699,200)
Furniture and equipment		(17,959)	(45,048)	(44,994)	(45,048)
		(34,123,138)	(524,236)	(42,420,287)	(7,083,711)
Change in cash - Continuing operations		(15,316)	(4,729,438)	(10,234,204)	(18,787,469)
Change in cash - Discontinued operations	19	-	-	6,209,009	19,651,307
Cash, beginning of period		142,491	14,891,516	4,152,370	9,298,240
Cash, end of period		\$ 127,175	\$ 10,162,078	\$ 127,175	\$ 10,162,078
Supplementary cash flow information					
Cash interest paid	15	\$ 4,017,124	\$ 3,319,770	\$ 11,504,509	\$ 11,669,169

See accompanying notes to the consolidated financial statements

WHITEROCK REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 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 Accounting Standards Board has adopted a strategic plan for the direction of accounting in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

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

	September 30, 2008	December 31, 2007
Land	\$ 63,872,234	\$ 46,060,937
Buildings and improvements	335,349,228	265,399,455
	399,221,462	311,460,392
Accumulated amortization	(16,743,663)	(11,288,859)
	382,477,799	300,171,533
Discontinued operations (Note 19)	-	13,957,182
	\$ 382,477,799	\$ 314,128,715

In the three months ended September 30, 2008, the Trust acquired ten properties for \$93.7 million including closing costs. The acquisitions were financed in part by \$23.3 million of assumed mortgages, \$11.4 million equity, \$11.4 million convertible debentures (Note 9) and a \$26.6 million draw on the Trust's acquisition facility with the balance paid in cash.

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:

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

	Three months ended September 30, 2008		Nine months ended September 30, 2008	
	2008	2007	2008	2007
Income properties				
- Land	\$ 17,811,297	\$ 226,001	\$ 17,811,297	\$ 1,114,001
- Building and improvements	68,982,034	-	68,982,034	4,587,320
Deferred charges				
- Tenant inducements	2,147,331	-	2,147,331	587,835
Intangible assets				
- Lease origination costs	4,434,732	-	4,434,732	349,826
- Tenant relationships	2,900,767	-	2,900,767	204,019
- Above market rents	892,444	-	892,444	-
Accounts payable and accrued liabilities				
- Below market rents	(3,449,577)	-	(3,449,577)	-
	\$ 93,719,028	\$ 226,001	\$ 93,719,028	\$ 6,843,001
Consideration provided:				
Mortgage financing				
- New mortgages	\$ 14,100,000	\$ -	\$ 14,100,000	\$ -
- Assumed mortgages	23,253,846	-	23,253,846	-
New issuance of equity	11,400,000	-	11,400,000	-
Series F Debentures	11,400,000	-	11,400,000	-
Purchase price holdback	-	-	-	503,538
Cash and acquisition facilities	33,565,182	226,001	33,565,182	6,339,463
	\$ 93,719,028	\$ 226,001	\$ 93,719,028	\$ 6,843,001

4. Deferred Charges

	September 30, 2008	December 31, 2007
Tenant inducements on acquisitions	\$ 15,867,113	\$ 13,727,056
Leasing costs	5,429,006	4,772,968
	21,296,119	18,500,024
Accumulated amortization		
Tenant inducements on acquisitions	(4,390,430)	(2,989,796)
Leasing costs	(791,842)	(457,739)
	(5,182,272)	(3,447,535)
	16,113,847	15,052,489
Discontinued operations (Note 19)	-	84,947
	\$ 16,113,847	\$ 15,137,436

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

5. Intangible Assets

	September 30, 2008	December 31, 2007
Lease origination costs	\$ 16,967,811	\$ 12,547,480
Tenant relationships	10,709,554	7,808,787
Above market rents on acquisitions	2,457,662	1,565,218
	30,135,027	21,921,485
Accumulated amortization		
Lease origination costs	(4,072,777)	(2,656,798)
Tenant relationships	(2,584,361)	(1,679,611)
Above market rents on acquisitions	(930,709)	(688,969)
	(7,587,847)	(5,025,378)
	22,547,180	16,896,107
Discontinued operations (Note 19)	-	221,687
	\$ 22,547,180	\$ 17,117,794

6. Mortgages Receivable

	September 30, 2008	December 31, 2007
Mortgages receivable	\$ 7,250,000	\$ -
Deferred financing costs	7,687	-
Accumulated amortization	(5,052)	-
Mortgages receivable - including deferred financing costs	\$ 7,252,635	\$ -

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, which is expected to occur in 2009. 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.

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

7. Other Assets

	September 30, 2008	December 31, 2007
Prepaid expenses and other assets	\$ 3,563,049	\$ 1,767,371
Trade amounts receivable	325,128	624,637
Interest receivable	60,417	23,648
Straight line rent receivable	3,006,993	2,078,750
	6,955,587	4,494,406
Discontinued operations (Note 19)	-	2,116
	\$ 6,955,587	\$ 4,496,522

Trade amounts receivable are net of an allowance for doubtful accounts of \$193,000 at September 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 \$31,000 of uncollected trade amounts receivable were three months past due at September 30, 2008 but not considered impaired.

8. Mortgages Payable and Facilities

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

	September 30, 2008	December 31, 2007
Mortgage liability - continuing	\$ 256,445,686	\$ 218,832,982
Mortgage liability - discontinued	-	7,500,000
Mortgage deferred financing fees	(2,386,737)	(2,016,987)
Accumulated amortization	429,888	398,254
Mortgage liability - net of deferred financing costs	254,488,837	224,714,249
Acquisition and operating facilities	28,640,000	-
Acquisition and operating facilities deferred financing fees	(398,740)	(860,766)
Accumulated amortization	109,202	745,484
Acquisition and operating facilities - net of deferred financing fees	28,350,462	(115,282)
	\$ 282,839,299	\$ 224,598,967

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

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

	September 30, 2008	December 31, 2007
Fixed rate	\$ 256,445,686	\$ 218,832,982
Floating rate	-	-
	256,445,686	218,832,982
Discontinued operations - floating rate	-	7,500,000
	\$ 256,445,686	\$ 226,332,982

Fixed rate mortgage financing bears interest at a weighted average fixed rate of 5.5% (2007 – 5.4%), excluding mortgages relating to discontinued operations. Floating rate mortgage 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 September 30, 2008 are as follows:

	Scheduled Amortization	Balloon Payments	Total
2008	\$ 948,594	\$ -	\$ 948,594
2009	3,947,418	4,500,000	8,447,418
2010	4,217,951	12,716,598	16,934,549
2011	4,842,556	-	4,842,556
2012	5,693,642	20,250,892	25,944,534
2013	5,263,344	23,593,756	28,857,100
Thereafter	24,100,606	146,370,329	170,470,935
	\$ 49,014,111	\$ 207,431,575	\$ 256,445,686

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 September 30, 2008, \$26.7 million was outstanding under this facility.

On December 18, 2007, the Trust entered into a one year, renewable \$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 September 30, 2008, \$1.9 million was outstanding under this facility (December 31, 2007 – nil). The Trust has completed 2008's renewal of the facility.

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. This facility expired in May 2008 and was replaced by the new \$40 million revolving credit facility.

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

9. Convertible Debentures

As at September 30, 2008, the Trust has five 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
Series F	11,400,000	6.0%	\$13.22 per unit	quarterly	July 15, 2012

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	Series F	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
Issuance of debentures - liability	-	-	-	-	10,987,454	10,987,454
Issuance of debentures - equity	-	-	-	-	412,546	412,546
Conversion of debentures	(2,511,300)	(465,000)	-	-	-	(2,976,300)
Principal - September 30, 2008	\$ 6,797,700	\$ 2,212,000	\$10,000,000	\$25,000,000	\$11,400,000	\$55,409,700

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.

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

	Series A	Series C	Series D	Series E	Series F	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
Issuance of debentures	-	-	-	-	10,987,454	10,987,454
Implicit interest rate in excess of coupon rate	60,010	13,570	61,125	151,580	18,584	304,869
Conversion of debentures	(2,447,831)	(454,823)	-	-	-	(2,902,654)
Liability -						
September 30, 2008	6,656,215	2,167,306	9,728,536	24,242,069	11,006,038	53,800,164
Deferred financing fees	(922,431)	(165,067)	(240,458)	(1,338,461)	(108,758)	(2,775,175)
Deferred financing fees - Accumulated amortization	659,213	84,660	91,551	426,652	3,951	1,266,027
Balance -						
September 30, 2008	\$ 6,392,997	\$ 2,086,899	\$ 9,579,629	\$ 23,330,260	\$ 10,901,231	\$ 52,291,016

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 nine months ended September 30, 2008, \$2,511,300 of Series A debentures were converted into 246,203 units. In the three and nine months ended September 30, 2007, \$2,310,000 of Series A debentures converted into 226,467 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.

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

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

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

On July 16, 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 3). 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

	September 30, 2008	December 31, 2007
Below market rents on acquisitions	\$ 13,769,976	\$ 10,329,358
Accrued mortgage, acquisition facility, and debenture interest	1,829,826	1,224,830
Security deposits	861,028	389,652
Distributions payable	909,007	-
Other accounts payable and accrued liabilities	5,263,179	3,297,351
	22,633,016	15,241,191
Accumulated Amortization		
Below market rents on acquisitions	(5,131,013)	(3,582,607)
	17,502,003	11,658,584
Discontinued operations (Note 19)	-	546,196
	\$ 17,502,003	\$ 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					
Conversion of Series A Debentures		-	-	226,467	2,351,360
Issuance of Units		993,909	11,426,233	-	-
Distribution reinvestment plan		43,258	418,537	12,940	144,165
Unit issue costs			(177,598)		(156,193)
Issued and outstanding, September 30		11,796,245	\$ 114,996,974	10,200,008	\$ 97,656,380

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.

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

In the nine months ended September 30, 2008, the Trust issued 7,753 units at a weighted average price of \$9.88 to the independent Trustees of Whiterock in lieu of paying the quarterly retainers to the Trustees.

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
Granted	70,000	10.21	65,000	10.88
Expired	(12,188)	11.37	-	-
Cancelled	-	-	(20,312)	10.72
Outstanding, September 30	841,250	\$10.36	689,938	\$10.70
Options vested, end of period	828,750	\$10.37	665,876	\$10.65
Weighted average remaining life (years)	3.1		2.9	

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

The fair value associated with the unit options issued during the nine months ended September 30, 2008 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 21% (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).

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
Exercised	-	-	-	-
Outstanding, September 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)	2.7		3.7	

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

14. Income Property Rentals

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Revenue from tenant leases	\$13,755,270	\$11,190,667	\$37,775,496	\$33,411,098
Accrued rental revenue recognized on a straight-line basis	319,479	361,730	932,299	1,108,854
Above and below market lease amortization	534,560	320,621	1,315,625	985,817
	\$14,609,309	\$11,873,018	\$40,023,420	\$35,505,769

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

15. Interest

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Mortgage interest expense	\$ 3,382,691	\$ 2,937,282	\$ 9,307,244	\$ 8,816,120
Facilities and other interest expense	490,942	110,639	637,839	425,196
Debenture interest expense	1,134,541	1,065,275	3,158,823	3,334,906
Interest expense - continuing operations	5,008,174	4,113,196	13,103,906	12,576,222
Interest expense				
- discontinued operations (Note 19)	-	-	42,932	526,453
Deferred finance cost amortization:				
mortgages payable	(63,238)	(58,250)	(165,182)	(168,075)
mortgages payable				
- discontinued operations (Note 19)	-	-	-	(7,944)
acquisition and operating facilities	(96,392)	(110,639)	(207,080)	(325,012)
convertible debentures	(119,278)	(130,541)	(360,202)	(392,750)
Implicit interest rate in excess of coupon				
rate - convertible debentures	(114,161)	(99,047)	(304,869)	(300,565)
Change in accrued interest	(597,981)	(394,949)	(604,996)	(239,160)
Cash interest paid	\$ 4,017,124	\$ 3,319,770	\$ 11,504,509	\$ 11,669,169

16. General and Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Salaries and wages	\$ 235,412	\$ 259,366	\$ 626,934	\$ 964,602
Trustee fees - cash	1,500	28,500	24,206	113,846
Non-cash compensation -				
trustees and officers	48,589	34,408	173,951	71,744
Legal, audit and regulatory	110,751	95,971	260,222	186,017
Office rent	-	21,004	-	62,984
Insurance	12,435	17,229	40,867	47,462
Other general and administrative	16,227	8,718	82,517	83,507
	424,914	465,196	1,208,697	1,530,162
Costs related to properties				
not acquired	40,841	3,211	40,841	106,482
Office relocation costs	-	38,543	-	38,543
Recruiting costs	28,800	20,320	71,880	20,320
	\$ 494,555	\$ 527,270	\$ 1,321,418	\$ 1,695,507

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

17. Amortization

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Building and improvements	\$ 2,054,753	\$ 1,662,476	\$ 5,454,804	\$ 4,954,705
Deferred charges				
- tenant inducements on acquisition	516,741	455,609	1,407,908	1,352,250
- leasing costs	131,771	74,006	316,719	207,764
Intangible assets				
- lease origination	582,231	423,537	1,430,380	1,261,935
- tenant relationships	373,641	267,974	904,750	798,864
Furniture and fixtures	24,758	12,314	72,360	38,439
Amortization expense	\$ 3,683,895	\$ 2,895,916	\$ 9,586,921	\$ 8,613,957

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.

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

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 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 September 30, 2008, and future income tax expense of \$70,000 reflected in consolidated income for the nine months ended September 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:

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Cash provided by (used in) operating activities				
Income (loss) and gain from discontinued operations	\$ -	\$ -	\$ (10,727)	\$ 3,856,593
Items not affecting cash				
Amortization	-	-	30,878	208,568
Deferred finance cost amortization - mortgages payable	-	-	-	7,944
Accrued rental revenue recognized on a straight-line basis	-	-	-	(38,470)
Above and below market lease amortization	-	-	(8,831)	(83,027)
Gain on disposition of properties	-	-	(44,819)	(3,514,785)
	-	-	(33,499)	436,823
Changes in non-cash operating items	-	-	(189,070)	(683,017)
	-	-	(222,569)	(246,194)
Cash used in financing activities				
Mortgage principal repayments	-	-	-	(168,484)
Mortgage financing costs	-	-	-	(4,005)
	-	-	-	(172,489)
Cash used in investing activities				
Proceeds from disposition of properties	-	-	6,431,578	20,098,007
Leasing costs and capital expenditures	-	-	-	(28,017)
	-	-	6,431,578	20,069,990
Change in cash - Discontinued operations	\$ -	\$ -	\$ 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 September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Weighted average number of Units				
Basic	11,606,437	10,164,402	10,912,649	10,014,782
Diluted - Continuing Operations	11,632,708	10,164,402	10,939,122	10,014,782
Diluted - Discontinued Operations	11,606,437	10,164,402	10,912,649	10,133,879
Diluted - Net Income	11,632,708	10,164,402	10,939,122	10,133,879

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 September 30, 2008
Unit options		
	\$ 10.00	131,250
	\$ 10.04	12,500
	\$ 10.21	70,000
	\$ 10.88	50,000
	\$ 11.60	18,750
	\$ 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
Series F (6.0%)	\$ 13.22	862,330
		4,862,203

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 September 30, 2008 and 2007 are summarized as follows:

	Three months ended September 30, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 10,810,823	\$ 1,868,291	\$ 1,930,195	\$ 14,609,309
Property operating costs	4,109,001	495,956	635,528	5,240,485
Property operating income	\$ 6,701,822	\$ 1,372,335	\$ 1,294,667	\$ 9,368,824

	Three months ended September 30, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 8,872,993	\$ 1,455,068	\$ 1,544,957	\$ 11,873,018
Property operating costs	3,746,073	399,870	469,909	4,615,852
Property operating income	\$ 5,126,920	\$ 1,055,198	\$ 1,075,048	\$ 7,257,166

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

	Nine months ended September 30, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 29,970,390	\$ 4,953,615	\$ 5,099,415	\$ 40,023,420
Property operating costs	12,182,792	1,409,058	1,633,214	15,225,064
Property operating income	\$ 17,787,598	\$ 3,544,557	\$ 3,466,201	\$ 24,798,356

Income properties - continuing \$ 275,459,910 \$ 56,188,206 \$ 50,829,683 \$ 382,477,799

	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
Property operating income	\$ 15,392,903	\$ 3,012,557	\$ 3,168,213	\$ 21,573,673

Income properties - continuing \$ 216,609,976 \$ 40,006,201 \$ 39,656,414 \$ 296,272,591

For the nine months ended September 30, 2008, there is one tenant that accounts for more than 10% of the Trusts' total revenue. SIQ (Quebec government agency) comprised approximately 19% (September 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:

	September 30, 2008	December 31, 2007
Mortgages payable and facilities	\$ 282,839,299	\$ 224,598,967
Convertible debentures	52,291,016	43,507,560
	335,130,315	268,106,527
Unitholders' Equity	82,911,905	74,861,530
	\$ 418,042,220	\$ 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 September 30, 2008, according to the calculation as defined in the Declaration of Trust, this ratio was 55.1% (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 September 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 September 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 September 30, 2008, the Trust has up to \$45 million of facilities available for acquisitions, operations and general corporate purposes, of which \$28.6 million was drawn. The Trust also endeavors to stagger its debt maturities. Of the Trust's \$256.4 million of mortgage debt, \$4.5 million is scheduled to mature in 2009 and \$12.7 million is scheduled to mature in 2010. None of the Trust's convertible debentures are scheduled to mature until 2010.

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 \$256.4 million of mortgage debt, \$4.5 million is scheduled to mature in 2009 and \$12.7 million is scheduled to mature in 2010. None of the Trust's convertible debentures are scheduled to mature until 2010.

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.

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

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.

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.

25. Comparative Amounts

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