



Management's Discussion and Analysis
December 31, 2007

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

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2007 and 2006. Additional information relating to Whiterock, including its Annual Information Form ("AIF") dated March 20, 2008 and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

This MD&A is based on information available to management as at March 20, 2008.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

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

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by Whiterock, lease maturities, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth opportunities, diversification, reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Whiterock's units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risk Factors" in Whiterock's AIF dated March 20, 2008, which can be obtained at www.sedar.com.

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

NON-GAAP MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and property operating income are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. “GAAP” means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

FFO, AFFO and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, FFO, AFFO and property operating income may not be comparable to similar measures presented by other issuers. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007.

Neither FFO, AFFO, or property operating income is intended to represent operating profits for the period or from a property nor should they be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

HIGHLIGHTS – December 31, 2007¹

- **Yield** – Distribution yield of 11.6% annualized, based on per unit distributions for the year totaling \$1.12, and the March 20, 2008 Unit closing price of \$9.70.
- **Increasing Annual FFO** – Recurring FFO increased 92% to \$11.2 million for the year ended December 31, 2007. Recurring FFO per unit (basic) increased 32% to \$1.11 per unit in the same period.
- **Record Quarterly FFO** – In the three months ended December 31, 2007, recurring FFO was \$3.0 million or \$0.29 per unit (basic). This represents a 96% FFO payout ratio.
- **Record AFFO** - Recurring AFFO for 2007 was up 92% to \$9.1 million. 2007 recurring AFFO per unit (basic) was \$0.90, up 30% from \$0.69 in 2006.
- **Significant Rental Rate Increases** – Rents on 2007 rollover of expiring tenancies increased 12%, with Saskatchewan achieving an increase of 31%. Achieved positive net absorption during the year of over 28,000 square feet. Expiring leases in 2008 and beyond remain below market.
- **Same Property Growth** – Property operating income for the year ended December 31, 2007 increased approximately 4.8% on a same property basis from the prior year comparative period.
- **Investment Grade Tenants on Long-Term Leases** – At December 31, 2007, 69% of revenues were from government and other investment grade tenants. Average lease term of the portfolio is 8.6 years.
- **Long-Term Fixed Rate Debt** – Average 8.5 year term for mortgage debt term at a weighted average interest rate of 5.4% with 100% at fixed rates.
- **Continued Deleveraging** – \$4.0 million of convertible debentures converted to equity in the year ended December 31, 2007. Subsequent to December 31, 2007, \$0.3 million of debentures were converted into equity.

¹ Adjusted for the sale of 310 Henderson Drive. See “Disposition Completed Subsequent to December 31, 2007”.

- **Geographically Balanced Portfolio** – 21% of the portfolio is in Saskatchewan, 28% in Ontario, 36% in Quebec and 15% in Atlantic Canada.
- **New Acquisitions** – In addition to the newly constructed retail centre acquired in PEI in the first quarter of 2007, Whiterock acquired in the fourth quarter, a 395,159 square foot facility in Regina, SK (subsequently sold), as well as two office properties, also in Regina, SK, totaling approximately 41,000 square feet.
- **Internal Property Management** – Expanded internally operated management to thirteen properties, including 655 Bay Street.
- **Tax Efficient Distributions** – 100% of the distributions made in 2007 and 2006 were classed as return of capital for tax purposes.

UNIT CONSOLIDATION

On August 21, 2006, Whiterock consolidated its issued and outstanding units on the basis of one post-consolidated Unit for every four pre-consolidated units. All references to units contained herein are calculated on a post-consolidated basis.

BUSINESS OVERVIEW

Whiterock is a growth-oriented REIT focused on increasing Unitholder value through strategic acquisitions, ownership and management of high quality office, industrial, and retail properties in select markets across Canada which generally provide high returns while maintaining high tenant credit quality.

From June 28, 2005, when Whiterock began active operations to December 31, 2007, it has acquired 37 properties with gross book values (“GBV”) totaling approximately \$404.3 million and sold 3 properties for \$51.8 million and a gain of \$3.5 million.

Approximately 43% of Whiterock’s revenue stream is derived from government leases. Government leases combined with other investment grade tenants supply 69% of the revenue stream (after adjusting for the sale of 310 Henderson Drive on January 28, 2008). The average remaining lease term of this portfolio is 8.6 years.

At December 31, 2007, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA ⁽¹⁾	Number of Properties	GLA ⁽¹⁾	Number of Properties	GLA ⁽¹⁾
Quebec	7	978,078	-	-	1	29,700
Saskatchewan	5	219,776	3	174,865	3	668,596
New Brunswick	1	80,162	-	-	2	134,704
Nova Scotia	1	75,990	1	33,857	1	115,773
Ontario	2	326,774	-	-	4	243,161
Prince Edward Island	-	-	3	69,431	-	-
Total	16	1,680,780	7	278,153	11	1,191,934

(1) Gross Leasable Area

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions. Since its Initial Public Offering in June 2005, management considered and completed acquisitions in Western Canada, Ontario, Quebec and Atlantic Canada. Whiterock's investment criteria is contained in its declaration of trust, as amended, (the "Declaration of Trust") a copy of which may be obtained at www.sedar.com.

While it has been Whiterock's intention to acquire a geographically diversified mix of office, retail and industrial properties, office buildings have comprised the majority of its acquisitions to date. Management believes this segment has provided the most favourable acquisition opportunities to date.

OVERALL BUSINESS STRATEGY AND OBJECTIVES

Throughout 2007 Whiterock continued to operate a high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. Whiterock has an active acquisition program with an additional focus on internal growth measures. Whiterock focuses on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

The objectives of Whiterock are to: (i) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets; (ii) generate stable and growing cash distributions on a tax-efficient basis; and (iii) expand Whiterock's asset base and increase its income available for distribution through an accretive acquisition program. Whiterock achieves its objectives by employing the external and internal growth strategies set out below. Whiterock's objective is to acquire well-located real estate with a large proportion of investment grade tenants having long-term leases and matching these acquisitions with fixed-rate debt of similar term.

Growth through Opportunistic and Disciplined Acquisitions

As of December 31, 2007, Whiterock has increased its GBV of real estate assets since its initial public offering in June 2005 from \$3 million to \$355.5 million and increased its real estate portfolio from 26,000 square feet of GLA to 3.2 million square feet of Gross Leasable Area (GLA).

Whiterock's growth strategy includes acquiring real estate at attractive capitalization rates which are above national averages, while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. By virtue of Whiterock's relatively small size, each additional acquisition can have a material impact on the REIT's overall performance. Completing acquisitions at capitalization

rates that have positive spreads to the asset level financing also serves to enhance the REIT's performance.

Whiterock has developed a national platform of diversified commercial real estate across Canada, with target markets nationwide, including: the Greater Toronto Area; Regina; Saskatoon; Southwestern Ontario; Ottawa; Halifax; Quebec City; and Montreal.

Management has utilized a geographically opportunistic growth strategy, allowing the REIT to participate in any Canadian market where an opportunity exists to acquire assets that conform with its investment criteria. As a competitive advantage, Whiterock not only focuses on properties in major market centres in Canada, it also operates in markets that are generally not the primary focus of larger REITs and institutional investors.

Management has an extensive network of real estate contacts across Canada, the necessary experience to source properties directly from vendors or to purchase through traditional channels, as well as the ability to move quickly to acquire high quality, accretive properties.

Whiterock engages in rigorous financial, physical and market due diligence, focusing on the acquisition criteria set out below:

- *Finding superior locations:* Whiterock seeks assets that are well-located in their respective markets.
- *Long-term leases:* Whiterock attempts to secure long-term leases with high quality credit tenants.
- *Limiting deferred capital expenditures:* Whiterock attempts to acquire properties in good condition by focusing on the average age of the building and the length of time since renovation.
- *Acquiring properties below replacement cost:* Management believes this provides a significant advantage in retaining tenants.

Internal Growth through Active Asset and Property Management

Whiterock achieves internal growth by realizing market rate rents as existing below market rate leases expire and by renewing or extending tenant leases, when possible. Renewals, in contrast to tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, avoid costs of renovations and prevent interruptions in rental income resulting from periods of vacancy. When an existing tenant chooses not to renew its lease, Whiterock attempts to identify, as early as possible, a replacement tenant at the best available market terms and lowest possible transaction costs.

As part of its internal growth initiatives, effective October 1, 2007, Whiterock began self-managing four additional properties, including 655 Bay Street in Toronto, Ontario. As a result, Whiterock currently self-manages thirteen properties. Management believes that selective self management will further positively contribute to operating results.

Strategic Alternatives Review

On January 16, 2007, Whiterock announced that its Trustees (the "Board") had approved a process to consider strategic alternatives, including sale or merger alternatives, in an effort to continue to enhance its Unit value.

A Special Committee of Independent Trustees (the "Special Committee") was established to advise the Board. Whiterock also retained third party investment advisors to act as co-financial advisors to manage the process. The Special Committee sought interest from a wide variety of parties and received multiple expressions of interest and non-binding offers. Whiterock had been in discussions with a potential bidder regarding the possible acquisition of substantially all of the assets of Whiterock. The Trustees reviewed the terms of this conditional proposal and determined that it did not offer a sufficient combination of a premium value to Unitholders and certainty of execution to justify proceeding further.

The due diligence process confirmed the quality of Whiterock's revenue stream and the absence of any material due diligence issues. At the same time, Whiterock's existing portfolio of high credit, long term leased assets has provided solid results, above management's expectations at the start of the process.

As a result of completing its review of sale or merger alternatives, and in light of the portfolio's strong performance and increased outlook, the Board unanimously determined that having management continue to operate the business was the best means to build and deliver value to Unitholders. As a result, the Special Committee was disbanded.

Management expects that further increases in AFFO per unit in 2008 will result from completed and anticipated new leasing and renewals, in-place rent increases, the completed reinvestment of balance sheet cash and continued property management and general and administrative improvements.

KEY PERFORMANCE MEASURES

Several factors contribute to the successful operation of Whiterock's business. These include rental and renewal rates, occupancy levels, quality of tenant revenue stream, availability of properties that meet Whiterock's acquisition criteria, financing rates and availability, tenant inducements, capital expenditures and the general economic environment. Whiterock's success is also based on its ability to acquire well located real estate with a large proportion of tenants with high credit ratings having long-term leases and matching these acquisitions with fixed rate debt of similar term. In the opinion of management, the key measures of Whiterock's performance are illustrated in the table below together with a prior year comparative:

(For the year ended)	2007	2006
Recurring FFO (basic) per unit ⁽¹⁾	1.11	0.84
Recurring AFFO (basic) per unit ⁽¹⁾	0.90	0.69
Property operating income - continuing operations	29,269,602	18,229,509
Property operating income - same asset	11,304,854	10,783,187
Investment in real estate	355,548,543	328,214,492
Weighted average mortgage rate	5.4%	5.4%
Weighted average debenture rate	7.0%	7.1%
Interest coverage ratio ⁽²⁾	1.7	1.4
Average lease term (in years) ⁽³⁾	8.6	8.9
Occupancy level ⁽³⁾	98.6%	98.2%
Recurring FFO payout ratio ⁽⁴⁾	100.9%	132.8%

(1) Recurring FFO and AFFO are adjusted to remove \$2,229,290 in costs associated with reviewing strategic alternatives for the REIT in 2007. 2006 FFO and AFFO are adjusted for the effect of the one time loss on the redemption of the Series B Convertible Debentures of \$690,838 and \$254,998 respectively.

(2) Interest Coverage is calculated based on continuing property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income on bank balances.

(3) Reflects executed leases as at the date of this MD&A and is adjusted to exclude 310 Henderson Drive, a 395,159 square foot industrial property in Regina, SK, sold on January 28, 2008.

(4) Recurring FFO payout ratio is calculated as distributions divided by Recurring FFO for the year ended December 31, 2007 and 2006. For the three months ended December 31, 2007 Recurring FFO payout ratio is 96.3%.

In the year ended December 31, 2007, Whiterock significantly improved its Recurring FFO, Recurring AFFO, Recurring FFO per unit, Recurring AFFO per unit, property operating income and increased its interest coverage ratio while reducing its payout ratio compared to the prior year.

SELECTED ANNUAL INFORMATION

Additional selected annual information for Whiterock as at, and for the year ended, December 31, 2007 and 2006 as follows:

(000's except per unit data and ratios)	2007	2006
Investment in real estate during the year	\$ 25,823	\$ 260,525
Total assets	\$ 355,173	\$ 398,971
Mortgages payable and facilities	\$ 224,599	\$ 250,886
Convertible debentures	\$ 43,508	\$ 48,894
Cash	\$ 4,152	\$ 9,298
Unitholders' equity	\$ 74,862	\$ 80,252
Total revenue	\$ 48,854	\$ 28,992
Property operating income	\$ 29,270	\$ 18,230
Interest expense	\$ 16,859	\$ 11,752
Income (loss)	\$ 815	\$ (6,471)
Income (loss) per unit - basic	\$ 0.08	\$ (0.94)
Income (loss) per unit - diluted	\$ 0.08	\$ (0.94)
Funds from operations (FFO)	\$ 8,974	\$ 1,430
FFO (recurring) ⁽¹⁾	\$ 11,203	\$ 5,824
FFO per unit - basic	\$ 0.89	\$ 0.21
FFO per unit - basic (recurring) ⁽¹⁾	\$ 1.11	\$ 0.84
FFO per unit - diluted	\$ 0.88	\$ 0.20
FFO per unit - diluted (recurring) ⁽¹⁾	\$ 1.10	\$ 0.83
Adjusted funds from operations (AFFO)	\$ 6,889	\$ 4,289
AFFO recurring ⁽¹⁾	\$ 9,119	\$ 4,748
AFFO per unit - basic	\$ 0.68	\$ 0.62
AFFO per unit - basic (recurring) ⁽¹⁾	\$ 0.90	\$ 0.69
AFFO per unit - diluted	\$ 0.68	\$ 0.61
AFFO per unit - diluted (recurring) ⁽¹⁾	\$ 0.88	\$ 0.67
Weighted average units outstanding		
Basic	10,077,907	6,894,247
Diluted - FFO and AFFO	10,179,326	7,034,168
Diluted - Recurring FFO	11,997,507	7,034,168
Diluted - Recurring AFFO	13,158,197	7,034,168
Net debt to total market capitalization - debentures as equity	61.3%	53.2%
Net debt to total market capitalization - debentures as debt	72.2%	66.5%
Interest coverage - including debentures as debt ⁽²⁾	1.7	1.4
Interest coverage - including debentures as equity ⁽²⁾	2.1	1.7
Total annual distributions	\$ 11,323	\$ 7,844
Total annual distributions - per unit	\$ 1.12	\$ 1.12

(1) Recurring FFO and AFFO are adjusted to remove \$2,229,290 in costs associated with reviewing strategic alternatives for the REIT in 2007. 2006 FFO and AFFO are adjusted for the effect of the one time loss on the redemption of the Series B Convertible Debentures of \$690,838 and \$254,998 respectively.

(2) Interest Coverage is calculated based on continuing property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income on bank balances.

INVESTMENT ACTIVITIES

Whiterock has acquired 37 properties from the time of its initial public offering in September 2005 to December 31, 2007 with a GLA of 3.6 million square feet and a GBV on acquisition of \$404.3 million. Whiterock completed the acquisition of four properties in 2007; 193 Malpeque, a newly constructed retail centre in Charlottetown PEI; 310 Henderson Drive, a 395,159 square foot industrial facility in Regina, SK, 2208 Scarth Street a multi-tenant office building in Regina, SK as well as 2445 13th Avenue, an office building also located in Regina, SK. In the year ended December 31, 2007, Whiterock disposed of three Quebec City office properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy for total proceeds of \$51.8 million and a \$3.5 million gain. Whiterock's investment in properties acquired in 2007 and 2006 are as follows:

2007 Acquisitions

(in \$000's except as noted)

Property Name	City	Province	Acquired	GLA (Sq. Ft.)	Acquisition Cost ⁽¹⁾	Mortgage Financing ⁽²⁾
193 Malpeque	Charlottetown	PEI	03/30/07	41,738	\$ 6,617	\$ -
310 Henderson Drive	Regina	SK	10/01/07	395,159	13,996	7,500
2208 Scarth Street	Regina	SK	12/14/07	25,310	3,515	2,226
2445 13th Avenue	Regina	SK	12/14/07	16,018	1,695	1,074
				478,225	\$ 25,823	\$ 10,800

(1) Acquisition cost includes land transfer taxes and closing costs.

(2) On acquisition.

193 Malpeque – is a newly constructed 41,738 square foot retail property anchored by Linen's N Things and a PEI Liquor Store, both on long term leases. The property is located at the intersection of Malpeque Road and the Charlottetown Perimeter Highway, within a new non-owned power centre currently under lease-up and construction.

310 Henderson Drive – is a high quality 395,159 square foot industrial facility comprised of 24 foot clear height warehouse and distribution space with a small office component. The property is one of the largest of its kind in Regina and is situated on approximately 21 acres of land in close proximity to Regina's Ring Road. Access to the building is provided by 35 dock doors, of which 25 have an enclosed loading area. The property is improved by extensive paved areas to facilitate large transport trailers, employee parking and 4 acres of excess land. The property was 54.4% occupied at December 31, 2007. It was sold January 28, 2008 for gross proceeds of \$14.0 million (see "Disposition Completed Subsequent to December 31, 2007").

2208 Scarth Street – is a 25,310 square foot well maintained office building located two blocks south of Regina's core financial district. It overlooks a picturesque city park and also provides superior parking in comparison to its competition. It is 100% occupied by a mix of provincial and federal government agencies, accounting, and professional firms.

2445 13th Avenue – is a 16,018 square foot office building located two blocks southwest of Regina's core financial district. Its superior location, above average parking availability, and efficient layout distinguishes this asset from its competition. Given these characteristics it has high historical occupancy with minimal costs required for new and renewing tenants. It is 100% occupied by a mix of local and regional professional tenants.

2006 Acquisitions ⁽¹⁾

(in \$000's except as noted)

Property Name	City	Province	Acquired	GLA (Sq. Ft.)	Acquisition Cost ⁽²⁾	Mortgage Financing ⁽³⁾
4250 Albert	Regina	SK	01/10/06	41,238	\$ 7,267	\$ 5,750
2550 Quance	Regina	SK	01/12/06	85,076	14,035	10,500
2220 College	Regina	SK	02/28/06	59,590	7,599	5,650
2450 Girouard	St.-Hyacinthe	QC	03/23/06	231,500	30,923	20,000
722 Edinburgh	Moncton	NB	06/01/06	41,200	1,747	1,285
250 King Street	Fredericton	NB	06/13/06	80,162	9,582	5,977
222 Edinburgh	Moncton	NB	06/15/06	93,504	3,376	2,400
603 Park Street	Regina	SK	06/30/06	109,345	5,320	-
998 Parkland Drive	Halifax	NS	08/01/06	33,857	6,925	4,721
9305 Twin Oaks	Windsor	ON	08/09/06	74,239	6,385	2,725
650 University	Charlottetown	PEI	08/17/06	1,650	787	-
7 Capella Court	Ottawa	ON	08/28/06	31,361	5,180	-
Royal Centre	Saskatoon	SK	09/06/06	48,551	9,350	-
4515 & 4525 Rhodes	Windsor	ON	10/05/06	91,058	7,430	5,175
2946 Walker Road	Windsor	ON	10/05/06	32,264	2,195	1,480
655 Bay Street	Toronto	ON	10/30/06	295,413	67,370	40,635
277 Pleasant Street	Halifax	NS	11/15/06	75,990	11,630	4,675
8550 Newman Blvd	Montreal	QC	11/16/06	66,400	10,215	7,425
				1,492,398	\$ 207,316	\$ 118,398

(1) Excludes three properties sold in 2007. (See "2007 Dispositions")

(2) Acquisition cost includes land transfer taxes and closing costs.

(3) On acquisition.

4250 Albert - is a 41,238 square foot retail property located on the primary north-south artery in Regina and is anchored by a Sobeys grocery store on a long term lease. Other tenants include TD Bank, a UPS store and Ultracuts.

2550 Quance - is an 85,076 square foot retail property located at 2510-2640 Quance Street, 2660 Starlight Street and 625-635 University Park Drive, one of the busiest intersections in Regina, and in Regina's primary retail district. Tenants include Staples, Saskatchewan Liquor Store, Boston Pizza and Scotiabank. The centre is shadow anchored by a Costco Superstore.

2220 College - is a 59,590 square foot office property located at 2220 College Avenue in Regina, directly adjacent to Wascana Park and the Legislative Buildings. The asset is very well maintained with recently upgraded lobbies and common areas. It also has adjacent land west and north of the property utilized as 104 surface parking stalls. It is 100% leased to the Saskatchewan Provincial Government until 2011.

2450 Girouard - is a newly constructed and renovated office complex which is 100% leased on a long-term sale lease-back until 2026 to ING Insurance Company of Canada, the largest provider of property and casualty insurance in Canada with an A- credit rating by Standard & Poor's. The property is located in Saint-Hyacinthe, a growing community located 30 minutes east of Montreal. 2450 rue Girouard Ouest consists of two buildings which are connected by an elevated walkway. One building totaling 115,000 square feet was newly constructed in 2005. The second building totaling 87,000 square feet was recently significantly renovated. A third building, at 455 Saint-Joseph Avenue, totaling 29,500 square feet, was significantly upgraded in 1990, and again in 2005.

722 Edinburgh – is a single tenant industrial building originally built in 1977-78, with an addition and further capital improvements completed in 1999. The property is located in the Moncton Industrial Park, and provides excellent access to all major transportation corridors. The building is 100% leased on a long-term basis to Hercules Canada, an international tire and wheel supplier whose Canadian division achieves annual sales in excess of \$150 million.

250 King Street - is a four storey office building located in Fredericton's downtown business district. The building is 100% leased to the Province of New Brunswick on a long-term basis and has been since its original construction in 2000. The site comprises an area of approximately 1.41 acres and provides 132 above ground parking spaces.

222 Edinburgh - is a one storey, multiple tenant industrial building located on one of the major roadways in the Moncton Industrial Park, with excellent access to all major transportation corridors. The majority of the building is occupied by Sonoco, a world leader in packaging products.

603 Park Street - is a 109,345 square foot flex industrial property located in the same submarket as Whiterock's Chestemere property in Regina. Together these two properties constitute approximately 65% of the comparable flex industrial inventory in the city. The property is anchored by Uponor Canada Inc., whose international parent generates over \$1 billion EUR in sales. The property was subsequently financed with a \$3.6 million 10 year mortgage at an interest rate of 5.6%

998 Parkland Drive - is a newly constructed, 100% leased retail plaza located at the intersection of Highway 102 and Kearney Lake Road in Halifax. Lawtons Drug Stores (a subsidiary of Sobeys) occupies two thirds of the project on a ten year lease, with the balance of the space occupied by retail and professional tenants.

9305 Twin Oaks - is a new industrial facility in Windsor, Ontario with 28 foot clear height situated on 5.2 acres in the newly developed Twin Oaks Business Park, having excellent access to the E.C. Row Expressway, Lauzon Parkway and the airport. The property is 100% leased on a long term basis to Magna Closures Inc., a subsidiary of Magna International, a leading supplier of technologically advanced interior vehicle systems, components and complete modules. Subsequent to the acquisition date, the second phase of the property, which was unencumbered at the time of acquisition, was financed by a second draw of \$1.9 million on the original loan at an interest rate of 5.1%, resulting in a blended interest rate of 5.3% on the final loan amount of \$4.6 million over the remaining term of 118 months.

650 University - is a newly built 1,650 square foot A&W Restaurant in Charlottetown, acquired on August 17, 2006. It is located in a high traffic retail location, adjacent to the University of Prince Edward Island and across the street from an existing single tenant retail building of the Trust's which is leased to Staples.

7 Capella Court - Built in 2001, 7 Capella is a 31,361 square foot, three-storey office building located in the Rideau Heights Business Park, just west of the Ottawa International Airport. The 1.8 acre site provides 150 parking spaces and room for a 10,000 square foot expansion. The primary tenant, Lumenera, occupies 84% of the building, and is a leading developer and manufacturer of high performance digital cameras for the industrial, scientific and security markets. The property was subsequently financed by a 10 year mortgage of \$3.2 million at an interest rate of 5.2%.

Royal Centre - is an assembly of three buildings designed for retail and office use, located in the Central Business District of Saskatoon. The site has a premier location, occupying nearly one-half of a city block directly across the street from the main entrance to Midtown Plaza, Saskatchewan's largest regional mall. The property is 100% leased to a number of high quality tenants, the largest of which is the Royal Bank of Canada, occupying approximately 51% of the rentable area. The property was subsequently financed by a 10 year mortgage of \$5.8 million at an interest rate of 5.3%.

4515 & 4525 Rhodes Drive - These two flex-industrial properties, totaling 91,058 square feet located in Windsor, Ontario, are immediately adjacent to a major arterial expressway and the Windsor International Airport. Built in 1998, these multi-tenant buildings offer 22 foot clear height and are serviced by both truck-level and grade-level doors. The nine acre site provides easy access to expressway connectors, provincial highways, railways, air transportation and the United States via tunnel or bridge.

2946 Walker Road - This 32,264 square foot, single-tenant industrial property is located two blocks from the Chrysler Assembly Plant in Windsor, Ontario. The building underwent significant renovation in 2004. The building's clear height varies from 16 feet to 28 feet, with ample access provided by nine truck-level doors. Situated on four acres of land, the building is occupied by Ground Effects, a leading and diversified supplier of exterior and interior accessories for the automotive industry.

655 Bay Street - is a fully leased, 17-story, Class A multi-tenant office building with 295,413 square feet of GLA located just north of the financial district on the corner of Bay and Elm Streets in downtown Toronto, Ontario. The building was constructed in 1990 and renovated in 2006 and includes a three storey underground parking deck. The building's proximity to the Toronto financial core, the Province of Ontario's legislative building at Queen's Park and several major medical institutions result in high tenant demand for the property. Current tenants include the Canada Revenue Agency, the Ontario Municipal Board and the Ministry of the Attorney General.

277 Pleasant Street - Dartmouth Professional Centre is a 75,990 square foot multi-tenant office building located immediately north of the new Nova Scotia Community College and adjacent to the Dartmouth General Hospital. The property is 100% leased, with the primary tenants being the Departments of Justice (48%) and Community Services (28%), and the remaining tenants consisting of various medical practices and a pharmacy.

8550 Newman Boulevard - is a 66,400 square foot, Class A medical office building with the primary tenants being government funded healthcare institutions. The first phase was built in 2001, and is 100% occupied by the Centre Locaux de Services Communautaires Lasalle (CLSC) and the Douglas Hospital. The second phase was added in 2004-2005, and is currently occupied by a mix of complimentary medical tenants.

2007 Dispositions

Effective April 10, 2007, Whiterock completed the sale of its 50% undivided, non-managed interest in three Quebec City office properties, being 410 Charest, 750 Charest and 880-930 Ste-Foy, to the existing co-owners through the exercise of buy-sell provisions initiated by Whiterock. The dispositions, for \$51.8 million, generated a \$3.5 million gain, a return of over 20% in 11 months of ownership, reinforcing the strength of Whiterock's acquisition criteria.

Details of property divestitures by Whiterock in 2007 are as follows:

(in \$000's except as noted)

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)⁽¹⁾	Mortgage Financing⁽¹⁾⁽²⁾	Disposition Price⁽¹⁾⁽³⁾
410 Charest	Quebec City	QC	04/10/07	84,324	\$ 10,022	\$ 18,625
750 Charest	Quebec City	QC	04/10/07	107,403	7,692	11,500
880 & 930 Ste-Foy	Quebec City	QC	04/10/07	175,947	13,905	21,625
Total				367,674	\$ 31,619	\$ 51,750

(1) Whiterock's interest.

(2) At date of disposition.

(3) Before closing adjustments.

Disposition Completed Subsequent to December 31, 2007

Effective January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan to a third party limited partnership, for gross proceeds totaling \$14.0 million, which approximates the Trust's GBV. In conjunction with the sale, the Trust has provided the partnership with a \$7.25 million second mortgage at a 10% interest rate in priority to the additional equity capital provided by the partnership. The Trust has the right to acquire the property at market once substantially leased. The Trust continues to guarantee the \$7.5 million first mortgage financing on the property. This transaction has enabled the Trust to have the right to acquire an attractive asset in a desirable market without incurring operating shortfalls or the risk associated with lease-up of the property.

SUMMARY OF QUARTERLY RESULTS

Whiterock was created through a predecessor entity on December 8, 2004. It began active operations on June 28, 2005 in conjunction with an Initial Public Offering.

(in \$000's except per unit information)	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue								
- continuing operations	12,944	12,005	11,938	11,966	10,339	7,339	6,129	5,185
- discontinued operations	-	-	204	1,984	1,846	1,812	914	-
Property operating income								
- continuing operations	7,696	7,257	7,249	7,068	6,518	4,684	3,891	3,137
- discontinued operations	-	-	79	980	1,021	993	530	-
Income (loss)	(704)	(235)	1,978	(225)	(4,243)	(438)	(1,297)	(493)
Income (loss) adjusted ⁽¹⁾	(44)	(147)	(195)	(225)	(540)	(438)	(606)	(493)
Income (loss) per unit								
- basic	(0.07)	(0.02)	0.20	(0.02)	(0.50)	(0.06)	(0.22)	(0.10)
- diluted	(0.07)	(0.02)	0.20	(0.02)	(0.50)	(0.06)	(0.22)	(0.10)
- basic adjusted ⁽¹⁾	-	(0.01)	(0.02)	(0.02)	(0.06)	(0.06)	(0.10)	(0.10)
- diluted adjusted ⁽¹⁾	-	(0.01)	(0.02)	(0.02)	(0.06)	(0.05)	(0.10)	(0.09)
Funds from operations (FFO)	2,985	2,649	541	2,799	(1,297)	1,711	365	651
FFO (recurring) ⁽²⁾	2,985	2,737	2,682	2,799	2,406	1,711	1,056	651
FFO per unit								
- basic	0.29	0.26	0.05	0.28	(0.15)	0.22	0.06	0.13
- diluted	0.29	0.26	0.05	0.28	(0.15)	0.21	0.06	0.12
- basic (recurring) ⁽²⁾	0.29	0.27	0.27	0.28	0.28	0.22	0.18	0.13
- diluted (recurring) ⁽²⁾	0.29	0.27	0.27	0.28	0.28	0.21	0.17	0.12
Adjusted funds from operations (AFFO)	2,578	2,146	(8)	2,173	1,683	1,605	501	500
AFFO (recurring) ⁽³⁾	2,578	2,234	2,133	2,173	1,886	1,605	756	500
AFFO per unit								
- basic	0.25	0.21	(0.00)	0.22	0.20	0.20	0.08	0.10
- diluted	0.24	0.21	(0.00)	0.21	0.20	0.20	0.08	0.09
- basic (recurring) ⁽³⁾	0.25	0.22	0.21	0.22	0.22	0.20	0.13	0.10
- diluted (recurring) ⁽³⁾	0.24	0.21	0.21	0.21	0.22	0.20	0.12	0.09
Cash distribution per unit	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28

(1) Income (loss) (adjusted) excludes the future income tax expense of \$660,000 in the fourth quarter of 2007, the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, the gain on disposition of properties of \$3,514,785 and the future income tax recovery of \$800,000 in the second quarter of 2007, costs relating to the internalization of management of \$3,703,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$690,838 in the second quarter of 2006.

(2) FFO per unit (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, as well as the costs relating to the internalization of management of \$3,703,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$690,838 in the second quarter of 2006.

(3) AFFO per unit (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, as well as costs relating to the internalization of management of \$203,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$254,998 in the second quarter of 2006.

Whiterock's operations, and therefore its quarterly results, are generally not subject to seasonal influences, but they are impacted by economic events and cycles of a local, national and international nature which may impact the demand for space and the level of interest rates. Whiterock's leases generally have provisions which allow for increases in rents to offset the effects of inflation on operating costs.

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three and twelve months ended December 31, 2007 and 2006 are as follows:

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Property operating income	\$ 7,695,929	\$ 6,517,450	\$ 29,269,602	\$ 18,229,509
Interest income	101,142	138,114	504,978	654,865
Interest expense	(4,283,244)	(4,021,757)	(16,859,466)	(11,752,248)
General and administrative expenses	(505,888)	(763,026)	(2,201,395)	(2,611,678)
Amortization	(3,052,340)	(2,543,784)	(11,666,297)	(6,906,219)
Income (loss) before the undernoted	(44,401)	(673,003)	(952,578)	(2,385,771)
Asset management and management services contracts	-	(3,703,112)	-	(3,703,112)
Strategic alternatives costs	-	-	(2,229,290)	-
Provision for loss on debenture redemption	-	-	-	(690,838)
Future income taxes	(660,000)	-	140,000	-
Income (loss) from continuing operations	(704,401)	(4,376,115)	(3,041,868)	(6,779,721)
Income from discontinued operations	-	133,533	341,808	308,453
Gain on disposition of properties	-	-	3,514,785	-
Net income (loss)	\$ (704,401)	\$ (4,242,582)	\$ 814,725	\$ (6,471,268)
Basic net income (loss) per unit				
Continuing operations	\$ (0.07)	\$ (0.52)	\$ (0.30)	\$ (0.98)
Discontinued operations	\$ -	\$ 0.02	\$ 0.38	\$ 0.04
Net income per unit	\$ (0.07)	\$ (0.50)	\$ 0.08	\$ (0.94)
Diluted net income (loss) per unit				
Continuing operations	\$ (0.07)	\$ (0.52)	\$ (0.30)	\$ (0.98)
Discontinued operations	\$ -	\$ 0.02	\$ 0.38	\$ 0.04
Net income per unit	\$ (0.07)	\$ (0.50)	\$ 0.08	\$ (0.94)

Whiterock's net income (loss) for the three months and year ended December 31, 2007 was \$(0.7) million and \$0.8 million respectively (2006 – \$(4.2) million and \$(6.5) million respectively).

Following is a discussion of individual income components:

Property operating income

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Income property rentals				
Same Property				
Rental income	\$ 7,486,911	\$ 6,951,703	\$ 16,765,129	\$ 15,884,081
Straight-line rent	313,941	272,158	1,014,120	547,372
Above and below market lease amortization	330,994	370,881	1,105,797	1,149,158
	8,131,846	7,594,742	18,885,046	17,580,611
Acquisitions ⁽¹⁾				
Rental income	4,725,334	2,585,930	28,858,215	10,469,765
Straight-line rent	(38,314)	25,917	370,361	105,162
Above and below market lease amortization	24,276	(5,446)	235,290	181,896
	12,843,142	10,201,143	48,348,911	28,337,434
Property operating costs				
Same property	2,951,680	2,593,179	7,580,192	6,797,424
Acquisitions ⁽¹⁾	2,195,533	1,090,514	11,499,117	3,310,501
	5,147,213	3,683,693	19,079,309	10,107,925
Property operating income				
Same property	5,180,167	5,001,563	11,304,854	10,783,187
Acquisitions ⁽¹⁾	2,515,763	1,515,887	17,964,749	7,446,322
	\$ 7,695,929	\$ 6,517,450	\$ 29,269,602	\$ 18,229,509

(1) Acquisition values exclude the results for the three properties classified as discontinued operations. (See "2007 Dispositions")

Property operating income represents non-GAAP information and may not be comparable to measures used by other issuers. Property operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

Same Property Growth

On a same property basis, property operating income for the three months ended December 31, 2007 increased \$0.2 million or 3.6% compared to the three months ended December 31, 2006, and for the year ended December 31, 2007 increased \$0.5 million or 4.8% over the same period in 2006.

Income property rentals from same properties (25 properties owned for the three months ended December 31, 2007 and 2006 and 12 properties owned for the twelve months ended December 31, 2007 and 2006) increased \$0.5 million, or 7.1% for the three months ended December 31, 2007, and \$1.3

million, or 7.4% for the year ended December 31, 2007, as compared to 2006, primarily as a result of the recovery of higher realty taxes and improved occupancy levels. Same property operating costs have increased \$0.4 million in the three months ended December 31, 2007, and \$0.8 million in the year ended December, 2007 compared to the prior year, primarily as a result of higher realty taxes. Same property operating income for the three months and year ended December 31, 2007 includes \$0.3 million and \$1.0 million respectively, from leases with contractual rent increases recognized on a straight-line basis, compared to \$0.3 million and \$0.5 million in the comparable prior year period. In addition, income from same property rentals for the three months and year ended December 31, 2007 includes \$0.3 million and \$1.1 million respectively of amortization of above and below market lease adjustments, compared to \$0.4 and \$1.1 million for the same periods in 2006.

Margins on same property net operating income decreased from 61% to 60% in 2007, as the Trust experienced increases in same property realty taxes in the province of Quebec (fully recoverable). Excluding the impact of these increases, margins would have increased from 61% to 62%, primarily as a result of increasing rental revenues from lease renewals, steps in existing leases, and improved cost control across the portfolio.

Growth due to Acquisitions

Income property rentals for the three months and year ended December 31, 2007 includes \$4.7 million and \$28.9 million respectively, from continuing properties acquired throughout 2007 and 2006, compared to \$2.6 million and \$10.5 million for the same periods in 2006. Property operating costs increased to \$2.2 million in the three months ended December 31, 2007 and to \$11.5 million for the year ended December 31, 2007 compared to the same periods in 2006 primarily as a result of these acquisitions. Property operating income resulting from acquisitions for the three months and year ended December 31, 2007 includes \$(0.04) million and \$0.4 million respectively from leases with contractual rent increases, which are recognized on a straight-line basis and \$0.2 million of amortization of above and below market lease adjustments for the year ended December 31, 2007.

As at December 31, 2007, the gross value of above and below market leases on acquisition for continuing operations was \$9.1 million. Management intends to capture the value of the below market leases over time in the form of higher rental rates as tenants' leases are renewed.

Leasing Performance

Whiterock obtained an average rate increase of 11.6% on 2007 lease expirations, with Saskatchewan delivering increases of 30.9%. Tenant inducements on the renewals were minimal at \$1.34 per square foot and for new leasing were \$4.72 per square foot.

The Trust achieved positive net absorption of vacancy totaling 28,318 square feet in 2007, or approximately 1% on the portfolio, primarily as a result of lease up at 655 Bay Street, an office building in Toronto, ON.

Segmented Performance

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended December 31, 2007 and 2006 were as follows:

	Three months ended December 31, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 9,278,011	\$ 1,553,075	\$ 2,012,056	\$ 12,843,142
Property operating costs	3,838,400	473,728	835,085	\$ 5,147,213
Property operating income	\$ 5,439,611	\$ 1,079,347	\$ 1,176,971	\$ 7,695,929

	Three months ended December 31, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 7,424,970	\$ 1,320,805	\$ 1,455,368	\$ 10,201,143
Property operating costs	2,866,202	418,132	399,359	3,683,693
Property operating income	\$ 4,558,768	\$ 902,673	\$ 1,056,009	\$ 6,517,450

Property operating income from office properties provided 71% of total property operating income for the three months ended December 31, 2007, compared to 70% in the prior year comparative period.

Property operating income (excluding discontinued operations) for the year ended December 31, 2007 and 2006 were as follows:

	Year ended December 31, 2007			
	Office	Retail	Industrial	Total
Income property rentals	\$ 36,124,987	\$ 5,696,038	\$ 6,527,886	\$ 48,348,911
Property operating costs	15,292,713	1,603,894	2,182,702	19,079,309
Property operating income	\$ 20,832,274	\$ 4,092,144	\$ 4,345,184	\$ 29,269,602

Income properties - continuing	\$ 220,961,593	\$ 39,781,022	\$ 53,386,100	\$ 314,128,715
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	Year ended December 31, 2006			
	Office	Retail	Industrial	Total
Income property rentals	\$ 20,771,616	\$ 3,810,810	\$ 3,755,008	\$ 28,337,434
Property operating costs	7,853,538	1,137,336	1,117,051	10,107,925
Property operating income	\$ 12,918,078	\$ 2,673,474	\$ 2,637,957	\$ 18,229,509

Income properties - continuing	\$ 219,809,868	\$ 35,178,374	\$ 40,330,568	\$ 295,318,810
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Property operating income from office properties provided 71% of total property operating income for the year ended December 31, 2007, which is consistent with the prior year comparative period.

Whiterock has achieved a geographic balance of revenue from its portfolio across Canada, with approximately 21% of the portfolios property operating income generated from Saskatchewan, 28% from Ontario, 36% from Quebec and 15% from Atlantic Canada.

Interest income

	Three months ended		Year ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Interest income	\$ 101,142	\$ 138,114	\$ 504,978	\$ 654,865

Interest income for the three months and year ended December 31, 2007 totaled \$0.1 million and \$0.5 million respectively and was derived primarily from interest on funds realized on the sale of three properties in April 2007, and cash generated from property operations.

Interest expense

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Mortgage interest expense	\$ 2,973,356	\$ 1,886,587	\$ 11,621,401	\$ 7,668,517
Acquisition facility interest	-	450,430	100,184	841,663
Debenture interest	855,985	626,791	3,497,576	2,185,175
Deferred finance cost				
- mortgages	53,692	56,597	221,767	199,761
- acquisition facility	174,630	99,871	499,642	181,574
- convertible debentures	127,179	103,346	519,929	459,589
Implicit interest rate in excess of coupon				
- convertible debentures	98,402	68,453	398,967	215,969
Interest expense	\$ 4,283,244	\$ 3,292,075	\$ 16,859,466	\$ 11,752,248

Interest for the three months and year ended December 31, 2007 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition facility.

General and administrative expenses

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Salaries and wages	\$ 296,085	\$ 263,363	\$ 1,260,687	\$ 1,057,971
Asset management and management services fees	-	210,372	-	710,948
	296,085	473,735	1,260,687	1,768,919
Non-cash compensation expense	3,958	23,518	75,702	162,595
Trustee fees	20,661	54,417	134,507	54,417
Legal, audit and regulatory	66,199	46,555	252,216	160,053
Office rent	13,939	20,559	84,218	63,211
Insurance	14,217	12,546	61,679	44,435
Other general and administrative	30,549	56,124	106,761	197,238
	445,608	687,454	1,975,770	2,450,868
Costs related to properties not acquired	-	42,822	106,482	82,891
Office relocation costs	-	-	38,543	-
Recruiting costs	60,280	32,750	80,600	77,919
General and administrative expenses	\$ 505,888	\$ 763,026	\$ 2,201,395	\$ 2,611,678

For the three months and year ended December 31, 2007, general and administrative expenses total \$0.5 million and \$2.2 million respectively, compared to \$0.8 million and \$2.6 million for the comparable periods in 2006. Salaries and wages including asset management and management services fees was reduced by \$0.2 million and \$0.5 million in the three months and year ended December 31, 2007 due to the management internalization completed in 2006.

In the third quarter of 2007, Whiterock relocated its head office to 655 Bay Street. Costs expensed in connection with the relocation totaled \$0.04 million in the period. As a result of the move, Whiterock anticipates annual savings of approximately \$0.1 million.

Asset management and management services fees

In September 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 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.

In December 2006, Whiterock completed the internalization of its asset management and management services contracts for a one-time cost of \$3.7 million (including transaction costs). Following the internalization, the officers became employees of a subsidiary of Whiterock, with customary terms for these types of arrangements as determined by the Compensation Committee of the Board.

For the year ended December 31, 2006, \$0.7 million was expensed under these agreements in general and administrative expenses and \$1.2 million was recorded as an acquisition cost of income properties. There were no related costs incurred in 2007.

Strategic alternatives costs

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Strategic alternatives costs	\$ -	\$ -	\$ 2,229,290	\$ -

On July 18, 2007, Whiterock announced that it had completed the process to review its strategic alternatives and to solicit proposals to acquire or merge with Whiterock (see “Strategic Alternatives Review”). Whiterock expensed \$2.2 million of costs, primarily for legal, special committee and independent trustee fees and due diligence costs relating to the process, in the year ended December 31, 2007.

Loss on debenture redemption

	Three months ended December 31,		Year ended December 31,	
	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 second quarter of 2006, Whiterock charged \$0.7 million to income as a result of its decision to undertake an early redemption of the \$8.1 million outstanding principal amount of its Series B Debentures.

Future income taxes

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

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

Under the SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax. In fiscal 2006 and 2007, all of the Trust's distributions were classed as returns of capital for tax purposes.

A SIFT that was publicly listed before November 1, 2006 (an "Existing Trust") will become subject to the tax on certain distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. The Trust has not exceeded such limits.

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, the Trust does not meet the REIT Conditions and, therefore is a SIFT. Accordingly, without further action, commencing in 2011 the Trust will become subject to tax on distributions of certain income. The Trust intends to take the necessary steps to qualify for the REIT conditions prior to 2011.

Due to the SIFT Rules, in 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 \$140,000 in the consolidated balance sheet at December 31, 2007, with a corresponding future income tax recovery of \$140,000 reflected in consolidated income.

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.

Amortization

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Building and improvements	\$ 1,739,407	\$ 1,466,164	\$ 6,694,112	\$ 4,188,313
Deferred charges				
- tenants inducements				
on acquisition	461,238	390,882	1,813,488	1,083,223
- leasing costs	115,701	81,934	323,465	117,575
Intangible assets				
- lease origination	436,605	363,494	1,698,540	907,459
- tenant relationships	276,924	229,912	1,075,788	573,511
Furniture and fixtures	22,465	11,398	60,904	36,138
Amortization	\$ 3,052,340	\$ 2,543,784	\$ 11,666,297	\$ 6,906,219

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$3.1 million for the three months ended December 31, 2007, and \$11.7 million for the year ended December 31, 2007.

Discontinued operations

On April 10, 2007, Whiterock sold to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreements, which were initiated by Whiterock, its 50% undivided, non-managed interest in three Quebec City properties (the "Quebec City Properties"), being 410 Charest, 750 Charest, and 880-930 Ste-Foy. The dispositions, for \$51.8 million, generated a \$3.5 million gain, a return of over 20% in 11 months of ownership, reinforcing the strength of Whiterock's acquisition criteria.

The operating results for these properties and the gain on disposition of the properties have been classified as discontinued operations to comply with the disclosure requirements of CICA Handbook Section 3475.

Discontinued operating results for the above noted properties are as follows:

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Income property rentals				
Rental income	\$ -	\$ 1,728,640	\$ 2,048,366	\$ 4,303,349
Straight-line rent	-	37,986	38,470	78,037
Above and below market lease amortization	-	74,663	83,027	186,486
Income property rentals	-	1,841,289	2,169,863	4,567,872
Property operating costs	-	(819,871)	(1,110,597)	(2,023,814)
Property operating income	\$ -	\$ 1,021,418	\$ 1,059,266	\$ 2,544,058
Interest income	-	4,223	17,563	4,223
Interest expense				
Mortgage interest expense	-	(470,995)	(518,509)	(1,188,194)
Deferred finance cost	-	(8,351)	(7,944)	(20,834)
Interest expense	-	(479,346)	(526,453)	(1,209,028)
Amortization				
Building and improvements	-	(236,360)	(119,364)	(590,197)
Deferred charges				
- tenants inducements on acquisition	-	(64,884)	(32,811)	(162,063)
Intangible assets				
- lease origination	-	(67,410)	(34,088)	(168,371)
- tenant relationships	-	(44,108)	(22,305)	(110,169)
Amortization	-	(412,762)	(208,568)	(1,030,800)
Income from discontinued operations	\$ -	\$ 133,533	\$ 341,808	\$ 308,453

The gain on disposal for the above noted properties is as follows:

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Gain on disposition of properties	\$ -	\$ -	\$ 3,514,785	\$ -

Cash flow from operating activities

Cash flow from continuing operating activities for the three months and year ended December 31, 2007 was a cash inflow of \$4.0 million and \$6.0 million respectively and \$6.6 million and \$8.3 million in the comparative prior year periods. Cash flow from continuing operations in 2007 was negatively impacted by the payment of \$2.2 million associated with reviewing strategic alternatives for the REIT offset by property operating income on properties acquired throughout 2007 and 2006.

Cash flow from discontinued operating activities was nil and an outflow of \$0.2 million for the three months and year ended December 31, 2007 respectively. This compares to cash flow from discontinued operating activities of \$0.4 million and \$1.7 million in the prior year comparative periods. The disposition of the three Quebec City Properties in the second quarter of 2007 generated \$20.1 million of cash proceeds.

Funds from Operations and Adjusted Funds from Operations

FFO and AFFO are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. "GAAP" means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

FFO for the three months and year ended December 31, 2007 and 2006 is calculated in accordance with guidance issued by the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007, as follows:

	Three months ended		Year ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Income (loss) for the period	\$ (704,401)	\$ (4,242,583)	\$ 814,725	\$ (6,471,268)
Add back amortization:				
Building and improvements	1,739,407	1,466,164	6,694,112	4,188,313
Tenant inducements on acquisition	461,238	390,882	1,813,488	1,083,223
Leasing costs	115,701	81,934	323,465	117,575
Lease origination costs	436,605	363,494	1,698,540	907,459
Tenant relationships	276,924	229,912	1,075,788	573,511
Discontinued operations	-	412,762	208,568	1,030,800
Add back:				
Future income taxes	660,000	-	(140,000)	-
Less:				
Gain on disposition of properties	-	-	(3,514,785)	-
Funds from Operations (FFO)	\$ 2,985,474	\$ (1,297,435)	\$ 8,973,901	\$ 1,429,613

AFFO for the three months and year ended December 31, 2007 and 2006 is calculated as follows:

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Funds from Operations (FFO)	\$ 2,985,474	\$ (1,297,435)	\$ 8,973,901	\$ 1,429,613
Amortization of deferred finance costs				
Continuing operations	355,501	259,814	1,241,338	840,924
Discontinued operations	-	8,351	7,944	20,834
Convertible debentures implicit interest rate in excess of coupon rate	98,402	68,453	398,967	215,969
Loss on debenture redemption	-	-	-	435,840
Non cash compensation expense	3,958	23,518	75,702	162,595
Non cash management services fees	-	210,372	-	710,948
Non cash internalization payment	-	3,500,000	-	3,500,000
Accrued straight line rental revenue				
Continuing operations	(275,627)	(298,074)	(1,384,481)	(652,534)
Discontinued operations	-	(37,986)	(38,470)	(78,037)
Above and below market lease amortization				
Continuing operations	(355,269)	(365,437)	(1,341,086)	(1,331,054)
Discontinued operations	-	(74,663)	(83,027)	(186,486)
Revenue sustaining capital expenditures and leasing costs				
Continuing operations	(234,189)	(313,520)	(933,389)	(779,218)
Discontinued operations	-	-	(28,017)	-
Adjusted Funds from Operations (AFFO)	\$ 2,578,250	\$ 1,683,393	\$ 6,889,382	\$ 4,289,394

FFO and AFFO for the years ended December 31, 2007 and 2006 are negatively impacted by three non-recurring charges. For the year ended December 31, 2007, the costs associated with the review of strategic alternatives for the Trust negatively impacted FFO and AFFO by \$2.2 million, or \$0.22 per unit basic. In 2006, the provision of \$0.7 million recorded for the loss on the early redemption of the Series B convertible debentures negatively impacted FFO by \$0.10 per unit basic for the year ended December 31, 2006, and impacted AFFO by \$0.3 million, or \$0.04 per unit basic for the year ended December 31, 2006. The \$3.7 million cost of the internalization of Whiterock's asset management and management services contracts negatively impacted 2006 FFO by \$0.54 per unit basic and AFFO by \$0.03 per unit basic. FFO and AFFO do not include the gain of \$3.5 million from the disposition of properties in 2007.

Excluding the impact of the non-recurring charges, recurring FFO and AFFO are calculated as follows:

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
FFO Adjustments				
Funds from Operations	\$ 2,985,474	\$ (1,297,435)	\$ 8,973,901	\$ 1,429,613
Add back:				
- Strategic alternatives costs	-	-	2,229,290	-
- Acquisition of asset management and management services agreements	-	3,703,112	-	3,703,112
- Loss on redemption of debentures	-	-	-	690,838
Recurring FFO	\$ 2,985,474	\$ 2,405,677	\$ 11,203,191	\$ 5,823,563
AFFO Adjustments				
Adjusted Funds from Operations from Operations (AFFO)	\$ 2,578,250	\$ 1,683,393	\$ 6,889,382	\$ 4,289,394
Add back:				
- Strategic alternatives costs	-	-	2,229,290	-
- Acquisition of asset management and management services agreements	-	203,112	-	203,112
- Loss on redemption of debentures	-	-	-	254,998
Recurring AFFO	\$ 2,578,250	\$ 1,886,505	\$ 9,118,672	\$ 4,747,504

Recurring FFO for the year ended December 31, 2007 increased \$5.4 million to \$11.2 million. Recurring AFFO for the year ended December 31, 2007 increased \$4.4 million to \$9.1 million. These increases are primarily as a result of increased net operating income from the impact of a full period of operations for the properties acquired in 2006, lease-up and rent steps, and reduced general and administrative expenses as a result of management internalization in 2006.

Weighted average units outstanding and basic and diluted FFO and AFFO are as follows:

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Weighted average units outstanding				
Basic	10,265,223	8,486,958	10,077,907	6,894,247
Diluted - FFO	13,141,774	8,486,958	10,179,326	7,034,168
Diluted - Recurring FFO	13,141,774	8,592,922	11,997,507	7,034,168
Diluted - AFFO	13,141,774	8,592,922	10,179,326	7,034,168
Diluted - Recurring AFFO	13,141,774	8,592,922	13,158,197	7,034,168
FFO per unit - basic	\$ 0.29	\$ (0.15)	\$ 0.89	\$ 0.21
FFO per unit - diluted	\$ 0.29	\$ (0.15)	\$ 0.88	\$ 0.20
Recurring FFO per unit - basic	\$ 0.29	\$ 0.28	\$ 1.11	\$ 0.84
Recurring FFO per unit - diluted	\$ 0.29	\$ 0.28	\$ 1.10	\$ 0.83
AFFO per unit - basic	\$ 0.25	\$ 0.20	\$ 0.68	\$ 0.62
AFFO per unit - diluted	\$ 0.24	\$ 0.20	\$ 0.68	\$ 0.61
Recurring AFFO per unit - basic	\$ 0.25	\$ 0.22	\$ 0.90	\$ 0.69
Recurring AFFO per unit - diluted	\$ 0.24	\$ 0.22	\$ 0.88	\$ 0.67

Basic and diluted FFO per unit increased by \$0.44 for the three months ended December 31, 2007, compared to the previous year comparable period and increased \$0.68 per unit for the year ended December 31, 2007. The increases are the result of the accretive acquisitions completed in 2007 and 2006, the growth in same asset property operating income exceeding interest and administrative costs, offset by the loss on the redemption of the Series B debentures in the second quarter of 2006, the costs associated with the internalization of asset management and management services contracts in the fourth quarter of 2006 and the non-recurring costs associated with reviewing strategic alternatives for the Trust in the second quarter of 2007.

AFFO includes the impact of revenue sustaining leasing costs and capital expenditures, which totaled \$0.2 million for the three months ended December 31, 2007, and \$0.9 million for the year ended December 31, 2007 (three months and year ended December 31, 2006 – \$0.3 million and \$0.8 million respectively). Basic AFFO per unit increased \$0.05 per unit for the three months ended December 31, 2007, and increased \$0.06 to \$0.68 per unit for the year ended December 31, 2007, compared to the same periods in 2006. Diluted AFFO per unit increased \$0.04 per unit for the three months ended December 31, 2007, and increased \$0.07 to \$0.68 per unit compared to the same period in 2006.

Excluding the impact of the non-recurring costs, Recurring FFO increased \$0.01 and \$0.27 per unit basic for the three months and year ended December 31, 2007, and Recurring AFFO per unit basic for the same periods increased \$0.03 and \$0.21 respectively.

FINANCIAL POSITION

Selected balance sheet information follows:

	December 31, 2007	December 31, 2006
Investment in real estate		
- continuing operations	\$ 355,548,543	\$ 328,214,492
- discontinued operations	\$ -	\$ 48,712,586
Total assets	\$ 355,172,837	\$ 398,970,679
Mortgages payable and facilities ⁽¹⁾		
- continuing operations	\$ 224,598,967	\$ 219,097,614
- discontinued operations	\$ -	\$ 31,788,270
Convertible debentures ⁽¹⁾	\$ 43,507,560	\$ 48,893,755
Cash	\$ 4,152,370	\$ 9,298,240
Unitholders' Equity	\$ 74,861,530	\$ 80,252,439

(1) Due to a change in accounting policy in 2007, transaction costs incurred in obtaining mortgage financing and convertible debentures have been offset against the related principal balance. In 2007, net deferred financing fees of \$1.9 million were offset against convertible debentures and \$1.7 million were offset against mortgages payable and acquisition facility.

The major changes to the balance sheet accounts at December 31, 2007 result from the sale of the three Quebec City Properties, the repayment in full of the acquisition facility, the acquisition of four new properties and the conversion of \$4.0 million of convertible debentures. Further detail for mortgages payable, facilities, convertible debentures and Unitholders' equity follows.

MORTGAGES PAYABLE AND FACILITIES

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

Effective January 1, 2007, Whiterock adopted CICA section Handbook Section 3855, Financial Instruments – Recognition and Measurement. As a result, deferred financing costs and its related accumulated amortization have been netted against the mortgage payable and acquisition facility payable balance without retroactive adjustment (see “Changes to Significant Accounting Policies”).

Whiterock’s fixed and floating rate mortgage debt and acquisition facility payable as at December 31, 2007 and 2006 is as follows:

	December 31, 2007		December 31, 2006	
	Total	%	Total	%
Mortgages payable				
Fixed rate	\$ 218,832,982	96.7%	\$ 204,616,689	95.0%
Floating rate	7,500,000	3.3%	10,880,925	5.0%
	226,332,982	100.0%	215,497,614	100.0%
Discontinued operations (fixed rate)	-		31,788,270	
Mortgage liability	226,332,982		247,285,884	
Deferred financing fees	(2,016,987)		-	
Deferred financing fees - Accumulated amortization	398,254		-	
Mortgages payable - net of deferred financing fees	224,714,249		247,285,884	
Acquisition facility				
Acquisition facility liability	-		3,600,000	
Deferred financing fees	(860,766)		-	
Deferred financing fees - Accumulated amortization	745,484		-	
Acquisition facility - Deferred financing fees (net)	(115,282)		-	
Mortgages payable and acquisition facility	\$ 224,598,967		\$ 250,885,884	

On January 28, 2008, Whiterock sold 310 Henderson Drive, an industrial property in Regina, SK with a floating rate mortgage. All remaining mortgages payable are at fixed rates (see “Disposition Completed Subsequent to December 31, 2007”).

The following table summarizes Whiterock's mortgage maturity schedule as at December 31, 2007:

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2008	2,942,722	12,000,000	14,942,722	6.65%
2009	3,115,890	-	3,115,890	5.40%
2010	3,337,414	12,716,598	16,054,012	5.22%
2011	3,910,109	-	3,910,109	5.40%
2012	4,853,331	12,045,982	16,899,313	5.74%
2013	4,746,109	2,930,702	7,676,811	5.30%
2014	5,005,358	-	5,005,358	5.35%
2015	5,142,233	46,290,081	51,432,314	5.27%
2016	2,915,170	87,690,977	90,606,147	5.29%
2017	1,250,635	-	1,250,635	5.63%
Thereafter	8,873,816	6,565,855	15,439,671	5.55%
Total continuing operations	\$ 46,092,787	\$ 180,240,195	\$ 226,332,982	5.43%

During the three months ended December 31, 2007, Whiterock refinanced \$10.7 million in variable rate mortgages which were scheduled to mature in 2007 with \$13.4 million in new 5.89%, five year fixed rate financing.

Acquisition Facility

Whiterock has an 8.5% revolving \$45 million acquisition facility with an affiliate of Kimco Realty Corporation, maturing in May 2008.

As at December 31, 2007, no amount was outstanding under the acquisition facility.

Credit Facility

On December 18, 2007, the Trust entered into a \$5 million revolving line of credit at a floating rate determined by reference to the prime rate plus 50 basis points. As at December 31, 2007, no amount was outstanding under the credit facility.

Total Indebtedness to Gross Book Value

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of GBV (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At December 31, 2007, according to the calculation as defined in the Declaration of Trust, this ratio was 60.3% (December 31, 2006 – 60.6%) as per the table below. It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed at Whiterock's annual and special meeting of unitholders that this limitation on total indebtedness (which term shall be amended to include the aggregate principal amount of all convertible subordinated debentures of the Trust) be reduced to 65% of 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.

The Total Indebtedness to GBV calculation, in accordance with the Declaration of Trust, is as follows as at December 31, 2007 and December 31, 2006:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Total Indebtedness		
Mortgages payable		
- continuing operations	\$ 226,332,982	\$ 215,497,614
- discontinued operations	-	31,788,270
Total Indebtedness	226,332,982	247,285,884
Gross Book Value		
Total GBV of real estate assets		
- continuing operations	366,248,275	338,389,767
- discontinued operations	-	50,373,258
Other assets	8,788,892	18,983,386
Total Gross Book Value	\$ 375,037,167	\$ 407,746,411
Total Indebtedness to Gross Book Value	60.3%	60.6%

CONVERTIBLE DEBENTURES

Whiterock had \$46.9 million (principal amount) of redeemable subordinated convertible debentures outstanding at December 31, 2007 (December 31, 2006 - \$51 million) 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	(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

A continuity of the liability component of the convertible debentures is as follows:

	Series A	Series C	Series D	Series E	Total
Liability, December 31, 2006	\$ 12,498,617	\$ 2,902,070	\$ 9,591,719	\$ 23,901,349	\$ 48,893,755
Implicit interest rate in excess of coupon rate	115,190	18,945	75,692	189,140	398,967
Conversion of debentures	(3,569,771)	(312,456)	-	-	(3,882,227)
Liability, December 31, 2007	9,044,036	2,608,559	9,667,411	24,090,489	45,410,495
Deferred financing fees	(1,044,776)	(185,065)	(240,458)	(1,338,461)	(2,808,760)
Deferred financing fees - Accumulated amortization	542,406	60,520	57,760	245,139	905,825
Balance -					
December 31, 2007	\$ 8,541,666	\$ 2,484,014	\$ 9,484,713	\$ 22,997,167	\$ 43,507,560

Series A Convertible Debentures

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.

On the date of issue, the debentures were allocated into a \$12.3 million liability component and a \$0.7 million equity component.

In 2007, \$3,691,000 of debentures (2006 – nil) were converted into 361,857 units. Subsequent to December 31, 2007, \$253,000 of debentures were converted into 24,803 units.

Series C Convertible Debentures

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.

On the date of issue, the debentures were allocated into a \$2.9 million liability component and \$0.1 million equity component.

During the three months ended March 31, 2007, \$323,000 of the Series C debentures were converted into 26,914 units of the Trust.

Series D Convertible Debentures

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 the principal amount.

Series E Convertible Debentures

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.

UNITHOLDERS' EQUITY

Unitholders' equity at December 31, 2007 and December 31, 2006 consists of the following:

	December 31, 2007	December 31, 2006
Units	\$ 99,571,778	\$ 94,226,033
Unit options	756,212	840,738
Warrants	314,800	320,020
Equity component of convertible debentures	2,132,625	2,335,991
Cumulative earnings and accumulated comprehensive earnings	(6,629,571)	(7,509,446)
Cumulative distributions to unitholders	(21,284,314)	(9,960,897)
	\$ 74,861,530	\$ 80,252,439

Distributions per Unit totaled \$1.12 for the year ended December 31, 2007 and 2006.

Units

During the year ended December 31, 2007, \$3.7 million of Series A convertible debentures and \$0.3 million of Series C convertible debentures were converted into 361,857 and 26,914 units, respectively, of Whiterock.

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

During the year ended December 31, 2007, 45,418 (2006 – 29,432) units were issued under Whiterock's Distribution Reinvestment Plan ("DRIP"). The DRIP allows Unitholders to purchase additional units using their distributions, without brokerage fees, at 96% of the volume weighted average trading price for the ten days immediately preceding a distribution payment date and conserves cash for the Trust.

Subsequent to December 31, 2007, 24,803 units were issued resulting from the conversion of \$253,000 Series A Debentures and 20,810 units were issued under Whiterock's DRIP.

A summary of units issued in the year ended December 31, 2007 follows:

	Units	\$
Issued and outstanding at December 31, 2006	9,869,877	\$ 94,226,033
Units Issued		
Issuance of Units in settlement of accrued Management Services Fees	34,708	449,077
Conversion of Series C Debentures	26,914	325,048
Distribution Reinvestment Plan	7,902	108,186
Exercise of warrants	5,625	30,375
Value associated with warrants exercised	-	5,220
Unit issue costs	-	(21,090)
Issued and outstanding at March 31, 2007	9,945,026	95,122,849
Units Issued		
Distribution Reinvestment Plan	15,575	199,472
Unit issue costs	-	(5,273)
Issued and outstanding at June 30, 2007	9,960,601	95,317,048
Units Issued		
Conversion of Series A Debentures	226,467	2,351,360
Distribution Reinvestment Plan	12,940	144,165
Unit issue costs	-	(156,193)
Issued and outstanding at September 30, 2007	10,200,008	97,656,380
Units Issued		
Conversion of Series A Debentures	135,390	1,409,185
Distribution Reinvestment Plan	9,001	89,189
Exercise of Unit Options	40,875	332,250
Value associated with unit option grants exercised		83,355
Value associated with unit options expired		76,873
Unit issue costs		(75,454)
Issued and outstanding at December 31, 2007	10,385,274	\$ 99,571,778

Unitholder Rights Plan

On January 29, 2007, in connection with its review of strategic alternatives (see "Strategic Alternatives Review") for the Trust, the Board adopted a Unitholder rights plan (the "Plan"), which was effective immediately. 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.

Unit Options

Whiterock may grant options to the Trustees, senior officers, investor relations consultants and technical consultants to Whiterock. The maximum number of units reserved for issuance under all securities based 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 an option is granted under the plan, which exercise price shall not be less than the volume weighted average price of the units on the five trading days prior to the date of grant. The options have a maximum term of five years from the date of grant.

Unit options with a Black-Scholes calculated value of \$0.6 million were outstanding at December 31, 2007 (December 31, 2006 – \$0.6 million). The fair value associated with the unit options issued during the year ended December 31, 2007 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 25% on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.12, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

During the Year ended December 31, 2007, 65,000 options were granted, 62,813 options expired, 29,687 options were cancelled and 40,875 options were exercised. Subsequent to December 31, 2007, 25,000 options were granted and 3,125 options expired.

Details of unit options granted and exercised for the three months ended December 31, 2007 and 2006 follow:

	Three months ended December 31, 2007		Three months ended December 31, 2006	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	689,938	\$10.70	633,375	\$10.66
Granted	-	-	25,000	\$12.16
Exercised	(40,875)	\$8.13	(3,125)	\$10.00
Expired	(62,813)	\$12.75	-	-
Cancelled	(9,375)	\$12.16	(10,000)	\$13.08
Outstanding, end of period	576,875	\$10.62	645,250	\$10.68
Options vested, end of period	563,750	\$10.61	557,750	\$10.70
Weighted average remaining life (years)	3.2		4.0	

Details of unit options granted and exercised for the year ended December 31, 2007 and 2006 follow:

	Year ended December 31, 2007		Year ended December 31, 2006	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of year	645,250	\$10.68	423,238	\$8.88
Granted	65,000	\$10.88	293,750	\$12.78
Exercised	(40,875)	\$8.13	(52,363)	\$7.73
Expired	(62,813)	\$12.75	-	-
Cancelled	(29,687)	\$11.34	(19,375)	\$11.59
Outstanding, end of year	576,875	\$10.62	645,250	\$10.68
Options vested, end of year	563,750	\$10.61	557,750	\$10.70
Weighted average remaining life (years)	3.2		4.0	

The objective of granting options is to encourage the holder to acquire an ownership interest over a period of time which acts as a financial incentive for the holder to consider the long-term interests of Whiterock and its unitholders.

Warrants

No warrants were issued or exercised in the three months ended December 31, 2007.

Details of warrants issued and exercised for the year ended December 31, 2007 and 2006 follow:

	Year ended December 31, 2007		Year ended December 31, 2006	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	221,125	\$13.73	81,250	\$5.40
Issued	-	-	215,500	\$13.94
Exercised	(5,625)	\$5.40	(75,625)	\$5.40
Outstanding, end of year	215,500	\$13.95	221,125	\$13.73
Exercisable, end of year	215,500	\$13.94	221,125	\$13.73
Weighted average remaining life (years)	3.5		4.3	

As of December 31, 2007, all of the outstanding warrants are held by the third party provider of the revolving acquisition facility.

The Black-Scholes calculated value of the warrants outstanding at December 31, 2007 was \$0.3 million (2006 – \$0.3million).

CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The following table lists all convertible securities of the Trust at December 31, 2007 and 2006 and the number of units resulting if they were converted or exercised:

(as at)	Exercise / Conversion Price	December 31, 2007	December 31, 2006
Units outstanding		10,385,274	9,869,877
Unit options	\$ 4.00	-	12,750
	\$ 8.60	186,250	186,250
	\$ 10.00	131,250	168,750
	\$ 10.88	65,000	-
	\$ 11.60	18,750	43,750
	\$ 12.16	9,375	25,000
	\$ 13.08	166,250	196,250
	\$ 13.76	-	12,500
Warrants	\$ 5.40	-	5,625
	\$ 13.76	125,000	125,000
	\$ 14.20	90,500	90,500
Convertible debentures			
Series A (8.0%)	\$ 10.20	912,647	1,274,510
Series C (9.0%)	\$ 12.00	223,083	250,000
Series E (6.3%)	\$ 13.75	1,818,182	1,818,182
Series D (7.5%)	\$ 15.00	666,667	666,667
		14,798,228	14,745,611

CASH DISTRIBUTIONS

The Trust makes distributions on the units equal to or greater than the amounts under the Declaration of Trust. As per the Declaration of Trust, the Trust shall distribute in each taxation year an amount equal to the greater of: (i) 85% of its Distributable Income for such taxation year; and (ii) an amount of net income and net realized capital gains of the Trust for such taxation year as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act. Distributable Income is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization and excluding any gains or losses on the disposition of any asset. Interest expense on convertible debentures for purposes of determining distributable income is calculated based on the actual interest payable on debentures.

100% of the distributions made in 2007 were considered to be a return of capital for tax purposes (2006 – 100%).

CAPITAL RESOURCES AND LIQUIDITY

Whiterock's cash flow from operating activities for the three months and year ended December 31, 2007 was \$4.0 million and \$6.0 million from continuing operations respectively compared to \$6.6 million and \$8.3 million for the comparative periods in 2006. 2007 cash flow was negatively impacted due to costs incurred with reviewing strategic alternatives for the Trust which were settled in the three months ended September 30, 2007 and third party transaction costs related to the internalization of asset management and management services contracts paid in 2007.

At December 31, 2007, Whiterock's cash balance was \$4.2 million and its \$45 million acquisition facility and \$5 million operating facility were both undrawn.

The main sources of acquisition funds for Whiterock are its cash available in the bank, acquisition and credit facility (see "Mortgages Payable and Facilities"), proceeds from convertible debentures (see "Convertible Debentures") unit offerings (see "Units") and cash flows (see "Cash flow from operating activities") from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions (see "Mortgages Payable and Facilities").

The actual level of future borrowings and equity offerings will be determined based on prevailing interest rates, debt and equity market conditions and management's general view of the required leverage in the business.

Whiterock expects to continue to meet all of its existing obligations.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to its December 31, 2007 audited consolidated financial statements. Management believes the policies that are most subject to estimation and management's judgment are outlined below.

Income Property Acquisitions

Management is required to allocate the purchase price of income property acquisitions to land, building and improvements, tenant inducements and intangible assets such as lease origination costs and the value of tenant relationships. Management uses estimates and judgment to determine the following:

- The fair value of land as of the acquisition date;
- The value of the replacement cost of buildings and improvements as of the acquisition date based on prevailing construction costs for buildings of a similar class and age;
- The value of deferred leasing costs, including tenant improvements associated with in-place leases based on estimates of prevailing tenant allowances, taking into account the condition of tenants' premises and remaining lease term;
- The value of lease origination costs, including leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period, based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions;
- The value ascribed to above and below market in-place leases based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents;

- The value of tenant relationships, based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew; and
- The fair value of debt assumed on acquisition by reference to market interest rates.

Such estimates of fair values and market interest rates could vary and affect reported financial results.

Amortization of Income Properties

Buildings and improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based on management's estimates. If the allocation to the building is inappropriate or the estimated useful lives of the buildings prove to be incorrect, the computation of amortization will not be appropriately reflected over future periods.

Impairment of Income Properties

Under Canadian GAAP, management is required to write down to fair value long-lived assets that are determined to have been impaired. If events or circumstances indicate that the carrying value of an income property may be impaired, a recoverability analysis is performed based on the estimated undiscounted cash flows to be generated from the income property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income property is written down to its estimated fair value and an impairment loss is recognized.

Fair Value of Mortgages and Debentures Payable

Management determines the fair value of Whiterock's mortgages and debentures payable on a quarterly basis. In determining the fair value, Management uses internally developed models that are based upon current market conditions. The process involves discounting the future contractual mortgage or debenture payments based upon a current market rate. In determining market rates, Management adds a credit spread to the quoted yields on Canadian government bonds with similar maturity dates to Whiterock's mortgages and debentures. The credit spread is estimated based upon experience in obtaining similar financing, and is also affected by current market conditions.

CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

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

The CICA 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. In accordance with the transitional provisions of the respective standards, prior periods have not been restated and the effect of adopting these standards was recorded as an adjustment to the opening balance of consolidated unitholders' equity.

(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.

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, accounts payable and distributions payable 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

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.

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Three new CICA Handbook sections will be effective for the Trust's 2008 fiscal year: Capital Disclosures, Section 1535; Financial Instruments – Disclosures, Section 3862; and Financial Instruments – Presentation, Section 3863.

Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital. Sections 3862 and 3863 replace CICA Handbook Section 3861. The new sections revise and enhance disclosure requirements regarding the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Trust is currently evaluating the potential impact of these new standards on the consolidated financial statements for 2008.

CONTROLS AND PROCEDURES

As at December 31, 2007, the Chief Executive Officer, the Chief Financial Officer and other members of management, have evaluated the design and effectiveness of the Trust's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating to the Trust and its consolidated subsidiary entities for the year ended December 31, 2007 would have been made known to them.

In addition, for the year ended December 31, 2007, the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design of the Trust's internal controls over financial reporting. The internal controls were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. They have concluded that the design of the internal controls over financial reporting were adequate and effective to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

The Trust did not make any significant changes to the design of the internal controls over financial reporting during the three months ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Note, however that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are below and in the AIF which is filed on SEDAR.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Whiterock's financial performance would be adversely affected if its tenants were to become unable to meet their obligations under their leases. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Whiterock than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and costs to protect Whiterock's investment may be incurred. Furthermore, at any time, a tenant of any of Whiterock's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby adversely affect the financial performance of Whiterock.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income.

Lease Maturities Risk Management

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 4.6% to 22.7% of the annualized tenant revenue in Whiterock's portfolio.

Whiterock's lease maturity profile at December 31, 2007 after adjusting for the sale of 310 Henderson, a 395,159 square foot industrial facility in Regina sold on January 28, 2008 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Tenant Revenue⁽¹⁾
2008	133,294	4.8%	5.1%
2009	359,727	13.1%	10.6%
2010	211,480	7.7%	7.3%
2011	429,135	15.6%	22.7%
2012	100,609	3.7%	4.6%
2013	150,706	5.5%	4.6%
2014	31,465	1.1%	1.6%
2015	235,129	8.5%	5.8%
2016	124,495	4.5%	5.2%
2017	58,440	2.1%	3.1%
Thereafter	882,634	32.0%	29.4%
Occupied	2,717,114	98.6%	100.0%
Vacant	38,594	1.4%	
Total	2,755,708	100.0%	100.0%

(1) Reflects executed leases as at the date of this MD&A.

Income available for distribution

A return on an investment in units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in units is at risk, and any anticipated return on an investment in units is based on many performance assumptions.

Although Whiterock intends to make distributions of a significant percentage of its available cash to Unitholders, such cash distributions are not assured and may be reduced, suspended or discontinued. The ability of Whiterock to make cash distributions and the actual amount of cash distributed will be dependent upon, among other things, the financial performance of the properties in its portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the units may decline for a variety of reasons, including if Whiterock is unable to meet its cash distribution targets in the future, and such decline may be significant.

It is important for a person making an investment in units to consider the particular risk factors that may affect both Whiterock and the real estate industry in which Whiterock operates and which may therefore affect the stability of the cash distributions on units.

The after-tax return from an investment in units to Unitholders that is subject to Canadian income tax can be made up of both a "return on" and a "return of" capital. That composition may change over time, thus affecting a Unitholder's after-tax return. Returns on capital are generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred and reduce the Unitholder's cost base in the Unit for tax purposes.

Public Market Risk

It is not possible to predict the price at which units will trade and there can be no assurance that an active trading market for the units will be sustained. The units will not necessarily trade at values determined solely by reference to the value of the properties of Whiterock. Accordingly, the units may trade at a premium or a discount to the value implied by the value of the properties of Whiterock. The market price for the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Whiterock.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Whiterock's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Whiterock were to liquidate a real property investment, the proceeds might be significantly less than the aggregate carrying value of such property.

Debt Financing

Whiterock has outstanding indebtedness and may incur additional indebtedness in the future, including by way of additional mortgage loans, debentures and/or credit facilities. A portion of the cash flow generated by properties owned by Whiterock will be devoted to servicing such debt and there can be no assurance that Whiterock will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the debt.

The property mortgage indebtedness, acquisition facility, and credit facility are senior to the indebtedness under Whiterock's convertible debentures.

Whiterock is subject to the risks associated with debt financing, including the risk that any mortgages and credit facilities secured by properties of Whiterock will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In addition, if Whiterock

were to fail to meet its obligations under its mortgage indebtedness or its acquisition facility, this may affect distributions to Unitholders or the repayment of indebtedness under the debentures.

In order to minimize this risk, Whiterock attempts to appropriately structure the timing of significant tenant lease renewals on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing.

Credit

Whiterock may experience loss due to failure of a tenant to fulfill the obligation of required payments. Also, there is a risk that current tenants will be unable or unwilling to fulfill their lease term commitments. To mitigate this risk, Whiterock endeavors to acquire additional properties in order to diversify its investments and targets acquisitions with tenants having good credit profiles.

The following table summarizes Whiterock's the top ten tenants at December 31, 2007, which together represents 52.3% of Whiterock's annualized revenues from its income property portfolio as at December 31, 2007:

Tenant	Rank	Square Feet	% of Annualized Tenant Revenue ⁽¹⁾⁽²⁾
SIQ (Quebec Gov't Agency)	1	507,770	17.6%
ING Canada	2	231,500	7.0%
Federal Government	3	63,765	5.5%
Province of Ontario	4	74,277	4.8%
SPMC (Saskatchewan Gov't Agency)	5	80,857	3.1%
Province of Nova Scotia	6	58,017	3.3%
Province of New Brunswick	7	80,162	3.0%
Crown Investment Corp. ⁽³⁾	8	70,112	2.8%
Teranet Inc.	9	35,694	2.7%
Sobeys	10	55,795	2.5%
Total: Top 10 Tenants		1,257,949	52.3%

(1) Tenant revenue comprises income property rentals excluding straight line rents and market rent adjustments.

(2) Includes executed leases as at the date of the MD&A.

(3) Holding company for Government of Saskatchewan utility companies.

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

Competition

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties will compete with Whiterock in seeking properties. The existence of competing developers and owners could have an adverse effect on Whiterock's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to Whiterock at fair prices or at all.

General Uninsured Losses

Whiterock carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, Whiterock could lose its investment in, and

anticipated profits and cash flows from, its properties and Whiterock would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Interest Rate Fluctuations and Financing

Whiterock's financing may include indebtedness with interest rates based on variable interest rates that result in fluctuations in Whiterock's cost of borrowing. There is a potential negative impact on Whiterock's cash available for distribution from such fluctuations. As at December 31, 2007, 96.7% of Whiterock's debt was at fixed rates.

Reliance on Anchor or Single Tenant Properties

Retail shopping centres have traditionally relied upon anchor tenants and therefore an investment in retail shopping centres is subject to the risk that such anchor tenants may move out of the property or default on their obligations under their leases.

Certain of Whiterock's properties have only a single tenant or a limited number of tenants and in the event that the tenant defaults on payment obligations under its lease, there will be a negative effect on Whiterock. Whiterock's largest tenant is SIQ, a Quebec government agency. Its top 10 tenants are identified in this section under the heading "Credit".

Diversification

While Whiterock's investment strategy is to acquire diversified properties in order to obtain its investment objectives, the portfolio of Whiterock is currently comprised of a limited number of properties currently concentrated in a few geographic sectors of Canada. The value of the units and the ability of Whiterock to fund distributions are dependent on the ability of Whiterock to derive income from these properties.

Failure to Obtain Additional Financing

Whiterock may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. In addition, upon the expiry of the term of financing or refinancing of any particular property owned by Whiterock, refinancing may not be available in amounts required or may be available only on terms less favourable to Whiterock than existing financing. Future financing may take many forms, including debt or equity financing which could alter Whiterock's debt-to-equity ratio or which could be dilutive to Unitholders.

Environmental Matters

As an owner of real property, Whiterock will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Whiterock could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Whiterock's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against Whiterock. Management is not aware of any material non-compliance with environmental laws with respect to its income properties. Moreover, Whiterock is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with its properties.

SIFT Legislation

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. (See "Future income taxes")

If the SIFT Legislation is not changed, the Trust intends to restructure its business entities and processes in order to minimize or eliminate the impact of the legislation. There can be no assurances, however, that the Trust would be able to restructure such that the Trust would not be subject to the tax contemplated by the SIFT Legislation.

Other Tax Related Risk Factors

The extent to which distributions will be tax deferred in the future will depend on the extent to which Whiterock can shelter its taxable income by claiming capital cost allowances and other available deductions.

There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and/or assessing practices of Canada Revenue Agency) and/or the treatment of mutual fund trusts will not be changed in a manner which would adversely affect Unitholders.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Any Series 2 Note or Series 3 Note or other property distributed to a Unitholder on an in specie redemption of units may not be a qualified investment for certain defined income plans.

Interest on the Series 1 Notes accrues for income tax purposes whether or not actually paid. As the Declaration of Trust provides that Whiterock shall, subject to the Trustees resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate Whiterock's liability for tax under Part I of the Tax Act, where the amount of net income and net realized capital gains of Whiterock in a taxation year exceeds the cash available for distribution in the year (including, for instance, where interest payments on the Series 1 Notes are due but not paid in whole or in part during such year), such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional units. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Market Price of Units

One of the factors that may influence the market price of the units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of units to expect a higher annual yield, which could adversely affect the market price of the units. In addition, the market price for the units may be affected by changes in general market conditions, fluctuations in the market for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of Whiterock.

Availability of Cash Flow

Distributions may exceed actual cash available to Whiterock from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Whiterock may be required to use part of its debt capacity or reduce distributions to Unitholders in order to accommodate such items.

Reliance on Key Personnel

The success of Whiterock is highly dependent on the services of certain management personnel, including Jason Underwood and Paul Simcox. The loss of the services of such personnel could have an adverse effect on Whiterock.

Changes in Legislation

There can be no assurance that applicable legislation, including without limitation, income tax laws, will not be changed in a manner that will adversely affect Whiterock or its Unitholders.

Lack of Availability of Growth Opportunities

Whiterock's business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If Whiterock is unable to find suitable growth opportunities or manage its growth effectively, its business, operating results, financial condition and distributions may be adversely affected.

There can be no assurance that Whiterock will consistently be able to acquire assets on an accretive basis or that distributions from Whiterock to Unitholders will increase.

Fluctuations in Cash Distributions

A return on an investment in units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in units is at risk and the return on an investment in units is based on many performance assumptions. Although Whiterock intends to make cash distributions, the actual amount distributed in respect of units will depend on numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and other factors that may be beyond the control of Whiterock. In addition, the market value of the units may decline if Whiterock is unable to provide a satisfactory return to Unitholders.

Dilution

The number of units that Whiterock is authorized to issue is unlimited. The Trustees have the discretion to issue additional units which may have a dilutive effect on Unitholders.

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for holders of units to liquidate their investments. Series 2 Notes or Series 3 Notes which may be distributed in specie to holders of units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities and such securities may be subject to an indefinite "hold period" or other resale restriction under applicable securities laws. Series 2 Notes and Series 3 Notes so distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with a distribution of a Series 2 Note or Series 3 Note in specie to holders of units in connection with a redemption of units.

The entitlement of Unitholders to receive cash upon the redemption of their units is subject to the following limitations: (i) the total amount payable by Whiterock in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed \$20,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such units are tendered for redemption, the outstanding units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the units; and (iii) the trading of the units has not been suspended or halted on any stock exchange on which the units are listed (or, if not listed on a stock exchange, on any market on which the units are quoted for trading) on the redemption date for more than five trading days during the 10 day period commencing immediately after the redemption date.

Legal Rights Attaching to Units

As a holder of units, a Unitholder does not have all of the statutory rights normally associated with the ownership of shares in a corporation including, for example, the right to bring “oppression” or “derivative” actions against Whiterock. The units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, Whiterock is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Failure to Maintain Mutual Fund Trust Status

If Whiterock ceases to qualify as a mutual fund trust for the purposes of the Income Tax Act (Canada) (the “Tax Act”), the units and Debentures will not be qualified investments for registered retirement savings plans and other similar plans (“Plans”), which will have adverse consequences to such Plans and/or their annuitants or beneficiaries. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Investors should consult their own professional advisors as to the tax consequences to them in the event that Whiterock were not to qualify as a mutual fund trust.

Potential Conflicts of Interest

The Trustees and officers of the Trust, or entities owned and/or controlled by them, or which they are affiliated or associated with, may become involved in transactions in which their interests actually, or are perceived to, conflict with the interests of Whiterock. Such conflicts will be subject to procedures and remedies similar to those provided under the *Canada Business Corporations Act (“CBCA”)*, except as otherwise disclosed herein.

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on Whiterock. As the Trustees may be engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA that require each Trustee to disclose to Whiterock any interest in a material contract or transaction or proposed material contract or transaction with Whiterock (or an affiliate of Whiterock). A Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction except in limited circumstances such as where the contract or transaction is one for indemnity under the provisions of the Declaration of Trust or liability insurance. Each of Jason Underwood and Paul Simcox has previously disclosed in writing that he had an interest in any contract or transaction or proposed contract or transaction with Whiterock Real Estate Capital Inc. and its affiliates.

Unitholder Liability

On June 16, 2005, *The Investment Trust Unitholders’ Protection Act (Manitoba)* came into force. This legislation creates a statutory limitation on the liability of beneficiaries of Manitoba income trusts such as Whiterock. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation, or liability of Whiterock. Further, the Declaration of Trust provides that no Unitholder or annuitant under a plan in which a Unitholder acts as trustee or carrier (an “annuitant”) will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Whiterock or its Trustees.

Notwithstanding the Declaration of Trust, Unitholders may not be protected from liabilities of Whiterock to the same extent as a shareholder of a corporation is protected from the liabilities of the corporation. There is the possibility that personal liability may also arise in respect of claims against Whiterock (to the extent that not satisfied by Whiterock) that do not arise out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

The Declaration of Trust further provides that a property manager, the Trustees and officers of the Trust (and their respective affiliates and associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, manager or property manager of other trusts or portfolios) in real estate investments and other activities identical or similar to and competitive with the activities of the Trust and its Subsidiaries. The Declaration of Trust further provides that neither a property manager, a Trustee or officer of the Trust, nor any of their respective affiliates or associates (or their respective directors and officers) shall incur or be under any liability to the Trust, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.