LANESBOROUGH REIT

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2012	December 31 2011
ASSETS		
Non-current assets		
Investment properties (Note 4)	**$423,950,000**	$451,857,370
Loans and receivables (Note 5)	**8,410,758**	500,000
Defeasance assets	**3,096,874**	3,168,193
Restricted cash (Note 6)	**12,167,799**	15,246,600
Total non-current assets	**447,625,431**	470,772,163
Current assets		
Cash	**1,794,941**	1,170,619
Rent and other receivables	**1,850,707**	2,328,256
Deposits and prepaids	**1,683,571**	1,209,170
	5,329,219	4,708,045
Non-current assets classified as held for sale (Note 7)	**58,032,472**	79,739,862
Total current assets	**63,361,691**	84,447,907
TOTAL ASSETS	**$510,987,122**	$555,220,070
LIABILITIES AND EQUITY		
Non-current liabilities		
Long-term debt (Note 8)	**$146,017,479**	$130,476,452
Deferred tax liabilities	**181,339**	-
Total non-current liabilities	**146,198,818**	130,476,452
Current liabilities		
Trade and other payables (Note 9)	**52,450,491**	65,901,274
Current portion of long-term debt (Note 8)	**201,285,336**	208,484,873
Deposits from tenants	**2,356,033**	2,829,861
	256,091,860	277,216,008
Non-current liabilities classified as held for sale (Note 7)	**21,941,031**	67,016,797
Total current liabilities	**278,032,891**	344,232,805
Total liabilities	**424,231,709**	474,709,257
Total equity	**86,755,413**	80,510,813
TOTAL LIABILITIES AND EQUITY	**$510,987,122**	$555,220,070

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2012	**2011**	**2012**	**2011**
Rentals from investment properties	**$ 9,387,902**	$ 10,363,052	**$ 19,771,822**	$ 19,513,569
Property operating costs	**3,567,126**	4,043,090	**7,992,332**	8,070,600
Net operating income	**5,820,776**	6,319,962	**11,779,490**	11,442,969
Interest income	**259,186**	47,344	**333,753**	125,011
Forgiveness of debt (Note 8)	**-**	-	**859,561**	-
Interest expense (Note 10)	**(7,241,022)**	(8,651,755)	**(14,358,954)**	(17,367,825)
Trust expense	**(585,876)**	(661,170)	**(1,164,759)**	(1,432,915)
Profit on sale of investment properties	**721,082**	-	**1,045,307**	-
Fair value gains (Note 4)	**7,078,608**	7,049,162	**8,940,225**	6,748,455
Fair value adjustment of Parsons Landing (Note 4)	**23,300,000**	-	**(4,500,000)**	-
Income recovery on Parsons Landing (Note 4)	**1,524,111**	-	**1,524,111**	-
Income (loss) before taxes and discontinued operations	**30,876,865**	4,103,543	**4,458,734**	(484,305)
Deferred income tax expense (recovery)	**181,339**	(89,123)	**181,339**	(206,782)
Income (loss) before discontinued operations	**30,695,526**	4,192,666	**4,277,395**	(277,523)
Income from discontinued operations (Note 7)	**1,601,704**	708,255	**1,933,940**	1,431,836
Income and comprehensive income	**$ 32,297,230**	$ 4,900,921	**$ 6,211,335**	$ 1,154,313
Income (loss) per unit before discontinued operations:				
Basic	**$ 1.655**	$ 0.228	**$ 0.231**	$ (0.015)
Diluted	**$ 1.645**	$ 0.228	**$ 0.229**	$ (0.015)
Income per unit from discontinued operations:				
Basic and diluted	**$ 0.086**	$ 0.038	**$ 0.104**	$ 0.078
Income per unit:				
Basic	**$ 1.741**	$ 0.266	**$ 0.335**	$ 0.063
Diluted	**$ 1.731**	$ 0.266	**$ 0.333**	$ 0.063

(unaudited)

The accompanying notes are an integral part of these financial statements

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Issued capital (Note 12)				
Balance, beginning of period	**$107,818,506**	$107,860,241	**$107,860,241**	$107,860,241
Issue of units on exercise of warrants	**45,770**	-	**45,770**	-
Units purchased under normal course issuer bid	**-**	-	**(41,735)**	-
Balance, end of period	**107,864,276**	107,860,241	**107,864,276**	107,860,241
Contributed surplus				
Balance, beginning of period	**17,127,447**	10,811,716	**17,108,697**	6,936,834
Value of deferred units granted	**18,750**	18,750	**37,500**	37,500
Value of unit options granted	**-**	2,042	**-**	4,295
Maturity of Series F debentures	**-**	-	**-**	3,507,495
Issue of warrants	**-**	-	**-**	334,874
Warrants exercised	**(8,270)**	-	**(8,270)**	-
Debentures purchased under normal course issuer bid	**-**	15,372	**-**	26,882
Balance, end of period	**17,137,927**	10,847,880	**17,137,927**	10,847,880
Equity component of debentures				
Balance, beginning of period	**-**	6,230,063	**-**	9,749,068
Debentures purchased under normal course issuer bid	**-**	(15,372)	**-**	(26,882)
Maturity of Series F debentures	**-**	-	**-**	(3,507,495)
Balance, end of period	**-**	6,214,691	**-**	6,214,691
Cumulative earnings (losses)				
Balance, beginning of period	**(3,093,985)**	14,210,071	**22,991,910**	17,956,679
Income and comprehensive income	**32,297,230**	4,900,921	**6,211,335**	1,154,313
Balance, end of period	**29,203,245**	19,110,992	**29,203,245**	19,110,992
Cumulative distributions to unitholders				
Balance, beginning and end of period	**(67,450,035)**	(67,450,035)	**(67,450,035)**	(67,450,035)
Total equity	**$ 86,755,413**	$ 76,583,769	**$ 86,755,413**	$ 76,583,769

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30		Six Months Ended June 30	
	2012	**2011**	**2012**	**2011**
Operating activities				
Income and comprehensive income	**$ 32,297,230**	$ 4,900,921	**$ 6,211,335**	$ 1,154,313
Adjustments to reconcile income to cash flows				
Fair value gains	**(7,078,608)**	(7,049,162)	**(8,940,225)**	(6,748,455)
Profit on sale of properties	**(2,760,890)**	-	**(3,085,115)**	-
Fair value adjustment of Parsons Landing	**(23,300,000)**	-	**4,500,000**	-
Forgiveness of debt	**-**	-	**(859,561)**	-
Accrued rental revenue	**255,698**	(375,569)	**358,558**	(415,477)
Unit-based compensation	**18,750**	20,792	**37,500**	41,795
Deferred income taxes	**3,427**	(39,302)	**3,427**	(104,291)
Interest income	**(259,186)**	(47,344)	**(333,753)**	(125,011)
Interest received	**121,504**	47,344	**244,725**	125,011
Interest expense	**9,960,697**	9,367,965	**18,585,280**	18,896,135
Interest paid	**(9,345,766)**	(9,055,528)	**(16,125,302)**	(16,344,845)
Cash from operations	**(87,144)**	(2,229,883)	**596,869**	(3,520,825)
Decrease (increase) in rent and other receivables	**(49,421)**	52,981	**(366,815)**	(231,979)
Decrease (increase) in deposits and prepaids	**(407,165)**	(737,861)	**(363,104)**	(683,867)
Increase (decrease) in tenant deposits	**(425,891)**	389,041	**(823,750)**	747,060
Increase (decrease) in trade and other payables	**(3,675,238)**	1,228,873	**(4,642,972)**	3,163,882
	(4,644,859)	(1,296,849)	**(5,599,772)**	(525,729)
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**31,500,000**	16,300,000	**62,350,000**	16,700,000
Repayment of mortgage loans on refinancing	**(29,231,391)**	(12,250,000)	**(54,718,362)**	(12,250,000)
Repayment of long-term debt	**(3,270,530)**	(2,466,777)	**(5,426,967)**	(4,608,391)
Proceeds of revolving loan commitment	**7,545,000**	4,700,000	**11,745,000**	8,350,000
Repayment of revolving loan commitment	**(14,320,000)**	(2,700,000)	**(20,320,000)**	(3,700,000)
Proceeds of Shelter Canadian Properties Limited advances	**-**	-	**5,594,000**	-
Repayment of Shelter Canadian Properties Limited advances	**-**	-	**(6,777,000)**	-
Expenditures on transaction costs	**(544,333)**	(637,839)	**(1,527,602)**	(1,288,989)
Exercise of warrants	**37,500**	-	**37,500**	-
Units purchased and cancelled under normal course issuer bid	**-**	-	**(41,732)**	-
Debentures purchased and cancelled under normal course issuer bid	**-**	(15,373)	**(351,000)**	(27,619)
Proceeds (repayment) of line of credit	**-**	(10,000)	**-**	1,905,000
Proceeds of mortgage bond financing	**-**	-	**-**	3,363,000
Repayment of debentures	**-**	-	**-**	(13,598,000)
	(8,283,754)	2,920,011	**(9,436,163)**	(5,154,999)
Cash provided by (used in) investing activities				
Capital expenditures on investment properties	**(744,105)**	(487,890)	**(912,572)**	(788,597)
Capital expenditures on property and equipment	**(12,280)**	(31,698)	**(17,175)**	(61,802)
Decrease (increase) in defeasance assets	**35,722**	27,802	**71,319**	48,592
Proceeds of sale	**13,205,597**	-	**13,167,279**	-
Change in restricted cash	**821,563**	(347,542)	**3,375,216**	7,846,646
	13,306,497	(839,328)	**15,684,067**	7,044,839
Cash increase	**377,884**	783,834	**648,132**	1,364,111
Add (deduct) decrease (increase) in cash from discontinued operations (Note 7)	**296,698**	(307,445)	**(23,810)**	(249,880)
	674,582	476,389	**624,322**	1,114,231
Cash, beginning of period	**1,120,359**	1,562,888	**1,170,619**	925,046
Cash, end of period	**$ 1,794,941**	$ 2,039,277	**$ 1,794,941**	$ 2,039,277

(unaudited)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

1 Organization

Lanesborough Real Estate Investment Trust ("the Trust") is a closed-end real estate investment trust, which was created under the laws of the Province of Manitoba by a Declaration of Trust dated April 23, 2002 and amended on June 12, 2006, June 18, 2008 and December 9, 2009.

The registered office for the Trust is located at 2600 Seven Evergreen Place, Winnipeg, Canada. The Trust is listed on the Toronto Stock Exchange ("TSX"). The following schedule reflects securities of the Trust, which trade on the TSX and the related trading symbol:

Units	LRT.UN
Series G Debentures	LRT.DB.G
Mortgage Bonds	LRT.NT.A
Trust unit purchase warrants expiring March 9, 2015	LRT.WT
Trust unit purchase warrants expiring December 23, 2015	LRT.WT.A

The Trust and its subsidiaries earn income from real estate investments in Canada.

2 *Basis of presentation and continuing operations*

The condensed consolidated financial statements of the Trust for the six months ended June 30, 2012 ("Financial Statements"), have been prepared in accordance with International Accounting Standards ("IAS") 34. The Financial Statements were authorized for issue in accordance with a resolution of the Board of Trustees on August 13, 2012.

The Financial Statements of the Trust reflect the operations of the Trust and Riverside Terrace Inc, LREIT Holdings 18 Corporation, LREIT Holdings 32 Corporation and LREIT Holdings 39 Corporation, which are wholly owned operating subsidiaries under its control. The Financial Statements have been prepared on a historical cost basis except for investment properties and certain financial instruments that are measured at fair value. The Financial Statements have been prepared on a going concern basis and have been prepared in Canadian dollars.

The Financial Statements do not give effect to adjustments that would be necessary should the Trust be required to realize its assets in other than the normal course of business. The use of IFRS applicable to a going concern may be inappropriate as a result of the potential inability of the Trust to continue as a going concern. Although the Trust recorded income from investment properties of $30,695,526 for the three months ended June 30, 2012 (2011 - $4,192,666) and $4,277,395 for the six months ended June 30, 2012 (2011 - loss of $277,523), the Trust incurred a cash deficiency from operations of $4,644,859 for the three months ended June 30, 2012 (2011 - $1,296,849) and $5,599,772 for the six months ended June 30, 2012 (2011 - $525,729). In addition, the Trust has a working capital deficit of $1,436,605 as at June 30, 2012 (December 31, 2011 - $13,510,274); and was in breach of net operating income achievement, debt service coverage and other covenant requirements on six mortgage loans and a swap mortgage loan during 2010 and 2011. The Trust was in breach of net operating income achievement, debt service coverage and other covenant requirements on five mortgage loans and a swap mortgage loan as of June 30, 2012.

As of June 30, 2012, the Trust was in breach of a net operating income achievement requirement of a $22,341,558 first mortgage loan for six properties in Fort McMurray, Alberta. The Trust is also in breach of a 1.15 debt service coverage requirement of a $20,959,930 swap mortgage loan on a property in Fort McMurray, Alberta with the same lender. Subsequent to June 30, 2012, the $22,341,558 mortgage loan was retired from the proceeds of new mortgage financing from another lender and the breach was extinguished. Subsequent to June 30, 2012, a $5,000,000 prepayment was made on the $20,959,930 swap mortgage loan. The prepayment is expected to remedy the covenant breach.

2 Basis of presentation and continuing operations (continued)

The Trust is in breach of the 1.2 times debt service coverage requirement of a first mortgage loan and a second mortgage loan totaling $70,034,716, on three properties in Fort McMurray, Alberta. The Trust is also in breach of the 1.1 times debt service coverage requirement of a $12,349,450 first mortgage loan on a property in Fort McMurray, Alberta with the same lender. The three mortgage loans in breach of debt coverage requirements, in the aggregate amount of $82,384,166 have matured. A forbearance extension to September 30, 2012 has been obtained for the three mortgage loans.

The breaches of the net operating income achievement and debt service coverage requirements on five mortgage loans and a swap mortgage loan, as noted above, are a result of the slowdown of development activities in the oil sands industry experienced in 2009 and the associated decline in the rental market conditions in Fort McMurray. Notwithstanding that recently there has been a substantial improvement in the occupancy rate in the Fort McMurray properties of the Trust, all or some of the covenant breaches may continue for the next 12 months. There can be no assurance that the covenant breaches will be remedied.

The Trust is in breach of a covenant of a $19,444,917 first mortgage loan on a property in Winnipeg, Manitoba which restricts the registration of a secondary mortgage charge. The lender demanded that the secondary mortgage charge be discharged and the Trust has not complied. A commitment is expected to be received for a new first mortgage loan in the amount of $22.7 Million, the proceeds of which will be used to repay the existing first mortgage loan in the third quarter of 2012. On completion of the financing, the covenant breach will be extinguished.

There are no cross-default covenants between the mortgage loans noted above and the other mortgage loans, mortgage bonds or debentures of the Trust.

Continuation of operations is contingent upon improving cash flows from operations and in particular, the operating cash flows from the Fort McMurray portfolio, the continuation of the divestiture program, the continued ability of the Trust to renew or refinance its debt, the continued support of related parties in the form of the renewal of the revolving loan commitment, the provision of advances and the deferral of fees and the ability of the Trust to successfully negotiate mortgages.

Management believes that the going concern assumption is appropriate for the Financial Statements as the increasing economic activity in Fort McMurray has resulted in improved occupancy levels, the Trust has successfully sold 20 properties, including 2 properties during the six months ended June 30, 2012, the Trust has successfully renewed mortgage loans at maturity and/or obtained forbearance arrangements, the Trust extended the maturity date for the Series G debentures to 2015 and the Trust has successfully refinanced three first mortgage loans with covenant breaches and the covenant breach at another property has been satisfied through improved operations.

If the going concern assumption is inappropriate, adjustments would be necessary to the carrying values of assets and liabilities and reported revenues and expenses used in these Financial Statements.

2 Basis of presentation and continuing operations (continued)

Statement of compliance
The Financial Statements of the Trust have been prepared in accordance with International Accounting Standards ("IAS") 34 using the same presentation and accounting policies under International Financial Reporting Standards ("IFRS") as disclosed in the December 31, 2011 audited financial statements. The Financial Statements are based on IFRS standards issued and outstanding as at August 13, 2012.

The December 31, 2011 annual report is available on SEDAR at www.sedar.com.

3 Significant accounting judgments, estimates and assumptions

In addition to the significant judgments, estimates and assumptions which are outlined in the December 31, 2011 audited financial statements, the preparation of the Financial Statements required judgments and estimates concerning the fair value of Parsons Landing in regard to impaired value of the property as a result of the February 2012 fire.

4 Investment properties

The carrying amount of investment properties is summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Balance, beginning of period	$ 425,052,391	$ 439,300,000	$ 451,857,370	$ 439,300,000
Additions - capital expenditures	744,105	487,890	912,572	788,597
Fair value gains (losses)	7,078,608	7,049,162	8,940,225	6,748,455
Dispositions (a)	(32,225,104)	-	(33,260,167)	-
Fair value adjustment of Parsons Landing (b)	23,300,000	-	(4,500,000)	-
Balance, end of period	$ 423,950,000	$ 446,837,052	$ 423,950,000	$ 446,837,052

The Trust values investment properties at fair value using recognized valuation techniques and, on a periodic basis, external property valuations.

4 Investment properties (continued)

The table below provides details of the range of capitalization rates used for valuing the investment properties of the Trust:

	June 30 2012		December 31 2011	
	Low	High	Low	High
Residential properties				
Fort McMurray	7.00 %	7.50 %	7.50 %	7.50 %
Yellowknife	7.50 %	8.75 %	7.50 %	8.75 %
Major Canadian cities	5.25 %	5.25 %	5.25 %	5.25 %
Impaired property	7.00 %	7.00 %	n/a	n/a
Other	6.25 %	8.00 %	6.25 %	8.00 %
Commercial properties	7.25 %	7.50 %	7.50 %	7.50 %

The table below provides details of the range of discount rates used for valuing the investment properties of the Trust:

	June 30 2012		December 31 2011	
	Low	High	Low	High
Residential properties				
Fort McMurray	9.00 %	9.50 %	8.75 %	8.75 %
Yellowknife	9.50 %	10.75 %	8.75 %	10.00 %
Major Canadian cities	7.25 %	7.25 %	6.25 %	6.25 %
Impaired property	9.00 %	9.00 %	n/a	n/a
Other	8.25 %	10.00 %	7.25 %	9.25 %
Commercial properties	9.25 %	9.50 %	8.50 %	8.50 %

To assist in the determination of fair value at June 30, 2012, external appraisals were obtained in 2012 for eleven properties having an appraised value of $150.7 Million representing 36% of the total carrying value of investment properties. Appraisals were obtained in 2011 for seven properties having an aggregate appraised value of $223.4 Million representing 53% of the total carrying value of investment properties. Appraisals were obtained in 2010 for three properties having an aggregate appraised value of $61.8 Million representing 15% of the total carrying value of investment properties and in 2009 for one property having an appraised value of $8.4 Million representing 2% of the total carrying value of investment properties.

4 Investment properties (continued)

(a) Property dispositions

On May 1, 2012, the Trust sold Siena Apartments for gross proceeds of $30,500,000 resulting in a gain on sale of $346,770. Revenue and expenses of Siena Apartments is carried in "Properties Sold" in the June 30, 2012 Financial Statements and was previously carried in "Fort McMurray" for segmented reporting purposes.

The following table reflects the results of the sale of condominium units at Lakewood Townhomes:

	Three Months Ended June 30,2012	Six Months Ended June 30,2012
Units sold	5	8
Gross proceeds	$2,458,800	$3,959,500
Gain on sale	$374,312	$698,537

There were not any sales during the six months ended June 30, 2011.

(b) Fair value adjustment of Parsons Landing

On September 1, 2008, the Trust acquired possession of Parsons Landing for a total cost of $63,200,000, including GST.

In February 2012, a fire occurred at Parsons Landing which destroyed one wing of the property and resulted in substantial damage to the other two wings. In June 2012, an agreement was reached with the builder under which the builder agreed to reconstruct the property and attend to the recovery of the insurance claims for property damage and revenue losses. The cost of reconstruction is expected to be fully covered under the insurance policy. All damaged materials have been removed from the property, the construction manager has been appointed and reconstruction work is expected to commence by September 2012. The time period for reconstruction of the property is estimated to be more than one year and occupancies are unlikely until the reconstruction has been completed.

The permanent mortgage financing for the purchase of Parsons Landing is uncompleted and, as a result, the builder agreed to several extensions of the closing date under the purchase agreement, with a requirement for LREIT to make additional payments on the balance owing of $500,000 on May 12, 2009, $2 Million on February 17, 2012 and $3 Million, at closing. The builder also agreed to accept interest payments of $300,000 per month to the closing date and to forgive interest in excess of $300,000 per month, for the period from January 1, 2010 to the closing date, provided the acquisition is completed on the closing date, as extended. As of June 30, 2012, interest in excess of $300,000 per month amounted to $17,261,396.

On closing, the builder has agreed to provide a second mortgage, to a maximum amount of $12,000,000, for a 3 year term with interest at 8% for the first 30 months, 12% for the next 4 months and 24% thereafter. On closing, the builder has also agreed to provide a credit of $1,440,000 for furniture purchased by the Trust. The Trust may also elect, at any time, to surrender possession of Parsons Landing, along with the furniture, to the builder for the amount of $1. In addition, 2668921 Manitoba Ltd. agreed to maintain the revolving loan commitment with the Trust, in the amount of $8,800,000, until closing.

4 Investment properties (continued)

(b) Fair value adjustment of Parsons Landing (continued)

In June 2012, the purchase agreement was also amended to provide for an extension of the closing date to the date which is 90 days following the date on which an occupancy permit is issued for the last residential units to be reconstructed. In addition, under the terms of the amended agreement, insurance proceeds for revenue losses shall be for the benefit of the Trust. To the extent that insurance proceeds for revenue losses are less than the interest payment during the reconstruction period, the shortfall shall be forgiven.

In conjunction with the finalization of the amended purchase agreement, LREIT remitted the payment of $2 Million which was originally due on February 17, 2012. The payment of $300,000 monthly interest, which was deferred since the date of the fire, will be funded from insurance proceeds as noted above.

As of June 30, 2012, the balance owing in regard to the acquisition of Parsons Landing, including GST and excluding accrued interest, is $45,720,000.

Impact on Financial Statements
The Financial Statements reflect the following:

Fair value adjustment of Parsons Landing
Parsons Landing is classified as an investment property and is carried at fair value. The carrying value of the property at December 31, 2011 was $47,800,000.

During the first quarter of 2012 and in the absence of an agreement with the builder to reconstruct the property in a coordinated manner with the insurer, the investment property was written down from the carrying value of $47,800,000 at December 31, 2011 to $20,000,000 at March 31, 2012, which represented the fair value of the investment property after accounting for the loss in value resulting from the fire.

As a result of the commitment by the builder to reconstruct the property and pursue recovery of all construction costs from the insurer, the estimated fair value of the property at June 30, 2012 has increased to $43,300,000 which represents the estimated value at the construction completion date, discounted at 8.5% for the estimated time period of reconstruction. The increase in fair value of $23,300,000 is reflected in the income of the Trust in the second quarter of 2012.

Insurance proceeds
An insurance policy for the furniture and equipment of the property was arranged by the Trust. As of June 30, 2012, the amount of insurance proceeds which will be paid as a result of the loss has not been determined. As a result, the Financial Statements do not reflect any insurance proceeds relating to the furniture and equipment loss.

Income recovery and interest expense
The Financial Statements reflect operating revenues and expenses of Parsons Landing from January 1, 2012 to the date of the fire on February 5, 2012.

Subsequent to February 5, 2012, the Financial Statements reflect the monthly interest in the amount of $300,000 and the accrued revenue in regard to recovery of insurance proceeds for revenue losses. The accrued revenue is recorded under "Income recovery on Parsons Landing" on the Condensed Consolidated Statement of Comprehensive Income.

5 Loans and receivables

	June 30 2012	December 31 2011
Second mortgage loan due May 8, 2014, bearing interest at 12.5%, of which 5% shall be payable monthly and 7.5% shall be capitalized and added to the outstanding principal amount	$ 7,635,758	$ -
Second mortgage loan due October 1, 2014, bearing interest at 5% and providing for monthly payments of interest only arising on the sale of property	500,000	500,000
Interest free mortgage loan due on the earlier of the sale date of a condominium unit or the maturity date of May 8, 2014	275,000	-
Note receivable from a previous tenant. The loan bears interest at 12% and is secured by mortgages registered against the titles of recreational properties.	250,000	250,000
	8,660,758	750,000
Current portion of loans and receivables	(250,000)	(250,000)
	$ 8,410,758	$ 500,000

6 Restricted cash

	June 30 2012	December 31 2011
Tenant security deposits	$ 2,320,700	$ 2,792,816
Reserves required by mortgage loan agreements	9,847,099	12,453,784
	$ 12,167,799	$ 15,246,600

7 Non-current assets and non-current liabilities of properties held for sale

The Trust intends to dispose of assets, which do not meet the definition of assets of qualifying REITs as defined by the Income Tax Act (Canada). As a result, the Trust has classified the seniors' housing complexes, which are owned by wholly owned subsidiary companies, as discontinued operations.

Assets and liabilities classified as "non-current assets and non-current liabilities held for sale" as at June 30, 2012, are as follows:

	June 30 2012	December 31 2011
ASSETS		
Assets in discontinued operations		
Property and equipment (a)	$ 56,896,307	$ 78,383,871
Cash	411,886	388,076
Restricted cash	34,734	331,149
Rent and other receivables	472,268	33,192
Deposits, prepaids and other	217,277	603,574
Non-current assets classified as held for sale	$ 58,032,472	$ 79,739,862
LIABILITIES		
Liabilities in discontinued operations		
Long term debt	$ 15,768,146	$ 59,543,769
Deferred tax	5,476,221	5,654,133
Trade and other payables	425,709	1,198,018
Deposits from tenants	270,955	620,877
Non-current liabilities classified as held for sale	$ 21,941,031	$ 67,016,797

7 Non-current assets and non-current liabilities of properties held for sale (continued)

Income and cash flow information relating to discontinued operations are as follows.

	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Rental income	$ 3,546,796	$ 3,772,148	$ 7,552,047	$ 7,476,035
Property operating expenses	1,699,876	2,185,412	3,967,716	4,243,949
Net operating income	1,846,920	1,586,736	3,584,331	3,232,086
Interest expense (b)	2,719,675	716,210	4,226,326	1,528,310
Profit on sale	2,039,808	-	2,039,808	-
Current tax expense (recovery)	(256,739)	43,813	(358,215)	100,812
Deferred tax expense	(177,912)	118,458	(177,912)	171,128
Income from discontinued operations	$ 1,601,704	$ 708,255	$ 1,933,940	$ 1,431,836
Cash inflow (outflow) from operating activities	$ (97,361)	$ 753,827	$ 308,266	$ 1,577,660
Cash outflow from financing activities	(9,456,292)	(394,001)	(9,536,118)	(439,271)
Cash inflow (outflow) from investing activities	9,256,955	(52,381)	9,251,662	(888,509)
Increase (decrease) in cash from discontinued operations	$ (296,698)	$ 307,445	$ 23,810	$ 249,880

(a) Property and equipment

On May 9, 2012, Clarington Seniors Residence was sold for gross proceeds of $24,000,000 resulting in a gain on sale of $2,039,808.

(b) Interest expense

	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Mortgage loan interest	$ 1,024,887	$ 768,710	$ 2,281,397	$ 1,528,310
Mortgage prepayment penalty	1,324,352	-	1,324,352	-
Amortization of transaction costs	370,436	(52,500)	620,577	-
	$ 2,719,675	$ 716,210	$ 4,226,326	$ 1,528,310

8 *Long-term debt*

	June 30 2012	December 31 2011
Secured debt		
Mortgage loans (a)	$ 284,051,470	$ 254,863,171
Swap mortgage loan (b)	23,058,086	42,942,356
Mortgage bonds (c)	14,250,996	14,058,307
Debentures (d)	24,961,000	25,312,000
Defeased liability	2,728,793	2,755,325
Total secured debt	349,050,345	339,931,159
Accrued interest payable	1,717,921	2,019,182
Unamortized transaction costs		
Mortgage loans	(1,470,977)	(731,004)
Swap mortgage loan	(70,362)	(95,187)
Mortgage bonds	(1,156,619)	(1,269,679)
Debentures	(728,679)	(849,554)
Defeased liability	(38,814)	(43,592)
Total unamortized transaction costs	(3,465,451)	(2,989,016)
	347,302,815	338,961,325
Less current portion		
Mortgage loans	(180,240,515)	(185,523,843)
Swap mortgage loan	(20,959,930)	(21,913,931)
Defeased liability	(55,333)	(53,813)
Accrued interest payable	(1,717,921)	(2,019,182)
Transaction costs	1,688,363	1,025,896
Total current portion	(201,285,336)	(208,484,873)
	$ 146,017,479	$ 130,476,452
Current portion of unamortized transaction costs		
Mortgage loans	$ 1,109,394	$ 458,322
Swap mortgage loan	70,362	113,145
Mortgage bonds	256,545	235,975
Debentures	242,393	208,905
Defeased liability	9,669	9,549
	$ 1,688,363	$ 1,025,896

8 Long-term debt (continued)

(a) Mortgage loans

	Weighted average interest rates June 30 2012	Weighted average interest rates December 31 2011	June 30 2012	December 31 2011
First mortgage loans				
Fixed rate	5.0%	5.6%	$ 172,967,304	$ 149,648,260
Variable rate	8.7%	8.6%	65,515,000	69,895,499
Total first mortgage loans	6.0%	6.6%	238,482,304	219,543,759
Second mortgage loans				
Fixed rate	9.0%	11.4%	400,000	1,935,000
Variable rate	9.3%	8.3%	45,169,166	33,384,412
Total second mortgage loans	9.3%	8.4%	45,569,166	35,319,412
Total	6.5%	6.9%	$ 284,051,470	$ 254,863,171

Certain of the mortgage loans are subject to covenants, including net operating income achievement, debt service coverage and restrictions on the registration of secondary charges against the title to a property. The Trust is not in compliance with five first mortgage loans and one second mortgage loan totaling $124,170,641, as a result of the breach of covenant requirements in respect of the mortgage loans. In accordance with IFRS the total loan balance of $124,170,641 is included in current portion of long-term debt. A forbearance to September 30, 2012 was obtained for two first mortgage loans and one second mortgage loan in the aggregate amount of $82,384,166. These loans have matured and are payable on demand.

Except for the three mortgage loans in the amount of $82,384,166, all mortgages which have matured prior to August 13, 2012 have been renewed or refinanced.

Mortgage loans are secured by mortgage charges registered against specific investment properties and are secured by assignments of book debts and rents and by repayment guarantees.

On January 30, 2012, a mortgage loan in the amount of $24,811,531 was retired by the application of restricted cash deposits in the amount of $2,701,970 and a cash payment of $21,250,000 resulting in the forgiveness of debt in the amount of $859,561.

(b) Swap mortgage loan

	June 30 2012	December 31 2011
Face value of mortgage loan, subject to swap	$ 20,959,930	$ 40,092,981
Fair value of interest rate swap	2,098,156	2,849,375
	$ 23,058,086	$ 42,942,356

The Trust is not in compliance with a debt service coverage requirement for the swap mortgage loan. In accordance with IFRS the total balance of $20,959,930 is included in current portion of long-term debt.

8 Long-term debt (continued)

(c) Mortgage bonds

The face value of the 9% mortgage bonds due December 23, 2015 is $16,000,000 (December 31, 2011 - $16,000,000).

The carrying value of the mortgage bonds is summarized as follows:

	June 30 2012	December 31 2011
Balance, beginning of period	$ 14,058,307	$ 10,826,910
Value at issue	-	2,910,467
Accretion	192,689	320,930
Balance, end of period	$ 14,250,996	$ 14,058,307

(d) Debentures

At June 30, 2012, the carrying value and face value of the 9.5% Series G debentures due February 28, 2015 is $24,961,000 (December 31, 2011 - $25,312,000).

9 Trade and other payables

	June 30 2012	December 31 2011
Accounts payable - vendor invoices	$ 981,383	$ 2,468,534
Accrued payables	1,227,769	1,139,695
Prepaid rent	1,096,339	1,390,045
Payable on acquisition of Parsons Landing	45,720,000	47,720,000
Revolving loan from 2668921 Manitoba Ltd.	3,425,000	12,000,000
Interest-free advances from Shelter Canadian Properties Limited	-	1,183,000
	$ 52,450,491	$ 65,901,274

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

10 *Interest expense*

	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Mortgage loan interest	$ 4,428,277	$ 5,135,156	$ 8,868,119	$ 9,996,713
Swap mortgage loan interest	391,934	597,046	968,879	1,182,496
Change in fair value of interest rate swaps	(219,774)	(182,736)	(404,449)	(372,605)
Mortgage bond interest	360,000	360,000	720,000	720,000
Accretion of mortgage bonds	96,104	84,731	192,689	137,783
Debenture interest	594,448	477,975	1,185,648	1,210,561
Accretion of the debt component of debentures	-	426,076	-	977,149
Amortization of transaction costs	690,033	853,507	1,028,068	1,715,728
Interest on acquisition payable	900,000	900,000	1,800,000	1,800,000
	$ 7,241,022	$ 8,651,755	$ 14,358,954	$ 17,367,825

11 *Per unit calculations*

Per unit calculations reflect the following:

	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Income (loss) and diluted income (loss) before discontinued operations	$ 30,695,526	$ 4,192,666	$ 4,277,395	$ (277,523)
Income and diluted income from discontinued operations	1,601,704	708,255	1,933,940	1,431,836
Income (loss) and diluted income (loss)	$ 32,297,230	$ 4,900,921	$ 6,211,335	$ 1,154,313

	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Weighted average number of units:				
Units	17,924,945	17,988,339	17,934,160	17,988,339
Deferred units	631,019	436,184	614,278	417,903
Total basic	18,555,964	18,424,523	18,548,438	18,406,242
Weighted average diluted number of units	18,654,178	18,424,523	18,643,893	18,406,242

12 Units

	Six Months Ended June 30, 2012		Year Ended December 31, 2011	
	Units	Amount	Units	Amount
Outstanding, beginning of period	17,988,339	$107,860,241	17,988,339	$107,860,241
Units issued on exercise of warrants	50,000	45,770	-	-
Purchased and cancelled under normal course issuer bid	(79,328)	(41,735)	-	-
Outstanding, end of period	17,959,011	$107,864,276	17,988,339	$107,860,241

13 Unit option plan

Unit-based compensation expense for the three months ended June 30, 2012 of nil (2011 - $2,042) and for the six months ended June 30, 2012 of nil (2011 - $4,295), relating to options issued was recorded to expense the fair value unit-based compensation. Unit-based compensation is included in trust expense.

14 Deferred unit plan

Deferred units granted to Trustees, and fully vested, totaled 35,377 for the three months ended June 30, 2012 (2011 - 50,676) and 68,859 for the six months ended June 30, 2012 (2011 - 87,440) and 666,396 aggregate deferred units were outstanding at June 30, 2012 (2011 - 486,859).

Unit-based compensation expense of $18,750 for the three months ended June 30, 2012 (2011 - $18,750) and $37,500 for the six months ended June 30, 2012 (2011 - $37,500) relating to deferred units granted was recorded to expense the fair value unit-based compensation. Unit-based compensation is recorded in trust expense.

15 Related party transactions

Related party transactions have occurred in the normal course of operations and are measured at the exchange amount which is the amount established and agreed by the related parties. Shelter Canadian Properties Limited is a related party by virtue of the property management agreement and services agreement with the Trust and 2668921 Manitoba Ltd., the parent company to Shelter Canadian Properties Limited, is a related party as 2668921 Manitoba Ltd. is owned by a family member of an officer and Trustee of the Trust.

15 Related party transactions (continued)

Management agreement
The Trust has entered into a property management agreement with Shelter Canadian Properties Limited, the current term of which expires on December 31, 2019. Under the property management agreement, Shelter Canadian Properties Limited will administer the day-to-day operations of the Trust's portfolio of investment properties, except for the seniors' housing complexes. The Trust pays property management fees equal to 4% of gross receipts from the investment properties owned by the Trust. In regard to commercial properties, Shelter Canadian Properties Limited is also entitled to leasing commissions on new leases of 3% to 5% of base rental payments and leasing commissions on renewal of 1 1/2% to 2 1/2% of base rental payments. Shelter Canadian Properties Limited is also entitled to tenant improvement and renovation fees equal to 5% of the total cost of such work. Property management fees are included in property operating costs; leasing fees and tenant improvement fees are capitalized to investment properties; and, during the period of major in-suite renovations or development, renovation fees are capitalized to the cost of buildings and properties under development.

The Trust incurred property management fees payable to Shelter Canadian Properties Limited of $381,274 for the three months ended June 30, 2012 (2011 - $426,313) and $770,635 for the six months ended June 30, 2012 (2011 - $794,381). Property management fees are included in property operating costs.

The Trust incurred leasing commissions on commercial investment properties included in continuing operations payable to Shelter Canadian Properties Limited of nil for the three months ended June 30, 2012 (2011 - $8,770) and nil for the six months ended June 30, 2012 (2011 - $10,867).

The Trust incurred renovation fees on commercial investment properties included in continuing operations payable to Shelter Canadian Properties Limited of nil for the three months ended June 30, 2012 (2011 - nil) and nil for the six months ended June 30, 2012 (2011 - nil).

Included in trade and other payables at June 30, 2012 is a balance of $19,554 (December 31, 2011 - $13,641), payable to Shelter Canadian Properties Limited in regard to outstanding property management fees.

Services agreement
The Trust has entered into a services agreement with Shelter Canadian Properties Limited, the current term of which expires on December 31, 2019. Under the services agreement, Shelter Canadian Properties Limited provides the Trust management and support services for the administration of the day-to-day activities of the Trust. The Trust pays service fees equal to 0.3% of the gross book value of the assets of the Trust, excluding cash, fair value gains (losses) and defeasance assets.

The Trust incurred service fees of $399,271 for the three months ended June 30, 2012 (2011 - $425,833) and $822,713 for the six months ended June 30, 2012 (2011 - $852,532). Service fees are included in trust expense.

Included in trade and other payables at June 30, 2012 is a recoverable balance of $24,171 (December 31, 2011- payable balance of $425,833) receivable from Shelter Canadian Properties Limited in regard to outstanding service fees.

15 Related party transactions (continued)

Services fee and renovation fee for Lakewood Townhomes condominium sales program
The Trust has entered into an agreement with Shelter Canadian Properties Limited, in regard to the condominium sales program at Lakewood Townhomes. Under the agreement, Shelter Canadian Properties Limited will administer the sales program and the completion of the in-suite renovations. The Trust pays a service fee equal to 5% of the gross sales proceeds and Shelter Canadian Properties Limited is responsible for the payment of a fixed fee to an external real estate broker for providing brokerage services. If it is necessary to increase the fixed fee to the external real estate broker due to market conditions, the fee payable to Shelter Canadian Properties Limited increases by the amount of the increase in the fixed rate. The Trust also pays a renovation fee equal to 5% of the cost of the in-suite upgrade costs for the condominium sales program.

The Trust incurred service fees of $204,470 for the three months ended June 30, 2012 (2011 - nil) and $281,883 for the six months ended June 30, 2012 (2011 - nil). The Trust incurred renovation fees of $3,108 for the three months ended June 30, 2012 (2011 - nil) and $3,534 for the six months ended June 30, 2012 (2011 - nil).

The terms of the condominium sales program, including the service fee and renovation fee, were approved by the independent Trustees. Mr. Arni Thorsteinson abstained from voting in regard to all matters concerning the service fee and renovation fee.

Financing
On January 1, 2011, the Trust had a $10 Million revolving loan commitment from 2668921 Manitoba Ltd. for general operating purposes. The loan commitment was increased to $12 Million on June 8, 2011 and to $15 Million on April 1, 2012. The revolving loan bears interest at 9.75%, subject to a maximum of $162,594 to March 31, 2012, and 10% from April 1, 2012 (2011 - 14% to June 30 and 11% from July 1 to December 31), is due on August 31, 2012 and is secured by mortgage charges against the title to six investment properties, one seniors' housing complex and the assignment of a mortgage loan receivable in the amount of $7,635,758. As of June 30, 2012, $3,425,000 has been drawn and is included in trade and other payables. The renewal encompassed the payment of a $75,000 extension fee.

Interest on the revolving loan of $239,759 for the three months ended June 30, 2012 (2011 - $498,667) and $402,353 for the six months ended June 30, 2012 (2011 - $767,004) is included in interest expense.

Included in accrued interest payable at June 30, 2012 is a balance of nil (2011- $293,943) payable to 2668921 Manitoba Ltd. in regard to outstanding interest on the revolving loan.

During the six months ended June 30, 2012, Shelter Canadian Properties Limited advanced $6,777,000 on an interest-free basis as an interim funding measure. The Trust repaid the balance in full, resulting in an outstanding balance of nil (2011 - $1,183,000) at June 30, 2012.

Effective September 1, 2012, the revolving loan commitment from 2668921 Manitoba Ltd. was renewed at an interest rate of 12% to December 31, 2012. The renewal encompassed the payment of a $150,000 extension fee, subject to regulatory approval.

The revolving loan commitment and the interest-free advances from Shelter Canadian Properties Limited were approved by the independent Trustees. Mr. Arni Thorsteinson abstained from voting in regard to all matters concerning the revolving loan commitment and the interest-free advances from Shelter Canadian Properties Limited.

15 Related party transactions (continued)

Guarantees
Certain of the mortgage loans payable have been guaranteed by Shelter Canadian Properties Limited. No fees were charged to the Trust in regard to the guarantees.

16 Segmented financial information

Operating segments are established on a geographic basis comprised of properties located in Fort McMurray and properties located in other areas ("Other Investment Properties").

Commencing in the first quarter of 2012, an Impaired Property segment has been established to disclose the operations of Parsons Landing.

Commencing in the second quarter of 2012, a Properties Sold segment has been established to disclosed the operations of the investment properties which have been sold under the divestiture program.

Revenue is primarily derived from the operations of residential real estate comprised of multi family rental properties.

Three months ended June 30, 2012:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Impaired Property	Trust	Total
Rental revenue	5,715,755	3,545,890	126,257	-	-	9,387,902
Property operating costs	1,957,239	1,564,019	45,868	-	-	3,567,126
Net operating income	3,758,516	1,981,871	80,389	-	-	5,820,776
Interest income	9,723	1,383	70,052	520	177,508	259,186
Interest expense	2,835,168	1,065,965	38,620	900,000	2,401,269	7,241,022
Income (loss) before discontinued operations	8,877,063	517,115	458,591	23,833,268	(2,990,511)	30,695,526
Cash from operating activities	441,666	935,622	(308,352)	(1,946,597)	(3,669,837)	(4,547,498)
Cash from financing activities	(520,644)	(425,721)	(11,919,095)	2,220,000	11,817,998	1,172,538
Cash from investing activities	139,957	(515,181)	12,010,281	(91,364)	(7,494,151)	4,049,542
Total assets excluding non-current assets held for sale at June 30, 2012	265,988,175	122,021,457	90,385	43,588,585	21,266,048	452,954,650

Three Months ended June 30, 2011:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Impaired Property	Trust	Total
Rental revenue	5,128,116	3,493,538	667,831	1,073,567	-	10,363,052
Property operating costs	2,103,733	1,462,497	53,712	423,148	-	4,043,090
Net operating income	3,024,383	2,031,041	614,119	650,419	-	6,319,962
Interest income	6,551	4,701	142	1,640	34,310	47,344
Interest expense	3,423,624	1,067,500	199,281	900,015	3,061,335	8,651,755
Income (loss) before discontinued operations	4,484,639	2,033,126	1,014,980	247,866	(3,587,945)	4,192,666
Cash from operating activities	4,997,945	16,177,199)	363,116	(312,528)	9,742,398	(1,386,268)
Cash from financing activities	(4,055,366)	16,451,067	(361,249)	361,620	(9,684,602)	2,711,470
Cash from investing activities	(734,262)	(121,598)	(4,500)	16,422	48,590	(795,348)
Total assets excluding non-current assets held for sale at December 31, 2011	265,001,883	120,661,605	30,473,992	46,374,100	12,968,628	475,480,208

16 *Segmented financial information (continued)*

Six months ended June 30, 2012:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Impaired Property	Trust	Total
Rental revenue	11,407,288	7,173,246	796,861	394,427	-	19,771,822
Property operating costs	4,236,222	3,362,218	99,509	294,383	-	7,992,332
Net operating income	7,171,066	3,811,028	697,352	100,044	-	11,779,490
Interest income	17,280	5,568	70,193	1,317	239,395	333,753
Interest expense	5,920,357	2,132,320	227,472	1,800,011	4,278,794	14,358,954
Income (loss) before discontinued operations	11,066,323	2,171,323	1,186,843	(4,765,903)	(5,381,191)	4,277,395
Cash from operating activities	1,356,084	1,712,503	61,218	(2,471,757)	(6,566,086)	(5,908,038)
Cash from financing activities	(3,554,737)	(954,669)	(12,259,923)	2,400,000	14,469,284	99,955
Cash from investing activities	2,284,256	(614,863)	12,005,781	295,886	(7,538,655)	6,432,405

Six Months ended June 30, 2011:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Impaired Property	Trust	Total
Rental revenue	9,372,014	6,975,359	1,336,227	1,829,969	-	19,513,569
Property operating costs	4,047,020	3,089,953	106,987	826,640	-	8,070,600
Net operating income	5,324,994	3,885,406	1,229,240	1,003,329	-	11,442,969
Interest income	17,011	8,950	330	2,815	95,905	125,011
Interest expense	7,092,384	1,764,335	390,460	1,800,026	6,320,620	17,367,825
Income (loss) before discontinued operations	2,896,801	3,122,870	1,439,110	(298,060)	(7,438,244)	(277,523)
Cash from operating activities	5,147,644	14,680,441)	735,084	(653,593)	8,012,324	(1,438,982)
Cash from financing activities	(3,326,541)	15,256,215	(732,227)	852,962	(16,577,820)	(4,527,411)
Cash from investing activities	(1,414,309)	(300,542)	(9,000)	(141,178)	8,999,118	7,134,089

17 *Comparative figures*

For comparative purposes, certain of the prior year figures have been reclassified.

18 *Contingency*

GST Assessment
The Trust has been assessed for additional GST in the amount of $2,393,503 in regard to the acquisition of a property in Fort McMurray. The Trust has appealed the assessment. The outcome of the appeal is uncertain and, as a result, the Trust has not made an accrual in this regard. A deposit in the amount of $250,000 has been paid to the Canada Revenue Agency.

19 Subsequent events

Mortgage financing
Subsequent to June 30, 2012, a first mortgage loan in the amount of $22,279,397 was retired from the application of collateral deposits of $1,922,359, a $10,132,038 advance under the 2668921 Manitoba Ltd., revolving loan commitment and a $10,225,000 interest-free advance from Shelter Canadian Properties Limited pending the receipt of a new first mortgage loan in the amount of $20,400,000. The interest-free advance and $4,400,000 of the revolving loan were repaid upon receipt of the new first mortgage loan.

Subsequent to June 30, 2012, the Trust paid down a first mortgage loan in the amount of $5,000,000 from the proceeds of a second mortgage loan of $3,000,000, the application of collateral deposits of $1,750,425, with the balance funded from working capital.

Subsequent to June 30, 2012, the Trust paid down a second mortgage loan in the amount of $2,500,000. The repayment was funded from working capital.

Revolving loan
Subsequent to June 30, 2012, the Trust received advances of $11,575,000 of the revolving loan from 2668921 Manitoba Ltd. and repaid $4,400,000, resulting in a balance of $10,600,000 as of the date of the financial statements.

Effective September 1, 2012, the revolving loan commitment from 2668921 Manitoba Ltd. was renewed at an interest rate of 12% to December 31, 2012. The renewal encompassed the payment of a $150,000 extension fee. The renewal has been approved by the independent Trustees and is subject to regulatory approval.