PROSPECTUS

Initial Public Offering September 26, 2012

DUNDEE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

$155,000,000

15,500,000 Units

This is our initial public offering. We are offering (the "Offering") 15,500,000 units ("Units") at a price of $10.00 per Unit (the "Offering Price"). Concurrently with the Offering, Dundee Corporation will purchase 1,750,000 of our Units and Michael J. Cooper will purchase 750,000 of our Units, in each case at the Offering Price. This prospectus also qualifies the distribution of these Units to Dundee Corporation and Michael J. Cooper.

We have been formed by Dundee Properties Limited Partnership ("DPLP"), a Subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT"), as a new vehicle that will focus on acquiring and owning industrial properties. Concurrently with the completion of the Offering and related transactions ("Closing"), we will indirectly acquire a portfolio of 77 light industrial properties (the "Initial Properties") located in seven provinces in Canada that are currently owned or co-owned by DPLP and the other Transferors, all of whom are direct and indirect subsidiaries of DPLP. Of the 77 Initial Properties, seven are currently co-owned (the "ROI Co-Owned Properties") by Affiliates of Return On Innovation Capital Ltd. (the "ROI Co-Owners"). We have separately entered into an agreement to purchase on Closing the interests held by the ROI Co-Owners in the ROI Co-Owned Properties. We refer to the indirect acquisition of the interests in the Initial Properties from DPLP and the other Transferors as the "Acquisition" and the acquisition of the interests held by the ROI Co-Owners in the ROI Co-Owned Properties as the "ROI Transaction". See "The REIT" and "Acquisition of the Initial Properties".

On Closing, it is expected that the Transferors will collectively hold an approximate 47.1% effective interest in the REIT (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option (as defined below) is exercised in full) through ownership of all of the LP B Units of Dundee Industrial Limited Partnership ("Industrial Partnership"), which will be our operating subsidiary. The LP B Units are economically equivalent to and exchangeable for Units. See "Key Investors — Retained Interest by the Transferors" and "Distribution Policy". Neither Return On Innovation Capital Ltd. ("ROI") nor any of its Affiliates will acquire an ownership interest in us as a result of the ROI Transaction.

We are an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. Our head and registered office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario M5C 3H1.

Our objectives are to: (a) manage our investments to provide growing cash flows and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy; (b) build and maintain a growth-oriented portfolio of primarily industrial properties; (c) provide predictable and sustainable cash distributions to Unitholders on a tax efficient basis and prudently manage distributions over time; (d) capitalize on internal growth and seek accretive acquisition opportunities in major industrial markets with strong tenant covenants

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Investment Highlights

- Diverse, well-leased and strategically located pure play industrial REIT
- Immediate scale and attractive growth potential
- Track record and experience of management
- Strong sponsorship and alignment of interests
- Attractive yield and prudent financial management

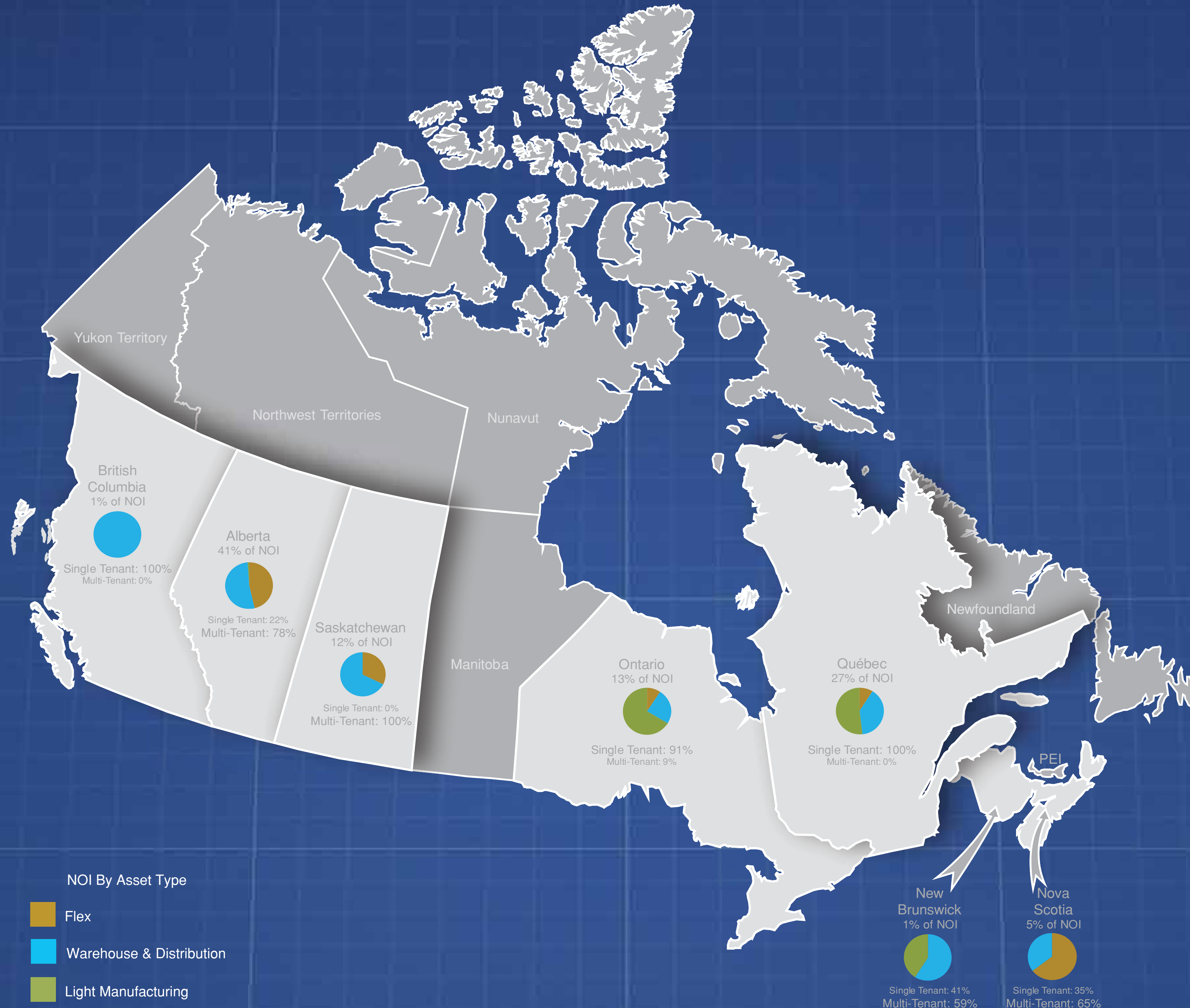
77
Properties

6.0 Million
Square Feet

6.8 Years
Weighted Average Remaining Lease Term

97%
In-Place Occupancy

DUNDEE
INDUSTRIAL
R·E·I·T


Yukon Territory
Northwest Territories
Nunavut
British Columbia
1% of NOI
Single Tenant: 100%
Multi-Tenant: 0%
Alberta
41% of NOI
Single Tenant: 22%
Multi-Tenant: 78%
Saskatchewan
12% of NOI
Single Tenant: 0%
Multi-Tenant: 100%
Manitoba
Ontario
13% of NOI
Single Tenant: 91%
Multi-Tenant: 9%
Québec
27% of NOI
Single Tenant: 100%
Multi-Tenant: 0%
Newfoundland
PEI
New Brunswick
1% of NOI
Single Tenant: 41%
Multi-Tenant: 59%
Nova Scotia
5% of NOI
Single Tenant: 35%
Multi-Tenant: 65%
NOI By Asset Type
Flex
Warehouse & Distribution
Light Manufacturing


BRICK


NET SAFETY


ADMINISTRATION
1421

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and long lease terms; and (e) grow the value of our assets and maximize the long-term value of our Units through active and efficient management of our assets. See "The REIT — Objectives". We intend to make monthly cash distributions to Unitholders derived from our investment in Industrial Partnership. We expect that our initial monthly cash distribution rate will be $0.05625 per Unit. Our first cash distribution, which will be for the period from and including the date of closing of the Offering to October 31, 2012, is expected to be paid on November 15, 2012 to Unitholders of record on October 31, 2012 and is estimated to be $0.05081 per Unit (assuming the closing of the Offering occurs on October 4, 2012). The distribution of cash to Unitholders is not assured. See "Distribution Policy".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units on the TSX under the symbol DIR.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before December 14, 2012.

There is currently no market through which the Units may be sold and purchasers of Units may not be able to resell the Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

On Closing, Dundee Realty Corporation ("DRC") will be our asset manager. DRC has approximately $12.8 billion of assets under management and is one of Canada's leading real estate companies. See "Asset Management". Dundee Industrial Management Limited Partnership ("Dundee Industrial Management LP"), a wholly-owned Subsidiary of Industrial Partnership, will be our property manager. Dundee Industrial Management LP will have a dedicated team of employees who bring experience and continuity in managing the Initial Properties. Where scale does not make it efficient to employ certain positions or perform certain functions within Dundee Industrial Management LP, Dundee Industrial Management LP will engage Dundee Realty Management Corp ("DRMC") to provide such personnel and services pursuant to the Services Agreement. DRMC is a Subsidiary of Dundee REIT and provides property management services to Dundee REIT, including in respect of the Initial Properties. DRMC has agreed to provide these services to Dundee Industrial Management LP on a cost recovery basis. DRMC has the right to terminate the Services Agreement with 12 months' notice after the expiration of the initial one year term. See "Real Estate Management and Advisory Services".

	Price to the Public	Underwriters' Fee	Net Proceeds to the REIT[(1)]
Per Unit	$10.00	$0.575	$9.425
Total Offering[(2)(3)]	$155,000,000	$8,912,500	$146,087,500

Notes:

(1) After deducting the Underwriters' fee but before deducting expenses of the Offering, estimated to be $3.6 million, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering. The expenses of the Offering do not include other expenses associated with the acquisition of our initial portfolio of real estate assets disclosed elsewhere in this prospectus.

(2) Does not include the 1,750,000 Units to be purchased by Dundee Corporation or the 750,000 Units to be purchased by Michael J. Cooper concurrently with the closing of the Offering.

(3) We have granted to the Underwriters an option (the "Over-Allotment Option") exercisable, in whole or in part for a 30-day period following closing of the Offering, to purchase up to an aggregate of 2,325,000 additional Units on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full with respect to the Units, the total price to the public will be $178,250,000, the Underwriters' fee will be $10,249,375 and the net proceeds to the REIT will be $168,000,625. This prospectus also qualifies the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	2,325,000 Units	Within 30 days of Closing	$10.00 per Unit
Compensation option	N/A	N/A	N/A
Any other option granted by issuer or insider of issuer	N/A	N/A	N/A
Total securities under option	2,325,000 Units	Within 30 days of Closing	$10.00 per Unit
Other compensation securities	N/A	N/A	N/A

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The price of the Units was established by negotiation between the REIT, DPLP and TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Dundee Securities Ltd., Brookfield Financial Corp., Desjardins Securities Inc., GMP Securities L.P. and National Bank Financial Inc. (collectively, the "Underwriters").

In connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. **The Underwriters may offer the Units at prices lower than that stated above. See "Plan of Distribution".**

There are certain risks inherent in an investment in Units and in the activities of the REIT. Prospective investors should carefully consider these risk factors before purchasing Units. See "Risk Factors". It is important for an investor to consider the particular risk factors that may affect the industrial real estate industry and therefore the stability of distributions paid by us on the Units, namely those identified under "Risk Factors".

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 anticipated return on such an investment is based on many performance assumptions. Although we intend to make distributions of our available cash to Unitholders, such distributions may be reduced or suspended at any time. The actual amount distributed will depend on numerous factors, including the financial performance of our properties, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units will likely decline if our distributions are reduced or suspended, and that decline may be significant.

The after-tax return from an investment in Units to Unitholders (as such term is specifically defined in "Certain Canadian Federal Income Tax Considerations") subject to Canadian income tax will depend, in part, on the composition for income tax purposes of distributions paid by us on our Units, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholder's Units). We estimate that approximately 100% of the monthly cash distributions to be made by the REIT to Unitholders will be tax deferred in 2012 and approximately 52% will be tax deferred in 2013. The portion of tax deferred distributions may change over time, thus affecting a Unitholder's after-tax return.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Osler, Hoskin & Harcourt LLP, with respect to securities and other matters, and Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP, with respect to certain tax matters, and on behalf of the Underwriters by Torys LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved by the Underwriters to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about October 4, 2012, or such other date as we and the Underwriters may agree, but in any event not later than October 15, 2012. It is anticipated that definitive certificates representing the Units will be available for delivery at Closing. See "Plan of Distribution".

The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act*, and are not insured under the provisions of that Act or any other legislation.

DRC is a related issuer of one of the Underwriters, Dundee Securities Ltd. and DPLP is a connected issuer of that Underwriter. DRC will be our asset manager and DPLP is our promoter. **Accordingly, we may be considered a connected issuer of Dundee Securities Ltd. under applicable Canadian securities legislation.** In addition, CIBC World Markets Inc. and RBC Dominion Securities Inc. are Affiliates of Canadian chartered banks that have provided mortgage financing for the Initial Properties. Upon Closing, TD Securities Inc., an Affiliate of a Canadian chartered bank, will provide us with the Credit Facility. See "Debt Strategy — Debt Composition — Revolving Credit Facility". We will assume or guarantee the mortgages relating to the mortgage financing. We may also use the net proceeds from the sale of Units by us on the exercise of the Over-Allotment Option to repay amounts drawn on the Credit Facility. **Accordingly, we may be considered a connected issuer of each of TD Securities Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. under applicable Canadian securities legislation.** See "Relationship Between the REIT and Certain Underwriters".

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TERMS USED IN THIS PROSPECTUS

Capitalized terms used in this prospectus are defined under "Glossary of Terms".

Our investment and operating activities are limited, because our operating activities are carried out by our Subsidiaries. For simplicity, we use terms in this prospectus to refer to our investments and operations as a whole. Accordingly, in this prospectus, unless the context otherwise requires, when we use terms such as "we", "us" and "our", we are referring to the REIT and its Subsidiaries, as constituted on the date of Closing, giving effect to our acquisition of the Initial Properties. When we use expressions such as "our investments" or "our operations", we are referring to the investments and operations of the REIT and its Subsidiaries as a whole, in each case, from and after Closing. When we use expressions such as "our properties", "our portfolio", "we own" or "we invest in" in relation to our properties, we are referring to our ownership of and investment in our properties indirectly through our Subsidiaries. When we use expressions such as "we operate", we are referring to our operations through our Subsidiaries. When we refer to the "REIT", we are referring only to Dundee Industrial Real Estate Investment Trust.

Except where otherwise indicated, the disclosure contained in this prospectus assumes that: (i) the Offering has been completed; (ii) the Acquisition and the ROI Transaction have been completed; and (iii) the Over-Allotment Option has not been exercised.

Any references in this prospectus to a particular tenant include any Subsidiary or Affiliate of the tenant that is a party to the actual lease or leases in respect of the applicable property.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by DPLP on the basis of its knowledge of the commercial real estate industry in which we will operate (including DPLP's estimates and assumptions relating to the industry based on that knowledge). DPLP's knowledge of the real estate industry has been developed through its experience and participation in the industry. DPLP believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although DPLP believes it to be reliable, neither DPLP nor the Underwriters have independently verified any of the data from DPLP or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

NON-IFRS MEASURES

Funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI") are key measures of performance used by real estate businesses. However, such measures are not defined by IFRS and do not have standardized meanings prescribed by IFRS. The REIT believes that AFFO is an important measure of economic performance and is indicative of the REIT's ability to pay distributions, while FFO and NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income.

"FFO" is defined as net income in accordance with IFRS, excluding: (i) fair value adjustments to investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (vi) deferred income tax expense, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing and leasing costs; (iii) compensation expense related to deferred unit incentive plans; (iv) adjusting for any differences resulting from recognizing property revenues on a straight-line basis; and (v) deducting a reserve for normalized maintenance capital expenditures and leasing costs, as determined by us. Other adjustments may be made to AFFO as determined by our Board of Trustees in its discretion.

"NOI" is defined as investment properties revenue after investment properties operating expenses have been deducted (referred to as "Net rental income" in the financial forecast, the carve-out financial statements and the pro forma financial statements contained in this prospectus), and adjusting for the NOI of equity accounted entities, joint ventures and non-controlling interests.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of our performance. Our method of calculating FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking information. Statements other than statements of historical fact contained in this prospectus may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives of our Board of Trustees, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities; and statements regarding our future economic performance. We have based these forward-looking statements on our current expectations about future events. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to: (i) our intention to provide growing cash flows and stable and sustainable returns through our investments in industrial real estate and our other stated objectives; (ii) our intention to make monthly cash distributions; (iii) our ability to execute our business and growth strategies, including by making additional acquisitions of properties in our target markets; (iv) our forecast financial results for the periods set out in this prospectus under the heading "Financial Forecast"; (v) forecast NOI figures or data derived from forecast NOI relating to individual properties or property type or geography; (vi) the expected tax treatment of our distributions to Unitholders; (vii) our access to available sources of debt and/or equity financing; and (viii) the percentage of our monthly cash distributions to be paid by us to Unitholders that will be tax deferred in 2012 and 2013.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although we believe that the expectations reflected in such forward-looking information are reasonable, we cannot give assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this prospectus as well as the following: (i) we will receive financing on acceptable terms; (ii) our future level of indebtedness and our future growth potential will remain consistent with our current expectations; (iii) there will be no changes to tax laws adversely affecting our financing capability, operations, activities, structure or distributions; (iv) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with our current expectations; (v) there will be no material changes to government and environmental regulations adversely affecting our operations; (vi) conditions in Canada and, in particular, the industrial real estate market, including competition for acquisitions, will be consistent with the current climate; and (vii) capital markets will provide us with readily available access to equity and/or debt financing.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under "Risk Factors". Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

The reader is further cautioned that the preparation of the financial forecast included in this prospectus under the heading "Financial Forecast" requires us to make certain assumptions, judgments and estimates that affect the forecast of financial results, including assets, revenues, liabilities and expenses. These estimates may change, having either a negative or positive effect on actual results as further information becomes available, and as the economic environment changes.

The forward-looking information contained in this prospectus is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this prospectus speaks as of the date of this prospectus. We do not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause our actual results to differ from current expectations, see "Risk Factors".

The forecast NOI figures or data derived from forecast NOI relating to individual properties or geography have been prepared by us for use by prospective investors in their evaluation of potential investments in us (and in particular in order to provide prospective investors with a greater understanding of the relative importance of each of the Initial Properties) and may not be appropriate for any other purpose.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. For an explanation of certain terms and abbreviations used in this prospectus and not otherwise defined, please refer to the "Glossary of Terms".

THE REIT

Overview

We have been formed by DPLP, a Subsidiary of Dundee REIT, as a new vehicle that will focus on acquiring and owning primarily industrial properties and managing such properties to provide growing cash flows and stable and sustainable returns. Concurrently with the Closing, we will indirectly acquire a portfolio of 77 light industrial properties located in seven provinces in Canada that are currently owned or co-owned by DPLP and the other Transferors, all of whom are direct and indirect subsidiaries of DPLP. We refer to these properties as the "Initial Properties".

Of the 77 Initial Properties, seven are currently co-owned by Affiliates of ROI. We refer to these seven co-owned Initial Properties as the "ROI Co-Owned Properties" and the co-owners who are Affiliates of ROI as the "ROI Co-Owners". We have separately entered into an agreement to purchase on Closing the interests held by the ROI Co-Owners in the ROI Co-Owned Properties. We refer to the acquisition of the interests in the Initial Properties from DPLP and the other Transferors as the "Acquisition" and the acquisition of the interests held by the ROI Co-Owners in the ROI Co-Owned Properties as the "ROI Transaction". See "Acquisition of the Initial Properties".

On Closing, it is expected that the Transferors will collectively hold an approximate 47.1% effective interest in the REIT (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full) through ownership of all of the LP B Units of Industrial Partnership, which will be our operating subsidiary. The LP B Units are economically equivalent to and exchangeable for Units. See "Key Investors — Retained Interest by the Transferors" and "Distribution Policy". Neither ROI nor any of its Affiliates will acquire an ownership interest in us as a result of the ROI Transaction.

Our asset manager will be DRC, which is also the asset manager of Dundee REIT and Dundee International REIT. DRC has approximately $12.8 billion of assets under management and is one of Canada's leading real estate companies. DRC's accomplishments include having formed Dundee REIT (TSX: D.UN) in 2003 and Dundee International REIT (TSX: DI.UN) in 2011. Dundee REIT is Canada's largest office real estate investment trust and has provided investors with a solid platform for growth and reliable cash flow. Dundee International REIT was the first Canadian pure-play foreign investment real estate investment trust. See "Asset Management".

Dundee Industrial Management LP, a wholly-owned Subsidiary of Industrial Partnership, will be our property manager. Dundee Industrial Management LP will have a dedicated team of employees who bring experience and continuity in managing the Initial Properties. Where scale does not make it efficient to employ certain positions or perform certain functions within Dundee Industrial Management LP, Dundee Industrial Management LP will engage DRMC to provide such personnel and services pursuant to the Services Agreement. DRMC is a Subsidiary of Dundee REIT and provides property management services to Dundee REIT, including in respect of the Initial Properties. DRMC has agreed to provide these services to Dundee Industrial Management LP on a cost recovery basis. DRMC has the right to terminate the Services Agreement with 12 months' notice after the expiration of the initial one year term. See "Real Estate Management and Advisory Services".

Market Opportunity

We provide an opportunity for investors to gain direct exposure to the industrial real estate sector, while continuing to benefit from the proven track record of DRC. As an asset class, we believe that industrial real estate has the potential to generate higher yields compared with office and residential properties. On Closing, we will be among the largest real estate investment trusts in Canada to focus primarily on industrial real estate assets.

We believe that fragmented ownership in the industrial real estate market in Canada has created an opportunity for industry consolidation. With only two pure-play competitors with access to public capital, we anticipate having more attractive opportunities to acquire industrial assets or portfolios as compared with other diversified real estate investment trusts. The Initial Properties will provide us with significant scale in the industrial real estate sector in Canada and will serve as a platform from which we will seek future acquisition opportunities in major industrial markets. As well, DRC has an extensive network of contacts in the brokerage and property ownership communities, which we believe will assist in our growth.

We intend to grow and diversify our portfolio in order to increase our stability and to reduce our exposure to any particular property, location, tenant or industry. While we will focus on industrial real estate assets, we will not be precluded from bidding on or acquiring portfolios containing other commercial real estate asset classes in circumstances where we believe there is strategic value to doing so, and subject to complying with our investment guidelines. Our acquisition strategy will be dynamic and enable us to adapt to changes in the economy, the real estate industry and capital markets conditions. We will seek to identify undervalued opportunities in all market cycles in the commercial real estate industry.

Initial Properties

The Initial Properties total approximately 6.02 million square feet of GLA, of which our interest will total approximately 6.01 million square feet, which assumes the completion of both the Acquisition and the ROI Transaction. The properties are light industrial properties used as warehousing and distribution facilities, flex-industrial space and for light manufacturing purposes. See "The Industrial Real Estate Market in Canada — Types of Industrial Real Estate". The Initial Properties are located in seven provinces, with properties in Alberta accounting for 34% of the GLA and 41% of the forecast NOI of our interest in the portfolio.

Approximately three-quarters of the Initial Properties as measured by GLA and NOI are warehousing and distribution or flex-industrial properties, with the balance consisting of manufacturing properties used by tenants for light manufacturing purposes. None of the Initial Properties are occupied by tenants in heavy manufacturing industries. We believe this portfolio mix creates more cash flow stability.

Tenants of four of the Initial Properties, being (i) 275 Wellington Street East, Aurora, (ii) 1313 Autoroute Chomedey, Laval, (iii) 1411, 1421 and 1451 Rue Ampère, Boucherville, and (iv) 8000 Avenue Blaise-Pascal, Montréal, have rights under their leases which give the tenant the option to purchase the property from the landlord in the event of a proposed transfer of the property. Our acquisition of the Initial Properties will trigger these tenant rights. However, the tenants of all four of these properties have waived their rights to purchase the properties in connection with the Acquisition. For information about these four Initial Properties, see "Appendix A — Initial Properties". The properties referred to above, other than 8000 Avenue Blaise-Pascal, Montréal, are also described in "The Initial Properties — Top Ten Initial Properties".

Objectives

Our objectives are to:

- manage our investments to provide growing cash flows and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- build and maintain a growth-oriented portfolio of primarily industrial properties;
- provide predictable and sustainable cash distributions to Unitholders on a tax efficient basis and prudently manage distributions over time;
- capitalize on internal growth and seek accretive acquisition opportunities in major industrial markets with strong tenant covenants and long lease terms; and

- grow the value of our assets and maximize the long-term value of our Units through active and efficient management of our assets.

Investment Highlights

Attractive Yield

We intend to pay monthly cash distributions of $0.05625 per Unit which are initially expected to provide Unitholders with an annual yield of 6.75%.

Track Record and Experience of Management

Our asset manager will be DRC, which is also the asset manager of both Dundee REIT and Dundee International REIT. DRC has a track record of delivering above-market returns to investors. Through a combination of effective management and strategic acquisitions and divestitures, Dundee REIT and its predecessor have provided equity holders with average annual returns of 17% over the past 10 years.

Dundee International REIT has provided its unitholders with a total return of 12.2% from August 3, 2011, the date of closing of its initial public offering, to September 7, 2012.

We will be managed and operated by a seasoned team of real estate professionals with expertise in commercial real estate, including acquisitions, divestitures, financing, asset management, property management, and leasing. Scott Hayes, who is our President and Chief Executive Officer, has over 18 years of experience with industrial real estate, while Michael J. Cooper, Scott Hayes and Mario Barrafato have over 53 years of combined relevant industry experience.

High-Quality Portfolio

The Initial Properties consist of 77 light industrial properties located in seven provinces of Canada. The Initial Properties have an average remaining lease term of 6.8 years and in-place rents that are approximately 3% below management's estimate of current estimated market rents. The largest rental rate growth potential is in the warehousing and distribution sub-category where in-place rents are 8% below management's estimate of current estimated market rents. The Initial Properties are 53% single-tenant and 47% multi-tenant by owned GLA, with many high-quality, credit-worthy tenants. Bad-debt expenses have averaged less than 0.6% of gross rental revenue over the past five years.

The average age of the Initial Properties is 23 years. All of the Initial Properties are considered functional and meet the demand in the respective markets.

Significant Scale and Platform for Growth

The Initial Properties provide us with significant scale and a presence in many of Canada's major industrial markets. In concert with DRC's experienced management and industry relationships, we believe the Initial Properties will provide a platform for organic growth as well as future acquisitions. As a publicly-traded entity, we expect to benefit from having reliable access to capital, while having already incurred our formation and other one-time start-up costs.

While the industrial sector is the largest commercial real estate asset class in Canada by area, it remains highly fragmented with a high degree of non-institutional ownership. We believe this creates an opportunity for industry consolidation that should provide us with future acquisition opportunities in major industrial markets.

Diverse Tenants and High Occupancy and Retention Rates

The Initial Properties are leased to a diverse range of high-quality tenants. Although tenants from the "retail trade" economic sector represent the largest contingent, no single sector represents more than 31% of the GLA of the Initial Properties, which reduces our risk exposure to any single lease, tenant or industry. The Initial Properties have consistently high occupancy rates. Over the last 8 quarters, the weighted average occupancy rate of the Initial Properties was 96.3% and has never fallen below 93%.

Geographic Diversification with Exposure to High Growth Western Canadian Markets

The Initial Properties are geographically diversified, with properties in seven provinces in Canada. There is a strong focus on the Alberta market, with 44 properties in Calgary and the Edmonton area, comprising 33% of the GLA and 39% of forecast NOI of our interest in the Initial Properties. Alberta's resource-based economy is expected to outpace that of Canada as a whole for each of the next five years, with an average annual growth rate of 3.5%, as compared to 2.5% nationally. Annual energy investment in Alberta is expected to double between 2011 and 2016. Employment in Alberta is expected to increase in 2012, accounting for 30% of all job growth in Canada. Shipments of goods through the province are also forecast to expand over the period, which we believe may result in businesses needing increased transportation and warehousing capacity to ship and store their increased production of goods. While we intend to maintain a focus on the high growth Western Canadian markets in the short term, we expect that, over time, our portfolio will generally mirror the Canadian industrial market, with concentrations in all major Canadian centres.

Business and Growth Strategies

We intend to pursue the following strategies to achieve our objectives:

Invest in industrial properties with attractive yields

Our core strategy is to invest in income-producing industrial properties in major industrial markets that provide attractive yields and the potential for predictable and growing cash flows. Our acquisition of the Initial Properties will give us a presence in many major industrial markets in Canada. We will seek to leverage our newly-created platform and DRC's experience and relationships to target accretive and opportunistic acquisitions that will complement the Initial Properties and enable us to create additional value. When considering acquisition opportunities, we will look for properties that:

- feature high-quality, credit-worthy tenants;
- have long-term leases;
- are located in major industrial centres with active and demonstrable leasing markets;
- are high-quality and functional assets; and
- are acquirable at or below replacement cost.

Grow and diversify our portfolio to mitigate risk and reduce cost of capital

We will seek to grow and diversify our portfolio to increase value on a per Unit basis, further improve the sustainability of our distributions, strengthen our tenant profile and mitigate risk. We anticipate that growing our portfolio will also reduce our cost of capital, allowing us to both refinance existing mortgages at lower rates and to increase our ability to competitively bid on acquisition opportunities. We have experience in each of Canada's key real estate markets and across all asset classes, which we believe will provide us with the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Optimizing the performance, value and cash flow of our portfolio

We will manage our properties to optimize their performance, value and long-term cash flow. DRMC's property management team provides property management services for the Initial Properties and will continue to do so on an as-needed basis on behalf of Dundee Industrial Management LP under the terms of the Services Agreement until Dundee Industrial Management LP determines that such services are no longer required or the Services Agreement is otherwise terminated in accordance with its terms. DRMC has a well established track record of value enhancement and will provide continuity with existing tenants and the benefit of its relationships with real estate professionals in our markets. We will focus on maintaining strong tenant relations, re-leasing premises as leases expire and leasing space that is currently vacant. We intend to capture the economic potential of each individual property through strategic management, property upgrades and re-leasing activities.

The Industrial Real Estate Market in Canada

Attributes of Industrial Real Estate

We believe that the industrial real estate market in Canada represents an attractive investment opportunity, historically providing investors with positive returns and stable, predictable cash flows.

Stable operating margins are one characteristic of the industrial real estate asset class. This is due in part to the fact that most industrial leases are based on a "triple-net" lease structure, whereby the tenant is responsible for most or all of the costs associated with the asset being leased (either on a direct payment basis for single tenant buildings or on an amortization basis for multi-tenant properties), in addition to the payment of basic rent. There are several benefits of this type of structure for a landlord. First, these types of leases are usually undertaken with credit-worthy tenants, with lease terms generally ranging from 5 to 20 years, since many tenants prefer leasing on these terms as opposed to making the large initial capital investment that would be required if they were to own the property. Second, since most costs — including real estate tax, building insurance, common area maintenance and, most importantly, capital repair and replacement — are the responsibility of the tenant, there is more cash flow predictability and certainty for landlords of industrial real estate than in other asset classes.

The term and structure of leases in the industrial sector, and particularly the ability of landlords to recover repair and maintenance expenditures, encourages continual capital investment by the landlord. This increases the likelihood that the value of the assets will be maintained over time. Tenant moving costs are generally high in the industrial sector due to the high levels of investment by tenants in specialty equipment. This commitment to the premises creates a strong alignment of interests between landlords and tenants and encourages tenant retention and lease renewals.

Industrial real estate assets tend to have a broad-based user/occupancy structure, which decreases leasing costs. The generic nature of industrial space, particularly warehousing and distribution and flex-industrial properties, lends itself well to straightforward conversion and shorter lease-up periods. As a result, the industrial sector has historically had lower vacancy rates than other classes of real estate. The costs to carry vacant industrial space are generally 70% lower on a per square foot basis as compared with office or retail assets, due to lower property taxes and the ability to suspend unneeded utility expenses.

The industrial real estate market in Canada is characterized by fragmented ownership, with a high percentage of owner-operated facilities and relatively few publicly-held, pure-play landlords. Demand in the sector widely exceeds supply, as evidenced by the approximately 5.7 million square feet of net absorption in the first half of 2012. The sector has largely avoided overbuilding, as speculative development has been discouraged in part by financing constraints being imposed by industry lenders. With a total development time-line of approximately 12 months, the industrial sector normally avoids the oversupply issues seen in other sectors, as has been demonstrated by the significant reduction in new supply during the recessionary period of 2008 to 2009.

Types of Industrial Real Estate

We consider the Initial Properties to fall within three subcategories of industrial real estate, which are briefly described below:

Warehousing and Distribution

Warehousing and distribution properties are designed for the storage and distribution of goods. These properties typically provide the highest degree of flexibility and ease of conversion and may often be demised for multiple tenants upon release. Office space will often account for less than 5% of the GLA of such properties. Easy highway access, ample shipping doors and high ceiling heights are important attributes in this asset sub-class.

Flex

Flex-industrial properties are characterized by a high percentage of office space, sometimes in excess of 50% of the GLA of such properties. These properties often cater to tenants operating in the business-services and research and development sectors and are most often multi-tenant facilities. These properties offer an attractive alternative for those users who require high or sometimes 100% finished areas. Flex-industrial properties are typically designed to accommodate high parking ratios, another feature that also increases their versatility and re-leasing potential. Due to the higher finished area, lower site coverage and very high quality finishes, these properties have rental rates in the $10.00 per square foot to sometimes over $20.00 per square foot range.

Light Manufacturing/Assembly

Light manufacturing/assembly properties cater to tenants that conduct light manufacturing and/or assembly processes. Light manufacturing/assembly properties typically have a high degree of flexibility in terms of their configuration for tenant use, and may often be returned to a warehousing and distribution use upon releasing. Office space will generally account for 10% to 20% of the GLA of such properties.

The Initial Properties

Overview

The Initial Properties consist of approximately 6.02 million square feet of GLA, of which our interest will total approximately 6.01 million square feet, which assumes the completion of both the Acquisition and the ROI Transaction. On Closing, if the ROI Transaction is completed, the only Initial Property that will be co-owned will be 2240 Premier Way, Edmonton, Alberta, in which we will have a 50% interest. A full list of the Initial Properties is attached as Appendix A to this prospectus.

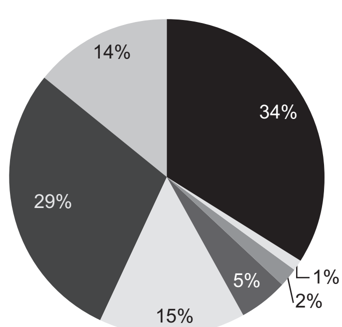
We believe that all of the Initial Properties are well-located within established industrial markets and present an attractive long-term investment opportunity given their characteristics, which include high occupancy and tenant retention rates and staggered lease and debt maturities. On a portfolio basis, we believe the Initial Properties have a lower risk profile due to their geographic and tenant diversification, which facilitates the stability of cash flows.

Composition of the Initial Properties

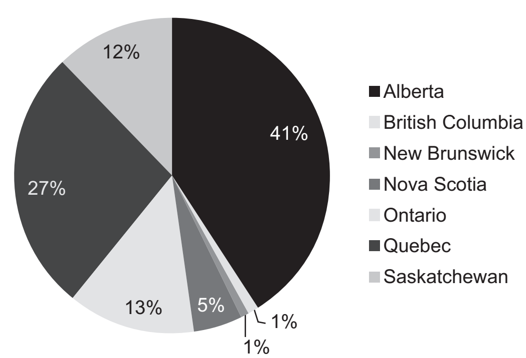
Geographic Composition

The Initial Properties are located in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia, with properties in Alberta representing 34% of the GLA and 41% of the forecast NOI of our interest in the Initial Properties. The Initial Properties are located in major industrial markets, often in close proximity to major arteries with easy highway access and high visibility.

Owned GLA by Province



Owned NOI by Province

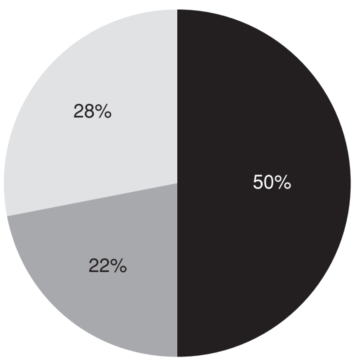


Within the Initial Properties, properties representing both 44% of forecast NOI and owned GLA are located within close proximity to one another, within established industrial nodes. This clustering of assets creates added leasing flexibility for us, particularly in multi-tenant properties. Controlling a large block of space within an industrial node will allow us to better manage the overall tenant mix within that node, as well as provide greater flexibility to accommodate tenants' changing needs, which should result in higher retention rates.

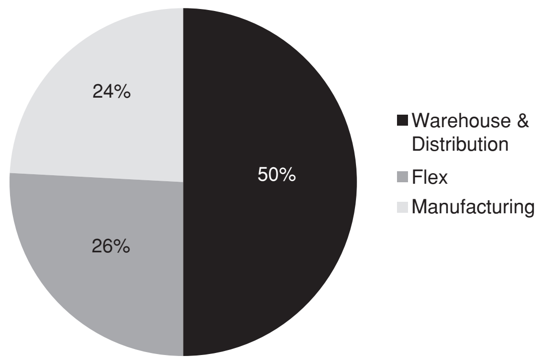
Classification Mix

The following graphs illustrate the composition of the Initial Properties, measured by GLA and NOI.

Classification by GLA



Classification by NOI



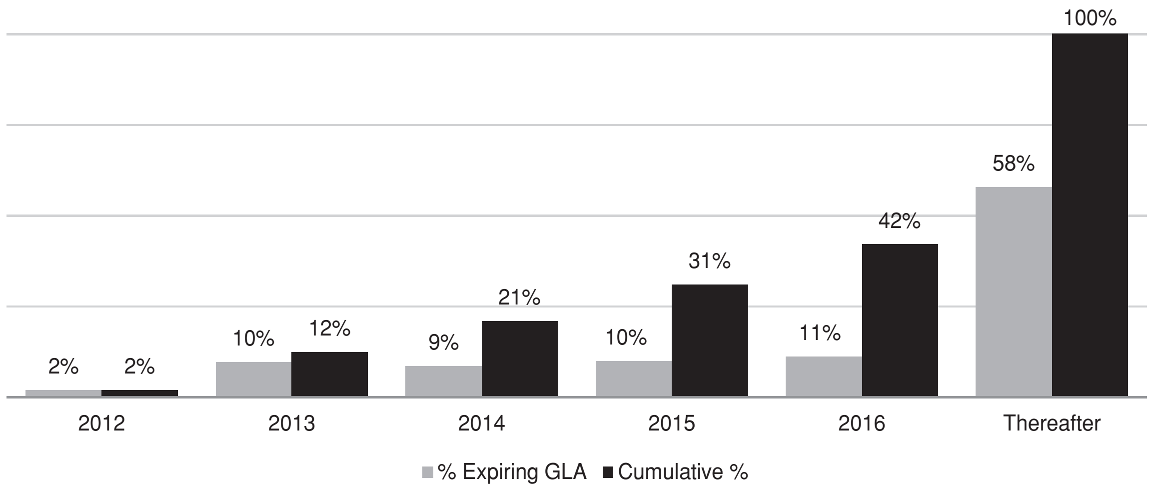
Approximately three-quarters of the Initial Properties, as measured by GLA and NOI, are used for warehousing and distribution or flex purposes. We believe this portfolio mix provides stability, as the generic nature of the space appeals to a broad range of tenants and allows for efficient conversion. Light manufacturing properties make up the balance (or approximately one-quarter) of the initial portfolio, measured by GLA and NOI. These properties are typically built-to-suit and highly specialized, which can promote higher tenant retention rates.

While warehousing and distribution properties comprise the largest proportion of the Initial Properties by GLA, flex-industrial properties generate the highest NOI per square foot of GLA, as described under "The Industrial Real Estate Market In Canada — Types of Industrial Properties".

Occupancy and Leasing

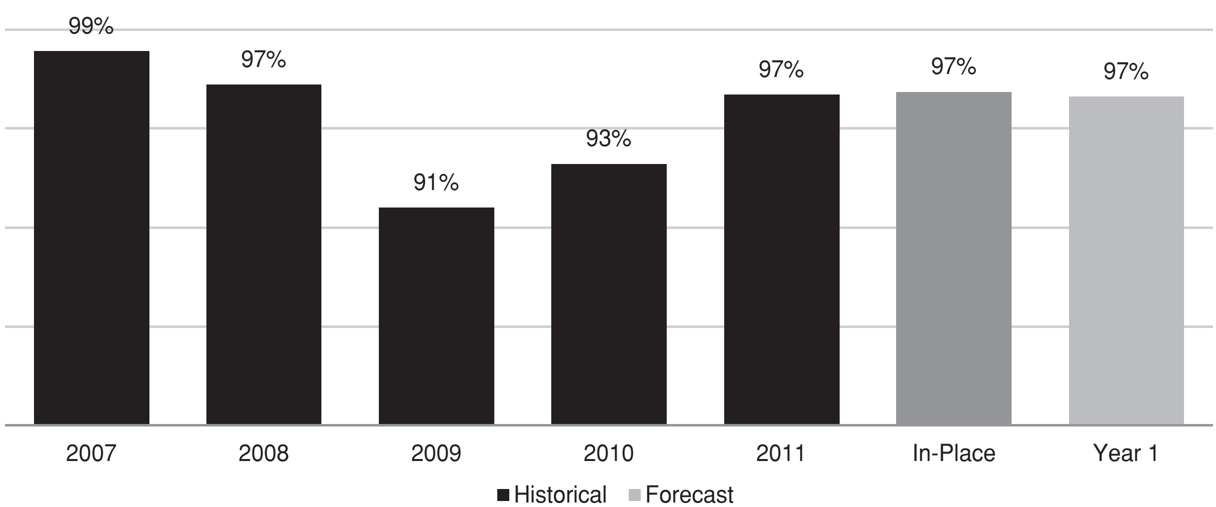
The following graph sets out the percentage of GLA of the Initial Properties subject to lease expiries during the periods shown.

Lease Expiry Profile



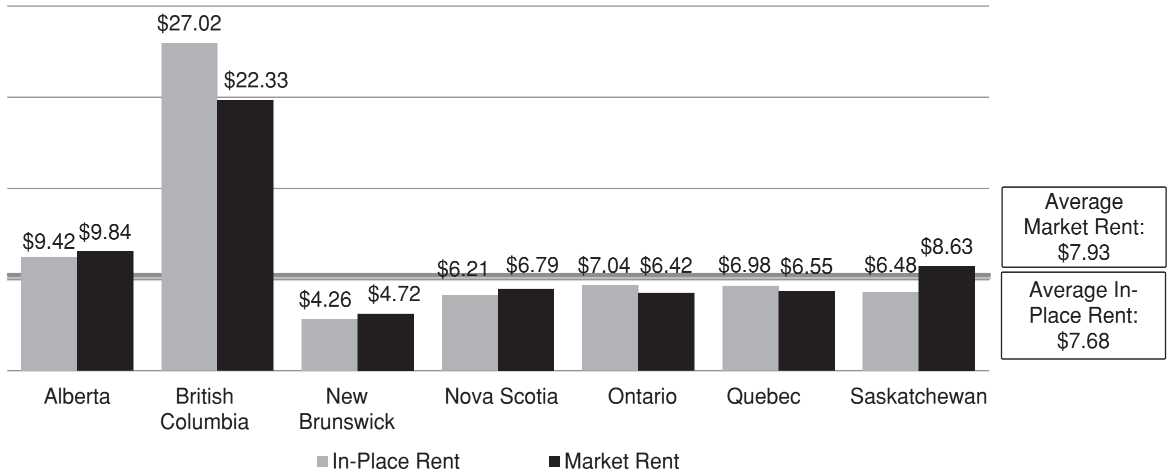
The Initial Properties are 97% leased and have an average remaining lease term of approximately 6.8 years, with the majority of leases expiring beyond 2016. On a weighted-average basis, our multi-tenant portfolio has a lease term of 3.9 years, while the single tenant assets have a lease term of 9.5 years. No more than 11% of the leases measured by GLA expire in any given year from 2012 to 2016.

Historical and Forecast Occupancy



Over the last 8 quarters, the weighted average occupancy rate of the Initial Properties was 96.3% and has never fallen below 93%.

In-Place vs. Market Rent by Geography

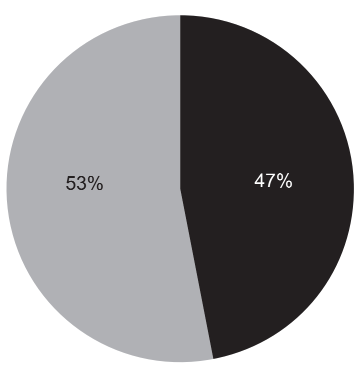


Average in-place rent is 3% lower than average market rent. This presents an opportunity to capture rent increases and corresponding NOI growth as leases are renewed.

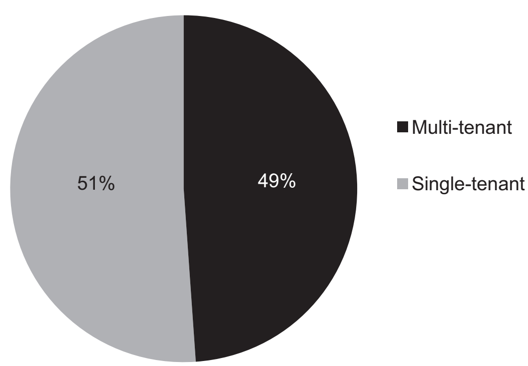
Tenant Mix

Our tenant base will be well-diversified, consisting of an approximately even mix of single and multi-tenant properties both by GLA and forecast NOI. Of the single-tenant properties, many of the tenants are strong covenants with large national or multi-national footprints. The top 10 tenants in the Initial Properties comprise 44% of owned GLA and 42% of in-place base revenue.

Tenant Mix by GLA



Tenant Mix by NOI

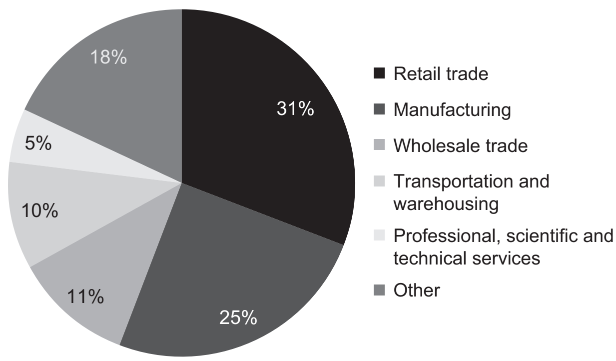


Tenant size ranges from approximately 700 square feet of GLA to approximately 642,000 square feet of GLA, with an average tenant size of approximately 15,600 square feet of GLA. 75% of our tenants occupy less than 10,000 square feet of GLA and 95% of our tenants occupy less than 50,000 square feet of GLA, which reduces our exposure to any one tenant in the Initial Properties. As well, small areas are generally less costly to release in cases where tenants vacate.

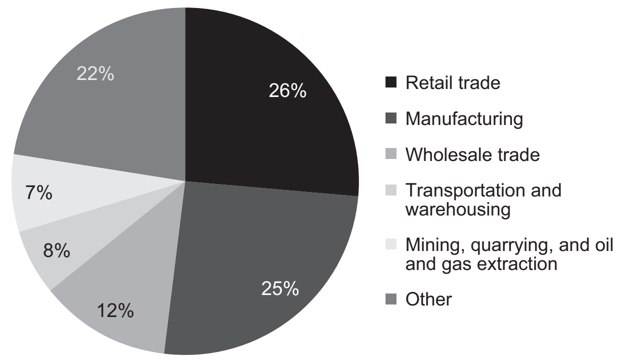
The average bay size in the Initial Properties is approximately 12,000 square feet of GLA, but varies widely depending on the type of property. Flex properties have an average multi-tenant bay size of 6,000 square feet and an average single tenant bay size of 51,000 square feet. Warehouse and distribution properties have an average multi-tenant bay size of 6,000 square feet and an average single tenant bay size of 64,000 square feet. An average manufacturing bay is 133,000 square feet.

Our tenants' businesses are also diverse, representing 20 economic sectors and approximately 130 industry groups. The largest economic sector represents 31% of our tenant base measured by GLA and 26% of our tenant base measured by base rent.

Tenant Base by GLA



Tenant Base by Base Rent



Real Estate Management & Advisory Services

Overview

We will enter into several arrangements with respect to the management of our activities and affairs:

(a) DRC will provide us with asset management services and may provide us with certain administrative services pursuant to the Asset Management Agreement.

(b) Our wholly-owned Subsidiary, Dundee Industrial Management LP, will be our property manager, and will provide property management services pursuant to the Master Property Management Agreement. Dundee Industrial Management LP will have a dedicated team of employees, who bring experience and continuity in managing the industrial portfolio. Where scale does not make it efficient to employ certain positions or perform certain functions within Dundee Industrial Management LP, Dundee Industrial Management LP will engage DRMC to provide such personnel and services pursuant to the Services Agreement. DRMC is a Subsidiary of Dundee REIT and provides property management services to Dundee REIT, including in respect of the Initial Properties. DRMC has agreed to provide these services to Dundee Industrial Management LP on a cost recovery basis. DRMC has the right to terminate the Services Agreement with 12 months' notice after the expiration of the initial one-year term.

(c) DRMC will also provide us with certain administrative and support services on a cost recovery basis. These services will also be provided pursuant to the Services Agreement.

Non-IFRS Reconciliation

The following table reconciles forecast net income to FFO and AFFO (See "Non-IFRS Measures" and "Financial Forecast").

(in thousands of Canadian dollars, except per Unit amounts)	Three-month periods ending Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sept 30, 2013	Twelve-month period ending Sept 30, 2013
Net income for the period	$2,329	$5,300	$5,190	$5,377	$18,196
Add/(Deduct)					
Fair value adjustments to investment properties	—	—	—	—	—
Interest expense on LP B Units	2,706	2,706	2,706	2,706	10,824
Acquisition-related costs	3,000	—	—	—	3,000
Amortization of tenant incentives	17	35	52	69	173
Fair value adjustments to financial instruments	—	—	—	—	—
FFO	8,052	8,041	7,948	8,152	32,193
Add/(Deduct):					
Amortization of fair value adjustment on assumed debt	(887)	(862)	(859)	(851)	(3,459)
Amortization of deferred financing costs	20	20	20	20	80
Straight-line rent	(452)	(464)	(424)	(401)	(1,741)
Deferred compensation expense	155	155	155	155	620
Leasing cost reserve	(550)	(550)	(550)	(550)	(2,200)
Capital expenditure reserve	(330)	(330)	(330)	(330)	(1,320)
AFFO	$6,008	$6,010	$5,960	$6,195	$24,173
FFO/Unit[(1)]	$ 0.24	$ 0.24	$ 0.23	$ 0.24	$ 0.95
AFFO/Unit[(1)]	$ 0.18	$ 0.18	$ 0.17	$ 0.18	$ 0.71

Notes

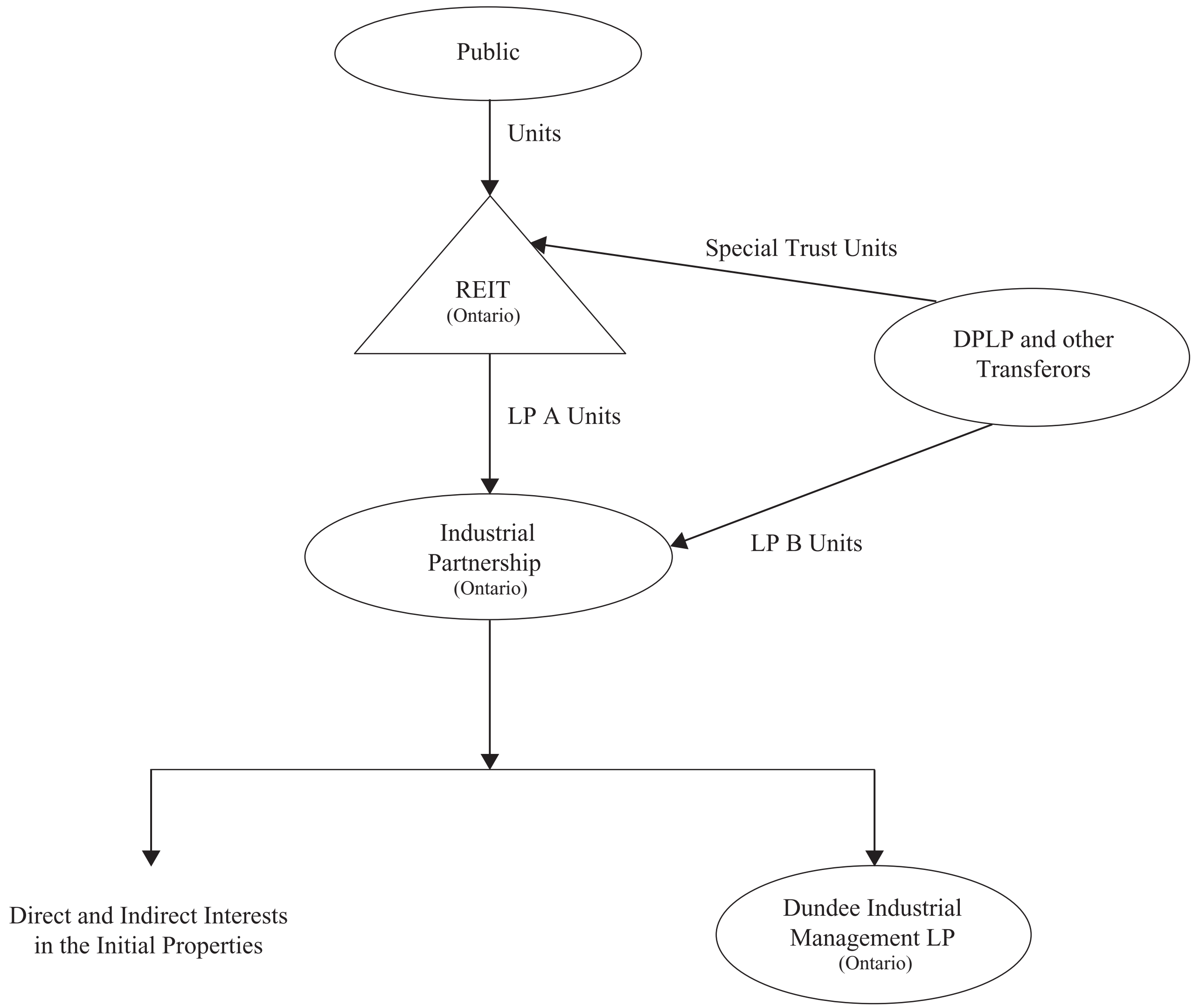
(1) Forecast FFO and AFFO per Unit amounts are based on 34,034,600 Units outstanding during the period, including 16,034,600 Units issuable on exchange of LP B Units.

Financial Forecast

(in thousands of Canadian dollars)	Three-month periods ending Dec 31, 2012	Mar 31, 2013	June 30, 2013	Sept 30, 2013	Twelve-month period ending Sept 30, 2013
Investment properties revenue	$15,365	$15,370	$15,249	$15,431	$ 61,415
Investment properties operating expenses	(3,472)	(3,494)	(3,497)	(3,500)	(13,963)
Net rental income	11,893	11,876	11,752	11,931	47,452
Other income and expenses					
General and administrative	(1,020)	(1,020)	(1,020)	(1,020)	(4,080)
Fair value adjustments to investment properties	—	—	—	—	—
Interest					
Debt	(2,838)	(2,850)	(2,836)	(2,828)	(11,352)
LP B Units	(2,706)	(2,706)	(2,706)	(2,706)	(10,824)
Acquisition related costs	(3,000)	—	—	—	(3,000)
Fair value adjustments to financial instruments	—	—	—	—	—
Net income and comprehensive income	$ 2,329	$ 5,300	$ 5,190	$ 5,377	$ 18,196

POST-CLOSING STRUCTURE

The following chart sets out the simplified organizational structure of the REIT immediately following Closing:



Notes:

(1) Units held by the public include 1,750,000 Units to be held by Dundee Corporation, representing approximately 5.1% of the outstanding Units on a fully-exchanged basis (approximately 4.8% if the Over-Allotment Option is exercised in full), and 750,000 Units to be held by Michael J. Cooper, representing approximately 2.2% of the outstanding Units on a fully-exchanged basis (approximately 2.1% if the Over-Allotment Option is exercised in full).

(2) The Transferors will hold an approximate 47.1% effective interest in the REIT (on a fully-exchanged basis) through ownership of all of the issued and outstanding LP B Units (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full). The Transferors are Subsidiaries of Dundee REIT.

(3) The general partner of Industrial Partnership is a wholly-owned Subsidiary of the REIT.

(4) The general partner of Dundee Industrial Management LP is a wholly-owned Subsidiary of Industrial Partnership.

(5) Except as noted above, ownership interests below the REIT are 100%, excluding one Initial Property (2240 Premier Way, Edmonton, Alberta), which is co-owned.

THE OFFERING

Offering:	15,500,000 Units (17,825,000 Units if the Over-Allotment Option is exercised in full).
Amount:	$155,000,000.
Price:	$10.00 per Unit.
Over-Allotment Option:	We have granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the closing date of the Offering, to purchase up to an additional 2,325,000 Units on the same terms as the Offering solely to cover over-allotments, if any. See "Plan of Distribution — Over-Allotment Option".

Use of Proceeds:

The net proceeds of the Offering are estimated to be approximately $142.5 million ($164.4 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of the Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the gross proceeds of this Offering. In addition, we will receive proceeds of $17.5 million from the sale of Units to Dundee Corporation and $7.5 million from the sale of Units to Michael J. Cooper. See "Key Investors".

On Closing, we will acquire the interests of the Transferors in the Initial Properties and the interests of the ROI Co-Owners in the ROI Co-Owned Properties through a series of steps which are summarized in "Acquisition of the Initial Properties". One of these steps involves the purchase by the REIT from the Transferors of LP A Notes issued by Industrial Partnership to the Transferors in connection with the Acquisition. The total purchase price for this step will be $135.7 million and will be paid to the Transferors in cash. This effectively represents the cash portion of the consideration for our acquisition of the interests of the Transferors in the Initial Properties.

We will use the net proceeds of the Offering and the proceeds of the sale of Units to Dundee Corporation and Michael J. Cooper as follows:

1. the REIT will pay to the Transferors $127.2 million of the $135.7 million cash purchase price for the LP A Notes referred to above;
2. the REIT will contribute and assign the LP A Notes to Industrial Partnership in exchange for $135.7 million of LP A Units;
3. the REIT will subscribe for $35.8 million of additional LP A Units to be issued by Industrial Partnership;
4. Industrial Partnership will use the $35.8 million in proceeds from the REIT's subscription for additional LP A Units referred to above to fund the purchase, directly or indirectly, of the interests of the ROI Co-Owners in the ROI Co-Owned Properties and certain related indebtedness; and
5. the REIT will retain $4.5 million to pay fees and expenses relating to the acquisition of the Initial Properties.

The remaining $8.5 million of the purchase price for the LP A Notes acquired from the Transferors will be satisfied by the drawing of $8.5 million on the Credit Facility. Industrial Partnership will also directly and indirectly assume mortgages on the Initial Properties in the aggregate amount of approximately $314.0 million (excluding mark-to-market adjustments of approximately $14.1 million).

The remaining $160.3 million of the purchase price for the Initial Properties will be satisfied by Industrial Partnership issuing LP B Units to certain of the Transferors as described below under "Retained Interest".

See "Acquisition of the Initial Properties".

We will use the net proceeds, if any, from the sale of Units by us on exercise of the Over-Allotment Option, for general trust purposes, which may include the repayment of amounts drawn on the Credit Facility. See "Use of Proceeds".

Unit Attributes: We are authorized to issue an unlimited number of Units and Special Trust Units. Each Unit represents an undivided beneficial interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (a) an equal participation in distributions of the REIT, (b) rights of redemption and (c) one vote at meetings of unitholders. Special Trust Units do not have any entitlement in the REIT with respect to distributions but do entitle the holder to one vote per Special Trust Unit at any meeting of unitholders. Special Trust Units may only be issued in connection with or in relation to securities exchangeable for Units, including LP B Units, for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Trust Units will not be transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities.

In addition to the Units and Special Trust Units, we will also be authorized to create and issue an unlimited number of Preferred Units, in series, having terms and conditions as may be determined by the Board of Trustees from time-to-time.

See "Declaration of Trust and Description of REIT Units".

Key Investors: On Closing, Dundee Corporation will purchase 1,750,000 Units at the Offering Price, representing approximately 5.1% of the outstanding Units on a fully-exchanged basis (approximately 4.8% if the Over-Allotment Option is exercised in full) and Michael J. Cooper will purchase 750,000 Units at the Offering Price, representing approximately 2.2% of the outstanding Units on a fully-exchanged basis (approximately 2.1% if the Over-Allotment Option is exercised in full). See "Key Investors".

Retained Interest: On Closing, the Transferors will hold an approximate 47.1% effective interest in the REIT through ownership of all of the LP B Units (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full).

Each LP B Unit will be exchangeable at the option of the holder for one Unit of the REIT, will be accompanied by one Special Trust Unit of the REIT (which provides for the same voting rights in the REIT as a Unit), and will receive distributions of cash from Industrial Partnership equal to the distributions on the Units. See "Distribution Policy". The transfer of LP B Units is subject to a number of restrictions. See "Industrial Partnership-Transfer of LP Units" and "Key Investors — Retained Interest by the Transferors".

DPLP will have demand and "piggy back" registration rights with respect to public offerings by the REIT. DPLP may exercise these rights with respect to itself and the other Transferors who will also own LP B Units. See "Key Investors — Retained Interest by the Transferors".

DPLP has indicated that in the future, and subject to valuation and market conditions, it intends to reduce the interest of the Transferors in the REIT.

Distribution Policy: We intend to make monthly cash distributions to Unitholders derived from our investment in Industrial Partnership. We expect that our initial monthly cash distribution rate will be $0.05625 per Unit. Our first cash distribution, which will be for the period from and including the date of Closing to October 31, 2012, is expected to be paid on November 15, 2012 to Unitholders of record on October 31, 2012 and is estimated to be $0.05081 per Unit (assuming the Closing occurs on October 4, 2012). Notwithstanding our distribution policy, the Board of Trustees retain full discretion with respect to the timing and amount of distributions. The payment of distributions is therefore not guaranteed. See "Distribution Policy".

Distribution Reinvestment Plan: We will have a distribution reinvestment and unit purchase plan ("DRIP") entitling Unitholders to reinvest all cash distributions made by us in additional Units. Participants electing to reinvest cash distributions in Units pursuant to the DRIP will receive a further "bonus" distribution equal to 3% of the amount of each cash distribution that they reinvest, which further distribution will also be reinvested in Units. Participants may also purchase additional Units pursuant to the optional cash purchase feature of the DRIP, subject to a minimum investment amount of $1,000 and a maximum investment amount of $250,000 per calendar year. Participants in the DRIP will not receive a bonus distribution of Units in connection with any optional cash purchases. We may amend, suspend or terminate the DRIP at any time. See "Distribution Policy — DRIP". The provisions of the LP B Units entitle the holder to reinvest distributions in LP B Units or Units on substantially similar terms as provided in the DRIP.

Risk Factors: An investment in Units is subject to a number of risks that should be carefully considered by a prospective purchaser. Our cash distributions are not guaranteed and will be based, in part, upon the financial performance of our properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include, but are not limited to:

Risks Relating to the REIT and its Business

- Risks inherent in the real estate industry may adversely affect our financial performance
- Competition in the industrial real estate market may adversely affect our financial performance
- Environmental contamination on properties may expose us to liability and adversely affect our financial performance
- We may incur significant capital expenditures and other fixed costs
- Financing risks, leverage and restrictive covenants may limit our ability for growth
- Changes in government regulations may affect our investment in the Initial Properties
- An investment in us is subject to certain Canadian tax risks

- We depend on the business of Industrial Partnership
- There are certain risks associated with having single tenant properties
- We are impacted by factors specifically affecting the real estate market in Alberta and the Alberta economy generally
- Changes in interest rates could adversely affect our cash flows and our ability to pay distributions and make interest payments
- Acquisitions of properties may expose us to undisclosed defects and obligations
- Losses of key personnel may affect our ability to operate effectively
- We may not be able to source suitable acquisitions
- Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects

Risks Relating to the Offering and the Acquisition

- Absence of a prior public market and determination of offering price
- The ability of Unitholders to redeem Units is subject to restrictions on redemption
- Cash distributions are not guaranteed and may fluctuate with our financial performance
- Historical carve-out financial information and pro forma financial information may not be indicative of future results
- Our financial forecast may not be accurate
- Unitholders do not have legal rights normally associated with ownership of shares of a corporation
- Unitholder liability may arise
- The issuance of additional Units will result in dilution
- Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or our termination
- Certain closing risks may affect our financial condition

Risks Relating to our Relationship with the Transferors, DRC and Others

- Significant ownership by the Transferors may adversely affect the market price of Units
- We may assume unknown liabilities in connection with the Acquisition and the ROI Transaction
- Our Trustees, executive officers and DRC may be put in a position of conflict as a result of their positions held and interests in other businesses
- If DRC ceases to be our asset manager this may materially adversely affect our ability to meet our objectives and execute our strategy

See “Risk Factors”.

THE REIT

Overview

We have been formed by DPLP, a Subsidiary of Dundee REIT, as a new vehicle that will focus on acquiring and owning primarily industrial properties and managing such properties to provide growing cash flow and stable and sustainable returns. Concurrently with the Closing, we will indirectly acquire a portfolio of 77 light industrial properties located in seven provinces in Canada that are currently owned or co-owned by DPLP and the other Transferors, all of whom are direct and indirect subsidiaries of DPLP. We refer to these properties as the "Initial Properties".

The Initial Properties consist of all of the industrial properties currently owned by DPLP and its Subsidiaries, except as set out below. The Initial Properties will exclude 445 Opus Industrial Boulevard, an industrial property located in Tennessee, United States, and 7102-7220 Barlow Trail SE, 7128-7132 Barlow Trail SE and 7122-7126 Barlow Trail SE, which are industrial properties located in Calgary, Alberta that DPLP expects to divest in October 2012 pursuant to purchase and sale agreements that it has entered into. The Initial Properties will also exclude 1020 Birchmount Road, a warehouse facility which is a part of an office complex located in Toronto, Ontario, as well as the ROI Alberta Properties, a portfolio of nine properties located in Alberta currently co-owned with the ROI Co-Owners. See "Acquisition of the Initial Properties — ROI Purchase Agreement".

Of the 77 Initial Properties, seven are currently co-owned by Affiliates of ROI. We refer to these seven co-owned Initial Properties as the "ROI Co-Owned Properties" and the co-owners who are Affiliates of ROI as the "ROI Co-Owners". We have separately entered into an agreement to purchase on Closing the interests held by the ROI Co-Owners in the ROI Co-Owned Properties. We refer to the acquisition of the interests in the Initial Properties from DPLP and the other Transferors as the "Acquisition" and the acquisition of the interests held by the ROI Co-Owners in the ROI Co-Owned Properties as the "ROI Transaction". See "Acquisition of the Initial Properties".

On Closing, it is expected that the Transferors will collectively hold an approximate 47.1% effective interest in the REIT (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full) through ownership of all of the LP B Units of Industrial Partnership, which will be our operating subsidiary. The LP B Units are economically equivalent to and exchangeable for Units. See "Key Investors — Retained Interest by the Transferors" and "Distribution Policy". Neither ROI nor any of its Affiliates will acquire an ownership interest in us as a result of the ROI Transaction.

Our asset manager will be DRC, which is also the asset manager of Dundee REIT and Dundee International REIT. DRC has approximately $12.8 billion of assets under management and is one of Canada's leading real estate companies. DRC's accomplishments include having formed Dundee REIT (TSX: D.UN) in 2003 and Dundee International REIT (TSX: DI.UN) in 2011. Dundee REIT is Canada's largest office real estate investment trust and has provided investors with a solid platform for growth and reliable cash flow. Dundee International REIT was the first Canadian pure-play foreign investment real estate investment trust. See "Asset Management".

Dundee Industrial Management LP, a wholly-owned Subsidiary of Industrial Partnership, will be our property manager. Dundee Industrial Management LP will have a dedicated team of employees who bring experience and continuity in managing the Initial Properties. Where scale does not make it efficient to employ certain positions or perform certain functions within Dundee Industrial Management LP, Dundee Industrial Management LP will engage DRMC to provide such personnel and services pursuant to the Services Agreement. DRMC is a Subsidiary of Dundee REIT and provides property management services to Dundee REIT, including in respect of the Initial Properties. DRMC has agreed to provide these services to Dundee Industrial Management LP on a cost recovery basis. DRMC has the right to terminate the Services Agreement with 12 months' notice after the expiration of the initial one year term. See "Real Estate Management and Advisory Services".

Market Opportunity

We provide an opportunity for investors to gain direct exposure to the industrial real estate sector, while continuing to benefit from the proven track record of DRC. As an asset class, we believe that industrial real estate has the potential to generate higher yields compared with office and residential properties. On Closing, we will be among the largest real estate investment trusts in Canada to focus primarily on industrial real estate assets.

We believe that fragmented ownership in the industrial real estate market in Canada has created an opportunity for industry consolidation. With only two pure-play competitors with access to public capital, we anticipate having more attractive opportunities to acquire industrial assets or portfolios as compared with other diversified real estate investment trusts. The Initial Properties will provide us with significant scale in the industrial real estate sector in Canada and will serve as a platform from which we will seek future acquisition opportunities in major industrial markets. As well, DRC has an extensive network of contacts in the brokerage and property ownership communities, which we believe will assist in our growth.

We intend to grow and diversify our portfolio in order to increase our stability and to reduce our exposure to any particular property, location, tenant or industry. While we will focus on industrial real estate assets, we will not be precluded from bidding on or acquiring portfolios containing other commercial real estate asset classes in circumstances where we believe there is strategic value to doing so, and subject to complying with our investment guidelines. Our acquisition strategy will be dynamic and enable us to adapt to changes in the economy, the real estate industry and capital markets conditions. We will seek to identify undervalued opportunities in all market cycles in the commercial real estate industry.

Initial Properties

The Initial Properties total approximately 6.02 million square feet of GLA, of which our interest will total approximately 6.01 million square feet, which assumes the completion of both the Acquisition and the ROI Transaction. The properties are light industrial properties used as warehousing and distribution facilities, flex-industrial space and for light manufacturing purposes. See "The Industrial Real Estate Market in Canada — Types of Industrial Real Estate". The Initial Properties are located in seven provinces, with properties in Alberta accounting for 34% of the GLA and 41% of the forecast NOI of our interest in the portfolio.

Approximately three-quarters of the Initial Properties as measured by GLA and NOI are warehousing and distribution or flex-industrial properties, with the balance consisting of manufacturing properties used by tenants for light manufacturing purposes. None of the Initial Properties are occupied by tenants in heavy manufacturing industries. We believe this portfolio mix creates more cash flow stability.

Tenants of four of the Initial Properties, being (i) 275 Wellington Street East, Aurora, (ii) 1313 Autoroute Chomedey, Laval, (iii) 1411, 1421 and 1451 Rue Ampère, Boucherville, and (iv) 8000 Avenue Blaise-Pascal, Montréal, have rights under their leases which give the tenant the option to purchase the property from the landlord in the event of a proposed transfer of the property. Our acquisition of the Initial Properties will trigger these tenant rights. However, the tenants of all four of these properties have waived their rights to purchase the properties in connection with the Acquisition. For information about these four Initial Properties, see "Appendix A — Initial Properties". The properties referred to above, other than 8000 Avenue Blaise-Pascal, Montréal, are also described in "The Initial Properties — Top Ten Initial Properties".

Objectives

Our objectives are to:

- manage our investments to provide growing cash flow and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- build and maintain a growth-oriented portfolio of primarily industrial properties;
- provide predictable and sustainable cash distributions to Unitholders on a tax efficient basis and prudently manage distributions over time;

- capitalize on internal growth and seek accretive acquisition opportunities in major industrial markets with strong tenant covenants and long lease terms; and
- grow the value of our assets and maximize the long-term value of our Units through active and efficient management of our assets.

Investment Highlights

Attractive Yield

We intend to pay monthly cash distributions of $0.05625 per Unit which are initially expected to provide Unitholders with an annual yield of 6.75%.

Track Record and Experience of Management

Our asset manager will be DRC, which is also the asset manager of both Dundee REIT and Dundee International REIT. DRC has a track record of delivering above-market returns to investors. Through a combination of effective management and strategic acquisitions and divestitures, Dundee REIT and its predecessor have provided equity holders with average annual returns of 17% over the past 10 years.

Dundee International REIT has provided its unitholders with a total return of 12.2% from August 3, 2011, the date of closing of its initial public offering, to September 7, 2012.

We will be managed and operated by a seasoned team of real estate professionals with expertise in commercial real estate, including acquisitions, divestitures, financing, asset management, property management, and leasing. Scott Hayes, who is our President and Chief Executive Officer, has over 18 years of experience with industrial real estate, while Michael J. Cooper, Scott Hayes and Mario Barrafato have over 53 years of combined relevant industry experience.

High-Quality Portfolio

The Initial Properties consist of 77 light industrial properties located in seven provinces of Canada. The Initial Properties have an average remaining lease term of 6.8 years and in-place rents that are approximately 3% below management's estimate of current estimated market rents. The largest rental rate growth potential is in the warehousing and distribution sub-category where in-place rents are 8% below management's estimate of current estimated market rents. The Initial Properties are 53% single-tenant and 47% multi-tenant by owned GLA, with many high-quality, credit-worthy tenants. Bad-debt expenses have averaged less than 0.6% of gross rental revenue over the past five years.

The average age of the Initial Properties is 23 years. All of the Initial Properties are considered functional and meet the demand in their respective markets.

Significant Scale and Platform for Growth

The Initial Properties provide us with significant scale and a presence in many of Canada's major industrial markets. In concert with DRC's experienced management and industry relationships, we believe the Initial Properties will provide a platform for organic growth as well as future acquisitions. As a publicly-traded entity, we expect to benefit from having reliable access to capital, while having already incurred our formation and other one-time start-up costs.

While the industrial sector is the largest commercial real estate asset class in Canada by area, it remains highly fragmented with a high degree of non-institutional ownership. We believe this creates an opportunity for industry consolidation that should provide us with future acquisition opportunities in major industrial markets.

Diverse Tenants and High Occupancy and Retention Rates

The Initial Properties are leased to a diverse range of high-quality tenants. Although tenants from the "retail trade" economic sector represent the largest contingent, no single sector represents more than 31% of the GLA of the Initial Properties, which reduces our risk exposure to any single lease, tenant or industry. The

Initial Properties have consistently high occupancy rates. Over the last 8 quarters, the weighted average occupancy rate of the Initial Properties was 96.3% and has never fallen below 93%.

Geographic Diversification with Exposure to High Growth Western Canadian Markets

The Initial Properties are geographically diversified, with properties in seven provinces in Canada. There is a strong focus on the Alberta market, with 44 properties in Calgary and the Edmonton area, comprising 33% of the GLA and 39% of forecast NOI of our interest in the Initial Properties. Alberta's resource-based economy is expected to outpace that of Canada as a whole for each of the next five years, with an average annual growth rate of 3.5%, as compared to 2.5% nationally.(1) Annual energy investment in Alberta is expected to double between 2011 and 2016.(2) Employment in Alberta is expected to increase in 2012, accounting for 30% of all job growth in Canada.(3) Shipments of goods through the province are also forecast to expand over the period, which we believe may result in businesses needing increased transportation and warehousing capacity to ship and store their increased production of goods. While we intend to maintain a focus on the high growth Western Canadian markets in the short term, we expect that, over time, our portfolio will generally mirror the Canadian industrial market, with concentrations in all major Canadian centres.

Business and Growth Strategies

We intend to pursue the following strategies to achieve our objectives:

Invest in industrial properties with attractive yields

Our core strategy is to invest in income-producing industrial properties in major industrial markets that provide attractive yields and the potential for predictable and growing cash flows. Our acquisition of the Initial Properties will give us a presence in many major industrial markets in Canada. We will seek to leverage our newly-created platform and DRC's experience and relationships to target accretive and opportunistic acquisitions that will complement the Initial Properties and enable us to create additional value. When considering acquisition opportunities, we will look for properties that:

- feature high-quality, credit-worthy tenants;
- have long-term leases;
- are located in major industrial centres with active and demonstrable leasing markets;
- are high-quality and functional assets; and
- are acquirable at or below replacement cost.

Grow and diversify our portfolio to mitigate risk and reduce cost of capital

We will seek to grow and diversify our portfolio to increase value on a per Unit basis, further improve the sustainability of our distributions, strengthen our tenant profile and mitigate risk. We anticipate that growing our portfolio will also reduce our cost of capital, allowing us to both refinance existing mortgages at lower rates and to increase our ability to competitively bid on acquisition opportunities. We have experience in each of Canada's key real estate markets and across all asset classes, which we believe will provide us with the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Optimizing the performance, value and cash flow of our portfolio

We will manage our properties to optimize their performance, value and long-term cash flow. DRMC's property management team provides property management services for the Initial Properties and will continue to do so on an as-needed basis on behalf of Dundee Industrial Management LP under the terms of the Services

(1) Source: The Conference Board of Canada, Metropolitan Outlook 1 — Spring 2012.

(2) Source: The Conference Board of Canada, Metropolitan Outlook 1 — Spring 2012.

(3) Source: The Conference Board of Canada, Metropolitan Outlook 1 — Spring 2012.

Agreement until Dundee Industrial Management LP determines that such services are no longer required or the Services Agreement is otherwise terminated in accordance with its terms. DRMC has a well established track record of value enhancement and will provide continuity with existing tenants and the benefit of its relationships with real estate professionals in our markets. We will focus on maintaining strong tenant relations, re-leasing premises as leases expire and leasing space that is currently vacant. We intend to capture the economic potential of each individual property through strategic management, property upgrades and re-leasing activities.

THE INDUSTRIAL REAL ESTATE MARKET IN CANADA

Attributes of Industrial Real Estate

We believe that the industrial real estate market in Canada represents an attractive investment opportunity, historically providing investors with positive returns and stable, predictable cash flows.

Stable operating margins are one characteristic of the industrial real estate asset class. This is due in part to the fact that most industrial leases are based on a "triple-net" lease structure, whereby the tenant is responsible for most or all of the costs associated with the asset being leased (either on a direct payment basis for single tenant buildings or on an amortization basis for multi-tenant properties), in addition to the payment of basic rent. There are several benefits of this type of structure for a landlord. First, these types of leases are usually undertaken with credit-worthy tenants, with lease terms generally ranging from 5 to 20 years, since many tenants prefer leasing on these terms as opposed to making the large initial capital investment that would be required if they were to own the property. Second, since most costs — including real estate tax, building insurance, common area maintenance and, most importantly, capital repair and replacement — are the responsibility of the tenant, there is more cash flow predictability and certainty for landlords of industrial real estate than in other asset classes.

The term and structure of leases in the industrial sector, and particularly the ability of landlords to recover repair and maintenance expenditures, encourages continual capital investment by the landlord. This increases the likelihood that the value of the assets will be maintained over time. Tenant moving costs are generally high in the industrial sector due to the high levels of investment by tenants in specialty equipment. This commitment to the premises creates a strong alignment of interests between landlords and tenants and encourages tenant retention and lease renewals.

Industrial real estate assets tend to have a broad-based user/occupancy structure, which decreases leasing costs. The generic nature of industrial space, particularly warehousing and distribution and flex-industrial properties, lends itself well to straightforward conversion and shorter lease-up periods. As a result, the industrial sector has historically had lower vacancy rates than other classes of real estate. The costs to carry vacant industrial space are generally 70% lower on a per square foot basis as compared with office or retail assets, due to lower property taxes and the ability to suspend unneeded utility expenses.

The industrial real estate market in Canada is characterized by fragmented ownership, with a high percentage of owner-operated facilities and relatively few publicly-held, pure-play landlords. Demand in the sector widely exceeds supply, as evidenced by the approximately 5.7 million square feet of net absorption in the first half of 2012. The sector has largely avoided overbuilding, as speculative development has been discouraged in part by financing constraints being imposed by industry lenders. With a total development time-line of approximately 12 months, the industrial sector normally avoids the oversupply issues seen in other sectors, as has been demonstrated by the significant reduction in new supply during the recessionary period of 2008 to 2009.

Types of Industrial Real Estate

We consider the Initial Properties to fall within three subcategories of industrial real estate, which are briefly described below:

Warehousing and Distribution

Warehousing and distribution properties are designed for the storage and distribution of goods. These properties typically provide the highest degree of flexibility and ease of conversion and may often be demised for multiple tenants upon release. Office space will often account for less than 5% of the GLA of such properties. Easy highway access, ample shipping doors and high ceiling heights are important attributes in this asset sub-class.

Flex

Flex-industrial properties are characterized by a high percentage of office space, sometimes in excess of 50% of the GLA of such properties. These properties often cater to tenants operating in the business-services and research and development sectors and are most often multi-tenant facilities. These properties offer an attractive alternative for those users who require high or sometimes 100% finished areas. Flex-industrial properties are typically designed to accommodate high parking ratios, another feature that also increases their versatility and re-leasing potential. Due to the higher finished area, lower site coverage and very high quality finishes, these properties have rental rates in the $10.00 per square foot to sometimes over $20.00 per square foot range.

Light Manufacturing/Assembly

Light manufacturing/assembly properties cater to tenants that conduct light manufacturing and/or assembly processes. Light manufacturing/assembly properties typically have a high degree of flexibility in terms of their configuration for tenant use, and may often be returned to a warehousing and distribution use upon releasing.

Market Overview

	2007	2008	2009	2010	2011
Canada					
Real GDP Growth	2.2%	0.6%	(2.7%)	3.1%	2.5%
Export Growth	2.1%	8.4%	(26.5%)	11.9%	12.0%
Retail Sales Growth	5.9%	3.7%	(2.9%)	5.6%	4.1%
Unemployment Rate	6.0%	6.1%	8.3%	8.0%	7.5%
Population Growth	1.1%	1.2%	1.2%	1.2%	1.0%

Source: Statistics Canada

The Canadian economy grew by 2.5% in 2011, continuing its emergence from the recessionary period of 2008 to 2009. The U.S. economy is also continuing to rebound, which acts to support Canada's export-oriented industries, as nearly $2 billion of goods and services cross the border between the two countries on a daily basis.[4] Uncertainty surrounding European sovereign debt presents a major impediment to a full economic recovery in Canada. Nevertheless, Canada's comparatively strong capital markets and the current low interest rate environment have Canadian businesses well-positioned for expansion. This is driving demand for industrial real estate in Canada, particularly warehousing and distribution facilities.

	2007	2008	2009	2010	2011
British Columbia					
Real GDP Growth	2.8%	0.5%	(2.2%)	3.2%	2.9%
Export Growth	(5.8%)	5.1%	(23.8%)	13.8%	14.0%
Retail Sales Growth	7.1%	1.5%	(4.4%)	5.4%	3.1%
Unemployment Rate	4.3%	4.6%	7.7%	7.6%	7.5%
Population Growth	1.6%	1.7%	1.7%	1.6%	1.0%
Vancouver					
Industrial Occupancy Rate	98.5%	97.5%	95.4%	95.9%	96.2%
Industrial Average Rental Growth	14.3%	(3.1%)	(6.5%)	5.0%	3.0%

Sources: Statistics Canada and Colliers International

British Columbia's economy is largely resource-based, centred on forestry and a growing mining sector. Trade with the United States is an integral part of the province's economy, as over 60% of British Columbia's commodity exports are exported to the United States.[5] The province's trade relationship with China is becoming increasingly important, with exports increasing by more than 420% between 2001 and 2010.[6] The strong Asian demand for British Columbia exports is supporting growth in the province, and consumer confidence and retail sales are expected to benefit from gains in employment. British Columbia's commercial real estate market exhibits continued strength, with almost 1,000 major construction projects worth more than $200 billion planned or underway as at the end of 2011.[7]

	2007	2008	2009	2010	2011
Alberta					
Real GDP Growth	2.1%	1.0%	(4.4%)	3.3%	5.2%
Export Growth	4.9%	35.2%	(36.6%)	12.6%	18.3%
Retail Sales Growth	9.9%	0.2%	(8.3%)	6.0%	6.9%
Unemployment Rate	3.5%	3.6%	6.6%	6.5%	5.5%
Population Growth	2.7%	2.3%	2.2%	1.3%	1.6%
Calgary					
Occupancy Rate	98.4%	96.0%	93.7%	94.6%	95.2%
Average Rental Growth	11.2%	(2.9%)	—	14.8%	3.2%
Edmonton					
Industrial Occupancy Rate	98.3%	96.4%	94.6%	95.9%	96.5%
Industrial Average Rental Growth	11.5%	3.4%	(5.3%)	(4.2%)	14.0%

Sources: Statistics Canada and Colliers International

(4) Source: Government of British Columbia, www.gov.bc.ca, "Trade and Invest: British Columbia".

(5) Source: Government of British Columbia, www.gov.bc.ca, "Trade and Invest: British Columbia".

(6) Source: Government of British Columbia, www.gov.bc.ca, "Trade and Invest: British Columbia".

(7) Source: Cushman & Wakefield Q1 2012 Marketbeat Industrial Snapshot, Vancouver British Columbia.

Driven by the energy sector, Alberta is a growth engine in the Canadian economy. As the sector expands, related industries like transportation and warehousing benefit from supply chain effects. Elevated oil prices led to industrial occupancy gains during the second half of 2011. Declining vacancy rates have put upward pressure on rental rates, and have created competition amongst tenants for vacant space. While this is somewhat tempered by built-to-suit supply under construction, speculative product nearing completion is currently limited. Similar to leasing activity, the market to purchase industrial real estate remains strong in Alberta. Pricing has continued to increase as investors attempt to secure assets in the current low interest rate environment.

	2007	2008	2009	2010	2011
Saskatchewan					
Real GDP Growth	3.5%	4.5%	(4.0%)	4.2%	4.8%
Export Growth	19.7%	52.6%	(26.2%)	8.9%	24.6%
Retail Sales Growth	13.6%	11.7%	(0.5%)	3.4%	7.5%
Unemployment Rate	4.2%	4.1%	4.8%	5.2%	5.0%
Population Growth	0.8%	1.4%	1.5%	1.4%	1.3%
Regina					
Industrial Occupancy Rate	98.0%	99.2%	98.8%	98.8%	98.1%
Industrial Average Rental Growth	11.1%	40.0%	28.6%	11.1%	10.0%

Sources: Statistics Canada and Colliers International

Saskatchewan is largely a natural resource-based economy, with roughly 95% of all goods produced in the province depending directly on the province's basic resources, including grains and potash.[(8)] Regina, the provincial capital, recorded 6.1% GDP growth in 2011, the most since 1997.[(9)] Employment in the capital has risen annually by over 3% in three of the past four years. Manufacturing output rose 7.8% in 2011.[(10)] Regina's industrial real estate sector is one of the most robust in the country, with some of the lowest vacancy rates and highest flex industrial rental rates when compared to other Canadian cities.

	2007	2008	2009	2010	2011
Ontario					
Real GDP Growth	1.8%	(0.4%)	(3.2%)	3.2%	2.0%
Export Growth	(0.1%)	(7.7%)	(23.3%)	16.3%	6.5%
Retail Sales Growth	3.8%	3.9%	(2.5%)	5.4%	3.6%
Unemployment Rate	6.4%	6.5%	9.0%	8.7%	7.8%
Population Growth	1.0%	1.1%	1.1%	1.2%	1.1%
Toronto					
Industrial Occupancy Rate	94.9%	94.5%	93.7%	94.0%	95.5%
Industrial Average Rental Growth	2.5%	(4.5%)	(14.5%)	(3.0%)	(1.1%)
Ottawa					
Industrial Occupancy Rate	95.6%	94.9%	95.8%	94.2%	93.9%
Industrial Average Rental Growth	—	—	(3.6%)	7.4%	6.9%

Sources: Statistics Canada and Colliers International

As Ontario's economy is largely export-driven, it is highly dependent on the economic health of major trading partners, particularly the United States. Recent data from the United States points to continued economic recovery, underpinning consumer confidence and spending. This positions Ontario businesses well for

(8) Source: Government of Saskatchewan, www.gov.sk.ca, "Economy".

(9) Source: The Conference Board of Canada, Metropolitan Outlook 1 — Spring 2012.

(10) Source: The Conference Board of Canada, Metropolitan Outlook 1 — Spring 2012.

growth, driving demand for industrial real estate. The industrial real estate market in Ontario experienced some setbacks during the recessionary period of 2008-2009, and is in the midst of recovery, with rental rates in major markets like the Greater Toronto Area still below pre-recession levels. The automotive sector continues to improve as evidenced by recent new investments in production and the creation of over 8,200 new jobs since the sector's restructuring in 2009.[11] The spike in industrial vacancy in 2009 has been reversed, with occupancy in 2011 surpassing 2007 levels in Toronto.

	2007	2008	2009	2010	2011
Quebec					
Real GDP Growth	2.1%	1.5%	(0.8%)	2.5%	1.7%
Export Growth	(2.8%)	2.9%	(18.4%)	2.5%	7.6%
Retail Sales Growth	4.5%	4.9%	(1.1%)	6.2%	2.9%
Unemployment Rate	7.2%	7.2%	8.5%	8.0%	7.8%
Population Growth	0.7%	0.8%	1.0%	1.0%	0.9%
Montréal					
Industrial Occupancy Rate	92.9%	93.1%	93.2%	93.9%	94.6%
Industrial Average Rental Growth	4.0%	1.6%	(4.3%)	1.8%	8.0%

Sources: Statistics Canada and Colliers International

The Quebec economy is diversified and, like Ontario, is highly dependent on trade with the United States. While the industrial real estate sector was negatively impacted by the recessionary period of 2008-2009, it has shown signs of recovery since then with a strong rebound in rental rate growth and a continuing improvement in occupancy. Manufacturing in the province's largest market, Montréal, expanded for the second consecutive year in 2011, due in part to a thriving aerospace sector. Demand is increasing for large industrial spaces, with 2011 posting positive absorption of approximately 2.7 million square feet of GLA. While new supply is coming on-line in the market, most construction is built-to-suit, with little speculative construction of industrial buildings.

	2007	2008	2009	2010	2011
Nova Scotia					
Real GDP Growth	1.7%	2.4%	(0.0%)	1.6%	0.3%
Export Growth	4.3%	6.8%	(24.9%)	0.3%	3.7%
Retail Sales Growth	4.3%	4.1%	0.1%	4.5%	3.5%
Unemployment Rate	7.9%	7.7%	9.2%	9.3%	8.8%
Population Growth	(0.2%)	0.2%	0.3%	0.5%	0.1%
Halifax					
Industrial Occupancy Rate	93.1%	94.0%	92.8%	91.9%	91.0%
Industrial Average Rental Growth	(0.6%)	(0.4%)	7.9%	(4.8%)	(1.7%)

Sources: Statistics Canada and Colliers International

There is considerable optimism in the Nova Scotia economy following the award of a $25 billion contract to Irving Shipbuilding to supply 21 combat ships to the Canadian Navy.[12] Construction is expected to begin in 2013 and continue over the course of the next three decades. Supply chain effects arising from the contract are expected to be a major growth driver in the province's manufacturing and service sectors. The industrial real estate market in Halifax is positioned for a positive turn-around after three years of occupancy losses and a corresponding decline in rental rates.

(11) Source: Government of Ontario, www.ontario.ca, "Ontario's Auto Sector Continues To Rev Up".

(12) Source: The Conference Board of Canada, Metropolitan Outlook 1 — Spring 2012.

	2007	2008	2009	2010	2011
New Brunswick					
Real GDP Growth	1.2%	0.7%	(0.5%)	3.0%	0.1%
Export Growth	7.8%	14.5%	(23.3%)	29.1%	17.1%
Retail Sales Growth	6.2%	6.5%	0.8%	5.0%	4.8%
Unemployment Rate	7.5%	8.5%	8.8%	9.3%	9.5%
Population Growth	(0.0%)	0.2%	0.4%	0.4%	0.3%
Moncton					
Industrial Occupancy Rate	92.9%	93.7%	94.2%	95.6%	95.1%
Industrial Average Rental Growth	(0.5%)	3.1%	2.8%	(7.4%)	(3.1%)

Sources: Statistics Canada and Colliers International

While New Brunswick's rural economy is dominated by natural resources, including forestry and mining, the province's three urban centres — Moncton, Fredericton and Saint John — are principally service-oriented. Greater Moncton is geographically situated in the centre of Atlantic Canada, and as a result has become a transportation hub for the region. Industrial occupancy in Moncton has been over 95% over the last two years, and the local market is expected to remain strong in anticipation of the benefits from the Irving Shipbuilding contract once that project gets underway in 2013.

THE INITIAL PROPERTIES

Overview

The Initial Properties consist of approximately 6.02 million square feet of GLA, of which our interest will total approximately 6.01 million square feet, which assumes the completion of both the Acquisition and the ROI Transaction. On Closing, if the ROI Transaction is completed, the only Initial Property that will be co-owned will be 2240 Premier Way, Edmonton, Alberta, in which we will have a 50% interest. A full list of the Initial Properties is attached as Appendix A to this prospectus.

Unless otherwise stated, all figures and percentages in this section have been calculated based on our interest in the Initial Properties of approximately 6.01 million square feet of GLA and are presented as of August 1, 2012. References to our "owned GLA", "GLA" or "NOI" of the Initial Properties are references to our interest of approximately 6.01 million square feet.

We believe that all of the Initial Properties are well-located within established industrial markets and present an attractive long-term investment opportunity given their characteristics, which include high occupancy and tenant retention rates and staggered lease and debt maturities. On a portfolio basis, we believe the Initial Properties have a lower risk profile due to their geographic and tenant diversification, which facilitates the stability of cash flows.

The following map illustrates the composition of the Initial Properties by province. The map also indicates, for each province in which the Initial Properties are located, the contribution to total forecast NOI (based on NOI for the 12 month period ended September 30, 2013), the breakdown of the Initial Properties by subcategory and the extent to which the properties are single or multi-tenant properties.

The following table shows the contribution of the Initial Properties to total NOI (based on NOI for the 12 month period ended September 30, 2013) for each province in which the Initial Properties are located and by subcategory.

	Flex	Warehouse & Distribution	Manufacturing	Total Province
British Columbia	0%	1%	0%	**1%**
Alberta	16%	24%	1%	**41%**
Saskatchewan	4%	8%	0%	**12%**
Ontario	1%	3%	9%	**13%**
Quebec	2%	11%	14%	**27%**
New Brunswick	0%	1%	0%(1)	**1%**
Nova Scotia	3%	2%	0%	**5%**
Total Type	**26%**	**50%**	**24%**	**100%**

Note:

(1) Actual figure is 0.4%.

Composition of the Initial Properties

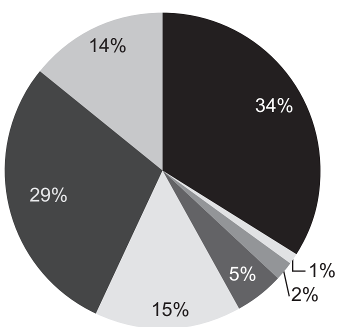
Geographic Composition

The Initial Properties are located in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia, with properties in Alberta representing 34% of the GLA and 41% of the forecast NOI of our interest in the Initial Properties. The Initial Properties are located in major industrial markets, often in close proximity to major arteries with easy highway access and high visibility.

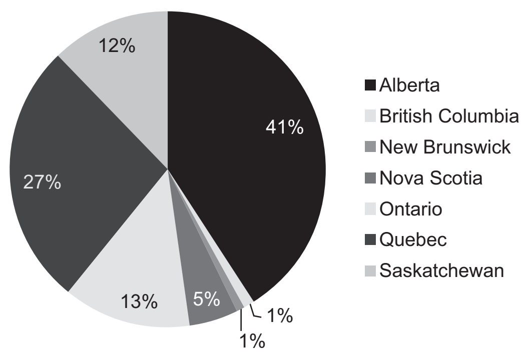
36 of the Initial Properties (24% of the GLA and 31% of the forecast NOI) are located in Calgary, which has experienced strong industrial demand as a by-product of continued investment in the oil sands, which has aided in the growth of the machinery and fabricated metal products industries. This strong demand has led to decreasing vacancy rates in this market and a resultant increase in market rents.

Growth in the energy sector has also driven industrial real estate demand in Edmonton. The impact of new businesses moving to the market, combined with the expansion of existing businesses, has led to industrial lease rates that are the some of the highest in North America. Even with this rental rate strength the Edmonton industrial market has demonstrated consistent stability and has not experienced significant development, averaging 2.0 million square feet or 2.7% of new inventory annually since 2002. Eight of the Initial Properties (9% of the GLA and 8% of the forecast NOI) are located in the Edmonton area.

Owned GLA by Province



Owned NOI by Province

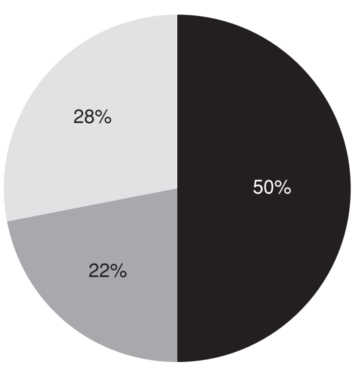


Within the Initial Properties, properties representing both 44% of forecast NOI and owned GLA are located within close proximity to one another, within established industrial nodes. This clustering of assets creates added leasing flexibility for us, particularly in multi-tenant properties. Controlling a large block of space within an industrial node will allow us to better manage the overall tenant mix within that node, as well as provide greater flexibility to accommodate tenants' changing needs, which should result in higher retention rates.

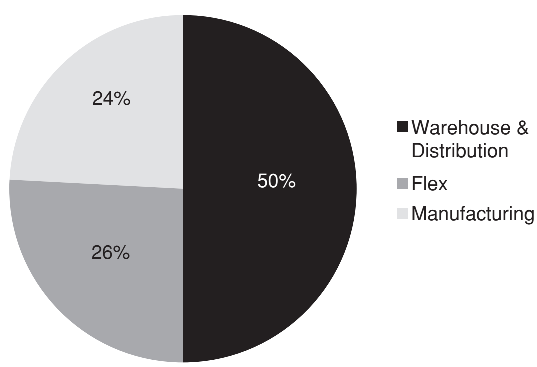
Classification Mix

The following graphs illustrate the composition of the Initial Properties, measured by GLA and NOI.

Classification by GLA



Classification by NOI



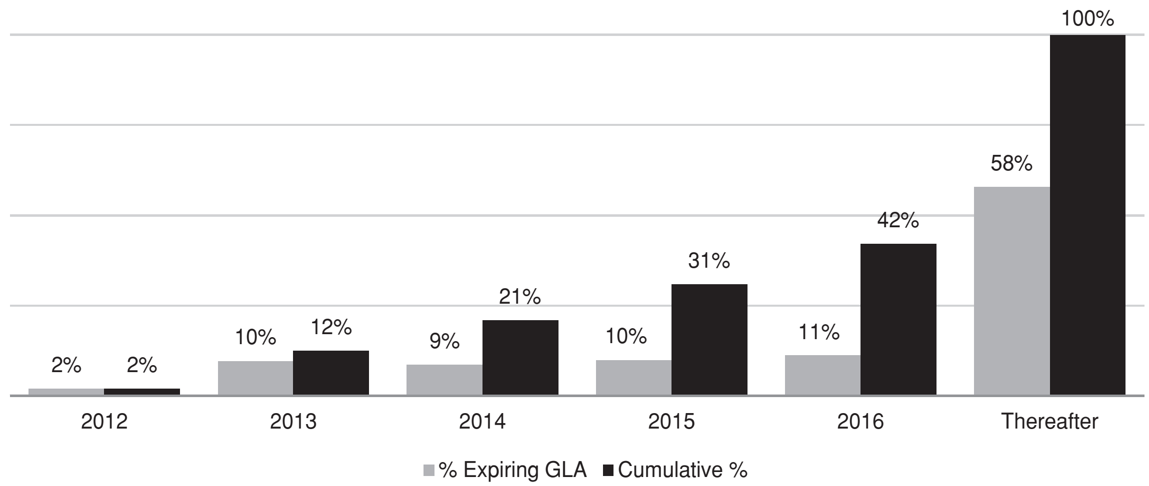
Approximately three-quarters of the Initial Properties, as measured by GLA and NOI, are used for warehousing and distribution or flex purposes. We believe this portfolio mix provides stability, as the generic nature of the space appeals to a broad range of tenants and allows for efficient conversion. Light manufacturing properties make up the balance (or approximately one-quarter) of the initial portfolio, measured by GLA and NOI. These properties are typically built-to-suit and highly specialized, which can promote higher tenant retention rates.

While warehousing and distribution properties comprise the largest proportion of the Initial Properties by GLA, flex-industrial properties generate the highest NOI per square foot of GLA, as described under "The Industrial Real Estate Market In Canada — Types of Industrial Properties".

Occupancy and Leasing

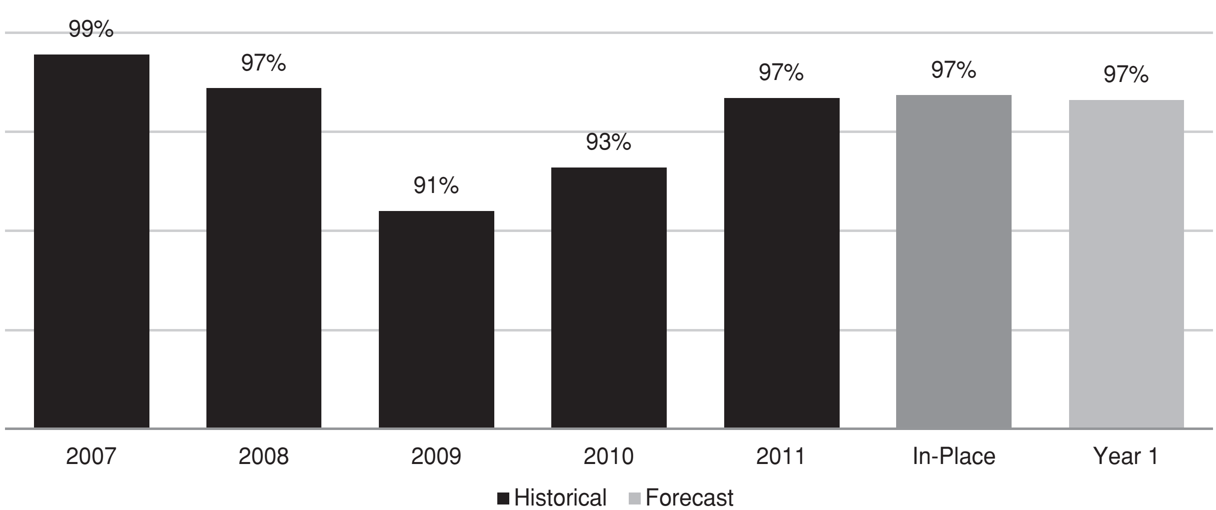
The following graph sets out the percentage of GLA of the Initial Properties subject to lease expiries during the periods shown.

Lease Expiry Profile



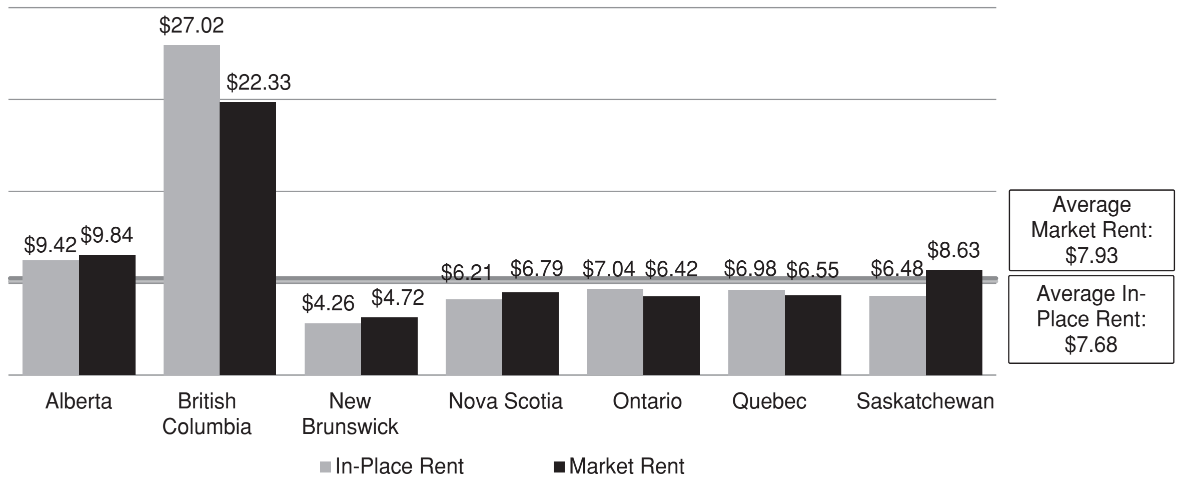
The Initial Properties are 97% leased and have an average remaining lease term of approximately 6.8 years, with the majority of leases expiring beyond 2016. On a weighted-average basis, our multi-tenant portfolio has a lease term of 3.9 years, while the single tenant assets have a lease term of 9.5 years. No more than 11% of the leases measured by GLA expire in any given year from 2012 to 2016.

Historical and Forecast Occupancy



Over the last 8 quarters, the weighted average occupancy rate of the Initial Properties was 96.3% and has never fallen below 93%.

In-Place vs. Market Rent by Geography(13)

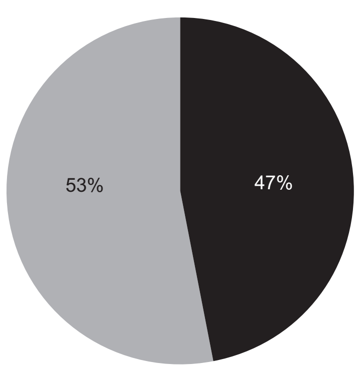


Average in-place rent is 3% lower than average market rent.(13) This presents an opportunity to capture rent increases and corresponding NOI growth as leases are renewed.

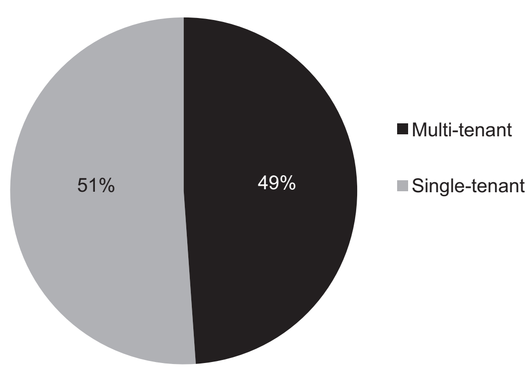
Tenant Mix

Our tenant base will be well-diversified, consisting of an approximately even mix of single and multi-tenant properties both by GLA and forecast NOI. Of the single-tenant properties, many of the tenants are strong covenants with large national or multi-national footprints. The top 10 tenants in the Initial Properties comprise 44% of owned GLA and 42% of in-place base revenue.

Tenant Mix by GLA



Tenant Mix by NOI



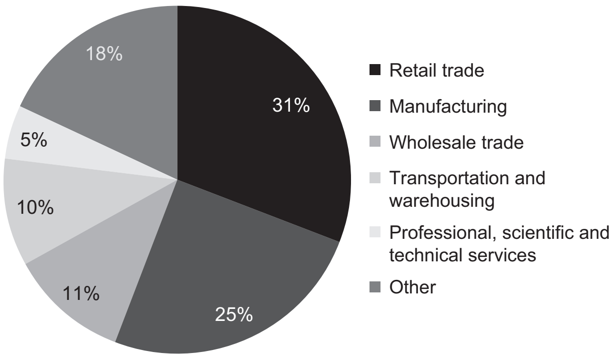
Tenant size ranges from approximately 700 square feet of GLA to approximately 642,000 square feet of GLA, with an average tenant size of approximately 15,600 square feet of GLA. 75% of our tenants occupy less than 10,000 square feet of GLA and 95% of our tenants occupy less than 50,000 square feet of GLA, which reduces our exposure to any one tenant in the Initial Properties. As well, small areas are generally less costly to release in cases where tenants vacate.

The average bay size in the Initial Properties is approximately 12,000 square feet of GLA, but varies widely depending on the type of property. Flex properties have an average multi-tenant bay size of 6,000 square feet and an average single tenant bay size of 51,000 square feet. Warehouse and distribution properties have an average multi-tenant bay size of 6,000 square feet and an average single tenant bay size of 64,000 square feet. An average manufacturing bay is 133,000 square feet.

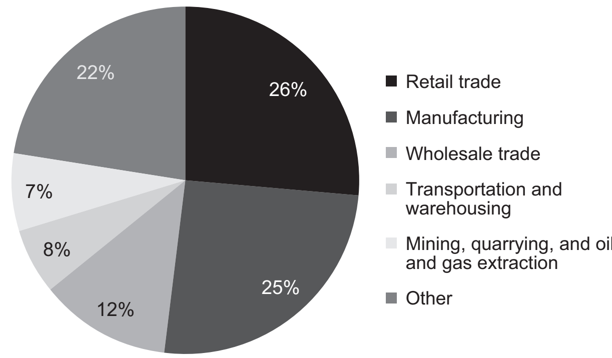
(13) Market rent reflects management's estimates based on property tours as well as current market information.

Our tenants' businesses are also diverse, representing 20 economic sectors and approximately 130 industry groups.(14) The largest economic sector represents 31% of our tenant base measured by tenant GLA and 26% of our tenant base measured by base rent.

Tenant Base by GLA



Tenant Base by Base Rent



Major Tenants

Top 10 tenants by in place base revenue:

Tenant	Owned GLA (000s Square Feet)	% of Owned GLA	% In-Place Base Revenue*	Avg. Remaining Lease Term (yrs)
Spectra Premium Industries Inc.	642	11%	9%	12.8
TC Transcontinental Inc.	523	9%	8%	9.7
Molson Breweries Properties Ltd.	225	4%	5%	10.4
The Brick	327	5%	5%	11.8
Clean Harbors Industrial Services	94	1%	4%	6.3
Nellson Nutraceutical	211	4%	3%	7.2
Effigi Inc.	115	2%	2%	14.9
Access Distribution (Agrium)	240	4%	2%	3.6
The Dollco Corporation (The Lowe-Martin Group)	115	2%	2%	12.7
Colabor Limited Partnership	114	2%	2%	4.5
Top 10 Tenants	**2,606**	**44%**	**42%**	**10.0**
Other	3,210	53%		
Vacant	190	3%		
Total	**6,006**	**100%**		**6.8**

* In-place base revenue represents forecast investment properties revenue for the twelve-month period ending September 30, 2013. See "Financial Forecast".

Top 10 Tenants

Spectra Premium Industries Inc.

A privately-held manufacturing and distribution organization headquartered in Boucherville, Quebec, Spectra Premium Industries Inc. ("Spectra Premium") will occupy 11% of our owned GLA. Spectra Premium is a North America-based manufacturer of fuel delivery and heat exchange automotive systems with aftermarket and original equipment manufacturing businesses.

(14) As defined by the North American Industry Classification System (NAICS) Canada.

Spectra Premium was founded in 1989, has a total of 18 corporate offices, and operates in Canada and the United States. Spectra Premium occupies 1411, 1421 and 1451 Rue Ampère in Boucherville, Quebec, and 1313 Autoroute Chomedey in Laval, Quebec. Spectra Premium has an option under its leases to purchase each of 1411, 1421 and 1455 Rue Ampère and 1313 Autoroute Chomedey, which option has been triggered by the Acquisition Agreement. Spectra Premium has waived its option in respect of both properties. See "The REIT — Initial Properties".

TC Transcontinental Inc.

TC Transcontinental Inc. ("Transcontinental") is a Subsidiary of Transcontinental Inc., a publicly traded publishing, media and marketing company based in Montréal, Quebec (TSX: TCL.A). Transcontinental is the largest printer in Canada and the fourth-largest in North America, operating as a publisher of consumer magazines, French-language educational resources and community newspapers in Quebec and Atlantic Canada. Transcontinental also creates marketing products and services supported by marketing strategy and planning services, database analytics, pre-media, e-flyers, email marketing, custom communications and mobile solutions.

Transcontinental was established in 1976, has 10,000 employees in Canada and the United States, and reported revenues of $2 billion in 2011. Transcontinental recently acquired QuadGraphics' Canadian operations, which occupy 8000 Avenue Blaise-Pascal in Montréal, Quebec, and 275 Wellington Street East in Aurora, Ontario, together representing approximately 9% of our owned GLA. Transcontinental has an option under its leases to purchase each of 8000 Avenue Blaise-Pascal and 275 Wellington Street East, which option has been triggered by the Acquisition Agreement. Transcontinental has waived its option in respect of both properties. See "The REIT — Initial Properties".

Molson Breweries Properties Limited

Molson Breweries Properties Limited is a Subsidiary of Molson Coors Canada Inc., the Canadian operating arm of Molson Coors Brewing Company. Molson Coors Canada Inc. was founded in 1786 in Montréal, and is North America's oldest brewer. Its portfolio of brands includes Molson Canadian, Molson Dry, Molson Export, Coors Light, the Rickard's trademark, and several international partner brands including Corona, Heineken, Miller Genuine Draft and Foster's.

Molson Coors Canada Inc. is headquartered in Toronto, Ontario and has 3,000 employees in Canada. Molson Breweries Properties Limited occupies an approximately 225,000 square foot warehouse and distribution facility at 1900 Dickson Street in Montréal, Quebec, representing 4% of our owned GLA.

The Brick

The Brick, a publicly traded Canadian company (TSX: BRK), is headquartered in Edmonton, Alberta and engages in the retail and financial services industries in Canada. The retail segment consists of the sale of household furniture, decorative accessories, mattresses, appliances and home electronics, whereas the financial services segment offers extended warranties, credit insurance and retail purchase financing through third party credit providers. As of December 31, 2011, The Brick operated 232 retail stores in Canada under The Brick, United Furniture Warehouse, The Brick Mattress Store and Urban Brick retail banners.

The Brick was founded in 1971 and now operates over two million square feet of distribution space across six distribution centres, including at 10001 Metropolitan Boulevard East in Montréal, Quebec, representing 5% of our owned GLA.

Clean Harbors Industrial Services

Clean Harbors Industrial Services is a provider of industrial services solutions. It handles plant outages, turnarounds, and large tank and surface impoundment cleaning. Clean Harbors Industrial Services' customers are refineries, chemical plants, pulp and paper mills, and other industrial facilities.

Clean Harbors Industrial Services is a division of Clean Harbors Inc., a provider of environmental, energy, and industrial services throughout North America. Founded in 1980, Clean Harbors Inc. serves over

60,000 customers through more than 200 locations throughout North America in 37 U.S. states, seven Canadian provinces, Mexico, and Puerto Rico.

Clean Harbors Industrial Services occupies space in four properties that accounts for 1% of our owned GLA: 204 26229 Township Road, 531A in Parkland County (Edmonton), Alberta; 120 Pond Street East, Brooks, Alberta; 15301-100th Street in Grande Prairie, Alberta; and 6715-85th Avenue in Fort St. John, British Columbia.

Nellson Nutraceutical

Nellson Nutraceutical is a third party manufacturer and full service provider of nutrition bars, dry blend and health snacks in North America. The company's products are used in snacks, meal replacement and sports bars.

Nellson Nutraceutical is headquartered in Irwindale, California and has production facilities in Irwindale, Salt Lake City and Montréal. Nellson Nutraceutical occupies 1125 50th Avenue in Montréal, Quebec, representing 4% of our owned GLA.

Effigi Inc.

Effigi Inc. is a privately-held designer and developer of apparel and related accessories and home décor products. Products include everyday clothes, sportswear and outerwear, lingerie and sleepwear, shoes and fashion accessories, and home décor and kitchenware.

Effigi Inc. also owns and operates the Colimacon brand of baby clothing and maternity wear; other brands include Gagou Tagou, Romeo & Juliette, Black Mountain, and Tag. Effigi Inc. was founded in 1991 and is based out of our property at 1155 Autoroute Chomedey in Laval, Quebec, representing 2% of our owned GLA.

Access Distribution

Access Distribution is a division of Agrium Inc., a leading global producer and distributor of fertilizers and other agricultural products and services. Access Distribution provides warehousing and third party logistics services in Canada and the United States, specializing in the agricultural industry. Services include warehousing services, transportation service, packaging capabilities, and plastic recycling.

Access Distribution occupies an approximately 240,000 square foot space at 310 Henderson Drive in Regina, Saskatchewan, representing 4% of our owned GLA.

The Dollco Corporation

As of April 2012, The Dollco Corporation now operates as a Subsidiary of Lowe-Martin Company Inc., a provider of commercial and digital print, direct mail, warehousing and logistics, and e-Business solutions. Lowe-Martin Company Inc. was founded in 1908 and employs 320 people and operates printing plants in Ottawa and Mississauga.

The Dollco Corporation is a provider of various printing services, including magazine publishing and product marketing solutions. The Dollco Corporation received its original business charter in 1918 as the Dominion Loose Leaf Company and currently occupies 2340 St. Laurent Boulevard in Ottawa, representing 2% of our owned GLA.

Colabor Limited Partnership

Colabor Limited Partnership was founded in 1962 and is an integrated food marketing and distribution network held by Colabor Group Inc. Colabor Limited Partnership operates in Ontario, Quebec and Atlantic Canada. Colabor Limited Partnership warehouses food products that it supplies exclusively to wholesalers that then re-distribute the products to retail customers, food services (such as cafeterias) and national accounts. Colabor Limited Partnership distributes a total of 35,000 products from 550 suppliers and manufacturers to more than 25,000 points of sale and owns two private brands, namely, Multi Choix products and Menu products.

Colabor Limited Partnership occupies 580 Industrial Road in London, Ontario, representing 2% of our owned GLA.

Top Ten Initial Properties

The following is a summary description of the top ten Initial Properties as measured by their contribution to NOI, which collectively are estimated to generate approximately 38% of the forecast NOI of our interest in the Initial Properties. A full list of the Initial Properties is attached as Appendix A to this prospectus.

1411, 1421 and 1455 Rue Ampère, Boucherville, Quebec — we own 100% of this approximately 458,000 square foot industrial property located in suburban Montréal, adjacent to the Trans-Canada Highway. The property, which was completed in 1998 and renovated in 2002, is situated on 21.62 acres of land and has a clear ceiling height of 27 feet. The property is 100% leased to Spectra Premium until 2025. Spectra Premium has an option under its lease to purchase this property, which option has been triggered by the Acquisition Agreement, but which has been waived by Spectra Premium. See "The REIT — Initial Properties".

275 Wellington Street East, Aurora, Ontario — we own 100% of this approximately 317,000 square foot industrial property located in the north end of the Greater Toronto Area. The property, which was completed in 1986, is situated on 16.3 acres of land and has a clear ceiling height of 27 feet with a two-level office space component. The property is 100% leased to Transcontinental until 2022. Transcontinental has an option under its lease to purchase this property, which option has been triggered by the Acquisition Agreement, but which has been waived by Transcontinental. See "The REIT — Initial Properties".

1900 Dickson Street (Molson Distribution Centre), Montréal, Quebec — we own 100% of this approximately 225,000 square foot single storey warehouse with a 2-storey office component. The property sits on 17.1 acres of land, was completed in 2003, and has a clear ceiling height of 26 feet. The property is 100% leased to Molson Breweries Properties Ltd until 2022.

10001 Metropolitan Boulevard East, Montréal, Quebec — we own 100% of this approximately 327,000 square foot property situated on 28.5 acres of land located in Montréal. The single-storey property, which was completed in 2004, has a clear ceiling height of 41 feet and is 100% leased to The Brick until 2024.

310 Henderson Drive, Regina, Saskatchewan — we own 100% of this approximately 373,300 square foot property encompassing one-storey and two-storey multi-tenant industrial buildings. The property is situated on 24 acres of land, was completed in 1976 and has a clear ceiling height of 24 feet. The property is in close proximity to other assets in the portfolio and is 100% leased to Access Distribution, Supreme Office Products Limited and Watergroup Companies Inc.

1125 50th Avenue, Montréal, Quebec — we own 100% of this approximately 210,700 square foot, single-tenant industrial property with a two-storey office component. The property was constructed in 2000, has a clear ceiling height of 26 feet and is situated on 13.3 acres of land. The property is 100% leased to Nellson Nutraceutical until 2019.

1313 Autoroute Chomedey, Laval, Quebec — we own 100% of this approximately 184,500 square foot property located in suburban Montréal. The property, which was completed in 1999, has a clear ceiling height of 26 feet and is 100% leased to Spectra Premium until 2025. Spectra Premium has an option under its lease to purchase this property, which option has been triggered by the Acquisition Agreement, but which has been waived by Spectra Premium. See "The REIT — Initial Properties".

628 668 Henderson Drive (Chestmere), Regina, Saskatchewan — we own 100% of this approximately 163,800 square foot property located at 628 668 Henderson Drive (Chestmere) in Regina. The property sits on 9.1 acres of land, was completed in 1975, and has a clear ceiling height of 19 feet. The property is 99.9% leased to 26 tenants, the largest of which are Goodall Rubber Company of Canada and Co-operators Life Insurance Company.

15303 128th Avenue (Connect Building), Edmonton, Alberta — we own 100% of this approximately 178,000 square foot property located in the Mistatim Industrial Park in Edmonton. The property, which sits on 12.4 acres of land, was completed in 1977, renovated in 2004, and has a clear ceiling height of 25 feet. The property is 100% leased to McLeod Mercantile Ltd., Highland Moving & Storage Ltd., and Direct Right

Cartage 2001 Inc. The property includes surplus land that is zoned for industrial use and suitable for use as outside storage or for future expansion of the existing buildings.

1155 Autoroute Chomedey, Laval, Quebec — we own 100% of this approximately 115,500 square foot, single-tenant industrial property with a two-storey office component. The property was constructed in 1990, renovated in 2002, and has a clear ceiling height of 22 feet. The property is 100% leased to Effigi Inc.

VALUATION AND ASSESSMENTS OF THE INITIAL PROPERTIES

Independent Valuations

TD Securities, on behalf of the Underwriters and a special committee of independent trustees of Dundee REIT, jointly retained Colliers International (the "Appraiser") to provide an independent estimate of the market value of each of the Initial Properties (the "Appraisals"). Full narrative appraisals were prepared in conformity with the Canadian Uniform Standards of the Appraisal Institute of Canada. The Appraisal Institute defines market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; and (iv) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Based on the Appraisals as at August 1, 2012, the estimated aggregate market value of the Initial Properties (including the interest of the ROI Co-Owners in the ROI Co-Owned Properties) was approximately $654.5 million to $665.6 million.

To determine the full value of the Initial Properties, the Appraiser included in the above amounts a 2% to 4% portfolio premium to the aggregate value of the Initial Properties (excluding the interests of the ROI Co-Owners in the ROI Co-Owned Properties) which, in the Appraiser's professional experience, given the size and nature of the portfolio and current market condition, is warranted.

The Appraiser considered several approaches to estimating the market value of the Initial Properties, including the direct comparison approach and the income approach. The Appraiser selected the most relevant methodology for each property based on the nature and characteristics of the real estate under consideration. Generally, the Appraiser determined the market value of the Initial Properties using an income valuation approach (which utilized the direct capitalization approach). The direct comparison approach (which utilized the gross income multiplier approach and the sale price per square foot approach) was used to support the conclusion reached by the income valuation approach for the Initial Properties. These valuation methods are methods traditionally used by investors when acquiring properties of this nature. The Appraiser gave consideration to a forecast of income for each property based on a number of metrics, including market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses. The Appraiser visited each of the Initial Properties to assess location and general physical characteristics and estimated the highest and best use for each property. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In appraising the Initial Properties, the Appraiser assumed, among other things, that title to the Initial Properties was good and marketable and did not take into account issues such as, but not limited to, engineering, environmental, zoning, planning or related issues.

In determining the approximate market value of the Initial Properties, the Appraiser relied on operating and financial data provided by DPLP, including rent rolls, as well as public disclosures of recent leasing and sale transactions. For each property, the Appraiser discussed with management of DPLP the property's history, current tenant status and future prospects, reviewed historical operating results and reviewed management revenue and expense estimates for their reasonableness. Caution should be exercised in the evaluation and use of the results of the Appraisals. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraiser's internal forecasts of NOI for the Initial Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals.

Environmental Site Assessments

Each of the Initial Properties was the subject of a phase I environmental site assessment report or an updated phase 1 environmental site assessment (collectively, "Phase I ESA Reports") prepared by an independent environmental consultant for DPLP in June and July 2012.

The phase I environmental site assessments (including the updates) were completed in general accordance with Canadian Standards Association standards, including a review of readily available historical records, a review of readily accessible regulatory records, a site reconnaissance, interviews, an evaluation of information and reporting, subject to report limitations.

The purpose of these phase I environmental site assessments was to assess whether evidence of potential or actual environmental contamination exists at the Initial Properties. Intrusive sampling and analysis were not part of these phase I environmental site assessments. Environmental site assessments involving intrusive soil and/or groundwater sampling and analysis ("Phase II ESAs") were carried out at two of the Initial Properties in July and August of 2012. The purpose of these Phase II ESAs was to assess the issues of potential or actual environmental concern identified in the Phase I ESA Reports. More specifically, samples of soil and groundwater from the two properties were analyzed. The Phase II ESAs indicate that the concentration of contaminants in the soil and groundwater comply with the generic standard associated with immunity from certain environmental regulatory liabilities and no further work has been recommended at these two properties.

An indoor air quality assessment, a screening level human health risk assessment and a qualitative ecological risk assessment (collectively, the "Risk Assessment") is being carried out at one of the Initial Properties. The purpose of the Risk Assessment, ongoing since August 2011, was to determine if any environmental conditions at such Initial Properties represent an unacceptable risk to human and ecological receptors in soil and groundwater. For the one Initial Property at which the Risk Assessment is being conducted, the independent consultant has determined that there is no risk to human health posed by the contamination on site. Remedial work associated with the contamination is scheduled to continue through 2012, and conclude in 2013. All costs associated with this process are covered by an existing claim filed with DPLP's insurer, which will be assigned to Industrial Partnership.

We are not aware of any non-compliance with environmental laws at any of the Initial Properties that we believe would have a material adverse effect on us. We are not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Properties that would materially adversely affect us or the values of the Initial Properties, taken as a whole, as determined by the Appraiser. We will implement policies and procedures to assess, manage and monitor environmental conditions at the Initial Properties, and to manage exposure to potential liability.

Building Condition Assessments

Each of the Initial Properties have been the subject of certain building condition assessment reports prepared by an independent engineering firm for Dundee REIT in June and July of 2012.

Building condition assessment reports were prepared for each of the Initial Properties based on a visual walk-through for the purpose of assessing and documenting the existing condition of each of the Initial Properties, with specific attention to the exterior building envelope, but also including structural, mechanical, electrical, roofing and site elements. The reports catalogue repair work, deferred maintenance and capital maintenance that were observed during on-site reviews of the Initial Properties and provide an opinion of probable costs that could be anticipated for capital requirements relating to deferred maintenance and capital replacement which may be expected during the next ten years. Based on the building condition assessment reports, management believes that the Initial Properties are primarily well-maintained, in accordance with their use.

The building condition assessment reports identified approximately $35.5 million in possible capital expenditures relating to deferred maintenance and capital replacements over the next ten years. Of the estimated $12.3 million in costs identified in the building condition assessment reports over the next three years, we estimate $12.2 million of capital will be required, of which we estimate $11.5 million or 94.1%, will be either recoverable or paid directly by tenants.

Forecast Capital Expenditures ($000's)

	Immediate Cost	2013	2014	2015	Total
Direct Tenant Work	$ 40	$ 826	$ 831	$ 690	$ 2,387
Recoverable Expense	348	2,617	2,670	3,472	9,107
Non-recoverable Expense	—	20	660	35	715
Forecast Capital Expenditures	$388	$3,463	$4,161	$4,197	$12,209

Beyond the third year of our forecast, non-recoverable capital expenditures are estimated to be less than 5% of total capital expenditures.

As part of our annual asset review program, we will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Initial Properties remain competitive. We intend to manage capital expenditures prudently and maintain the physical improvements of the Initial Properties in good condition. We will also expend capital on upgrades where appropriate, especially if we believe that such spending will accelerate lease-up of vacant space and assist in the retention of expiring tenancies.

ASSET MANAGEMENT

Dundee Realty Corporation

DRC has approximately $12.8 billion of assets under management and is one of Canada's leading real estate companies.

DRC has in-depth experience with North American and European investors, and expertise in debt and equity capital markets, structured finance, real estate investments, acquisitions, dispositions, management and development across a broad spectrum of property types in diverse geographic markets. DRC carries out its own research and analysis, financial modeling, due diligence, budgeting and financial planning. DRC has an extensive network of Canadian and international joint venture partners, financial institutions, legal and tax advisors, brokers, operators and other real estate professionals.

DRC's achievements include having formed Dundee REIT (TSX: D.UN) in 2003 and Dundee International REIT (TSX: DI.UN) in 2011. DRC is the asset manager to both Dundee REIT and Dundee International REIT, and will be our asset manager following the Closing.

Dundee REIT (TSX: D.UN) is Canada's largest office real estate investment trust and has provided investors with a solid platform for growth and reliable cash flow. Over a ten year period, Dundee REIT and its predecessor company provided unitholders with average annual returns of approximately 17%. Dundee REIT's market capitalization was approximately $330.0 million at the time of its listing on the TSX in 2003. Since then, Dundee REIT has raised approximately $2.9 billion of gross proceeds through 22 public offerings of equity and convertible debentures, and completed over $7.2 billion in property acquisitions, including $2.4 billion of acquisitions in the first half of 2012. Unitholders of Dundee REIT received a cash payment of approximately $1.5 billion in 2007 following the completion of the sale of a significant portfolio of real estate assets. As at September 7, 2012, Dundee REIT had a current market capitalization of approximately $3.9 billion.

Dundee International REIT was the first Canadian pure-play international real estate investment trust. Dundee International REIT provides investors with the opportunity to invest in commercial real estate outside of Canada, with a focus on Germany. Since the completion of its initial public offering in August 2011, Dundee International REIT has provided its unitholders with a total return of 12.2% (to September 7, 2012), raised $93.1 million in gross proceeds through two public offerings of equity, and completed over $152.8 million of acquisitions.

Since 1996, the combined commercial property transaction volume of DRC, Dundee REIT and Dundee International REIT is approximately $12.5 billion.

Asset Management Agreement

DRC will be our asset manager. Pursuant to the Asset Management Agreement, DRC will provide us with the following asset management services:

(a) senior management team and related services including advisory, consultation and investment management services and monitor our financial performance;

(b) advise the Board of Trustees on strategic matters, including potential acquisitions, dispositions, financings and development;

(c) provide guidance to the property manager on operating and capital expenditures;

(d) identify, evaluate, recommend and assist in the structuring of acquisition, disposition and other transactions;

(e) advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors;

(f) make recommendations with respect to the payment of distributions;

(g) provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor our financial performance;

(h) advise us with respect to investor relations strategies and activities;

(i) advise with respect to regulatory compliance requirements, risk management policies and certain litigation matters; and

(j) any additional services as may from time to time be agreed to in writing by DRC and us for which DRC will be compensated on terms to be agreed upon between DRC and us prior to the provision of such services.

DRC may also provide us with certain administrative services under the Asset Management Agreement. See "Real Estate Management and Advisory Services — Other Services — Administrative Services under the Asset Management Agreement".

DRC will be entitled to the following fees for its asset management services:

- Base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the purchase price paid by the REIT for properties, (which, in respect of the Initial Properties, will be the sum of the purchase prices reflected in the Acquisition Agreement and the ROI Purchase Agreement).

- Incentive fee equal to 15% of our AFFO per Unit in excess of $0.80 per Unit, increasing annually by 50% of the increase in the consumer price index.

- Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures.

- Acquisition fee equal to: (a) 1.0% of the purchase price of a property, on the first $100 million of properties in each fiscal year; (b) 0.75% of the purchase price of a property on the next $100 million of properties acquired in each fiscal year; and (c) 0.50% of the purchase price on properties in excess of $200 million in each fiscal year. DRC will not receive an acquisition fee from us in respect of the

Acquisition; however, DRC will receive the applicable acquisition fee in respect of the ROI Transaction pursuant to the Asset Management Agreement.

- Financing fee equal to 0.25% of the debt and equity of all financing transactions completed for us to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions. DRC will not receive a financing fee in respect of the Acquisition, the ROI Transaction or the Offering.

In addition, we will reimburse DRC for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the Asset Management Agreement or such other services which we and DRC agree in writing are to be provided from time to time by DRC.

The Asset Management Agreement is for a term of ten years (the "Initial Term") and is renewable for further five year terms (the "Renewal Terms", and together with the Initial Term, the "Term"), unless and until the Asset Management Agreement is terminated in accordance with the provisions thereof. Subject only to the termination provisions in the Asset Management Agreement, DRC will automatically be rehired at the expiration of each Term. DRC has the right, at any time, but upon 180 days' notice, to terminate the Asset Management Agreement for any reason; provided, however, that DRC may not terminate the Asset Management Agreement during the Initial Term.

We will have the right to terminate the Asset Management Agreement upon an event of default or event of insolvency of DRC (within the meaning of such terms under the Asset Management Agreement) by giving notice to DRC, which notice shall provide the reason for termination in reasonable detail and shall be effective in accordance with the provisions of the Asset Management Agreement. We may also terminate the Asset Management Agreement at the end of a Term if the Independent Trustees determine that DRC has not been meeting its obligations under the Asset Management Agreement and such termination is approved by at least two-thirds of the votes cast by Unitholders at a meeting of Unitholders called and held for such purpose, provided that we provide DRC with at least 12 months' prior written notice of such termination.

KEY INVESTORS

Investment by Dundee Corporation

On Closing, Dundee Corporation will purchase 1,750,000 Units at the Offering Price, representing approximately 5.1% of the outstanding Units on a fully-exchanged basis (approximately 4.8% if the Over-Allotment Option is exercised in full). The REIT will receive proceeds of $17.5 million from this purchase. The Underwriters will not receive any underwriting or other fee in respect of the Units purchased by Dundee Corporation.

Dundee Corporation is an independent publicly-traded Canadian asset management company with expertise in real estate, resources, energy and infrastructure investments. Dundee Corporation's asset management activities are primarily conducted through Goodman Investment Counsel Inc., Dundee Real Estate Asset Management, the asset management division of DRC, Dundee Resources Limited, and Dundee Capital Markets Inc.

Investment by Michael J. Cooper

On Closing, Michael J. Cooper will purchase 750,000 Units at the Offering Price, representing approximately 2.2% of the outstanding Units on a fully-exchanged basis (approximately 2.1% if the Over-Allotment Option is exercised in full). The REIT will receive proceeds of $7.5 million from this purchase. The Underwriters will not receive any underwriting or other fee in respect of the Units purchased by Michael J. Cooper.

Michael J. Cooper is President and Chief Executive Officer of DRC, Vice Chair and Chief Executive Officer of Dundee REIT and Vice Chair of Dundee International REIT, in which capacities he is focused on strategy, acquisitions, capital markets and investor relations. He is also the Managing Partner of Dundee Real Estate Asset Management, DRC's asset management division.

Retained Interest by the Transferors

On Closing, it is expected that the Transferors will hold an approximate 47.1% effective interest in the REIT (on a fully-exchanged basis) through ownership of all of the issued and outstanding LP B Units (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full). Each LP B Unit will be exchangeable at the option of the holder for one Unit of the REIT, will be accompanied by one Special Trust Unit of the REIT (which provides for the same voting rights in the REIT as a Unit), and will receive distributions of cash from Industrial Partnership equal to the distributions on a Unit. See "Distribution Policy". The transfer of LP B Units is subject to a number of restrictions. See "Industrial Partnership — Transfer of LP Units". DPLP has indicated that in the future, and subject to valuation and market conditions, it intends to reduce the interests of the Transferors in the REIT.

Exchange Rights

On Closing, the REIT, Industrial Partnership and the Transferors who hold LP B Units will enter into the Exchange Agreement, pursuant to which the REIT agrees, among other things, with Industrial Partnership and the holders of the LP B Units to issue Units upon the exchange of LP B Units in accordance with their terms or upon the election of a holder of LP B Units to receive distributions on LP B Units in the form of Units on a basis equivalent to the rights of Unitholders participating in the DRIP. Upon an exchange, the corresponding number of Special Trust Units will be cancelled. Collectively, the rights granted by the REIT to require the REIT to issue Units are referred to as the "exchange right". This prospectus also qualifies the grant of the exchange right by the REIT in respect of the LP B Units.

A holder of a LP B Unit will have the right to initiate the exchange procedure at any time so long as each of the following conditions have been satisfied:

(a) the exchange would not cause the REIT to cease to qualify as, or cause a significant risk to the REIT's status as, a "mutual fund trust" or "real estate investment trust" under the Tax Act or cause or create a significant risk that would cause the REIT to be subject to tax under paragraph 122(1)(b) of the Tax Act;

(b) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange right; and

(c) the person receiving the Units upon the exercise of the exchange right complies with all applicable securities laws and stock exchange requirements.

The Exchange Agreement also provides for the right of the REIT to require the holders of all but not less than all of the LP B Units to exchange their LP B Units if:

(a) the total number of Units for which all outstanding LP B Units are exchangeable is less than 1% of the number of LP B Units issued on Closing; or

(b) there occurs or is about to occur any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the REIT or interests therein or thereto, or sale of all or substantially all of the assets of the REIT, or similar transaction involving the REIT or a Subsidiary of the REIT or any proposal to do any of the foregoing (other than in connection with a transaction involving one or more of such entities pursuant to which all of the assets of such entity or entities are transferred to the REIT or another wholly-owned direct or indirect Subsidiary of the REIT) and the Board of Trustees determine that it is not reasonably practicable to substantially replicate the terms and conditions of the LP B Units in connection with such transaction and that the exchange of all but not less than all of the outstanding LP B Units is necessary to enable the completion of such transaction in accordance with its terms.

The Exchange Agreement also provides for the automatic exchange of LP B Units for Units in the event of a liquidation, dissolution or winding-up of the REIT.

Registration Rights

The Exchange Agreement will provide DPLP (on behalf of itself and the Transferors who hold LP B Units) with the right (the "Piggy-Back Registration Right"), among others, to require the REIT to include Units held by such securityholders, including Units issuable upon exchange of LP B Units, in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "Piggy-Back Distribution"). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units DPLP requests to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Exchange Agreement will provide DPLP (on behalf of itself and the Transferors who hold LP B Units) with the right (the "Demand Registration Right") to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held by such securityholders, including Units issuable upon the exchange of LP B Units, for distribution (a "Demand Distribution"). Each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least $15.0 million. The REIT may distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to the selling securityholders.

Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time from 180 days following Closing, provided that the Transferors collectively own at least 10% of the Units (on a fully-exchanged basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to various conditions and limitations, and the REIT will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by the Transferors and the fees of the Transferors' external legal counsel will be borne by the Transferors. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and the Transferors on a proportionate basis according to the number of Units distributed by each. Pursuant to the Exchange Agreement, the REIT will indemnify the Transferors for any misrepresentation in a prospectus under which the Transferors' Units are distributed (other than in respect of any information provided by the Transferors, in respect of the Transferors, for inclusion in the prospectus) and the Transferors will indemnify the REIT for any information provided by the Transferors, in respect of the Transferors, for inclusion in the prospectus.

Tag/Drag Rights

The Exchange Agreement will provide that if the Transferors collectively own at least 10% of the Units (on a fully-exchanged basis), and DPLP so requests, the REIT will cause, in respect of Industrial Partnership, a purchaser (other than the REIT or an Affiliate of the REIT) of securities of Industrial Partnership owned by the REIT (or any permitted assignee) to purchase a *pro rata* portion of the securities of Industrial Partnership owned by the Transferors, on substantially the same terms and subject to the same conditions as are applicable to the purchase by the purchaser of securities of Industrial Partnership held by the REIT. If the Transferors, collectively, or any permitted assignees, collectively, hold in aggregate less than 10% of the Units (on a fully-exchanged basis), the REIT will be entitled, in connection with the direct or indirect sale of all of its securities of Industrial Partnership, to require the Transferors or any permitted assignee to sell their securities in Industrial Partnership on the same terms and conditions as are applicable to the REIT's direct or indirect sale of all other interests in Industrial Partnership, and upon the REIT making such request and completing such sale, the Transferors or any permitted assignee will have no further interest in Industrial Partnership.

Assignment

The Exchange Agreement is not assignable by the Transferors without the REIT's prior written consent other than to one or more Affiliates of DPLP, provided such entity remains an Affiliate of DPLP. The transfer of LP B Units is subject to a number of restrictions. See "Industrial Partnership — Transfer of LP Units".

DEBT STRATEGY

Future Debt Strategy

We intend to maintain a balanced debt profile, taking into account market conditions and the financial characteristics of each property. Our future debt strategy will be to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit re-financing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable.

We will use debt level indicators and cash flow measures to assess our ability to meet our financing obligations. We intend to target a total indebtedness level at or below 55% of gross book value. Acquiring unencumbered properties will provide added flexibility to our capital structure as we will be able to place financing on them at a later date to take advantage of a buying opportunity or to replace expiring debt when refinancing options are limited or expensive. To monitor cash flow, we will monitor our interest coverage ratio and debt-to-EBITDA ratio. Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times.

Debt Composition

We intend to finance the acquisition of the Initial Properties and its ongoing operations with a combination of fixed rate secured debt with staggered maturities and floating rate secured revolving debt. The fixed rate debt is expected to initially be comprised of the Assumed Mortgages and the floating rate secured debt will be incurred pursuant to the Credit Facility.

We estimate that on Closing, our aggregate indebtedness, including the Assumed Mortgages and amounts drawn under the Credit Facility, will be approximately $336.6 million, including a mark-to-market adjustment of approximately $14.1 million on certain Assumed Mortgages. Total indebtedness is estimated to represent approximately 51.0% of gross book value at Closing. Excluding the mark-to-market adjustment, our aggregate indebtedness would be equal to approximately $322.5 million, representing approximately 48.9% of gross book value.

Assumed Mortgages

Our aggregate indebtedness includes Assumed Mortgages of approximately $314.0 million (excluding mark-to-market adjustments). These mortgages will have varying maturities ranging from June 1, 2013 through to September 1, 2021. At Closing, the Assumed Mortgages are expected to have a weighted average term to maturity and a weighted average effective interest rate of approximately 5.0 years and 4.65%, respectively.

Included in the Assumed Mortgages are loans in the aggregate amount of $42.0 million that are currently being sourced by DPLP on certain unencumbered Initial Properties where debt has recently been paid off. DPLP is in the process of assessing expressions of interest from various lenders for a mix of five, seven and ten year mortgages with standard market terms. We expect these mortgage financings to be completed prior to or shortly after the Closing. In the event that any of these contemplated new mortgage financings are not completed on or prior to the Closing, DPLP has agreed that the consideration due from Industrial Partnership in connection with the Acquisition will include a note ("Mortgage Note") of up to $42.0 million. The Mortgage Note would be due and payable on the later of (i) the closing and funding of the last of the outstanding financings, and (ii) January 2, 2013, and shall be unsecured with an interest rate of 3.10% per annum calculated on a semi-annual basis both before and after maturity, default and judgment.

In the event that a Transferor is not released from its obligations under an Assumed Mortgage, Industrial Partnership will indemnify such Transferor from any claims made against such Transferor pursuant to such Assumed Mortgage. All costs and expenses relating to Industrial Partnership's assumption of the Assumed Mortgages will be shared equally between DPLP and Industrial Partnership.

Debt Maturities

The Assumed Mortgages are characterized by a staggered maturity profile, with less than 21% of total debt repayments scheduled to occur within the first three calendar years of Closing. Moreover, no single mortgage maturity represents more than 6.7% of total mortgage debt. The following table sets out the principal instalments and maturity balances on the Assumed Mortgages to be paid over each of the ten calendar years following Closing (assuming such debt is not renewed at maturity).

Year	Principal Payments ($000s)	Balance Due on Maturity ($000s)	Total Debt Repayments ($000s)	% of Total
2012	1,564	—	1,564	0.5%
2013	9,636	1,299	10,936	3.5%
2014	9,433	42,426	51,859	16.5%
2015	8,693	60,293	68,986	22.0%
2016	6,607	61,056	67,663	21.6%
2017	5,088	13,653	18,741	6.0%
2018	5,037	—	5,037	1.6%
2019	4,433	26,675	31,108	9.9%
2020	2,468	—	2,468	0.8%
2021	1,300	54,302	55,602	17.7%
Total	**54,259**	**259,704**	**313,964**	**100.0%**

Weighted Average Interest Rate(1)	4.65%
Weighted Average Term to Maturity	5.0 years

Notes:

(1) Face rates as opposed to fair value rates.

Revolving Credit Facility

On Closing, we anticipate that Industrial Partnership will enter into the Credit Facility to partially fund amounts payable in connection with the Acquisition and for general trust purposes. Industrial Partnership will be liable as a primary obligor or otherwise for the facility. We anticipate that the facility will be available up to a maximum amount of $35.0 million and will generally bear interest at the bank's prime rate or bankers' acceptance rate plus a spread of 1.9%. On Closing, we intend to draw approximately $8.5 million on the Credit Facility to partially fund amounts payable in connection with the Acquisition.

NON-IFRS RECONCILIATION

The following table reconciles forecast net income to FFO and AFFO (See "Non-IFRS Measures" and "Financial Forecast").

(in thousands of Canadian dollars, except per Unit amounts)	Three-month periods ending Dec 31, 2012	Mar 31, 2013	Jun 30, 2013	Sept 30, 2013	Twelve-month period ending Sept 30, 2013
Net income for the period	$2,329	$5,300	$5,190	$5,377	$18,196
Add/(Deduct)					
Fair value adjustments to investment properties	—	—	—	—	—
Interest expense on LP B Units	2,706	2,706	2,706	2,706	10,824
Acquisition-related costs	3,000	—	—	—	3,000
Amortization of tenant incentives	17	35	52	69	173
Fair value adjustments to financial instruments	—	—	—	—	—
FFO	8,052	8,041	7,948	8,152	32,193
Add/(Deduct):					
Amortization of fair value adjustment on assumed debt	(887)	(862)	(859)	(851)	(3,459)
Amortization of deferred financing costs	20	20	20	20	80
Straight-line rent	(452)	(464)	(424)	(401)	(1,741)
Deferred compensation expense	155	155	155	155	620
Leasing cost reserve	(550)	(550)	(550)	(550)	(2,200)
Capital expenditure reserve	(330)	(330)	(330)	(330)	(1,320)
AFFO	$6,008	$6,010	$5,960	$6,195	$24,173
FFO/Unit[(1)]	$ 0.24	$ 0.24	$ 0.23	$ 0.24	$ 0.95
AFFO/Unit[(1)]	$ 0.18	$ 0.18	$ 0.17	$ 0.18	$ 0.71

Notes

(1) Forecast FFO and AFFO per Unit amounts are based on 34,034,600 Units outstanding during the period, including 16,034,600 Units issuable on exchange of LP B Units.

FINANCIAL FORECAST

The following financial forecast was prepared by DPLP on behalf of the REIT, using assumptions with an effective date of September 7, 2012, and was approved by our Board of Trustees on September 26, 2012. Pursuant to applicable securities laws, we will be required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany our annual or interim Management's Discussion and Analysis for the relevant periods.

The forecast has been prepared in accordance with the measurement, presentation and disclosure of financial forecasts established by The Canadian Institute of Chartered Accountants ("CICA") and provided in Part V to the CICA Handbook — Accounting. The forecast has been prepared using assumptions that reflect management's intended courses of action for us for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing will occur on October 1, 2012.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See also "Forward-Looking Information".

The financial forecast should be read in conjunction with our unaudited pro forma consolidated financial statements, our audited opening balance sheet and the audited carve-out financial statements and unaudited interim condensed carve-out financial statements of the Initial Properties contained in this prospectus. See "Index to Financial Statements".

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Board of Trustees of Dundee Industrial Real Estate Investment Trust

The accompanying consolidated financial forecast of Dundee Industrial Real Estate Investment Trust (the "REIT"), consisting of the consolidated statements of forecast net income and comprehensive income for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 and the twelve-month period ending September 30, 2013, has been prepared by management using assumptions with an effective date of September 7, 2012. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline set out in The Canadian Institute of Chartered Accountants Handbook — Assurance. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the forecast;
- this forecast reflects such assumptions; and
- the consolidated financial forecast complies with the presentation and disclosure standards for forecasts set out in Part V to The Canadian Institute of Chartered Accountants Handbook — Accounting.

Since this consolidated financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
September 26, 2012

CONSOLIDATED STATEMENTS OF FORECAST NET INCOME AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars)	**Three-month periods ending**				**Twelve-month period ending**
	Dec 31, 2012	**Mar 31, 2013**	**June 30, 2013**	**Sept 30, 2013**	**Sept 30, 2013**
Investment properties revenue	$15,365	$15,370	$15,249	$15,431	$ 61,415
Investment properties operating expenses	(3,472)	(3,494)	(3,497)	(3,500)	(13,963)
Net rental income	11,893	11,876	11,752	11,931	47,452
Other income and expenses					
General and administrative	(1,020)	(1,020)	(1,020)	(1,020)	(4,080)
Fair value adjustments to investment properties	—	—	—	—	—
Interest					
Debt	(2,838)	(2,850)	(2,836)	(2,828)	(11,352)
LP B Units	(2,706)	(2,706)	(2,706)	(2,706)	(10,824)
Acquisition related costs	(3,000)	—	—	—	(3,000)
Fair value adjustments to financial instruments	—	—	—	—	—
Net income and comprehensive income	$ 2,329	$ 5,300	$ 5,190	$ 5,377	$ 18,196

See accompanying notes to consolidated statements of forecast net income and comprehensive income

1. PURPOSE OF THE FINANCIAL FORECAST

This financial forecast has been prepared by management of Dundee Properties Limited Partnership ("DPLP") on behalf of Dundee Industrial Real Estate Investment Trust (the "REIT") for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. BASIS OF PRESENTATION OF FINANCIAL FORECAST

The REIT is a recently created unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust. In connection with DPLP's formation of the REIT, DPLP contributed $10.00 in cash to the REIT. DPLP is a subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT"). The REIT was established under the laws of the Province of Ontario. The REIT has been formed to indirectly acquire from DPLP and from certain limited partnerships which are Affiliates of Return on Innovation Capital Ltd. (the "ROI Co-Owners") their respective interests in a portfolio of 77 industrial properties (the "Initial Properties").

This financial forecast consists of the consolidated statements of forecast net income and comprehensive income of the REIT for the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 and for the twelve-month period ending September 30, 2013. This financial forecast has been prepared by management of DPLP, on behalf of the REIT, using assumptions with an effective date of September 7, 2012 and reflects the assumptions described in note 4.

The financial forecast has been prepared using assumptions that reflect management's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. This financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed in our annual or interim Management's Discussion and Analysis for such periods. The actual results achieved during the forecast periods will vary from the forecast results, and these variations may be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial forecast has been prepared in accordance with the measurement, presentation and disclosure framework for financial forecasts established by The Canadian Institute of Chartered Accountants ("CICA") provided in Part V to the CICA Handbook — Accounting, and reflects accounting policies that will be applied by the REIT which are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(a) Investment properties

Investment properties are initially recorded at cost and include industrial properties held to earn rental income and/or for capital appreciation. The REIT follows the fair-value model to measure the investment properties, determined based on available market evidence, at each balance sheet date. Related fair value gains and losses are recorded in net income in the period in which they arise.

(b) Revenue recognition

Revenue includes base rents earned from tenants under lease agreements, realty tax and operating cost recoveries, lease termination fees, parking revenue and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Tenant incentives that do not provide benefits beyond the initial lease term are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

(c) Business combinations

For acquisitions meeting the definition of a business, the purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the REIT's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the REIT's share of the net assets acquired, the difference is recognized directly in the net income for the

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

year as a gain from a bargain purchase. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

(d) Joint arrangements

The REIT reports its interests in co-ownerships using proportionate consolidation. Accordingly, the REIT recognizes its proportionate share of the assets, liabilities, revenue and expenses of the co-owned properties.

(e) Deferred unit incentive plan

The REIT will have a Deferred Unit Incentive Plan that provides for the grant of Deferred Trust Units to Trustees, officers and employees. Unvested Deferred Trust Units are recorded as a liability and compensation expense over the vesting period based upon the fair value of the Deferred Trust Units. Once vested, the liability is remeasured at each reporting date at fair value with changes in fair value being recognized in net income.

(f) Income taxes

The REIT intends to qualify as a mutual fund trust under the *Income Tax Act* (Canada). The Trustees intend to distribute all taxable income directly earned by the REIT to Unitholders and to deduct such distributions for income tax purposes.

The legislation relating to the federal income taxation of a Specified Investment Flow Through ("SIFT") trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFTS's taxable income and the SIFT will be subject to tax on such distribution at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it will meet the REIT Conditions and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statements of forecast net income and comprehensive income in respect of the REIT.

(g) Units and LP B Units

The Units are redeemable at the holder's option. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within International Accounting Standards ("IAS") 32 — Financial Instruments: Presentation. The Class B LP Units ("LP B Units") of Dundee Industrial Limited Partnership ("Industrial Partnership") will be economically equivalent to Units, will receive distributions equal to the distributions paid on Units and will be exchangeable at the holder's option into Units. One Special Trust Unit in the REIT will also be issued to the holder for each LP B Unit issued. However, the limited IAS 32 exception for presentation as equity does not extend to the LP B Units. As a result, the LP B Units have been classified as financial liabilities and are carried at amortized cost. The amortized cost is measured every period by reference to the fair value of the Units, with changes in measurement recorded in net income. Distributions declared on the LP B Units are presented as interest expense in the consolidated statements of forecast net income and comprehensive income.

4. SIGNIFICANT ASSUMPTIONS

(a) Transactions:

The following transactions contemplated by the prospectus are scheduled to close no later than October 15, 2012 (the "Closing"). For purposes of this financial forecast, it is assumed that the Closing of the transactions contemplated by this prospectus occurred on October 1, 2012.

(i) Initial public offering

The REIT is assumed to complete the issue of Units to the public pursuant to the Offering for gross proceeds of $155,000 through the issuance of 15,500,000 Units at a price of $10.00 per Unit.

(ii) Units issued to Dundee Corporation

The REIT is assumed to complete the issue of Units to Dundee Corporation for gross proceeds of $17,500 through the issuance of 1,750,000 Units at a price of $10.00 per Unit.

4. SIGNIFICANT ASSUMPTIONS (Continued)

(iii) Units issued to Michael J. Cooper

The REIT is assumed to complete the issue of Units to Michael J. Cooper for gross proceeds of $7,500 through the issuance of 750,000 Units at a price of $10.00 per Unit.

Costs relating to the issuance of Units described in 4(i), 4(ii) and 4(iii) above, including underwriters' fees on Units issued to the public, are forecasted to be $13,832 and are charged directly to Unitholders' Equity. No underwriters' fees will be charged in relation to the issuance of Units to Dundee Corporation and Michael J. Cooper.

(iv) LP B Units issued to Dundee REIT

Industrial Partnership is assumed to complete the issue of LP B Units to Dundee REIT for $160,346 through the issuance of 16,034,600 LP B Units at a price of $10.00 per Unit.

(v) Acquisitions

On Closing, it is assumed that the REIT will acquire from a subsidiary of Dundee REIT its interest in the Initial Properties (the "Acquisition") and the ROI Co-Owners' respective interests in certain of the Initial Properties (the "ROI Transaction"), which will be accounted for as a business combination. Acquisition costs are forecasted to be $3,000, and are charged directly to forecasted net income. Included in acquisition costs is an estimated acquisition fee of $840 that will be payable to Dundee Realty Corporation in respect of the ROI Transaction, pursuant to the proposed Asset Management Agreement.

Upon closing, the REIT will recognize identifiable assets acquired and liabilities and contingent liabilities assumed measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the REIT's share of the identifiable net assets acquired will be recorded as goodwill. The forecast assumes mark-to-market adjustments of $14,088 relating to assumed debt calculated based on estimated market rates applicable to the mortgage portfolio ranging between 2.91% and 3.78%. The market interest rate assumptions used to calculate the fair value of the mortgage portfolio results in an average effective annual interest rate on property debt of 3.28%.

The actual net assets acquired by the REIT will be based on the assets acquired and liabilities assumed at the effective date of the Acquisition and the ROI Transaction and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the amounts above and the variation may be material.

(vi) Operating facility

Upon closing, the REIT will enter into a $35,000 operating credit facility at an interest rate of the banker's acceptance rate plus 1.9% with $8,511 drawn at Closing. Forecasted transaction costs amount to $151 and will be amortized over the term of the facility.

(b) Capital and leasing expenditures

Non-recoverable capital expenditures for ongoing repairs, maintenance and the replacement of capital items in respect of the investment properties are forecast to be approximately $1,320 ($330 for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013). Leasing expenditures (comprised of tenant improvements and leasing costs) are forecast to be approximately $2,200 ($550 for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013). These costs are estimated on a normalized basis and may vary with actual results depending on leasing activity and capital requirements. Capital and leasing expenditures are to be paid by us and will be financed through non-distributed cash generated from operations, working capital and/or new mortgage financing.

(c) Investment properties revenue

Forecast revenue from investment properties is based on rents from existing leases as well as potential income from leasing space that is vacant and re-leasing of space that becomes vacant during the forecast period at renewal rates based on market rates.

Rental revenue includes all rental income receivable from the Initial Properties, including base rents earned from tenants under lease agreements, realty tax and operating cost recoveries, lease termination fees, parking revenue, management fees and other incidental income. In preparing this financial forecast, it is assumed that substantially all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period, subject to estimated credit losses based on historical levels. Included in investment properties revenue for the twelve-month period ending September 30, 2013 is a reduction of $173 for amortization of tenant incentives ($17, $35, $52 and $69 for the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively).

4. SIGNIFICANT ASSUMPTIONS (Continued)

The assumed weighted average occupancy at the beginning of the forecast period is 96.8%. Leases covering approximately 10% of the total rentable space of the Initial Properties expire during the forecast period. As a result of renewals and new leasing, the assumed weighted average occupancy is 96.6% as at September 30, 2013. In addition, a vacancy allowance of approximately 1% of base rental revenue was assumed during the forecast period.

Investment properties revenue includes a straight-line rent adjustment of $1,741 for the twelve months ending September 30, 2013 ($452, $464, $424 and $401 for the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively).

(d) Operating costs

Operating costs of the investment properties have been forecast with reference to the operating plans and budgets for the Initial Properties and are consistent with the re-leasing assumptions in note 4(c). This financial forecast reflects historical data adjusted for changes in costs due to inflation, estimated to be 2% during the forecast period, and other market trends and anticipated changes in realty tax rates. The major components of operating costs consist of realty taxes, utilities, cleaning, insurance, repairs and maintenance, security and notional amortization of recoverable building improvements.

(e) Interest expense

Interest expense is based on interest rates on specific property mortgages. Interest expense for the forecast period has been reduced by $3,459 for the twelve months ending September 30, 2013 ($887, $862, $859 and $851 for the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively) to reflect the amortization of mark-to-mark debt adjustment upon the acquisition of the Initial Properties with an effective annual interest rate of 3.28%. It is assumed that no amount will be capitalized during the forecast period.

Interest expense includes $522 ($115, $124, $133 and $150 for the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively) estimated interest expense on amounts drawn and amortization of financing costs associated with the operating credit facility. Interest expense on the operating credit facility has been calculated assuming an annual interest rate of 3.11%. Interest expense includes amortization of transaction costs amounting to $80 for the twelve months ending September 30, 2013 ($20 for each of the three month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013).

Interest expense also includes distributions estimated to be declared on LP B Units of $10,824 for the twelve-month period ending September 30, 2013 ($2,706 for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013). Expected distributions on the LP B Units were calculated to provide an expected annual yield of 6.75%.

(f) General and administrative expenses

General and administrative expenses reflect management's best estimate of audit and legal fees, trustee fees, regulatory costs, annual report costs, transfer agent fees, insurance costs and deferred unit compensation. Deferred unit compensation expense included in the general and administrative expenses amounts to $620 for the forecast period ($155 for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013), assuming that 120,000 deferred units will be granted in the three-month period ending December 31, 2012, the fair value of a deferred unit will approximate $10.00 and that deferred units will vest as follows:

- 75,000 deferred units over five years with one-fifth of the deferred units granted vesting on each anniversary of the grant date for a period of five years
- 45,000 deferred units over three years with one-third of the deferred units granted vesting on each anniversary of the grant date for a period of three years

General and administrative expenses also include base annual management fees incurred under the Asset Management Agreement of $1,650 for the forecast period ($412 for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013) calculated annually as 0.25% of the purchase price of the Initial Properties.

(g) Acquisitions and dispositions of investment properties

This financial forecast does not reflect any potential sales or acquisitions of investment properties other than the Acquisition and the ROI Transaction discussed in note 4(a)(v). However, it is possible that we will make purchases and sales of investment properties during the forecast period, which will only be undertaken on a basis considered by management to be advantageous to us and as approved by the Trustees.

4. SIGNIFICANT ASSUMPTIONS (Continued)

(h) Income taxes

We assume that on Closing, the REIT will qualify as a mutual fund trust and will not be a SIFT as described in note 3(f). Accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in this financial forecast in respect of the REIT.

(i) Fair value change to investment properties and LP B Units

We have adopted the fair value model for accounting for investment properties requiring the fair value of the property to be determined at each reporting date. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, this financial forecast does not reflect any change in the fair values of the investment properties. For illustrative purposes, if the capitalization rate were increased by 25 basis points ("bps"), the investment properties balance would decrease by $23,883; if the capitalization rate were decreased by 25 bps, the investment properties balance would increase by $25,133.

LP B Units will be adjusted to their fair values at each reporting period with changes in fair value recorded in net income (see description in note 3(g)). For purposes of this financial forecast, no change in fair values of the LP B Units has been assumed. For illustrative purposes, a 1% change in the market value of a Unit (the LP B Units of Industrial Partnership will be economically equivalent to the Units) will result in fair value change of $1,603.

(j) Other matters

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

5. COMMITMENT AND CONTINGENCIES

The REIT has ongoing commitments related to leasing expenditures incurred in the ordinary course of business.

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

Overview

The following discusses the financial condition and results of operations and changes thereto of the historical information relating to: (i) DPLP's interest in the applicable Initial Properties, which we refer to as the "Dundee Initial Properties"; (ii) Whiterock's interest in the applicable Initial Properties, which we refer to as the "Whiterock Initial Properties"; and (iii) the ROI Co-Owners' interest in the applicable Initial Properties, which we refer to as the "ROI Co-Owned Properties", and should be read in conjunction with the audited carve-out financial statements as at and for the years ending December 31, 2011 and 2010 and the years ending December 31, 2010 and 2009 and the accompanying notes and unaudited condensed interim carve-out financial statements as at and for the three and six months ended June 30, 2012 and the accompanying notes, in each case, included elsewhere in this prospectus. This MD&A is based on information available to management as at September 24, 2012.

The Initial Properties consist of interests in 77 industrial properties located in Canada that are owned or co-owned directly or indirectly by DPLP as at June 30, 2012.

The Dundee Initial Properties consist of 57 of the Initial Properties (including one co-ownership interest) that were acquired indirectly by DPLP or its predecessor plus the 20 Whiterock Initial Properties from the date Whiterock was acquired by Dundee REIT on March 2, 2012. DPLP's interests in these properties are reflected in the Carve-Out and Interim Carve-Out Financial Statements of Dundee Initial Properties included elsewhere in this prospectus.

The Whiterock Initial Properties consist of 20 of the Initial Properties that were owned or co-owned indirectly by Whiterock. Whiterock's interests in these properties, which includes Whiterock's proportionate share in the seven ROI Co-Owned Properties, are reflected in the Carve-Out and Interim Carve-Out Financial Statements of Whiterock Initial Properties included elsewhere in this prospectus for periods up to and including March 1, 2012. DPLP's interest in the Whiterock Initial Properties, including DPLP's proportionate share in the ROI Co-Owned Properties, are reflected in the Interim Carve-Out Financial Statements of Dundee Initial Properties included elsewhere in this prospectus for the period from and after March 2, 2012.

The ROI Co-Owned Properties consist of seven of the Whiterock Initial Properties that were co-owned by Whiterock and the ROI Co-Owners. The ROI Co-Owner's proportionate share in these properties is reflected in the Carve-Out and Interim Carve-Out Financial Statements of ROI Co-Owned Properties included elsewhere in this prospectus.

During the six months ended June 30, 2012, DPLP acquired interests in the 20 Whiterock Initial Properties that are included in the Initial Properties and in the year ended December 31, 2011, DPLP acquired 10 properties (year ended December 31, 2010 — nine properties) that are included in the Initial Properties.

During the six months ended June 30, 2012, Whiterock owned or co-owned 20 properties that are included in the Initial Properties and in the year ended December 31, 2011, Whiterock owned or co-owned 20 properties (year ended December 31, 2010 — 17 properties) that are included in the Initial Properties.

During the six months ended June 30, 2012, the ROI Co-Owners co-owned interests in seven properties that are included in the Initial Properties and in the year ended December 31, 2011, the ROI Co-Owners co-owned interests in seven properties (year ended December 31, 2010 — five properties) that are included in the Initial Properties.

The following discussion includes results for the three and six months ended June 30, 2012 and 2011 and the years ended December 31, 2011 and 2010 (determined in accordance with IFRS), and results for the years ended December 31, 2010 and 2009 (determined in accordance with Canadian generally accepted accounting principles ("GAAP") prior to our adoption of IFRS).

The Initial Properties are not a legal entity and are comprised of investment properties. Each of the carve-out financial statements of the Initial Properties have been prepared for the purpose of this prospectus under IFRS or GAAP as a method of presenting historical property information relating thereto. The carve-out financial statements depict DPLP's, Whiterock's and the ROI Co-Owners' respective historical investments in the net assets of the Initial Properties and include the assets, liabilities, revenue and operating expenses associated with owning and operating these properties. Due to the inherent limitations of carving out activities from larger entities, these carve-out financial statements may not necessarily reflect the results of operations, financial position, and cash flows of the Initial Properties for future periods, nor do they reflect the results of operations, financial position, and cash flows that would have been realized had the Initial Properties been held in a stand-alone entity during the periods presented.

All amounts in our tables, other than percentages, are stated in thousands of Canadian dollars unless otherwise noted. For the purpose of this section, "NOI" means net operating income and is defined as property income, which includes rental income, less directly attributable property operating expenses.

Historical Occupancy

Historical and forecast occupancy rates on a weighted average basis for the 77 Initial Properties are presented elsewhere in this prospectus. See "The Initial Properties — Occupancy and Leasing". The following management's discussion and analysis separately discusses the results of operations for the Dundee Initial Properties, the Whiterock Initial Properties and the ROI Co-Owned Properties. For the purposes of the following discussion, the historical weighted-average occupancy rates for the Dundee Initial Properties, the Whiterock Initial Properties and the ROI Co-Owned Properties are set out in the following table for the period or year ended as of the date shown:

	June 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Dundee Initial Properties	97%	96%	89%	89%
Whiterock Initial Properties	98%	97%	93%	90%
ROI Co-Owned Properties	99%	100%	100%	99%
Weighted Average Occupancy of Initial Properties	**97%**	**97%**	**93%**	**91%**

As at December 31, 2009, the Dundee Initial Properties consisted entirely of properties located in Alberta. Lower occupancy rates in 2009 and 2010 were attributable to a weakening in the broader national economy and specifically in Alberta, where there was a reliance on the energy sector. The Dundee Initial Properties benefited from an increased demand for industrial space as the energy based economy of Alberta improved, along with the general economic condition of Canada, beginning in early 2010 and throughout 2011. Moreover, with acquisitions that were completed in 2010 and 2011, including the acquisition of Realex Properties Corp. on February 8, 2011, the Dundee Initial Properties became more geographically diversified with assets in Ontario, Quebec, Nova Scotia and British Columbia. The increase in occupancy rates for the Dundee Initial Properties in 2011 and 2012 reflected both acquisitions of properties with higher relative occupancy rates than the existing portfolio, and the impact of improved economic conditions in Canada. Similar to the Dundee Initial Properties in 2009, the Whiterock Initial Properties were impacted by the general downturn of economic conditions throughout Canada. The recovery in occupancy rates for the Whiterock Initial Properties through 2010 and 2011 reflected increased demand for industrial space, particularly in Saskatchewan where vacancy rates were below the national average, as well as higher leasing activity in Ontario and New Brunswick.

Non-IFRS and Non-GAAP Measures

All financial information has been prepared in accordance with IFRS or GAAP. However, this MD&A also contains certain non-IFRS or non-GAAP financial measures including NOI, since this measure is commonly used by entities in the real estate industry as a useful metric for measuring performance. However, the measure does not have a standardized meaning prescribed by IFRS or GAAP and is not necessarily comparable to similar measures presented by other publicly traded entities. This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS or GAAP.

DUNDEE INITIAL PROPERTIES

Dundee Initial Properties — Discussion of the three and six months ended June 30, 2012 and 2011

Key Performance Indicators

Performance is measured by these and other key indicators:

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Operations		
Occupancy rate[1]	96.8%	95.7%
In-place rent per square foot[1]	$ 7.74	$ 7.72
Financing		
Weighted average effective interest rate on debt[2]	4.57%	4.88%
Level of debt (debt-to-gross book value)[3]	48.8%	49.7%
Interest coverage ratio[4]	3.0x	3.1x

	Six months ended June 30, 2012	Six months ended June 30, 2011
Operating Results		
Net operating income (“NOI”)[5][6]	$17,945	$13,792

(1) Only same-property portfolio reflected in figures.

(2) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(3) Level of debt is determined as total debt divided by total assets.

(4) The interest coverage ratio for the period is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt.

(5) NOI is a key measure of performance used by real estate operating companies; however, it is not defined by IFRS, does not have standard meanings and may not be comparable with other industries or income trusts.

(6) NOI is defined as net rental income.

In comparing the six months ended June 30, 2012 and 2011, the key factors affecting the results of operations of the Dundee Initial Properties were the acquisition of Whiterock by Dundee REIT on March 2, 2012, which added to the portfolio an additional 20 industrial properties that were owned or co-owned by Whiterock, and 10 other investment property acquisitions in 2011. These acquisitions were the key drivers of NOI, which grew from $13.8 million for the six months ended June 30, 2011 to $17.9 million for the six months ended June 30, 2012. NOI increased by $4.2 million for the six months ended June 30, 2012 over the comparative period in 2011, of which $3.2 million was attributable to the acquisitions referred to above. Increased occupancy rates in the same-property portfolio (which refers to properties that are reflected in the results of operations for both periods) were also a contributing factor. For the six months ended June 30, 2012, the overall percentage of occupied and committed space in the same-property portfolio increased approximately 110 basis points (“bps”) to 97% over the six month period to June 30, 2012, as a result of strong leasing activity.

The following table shows the owned gross leasable area of the Dundee Initial Properties as at the dates indicated:

Dundee Initial Properties — Owned Gross Leasable Area (square feet)[(1)]

	June 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Alberta	1,928,259	1,928,259	1,679,433	1,679,433
British Columbia	17,405	17,405	—	—
Nova Scotia	203,341	203,341	95,130	—
Ontario	640,763	640,763	640,763	—
Quebec	889,128	889,128	848,713	—
Total	3,678,896	3,678,896	3,264,039	1,679,433

(1) Owned gross leasable area includes both acquired properties and comparative properties as at the dates shown.

Results of operations for the three and six months ended June 30, 2012 and 2011

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	2012	2011
Investment properties revenue	$13,187	$ 9,166	$23,997	$17,849
Investment properties operating expenses	(3,515)	(2,085)	(6,052)	(4,057)
Net rental income	9,672	7,081	17,945	13,792
Other income and expenses				
General and administrative	(462)	(429)	(958)	(749)
Fair value adjustment to investment properties	2,106	8,840	7,200	9,031
Acquisition related costs	(2)	—	(2,286)	(537)
Interest	(3,102)	(2,115)	(5,617)	(4,042)
Depreciation and amortization	(46)	—	(69)	—
Fee income	46	4	48	4
Net income and comprehensive income	$ 8,212	$13,381	$16,263	$17,499

Net operating income for the three and six months ended June 30, 2012 and 2011

NOI comparative portfolio

The NOI shown below details comparative and non-comparative items to assist in understanding the impact each component had on NOI. The comparative properties disclosed in the following tables are properties acquired by DPLP prior to January 1, 2011.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2012	2011	Amount	%	2012	2011	Amount	%
Comparative properties NOI	$6,263	$6,252	$ 11	0.2	$12,721	$12,491	$ 230	1.8
Lease termination fees	—	50	(50)		—	50	(50)	
Acquisitions	3,234	664	2,570		4,865	1,042	3,823	
Straight-line rent	338	285	53		680	557	123	
Amortization of lease incentives	(163)	(170)	7		(321)	(348)	27	
NOI	$9,672	$7,081	$2,591	36.6	$17,945	$13,792	$4,153	30.1

For the three months ended June 30, 2012, comparative properties NOI was basically flat over the comparative quarter, reflecting the stability of operations of the portfolio. For the six months ended June 30, 2012, comparative properties NOI increased $0.2 million, or 1.8%, over the comparative period, reflecting higher average occupancy rates that increased approximately 110 bps to 97% for the six months ended June 30, 2012.

For the three months ended June 30, 2012, acquisitions accounted for $2.6 million of NOI, reflecting the acquisition of 20 industrial properties as a result of the purchase of Whiterock by Dundee REIT on March 2, 2012, for a total purchase price of $149.2 million, and 10 property acquisitions in 2011, which included the acquisition of six industrial properties as a result of the purchase of Realex Properties Corp. by Dundee REIT on February 8, 2011, for $31.8 million, and four other industrial properties.

Investment properties revenues

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Investment properties revenues increased by $4.0 million and $6.1 million for the three and six months ended June 30, 2012, respectively, over the comparative periods. These increases were almost entirely attributable to additional revenue generated by acquisitions completed in 2011 and in the six months ended June 30, 2012, which accounted for $3.9 million and $5.8 million, respectively, of such increases in revenue. Ten investment properties were acquired in 2011 and 20 industrial properties were acquired on March 2, 2012, as a result of the acquisition of Whiterock by Dundee REIT. Increases in revenue generated by the same-property portfolio accounted for $0.1 million and $0.3 million, respectively, of the increases in revenue for the three and six months ended June 30, 2012 over the comparative periods. Organic revenue growth was due to higher average occupancy across the same-property portfolio, which increased approximately 100 bps to 97% for the six months ended June 30, 2012 over the comparative period, as a result of increased leasing activity.

Investment properties operating expenses

Investment properties operating expenses mainly comprise occupancy costs as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include items such as utility costs, realty taxes, repairs and maintenance and re-leasing costs. Operating expenses increased by $1.4 million and $2.0 million, respectively, for the three and six months ended June 30, 2012 over the comparative periods. These increases primarily reflect the additional operating expenses associated with the 10 investment properties acquired in 2011 and 20 industrial properties acquired as a result of the acquisition of Whiterock by Dundee REIT on March 2, 2012. These additional operating expenses relating to the acquired properties accounted for $1.3 million and $1.9 million, respectively, of the increases for the three and six months ended June 30, 2012 over the comparative periods. The balance of the increase in operating expenses of approximately $0.1 million for each of the three and six months ended June 30, 2012 related to provisions for bad debts.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to Dundee REIT's corporate management, fees and expenses of the trustees of Dundee REIT, and investor relations expenses, allocated based on the net rental income of the assets expected to be transferred to the REIT relative to the total net rental income of the assets of Dundee REIT. Also included in general and administrative expenses are asset management fees of DRC, the asset manager to Dundee REIT. General and administrative expenses were basically flat for the three months ended June 30, 2012 over the comparative period, as the increase in asset management fees as a result of acquisitions was offset by reduced general corporate costs resulting from synergies and the elimination of certain duplicative functions following the acquisition of Whiterock. General and administrative expenses increased by $0.2 million for the six months ended June 30, 2012 over the comparative period, mainly due to asset management fees payable as a result of the acquisition of Whiterock, with the Dundee Initial Properties bearing its proportionate share of such asset management fees based on the acquisition of 20 industrial properties.

Fair value adjustment to investment properties

Fair value adjustments to investment properties were \$2.1 million and \$7.2 million, respectively, for the three and six months ended June 30, 2012, compared to \$8.8 million and \$9.0 million, respectively, for the comparative periods, reflecting the capitalization rate compression during the periods as a result of increases in the market value of investment properties in the portfolio. As at June 30, 2012, the weighted average capitalization rate of the investment properties was 6.97%, as compared to 7.09% as at December 31, 2011.

Interest expense

Interest expense increased by \$1.0 million and \$1.6 million, respectively, for the three and six months ended June 30, 2012 over the comparative periods. Of these increases, approximately \$0.8 million and \$1.0 million, respectively, was attributable to the additional interest expense resulting from the assumption of mortgages in the aggregate principal amount of \$81 million related to the 20 industrial properties acquired in connection with the acquisition of Whiterock by Dundee REIT on March 2, 2012.

Acquisition related costs, net

Acquisition related costs, net, were \$0.002 million and \$2.3 million, for the three and six months ended June 30, 2012, respectively. There was no acquisition activity in the three months ended June 30, 2012. The \$2.3 million of acquisition related costs, net, in the six months ended June 30, 2012 consist of expenses related to Dundee REIT's acquisition of Whiterock on March 2, 2012. These acquisition related costs have been allocated based on net assets of the Initial Properties expected to be transferred to the REIT relative to total net assets of the investment properties acquired by Dundee REIT. Acquisition related costs, net, were \$nil for the three months ended June 30, 2011, as no acquisitions were completed during the period. Acquisition related costs, net, for the six months ended June 30, 2011 were \$0.5 million (\$1.6 million in transaction costs net of a \$1.1 million acquisition gain) related to Dundee REIT's acquisition of Realex Properties Corp., effective February 8, 2011, which costs have been allocated based on net assets of the Initial Properties expected to be transferred to the REIT relative to total net assets of the investment properties acquired by Dundee REIT.

Depreciation and amortization

Depreciation and amortization expenses of \$0.05 million and \$0.07 million, respectively, for the three and six months ended June 30, 2012 over the comparative periods, reflects the amortization of the property management contracts recorded as part of the purchase price for the acquisition of Whiterock by Dundee REIT on March 2, 2012.

Fee income

Fee income increased \$0.04 million and \$0.04 million, respectively, for the three and six months ended June 30, 2012 over the comparative periods, all of which was attributable to property management fee income generated from managing co-owned properties that were acquired in connection with the acquisition of Whiterock by Dundee REIT on March 2, 2012.

Investment properties and mortgages payable for the period ended June 30, 2012 and December 31, 2011

	June 30, 2012	December 31, 2011
Investment properties	\$553,488	\$396,658
Mortgages payable	271,914	194,790

Investment properties

The fair value of the investment properties at June 30, 2012 was \$553.5 million (December 31, 2011 — \$396.7 million), representing a weighted average capitalization rate of 6.97% (December 31, 2011 — 7.09%). Dundee REIT acquired Whiterock for total consideration of \$594.6 million. The Whiterock portfolio consisted of 7,405,010 square feet of office, industrial and retail properties. Of the Whiterock portfolio, 20 industrial properties with a value of $149.2 million are included in the Initial Properties. Unrealized fair value gains in investment properties of $7.2 million were recorded in the six months ended June 30, 2012. During the six months ended June 30, 2012, building improvements, leasing incentives and indirect leasing costs of $0.7 million was capitalized to investment properties, and amortization of leasing incentives in the amount of $0.3 million was recorded.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.10% to 9.25%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates and terminal capitalization rates specific to each property.

The key valuation metrics for investment properties are set out in the table below:

	June 30, 2012		December 31, 2011	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Overall:				
Capitalization rate	6.10 - 9.25	6.97	6.50 - 9.25	7.09
Discount rate	7.25 - 9.75	8.01	7.50 - 10.00	8.08
Terminal rate	6.25 - 9.00	7.24	6.75 - 9.00	7.26

Mortgages payable

Mortgages payable totaled $271.9 million as at June 30, 2012 and had a weighted average effective interest rate of approximately 4.6%, compared to mortgages payable of $194.8 million as at December 31, 2011 having a weighted average effective interest rate of 4.9%. The increase in mortgages payable was mostly attributable to the assumption of mortgages with a fair value of $80.7 million secured against the Dundee Initial Properties as part of the Whiterock acquisition on March 2, 2012, offset by the repayment of principal on mortgages of $3.2 million. The aggregate principal installment repayments and balances maturing of the mortgages payable in the next five years and thereafter are as follows:

	Principal Installment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2012 (remainder of year)	$ 3,654	$ 41,397	$ 45,051	5.44%
2013	6,285	1,300	7,585	4.79%
2014	6,197	20,145	26,342	3.92%
2015	5,973	54,050	60,023	4.19%
2016	3,983	50,903	54,886	4.03%
2017 and thereafter	11,191	65,118	76,309	4.96%
	$37,283	$232,913	$270,196	4.57%
Financing costs			(1,325)	
Fair value adjustment on assumed mortgages			3,043	
			$271,914	

Management is in the process of assessing expressions of interest from various lenders for a mix of five, seven and ten year mortgages with market terms for $41.4 million principal amount of mortgage debt, which constitutes all of the mortgages that are maturing during the remainder of 2012. DPLP is in compliance with its mortgage-related covenants.

The following sets out certain key metrics for the indebtedness of the Dundee Initial Properties:

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Average effective interest rate(1)	4.57%	4.88%
Level of debt (debt-to-gross book value)(2)	48.8%	49.7%
Interest coverage ratio(3)	3.0 times	3.1 times

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Level of debt is determined as total debt, divided by total assets

(3) The interest coverage ratio for the period is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt.

Cash flows from operating activities

Cash flows from operating activities for the six months ended June 30, 2012 were $8.0 million as compared to $5.1 million over the comparative period. The increase of $2.9 million was primarily due to an increase in NOI, as cash NOI increased by $4.4 million ($3.8 million of which was attributable to acquisitions), a $1.5 million improvement in working capital partially offset by increases in interest expense of $1.9 million, an increase in leasing incentive costs paid of $0.3 million, an increase in general and administrative expenses of $0.2 million and an increase in acquisition costs paid of $0.6 million.

Cash flows from financing activities

Cash flows from financing activities for the six months ended June 30, 2012 were $71.1 million as compared to $13.1 million over the comparative period. The cash proceeds from new mortgages of $3.3 million and contributions from Dundee REIT of $74.4 million predominantly used to fund the acquisition of Whiterock on March 2, 2012, were offset by principal repayments of mortgages of $3.2 million, and payments on maturing mortgages payable of $3.4 million.

Cash flows used in investing activities

Cash flows used in investing activities were $77.7 million for the six months ended June 30, 2012 as compared to $17.9 million over the comparative period. The $77.7 million in cash flows used in investing activities for the six months ended June 30, 2012 was attributable to the portion of cash used to fund the acquisition of 20 industrial properties as part of the acquisition of Whiterock by Dundee REIT. Of the $17.9 million in cash flows used in investment activities for the six months ended June 30, 2011, $14.4 million was attributable to the portion of cash used to fund the acquisition of six industrial properties as part of the acquisition of Realex Properties Corp. by Dundee REIT and $3.5 million was used to acquire four other investment properties in 2011.

Dundee Initial Properties — Discussion of the years ended December 31, 2011 and 2010

Results of operations for the years ended December 31, 2011 and 2010

	For the year ended December 31, 2011	For the year ended December 31, 2010
Investment properties revenue	$36,573	$24,474
Investment properties operating expenses	(8,565)	(6,977)
Net rental income	28,008	17,497
Other income and expenses		
General and administrative	(1,606)	(1,058)
Fair value adjustment to investment properties	27,427	7,145
Interest	(8,611)	(5,050)
Acquisition-related costs, net	(537)	—
Net income and comprehensive income	$44,681	$18,534

NOI comparative portfolio

The NOI shown below details comparative and non-comparative items to assist in understanding the impact that each component had on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2010.

	For the years ended December 31,			
			Growth	
	2011	2010	Amount	%
Comparative properties NOI	$14,873	$14,048	$ 825	5.9
Lease termination fees	50	—	50	
Acquisitions	12,582	3,437	9,145	
Straight-line rent	1,167	411	756	
Amortization of lease incentives	(664)	(399)	(265)	
NOI	$28,008	$17,497	$10,511	60.1

For the year ended December 31, 2011, comparative properties NOI increased $0.8 million, or 5.9%, over the prior year, due primarily to stronger leasing activity in Alberta resulting in higher average occupancy rates for the portfolio as a whole. Occupancy increased 700 bps year-over-year to approximately 96% for the year ended December 31, 2011, as a result of stronger leasing activity and a general improvement in the Alberta economy which increased demand for industrial space.

For the year ended December 31, 2011, acquisitions accounted for $9.1 million of NOI reflecting the acquisition of six industrial properties as a result of the acquisition of Realex Properties Corp. by Dundee REIT for $31.8 million and the acquisition of four additional properties.

Investment properties revenues

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Additional revenue resulting from acquisitions of investment properties completed in 2010 and 2011 were the primary drivers of the $12.1 million, or 49%, increase in investment properties revenue for the year ended December 31, 2011 over the year ended December 31, 2010. Revenues from acquired properties contributed $10.8 million to the increase in revenue year-over-year, with the balance of the revenue increase driven by higher average occupancy rates across the same-property portfolio as referred to in the discussion above.

Investment properties operating expenses

Investment properties operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include utility costs, realty taxes, repairs and maintenance and re-leasing costs. Investment properties operating expenses increased $1.6 million, or 23%, over the prior year. Acquisitions during 2011 and 2010 contributed $1.5 million to the increase in operating expenses, due to the additional operating expenses associated with the acquired properties. The operating expenses for the same-property portfolio were otherwise stable.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2011 were $1.6 million, an increase of $0.5 million over the prior year. This was primarily the result of $0.3 million of additional asset management fees payable in 2011, which resulted from the $31.8 million of properties acquired as part of the Realex Properties Corp. acquisition, $11.1 million (inclusive of transaction costs) of other property acquisitions during 2011 and $111.7 million of property acquisitions during 2010. The remaining $0.2 million increase was the result of increase in other corporate costs.

Fair value adjustments to investment properties

Fair value adjustments to investment properties of $27.4 million were recognized in 2011 (2010 — $7.1 million) resulting from overall capitalization rate compression as a result of increases in the market value of investment properties in the portfolio. As at December 31, 2011, the weighted average capitalization rate of the investment properties was 7.09%, as compared to 7.46% as at December 31, 2010.

Interest expense

Interest expense increased by $3.6 million, or 71%, for the year as a result of mortgages assumed in conncection with acquisitions as well as new mortgages entered into. Total mortgages payable as at December 31, 2011 and the weighted average interest rate for the year ended December 31, 2011 were $194.8 million and 4.88%, respectively (December 31, 2010 — $139.9 million and 5.05%).

Acquisition related costs, net

Included in net income for the year ended December 31, 2011 is $0.5 million of acquisition costs related to the Realex Properties Corp. acquisition, which comprises $1.6 million in transaction costs net of a $1.1 million acquisition gain recorded. Acquisition related costs, net, were $nil for the year ended December 31, 2010 as there were no business combinations in that year.

Investment properties and mortgages payable at the years ended December 31, 2011 and 2010

	December 31, 2011	**December 31, 2010**
Investment properties	$396,658	$324,958
Mortgages payable	194,790	139,932

Investment properties

The fair value of the investment properties at December 31, 2011 was $396.7 million (December 31, 2010 — $325.0 million), representing a weighted average capitalization rate of 7.09% (December 31, 2010 — 7.46%). Dundee REIT acquired Realex Properties Corp. for total consideration of $154.4 million. Of the Realex portfolio, six industrial properties with a value of $31.8 million are included in the Initial Properties. In addition, four investment properties were acquired in 2011 for $11.1 million. Unrealized fair value gains in investment properties of $27.4 million were recorded in the year ended December 31, 2011. During the year ended December 31, 2011, building improvements of $0.5 million, leasing incentives and indirect leasing costs of

$1.5 million were capitalized to investment properties and amortization of leasing incentives of $0.7 million were recorded.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.50% to 9.25%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates and terminal capitalization rates specific to each property.

The key valuation metrics for investment properties are set out in the table below:

	December 31, 2011		December 31, 2010	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Capitalization rate	6.50 - 9.25	7.09	6.25 - 9.50	7.46
Discount rate	7.50 - 10.00	8.08	7.75 - 9.75	8.50
Terminal rate	6.75 - 9.00	7.26	7.00 - 9.00	7.89

Mortgages payable

Mortgages payable totaled $194.8 million as at December 31, 2011, compared to $139.9 million at December 31, 2010. The increase was as a result of additional mortgages assumed of $16.1 million as a result of the Realex Properties Corp. acquisition and new mortgages entered into of $79.8 million, offset by the repayment of mortgages during the year. The aggregate principal repayment and balances maturing of the mortgages payable in the next five years and thereafter are as follows:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2012	$ 5,340	$ 41,398	$ 46,738	5.45%
2013	4,204	1,300	5,504	5.15%
2014	4,269	5,014	9,283	4.44%
2015	4,193	48,283	52,476	4.25%
2016	2,742	11,762	14,504	4.59%
2017 and thereafter	10,971	55,875	66,846	5.07%
	$31,719	$163,632	$195,351	4.88%
Financing costs			(1,410)	
Fair value adjustment on assumed mortgages			849	
			$194,790	

DPLP was in compliance with its mortgage-related covenants throughout 2011 and 2010.

The following sets out certain key metrics for the indebtedness of the Dundee Initial Properties.

	December 31, 2011	December 31, 2010
Average effective interest rate(1)	**4.88%**	5.05%
Level of debt (debt-to-gross book value)(2)	**49.7%**	44.2%
Interest coverage ratio(3)	**3.1 times**	3.3 times

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Level of debt is determined as total debt, divided by total assets.

(3) The interest coverage ratio for the period is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt.

Cash flows from operating activities

Cash flows from operating activities in 2011 were $12.7 million as compared to $5.0 million in 2010. The increase of $7.7 million was primarily due to an increase in NOI, as cash NOI increased by $9.8 million ($9.1 million of which was attributable to acquisitions), a decrease in leasing costs of $3.5 million partially offset by an increase in interest expense of $3.5 million, an increase in general and administrative expenses of $0.5 million and an increase in transaction costs paid related to the Realex Properties Corp. acquisition of $1.6 million.

Cash flows from financing activities

Cash flows from financing activities were $12.1 million in 2011 and $100.8 million in 2010. For 2011, cash was provided by proceeds from new mortgages of $79.7 million, partially offset by principal repayments of mortgages of $4.6 million, payments on maturing mortgages payable of $37.7 million and distributions to Dundee REIT of $25.3 million.

Cash flows used in investing activities

Cash flows used in investing activities were $24.8 million in 2011 and $105.9 million in 2010. The cash was used to acquire investment properties of $24.3 million, including the acquisition of industrial properties in connection with the acquisition of Realex Properties Corp., net of assumed debt, of $14.4 million and acquisition of four other investment properties of $9.9 million, and to invest in building improvements of $0.5 million in 2011.

Dundee Initial Properties — Discussion of years ended December 31, 2010 and 2009 (GAAP)

Results of operations for the years ended December 31, 2010 and 2009

	For the year ended December 31, 2010	For the year ended December 31, 2009
Rental properties revenue	$24,988	$20,214
Rental properties operating expenses	(6,977)	(6,236)
Net rental income	18,011	13,978
Other income and expenses		
General and administrative	(1,058)	(845)
Interest	(5,050)	(5,301)
Depreciation of rental properties	(3,960)	(3,312)
Amortization of leasing costs, tenant improvements and intangibles	(2,734)	(2,496)
Net income and comprehensive income	$ 5,209	$ 2,024

Net operating income for the years ended December 31, 2010 and 2009

NOI comparative portfolio

The NOI shown below details comparative and non-comparative items to assist in understanding the impact each component had on NOI. The comparative properties disclosed in the following table are properties acquired prior to January 1, 2009.

	For the years ended December 31,			
			Growth	
	2010	2009	Amount	%
Comparative properties NOI	$14,243	$13,749	$ 494	3.6
Acquisitions	3,437	—	3,437	
Straight-line rent and amortization of above/below market rent	327	143	184	
Lease termination fees	4	86	(82)	
NOI	$18,011	$13,978	$4,033	28.9

For the year ended December 31, 2010, comparative properties NOI increased $0.5 million, or 3.6%, over the prior year, reflecting a slightly higher average occupancy rate of 89%, representing a 30 bps increase year over year, and a 3% increase in in-place rents throughout the year.

For the year ended December 31, 2010, properties acquired accounted for $3.4 million of NOI reflecting the acquisition of investment properties that totaled $111.7 million.

Rental properties revenues

Rental properties revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated as a result of properties acquired throughout 2010 and comparative property growth were the primary drivers of the $4.8 million, or 24%, increase in rental properties revenue for the year compared with the prior year. Approximately $3.9 million of this revenue growth was attributable to revenues from investment properties acquired in 2010. The balance of the revenue growth was due to slightly higher average occupancy rates across the same-property portfolio that increased nearly 30 bps year-over-year to 89% for the year ended December 31, 2010, and a 3% year-over-year rise in average in-place rents due to leasing activity.

Rental properties operating expenses

Rental properties operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses include utility costs, realty taxes, repairs and maintenance and re-leasing costs. Operating expenses increased $0.7 million, or 12%, for the year compared with the prior year, mainly reflecting additional operating expenses of $0.5 million associated with properties acquired. The remainder of the increase was due to higher operating costs from leasing activity, which helped increase occupancy rates across the portfolio, together with higher average in-place rents.

General and administrative expenses

General and administrative expenses for the year were $1.1 million, an increase of $0.2 million over the prior year, attributable to an increase in asset management fees of $0.1 million incurred as a result of acquisitions during 2010, and $0.1 million increase in other corporate costs.

Interest expense

Interest expense decreased by $0.3 million for the year, due to lower interest expense resulting from mortgage repayments of approximately $5.2 million in 2010, partially offset by an increase in interest expense as a result of additional mortgages entered into from acquired properties in 2010 at lower interest rates. The mortgages entered into totaled approximately $51 million and had a weighted average effective interest rate of approximately 3.94%. Total mortgages payable as at December 31, 2010 and the weighted average interest rate for the year ended December 31, 2010 were $139.9 million and 5.05%, respectively (December 31, 2009 — $90.2 million and 5.88%).

Depreciation of rental properties

Depreciation increased by $0.6 million, or 20% over the prior year, attributable to acquisitions completed in 2010, that totaled $111.7 million (inclusive of transaction costs).

Amortization of leasing costs, tenant improvements and intangibles

Amortization increased $0.2 million, or 10%, over the prior year, and was entirely attributable to acquisitions completed in 2010.

Cash flows from operating activities

Cash flows from operating activities in 2010 were $5.0 million as compared to $6.4 million in 2009. Excluding the change in working capital of $2.4 million, cash flows from operating activities increased by $1.0 million, as cash NOI increased by $3.9 million ($3.4 million of which was attributable to acquisitions) and interest expense decreased by $0.2 million, partially offset by an increase in investment in leasing costs of $2.9 million and an increase in general and administrative expenses of $0.2 million.

Cash flows from financing activities

Cash flows from financing activities were $100.8 million in 2010, compared to $6.4 million in 2009, due to acquisitions made in 2010. In 2010, the cash was provided by proceeds from new mortgages of $50.1 million and contributions from Dundee REIT of $55.9 million related to acquisitions of investment properties that totaled approximately $112 million, slightly offset by principal repayments of mortgages of $2.6 million and payments on maturing mortgages payable of $2.6 million.

Cash used in investing activities

Cash used in investing activities was $105.9 million in 2010 and $nil in 2009. The cash used in investing activities in 2010 was used to invest in building improvements of $1.8 million and rental properties of $104.1 million.

Liquidity and Capital Resources

We expect to be able to meet all of our obligations as they become due. We expect to have sufficient liquidity as a result of the following sources: (i) cash flow from operating activities; (ii) financing availability through the Credit Facility, which will be in place on Closing, in the initial amount of $35 million and conventional mortgage debt secured by investment properties; and (iii) the ability to issue new equity.

Contractual obligations

The Dundee Initial Properties' material contractual obligations as at June 30, 2012 were as follows:

	Remainder of 2012	2013	2014	2015	2016	Thereafter
Mortgages payable	$45,051	$ 7,585	$26,342	$60,023	$54,886	$76,309

Management is in the process of assessing expressions of interest from various lenders for mortgages with standard market terms for $41.4 million of mortgage balances that are maturing in the remainder of 2012. In addition, DPLP is in compliance with its mortgage-related covenants.

The Dundee Initial Properties' material contractual obligations as at December 31, 2011 were as follows:

	2012	2013	2014	2015	2016	Thereafter
Mortgages payable	$46,738	$5,504	$9,283	$52,476	$14,504	$66,846

The Dundee Initial Properties' material contractual obligations as at December 31, 2010 were as follows:

	2011	2012	2013	2014	2015	Thereafter
Mortgages payable	$41,161	$44,226	$1,548	$1,614	$45,773	$6,009

Transactions between Related Parties

For the six months ended June 30, 2012, the Dundee Initial Properties incurred total fees of $1.4 million (June 30, 2011 — $0.6 million) under the asset management agreement with DRC. Included in this amount is $0.6 million (June 30, 2011 — $0.5 million), which is reported in general and administrative expenses; $0.8 million (June 30, 2011 — $0.2 million), which is reported as an acquisition related cost in connection with the acquisition of properties acquired as part of the Whiterock acquisition on March 2, 2012 and the Realex acquisition on February 8, 2011; $nil (June 30, 2011 — $18 thousand) which is reported in property acquisitions; and $38 thousand (June 30, 2011 — $nil) in financing costs, which is reported with mortgages payable.

For the year ended December 31, 2011, the Dundee Initial Properties incurred total fees of $1.2 million (December 31, 2010 — $1.6 million) under the asset management agreement. Included in this amount is $1.0 million (December 31, 2010 — $0.7 million), which is reported in general and administrative expenses; $0.2 million (December 31, 2010 — $nil), which is reported as an acquisition related cost; $54 thousand (December 31, 2010 — $0.8 million), which is reported with property acquisitions that includes $31.8 million of properties acquired as part of the Realex acquisition on February 8, 2011 and $11.1 million (inclusive of transaction costs) of other property acquisitions; and $nil (December 31, 2010 — $0.1 million) in financing costs, which is reported with mortgages payable.

For the year ended December 31, 2010, the Dundee Initial Properties incurred total fees of $1.6 million (December 31, 2009 — $0.6 million) under the asset management agreement. Included in this amount is $0.7 million (December 31, 2009 — $0.6 million), which is reported in general and administrative expenses; $0.8 million (December 31, 2009 — $nil), which is reported with property acquisitions that totaled $111.7 million (inclusive of transaction costs) in 2010; and $0.1 million (December 31, 2009 — $nil) in financing costs which is reported with mortgages payable

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in note 3 of the audited carve-out financial statements of the Dundee Initial Properties for the years ended December 31, 2011 and 2010. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

The International Accounting Standard Board ("IASB") and International Financial Reporting Interpretations Committee have issued a number of standards and interpretations with an effective date after the date of these carve-out financial statements. Set out below are those which may have a material impact on the carve-out financial statements in future periods.

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the IASB on November 12, 2009, and upon adoption will replace International Account Standards ("IAS") 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Initial

Properties are currently evaluating the impact of IFRS 9 on their carve-out financial statements. IFRS 7 "Financial Instruments — Disclosures" ("IFRS 7") has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures" and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Initial Properties are currently evaluating the impact of this standard on the carve-out financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7 requires the Initial Properties to provide disclosures related to offsetting financial assets and liabilities. The Initial Properties are currently evaluating the impact of IFRS 7 on its consolidated financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities. The Initial Properties will start the application of IAS 32 effective from January 1, 2014.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Initial Properties are currently evaluating the impact of IFRS 10 on its carve-out financial statements and will start the application of this standard effective January 1, 2013.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") requires disclosures relating to an entity's interests in subsidiaries. The Initial Properties are currently evaluating the impact of IFRS 12 on the carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13") defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Initial Properties will start the application of IFRS 13 effective January 1, 2013. The Initial Properties are currently evaluating the impact of IFRS 13 on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The Initial Properties will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and are currently evaluating the impact on the carve-out financial statements as a result of its adoption.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates and assumptions in the preparation of the carve-out financial statements are described in note 4 of the audited carve-out financial statements of the Dundee Initial Properties for the six months ended June 30, 2012 and for the year ended December 31, 2011.

Risks and Uncertainties

There is business risk associated with the ownership of the Initial Properties. See "Risk Factors".

WHITEROCK INITIAL PROPERTIES

Key Performance Indicators

Performance is measured by these and other key indicators:

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Operations		
Occupancy rate(1)	97.7%	96.6%
In-place rent per square foot(1)	$ 7.06	$ 6.71
	Six months ended June 30, 2012	**Six months ended June 30, 2011**
Operating Results		
Net operating income ("NOI")(2)(3)	$1,606	$4,582
	Twelve months ended December 31, 2011	**Twelve months ended December 31, 2010**
Financing		
Weighted average effective interest rate on debt(4)	5.14%	5.49%
Level of debt (debt-to-gross book value)(5)	59.8%	49.3%
Interest coverage ratio(6)	2.1x	2.4x

(1) Only same-property portfolio reflected in figures.

(2) NOI is a key measure of performance used by real estate operating companies; however, it is not defined by IFRS, does not have standard meanings and may not be comparable with other industries or income trusts.

(3) NOI is defined as net rental income. On March 2, 2012, Whiterock was acquired by Dundee REIT. Accordingly, the presentation of 2012 financial information of the Whiterock Initial Properties reflects the period January 1, 2012 to March 1, 2012 and, therefore, is not comparable to the three and six months ended June 30, 2011. Financial information of the Whiterock Initial Properties for the period from March 2, 2012 to June 30, 2012 forms part of the financial information of the Dundee Initial Properties for the period ended June 30, 2012 contained elsewhere in this prospectus.

(4) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(5) Level of debt is determined as total debt divided by total assets.

(6) The interest coverage ratio for the period is calculated as net rental income plus fee income, less general and administrative expenses, all divided by interest expense on debt.

The overall percentage of occupied and committed space across the Whiterock Initial Properties increased approximately 110 basis points to 98% over the six months ended June 30, 2012, as a result of strong leasing activity in New Brunswick. The mortgage portfolio experienced a net lower weighted average effective interest rate (from approximately 5.5% to 5.1%), as a result of mortgage refinancings throughout 2011 that totaled approximately $25.3 million with a weighted average effective interest rate of approximately 4.1%. While the weighted average effective interest rate declined, the level of debt increased to approximately 60% from 49% as a result of the assumption of mortgages related to acquisitions and an increase in mortgage balances from refinancings throughout 2011.

The following table shows the owned gross leasable area of the Whiterock Initial Properties as at the dates indicated:

Whiterock Initial Properties — Owned Gross Leasable Area (square feet)[(1)]

	December 31, 2011	December 31, 2010	December 31, 2009
Alberta	124,851	124,851	124,851
New Brunswick	134,704	134,704	134,704
Nova Scotia	115,773	115,773	115,773
Ontario	243,160	243,160	243,160
Quebec	432,655	45,000	45,000
Saskatchewan	402,500	402,500	329,144
Total	1,453,643	1,065,988	992,632

(1) Owned gross leasable area includes both acquired properties and comparative properties as at the dates shown.

Whiterock Initial Properties — Discussion of the three and six months ended June 30, 2012 and 2011

Results of operations for the three and six months ended June 30, 2012 and 2011

	For the three months ended June 30		For the six months ended June 30	
	2012[(1)]	2011	2012[(1)]	2011
Investment properties revenue	$—	$ 3,126	$ 2,368	$ 6,099
Investment properties operating expenses	—	(718)	(762)	(1,517)
Net rental income	—	2,408	1,606	4,582
Other income and expenses				
General and administrative	—	(201)	(32)	(402)
Fair value adjustment to investment properties	—	991	18,430	(560)
Interest	—	(1,121)	(661)	(2,061)
Property management income	—	33	28	66
Net income and comprehensive income	$—	$ 2,110	$19,371	$ 1,625

Notes:

(1) On March 2, 2012, Whiterock was acquired by Dundee REIT. Accordingly, the presentation of 2012 financial information of the Whiterock Initial Properties reflects the period from January 1, 2012 to March 1, 2012 and, therefore, is not comparable to the three and six months ended June 30, 2011. Financial information of the Whiterock Initial Properties for the period March 2, 2012 to June 30, 2012 forms part of the financial information of the Dundee Initial Properties for the period ended June 30, 2012 contained elsewhere in this prospectus.

On March 2, 2012, Whiterock was acquired by Dundee REIT, resulting in no assets or liabilities as at June 30, 2012, no activity for the three months ended June 30, 2012 and 61 days of activity in the six month period ended June 30, 2012.

Investment properties and mortgages payable for the period ended June 30, 2012 and December 31, 2011

	June 30, 2012	December 31, 2011
Investment properties	$—	$130,863
Mortgages payable	—	77,687

On March 2, 2012, Whiterock was acquired by Dundee REIT.

Whiterock Initial Properties — Discussion of the years ended December 31, 2011 and 2010

Results of operations for the years ended December 31, 2011 and 2010

	For the year ended December 31, 2011	For the year ended December 31, 2010
Investment properties revenue	$12,555	$ 9,415
Investment properties operating expenses	(3,052)	(3,128)
Net rental income	9,503	6,287
Other income and expenses		
General and administrative	(505)	(279)
Fair value adjustment to investment properties	1,187	11,270
Interest	(4,389)	(2,593)
Property management income	132	97
Net income and comprehensive income	$ 5,928	$14,782

Investment properties revenues

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in 2010 and 2011 contributed $2.8 million of the $3.1 million, or 33%, increase in investment properties revenue. Acquisitions completed in 2011 and 2010 totaled $33.3 million and $8.0 million, respectively, including transaction costs. Other key drivers of revenue growth included higher average occupancy, which increased 400 bps year-over-year to approximately 97% for the year ended December 31, 2011, and a 4% increase in average in-place rent from strong leasing activity and an increase in demand for industrial space in Saskatchewan, for the same-property portfolio.

Investment properties operating expenses

Investment properties operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include utility costs, realty taxes, insurance and repairs and maintenance. Operating expenses decreased $0.1 million, or 2%, over the prior year, reflecting an increase of $0.1 million from additional occupancy costs related to acquisitions in 2011, offset by a decrease in operating expenses of $0.2 million from the same-property portfolio. The increase in occupancy costs from acquisitions was only $0.1 million since all acquired properties in 2011 had triple net leases in place whereby the tenants are responsible for realty taxes, insurance, and building maintenance costs directly and therefore those operating expenses were not recorded by the landlord. The $0.2 million decrease in operating expenses was a result of generally lower utility consumption due to the weather, and lower repair and maintenance costs across the same-property portfolio in 2011.

General and administrative expenses

General and administrative expenses for the year were $0.5 million, an increase of $0.2 million over the prior year, mainly due to an increase in administrative expenses as a result of acquisitions during 2011 and 2010.

Fair value adjustments to investment properties

Fair value adjustments to investment properties of $1.2 million were recognized in the year ended December 31, 2011 (December 31, 2010 — $11.3 million) primarily resulting from overall capitalization rate compression as a result of increases in the market value of investment properties in the portfolio. As at December 31, 2011, the weighted average capitalization rate of the investment properties was 7.27% as compared to 7.51% as at December 31, 2010.

Interest expense

Interest expense increased $1.8 million, or 69%, for the year, mainly reflecting the additional mortgages payable entered into in 2011. The weighted average balance of additional mortgages in 2011 totaled approximately $36 million with a weighted average interest rate of approximately 4.8%. Approximately $17.8 million of these additional mortgages related to the acquisition of $33.3 million of investment properties in 2011. Total mortgages payable as at December 31, 2011 and the weighted average interest rate for the year ended December 31, 2011 were $77.7 million and 5.14%, respectively (December 31, 2010 — $46.7 million and 5.49%, respectively).

Property management income

Property management income increased $0.04 million, or 36%, for the year, mainly reflecting the fee income generated from managing co-owned properties that were acquired for a total of $16.4 million including transaction costs in 2011.

Investment properties and mortgages payable at the years ended December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
Investment properties	$130,863	$95,813
Mortgages payable	77,687	46,737

Investment properties

The fair value of the investment properties at December 31, 2011 was $130.9 million (December 31, 2010 — $95.8 million). The increase was primarily from acquisitions that totaled $33.3 million including transaction costs in 2011.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.31% to 8.20%.

The key valuation metrics for investment properties are set out in the table below:

	December 31, 2011		December 31, 2010	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Capitalization rate	6.31 - 8.20	7.27	6.90 - 8.50	7.51

Mortgages payable

Mortgages payable totaled $77.7 million as at December 31, 2011, compared to $46.7 million at December 31, 2010, a result of acquisitions that totaled $33.3 million and approximately $25 million of mortgage refinancings completed in 2011 with a weighted average effective interest rate of approximately 4.1%. The aggregate principal repayment and balances maturing of the mortgages payable in the next five years and thereafter are as follows:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2012	$ 1,949	$ 3,443	$ 5,392	5.75%
2013	1,999	—	1,999	5.05%
2014	1,821	15,151	16,972	4.81%
2015	344	7,114	7,458	4.91%
2016	2,488	37,802	40,290	5.12%
2017 and thereafter	3,424	2,922	6,346	5.93%
	$12,025	$66,432	$78,457	5.14%

Whiterock was in compliance with its mortgage-related covenants throughout 2011 and 2010.

The following sets out certain key metrics for the indebtedness of the Whiterock Initial Properties:

	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010
Average effective interest rate(1)	5.14%	5.49%
Level of debt (debt-to-gross book value)(2)	59.8%	49.3%
Interest coverage ratio(3)	2.1 times	2.4 times

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Level of debt is determined as total debt, divided by total assets.

(3) The interest coverage ratio for the period is calculated as net rental income plus fee income, less general and administrative expenses, all divided by interest expense on debt.

Cash flows from operating activities

Cash flow from operating activities in 2011 was $4.3 million as compared to $3.5 million in 2010. The increase of $0.8 million was primarily due to an increase in NOI, as cash NOI increased by $3.1 million, partially offset by an increase in interest expense of $1.7 million, an increase in general and administrative expenses of $0.2 million and an increase in leasing costs of $0.4 million.

Cash flows from financing activities

Cash provided by financing activities was $5.8 million in 2011 and $0.9 million in 2010. For 2011, cash was provided by proceeds from new mortgages of $24.7 million primarily related to acquisitions that totaled $33.3 million including transaction costs in 2011, partially offset by principal repayments of mortgages of $1.6 million, payments on maturing mortgages payable of $15.4 million and distributions to Whiterock of $1.9 million.

Cash flows used in investing activities

Cash used in investing activities was $10.0 million in 2011 and $4.1 million in 2010. The cash was used to acquire investment properties, net of assumed debt, of $9.8 million and to invest in building improvements of $0.2 million in 2011.

Whiterock Initial Properties — Discussion of years ended December 31, 2010 and 2009 (GAAP)

Results of operations for the years ended December 31, 2010 and 2009

	For the year ended December 31, 2010	For the year ended December 31, 2009
Rental properties revenue	$ 9,593	$ 7,979
Rental properties operating expenses	(3,128)	(2,603)
Net rental income	6,465	5,376
Other income and expenses		
General and administrative	(279)	(254)
Interest	(2,593)	(2,455)
Depreciation of rental properties	(1,492)	(1,266)
Amortization of leasing costs, tenant improvements and intangibles	(902)	(1,741)
Property management income	97	21
Net income and comprehensive income	$ 1,296	$ (319)

Rental properties revenues

Rental properties revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions throughout 2010 contributed $1.5 million of the $1.6 million, or 20%, increase in rental properties revenue for the year. Acquisitions completed in 2010 totaled $8.0 million including transaction costs and $5.6 million including transaction costs in 2009. The balance of the revenue increase was primarily due to an approximately 300 bps year-over-year increase in the average occupancy rate to 93% as a result of higher leasing activity in Ontario for the year ended December 31, 2010, and a 2% increase in average in-place rent for the comparative properties.

Rental properties operating expenses

Rental properties operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include utility costs, realty taxes and repairs and maintenance. Operating expenses increased $0.5 million, or 20% for the year, almost entirely due to the additional occupancy costs associated with properties acquired. The operating expenses for the same-property portfolio were effectively flat year-over-year.

General and administrative expenses

General and administrative expenses for the year were $0.3 million, or 10%, over the prior year, mostly attributable to an increase in administrative expenses incurred as a result of acquisitions of co-owned properties that totaled $8.0 million including transaction costs in 2010. General and administrative expenses in the same-property portfolio were otherwise stable year-over-year.

Interest expense

Interest expense increased by $0.1 million for the year, predominantly due to the assumption of additional mortgages with a weighted average balance of $3.3 million, as a result of an $8.0 million acquisition in 2010, and with an interest rate of approximately 4.7%. Total mortgages payable as at December 31, 2010 and the weighted average interest rate for the year ended December 31, 2010 were $46.7 million and 5.49%, respectively (December 31, 2009 — $43.2 million and 5.58%).

Depreciation of rental properties

Depreciation increased by $0.2 million, or 18% over the prior year, attributable to the $8.0 million portfolio acquisition including transaction costs and $5.6 million including transaction costs of total acquisitions completed in 2010 and 2009, respectively.

Amortization of leasing costs, tenant improvements and intangibles

Amortization decreased $0.8 million, or 48%, over the prior year, reflecting amortization on a reducing balance, and was entirely attributable to acquisitions.

Property management income

Property management income increased $0.1 million for the year, mainly reflecting the fee income generated from managing co-owned properties that were acquired in 2010 and the $8.0 million portfolio acquisition including transaction costs.

Cash flows from operating activities

Cash flows from operating activities in 2010 were $3.5 million as compared to $2.5 million in 2009. Cash flows from operating activities increased by $1.0 million as a result of higher NOI, as cash NOI increased by $3.9 million and property management income increased by $0.1 million. Partially offsetting these was interest expense, which increased by $0.1 million.

Cash flows from financing activities

Cash flows from financing activities were $0.9 million in 2010, compared to $0.03 million in 2009. In 2010, contributions from Whiterock totaled $2.0 million and were partially offset by principal repayments of mortgages of $1.1 million.

Cash flows used in investing activities

Cash flows used in investing activities were $4.1 million in 2010 and $2.4 million in 2009. The cash was used to acquire building improvements of $0.9 million and rental properties of $3.2 million in 2010.

Contractual obligations

The Whiterock Initial Properties' material contractual obligations as at December 31, 2011 were as follows:

	2012	2013	2014	2015	2016	2017 & Thereafter
Mortgages payable	$5,392	$1,999	$16,972	$7,458	$40,290	$6,346

The Whiterock Initial Properties' material contractual obligations as at December 31, 2010 were as follows:

	2011	2012	2013	2014	2015	2016 & Thereafter
Mortgages payable	$1,132	$11,057	$988	$5,912	$6,653	$21,337

Whiterock was in compliance with its mortgage-related covenants throughout 2011 and 2010.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in note 6 of the audited carve-out financial statements for the years ended December 31, 2011 and 2010. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

The International Accounting Standard Board and International Financial Reporting Interpretations Committee have issued a number of standards and interpretations with an effective date after the date of these carve-out financial statements. Set out below are those which may have a material impact on the carve-out financial statements in future periods.

Financial instruments

IFRS 9, was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39. IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Whiterock Initial Properties are currently evaluating the impact of IFRS 9 on their carve-out financial statements. IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11. This new standard replaces IAS 31, "Interests in Joint Ventures" and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Whiterock Initial Properties are currently evaluating the impact of this standard on the carve-out financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the Whiterock Initial Properties to provide disclosures related to offsetting financial assets and liabilities. The Whiterock Initial Properties are currently evaluating the impact of IFRS 7 on its consolidated financial statements and will start the application of this amendment on January 1, 2013. IAS 32, has been amended to clarify requirements for offsetting financial assets and financial liabilities. The Whiterock Initial Properties will start the application of IAS 32 effective from January 1, 2014.

Consolidated financial statements

IFRS 10, replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Whiterock Initial Properties are currently evaluating the impact of IFRS 10 on its carve-out financial statements and will start the application of this standard effective January 1, 2013.

Disclosure of interests in other entities

IFRS 12, requires disclosures relating to an entity's interests in subsidiaries. The Whiterock Initial Properties are currently evaluating the impact of IFRS 12 on the carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Whiterock Initial Properties will start the application of IFRS 13 effective January 1, 2013. The Whiterock Initial Properties are currently evaluating the impact of IFRS 13 on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The Whiterock Initial Properties will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and are currently evaluating the impact on the carve-out financial statements as a result of its adoption.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates and assumptions in the preparation of the carve-out financial statements are described in note 4 of the audited carve-out financial statements of the Initial Whiterock Properties for the six months ended June 30, 2012 and for the year ended December 31, 2011.

Risks and Uncertainties

There is business risk associated with the ownership of the Whiterock Initial Properties. See "Risk Factors".

ROI CO-OWNED PROPERTIES

Key Performance Indicators

Performance is measured by these and other key indicators:

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Operations		
Occupancy rate(1)	99.3%	99.9%
In-place rent per square foot(1)	$ 6.90	$ 6.17
Financing		
Weighted average effective interest rate on debt(2)	5.25%	5.74%
Level of debt (debt-to-gross book value)(3)	48.1%	54.5%
Interest coverage ratio(4)	2.5x	2.4x

	Six months ended June 30, 2012	Six months ended June 30, 2011
Operating Results		
Net operating income ("NOI")(5)(6)	$3,301	$2,962

(1) Only same-property portfolio reflected in figures.

(2) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(3) Level of debt is determined as total debt divided by total assets.

(4) The interest coverage ratio for the period is calculated as net rental income, less general and administrative expenses, all divided by interest expense on debt.

(5) NOI is a key measure of performance used by real estate operating companies; however, it is not defined by IFRS, does not have standard meanings and may not be comparable with other industries or income trusts.

(6) NOI is defined as net rental income.

In comparing the six months ended June 30, 2012 and 2011, the key factor affecting the results of operations of the ROI Co-Owned Properties was higher in-place rents which lead to strong NOI performance that increased 11% year-over-year to approximately $3.3 million. Offsetting the higher in-place rents was a slight decrease in the overall percentage of occupied and committed space across the ROI Co-Owned Properties, a result of tenant vacancies in the Saskatchewan properties. There was improvement in the debt metrics for the ROI Co-Owned Properties as the weighted average effective interest rate declined to approximately 5.3% from 5.7%, a result of an $11.4 million mortgage refinancing on a property in August 2011 that benefited from a 200 bps decline in the interest rate to approximately 4.1%.

The following table shows the owned gross leasable area of the ROI Co-Owned Properties as at the dates indicated:

ROI Initial Properties — Owned Gross Leasable Area (square feet)[(1)]

	June 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Quebec	445,417	445,417	180,000	180,000
Saskatchewan	427,326	427,326	427,326	317,291
Total	872,743	872,743	607,326	497,291

(1) Owned gross leasable area includes both acquired properties and comparative properties as at the dates shown.

ROI Co-Owned Properties — Discussion of the three and six months ended June 30, 2012 and 2011

Results of operations for the three and six months ended June 30, 2012 and 2011

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	2012	2011
Investment properties revenue	$ 2,376	$2,025	$ 4,755	$ 3,995
Investment properties operating expenses	(674)	(480)	(1,454)	(1,033)
Net rental income	1,702	1,545	3,301	2,962
Other income and expenses				
General and administrative	—	—	(25)	—
Fair value adjustment to investment properties	1,178	1,606	9,966	4,246
Interest	(693)	(741)	(1,300)	(1,391)
Net income and comprehensive income	$ 2,187	$2,410	$11,942	$ 5,817

Investment properties revenues

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by higher in-place rents at comparative properties was the only driver of the $0.4 million and $0.8 million increases in investment properties revenue for the three and six months ended June 30, 2012, respectively, over the comparative periods. Average in-place rent increased 8% and 7% year-over-year for the three and six months ended June 30, 2012, respectively.

Investment properties operating expenses

Investment properties operating expenses mainly comprise occupancy costs as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include utility costs, realty taxes, repairs and maintenance and re-leasing costs. Operating expenses increased by $0.2 million and $0.4 million for the three and six months ended June 30, 2012, respectively, over the comparative periods, as a result of higher repair and maintenance costs, which accounted for all of the increase.

General and administrative expenses

General and administrative expenses were $nil for the three months ended June 30, 2012 and were unchanged from the comparative period. General and administrative expenses increased by $0.03 million for the six months ended June 30, 2012 over the comparative period as a result of miscellaneous professional fees.

Fair value adjustment to investment properties

Fair value adjustments to investment properties were $1.2 million and $10.0 million, respectively, for the three and six months ended June 30, 2012, compared to $1.6 million and $4.2 million, respectively, for the comparative periods, reflecting the capitalization rate compression during the periods as a result of increases in the market value of investment properties in the portfolio. As at June 30, 2012, the weighted average capitalization rate of the investment properties was 6.62%, as compared to 6.74% as at December 31, 2011.

Interest expense

Interest expense decreased by $0.05 million and $0.09 million, respectively, for the three and six months ended June 30, 2012 over the comparative periods, reflecting decreased interest expenses due to mortgage repayments.

Investment properties and mortgages payable for the periods ended June 30, 2012 and December 31, 2011

	June 30, 2012	December 31, 2011
Investment properties	$ 95,845	$85,869
Mortgages payable	45,867	46,313

Investment properties

The fair value of the investment properties at June 30, 2012 was $95.8 million (December 31, 2011 — $85.9 million), representing a weighted average capitalization rate of 6.62% (December 31, 2011 — 6.74%).

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.25% to 7.00%.

The key valuation metrics for investment properties are set out in the table below:

	June 30, 2012		December 31, 2011	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Capitalization rate	6.25 - 7.00	6.62	6.31 - 7.75	6.74

Mortgages payable

Mortgages payable totaled $45.9 million as at June 30, 2012, compared to $46.3 million at December 31, 2011. The aggregate principal installment repayments and balances maturing of the mortgages payable in the next five years and thereafter are as follows:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2012 (remainder of year)	$ 526	$ —	$ 526	5.20%
2013	1,092	—	1,092	5.20%
2014	1,051	22,172	23,223	5.75%
2015	483	6,077	6,560	4.68%
2016	344	9,953	10,297	4.11%
2017 and thereafter	74	4,382	4,456	6.12%
	$3,570	$42,584	$46,154	5.25%

The ROI Co-Owners were in compliance with their mortgage-related covenants through the six months ended June 30, 2012.

The following sets out certain key metrics for the indebtedness of the ROI Co-Owned Properties:

	Six months ended June 30, 2012	Twelve months ended December 31, 2011
Average effective interest rate(1)	5.25%	5.74%
Level of debt (debt-to-gross book value)(2)	48.1%	54.5%
Interest coverage ratio(3)	2.5 times	2.4 times

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Level of debt is determined as total debt, divided by total assets.

(3) The interest coverage ratio for the period is calculated as net rental income less general and administrative expenses, all divided by interest expense on debt.

Cash flows from operating activities

Cash flows from operating activities for the six months ended June 30, 2012 were $1.4 million as compared to $1.8 million in the comparative period in 2011. The decrease of $0.4 million was primarily due to an increase in NOI, as cash NOI increased by $0.3 million, offset by a change in working capital of $0.7 million.

Cash flows from financing activities

Cash flows from financing activities for the six months ended June 30, 2012 was $1.3 million as compared to cash flows from financing activities of $4.7 million in the comparative period for 2011. The cash flows from used in distributions to the ROI Co-Owners of $0.8 million and principal repayments of mortgages of $0.5 million.

Cash flows used in investing activities

Cash flows used in investing activities were $0.01 million for the six months ended June 30, 2012 as compared to $6.1 million in the comparative period for 2011.

ROI Co-Owned Properties — Discussion of the years ended December 31, 2011 and 2010

Results of operations for the years ended December 31, 2011 and 2010

	For the year ended December 31, 2011	For the year ended December 31, 2010
Investment properties revenue	$ 8,380	$ 5,896
Investment properties operating expenses	(2,152)	(1,916)
Net rental income	6,228	3,980
Other income and expenses		
General and administrative	(85)	(12)
Fair value adjustment to investment properties	8,306	1,804
Interest	(2,523)	(1,677)
Net income and comprehensive income	$11,926	$ 4,095

Investment properties revenues

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions of five investment properties completed in 2010 and 2011 contributed $2.4 million of the $2.5 million, or 42%, increase in investment properties revenue. Acquisitions completed in 2011 totaled $24.3 million including transaction costs and acquisitions completed in 2010 totaled $12.1 million including transaction costs. Other key drivers of revenue growth included higher in-place rents which increased approximately 3% year-over-year for the comparative properties in the portfolio.

Investment properties operating expenses

Investment properties operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include utility costs, realty taxes and repairs and maintenance. Operating expenses increased $0.2 million, or 12% over the prior year, as a result of the additional occupancy costs associated with five industrial properties acquired during 2011 and 2010.

General and administrative expenses

General and administrative expenses for the year were $0.09 million, an increase of $0.07 million over the prior year, mainly due to an increase in administrative expenses from acquisitions completed during 2011 and 2010.

Fair value adjustments to investment properties

Fair value adjustments to investment properties were $8.3 million, compared to $1.8 million for the prior year, reflecting the capitalization rate compression during the periods as a result of increases in the market value of investment properties in the portfolio. As at December 31, 2011, the weighted average capitalization rate of the investment properties was 6.74%, as compared to 7.33% as at December 31, 2010.

Interest expense

Interest expense increased $0.8 million, or 50%, for the year, mainly reflecting the additional mortgages payable entered into in 2011. The weighted average balance of additional mortgages totaled approximately $16 million in 2011, with a weighted average interest rate of approximately 5.5%. The additional mortgages related to a $24.2 million portfolio acquisition of investment properties in 2011. Total mortgages payable as at December 31, 2011 and the weighted average interest rate for the year ended December 31, 2011 were $46.3 million and 5.74%, respectively (December 31, 2010 — $30.8 million and 5.56%, respectively).

Investment properties and mortgages payable at the years ended December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
Investment properties	$85,869	$53,249
Mortgages payable	46,313	30,769

Investment properties

The fair value of the investment properties at December 31, 2011 was $85.9 million (December 31, 2010 — $53.2 million), representing a weighted average capitalization rate of 6.74% (December 31, 2010 — 7.33%).

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.31% to 7.75%.

The key valuation metrics for investment properties are set out in the table below:

	December 31, 2011		December 31, 2010	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Capitalization rate	6.31 - 7.75	6.74	7.25 - 7.40	7.33

Mortgages payable

Mortgages payable totaled $46.3 million as at December 31, 2011, compared to $30.8 million at December 31, 2010, primarily a result of acquisitions and refinancings completed in 2011. The aggregate principal installment repayments and balances maturing of the mortgages payable in the next five years and thereafter are as follows:

	Principal Installment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2012	$1,038	$ —	$ 1,038	5.73%
2013	1,092	—	1,092	5.73%
2014	1,049	22,172	23,221	5.78%
2015	483	6,077	6,560	4.78%
2016	344	9,953	10,297	6.12%
2017 and thereafter	74	4,383	4,457	6.12%
	$4,080	$42,585	$46,665	5.74%

The ROI Co-Owners were in compliance with their mortgage-related covenants in 2011 and 2010.

The following sets out certain key metrics for the indebtedness of the ROI Co-Owned Properties:

	December 31, 2011	December 31, 2010
Average effective interest rate(1)	5.74%	5.56%
Level of debt (debt-to-gross book value)(2)	54.5%	58.9%
Interest coverage ratio(3)	2.4 times	2.4 times

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Level of debt is determined as total debt, divided by total assets.

(3) The interest coverage ratio for the period is calculated as net rental income plus less general and administrative expenses, all divided by interest expense on debt.

Cash flows from operating activities

Cash flows from operating activities in 2011 were $3.2 million as compared to $2.7 million in 2010. The increase of $0.5 million was primarily due to an increase in NOI, as cash NOI increased by $2.1 million, partially offset by an increase in interest expense of $0.8 million, a change in working capital of $0.7 million, and an increase in general and administrative expenses of $0.1 million.

Cash flows from financing activities

Cash flows from financing activities were $3.0 million in 2011 and $3.7 million in 2010. For 2011, cash was provided by contributions from the ROI Co-Owners of $5.5 million, partially offset by principal repayments of mortgages of $2.5 million.

Cash flows used in investing activities

Cash flows used in investing activities were $6.3 million in 2011 and $5.5 million in 2010. The cash was used to acquire investment properties of $5.9 million and building improvements of $0.3 million in 2011.

ROI Co-Owned Properties — Discussion of years ended December 31, 2010 and 2009 (GAAP)

Results of operations for the years ended December 31, 2010 and 2009

	For the year ended December 31, 2010	For the year ended December 31, 2009
Rental properties revenue	$ 6,118	$1,344
Rental properties operating expenses	(1,916)	(493)
Net rental income	4,202	851
Other income and expenses		
General and administrative	(12)	(2)
Interest	(1,677)	(326)
Depreciation of rental properties	(811)	(151)
Amortization of leasing costs, tenant improvements and intangibles	(735)	(92)
Net income and comprehensive income	$ 967	$ 280

Rental properties revenues

Rental properties revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated as a result of three industrial properties acquired in 2010 for a total purchase price of $12.1 million contributed $4.6 million of the $4.8 million, or 355%, increase in rental property revenue for the year compared with the prior year. Acquisitions completed in 2010 totaled $12.1 million including transaction costs and acquisitions completed in 2009 totaled $22.3 million including transaction costs. The balance of the revenue growth was attributable to higher average occupancy rates for the year ended December 31, 2010.

Rental properties operating expenses

Rental properties operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Occupancy costs include utility costs, realty taxes, and repairs and maintenance. Operating expenses increased $1.4 million, or 289%, for the year compared with the prior year, as a result of additional occupancy costs associated with three industrial properties acquired during 2010. Occupancy costs for the comparative portfolio were otherwise stable.

General and administrative expenses

General and administrative expenses for the year were $0.01 million, an increase of $0.01 million over the prior year, almost entirely attributable to an increase in administrative expenses incurred as a result of acquisitions that totaled $12.1 million including transaction costs in 2010, and $0.1 million increase in other corporate costs.

Interest expense

Interest expense increased by $1.4 million for the year as a result of interest incurred on additional mortgages payable entered into in 2010. The largest contributing factor to the increase in interest expense was a $14.8 million mortgage entered into with a 5.77% interest rate that was part of a $22.3 million property acquisition in 2009. Total mortgages payable as at December 31, 2010 and the weighted average interest rate for the year ended December 31, 2010 were $30.8 million and 5.56%, respectively (December 31, 2009 — $24.4 million and 5.50%).

Depreciation of rental properties

Depreciation increased by $0.7 million, or 437% over the prior year, attributable to acquisitions that totaled $12.1 million including transaction costs in 2010 and $22.3 million including transaction costs in 2009.

Amortization of leasing costs, tenant improvements and intangibles

Amortization increased by $0.6 million, or 699% over the prior year, the increase is attributable to acquisitions completed in 2010 and 2009.

Cash flows from operating activities

Cash flows from operating activities in 2010 were $2.7 million as compared to $0.6 million in 2009. The increase in cash flows from operating activities was primarily driven by an increase in NOI, as cash NOI increased by $2.9 million, and an improvement in working capital of $0.5 million, partially offset by an increase in interest expense of $1.3 million.

Cash flows from financing activities

Cash flows from financing activities were $3.7 million in 2010, compared to $7.2 million in 2009. In 2010, cash flows from financing decreased primarily due to smaller contributions from the ROI Co-Owners of $4.3 million, partially offset by principal repayments of mortgages of $0.6 million.

Cash used in investing activities

Cash used in investing activities was $5.5 million in 2010 and $7.5 in 2009. The cash was used to acquire building improvements of $0.6 million and rental properties of $4.9 million in 2010.

Contractual obligations

The ROI Co-Owned Properties' material contractual obligations as at June 30, 2012 were as follows:

	Remainder of 2012	2013	2014	2015	2016	2017 & Thereafter
Mortgages payable	$526	$1,092	$23,223	$6,560	$10,297	$4,456

The ROI Co-Owned Properties' material contractual obligations as at December 31, 2011 were as follows:

	2012	2013	2014	2015	2016	2017 & Thereafter
Mortgages payable	$1,038	$1,092	$23,221	$6,560	$10,297	$4,457

The ROI Co-Owned Properties' material contractual obligations as at December 31, 2010 were as follows:

	2011	2012	2013	2014	2015	2016 & Thereafter
Mortgages payable	$647	$683	$721	$22,832	$6,153	$—

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in note 6 of the audited carve-out financial statements for the years ended December 31, 2011 and 2010. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

The IASB and International Financial Reporting Interpretations Committee have issued a number of standards and interpretations with an effective date after the date of these carve-out financial statements. Set out below are those which may have a material impact on the carve-out financial statements in future periods.

Financial instruments

IFRS 9 was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39. IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The ROI Co-Owned Properties are currently evaluating the impact of IFRS 9 on their carve-out financial statements. IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements". This new standard replaces IAS 31, "Interests in Joint Ventures" and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The ROI Co-Owned Properties are currently evaluating the impact of this standard on the carve-out financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7 requires the ROI Co-Owned Properties to provide disclosures related to offsetting financial assets and liabilities. The ROI Co-Owned Properties are currently evaluating the impact of IFRS 7 on its consolidated financial statements and will start the application of this amendment on January 1, 2013. IAS 32 has been amended to clarify requirements for offsetting financial assets and financial liabilities. The ROI Co-Owned Properties will start the application of IAS 32 effective from January 1, 2014.

Consolidated financial statements

IFRS 10 replaces current IAS 27. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The ROI Co-Owned Properties are currently evaluating the impact of IFRS 10 on its carve-out financial statements and will start the application of this standard effective January 1, 2013.

Disclosure of interests in other entities

IFRS 12 requires disclosures relating to an entity's interests in subsidiaries. The ROI Co-Owned Properties are currently evaluating the impact of IFRS 12 on the carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The ROI Co-Owned Properties will start the application of IFRS 13 effective January 1, 2013. The ROI Co-Owned Properties are currently evaluating the impact of IFRS 13 on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1 provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The ROI Co-Owned Properties will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and are currently evaluating the impact on the carve-out financial statements of the ROI Co-Owned Properties as a result of its adoption.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates and assumptions in the preparation of the carve-out financial statements are described in note 4 of the audited carve-out financial statements for the ROI Co-Owned Properties for the six months ended June 30, 2012 and for the year ended December 31, 2011.

Risks and Uncertainties

There is business risk associated with the ownership of the ROI Co-Owned Properties. See "Risk Factors".

OUR STRUCTURE AND FORMATION

The REIT

Dundee Industrial Real Estate Investment Trust was established as an unincorporated open-ended real estate investment trust on July 20, 2012 under the laws of the Province of Ontario. From and after Closing, the REIT will be a "mutual fund trust" as defined in the Tax Act, but not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head and registered office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1. A copy of the Declaration of Trust can be obtained from us during the period of distribution of the Units and will be available following Closing on SEDAR at www.sedar.com.

Industrial Partnership

Our interest in the Initial Properties will be held through Industrial Partnership. Industrial Partnership is a limited partnership formed under the laws of the Province of Ontario. Industrial Partnership is authorized to issue an unlimited number of LP A Units and LP B Units. Industrial GP will be the sole general partner of Industrial Partnership and is a corporation governed by the laws of the Province of Ontario. Industrial GP is a wholly-owned Subsidiary of the REIT. The limited partners of Industrial Partnership (the "Limited Partners") will be the REIT, which on Closing will own all of the LP A Units, and certain Transferors, which on Closing will own all of the LP B Units. Subject to the provisions of the Limited Partnership Agreement, Industrial GP will have all necessary powers to manage, control and operate the activities and affairs of Industrial Partnership and to do or cause to be done any and all acts necessary, appropriate, convenient or incidental thereto. Industrial Partnership may be dissolved or terminated only with the consent of the REIT and DPLP, so long as they remain as Limited Partners.

ACQUISITION OF THE INITIAL PROPERTIES

On Closing, we will acquire the interests of the Transferors in the Initial Properties and the interests of the ROI Co-Owners in the ROI Co-Owned Properties through a series of steps which are summarized below.

Principal Steps for the Acquisition and the ROI Transaction

1. The Transferors will directly or indirectly contribute their interests in the Initial Properties to Industrial Partnership pursuant to the Acquisition Agreement. The consideration will be satisfied by the direct and indirect assumption by Industrial Partnership of the Assumed Mortgages in the aggregate amount of $268.2 million (excluding mark-to-market adjustments of approximately $11.7 million) and the issuance to the Transferors of $135.7 million of LP A Notes and 16,034,631 LP B Units (the LP B Units will be accompanied by an equivalent number of Special Trust Units).
2. The REIT will issue 15,500,000 Units pursuant to the Offering for net proceeds of approximately $142.5 million. Concurrently, the REIT will issue an aggregate of 1,750,000 Units to Dundee Corporation and 750,000 Units to Michael J. Cooper for proceeds of $25.0 million.
3. We will draw $8.5 million on the Credit Facility.
4. The REIT will use $135.7 million of the amounts referred to in items 2 and 3 above to acquire from the Transferors the LP A Notes referred to in item 1 above pursuant to the LP A Notes Acquisition Agreement.
5. The REIT will contribute and assign the LP A Notes referred to in item 1 above to Industrial Partnership in exchange for $135.7 million of LP A Units.
6. The REIT will use $35.8 million of the amounts referred to in items 2 and 3 above to subscribe for additional LP A Units of Industrial Partnership.
7. Industrial Partnership will use the $35.8 million in proceeds from the subscription of additional LP A Units by the REIT, referred to in item 6 above, to fund the cash portion of the purchase price for the acquisition,

directly or indirectly, of the interests of the ROI Co-Owners in the ROI Co-Owned Properties and certain related indebtedness. Industrial Partnership will also, directly and indirectly, assume certain mortgages in the aggregate amount of $45.8 million (excluding mark-to-market adjustments of approximately $2.4 million) associated with the ROI Co-Owned Properties.

8. The REIT will retain $4.5 million to pay fees and expenses relating to the acquisition of the Initial Properties.

For an illustration of the corporate structure of the REIT upon completion of the above transactions, see "Post-Closing Structure".

Acquisition Agreement

The following is a summary of certain provisions of the Acquisition Agreement, which is a material contract for the REIT, and is qualified in its entirety by reference to all of the provisions of such agreement. The Acquisition Agreement will be available following Closing on SEDAR at www.sedar.com.

Industrial Partnership will acquire direct and indirect interests in the Initial Properties from the Transferors, pursuant to the Acquisition Agreement, for an aggregate purchase price of approximately $575.9 million (before any applicable adjustments) to be paid in accordance with step 1 above in "— Principal Steps for the Acquisition and the ROI Transaction". The acquisition of the Initial Properties will reflect customary purchase price adjustment provisions, including for pre-paid expenses, pre-paid rent and working capital.

The Acquisition Agreement will contain representations and warranties typical of those contained in acquisition agreements for similar portfolios of real property negotiated between sophisticated purchasers and vendors acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge, materiality and disclosure, subject to reasonable exceptions. The representations and warranties will relate to the Transferors and the Initial Properties and will be from the Transferors, on a joint and several basis, in favour of Industrial Partnership (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital, compliance with laws, title to the Initial Properties and other assets being acquired, condition of tangible assets, financial information, outstanding indebtedness and guarantees, outstanding liens, absence of undisclosed liabilities, material agreements, accuracy of rent rolls, tax matters, environmental matters and employment matters). The Transferors will also provide representations and warranties that this prospectus contains full, true and plain disclosure of all material facts relating to the Initial Properties and other assets being acquired, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. Such representations and warranties will survive for a period of 18 months from Closing; provided, however, that representations regarding organization and status, and power and authorization shall survive until expiry of the applicable limitation period, representations regarding tax matters shall survive for a period of 120 days after the expiry of the applicable limitation period and the prospectus representation shall survive for a period of three years from Closing. Any claim for any breach of any of the representations and warranties contained in this Acquisition Agreement involving fraud or fraudulent misrepresentation may be made at any time subject only to the applicable limitation period imposed by applicable laws. Other than as provided in the representations and warranties, the Initial Properties will be sold to the Industrial Partnership on an "as is where is" basis.

The Transferors and Industrial Partnership shall provide mutual indemnities in favour of each other for any breach of such representations and warranties or covenants under the Acquisition Agreement. The maximum liability of each party in respect of any claims for indemnification shall be limited to $65.0 million. No claim under the representations and warranties and indemnities may be made until the aggregate losses exceed minimum threshold amounts (which will total $250,000). The Transferors' liability under their indemnity shall be on a joint and several basis.

There can be no assurance of recovery by Industrial Partnership from the Transferors for any breach of the representations and warranties provided by them under the Acquisition Agreement, as there can be no assurance that their assets will be sufficient to satisfy such obligations. Only Industrial Partnership will be entitled to bring a claim or action for misrepresentation or breach of contract under the Acquisition Agreement and purchasers of Units under this prospectus will not have any contractual rights under the Acquisition Agreement. Purchasers will, however, have certain statutory rights of action against the REIT and DPLP, as promoter, under applicable securities laws. See "Retained Interest by the Transferors" and "Purchasers' Statutory Rights".

The closing of the Acquisition will be conditional upon, among other things, the completion of the Offering, the purchases of Units by Dundee Corporation and Michael J. Cooper and the receipt of all necessary consents and waivers from third parties, including lenders under the Assumed Mortgages.

A purchaser of Units should refer to the terms of the Acquisition Agreement for a complete description of the representations, warranties and indemnities being provided in favour of Industrial Partnership, and related limitations under the Acquisition Agreement.

LP A Notes Acquisition Agreement

The following is a summary of certain provisions of the LP A Notes Acquisition Agreement and is qualified in its entirety by reference to all of the provisions of such agreement. The LP A Notes Acquisition Agreement is a material contract for the REIT and will be available following Closing on SEDAR at www.sedar.com.

The REIT will acquire all of the LP A Notes owned by the Transferors pursuant to the terms of the LP A Notes Acquisition Agreement for an aggregate purchase price of $135.7 million. The LP A Notes Acquisition Agreement will contain representations and warranties typical of those contained in agreements for the purchase of promissory notes negotiated between sophisticated purchasers and vendors acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge and materiality and subject to reasonable exceptions. The representations and warranties will relate to the Transferors and the LP A Notes to be sold to the REIT and will be from the Transferors, on a joint and several basis, in favour of the REIT (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issue capital and title to the LP A Notes). Such representations and warranties will survive for a period of 18 months from Closing. Completion of the purchase of the LP A Notes will be conditional upon receipt of *Competition Act* (Canada) approval.

There can be no assurance of recovery by the REIT from the Transferors for any breach of the representations and warranties provided by them under the LP A Notes Acquisition Agreement, as there can be no assurance that their assets will be sufficient to satisfy such obligations. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the LP A Notes Acquisition Agreement and purchasers of Units under this prospectus will not have any contractual rights under the LP A Notes Acquisition Agreement. Purchasers will, however, have certain statutory rights of action against the REIT and DPLP, as promoter, under applicable securities laws. See "Retained Interest" and "Purchasers' Statutory Rights".

A purchaser of Units should refer to the terms of the LP A Notes Acquisition Agreement for a complete description of the representations, warranties and indemnities being provided in favour of the REIT, and related limitations under the LP A Notes Acquisition Agreement.

ROI Purchase Agreement

On August 3, 2012, we entered into an agreement of purchase and sale (the "ROI Purchase Agreement") with the ROI Co-Owners to purchase their interests in the ROI Co-Owned Properties and a portfolio of nine other properties (the "ROI Alberta Properties") and certain related indebtedness for a total purchase price of approximately $159 million. Subsequent to us entering into the ROI Purchase Agreement, we have determined that we will not acquire any interests in the ROI Alberta Properties on Closing. Instead, as agreed with DPLP, we will direct that the interests of the ROI Co-Owners in the ROI Alberta Properties be transferred to DPLP or its Affiliates, and those parties will pay the purchase price for those interests of approximately $75 million. We will, however, acquire the interests of the ROI Co-Owners in the ROI Co-Owned Properties for approximately $84 million.

The purchase price for the ROI Co-Owned Properties will be satisfied through a combination of cash and the direct and indirect assumption by Industrial Partnership of mortgages and other indebtedness relating to the ROI Co-Owned Properties. See "Use of Proceeds".

The ROI Co-Owned Properties consist of seven of the Initial Properties that are currently co-owned by certain Transferors with the ROI Co-Owners. The Transferors' interests in the ROI Co-Owned Properties were previously owned by Subsidiaries of Whiterock Real Estate Investment Trust ("Whiterock"). The Transferors acquired their interests in the ROI Co-Owned Properties at the time of Dundee REIT's acquisition of Whiterock on March 2, 2012.

The ROI Co-Owned Properties are listed in the table below, together with the interests held by the respective ROI Co-Owners which we will indirectly acquire on Closing, subject to satisfying the conditions contained in the ROI Purchase Agreement. On completion of the Acquisition and the ROI Transaction, we will have a 100% interest in the ROI Co-Owned Properties. For information about the ROI Co-Owned Properties, see "Appendix A — Initial Properties".

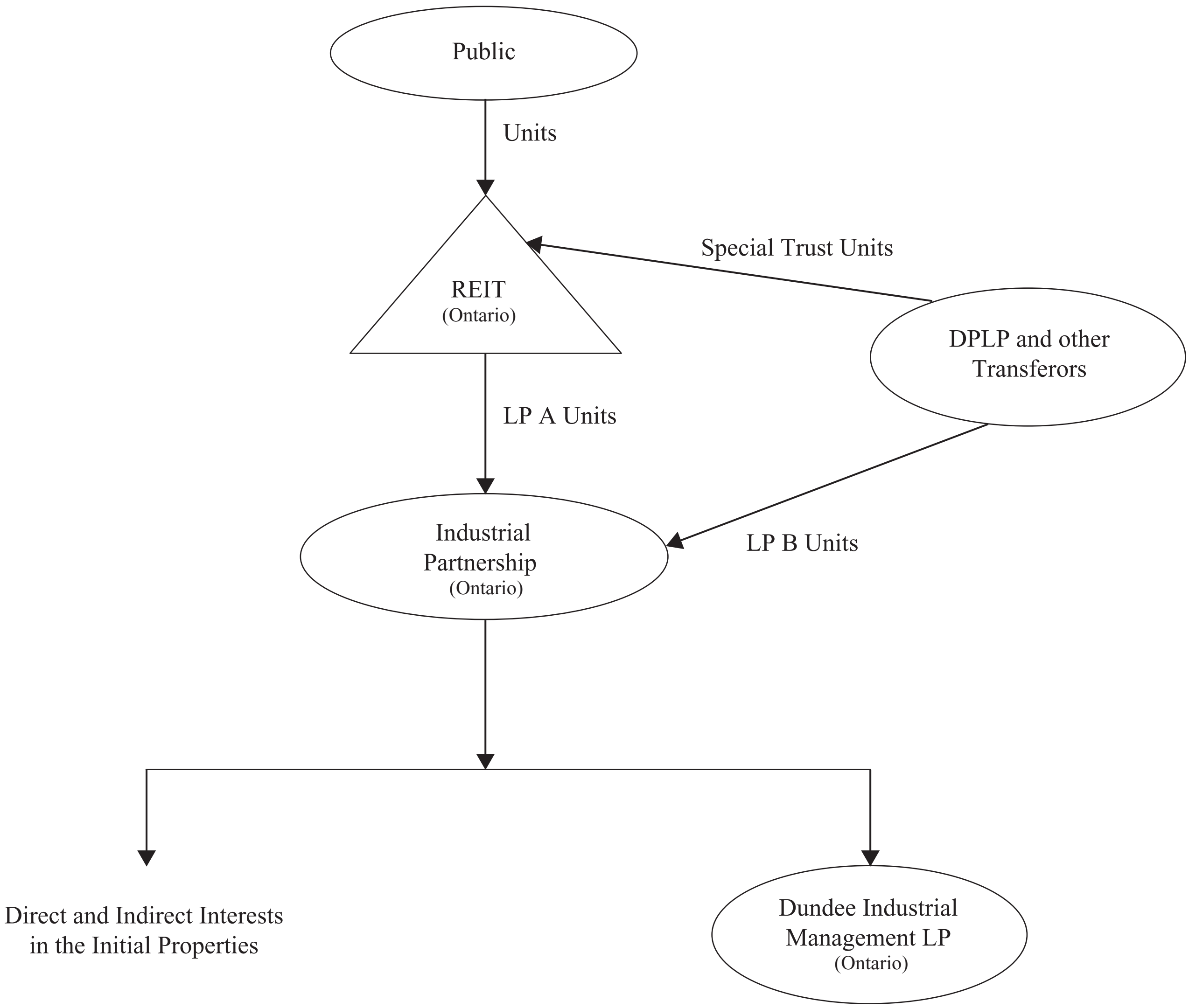
Property	Interest Held by ROI Co-Owner
1900 Dickson Street (Molson Distribution Centre), Montréal	80%
310 Henderson Drive, Regina	85%
310 Hoffer Drive (McDonald Business Centre), Regina	60%
402 McDonald Street (Imperial Business Centre), Regina	60%
651 Henderson Drive (Henderson Business Centre), Regina	60%
10001 Metropolitan Boulevard East, Montréal	60%
1155 Autoroute Chomedey, Laval	60%

Note: The ROI Alberta Properties that will not be acquired on Closing are: (1) 13151, 13153, 13163, 13167, 13179 and 13183 146 Street (St. Albert's Trail), Edmonton, (2) 2899 Broadmoor Boulevard (Broadmoor Place I), Edmonton, (3) 2833 Broadmoor Boulevard (Broadmoor Place II), Edmonton, (4) 2693 Broadmoor Boulevard (Broadmoor Place VII), Edmonton, (5) 2055 Premier Way (Broadmoor Place VIII), Edmonton, (6) 11404 Winterburn Road (Yellowhead West), Edmonton, (7) 16104 114 Avenue (Alberta Park Place I), Edmonton, (8) 16134 114 Avenue (Alberta Park Place II), Edmonton and (9) 229 26229 Township Road 531A (TransWest Place), Parkland County (Edmonton).

Completion of the ROI Transaction is subject to the satisfaction of certain conditions, including the obtaining of *Competition Act* (Canada) and lender consents. The purchase of the interests of the ROI Co-Owners in the ROI Co-Owned Properties will be on an "as is, where is" basis with limited representations and warranties from the ROI Co-Owners. As DRMC presently provides property management services for the ROI Co-Owned Properties, the ROI Co-Owners have provided limited representations and warranties which will survive for a period of 365 days following their closing date. The aggregate liability of the ROI Co-Owners for breaches and indemnity claims by us under the ROI Purchase Agreement will be limited to $3.0 million in the aggregate with respect to any breach and/or claim.

POST-CLOSING STRUCTURE

The following chart sets out the simplified organizational structure of the REIT immediately following Closing:



Notes:

(1) Units held by the public include 1,750,000 Units to be held by Dundee Corporation, representing approximately 5.1% of the outstanding Units on a fully-exchanged basis (approximately 4.8% if the Over-Allotment Option is exercised in full), and 750,000 Units to be held by Michael J. Cooper, representing approximately 2.2% of the outstanding Units on a fully-exchanged basis (approximately 2.1% if the Over-Allotment Option is exercised in full).

(2) The Transferors will hold an approximate 47.1% effective interest in the REIT (on a fully-exchanged basis) through ownership of all of the issued and outstanding LP B Units (an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full). The Transferors are Subsidiaries of Dundee REIT.

(3) The general partner of Industrial Partnership is a wholly-owned Subsidiary of the REIT.

(4) The general partner of Dundee Industrial Management LP is a wholly-owned Subsidiary of Industrial Partnership.

(5) Except as noted above, ownership interests below the REIT are 100%, excluding one Initial Property (2240 Premier Way, Edmonton, Alberta), which is co-owned.

REAL ESTATE MANAGEMENT AND ADVISORY SERVICES

Overview

We will enter into several arrangements with respect to the management of our activities and affairs:

(a) DRC will provide us with asset management services and may provide us with certain administrative services pursuant to the Asset Management Agreement.

(b) Our wholly-owned Subsidiary, Dundee Industrial Management LP, will be our property manager, and will provide property management services pursuant to the Master Property Management Agreement. Dundee Industrial Management LP will have a dedicated team of employees, who bring experience and continuity in managing the industrial portfolio. Where scale does not make it efficient to employ certain positions or perform certain functions within Dundee Industrial Management LP, Dundee Industrial Management LP will engage DRMC to provide such personnel and services pursuant to the Services Agreement. DRMC is a Subsidiary of Dundee REIT and provides property management services to Dundee REIT, including in respect of the Initial Properties. DRMC has agreed to provide these services to Dundee Industrial Management LP on a cost recovery basis. We estimate that this internal property management structure will allow us to save approximately $2.0 million over the forecast period that would otherwise be paid to a third party.

(c) DRMC will also provide us with certain administrative and support services on a cost recovery basis. These services will also be provided pursuant to the Services Agreement.

Asset Management Services

DRC will be responsible for the overall asset management of our properties and advising the Board of Trustees on strategic matters, including acquisitions, dispositions, strategic planning, business plan preparation, deal structuring and financing. The asset management services and administrative services to be provided by DRC, together with the fees for these various services, will be set out in the Asset Management Agreement. See "Asset Management — Asset Management Agreement".

Property Management Services

Dundee Industrial Management LP will be responsible for providing property and facility management services in respect of our properties pursuant to the Master Property Management Agreement, and will receive customary fees for such services. Dundee Industrial Management LP, with the prior approval of Industrial Partnership, may delegate some or all of its obligations under the Master Property Management Agreement, provided that such delegation will not relieve Dundee Industrial Management LP of its obligations under the Master Property Management Agreement.

Dundee Industrial Management LP will have a dedicated team of employees, who bring experience and continuity in managing the industrial portfolio. Where scale does not make it efficient to employ certain positions or perform certain functions within Dundee Industrial Management LP, Dundee Industrial Management LP will engage DRMC to provide such personnel and services pursuant to the Services Agreement. DRMC is a Subsidiary of Dundee REIT and provides property management services to Dundee REIT, including in respect of the Initial Properties. DRMC has agreed to provide these services to Dundee Industrial Management LP on a cost recovery basis. See "— Other Services".

Services provided under the Master Property Management Agreement will include the following: supervising and directing the making of renovations, repairs and maintenance; supervising technical services; preparing and maintaining accounting books, records and financial reports; maintaining heating, ventilation and air conditioning equipment and ensuring proper climate control; maintaining interior and exterior common areas of our properties; arranging and supervising security with respect to our properties; paying charges and expenses relating to the operation of our properties; supervising all construction and technical services; obtaining and maintaining necessary permits; monitoring the payment of taxes; and other general services necessary for the management, operation and maintenance of our properties. The term of the Master Property Management Agreement will commence on Closing for ten years and will be automatically renewed for further five year terms. Notwithstanding the foregoing, on or after the expiry of the initial ten year term, the Master Property Management Agreement may be terminated by either Industrial Partnership or Dundee Industrial Management LP at the end of a calendar year upon one year's written notice.

Other Services

Services Agreement

Pursuant to the Services Agreement, DRMC may provide us with both property and facility management services as well as certain administrative and support services. The property and facility management services in the Services Agreement will be the property and facility management services set out in the Master Property Management Agreement which are summarized above. DRMC will have the authority to act on behalf of Dundee Industrial Management LP for these purposes.

The administrative and support services to be provided by DRMC to us under the Services Agreement will include: keeping and maintaining books and records; preparing returns, filings and documents; and making determinations necessary for the discharge of our obligations and those of the Board of Trustees. Under the Services Agreement, DRMC will also provide us with certain administrative and support services, including: providing office space, office equipment and communications services and computer systems; providing secretarial support personnel and reception and telephone answering services; installing and maintaining signage and promotional materials; providing banking and treasury services, including account management and transfer of funds; and providing such other administrative services as may be reasonably required from time to time.

DRMC has agreed to provide both property and facility management services and administrative and support services to us on a cost recovery basis. In this regard, the Services Agreement will require us to pay DRMC a services fee sufficient to reimburse it for the expenses incurred by it in providing services under the Services Agreement as long as the expenses are identified in the current annual budget for the properties or are otherwise approved by us in writing prior to being incurred by DRMC.

The term of the Services Agreement will commence on Closing for one year and will be automatically renewed for further one year terms. Notwithstanding the foregoing, the Services Agreement or any of the services thereunder may be terminated by us at any time during the term upon 30 days' prior notice without payment of any termination fees to DRMC. DRMC has the right to terminate the Services Agreement with respect to property management services with 12 months' notice after the expiration of the initial one year term.

The Services Agreement will contain an acknowledgement that DRMC and its Affiliates and associates may engage in other businesses that may be similar to or in competition with our affairs. In the event of a conflict, DRMC will provide us with notice of the conflict and we will be entitled to retain one or more third parties to perform the administrative services to which the conflict relates and to deduct from the fees otherwise payable to DRMC under the Services Agreement the fees payable to such third parties.

Administrative Services under the Asset Management Agreement

The Asset Management Agreement will provide that DRC will provide certain administrative services to us, including: the preparation of budgets, financial forecasts, valuations and leasing analysis and amounts outstanding with respect to all receipts, disbursements and investments; the keeping and maintaining of all books and records; the preparation of regulatory filings, including our annual information forms, management information circulars, insider trading reports, financial statements, management's discussion and analysis, business acquisition reports and press releases; the preparation of financing documents, such as prospectuses; investor relations services, including the preparation of annual and quarterly reports, investor presentations and marketing materials, as well as holding quarterly conference calls with analysts and investors; the holding of annual and/or special meetings and the preparation of and arrangement for the distribution of all materials (including notices of meetings and information circulars); the preparation of reports and other disclosure documents for the Board of Trustees and unitholders; ensuring compliance by us with all applicable laws and stock exchange rules, including continuous disclosure obligations; the preparation of returns, designations, allocations, elections and determinations to be made in connection with our income and capital gains for tax and accounting purposes; monitoring our income and investments to ensure that the REIT does not become liable to pay a tax; the preparation of operational reporting, such as cash flow by property and by asset types; and the preparation of executive summaries by asset type outlining asset issues along with various other matters and development reporting costs.

We will pay DRC a service fee sufficient to reimburse it for the expenses reasonably incurred by it in providing administrative services under the Asset Management Agreement.

Non-Competition Agreement

The Non-Competition Agreement will prohibit DRC and its Affiliates (excluding Affiliates which are public entities as described below) from directly or indirectly acquiring an ownership interest, on its own behalf, in any industrial revenue producing real property which meets the investment criteria of the REIT, unless such investment opportunity has first been offered to us in accordance with the terms of the Non-Competition Agreement. See "Investment Guidelines and Operating Policies".

The above investment restriction will not apply to investments in vacant land, residential housing, multi-residential housing units, hotels, resorts, residential condominium units, nursing homes or retirement homes. This investment restriction will not apply to: (a) passive real estate investments made by DRC or any of its Affiliates which are each less than $25 million and represent less than a 25% interest in the real property; (b) investments in properties that do not meet the investment criteria of the REIT; (c) investments in any property that will be used as office or industrial space by DRC or any Affiliates; (d) investments made on behalf of fiduciary, managed or client accounts; (e) investments that result from the realization of a loan secured by the property; and (f) investments made by any Affiliate of DRC that is a public company or any Subsidiaries or Affiliates of such public companies (other than DRC and its direct Subsidiaries).

With respect to industrial revenue producing properties owned, rezoned or developed by DRC, DRC will provide us with a first opportunity to acquire such properties, but DRC will be free to offer such properties to other parties in the event that we and DRC are not able to agree on price or other terms for the acquisition.

The Non-Competition Agreement will provide that DRC and its Affiliates will no longer be bound by the terms of the Non-Competition Agreement when DRC is no longer our asset manager or, in the case of any Affiliate, when such entity has ceased to be an Affiliate of DRC.

Opportunities Agreement

The Opportunities Agreement will provide that if DRC, as our asset manager and as the asset manager for Dundee REIT and Dundee International REIT, identifies an investment opportunity (each, an "Offered Investment") to acquire, directly or indirectly, an ownership interest in (including as a result of making a loan secured by):

(a) a real property or interest in a real property that is, or would reasonably be considered to be, an industrial property or primarily an industrial property, which, for purposes of the Opportunities Agreement, includes real property commonly described as "flex office/industrial" or a variation of same (an "Industrial Property");

(b) a real property or interest in a real property that is, or would reasonably be considered to be, an office property or primarily an office property (an "Office Property");

(c) a portfolio of real properties or interest in a portfolio of real properties that is, or would reasonably be considered to be, a portfolio of Industrial Properties or primarily Industrial Properties (an "Industrial Portfolio");

(d) a portfolio of real properties or interest in a portfolio of real properties that is, or would reasonably be considered to be, a portfolio of Office Properties or primarily Office Properties (an "Office Portfolio"); or

(e) a portfolio of Industrial Properties and Office Properties that is, or would reasonably be considered to be, neither primarily Office Properties nor primarily Industrial Properties (a "Mixed Portfolio");

then, in each case, DRC shall offer such Offered Investment to Dundee Industrial REIT, Dundee REIT or Dundee International REIT on the following basis:

(a) an opportunity to acquire (i) an Industrial Property in Canada or (ii) an Industrial Portfolio in Canada or primarily in Canada will, in each case, first be offered to us in accordance with the terms of the Opportunities Agreement;

(b) an opportunity to acquire (i) an Office Property in Canada or (ii) an Office Portfolio in Canada or primarily in Canada will, in each case, first be offered to Dundee REIT in accordance with the terms of the Opportunities Agreement;

(c) an opportunity to acquire an Industrial Property, Industrial Portfolio, Office Property or Office Portfolio outside of Canada will first be offered to Dundee International REIT in accordance with the terms of the Opportunities Agreement; if Dundee International REIT is not interested in pursuing such opportunity, the opportunity will then be offered to Dundee REIT or to us, as applicable, in accordance with the terms of the Opportunities Agreement on the same basis as if the property or portfolio of properties were in Canada;

(d) an opportunity to acquire a Mixed Portfolio in Canada or primarily in Canada will be offered to both Dundee REIT and to us at the same time in accordance with the terms of the Opportunities Agreement; and

(e) an opportunity to acquire an Industrial Portfolio, Office Portfolio or Mixed Portfolio partially in Canada and partially outside of Canada that is not required to be offered to one or both of Dundee REIT or us by the terms of the Opportunities Agreement will be offered in accordance with the terms of the Opportunities Agreement at the same time to: (i) both Dundee International REIT (in respect of that part of the portfolio outside Canada) and to us in the case of an Industrial Portfolio; (ii) both Dundee International REIT (in respect of that part of the portfolio outside Canada) and Dundee REIT in the case of an Office Portfolio; or (iii) each of Dundee International REIT (in respect of that part of the portfolio outside Canada), Dundee REIT and us in the case of a Mixed Portfolio.

The Opportunities Agreement does not apply to opportunities to make investments: (i) in any property that will be used as office space by DRC or any of its Affiliates; (ii) made on behalf of fiduciary, managed or client accounts other than Dundee REIT, Dundee International REIT or us; and (iii) by DRC that result from the realization of a loan secured by a real property or any interest therein.

The Opportunities Agreement will cease to apply to Dundee REIT, Dundee International REIT or us at the time that DRC ceases to be the asset manager for Dundee REIT, Dundee International or us, as the case may be.

TRUSTEES AND EXECUTIVE OFFICERS

Trustees and Executive Officers

Upon Closing, the Board of Trustees will consist of six Trustees. The Trustees will be elected by unitholders at each annual meeting of unitholders, all Trustees will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The nominees for election as Trustees will be determined by the Governance and Environmental Committee in accordance with the provisions of the Declaration of Trust and the charter of the Governance and Environmental Committee and will be included in the proxy-related materials to be sent to unitholders prior to each annual meeting.

The following table sets forth information regarding our Trustees and executive officers whose appointment will be effective upon Closing. The Board of Trustees will select a Chair of the Board of Trustees at its first meeting following Closing.

Name, Province or State and Country of Residence	Position/Title	Independent	Committees	Principal Occupation
Mario Barrafato, Ontario, Canada	Chief Financial Officer	—	Member of the Executive Committee	Principal, Dundee Real Estate Asset Management
Michael J. Cooper, Ontario, Canada	Trustee	No	Member of the Executive Committee	Managing Partner, Dundee Real Estate Asset Management
Peter Crossgrove, Ontario, Canada	Trustee	Yes	Member of the Governance and Environmental Committee	Executive Chairman of Excellon Resources
Joanne Ferstman, Ontario, Canada	Trustee	Yes	Member of the Executive Committee and Audit Committee	Corporate Director
Robert Goodall, Ontario, Canada	Trustee	Yes	Member of the Audit Committee	President of Canadian Mortgage Capital Corporation
Scott Hayes, Ontario, Canada	President and Chief Executive Officer	—	Member of the Executive Committee	President and Chief Executive Officer of the REIT
Leerom Segal, Ontario, Canada	Trustee	Yes	Member of the Governance and Environmental Committee	President and Chief Executive Officer of Klick Health
Vincenza Sera, Ontario, Canada	Trustee	Yes	Member of the Governance and Environmental Committee and Audit Committee	Chair of the Ontario Pension Board

Each of Michael J. Cooper and Mario Barrafato is a Trustee and executive officer of the REIT for purposes of applicable securities laws as at the date of this prospectus. As none of the other above-mentioned individuals will be appointed as Trustees or executive officers of the REIT prior to the filing of this prospectus, such other individuals will not have any liability for the contents of this prospectus in such capacities under Canadian provincial securities legislation. Mr. Barrafato will resign as a Trustee immediately prior to Closing.

As a group, our Trustees and executive officers will beneficially own, or control or direct, directly or indirectly, 917,500 Units, representing approximately 2.7% of the issued and outstanding Units (on a fully-exchanged basis) upon completion of the Offering and the Acquisition (approximately 2.5% if the Over-Allotment Option is exercised in full).

Biographical Information Regarding the Trustees and Executive Officers

Michael J. Cooper

Michael J. Cooper has worked in the real estate development and property management industry since 1987. He is President and Chief Executive Officer of DRC, Vice Chair and Chief Executive Officer of Dundee REIT, and Vice Chair and Chair of the Executive Committee of Dundee International REIT, in which capacities he is focused on strategy, acquisitions, capital markets and investor relations. He is also the Managing Partner of Dundee Real Estate Asset Management ("DREAM"), a fully diversified real estate investment and asset management company with more than $12 billion of assets under management. Mr. Cooper was previously a Vice-President of Goodman & Company, Investment Counsel Ltd. responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. Mr. Cooper currently sits on a variety of public and private boards of directors, including Dundee Corporation, Dundee REIT, Dundee International REIT, United Corporations Ltd., Lakefield Foundation and the Power Plant Gallery. He holds a law degree from the University of Western Ontario and a Masters in Business Administration degree from York University.

Scott Hayes

Scott Hayes has worked in the industrial real estate industry for over 18 years. He is a Principal of DREAM responsible for industrial properties and is also our President and Chief Executive Officer. Prior to joining

DREAM, Mr. Hayes was President and Chief Operating Officer of Pure Industrial Real Estate Trust ("PIRET"). At PIRET, Mr. Hayes oversaw all aspects of acquisitions, operations and financing. Prior to joining PIRET, he worked for a leading developer and private equity investment firm.

Mario Barrafato

Mario Barrafato is a Principal of DREAM, a fully diversified real estate investment and asset management company. DREAM currently has more than $12 billion of commercial real estate, residential development and renewable energy infrastructure assets under management. In his capacity as Principal, Mario is responsible for financial planning, corporate finance and taxation for the various clients of DREAM. In addition, Mario is the Senior Vice President and Chief Financial Officer of Dundee REIT. Prior to joining DRC in 2001, Mario held progressive positions with KPMG and Molson Inc.

Joanne Ferstman

Joanne Ferstman was an executive officer at Dundee Corporation and/or its subsidiaries for 18 years and brings a wealth of experience in the financial service industry. Ms. Ferstman was most recently the President and Chief Executive Officer at Dundee Capital Markets Inc., a Canadian investment dealer with principal businesses that include investment banking, institutional sales and trading, investment research, private client financial advisory and investment product management until her retirement in June 2012. She currently works as a consultant and sits on both public and private corporate boards. Prior to joining Dundee Corporation, Ms. Ferstman spent four years as Chief Financial Officer for a national securities firm and five years with Ernst & Young. Ms. Ferstman is director of Aimia Inc. and Dundee REIT. Ms. Ferstman holds a Bachelor of Commerce degree from McGill University and is a Chartered Accountant.

Peter Crossgrove

Peter Crossgrove is the Executive Chairman of Excellon Resources, a mineral resource company operating in Durango State, Mexico. He is also the former Chairman and a founder of Masonite International Inc., a door manufacturing company. Mr. Crossgrove sits on various boards of directors including Barrick Gold, Excellon Resources, Lake Shore Gold Corp., Pelangio Exploration Inc. and QLT Inc. and Dundee REIT. His charitable work includes serving as an honourary board member of the University Health Network and a director of the Canadian Partnership Against Cancer. He holds a Bachelor of Commerce degree from Concordia University, a Masters in Business Administration degree from the University of Western Ontario and is a Sloan Fellow of the Doctoral Program at Harvard Business School. Mr. Crossgrove is also a recipient of the Queen's Jubilee Medal and a Member of the Order of Canada and was awarded the Order of Ontario in early 2010.

Robert Goodall

Robert G. Goodall is the President of, and in 1994 founded, Canadian Mortgage Capital Corporation, a mortgage brokerage firm that places $1 billion per year of conventional, mezzanine and Canada Mortgage and Housing Corporation insured debt on all types of real estate. Mr. Goodall spent seven years with Royal Trust, where the last three years were served as National Managing Director of the Real Estate Finance Group for a portfolio of $1.4 billion in commercial and multi-residential real estate loans, including fixed and floating rate mortgages, construction loans and "high ratio" mezzanine loan facilities. Mr. Goodall sits on the board of trustees of Dundee REIT, the boards of directors of the Building Industry and Land Development Association (BILD) and a registered charity, Jump Math. Mr. Goodall has an MBA from Schulich School of Business.

Leerom Segal

Leerom Segal has a 20 year track record for innovation in the digital space. He is President and Chief Executive Officer of Klick Health, a company he co-founded in 1997, in which role he is responsible for strategy, business development and public relations. Klick is the largest independent digital marketing firm in the world and was recently added to the World Economic Forum of Global Growth Companies to watch. Klick is recognized as one of the country's 50 best managed companies, 50 best employers, and 50 fastest growing tech companies. Leerom sits on a variety of boards including the Digital Health Coalition, True Patriot Love and

Artbound. An accomplished entrepreneur, Leerom launched his first company at age 12, sold his first business at age 14 and went on to become Chief Technology Officer of publicly traded Motion Works Group at age 16. Leerom is a published author and sought after speaker on technology. In 2004, Leerom was named to Profit Magazine's Hall of Fame for being the youngest ever Chief Executive Officer of a Profit 100 company.

Vincenza Sera

Vincenza Sera is Chair of the Ontario Pension Board, which administers and invests approximately $18 billion in assets. Previously, Ms. Sera was an investment banker with 25 years experience in capital markets, corporate finance and corporate governance. She has held senior positions with major Canadian firms, including First Marathon Securities and two Schedule I Canadian chartered banks. Ms. Sera is an active corporate director and currently sits on the boards of Fallbrook Technologies Inc. and the Ontario Financing Authority. Ms. Sera holds a Masters in Business Administration degree from the University of Toronto and is a graduate of the Rotman Directors Education Program.

Penalties or Sanctions

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Board of Trustees have absolute and exclusive power, control and authority over our properties and assets and affairs, as if the Board of Trustees were the sole owners of such properties and assets. Our governance practices, investment guidelines and operating policies will be overseen by a Board of Trustees consisting of a minimum of five and a maximum of

12 Trustees, a majority of whom must be Canadian residents. We must also have at all times a majority of Trustees who are independent ("Independent Trustees") within the meaning of National Instrument 58-101 — Disclosure of Corporate Governance Practices ("NI 58-101"); provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board of Trustees, be reasonably expected to interfere with a Trustee's independent judgment. Upon Closing, five of the six Trustees will be Independent Trustees.

The Board of Trustees may, between meetings of the unitholders, appoint one or more additional Trustees if, after such appointment, the total number of Trustees does not exceed one and one-third times the number of Trustees in office immediately following the last annual meeting of the unitholders. The Declaration of Trust provides that any Trustee may resign upon written notice to us. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of the unitholders called for that purpose or by the written consent of the unitholders holding in the aggregate not less than a majority of the outstanding REIT Units entitled to vote thereon or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution. A vacancy occurring among the Board of Trustees may be filled by resolution of the remaining Trustees, so long as they constitute a quorum, or by the unitholders at a meeting of the unitholders.

The mandate of the Board of Trustees will be one of stewardship and oversight of us and our investments. In fulfilling its mandate, the Board of Trustees will adopt a written charter, substantially in the form set out under Appendix B hereto, setting out its responsibility. Among other things, the Board of Trustees will be responsible for: (a) participating in the development of and approving a strategic plan for us; (b) supervising our activities and managing our investments and affairs; (c) approving major decisions regarding us; (d) defining the roles and responsibilities of management and determining compensation upon the recommendation of the Governance and Environmental Committee; (e) reviewing and approving the business and investment objectives to be met by management; (f) assessing the performance of and overseeing management; (g) reviewing our debt strategy; (h) identifying and managing risk exposure; (i) ensuring the integrity and adequacy of our internal controls and management information systems; (j) succession planning; (k) establishing committees of the Board of Trustees, where required or prudent, and defining their mandate; (l) maintaining records and providing reports to unitholders; (m) ensuring effective and adequate communication with unitholders, other stakeholders and the public; (n) determining the amount and timing of distributions to unitholders; and (o) acting for us, voting on our behalf and representing us as a holder of securities of our Subsidiaries.

The Board of Trustees will adopt a written position description for the Chair of the Board of Trustees which will set out the Chair's key responsibilities, including duties relating to setting meeting agendas of the Board of Trustees, chairing meetings of unitholders, Trustee development and communicating with unitholders and regulators. The Board of Trustees will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of each committee. These descriptions will be considered by the Board of Trustees for approval annually.

We will adopt a written code of conduct (the "Code of Conduct") that will apply to all of our Trustees, officers and employees. The objective of the Code of Conduct will be to provide guidelines for maintaining our integrity, reputation, honesty, objectivity and impartiality. The Code of Conduct will address conflicts of interest, protecting our assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to our best interests or that may give rise to real, potential or the appearance of conflicts of interest. Certain of the Trustees and executive officers of the REIT may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "Risk Factors".

The Board of Trustees will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will be available following Closing on SEDAR at www.sedar.com.

The standard of care and duties of the Trustees that will be provided by the Declaration of Trust are similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in our best interests and the holders of REIT Units and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust will provide that each Trustee will be entitled to indemnification from us from and against liability and costs in respect of any action or suit against them in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to our best interests and the holders of REIT Units and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Committees of the Board of Trustees

Pursuant to the Declaration of Trust, the Board of Trustees will establish three committees: the Audit Committee, the Governance and Environmental Committee, and the Executive Committee. The Declaration of Trust will require that the Audit Committee and the Governance and Environmental Committee be composed of at least three Trustees, all of whom must be Independent Trustees. The Declaration of Trust will also require that a majority of the Trustees on each of these committees be residents of Canada. Each member of a committee shall serve on such committee until such member resigns from such committee or otherwise ceases to be a Trustee.

Audit Committee

National Instrument 52-110 — Audit Committees ("NI 52-110") requires, and the Declaration of Trust will require, the Board of Trustees to have an Audit Committee consisting of at least three Trustees, all of whom must be Independent Trustees. The Board of Trustees will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix C hereto, which will provide that the Audit Committee will assist the Board of Trustees in fulfilling its oversight responsibilities with respect to financial reporting, including: (a) reviewing our procedures for internal control with our auditors and Chief Financial Officer; (b) reviewing and approving the engagement of the auditors; (c) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including our annual information form and management's discussion and analysis; (d) assessing our financial and accounting personnel; (e) assessing our accounting policies; (f) reviewing our risk management procedures; and (g) reviewing any significant transactions outside our ordinary course of business and any pending litigation involving us.

The Audit Committee will have direct communication channels with our Chief Financial Officer and our external auditors to discuss and review such issues as the Audit Committee may deem appropriate.

The Audit Committee will initially be comprised Ms. Ferstman, Mr. Goodall and Ms. Sera. Each of these individuals is an Independent Trustee and "financially literate" within the meaning of NI 52-110. Each initial member of the Audit Committee possesses considerable education and experience relevant to the performance of his or her responsibilities as an Audit Committee member. See "Trustees and Executive Officers — Trustees and Executive Officers — Biographical Information Regarding the Trustees and Executive Officers".

Auditors' Fees

The aggregate fees billed by PricewaterhouseCoopers LLP, our external auditor, or fees accrued by us in 2012 for professional services in connection with our formation and organization and our initial public offering, which will be paid by us, are presented below:

	Period from July 20, 2012 to September 14, 2012
Audit fees[1]	$ 10,000
Audit-related fees[1][2]	790,000
Tax fees[1]	106,500
All other fees[1][3]	—
Total	$906,500

Notes:

(1) Based on amounts included in our financial forecast.

(2) Audit-related fees are aggregate fees billed by our external auditor or accrued by us in 2012 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees" in the table above. Included in this category are expenses related to our initial public offering.

(3) All other fees are aggregate fees billed or accrued by us in 2012 for products and services provided by our external auditor, other than the services reported under "Audit fees", "Audit-Related fees" and "Tax fees" in the table above.

Governance and Environmental Committee

The Declaration of Trust will require the Board of Trustees to have a Governance and Environmental Committee consisting of at least three Trustees, all of whom must be Independent Trustees. In addition to its environmental oversight function, the Governance and Environmental Committee will also function as a compensation committee and a nominating committee. In this regard, it will be charged with reviewing, overseeing and evaluating our governance, environmental and compensation policies.

The Board of Trustees will adopt a written charter for the Governance and Environmental Committee setting out its responsibilities for: (a) assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; (b) overseeing the recruitment and selection of candidates as Trustees; (c) organizing an orientation and education program for new Trustees; (d) considering and approving proposals by the Trustees to engage outside advisers on behalf of the Board of Trustees as a whole or on behalf of the Independent Trustees; (e) reviewing and making recommendations to the Board of Trustees concerning any change in the number of Trustees comprising the Board of Trustees; (f) reviewing the environmental state of any real property owned by us; (g) establishing formal policies and procedures to review and monitor our environmental exposure; (h) considering questions of management succession; (i) administering the Deferred Unit Incentive Plan and any unit option or purchase plan and any other compensation incentive programs; (j) assessing the performance of management of the REIT; (k) reviewing and approving the compensation paid by us, if any, to our officers, advisers and consultants (other than our auditors); and (l) reviewing and making recommendations to the Board of Trustees concerning the level and nature of the compensation payable to our Trustees and officers.

The Governance and Environmental Committee will establish formal policies and procedures to review and monitor the environmental state of any real property owned by us which will take into account CSA Staff Notice 51-533 — *Environmental Reporting Guidance*. Monitoring and review of the environmental state of our real properties, including the environmental state of the Initial Properties described under the heading "Valuation and Assessments of the Initial Properties — Environmental Site Assessments", may include: (a) review of environmental liability risk assessments; (b) review of environmental incident reports; (c) inspection and monitoring of any ongoing environmental control measures; (d) review of compliance with local jurisdictional regulations and orders; and (e) preparation of a hazardous materials management plan.

The Governance and Environmental Committee will initially be comprised of Mr. Crossgrove, Mr. Segal and Ms. Sera. Each of these individuals is an Independent Trustee.

Executive Committee

In addition to the committees described above, we will have an Executive Committee consisting of at least four members, each of whom may be either a Trustee or executive officer of the REIT. The Executive Committee will meet on an "as needed" basis and have the authority to exercise all of the powers and discretions in the management and direction of our activities delegated to it by the Board of Trustees in accordance with its mandate and applicable law, including to: (a) approve or reject proposed investments by us in accordance with our investment guidelines, in each case, of up to $50.0 million (by way of debt or equity); (b) approve the assumption or granting of any mortgage of up to $50.0 million (or such other amount provided the terms thereof have been reflected in our operating budget approved by the Board of Trustees for the applicable year); (c) develop our strategy, risk management and staffing requirements for review and approval by the Board of Trustees; and (d) approve the assumption or incurrence of any debt obligations of up to $50.0 million (or such other amount provided the terms thereof have been reflected in our operating budget approved by the Board of Trustees for the applicable year). Although our Executive Committee has been delegated authority in respect of many aspects of our business, in accordance with the mandate of the Board of Trustees (attached as Appendix B to this prospectus), all material investments and transactions outside our ordinary course of business must be reviewed by, and are subject to the prior approval of, our Board of Trustees.

The Executive Committee will initially be comprised of Mr. Barrafato, Mr. Cooper, Mr. Hayes and Ms. Ferstman. Ms. Ferstman is an Independent Trustee.

Independent Trustee Matters

In addition to requiring the approval of a majority of our Trustees, the following matters will require the approval of at least a majority of our Independent Trustees who have no interest in the matter to become effective:

(a) making any material change to the Asset Management Agreement, the Services Agreement or the Opportunities Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder);

(b) entering into any agreement or transaction in which any Related Party has a material interest or making a material change to any such agreement or transaction;

(c) approving or enforcing any agreement entered into by us with a Related Party;

(d) permitting any of our Subsidiaries to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party; and

(e) making or prosecuting any claim by or against any Related Party.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust will contain "conflict of interest" provisions similar to those applicable to corporations under Section 132 of the OBCA which serve to protect unitholders without creating undue limitations on us. Given that our Trustees and officers will be engaged in a wide range of real estate and other business activities, the Declaration of Trust will require each of our Trustees and officers to disclose to us if he or she is a party to a material contract or transaction or proposed material contract or transaction with us or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with us. Such disclosure is required to be made by a Trustee (a) at the first meeting of the Board of Trustees or the applicable committee thereof, as the case may be, at which a proposed contract or transaction is first considered, (b) if the Trustee was not then interested in a proposed contract or transaction, at the first such meeting after a Trustee becomes so interested, (c) if the Trustee becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the Trustee becomes so interested, or (d) at the first meeting after an interested party becomes a Trustee. Disclosure is required to be made by each of our officers as soon as the officer becomes aware that a contract or transaction or proposed contract or transaction is to be, or has been, considered by the Board of Trustees or applicable committee thereof, as soon as the officer becomes aware of his or her interest in a contract or transaction or, if not currently an officer, as soon as such person becomes an officer. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Board of Trustees or unitholders, that Trustee or officer is required to disclose in writing to the Board of Trustees or applicable committee thereof or request to have entered into the minutes of the meeting of the Board of Trustees or applicable committee thereof the nature and extent of his or her interest forthwith after the Trustee or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration for serving as our Trustee, officer, employee or agent of the REIT or an Affiliate of the REIT or one for indemnity under the indemnity provisions of the Declaration of Trust or the purchase of liability insurance. Certain of our Trustees may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged.

In addition to being our asset manager, DRC will be the asset manager for Dundee REIT and Dundee International REIT. Certain of the directors or officers of DRC will also hold positions as Trustees or officers of the REIT, Dundee REIT or Dundee International REIT. In addition, certain of our Trustees or officers may also act as a trustee or officer of one or more of Dundee REIT or Dundee International REIT. For any of our Trustees or officers who also acts as a trustee or officer of Dundee REIT or Dundee International REIT, or as a director or officer of DRC, a potential material conflict of interest could arise where an acquisition opportunity for a property arises for us and one of the two other entities referred to above, or for us and DRC. For this reason, both the Non-Competition Agreement and the Opportunities Agreement will be entered into on Closing in order to manage these conflicts. See "Real Estate Management and Advisory Services — Non Competition Agreement" and "Real Estate Management and Advisory Services — Opportunities Agreement".

An investment opportunity could be provided to more than one of the REIT, Dundee REIT and Dundee International REIT pursuant to the Opportunities Agreement. This could give rise to a conflict of interest to the extent that an individual were to serve as a trustee or officer of both of the entities involved. However, at this time, there are no known existing or potential material conflicts of interest involving our Trustees and officers. See "Risk Factors".

Executive Officers

The responsibilities of our senior management will include: (a) leading our management and implementing the resolutions and policies of the Board of Trustees; (b) providing the Board of Trustees with information and advice relating to the operation of our properties, acquisitions and financings; (c) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (d) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (e) maintaining our books and financial records; (f) determining and preparing designations, elections and determinations to be made in connection with income and capital gains for tax and accounting purposes; (g) preparing reports and other information required to be sent to unitholders and other disclosure documents; (h) calculating all distributions; (i) communicating with unitholders and other persons, including investment dealers, lenders and professionals; and (j) administering or supervising the administration, on behalf of the Board of Trustees, of the payment of cash distributions and other distributions.

Trustees' and Officers' Liability Insurance

We intend to carry Trustees' and officers' liability insurance. Under this insurance coverage, we will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our Trustees and officers contained in the Declaration of Trust, subject to a deductible for each loss, which will be paid by us. Individual Trustees and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. In addition, we will enter into indemnity agreements with each of our Trustees and officers.

EXECUTIVE COMPENSATION

Overview

Our senior management team will consist of individuals employed by DRC. DRC will provide asset management services to us pursuant to the Asset Management Agreement, for which we will pay certain fees. See "Asset Management — Asset Management Agreement".

We will not have any employment agreements with members of senior management and we will not pay any cash compensation to any individuals serving as our officers, directly or indirectly. Rather, those individuals will be compensated by DRC. A portion of the compensation paid to certain employees of DRC will be attributable to time spent on our activities.

Our officers named in the "Summary Compensation Table" below are employees of DRC. These officers are referred to herein as the "named executive officers".

The board of directors of DRC will have sole responsibility for determining the compensation of the named executive officers, other than the granting of Deferred Trust Units under the Deferred Unit Incentive Plan, which will be the responsibility of the Governance and Environmental Committee of the Trustees. As a private company, DRC is not required to disclose the basis for determining the compensation of its employees.

Compensation Discussion and Analysis

As our senior management team will be employed by DRC, we will only be obligated to pay a fixed amount to DRC pursuant to the Asset Management Agreement. Any variability in cash compensation to be paid by DRC to the named executive officers will not impact our financial obligations.

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on our activities, and supplements the more detailed information concerning executive compensation that appears in the tables and the accompanying narrative that follow.

Principal Elements of Compensation

The compensation of the named executive officers will include three major elements: (a) base salary, (b) an annual cash bonus, and (c) long-term equity incentives, consisting of Deferred Trust Units granted under the Deferred Unit Incentive Plan. As a private company, DRC's process for determining executive compensation is relatively straightforward, involving board discussion with input from senior management of the company. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by DRC for determining how one element of compensation fits into the overall compensation objectives in respect of our activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the board of directors of DRC with input from the Governance and Environmental Committee of the Board of Trustees.

The named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

These three principal elements of compensation are described below.

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to our success, the position and responsibilities of the named executive officers and competitive industry pay practices for other real estate investment trusts and corporations of comparable size. DRC does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Other comparable real estate businesses that may be considered for benchmarking purposes include Boardwalk Real Estate Investment Trust, Calloway Real Estate Investment Trust, Canadian Real Estate Investment Trust, Dundee REIT, H&R Real Estate Investment Trust, Morguard Real Estate Investment Trust and RioCan Real Estate Investment Trust. Increases in base salary are at the sole discretion of DRC, with input from the Governance and Environmental Committee of the Board of Trustees.

Annual cash bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses will be awarded based on qualitative and quantitative performance standards, and reward our performance or the named executive officer individually. The determination of our performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as unit price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance. AFFO is not defined by IFRS, does not have a standard meaning and may not be comparable with other industries or income trusts. Nevertheless, AFFO is a key performance measure used by real estate operating companies. See "Non-IFRS Measures".

Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities.

Deferred Trust Units. Grants of Deferred Trust Units under the Deferred Unit Incentive Plan align the interests of the named executive officers more closely with the interests of our unitholders, because they are tied to our financial and Unit trading performance and vest or accrue over a number of years. The Board of Trustees, acting on the recommendation of our Governance and Environmental Committee, may designate individuals eligible to receive grants of Deferred Trust Units. In determining grants of Deferred Trust Units, an individual's performance and contributions to our success, relative position, tenure and past grants will be taken into consideration.

We do not have a unit option plan.

Summary Compensation Table

The following table provides a summary of the significant elements of compensation anticipated to be paid to each of the named executive officers following the Closing.

Name and principal position	Year	Salary[(1)(2)] ($)	Unit-based awards[(3)] ($)	Non-equity incentive plan compensation (Bonus)[(4)(5)] ($)	All other compensation ($)	Total compensation ($)
Scott Hayes President and Chief Executive Officer	2012	220,000	200,000	100,000	—	520,000
Mario Barrafato Chief Financial Officer	2012	100,000	100,000	75,000	—	275,000

Notes:

(1) Represents the portion of salary anticipated to be paid by DRC attributable to time expected to be spent on our activities.

(2) Annualized base salary immediately after the date of Closing.

(3) Expected value of the grant of Deferred Trust Units. Deferred Trust Units granted vest over a five-year period with one fifth of the Deferred Trust Units vesting each year. Amounts are determined based on the grant date fair value of Deferred Trust Units multiplied by the number of Deferred Trust Units granted in the year. For more information on the Deferred Unit Incentive Plan, see "Executive Compensation — Deferred Unit Incentive Plan".

(4) Represents the portion of bonus anticipated to be paid by DRC attributable to time expected to be spent on our activities.

(5) Annualized bonus immediately after the date of Closing.

Deferred Unit Incentive Plan

Eligible participants may participate in the Deferred Unit Incentive Plan. "Eligible Participants" under the Deferred Unit Incentive Plan consist of: (a) the Trustees and officers of the REIT; (b) employees of the REIT or any of its Affiliates; and (c) employees of certain service providers who spend a significant amount of time and attention on the affairs and business of one or more of the REIT and its Affiliates. The Deferred Unit Incentive Plan provides for the grant to Eligible Participants of Deferred Trust Units and Income Deferred Trust Units.

Income Deferred Trust Units are credited to holders of Deferred Trust Units and Income Deferred Trust Units based on distributions paid by us on Units.

Up to a maximum of 1,500,000 Deferred Trust Units and Income Deferred Trust Units will be issuable under the Deferred Unit Incentive Plan, representing approximately 4.4% of the outstanding Units upon completion of the Offering (on a fully-exchanged basis). The aggregate of the Units: (a) issued to insiders of the REIT, within any one year period; and (b) issuable to insiders of the REIT, at any time, under the plan, when combined with all of our security based compensation arrangements, shall not exceed 10% of our total issued and outstanding Units.

Under the Deferred Unit Incentive Plan, Deferred Trust Units may be granted from time to time to Eligible Participants at the discretion of the Board of Trustees or the Governance and Environmental Committee. The number of Income Deferred Trust Units credited to a holder of Deferred Trust Units and/or Income Deferred Trust Units will be calculated by multiplying the aggregate number of Deferred Trust Units and Income Deferred Trust Units held on the relevant distribution record date by the amount of distributions paid by us on each Unit, and dividing the result by the market value of the Units on the distribution payment date. Market value for this purpose is the volume weighted average closing price of the Units on the TSX for the five trading days immediately preceding the relevant distribution payment date.

Subject as provided below, Deferred Trust Units will vest on either a five year or a three year vesting schedule. Deferred Trust Units granted to an Eligible Participant who is an officer or Trustee of the REIT (a "Grantee"), will vest on a five year vesting schedule, pursuant to which one-fifth of the Deferred Trust Units granted to such individual will vest on each anniversary of the grant date for a period of five years. Deferred Trust Units granted to employees of the REIT, its Affiliates or service providers will vest on a three year vesting schedule, pursuant to which one-third of the Deferred Trust Units granted to such individual will vest on each anniversary of the grant date for a period of three years. Income Deferred Trust Units credited to participants in the Deferred Unit Incentive Plan vest on the same five or three year schedule as their corresponding Deferred Trust Units and are issued on the same date as the Deferred Trust Units or Income Deferred Trust Units in respect of which they were credited.

Upon the vesting of Deferred Trust Units and Income Deferred Trust Units, we will issue Units to Eligible Participants on the basis of one Unit for each Deferred Trust Unit and Income Deferred Trust Unit that has vested. Units are issued by us at no cost to Eligible Participants. Grantees have the ability to elect to defer the issuance of Units to them on the vesting of their Deferred Trust Units and Income Deferred Trust Units in respect of any vesting date. The issuance of Units to Grantees may be deferred indefinitely, unless the Grantee's employment or term of office is terminated, in which case Units will be issued on the relevant date of termination of employment or term of office.

Any unvested Deferred Trust Units or Income Deferred Trust Units held by an Eligible Participant will be forfeited if the employment or term of office of the individual is terminated for any reason, whether voluntarily or involuntarily. However, pursuant to the Deferred Unit Incentive Plan, the Trustees may, in their discretion if the circumstances warrant, accelerate the vesting of such units held by an individual whose employment or term of office is terminated. In these circumstances, any unvested Deferred Trust Units or Income Deferred Trust Units will vest effective upon the termination date of the individual, or on such later date or dates determined by the Governance and Environmental Committee of the Board of Trustees in its discretion.

Deferred Trust Units and Income Deferred Trust Units are non-transferable, except to an Eligible Participant's estate, and the rights of Eligible Participants under the Deferred Unit Incentive Plan are not assignable, except as required by law.

The Governance and Environmental Committee of the Board of Trustees may review and confirm the terms of the Deferred Unit Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Unit Incentive Plan in whole or in part as well as terminate the Deferred Unit Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Unit Incentive Plan that would, among other things, result in any increase in the number of Deferred Trust Units and Income Deferred Trust Units issuable under the Deferred Unit Incentive Plan or permit Deferred Trust Units or Income Deferred Trust Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of unitholders. Without limitation, the Governance and Environmental Committee may, without obtaining the approval of unitholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Unit Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Trust Units and Income Deferred Trust Units issued under the Deferred Unit Incentive Plan. However, subject to the terms of the Deferred Unit Incentive Plan, no amendment may adversely affect the Deferred Trust Units or Income Deferred Trust Units previously granted under the Deferred Unit Incentive Plan without the consent of the affected Eligible Participant.

REMUNERATION OF TRUSTEES

Trustees' Compensation

The Trustees' compensation program is designed to attract and retain the most qualified individuals to serve on the Board of Trustees. In consideration for serving on the Board of Trustees for 2012, each Trustee that is not an employee of the REIT, DRC or one of their respective Affiliates will be compensated as indicated below:

Type of Fee[1]	Amount
Trustee Annual Retainer	$ 25,000/year
Board Chair Annual Retainer[2]	$ 80,000/year
Audit Committee Chair Annual Retainer	$ 20,000/year
Other Committee Chair Annual Retainer	$ 5,000/year
Board Meeting Attendance Fee	$1,500/meeting
Committee Attendance Fee	$1,500/meeting

Notes:

(1) Trustees may elect to be paid the board retainer in cash or in an equivalent value of Deferred Trust Units granted under the Deferred Unit Incentive Plan.

(2) The Chair of the Board of Trustees will receive such amount if he or she is not an employee of the REIT, Dundee REIT or DRC or one of their respective Affiliates, but will not receive any other fees for board or committee meetings attended.

The Trustees will also be reimbursed for their out-of-pocket expenses incurred in acting as Trustees. In addition, Trustees will be entitled to receive remuneration for services rendered to us in any other capacity, except in respect of their service as directors of any of the REIT's Subsidiaries. Trustees who are employees of and who receive salary from the REIT or DRC or one of their respective Affiliates will not be entitled to receive any remuneration for their services in acting as Trustees, but will be entitled to reimbursement of their out-of-pocket expenses incurred in acting as Trustees.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Our investment and operating activities are limited because our operating business is carried out by our Subsidiaries. The investment guidelines governing our investments in real estate and other assets and the operating policies governing our investments are set out below.

Investment Guidelines

Pursuant to the Declaration of Trust and other documents governing us, our assets may be invested only in accordance with the following investment guidelines:

(a) the REIT will only invest in units, Notes and securities of its Subsidiaries, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian chartered bank or trust company and, subject to certain limitations summarized in paragraph (b) below, such other investments as the Trustees deem advisable from time to time;

(b) the REIT will not make or permit any of its Subsidiaries to make, and Subsidiaries of the REIT will not make, any investment that would result in:

  (i) the Units being disqualified for investment by Plans;

  (ii) the REIT and any of its Subsidiaries being liable under the Tax Act to pay a tax imposed under either paragraph 122(1)(b), subsection 197(2) or Part XII.2 of the Tax Act; or

  (iii) the REIT ceasing to qualify as a "mutual fund trust" or a "real estate investment trust" for purposes of the Tax Act;

(c) subject to the qualification in (g) below, Subsidiaries of the REIT will focus their investment activities on industrial revenue producing properties; provided, however, Subsidiaries of the REIT may invest in other classes of real properties if the Board determines that it is in the best interests of the REIT to do so;

(d) subject to the qualification in (g) below, Subsidiaries of the REIT will not invest in or acquire securities of a Canadian real estate investment trust unless:

  (i) the activities of the real estate investment trust are focused on acquiring, holding, maintaining, improving, leasing or managing revenue producing properties; and

  (ii) in the case of any proposed investment or acquisition which would result in Subsidiaries of the REIT owning beneficially more than 10% of the outstanding units of such real estate investment trust (the "acquired trust"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the Subsidiaries and the acquired trust or for otherwise ensuring that the Subsidiaries will control the business and operations of the acquired trust;

(e) Subsidiaries of the REIT will not lease or sublease to any person any real property, premises or space where that person and its Affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market rental rate in excess of 15% of our Adjusted Unitholders' Equity;

(f) Subsidiaries of the REIT will not invest in raw land (except for the acquisition of properties adjacent to our existing properties for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 5% of our Adjusted Unitholders' Equity);

(g) Subsidiaries of the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by us and secured by a mortgage on such property) up to 25% of our Adjusted Unitholders' Equity in investments or transactions which do not otherwise comply with our investment guidelines, so long as the investment does not contravene paragraph (b) above.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which we have an interest will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Pursuant to the Declaration of Trust, the investment guidelines set forth above may only be amended with the approval of at least 66⅔% of the votes cast at a meeting of unitholders called for that purpose except for certain amendments that may be undertaken by a majority of the Trustees pursuant to the Declaration of Trust. See "Declaration of Trust and Description of REIT Units — Amendments to the Declaration of Trust and Other Documents".

Operating Policies

The Declaration of Trust and other documents governing us will provide that our operations and affairs must be conducted in accordance with the following operating policies and that we will not permit the REIT or any of our Subsidiaries to conduct its operations and affairs other than in accordance with the following operating policies:

(a) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; or

(ii) to the extent our Board of Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the REIT and our Unitholders, any written instrument which in the judgment of our Trustees creates a material obligation of the REIT;

must, in each case, contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a Trustee or carrier or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof will be bound;

(b) the REIT will only guarantee the obligations of wholly-owned Subsidiaries (other than any wholly-owned Subsidiaries that are general partners in partnerships that are not wholly-owned by the REIT), provided that the REIT may guarantee the obligations of wholly-owned Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT if the REIT has received an unqualified legal opinion that the guarantee by the REIT of the obligations of wholly-owned Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT will not cause the REIT to cease to qualify as a "mutual fund trust" for the purposes of the Tax Act;

(c) Subsidiaries of the REIT will not enter into any transaction involving the purchase of lands or land and improvements thereon and the leasing thereof back to the vendor where the fair market value net of encumbrances of the property being leased to the vendor together with all other property being leased by Subsidiaries of the REIT to the vendor and its Affiliates is in excess of 15% of our Adjusted Unitholders' Equity;

(d) the limitation referred to in paragraph (c) above will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:

(i) the Government of Canada, the Government of the United States, the Government of any province or territory of Canada, any state of the United States, any municipality or city in Canada or the United States, or any agency or crown corporation thereof;

(ii) any corporation which has securities outstanding that have received and continue to hold an investment grade rating from a recognized credit rating agency at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements were entered into that is not less than "A (low)" or its equivalent; or

(iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;

(e) Subsidiaries of the REIT may engage in construction or development of real property provided such real property meets our investment guidelines and operating policies;

(f) title to each real property shall be held by and registered in the name of a Subsidiary of the REIT or a corporation or other entity wholly-owned, directly or indirectly, by a Subsidiary of the REIT or jointly-owned, directly or indirectly, by a Subsidiary of the REIT with joint venturers; provided that where land tenure will not provide fee simple title, a Subsidiary of the REIT or a corporation or other entity wholly-owned, directly or indirectly, by a Subsidiary of the REIT or jointly-owned, directly or indirectly, by a Subsidiary of the REIT with joint venturers will hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

(g) Subsidiaries of the REIT will have conducted environmental and other diligence, as is commercially reasonable in the circumstance, on each real property the REIT or Industrial Partnership intends to acquire with respect to the physical condition thereof, including required capital replacement programs;

(h) Subsidiaries of the REIT will obtain and maintain at all times insurance coverage in respect of potential liabilities of Subsidiaries of the REIT and the accidental loss of value of the assets of Subsidiaries of the REIT from risks, in amounts, with such insurers, and on such terms as the Board of Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;

(i) Subsidiaries of the REIT will have conducted a phase I environmental site assessment of each real property to be acquired by it and, if the phase I environmental site assessment report recommends that further environmental site assessments be conducted, Subsidiaries of the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; such site assessment as a condition to any acquisition shall be satisfactory to Industrial GP; and

(j) Subsidiaries of the REIT will maintain an interest coverage ratio of no less than 1.4 times. The interest coverage ratio is calculated as net operating income from continuing operations, plus interest and fee income, less general and administrative expense from continuing operations, including equity accounted investments, divided by interest expense on debt. When calculating the interest coverage ratio, we will include the results of equity accounted investments using proportionate consolidation at its ownership level.

For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which we have an interest will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in property will be deemed to include an investment in a joint venture arrangement.

Pursuant to the Declaration of Trust, the operating policies set forth above may only be amended with the approval of a majority of the votes cast at a meeting of unitholders called for that purpose.

DISTRIBUTION POLICY

The following outlines our expected distribution policy to be contained in the Declaration of Trust, but is not intended to be a complete description. You should refer to the Declaration of Trust for the full text of our distribution policy. Our distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of our unitholders.

Distribution Policy

We intend to make monthly cash distributions to Unitholders derived from our investment in Industrial Partnership. We expect that the initial monthly cash distribution rate will be $0.05625 per Unit. The initial cash distribution, which will be for the period from and including the date of Closing to October 31, 2012, is expected to be paid on November 15, 2012 to Unitholders of record on October 31, 2012 and is estimated to be $0.05081 per Unit (assuming the Closing occurs on October 4, 2012).

We estimate that the initial annual distribution rate will represent approximately 95% of AFFO for the 12 months ended September 30, 2013. Our intended initial annual distribution rate has been established based on our estimate of AFFO for the 12 months ended September 30, 2013. This estimate was based on our pro forma operating results and does not take into account our growth strategy, income generated from the proceeds of the sale of any Units pursuant to the exercise of the Over-Allotment Option until invested, return on any cash balance, any unanticipated expenditures we may have to make or any debt we may have to incur. In estimating our AFFO for the 12 months ended September 30, 2013, we have made certain assumptions. See "Financial Forecast".

Our estimate of AFFO does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. Our estimate also does not reflect the amount of cash estimated to be used for acquisition and other activities, other than a reserve for recurring capital expenditures, and amounts estimated for leasing commissions and tenant improvements for renewing space. It also does not reflect the amount of cash estimated to be used for financing activities, other than indebtedness that will be outstanding upon completion of the Offering. Any such investing and/or financing activities may have a material effect on our estimate of AFFO. Because we have made the assumptions set forth above in estimating AFFO, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and we have estimated AFFO for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of AFFO should not be considered as an alternative to cash flow from operating activities (computed in accordance with IFRS) or as an indicator of our liquidity or our ability to make other distributions. In addition, the methodology upon which we made the adjustments described herein is not necessarily intended to be a basis for determining future dividends or other distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of the Offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Distributions made by us will be authorized by the Board of Trustees in its sole discretion out of funds legally available for distribution to our Unitholders and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. We believe that our estimate of AFFO constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected distributions per Unit if the Over-Allotment Option is exercised; however, this could require us to make distributions from the net proceeds of the Offering.

We cannot assure you that our estimated distributions will be made or sustained. Any distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors".

Distributions in respect of a month will be paid on or about each Distribution Date to Unitholders of record as at the close of business on the corresponding Distribution Record Date. This means that the distribution for any month is generally paid to Unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month.

In addition, on December 31 of each year, having regard to the present intention of the Board of Trustees, we intend to make payable to such Unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non-capital losses recognized on or before the end of such year such that we will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15. Special Trust Units do not have any entitlement with respect to distributions of the REIT.

Where the Board of Trustees determine that we do not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of the Board of Trustees, include the issuance of additional Units, as the case may be, or fractions of such Units, as the case may be, if necessary, having a fair market value as determined by the Board of Trustees equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Board of Trustees to be available for the payment of such distribution in the case of the Units.

Unless the Board of Trustees determine otherwise, immediately after any *pro rata* distribution of additional Units to Unitholders, the number of outstanding Units will automatically be consolidated such that each of such holders will hold after the consolidation the same number of Units as such holder held before the distribution of additional Units. Each Unit certificate representing the number of Units prior to the distribution of additional Units will be deemed to represent the same number of units after the non-cash distribution of additional Units and the consolidation.

Notwithstanding the foregoing, where tax is required to be withheld from a Unitholder's share of the distribution, the consolidation will result in such Unitholder holding that number of Units equal to (a) the number of Units held by such Unitholder prior to the distribution plus the number of Units received by such Unitholder in connection with the distribution (net of the number of whole and part Units withheld on account of withholding taxes) multiplied by (b) the fraction obtained by dividing the aggregate number of Units outstanding prior to the distribution by the aggregate number of Units that would be outstanding following the distribution and before the consolidation if no withholding tax were required in respect of any part of the distribution payable to any Unitholder. Such Unitholder will be required to surrender the Unit certificates, if any, representing such Unitholder's original Units, in exchange for a Unit certificate representing such Unitholder's post-consolidation Units.

Tax Deferral on Distributions

We estimate that, of the monthly cash distributions to be made by us to Unitholders, approximately 100% in 2012 and approximately 52% in 2013 will be tax deferred by reason of our ability to claim depreciation and certain other deductions. Such estimate is based on the facts set out in this prospectus, the financial forecast and related assumptions, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of CRA and the Tax Proposals. The adjusted cost base of Units held by a Unitholder (as such term is specifically defined in "Certain Canadian Federal Income Tax Considerations") will generally be reduced by such non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. The portion of tax deferred distributions may change over time thus affecting the after-tax return to a Unitholder. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors".

DRIP

We will have a distribution reinvestment and unit purchase plan entitling Unitholders to reinvest all cash distributions made by the REIT in additional Units. The price at which Units are acquired for DRIP participants will be determined by us but will generally be a price per Unit calculated by reference to a five-day volume weighted average closing price of the Units on the TSX preceding the relevant Distribution Date. Participants electing to reinvest cash distributions in Units pursuant to our DRIP will receive a further "bonus" distribution equal to 3% of the amount of each cash distribution that they reinvest, which further distribution will also be reinvested in Units. Participants may also purchase additional Units pursuant to the optional cash purchase feature of the DRIP, subject to a minimum investment amount of $1,000 and a maximum investment amount of $250,000 per calendar year. Participants in the DRIP will not receive a bonus distribution of Units in connection with any such optional cash purchases. We may amend, suspend or terminate the DRIP at any time.

Participation in the DRIP will be open to Unitholders, other than those who are resident or present in the United States. If a participant in the DRIP is not resident in Canada, participation in the DRIP is subject to applicable withholding tax. In those circumstances, cash that would otherwise be distributed to such participants by us on any given Distribution Date will be reduced by the amount of applicable withholding tax, and then applied towards the purchase of additional Units pursuant to our DRIP. No brokerage commission will be payable in connection with the purchase of Units under the DRIP and all administrative costs will be borne by us. We will use the proceeds received upon the issuance of additional Units under the DRIP for future property acquisitions, capital improvements and working capital.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

The REIT will be governed by the Declaration of Trust and, unless earlier terminated in accordance with the Declaration of Trust, it shall continue in full force and effect so long as any property of the REIT is held by the Board of Trustees. Unitholders will have all of the material protections, rights and remedies that a shareholder would have under the CBCA, except for the right to dissent and be paid the fair value of its units that would be available if the REIT were a corporation governed by the CBCA and the REIT were to effect certain transactions, including amending its constating documents to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares or to add, change or remove any restriction on the activities that the REIT may carry on; selling, leasing or exchanging all or substantially all its property; or carrying out a going-private transaction or squeeze-out transaction (as such terms are defined in the CBCA or the regulations thereunder). These protections, rights and remedies will be contained in the Declaration of Trust. The following is a summary, which does not purport to be complete, of certain terms of the Declaration of Trust and the REIT Units. Refer to the Declaration of Trust for the full text of its provisions and a complete description of the REIT Units.

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Trust Units. REIT Units shall be issued only as fully paid and non-assessable. Each REIT Unit when issued shall vest indefeasibly in the holder thereof.

Issued and outstanding units may be subdivided or consolidated from time to time by the Board of Trustees with the approval of a majority of unitholders entitled to vote. Unitholder approval will not be required for an automatic consolidation as described under "Distribution Policy".

No certificates will be issued for fractional units and fractional units will not entitle the holders thereof to vote, except to the extent such fractional units represent in the aggregate one or more whole units. Holders of Special Trust Units are not entitled to receive a certificate evidencing ownership of such units.

On December 16, 2004, the *Trust Beneficiaries' Liabilities Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (a) the trust is a reporting issuer under the *Securities Act* (Ontario) and (b) the trust is governed by the laws of the Province of Ontario. The REIT will be a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

Units

Each Unit represents an undivided beneficial interest in the REIT and in distributions made by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of the termination or winding-up of the REIT, in its net assets remaining after the satisfaction of all its liabilities. The Units rank among themselves equally and rateably without discrimination, preference or priority. The distribution entitlement of the Units is derived from the securities held by the REIT.

Each Unit entitles the holder thereof to one vote at all meetings of unitholders.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such act or any other legislation. Furthermore, we are not a trust company and, accordingly, we are not registered under any trust and loan company legislation as we do not carry on nor intend to carry on the business of a trust company.

Special Trust Units

The Special Trust Units may only be issued in connection with the issuance of securities exchangeable for Units, including LP B Units, and will be used to provide voting rights with respect to the REIT to persons holding such exchangeable securities. Holders of Special Trust Units are not entitled to any share of or interest in the net assets of the REIT. The Special Trust Units are not transferable separately from the exchangeable securities to which they relate. Upon any transfer of any exchangeable securities, the corresponding Special Trust Units will automatically be transferred to the transferee of such exchangeable securities. The Special Trust Units may only be transferred to permitted transferees of Special Trust Units. In addition, as exchangeable securities are exchanged by a holder, the corresponding Special Trust Units will be automatically cancelled. Special Trust Units do not have any entitlement with respect to distributions of the REIT.

Each Special Trust Unit entitles the holder thereof to one vote at all meetings of unitholders. On Closing, 16,034,631 Trust Units will be issued to the Transferors in connection with the LP B Units.

Preferred Units

Subject to the Board of Trustees executing an amendment to the Declaration of Trust providing for their creation, preferred units of the REIT (the "Preferred Units") may from time to time be created and issued in one or more classes (each of which may be comprised of unlimited series), and the Board of Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each class and series and the designation, rights, privileges, restrictions and conditions attaching to each class and series of Preferred Units including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of the REIT, and any sinking fund or other provisions.

The Preferred Units of each class and series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units or Special Trust Units) and the distribution of assets of the REIT or return of capital in the event of liquidation, dissolution or winding-up of the REIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of the REIT among its Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Trust Units ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with the Declaration of Trust, over the Units and Special Trust Units ranking by their terms junior to the Preferred Units.

If any cumulative distributions or amounts payable on the return of capital in respect of a series of Preferred Units are not paid in full, all classes and series of Preferred Units of equal ranking shall participate rateably in respect of accumulated distributions and return of capital, based on the accumulated distributions and return of capital of a class and series of Preferred Units as a proportion of the accumulated distributions and return of capital of all classes and series of Preferred Units of equal ranking.

We have no present intention of issuing Preferred Units, but wish to have the flexibility to do so in the future as a means of seeking an alternate source of equity financing. We will not create or issue Preferred Units for anti-takeover purposes.

Issuance of REIT Units

We may allot and issue new REIT Units from time to time as the Board of Trustees determine, including for cash, through public offerings, through rights offerings to existing unitholders (i.e., in which unitholders receive rights to subscribe for new REIT Units in proportion to their existing holdings of REIT Units, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing unitholders). In certain instances, we may issue new REIT Units as consideration for, or in connection with, the acquisition of new properties or assets. The price or the value of the consideration for which new REIT Units may be issued will be determined by the Board of Trustees in their sole discretion, except that Special Trust Units may only be issued in connection with the issuance of securities exchangeable into Units. Units are generally issued in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of Units.

Purchase of Units

We may from time to time purchase for cancellation Units at a price per Unit and on a basis determined by the Board of Trustees in accordance with applicable securities legislation and the rules and policies of any applicable stock exchange.

Unit Redemption Right

Units are redeemable at any time on demand by the holders thereof by sending a notice to the REIT at our head office in a form approved by the Board of Trustees and completed and executed in a manner satisfactory to the Board of Trustees, who may require supporting documentation as to identity, capacity or authority. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice from his or her investment dealer or other intermediary who will be required to deliver the completed redemption form to the REIT. Upon receipt by us of a written redemption notice and other documents that may be required, all in a manner satisfactory to the Board of Trustees, a Unitholder shall cease to have any rights with respect to the tendered Units, including any right to receive any distributions thereon which are declared payable after receipt of the redemption notice by us, and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(a) 90% of the "market price" of the Units on the principal exchange or market on which the Units are quoted for trading on the trading day prior to the day on which the Units were surrendered to the REIT for redemption (the "Redemption Date"); and

(b) 100% of the "closing market price" of the Units on the principal exchange or market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, the "market price" in respect of Units as at a specified date shall be an amount equal to the weighted average closing price of the Units on the principal exchange or market on which the Units are listed or quoted for trading during the period of 20 consecutive trading days ending on such date; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" as at a specified date will be an amount equal to the weighted average of the highest and lowest prices of the Units on the principal exchange or market on which the Units are listed or quoted for trading during the period of 20 consecutive trading days ending on such date; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 20 trading days, the "market price" as at a specified date shall be an amount equal to the weighted average of the following prices established for each of the 20 trading days: (a) the weighted average of the last bid and last asking prices of the Units for each day on which there was no trading; (b) the closing price of the Units for each day on which there was trading if the exchange or market provides a closing price; and (c) the weighted average of the highest and lowest prices of Units for each day that there was trading if the exchange or market does not provide a closing price but provides only the highest and lowest prices of Units traded on a particular day.

The "closing market price" in respect of the Units as at a specified date will be: (a) an amount equal to the closing price of Units if there was a trade on the date and the exchange or market provides a closing price; (b) an amount equal to the weighted average of the highest and lowest prices of Units if there was trading and the exchange or other market does not provide a closing price but provides only the highest and lowest trading prices of Units traded on a particular day; or (c) the weighted average of the last bid and last asking price of Units if there was no trading on the date.

The aggregate Redemption Price payable by us in respect of any Units tendered for redemption during any calendar month will be satisfied by way of a cheque drawn on a Canadian chartered bank or a trust company in Canadian funds, payable no later than the last day of the calendar month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

(a) the total amount payable by us in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the Board of Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar month;

(b) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading or quoted on a stock exchange or market which the Board of Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; or

(c) the normal trading of outstanding Units is not suspended or halted on any stock exchange on which the Units of such series are listed (or, if not listed on a stock exchange, on any market on which the Units of such series are quoted for trading) on the Redemption Date for the Units of such series or for more than five trading days during the ten day trading period commencing immediately after the Redemption Date for the Units of such series.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations in paragraphs (b) and (c) above, then each Unit tendered for redemption shall, subject to obtaining all applicable regulatory approvals, be redeemed by way of a distribution *in specie* of Subsidiary Securities. The fair market value of such Subsidiary Securities would be equal to the product of the Redemption Price per Unit payable by us and the number of Units tendered. However, no Subsidiary Securities with a fair market value of less than $100 will be distributed and, where the fair market value of Subsidiary Securities to be received by the former Unitholder upon redemption *in specie* would otherwise include a Subsidiary Security with a fair market value of less than a multiple of $100, such amount will be rounded down to the next lowest multiple of $100 and the excess will be paid in cash.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the limitation in paragraph (a) above, the holder will receive a combination of cash and, subject to obtaining all applicable regulatory approvals, Subsidiary Securities, determined in accordance with the Declaration of Trust.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Subsidiary Securities which may be distributed to Unitholders *in specie* in connection with a redemption will not be listed on any stock exchange, no market is expected to develop and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. The Subsidiary Securities so distributed may not be qualified investments for Plans depending upon the circumstances at the time.

Meetings of Unitholders

The Declaration of Trust will provide that meetings of unitholders must be called and held for the election or removal of Trustees, the appointment or removal of our auditors, the approval of amendments to the Declaration of Trust (except as described below under "Declaration of Trust and Description of REIT Units — Amendments to the Declaration of Trust and Other Documents"), the sale of our assets as an entirety or substantially as an entirety (other than as part of an internal reorganization of our assets as approved by the Board of Trustees) and the termination of the REIT. Meetings of unitholders will be called and held annually, commencing in 2013, within 180 days after the end of the fiscal year for the election of the Board of Trustees, appointment of our auditors and any other business that the Board of Trustees may determine.

The Board of Trustees have the power at any time to call special meetings of unitholders at such time and place in Canada as the Board of Trustees determine. Unitholders holding in the aggregate not less than 5% of the outstanding REIT Units entitled to vote at such meeting (on a fully-exchanged basis) may requisition the Board of Trustees in writing to call a special meeting of the unitholders and the Board of Trustees shall, subject to certain limitations, call a meeting of unitholders. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at meetings of unitholders either in person or by proxy and a proxyholder need not be a unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding REIT Units (on a fully-exchanged basis) shall constitute a quorum for the transaction of business at all such meetings. If no quorum is present at any meeting of unitholders when called, the meeting, if convened on the requisition of unitholders, will be dissolved, but in any other case will be adjourned for not less than 10 days, and at the adjourned meeting, the unitholders then present in person or represented by proxy will constitute the necessary quorum.

The Declaration of Trust will contain provisions as to the notice required and other procedures with respect to the calling and holding of meetings of unitholders.

Book-Based System for Units; No Certificates for Special Trust Units

Units may be represented in the form of one or more fully registered unit certificates held by, or on behalf of, CDS, as custodian of such certificates for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of Units may be effected through the book-based system administered by CDS.

No holder of Special Trust Units is entitled to a certificate or other instrument from us evidencing the holder's ownership of such units.

Limitation on Non-Resident Ownership

In order for the REIT to maintain its status as a mutual fund trust under the Tax Act, it must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, the Declaration of Trust will provide that at no time may Non-Residents be the beneficial owners of more than 49% of the Units or 49% of the Special Trust Units then outstanding. The Board of Trustees may require declarations as to the jurisdictions in which beneficial owners of REIT Units are resident or declarations from unitholders as to whether such REIT Units are held for the benefit of Non-Residents. We monitor ownership of REIT Units which are held by Non-Residents by periodically obtaining and reviewing REIT Unit ownership reports from our transfer agent or other service providers.

If the Board of Trustees become aware that the beneficial owners of more than 49% of the Units or more than 49% of the Special Trust Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Board of Trustees may make a public announcement thereof and shall not accept a subscription for REIT Units from or issue or register a transfer of REIT Units to a person unless the person provides a declaration that he or she is not a Non-Resident and does not hold his or her REIT Units for the benefit of a Non-Resident. If, notwithstanding the foregoing, the Board of Trustees determine that more than 49% of the Units or more than 49% of the Special Trust Units then outstanding are beneficially owned by Non-Residents, the Board of Trustees may send a notice to Non-Resident unitholders and unitholders for the benefit of Non-Residents, selected in inverse order to the order of acquisition or registration or in such other manner as the Board of Trustees may consider equitable and practicable, requiring them to sell or redeem, within a specified period of not more than 60 days, all or a portion of their REIT Units. If the unitholders receiving such notice have not sold or redeemed the specified number of REIT Units or provided the Board of Trustees with satisfactory evidence that they are not Non-Residents and do not hold their REIT Units for the benefit of a Non-Resident within such period, the Board of Trustees may, on behalf of such unitholder, and shall have the power of attorney of such holder to, sell or redeem such REIT Units, and, in the interim, the voting and distribution rights attached to such REIT Units shall be suspended. Upon such sale or redemption, the affected holders shall cease to be holders of the REIT Units and their rights shall be limited to receiving the net proceeds of such sale upon surrender of the certificates representing such REIT Units.

Amendments to the Declaration of Trust and Other Documents

The Declaration of Trust may be amended or altered from time to time. Certain amendments (including the termination of the REIT) require approval by at least 66⅔% of the votes cast at a meeting of unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of unitholders called for such purpose.

The following amendments require the approval of at least 66⅔% of the votes cast by unitholders at a meeting called for that purpose:

(a) any amendment to the Declaration of Trust (subject to the exceptions outlined in the Declaration of Trust);

(b) the sale of the property or assets of the REIT as an entirety or substantially as an entirety or the sale of all or substantially all of the assets of a Subsidiary (other than as part of an internal reorganization, including by way of the transfer of property or assets of the REIT or a Subsidiary of the REIT, as approved by the Board of Trustees);

(c) the termination of the REIT by the unitholders;

(d) an exchange, reclassification or cancellation of all or part of the REIT Units;

(e) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the REIT Units, including, without limiting the generality of the foregoing:

  (i) the removal or change of rights to distributions attached to the REIT Units; or

  (ii) the addition or removal of or change to conversion privileges, redemption privileges, voting, transfer or pre-emptive rights attached to the REIT Units;

(f) the creation of new rights or privileges attaching to certain REIT Units;

(g) any change to the existing constraints on the issue, transfer or ownership of the REIT Units;

(h) the combination, amalgamation, merger or arrangement of any of the REIT or Subsidiaries of the REIT with any other entity; and

(i) any material change to the Limited Partnership Agreement.

A majority of the Board of Trustees may, without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) to the extent deemed by the Board of Trustees in good faith to be necessary to remove any conflicts or other inconsistencies which may exist between any of the terms of the Declaration of Trust and the provisions of any applicable law or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the unitholders;

(b) which, in the opinion of the Board of Trustees, acting reasonably, are necessary to maintain the rights of the unitholders set out in the Declaration of Trust;

(c) to the extent determined by the Board of Trustees in good faith to be necessary to make any change or correction in the Declaration of Trust which is a typographical change or correction or which the Board of Trustees have been advised by legal counsel is required for the purpose of curing any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error contained therein;

(d) (i) to create and issue one or more new classes of Preferred Units (each of which may be comprised of unlimited series) that rank in priority to the Units and Special Trust Units (in payment of distributions and in connection with any termination or winding-up of the REIT) and/or (ii) to remove the redemption right attaching to the Units and convert the REIT into a closed-end limited purpose trust;

(e) to ensure compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Board of Trustees or the Trust; (ii) the status of the Trust as a "mutual fund trust" and a "real estate investment trust" under the Tax Act or to otherwise prevent the REIT or any of its Subsidiaries from becoming subject to tax under the SIFT Legislation; or (iii) the distribution of Units;

(f) which are deemed necessary or advisable to ensure that the REIT has not been established nor maintained primarily for the benefit of persons who are not resident in Canada for purposes of the Tax Act; and

(g) as otherwise deemed by the Board of Trustees in good faith to be necessary or desirable.

Effect of Termination

The REIT will continue in full force and effect until such time as it is terminated by either the Board of Trustees or unitholders. The Trust may be terminated by the vote of at least at least 66⅔% of the votes cast at a meeting of the Unitholders and holders of Special Trust Units called for that purpose. The unitholders shall participate *pro rata* in any remaining distributions by the REIT.

Take-Over Bids

The Declaration of Trust will contain provisions to the effect that if a take-over bid, as defined under the *Securities Act* (Ontario), is made for the Units and, within 120 days after the date of such take-over bid, not less than 90% of the Units (including Units issuable upon the surrender or exchange of any securities for Units but not including any Units held at the date of the take-over bid by or on behalf of the Offeror or Affiliates and associates of the Offeror) have been or are legally required to be taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Units held by the remaining Unitholders who did not accept the take-over bid by requiring such Unitholders to elect (a) to transfer their Units to the Offeror on the terms on which the Offeror acquired the Units of the offerees who accepted the take-over bid, or (b) to demand payment of the fair value of the Units.

Information and Reports

We will furnish to unitholders, in accordance with and subject to applicable securities legislation, our consolidated financial statements (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including forms needed for the completion of unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or any special meeting of unitholders, the Board of Trustees will provide unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders.

INDUSTRIAL PARTNERSHIP

General

Industrial Partnership is a limited partnership formed under the laws of the Province of Ontario and governed by the Limited Partnership Agreement. Industrial Partnership will acquire at Closing, directly or indirectly, all of the Initial Properties and following Closing will own, operate and lease real estate assets and property and engage in all activities ancillary and incidental thereto. Upon Closing, the general partner of Industrial Partnership will be Industrial GP and the limited partners of Industrial Partnership will be the REIT (which will own all of the LP A Units) and the applicable Transferors (which will own all of the LP B Units).

Partnership Units

Upon Closing, Industrial Partnership will have outstanding LP A Units, all of which will be held by the REIT, and LP B Units, all of which will be held by the Transferors. Industrial GP will have an interest in the Industrial Partnership (the "GP Interest") but no certificate will be issued to evidence same. Immediately following Closing, it is expected that the LP A Units will represent approximately 52.9% of the limited partnership interests in Industrial Partnership and the LP B Units will represent approximately 47.1% of the limited partnership interests in Industrial Partnership. See "Acquisition of Initial Properties — Principal Steps for the Acquisition and the ROI Transaction".

The LP B Units will, in all material respects, be economically equivalent to the Units on a per unit basis. The LP B Units will be exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" or a "real estate investment trust" under the Tax Act or cause or create significant risk that would cause the REIT to be subject to tax under paragraph 122(1)(b) of the Tax Act and subject to satisfaction of conditions set out therein.

Except as required by law or the Limited Partnership Agreement, and in certain specified circumstances in which the rights of holders of LP B Units are particularly affected, the holders of LP B Units will not be entitled to vote at any meeting of the holders of units of Industrial Partnership.

Operation

The business and affairs of Industrial Partnership will be managed and controlled by Industrial GP which will be bound by the investment guidelines and operating policies applicable to the REIT. The Limited Partners will not be entitled to take part in the management or control of the business or affairs of Industrial Partnership. Except as provided below, Industrial Partnership will reimburse Industrial GP for all direct costs and expenses incurred by Industrial GP in the performance of its duties as the general partner of Industrial Partnership.

The Board of Trustees shall determine the composition of Industrial GP's board of directors; provided Industrial GP shall not have a majority of directors who are Trustees.

Industrial Partnership will operate in a manner to ensure, to the greatest extent possible, the limited liability of the Limited Partners. The Limited Partners may lose their limited liability in certain circumstances. If the limited liability of any Limited Partner is lost by reason of the negligence of Industrial GP in performing its duties and obligations under the Limited Partnership Agreement, Industrial GP will indemnify the applicable Limited Partner against all claims arising from assertions that its liabilities are not limited as intended by the Limited Partnership Agreement. Industrial GP, however, has no significant assets or financial resources other than its distribution entitlements from Industrial Partnership. Accordingly, this indemnity may only be of nominal value.

Duties and Responsibilities of Industrial GP

Industrial GP will be the general partner of Industrial Partnership and will manage and control the operations and affairs of Industrial Partnership and make all decisions regarding the business and activities of Industrial Partnership.

Distributions

Industrial Partnership will distribute to Industrial GP and to the holders of LP A Units and LP B Units their *pro rata* portions of distributable income as set out below. Distributions will be made forthwith after Industrial GP determines the distributable income of Industrial Partnership and determines its expenses for acting as general partner, which determination shall be done no later than the 10th day of each month. Distributable income will represent, in general, all of Industrial Partnership's cash on hand that is derived from any source (other than amounts received in connection with the subscription for additional interests in Industrial Partnership) and that is determined by Industrial GP not to be required in connection with the business of Industrial Partnership. The amount of distributable income that will be distributed to the Limited Partners will be the amount of distributable income which remains after the distribution of (a) an amount to Industrial GP sufficient to reimburse it for its expenses incurred in performing its duties and obligations under the Limited Partnership Agreement; (b) an amount to the holders of LP A Units sufficient to allow the REIT to pay its expenses on a timely basis; and (c) an amount to Industrial GP equal to 0.001% of the balance of the distributable income of Industrial Partnership remaining after the distributions in (a) and (b) have been made. However, holders of LP B Units will be entitled to receive distributions on each such unit equal to the amount of the distribution declared by the REIT on each Unit. The record date and the payment date for any distribution declared on the LP B Units will be the same as those for the Units.

A holder of LP B Units has the right to elect to reinvest all or a portion of distributions payable on its LP B Units on the same economic terms as participants in our DRIP. A holder may reinvest such distributions in LP B Units, Units or a combination thereof. If a holder elects to reinvest all or a portion of its distributions, the holder will receive a bonus distribution of 3% of the amount elected to be reinvested, which bonus distribution will be reinvested in the units that the holder elects to receive.

Allocation of Net Income and Losses

Industrial Partnership's income or loss for tax purposes for a fiscal year will be allocated to Industrial GP and to each person who was a Limited Partner in that year in the manner provided below. At the end of each fiscal year, Industrial GP will be allocated taxable income of Industrial Partnership, as determined in accordance with the Tax Act, in an amount equal to the aggregate of (a) all of the amounts paid to Industrial GP as reimbursement for its expenses in performing its duties and obligations under Limited Partnership Agreement and (b) all distributions from Industrial Partnership that it has received during that year. After giving effect to the allocation of taxable income to Industrial GP, each person who was a Limited Partner at any point during that year will be allocated taxable income or losses of Industrial Partnership, as determined in accordance with the Tax Act, in an amount based on the total sum of the cash distributions received by that Limited Partner with respect to that fiscal year. However, if, with respect to a given fiscal year, no cash distribution is made by Industrial Partnership to its Limited Partners, the taxable income or loss of Industrial Partnership for such fiscal year will be allocated to the Limited Partners, reduced by the amount, if any, determined in respect of the fiscal year as taxable income allocable to Industrial GP, and such taxable income or loss allocated to the Limited Partners will be allocated to each person who was a Limited Partner at anytime in such fiscal year in the proportion determined by Industrial GP.

Transfer of LP Units

The transfer of LP A Units and LP B Units will be subject to a number of restrictions, including: (i) the LP A Units and LP B Units may not be transferred to a transferee who is a Non-Resident; (ii) no fractional LP A Units or LP B Units will be transferable; (iii) no transfer of LP B Units will be accepted by Industrial GP if such transfer would cause Industrial Partnership to be liable for tax under subsection 197(2) of the Tax Act; and (iv) no transfer of LP A Units or LP B Units will be accepted by Industrial GP unless a transfer form, duly completed and signed by the registered holder of such LP A Units or LP B Units, as applicable, has been remitted to the registrar and transfer agent of Industrial Partnership. In addition, a transferee of LP A Units or LP B Units must provide to Industrial GP such other instruments and documents as Industrial GP may require, in appropriate form, completed and executed in a manner acceptable to Industrial GP. A transferee of a unit of Industrial Partnership will not become a partner or be admitted to Industrial Partnership and will not be subject to the obligations and entitled to the rights of a partner under the Limited Partnership Agreement until the foregoing conditions are satisfied and such transferee is recorded on Industrial Partnership's register of partners.

In addition to the above restrictions, the Limited Partnership Agreement will also provide that no holder of LP B Units will be permitted to transfer such LP B Units, other than for Units in accordance with the terms of the Exchange Agreement or the Limited Partnership Agreement, unless: (i) the transfer is to an Affiliate of the holder; (ii) such transfer would not require the transferee to make an offer to Unitholders to acquire Units on the same terms and conditions under applicable securities laws if such LP B Units, and all other outstanding LP B Units, were converted into Units at the then current exchange ratio in effect under the Exchange Agreement immediately prior to such transfer; or (iii) the offeror acquiring such LP B Units makes a contemporaneous identical offer for the Units (in terms of price, timing, proportion of securities sought to be acquired and conditions) and acquires such LP B Units along with a proportionate number of Units actually tendered to such identical offer. Certain rights affecting the Transferors as holders of the LP B Units, as such rights are set forth in the Declaration of Trust and the Exchange Agreement, are specific to the Transferors and are not transferable to a transferee of the LP B Units, other than an Affiliate of the Transferors.

Amendments to the Limited Partnership Agreement

The Limited Partnership Agreement may be amended with the prior consent of the holders of more than 66⅔% of the LP A Units voted on the amendment at a duly constituted meeting of holders of LP A Units or by a written resolution of partners holding more than 66⅔% of the LP A Units entitled to vote at a duly constituted meeting of holders of LP A Units, except for certain amendments which require unanimous approval of holders of limited partnership units, including: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of LP A Units; and (iii) changing Industrial Partnership from a limited partnership to a general partnership. Industrial GP may also make amendments to the Limited Partnership Agreement without the approval or consent of the Limited Partners to reflect, among other things: (i) a change in the name of Industrial Partnership or the location of the principal place of business or registered office of Industrial Partnership; (ii) the admission, substitution, withdrawal or removal of the Limited Partners in accordance with the Limited Partnership Agreement; (iii) a change that, as determined by Industrial GP, is reasonable and necessary or appropriate to qualify or continue the qualification of Industrial Partnership as a limited partnership in which the Limited Partners have limited liability under applicable laws; (iv) a change that, as determined by Industrial GP, is reasonable and necessary or appropriate to enable Industrial Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (v) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Limited Partnership Agreement which may be defective or inconsistent with any other provision contained in the Limited Partnership Agreement or which should be made to make the Limited Partnership Agreement consistent with the disclosure set out in this prospectus. Notwithstanding the foregoing: (i) no material amendment which would adversely affect the rights and obligations of Industrial GP, as a general partner, may be made without the consent of Industrial GP; (ii) no material amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class, including with respect to amendments to the restrictions on transfer of LP B Units; (iii) no material amendment which would adversely affect the rights and obligations of the holders of LP A Units may be made without the consent of the holders of the LP A Units; and (iv) no material amendment which would adversely affect the rights and obligations of the holders of the LP B Units may be made without the consent of the holders of the LP B Units.

In addition, the Declaration of Trust provides that the REIT will not agree to or approve any material amendment to the Limited Partnership Agreement without the approval of not less than two-thirds of the votes cast at a meeting of unitholders called for such purpose (or by written resolution in lieu thereof).

CAPITALIZATION

The following table sets forth our pro forma consolidated capitalization as at July 20, 2012, both before and after giving effect to the Offering and the Acquisition, but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with our pro forma consolidated financial statements and notes thereto contained elsewhere in this prospectus.

	As at July 20, 2012[1]	As at July 20, 2012 after giving effect to the Offering and the Acquisition (in thousands of dollars)
Unitholders' Equity	$10.00	$163,168
Indebtedness		
LP B Units	$ —	$160,346
Other Indebtedness	$ —	$338,949
Total Capitalization	$10.00	$662,463

Notes:

(1) The REIT was initially settled on July 20, 2012 with $10.00 in cash.

USE OF PROCEEDS

The net proceeds of this Offering are estimated to be approximately $142.5 million ($164.4 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the gross proceeds of this Offering. In addition, we will receive proceeds of $17.5 million from the sale of Units to Dundee Corporation and $7.5 million from the sale of Units to Michael J. Cooper. See "Key Investors".

On Closing, we will indirectly acquire the interests of the Transferors in the Initial Properties and the interests of the ROI Co-Owners in the ROI Co-Owned Properties through a series of steps which are summarized in "Acquisition of the Initial Properties". One of these steps involves the purchase by the REIT from the Transferors of all of the LP A Notes issued by Industrial Partnership to the Transferors in connection with the Acquisition. The total purchase price for this step will be $135.7 million and will be paid to the Transferors in cash.

We will use the net proceeds of the Offering and the proceeds of the sale of Units to Dundee Corporation and Michael J. Cooper as follows:

1. the REIT will pay to the Transferors $127.2 million of the $135.7 million cash purchase price for the LP A Notes referred to above;

2. the REIT will contribute and assign the LP A Notes to Industrial Partnership in exchange for $135.7 million of LP A Units;
3. the REIT will subscribe for $35.8 million of additional LP A Units to be issued by Industrial Partnership;
4. Industrial Partnership will use the $35.8 million in proceeds from the REIT's subscription for additional LP A Units referred to above to fund the purchase, directly or indirectly, of the interests of the ROI Co-Owners in the ROI Co-Owned Properties and certain related indebtedness; and
5. the REIT will retain $4.5 million to pay fees and expenses relating to the acquisition of the Initial Properties.

The remaining $8.5 million of the purchase price for the LP A Notes will be satisfied by the drawing of $8.5 million on the Credit Facility. Industrial Partnership will also directly and indirectly assume mortgages on the Initial Properties in the aggregate principal amount of approximately $314.0 million (excluding mark-to-market adjustments of approximately $14.1 million).

The purchase price for our acquisition of the direct and indirect interests of the Transferors in the Initial Properties was established by negotiation between the REIT, DPLP and TD Securities Inc. and is supported by the Appraisals. The purchase price for the ROI Transaction was established by negotiation between the REIT and the ROI Co-Owners and is supported by the Appraisals.

We will use the net proceeds, if any, from the sale of Units by us on exercise of the Over-Allotment Option, for general trust purposes, which may include the repayment of amounts drawn on the Credit Facility. For more details on the Acquisition and the ROI Transaction, see "The REIT — Recent Developments", "Acquisition of the Initial Properties" and "Our Structure and Formation".

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement, we have agreed to sell and the Underwriters have agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on October 4, 2012 or such other date as may be agreed between the Underwriters and us but, in any event, not later than October 15, 2012, 15,500,000 Units at a purchase price of $10.00 per Unit for aggregate gross consideration of $155 million payable in cash to us against delivery. In consideration for their services in connection with the Offering, we have agreed to pay the Underwriters a fee of $0.575 per Unit, being an aggregate of $8,912,500. The Underwriters will not receive any fee in respect of the 1,750,000 Units to be purchased by Dundee Corporation or the 750,000 Units to be purchased by Michael J. Cooper concurrently with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions, including the condition that the Acquisition be completed concurrently with the completion of the Offering, and may be terminated at their discretion upon the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement. We have agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the Underwriters may be required to make in respect of those liabilities.

There is currently no market through which the Units may be sold and purchasers of Units may not be able to resell the Units purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

The Offering is being made in each of the provinces of Canada. The Units will be offered in each of the provinces of Canada through those Underwriters or their Affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Units outside of Canada.

The Units offered hereby have not been and will not be registered under the 1933 Act or any securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, within the United States, except pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws. Accordingly, the Underwriters have agreed that they will not offer or sell the Units within the United States, except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder to "qualified institutional buyers" (as defined in Rule 144A under the 1933 Act) in transactions that are exempt from the registration requirements under the 1933 Act and in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless such offer is made pursuant to an exemption under the 1933 Act.

The TSX has conditionally approved the listing of the Units on the TSX under the symbol DIR.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before December 14, 2012.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved by the Underwriters to close the subscription books at any time without notice.

The Underwriters propose to offer the Units initially at the offering price specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Underwriters to us.

Over-Allotment Option

We have granted to the Underwriters an Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the closing date of the Offering, to purchase up to 2,325,000 additional Units on the same terms as set out above solely to cover over-allotments, if any. We have agreed to pay to the Underwriters a fee of $0.575 per Unit with respect to Units issued under the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Price Stabilization, Short Positions and Passive Market Making

In accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

In order to facilitate the Offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Units. Specifically, the Underwriters may sell more Units than they are obligated to purchase under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is not greater than the number of Units available for purchase by the Underwriters under the Over-Allotment Option. The Underwriters can close out a covered short sale by exercising the Over-Allotment Option or purchasing Units in the open market. In determining the source of Units to close out a covered short sale, the Underwriters will consider, among other things, the open market price of Units compared to the price available under the Over-Allotment Option. The Underwriters may also sell Units in excess of the Over-Allotment Option, creating a naked short position. The Underwriters must close out any naked short position by purchasing Units in the open market. Any naked short sales will form part of the Underwriters' over-allocation position. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market after pricing that could adversely affect investors who purchase in this Offering. As an additional means of facilitating this Offering, the Underwriters may bid for, and purchase, Units in the open market to stabilize the price of the Units. The Underwriters may also impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting commissions received by it because the representatives have repurchased Units sold by or for the account of such Underwriter in stabilizing or short covering transactions. These activities may raise or maintain the market price of the Units above independent market levels or prevent or retard a decline in the market price of the Units. The Underwriters are not required to engage in these activities and may end any of these activities at any time. The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

Fees and Expenses

The following table shows the per Unit and total Underwriters' fee that we will pay to the Underwriters, assuming both no exercise and full exercise of the Over-Allotment Option:

	Over-Allotment Not Exercised	Over-Allotment Fully Exercised
Per Unit	$ 0.575	$ 0.575
Total	$8,912,500	$10,249,375

It is estimated that the total expenses payable by the REIT in respect of the Offering, not including the underwriting fees, and the expenses of the Acquisition, will be approximately $8.1 million.

Lock Up

We will agree that we will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any equity securities or any securities convertible into, or exchangeable or exercisable for equity securities, for a period commencing on the date of the Underwriting Agreement and ending on the date that is 180 days after the Closing, except (a) pursuant to the exercise of convertible or exchangeable securities, options or warrants to purchase units which are outstanding on the date of the Underwriting Agreement or have been issued with the consent of TD Securities Inc., (b) units issued pursuant to the DRIP or Deferred Unit Incentive Plan and (c) units issued as full or partial consideration for direct or indirect arm's-length acquisitions of real estate assets.

The Transferors will agree that they will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any LP B Units or Units held by them for a period commencing on the date of the Underwriting Agreement and ending on the date that is 180 days after the Closing.

Each of Dundee Corporation and Michael J. Cooper will agree that they will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any Units held by Dundee Corporation or Michael J. Cooper, respectively, for a period commencing on the date of the Underwriting Agreement and ending on the date that is 180 days after the Closing.

Book-Based System

Units may be represented in the form of one or more fully registered unit certificates held by, or on behalf of, CDS, as custodian of such certificates for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of Units may be effected through the book-based system administered by CDS. See "Declaration of Trust and Description of REIT Units — Book-Based System for Units; No Certificates for Special Trust Units".

RELATIONSHIP BETWEEN THE REIT AND CERTAIN UNDERWRITERS

DRC is a related issuer of one of the Underwriters, Dundee Securities Ltd. and DPLP is a connected issuer of that Underwriter. DRC will be our asset manager and DPLP is our promoter. Accordingly, we may be considered a connected issuer of Dundee Securities Ltd. for the purposes of applicable Canadian securities legislation. The terms of the Offering were negotiated at arm's length between TD Securities Inc. (of which we are not a related issuer) and us. The Underwriters participated in the drafting of this prospectus, the negotiation of the pricing of the Units and the due diligence process in respect of the Offering. Dundee Securities Ltd. will not receive any benefit in connection with the Offering other than as described in this prospectus.

CIBC World Markets Inc. and RBC Dominion Securities Inc. are Affiliates of Canadian chartered banks that provided mortgage financing for the Initial Properties in the aggregate principal amount of approximately $89.0 million, as at September 7, 2012. Upon Closing, TD Securities Inc., an Affiliate of a Canadian chartered bank, will provide us with the Credit Facility in the amount of $35.0 million. Upon Closing, the mortgages relating to the mortgage financing will be assumed or guaranteed by us. We may use the net proceeds from the sale of Units by us on exercise of the Over-Allotment Option to repay amounts drawn on the Credit Facility. Accordingly, we may be considered a connected issuer to each of TD Securities Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. for the purposes of applicable Canadian securities legislation. We made the decision to offer the Units under this prospectus, and the determination of the terms of the Offering was made through negotiations between us and TD Securities Inc., as referred to above. The Underwriters' involvement in the Offering is also outlined above. None of the chartered bank Affiliates of TD Securities Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. has had any involvement in such decision or determination, although the chartered bank Affiliates of TD Securities Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. may be advised of the Offering and the terms thereof. Each of TD Securities Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. will receive its proportionate share of the Underwriters' fee. See "Use of Proceeds". DPLP has informed us that DPLP is and has been in compliance with all material terms and conditions of the foregoing mortgage financing, that no waiver of any default has occurred thereunder and that there has not been a material change in the value of the security for such mortgage financing since their incurrence.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP and special tax counsel to the REIT, and Torys LLP, counsel to the Underwriters (together, the "Counsel"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Units by a holder who acquires such Units pursuant to this Offering. This summary is applicable to a holder who at all relevant times, for purposes of the Tax Act, deals at arm's length and is not Affiliated with the REIT and its Affiliates and holds the Units as capital property (in this section, a "Unitholder"). Generally, the Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Unitholders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" for purposes of the mark-to-market rules; (ii) that is a "specified financial institution"; (iii) that has elected to determine its Canadian tax results in accordance with a "functional currency"; or (iv) an interest in which is a "tax shelter investment", as each term is defined in the Tax Act. Such Unitholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units acquired pursuant to the Offering. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire Units under this Offering.

This summary is based upon the provisions of the Tax Act and the regulations thereunder (the "Regulations"), a certificate as to certain factual matters from an officer of the REIT, and Counsel's understanding, based on publicly available published materials, of the administrative policies and assessing practices of the CRA, all in effect as of the date of this prospectus. This summary takes into account all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by or on behalf of the Minister prior to the date of this prospectus (the "Tax Proposals"). Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in CRA's administrative policies and assessing practices, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that CRA will not change its administrative policies and assessing practices.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholder's particular circumstances. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective investor of Units. Consequently, a prospective investor should consult the investor's own tax advisor for advice with respect to the tax consequences of an investment in Units based on the prospective investor's particular circumstances.

Status of the REIT

Qualification as a "Mutual Fund Trust"

This summary is based on the assumptions that the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established.

To qualify as a mutual fund trust, the REIT, among other things, must be a "unit trust" as defined by the Tax Act, must not be established or maintained primarily for the benefit of non-residents, and must restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property or of any immovable or real right in immovables) that is capital property of the REIT, or (iii) any combination of the activities described in (i) and (ii), and the REIT must comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of its Units. An officer of the REIT has advised Counsel that the REIT will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a mutual fund trust from the time of its establishment and that the REIT intends to continue to qualify as a "mutual fund trust" under the provisions of the Tax Act at all times thereafter.

If the REIT were not to qualify as a mutual fund trust at any particular time, the income tax considerations described below would, in some respects, be materially different.

Qualification as a "Real Estate Investment Trust"

SIFT Legislation

The SIFT Legislation effectively taxes certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors.

A trust resident in Canada will generally be a SIFT trust for a particular taxation year for purposes of the Tax Act if, at any time during the taxation year, investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more "non-portfolio properties" (as defined in the Tax Act). Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. However, a trust will not be considered a SIFT trust for a taxation year if it qualifies as a "real estate investment trust" (as defined in the Tax Act) for that year (the "REIT Exception") (discussed below).

Where the SIFT Legislation applies, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and taxable capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by such holder from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada. Distributions that are paid as returns of capital will generally not attract the tax under the SIFT Legislation.

REIT Exception

A trust that satisfies the REIT Exception is excluded from the definition of a SIFT trust in the Tax Act and is therefore not subject to the SIFT Legislation. On December 16, 2010, Tax Proposals were released for public comment with respect to the rules to qualify for the REIT Exception. If enacted as proposed, the amendments, which are generally relieving in nature, will be effective for the 2011 and subsequent taxation years and also on an elective basis for earlier taxation years.

Assuming that the Tax Proposals are enacted as proposed, the following five criteria must be met in order for a trust to qualify for the REIT Exception in a year subsequent to 2010:

(a) at each time in the taxation year, the total fair market value at that time of all "non-portfolio properties" that are "qualified REIT properties" held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;

(b) not less than 90% of the trust's "gross REIT revenue" for the taxation year must be from one or more of the following: "rent from real or immovable properties", interest, capital gains from the disposition of "real or immovable properties", dividends, royalties and gains from dispositions of "eligible resale properties";

(c) not less than 75% of the trust's gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, and capital gains from dispositions of real or immovable properties;

(d) at each time in the taxation year an amount that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is real or immovable properties, cash, deposits (within the meaning of the *Canada Deposit Insurance Corporation Act* or with a branch in Canada of a bank or a credit union), indebtedness of a Canadian corporation represented by a banker's acceptance, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions; and

(e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The SIFT Legislation contains specific rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities, provided that, other than with respect to the listing or trading requirement, each such entity, assuming it were a trust, would satisfy the REIT Exception.

The REIT Exception in the SIFT Legislation contains a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made at the end of that taxation year. Based on representations as to certain factual matters from an officer of the REIT, the REIT expects to qualify throughout 2012 and all subsequent taxation years for the REIT Exception, as proposed to be amended, and until such time as the Tax Proposals are enacted, the REIT Exception as currently enacted. The REIT also expects that each direct or indirect Subsidiary of the REIT will qualify as an "excluded subsidiary entity" as defined in the Tax Act throughout 2012 and subsequent taxation years. The balance of this summary assumes this to be the case. If the REIT does not so qualify or ceases to qualify as a real estate investment trust under the REIT Exception, or each direct or indirect Subsidiary of the REIT were not to qualify as an excluded subsidiary entity, the income tax considerations described below would, in some respects, be materially different.

Taxation of the REIT

The taxation year of the REIT is the calendar year. In each taxation year, the REIT will generally be subject to tax under Part I of the Tax Act on its income for the year, including net taxable capital gains for that year and its allocated share of the income from Industrial Partnership for the fiscal period of Industrial Partnership ending in, or coinciding with the year end of the REIT, less the portion thereof that it deducts in respect of the amounts paid or payable, or deemed to be paid or payable, to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

The REIT will, generally, also not be subject to tax on any amounts received as distributions from Industrial Partnership. Generally, distributions to the REIT in excess of its allocated share of the income of Industrial Partnership for a fiscal period will result in a reduction of the adjusted cost base of the REIT's units in Industrial Partnership, by the amount of such excess. If the REIT's adjusted cost base at the end of a taxation year of its units in Industrial Partnership is a negative amount, the REIT will be deemed to realize a capital gain in such amount for that year, and the REIT's adjusted cost base at the beginning of the next taxation year of its units in Industrial Partnership will then be nil.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by the REIT to issue Units. The portion of such issue expenses deductible by the REIT in a taxation year is 20% of such issue expenses, pro-rated where the REIT's taxation year is less than 365 days.

Having regard to the present intention of the REIT's trustees, the REIT will make distributions in each year to Unitholders in an amount sufficient to ensure that the REIT will generally not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to the REIT). Where income of the REIT in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the REIT payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the REIT in computing its taxable income.

An *in specie* redemption of any Subsidiary Securities and the transfer by the REIT of Subsidiary Securities to redeeming Unitholders will each be treated as a disposition by the REIT of such Subsidiary Securities for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from these dispositions exceed (or are less than) the adjusted cost base of the Subsidiary Securities, as the case may be, and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event the REIT would otherwise be liable for tax on its net taxable capital gains realized by the REIT for a taxation year, it will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of units of the REIT during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Unitholders on the redemption of Units and the related *in specie* redemption by the REIT of any Subsidiary Securities. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Board of Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Unitholder. Such income or the taxable portion of any capital gain so designated must be included in the income of the redeeming Unitholders (as income or taxable capital gains) and will be deductible by the REIT in computing its income.

Taxation of Industrial Partnership

The fiscal period of Industrial Partnership is the calendar year. Industrial Partnership is expected to qualify as an "excluded subsidiary entity" at all relevant times and, as a result, will not be subject to tax under the Tax Act. Generally, each partner of Industrial Partnership, including the REIT, is required to include in computing the partner's income the partner's share of the income (or loss) of Industrial Partnership, for Industrial Partnership's fiscal year ending in, or coinciding with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income (or loss) of Industrial Partnership will be computed for each fiscal period as if it were a separate person resident in Canada.

In computing the income or loss of Industrial Partnership, deductions may generally be claimed in respect of its administrative costs and other reasonable expenses incurred by it for the purpose of earning income, including available capital cost allowances. Certain properties have been acquired by Industrial Partnership on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. For the purposes of claiming capital cost allowances, the undepreciated capital cost ("UCC") of such property acquired by Industrial Partnership from the Transferors, will be equal to the UCC of the property to the Transferors immediately before the Acquisition and not the fair market value of the property. In addition, if one or more of such properties are disposed of, the gain recognized by Industrial Partnership for tax purposes will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values.

The income or loss of Industrial Partnership for a fiscal period will be allocated to its partners on the basis of their respective share of such income or loss as provided in the limited partnership agreement of Industrial Partnership, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of Industrial Partnership for a fiscal period will result in a reduction of the adjusted cost base of the partner's units in Industrial Partnership by the amount of such excess, as described above.

Taxation of Unitholders Resident in Canada

This portion of the summary is generally applicable to a Unitholder who at all relevant times, for the purposes of the Tax Act, is or is deemed to be resident in Canada. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property.

Trust Distributions

A Unitholder is generally required to include in computing income for a particular taxation year the portion of the net income of the REIT for the taxation year of the REIT ending on or before the particular taxation year end of the Unitholder, including net taxable capital gains (determined for the purposes of the Tax Act), that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year, whether or not those amounts are received in cash, additional Units or otherwise.

The non-taxable portion of any net capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Unitholder in a taxation year, including the further bonus distribution reinvested in Units under the DRIP, will not generally be included in the Unitholder's income for the year. A Unitholder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than proceeds of disposition in respect of the redemption of Units and the non-taxable portion of net capital gains) paid or payable to such Unitholder that was not included in computing the Unitholder's income and will realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount.

Provided that appropriate designations are made by the REIT, such portions of the net taxable capital gains, taxable dividends received, or deemed to be received, on shares of taxable Canadian corporations and foreign source income as are paid or payable, or deemed to be paid or payable, by the REIT to the Unitholders will effectively retain their character and be treated and taxed as such in the hands of the Unitholders for purposes of the Tax Act, and Unitholders may be entitled to claim a foreign tax credit for foreign taxes paid by the REIT. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the REIT, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below. To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received, or deemed to be received, on shares of taxable Canadian corporations, they will be subject to the normal gross-up and dividend tax credit provisions in respect of Unitholders who are individuals, to the refundable tax under Part IV of the Tax Act in respect of Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts), and to the deduction in computing taxable income in respect of Unitholders that are corporations. A Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) throughout its taxation year may also be liable to pay an additional refundable tax on certain investment income, including taxable capital gains. Unitholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

Certain taxable dividends received by individuals from a corporation resident in Canada will be eligible for the enhanced dividend tax credit to the extent certain conditions are met and designations are made, such as the dividend being sourced out of income that is subject to tax at the general corporate tax rate. This may apply to distributions made by the REIT to the Unitholders that have as their sources eligible dividends received from a corporation resident in Canada, to the extent the REIT makes the appropriate designation to have such eligible dividends deemed received by the Unitholder and provided that the corporate dividend payer makes the required designation to treat such taxable dividends as eligible dividends.

Dispositions of Units

On the disposition or deemed disposition of a Unit by a Unitholder, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the REIT that is otherwise required to be included in the Unitholder's income (such as an amount designated as payable by the REIT to a redeeming Unitholder out of capital gains or income of the REIT as described above).

For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Unitholder will include all amounts paid by the Unitholder for the Unit, with certain adjustments. The cost to a Unitholder of Units received in lieu of a cash distribution of income of the REIT will be equal to the amount of such distribution that is satisfied by the issuance of such Units. The cost of Units acquired on the reinvestment of distributions under the DRIP will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a Unitholder's Units as a result of the receipt of the further bonus distribution reinvested in Units under the DRIP; however, the adjusted cost base per Unit will be reduced.

Where the redemption price for Units is paid and satisfied by way of a distribution *in specie* to the Unitholders of Subsidiary Securities, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the property so distributed less any income or capital gain realized by the REIT as a result of the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Unitholder. Where income or capital gain realized by the REIT as a result of the redemption of Units has been so designated by the REIT, the Unitholder will be required to include in computing the Unitholder's income for tax purposes, the income and the taxable portion of the capital gain so designated. The cost of any Subsidiary Security distributed by the REIT to a Unitholder upon a redemption of Units will generally be equal to the fair market value of such Subsidiary Security at the time of distribution.

Taxation of Capital Gains

One-half of any capital gains realized by a Unitholder and the amount of any net taxable capital gains designated by the REIT in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One-half of any capital loss realized by a Unitholder on a disposition, or deemed disposition of Units, may generally be deducted only from taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years, to the extent and under the circumstances described in the Tax Act.

Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of any dividends received by the REIT previously designated by the REIT to the Unitholder, to the extent and under the circumstances prescribed in the Tax Act. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Alternative Minimum Tax

In general terms, net income of the REIT, paid or payable, or deemed to be paid or payable, to a Unitholder who is an individual or trust (other than certain specified trusts), and that is designated as taxable dividends or as net taxable capital gains, and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Taxation of Unitholders Not Resident in Canada

This portion of the summary is generally applicable to a Unitholder who at all relevant times, for the purpose of the Tax Act, is not and is not deemed to be, resident in Canada, does not use or hold the Units in a business carried on in Canada and is not an insurer that carries on business in Canada and elsewhere (a "Non-Resident Unitholder").

Distributions on Units

A Non-Resident Unitholder will be subject to Canadian withholding tax at the rate of 25% on the portion of any distributions representing income and capital gains (including income and capital gains distributions in respect of the redemption of Units) paid or credited, or deemed to be paid or credited, in respect of a Unit by the REIT to the Non-Resident Unitholder, whether such distributions are paid in cash or Units, and at the rate of 15% on any other portion of such distributions paid or credited, or deemed to be paid or credited, in respect of a Unit by the REIT to the Non-Resident Unitholder. The 25% rate of withholding tax referred to above is subject to reduction pursuant to the provisions of an applicable tax convention. For example, the reduced rate under the Canada-U.S. tax convention is generally 15%.

The REIT withholds such taxes as required by the Tax Act and remits such payments to the CRA on behalf of the Non-Resident Unitholder. **Non-Resident Unitholders should consult with their own tax advisors with regard to the availability of any applicable foreign tax credits in respect of any Canadian withholding taxes.**

Disposition of Units

A Non-Resident Unitholder will not be subject to tax under the Tax Act on any capital gain realized on the disposition, or deemed disposition, whether on redemption or otherwise, of Units unless the Units are taxable Canadian property to the Non-Resident Unitholder. The Units will not be taxable Canadian property to a Non-Resident Unitholder if the Non-Resident Unitholder, persons with whom the Non-Resident Unitholder does not deal at arm's length (within the meaning of the Tax Act), or the Non-Resident Unitholder together with such persons, do not own 25% or more of the issued units of the REIT at any time during the 60 month period immediately preceding the disposition.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, based on representations of the REIT as to certain factual matters and subject to the qualifications and assumptions given under the heading "Certain Canadian Federal Income Tax Considerations", provided that the REIT qualifies as a "mutual fund trust" or the Units are listed on a designated stock exchange, Units will, on the date the Units are issued, be qualified investments under the Tax Act for Plans. Subsidiary Securities received as a result of a redemption *in specie* of Units may not be qualified investments for Plans, and this may give rise to adverse consequences to such Plan or the holder of or the annuitant or beneficiary under that Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Notwithstanding the foregoing, a holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units held in the TFSA, RRSP or RRIF are a "prohibited investment" as defined in the Tax Act for the TFSA, RRSP or RRIF. The Units will generally be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with the REIT for the purposes of the Tax Act or has a "significant interest", as defined in the Tax Act, in the REIT or in a person, partnership or trust with which the REIT does not deal at arm's length for purposes of the Tax Act. The Department of Finance has recently indicated that it is prepared to recommend further amendments to the prohibited investment rules contained in the Tax Act that will narrow the circumstances in which a holder of a TFSA or an annuitant of an RRSP or RRIF will have a "significant interest", however, no Tax Proposals have been released as at the date hereof. Holders of a TFSA and annuitants under a RRSP or RRIF should consult their own tax advisors as to whether the Units will be a "prohibited investment" in their particular circumstances.

RISK FACTORS

Investing in Units involves a high degree of risk. In addition to the other information contained in this prospectus, you should carefully consider the following risk factors before purchasing Units. The occurrence of any of the following risks could materially and adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders. In that event, the value of the Units could decline and investors may lose all or part of their investment. Although we believe that the risk factors described below are the most material risks that we will face, they are not the only risks. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and adversely affect the value of the Units.

Risks relating to the REIT and its business

Risks inherent in the real estate industry may adversely affect our financial performance

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of industrial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

The Initial Properties generate income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our cash flows and financial position would be materially adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Competition in the industrial real estate market may adversely affect our financial performance

We will compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the industrial properties of our competitors are newer, better located or better capitalized than the Initial Properties. Certain of these competitors have greater financial and other resources and greater operating flexibility than us. The existence of competing managers and owners could have a material adverse effect on our ability to lease space in our properties and on the rents we are able to charge, and could materially adversely affect our revenues and our ability to meet our obligations.

Environmental contamination at properties may expose us to liability and adversely affect our financial performance

The Initial Properties may contain ground contamination, hazardous substances, and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorphenol or lindane above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings.

We will bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures we would have to undertake could have a materially adverse affect on us and could involve considerable additional costs that we may have to bear. We will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and our ability to lease or sell such a property.

As an owner of real property, we will be subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances or ground contamination. The presence of such substances, if any, could materially adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental site assessment to be conducted. Although such an assessment provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We will have formal policies and procedures to review and monitor environmental exposure. These policies will include, where the Board of Trustees so determines, the requirement to conduct a phase I environmental site assessment before acquiring any real property or any interest therein.

Some of the Initial Properties have tenants that use hazardous or toxic substances or create waste. In addition, asbestos containing materials, underground storage tanks, petroleum hydrocarbons and lead paint are known to be present at certain of the Initial Properties. Where circumstances so warrant, designated substance surveys and/or Phase II ESAs will be conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, we will remediate such situations. In connection with our acquisition of the Initial Properties, we have negotiated limited indemnities from the Transferors. Notwithstanding the above, we are not aware of any environmental conditions with respect to any of the Initial Properties that we believe would involve material expenditure by us.

At Closing, we will have insurance in place to mitigate against certain environmental liabilities in respect of the Initial Properties, with limits which we believe are customary for portfolios similar to the Initial Properties. In addition, certain of the existing tenant leases in respect of the Initial Properties specify that the tenant will conduct its business in accordance with applicable environmental laws and regulations and will be responsible for any liabilities arising out of infractions to such laws and regulations.

We will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing requirements) in the future.

We may incur significant capital expenditures and other fixed costs

Certain significant 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 property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property exceed our estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if we are not permitted to raise the rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Any failure by us to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units.

Financing risks, leverage and restrictive covenants may limit our ability for growth

The real estate industry is capital intensive. We will require access to capital to maintain our properties, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Our failure to access required capital could materially adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our growth strategy.

Our access to third-party financing will be subject to a number of factors, including:

- general market conditions;
- the market's perception of our growth potential;
- our current and expected future earnings;

- our cash flow and cash distributions; and
- the market price of our Units.

Upon Closing, we will have third-party debt service obligations pursuant to our indebtedness. The degree to which we are leveraged could have important consequences to Unitholders. Such factors include:

- a significant portion of our cash flow may be dedicated to the payment of the principal of, and interest on, our indebtedness, thereby reducing the amount of funds available for the payment of cash distributions to Unitholders;
- certain of our borrowings will be at variable rates of interest which exposes us to the risk of increased interest rates;
- a high level of debt would increase vulnerability to general adverse economic and industry conditions;
- covenants contained in debt facilities will limit our ability to borrow additional funds, dispose of assets, encumber our assets, pay distributions and make potential investments;
- a high level of debt may place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- our debt covenants may also affect flexibility in planning for, and reacting to, changes in the economy and in the industry;
- a high level of debt may make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then-outstanding borrowings; and
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

Certain of our competitors may operate on a less leveraged basis, and therefore could have greater financing flexibility than us. Our ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy our debt obligations depends on future performance, which is subject to the financial performance of our properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond our control. These factors might inhibit us from refinancing indebtedness at all or on favourable terms, which could have a materially adverse effect on our ability to make distributions on the Units.

Upon the expiry of the term of the financing or refinancing of any particular property or debt facilities, we may need to refinance, and there can be no assurance that we will be able to do so or will be able to do so on terms as favourable as those currently in place with respect to the indebtedness. Future financing may take many forms, including debt or equity financing which could alter the current debt-to-equity ratio or which could be dilutive to our Unitholders. If we are unable to refinance our indebtedness, or are only able to refinance our indebtedness on less favourable terms, this may have a material adverse effect on our financial position, or distributable income. Similarly, if we were to be in default under the terms of our indebtedness, the applicable lender could foreclose on any of our properties on which the lender took security to satisfy our obligations under our indebtedness. In either case, this could result in the reduction or suspension of cash distributions to Unitholders.

Certain of our indebtedness contains restrictive covenants that may limit the discretion of management with respect to certain business matters. These covenants place restrictions upon, among other things, our ability to (i) incur additional indebtedness, (ii) create liens or other encumbrances, (iii) pay distributions or certain other payments, investments, loans and guarantees, (iv) sell or otherwise dispose of assets, and (v) merge or consolidate with another entity. In addition, our indebtedness may contain financial covenants that require us to maintain certain financial ratios and financial condition tests. Failure to comply with such obligations could result in an event of default which, if not cured or waived, could result in acceleration of the relevant indebtedness. If any indebtedness was to be accelerated, there can be no assurance that our assets would be sufficient to repay that indebtedness in full. If an event of default under any indebtedness was to occur, distributions may be suspended.

Changes in government regulations may affect our investment in our properties

We are subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). Any changes in the laws to which we are subject could materially adversely affect the rights and title to the properties. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which we are subject or the effect of any such change on our investments.

An investment in us is subject to certain Canadian tax risks

We intend to continue to qualify as a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of "mutual fund trusts" will not be changed in a manner that adversely affects Unitholders. If we cease to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations applicable to us, including the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations", would be materially and adversely different in certain respects, including that the Units may cease to be qualified investments for Plans.

The SIFT Legislation will apply to a trust that is a SIFT or a partnership that is a SIFT. The REIT and Industrial Partnership will not be SIFTs for the purposes of these rules because the REIT expects to qualify and continue to qualify for the REIT Exception and Industrial Partnership and each of our Subsidiaries expect to qualify and continue to qualify as an "excluded subsidiary entity" within the meaning of the Tax Act. In the event the SIFT Legislation applies to the REIT, the impact to holders of Units will depend on the status of the Unitholder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital.

The scope of the October 2003 Proposals limiting the deductibility of losses is uncertain. There can be no assurance that the October 2003 Proposals or an alternative proposal will not have a material adverse effect on us.

Having regard to the present intention of the Board of Trustees, we are required to distribute a sufficient amount of our net income and net realized capital gains each year to Unitholders in cash, or otherwise in order to eliminate our liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains in a taxation year exceeds our cash available for distribution in the year, such excess net income and net realized capital gains will 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, in circumstances where they do not directly receive a cash distribution.

Although we are of the view that all expenses to be claimed by us and our Subsidiaries will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by us will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, our taxable income, and indirectly the taxable income of Unitholders, will increase or change.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by us are able to deduct depreciation, interest and loan expenses relating to our properties for purposes of the Tax Act.

We will endeavour to ensure that the Units continue to be qualified investments for Plans; however, there can be no assurance that this will occur. In addition, Subsidiary Securities received on a redemption *in specie* of

Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

We depend on the business of Industrial Partnership

We are entirely dependent on the business of Industrial Partnership. The cash distributions to Unitholders are dependent on the ability of Industrial Partnership to pay distributions in respect of the units of Industrial Partnership. The ability of Industrial Partnership to pay distributions or make other payments or advances to us may be subject to contractual restrictions contained in any instruments governing the indebtedness of Industrial Partnership. The ability of Industrial Partnership to pay distributions or make other payments or advances is also dependent on the ability of Industrial Partnership's subsidiaries to pay distributions or make other payments or advances to Industrial Partnership.

There are certain risks associated with having single tenant properties

Approximately one-half (by GLA) of the Initial Properties are single tenant properties. The table below illustrates the largest five tenants of the Initial Properties by base revenue as of August 1, 2012:

Tenant	**% In-Place Base Revenue**
Spectra Premium Industries Inc.	9%
TC Transcontinental Inc.	8%
Molson Breweries Properties Ltd.	5%
The Brick	5%
Clean Harbors Industrial Services	4%

In the event that the above-listed tenants were to terminate their tenancies or become insolvent, our financial results would be materially adversely affected. Until such a time that we will be in a position to acquire more assets and further diversify our tenant base, we will take certain steps to mitigate any credit risk by closely monitoring our tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

We are impacted by factors specifically affecting the real estate markets in Alberta and the Alberta economy generally

34% of the total GLA and 41% of the forecast NOI of the Initial Properties is located in Alberta. As a result, we are impacted by factors specifically affecting the real estate markets in Alberta and the Alberta economy generally. These factors may differ from those affecting other regions of Canada. If conditions in Alberta were to decline relative to conditions in other regions, this could more adversely impact our revenues and results of operations.

Changes in interest rates could adversely affect our cash flows and our ability to pay distributions and make interest payments

We require extensive financial resources to complete the Acquisition and to implement our future investment and growth strategy. When concluding financing agreements or extending such agreements, we will depend on our ability to agree on terms, including in respect of interest payments and amortization that will not impair our desired AFFO and that do not restrict our ability to pay distributions. In addition to the Assumed Mortgages and the Credit Facility, we may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us and our Subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could materially adversely affect the trading price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income paid by us to Unitholders, increasing the level of competition for capital faced by us, which could have a material adverse affect on the trading price of the Units.

We may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, our financial results, and our ability to pay distributions to Unitholders and interest payments under the Assumed Mortgages, the Credit Facility and future financings may be adversely affected. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a material adverse effect on our ability to sell any of our properties.

Acquisitions of properties may expose us to undisclosed defects and obligations

Our external growth prospects depend in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. We intend to make acquisitions and dispositions of properties in accordance with our external growth strategy. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as our ability to realize our anticipated growth opportunities and synergies from our newly acquired properties.

Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time. For example, we could acquire a property that contains undisclosed defects in design or construction. Furthermore, we are not always able to obtain from the seller the records and documents that we need in order to fully verify that the buildings we acquire were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. Thus, we could have overlooked or misjudged legal and/or economic liabilities. These circumstances could lead to additional costs and could have a material adverse effect on our proceeds from sales and rental income of the relevant properties. In addition, after the acquisition of a property by us, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. The occupancy of properties that we acquire may decline during its ownership, and rents that are in effect at the time a property is acquired may decline thereafter. For these reasons, among others, our property acquisitions may cause us to experience significant losses. If we are unable to manage our growth and integrate our acquisitions effectively, our investments, operating results and financial condition could be materially adversely affected.

Losses of key personnel may affect our ability to operate effectively

Our operations will be dependent upon the participation of our key personnel, including our chief executive officer and chief financial officer. While we believe that we could find replacements for these key employees, the loss of their services and our inability to attract and retain qualified and experienced personnel may materially adversely affect our ability to operate and expand which could materially adversely affect our operating results and financial condition.

We may not be able to source suitable acquisitions

Our strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If we are unable to manage growth effectively, it could materially adversely affect our cash flows, financial condition and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that we will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects

We will carry general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar real estate portfolios in Canada and otherwise acceptable to the Board of Trustees. For the property risks we intend to carry "All Risks" property insurance including but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24 month indemnity period). We also intend to carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. We will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We will not carry title insurance on all of the Initial Properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

Risks Relating to the Offering and the Acquisition

Absence of a prior public market and determination of offering price

As at the date of this prospectus, there is no public market for the Units. The offering price of the Units offered hereunder were determined by negotiation between us, DPLP and the Underwriters. We cannot predict at what prices the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such market will be sustained at the offering price.

A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the valuations of our assets. The market price of the Units could be subject to wide fluctuations.

A factor that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could materially adversely affect the market price of the Units. In addition, general market conditions, fluctuations in the markets for equity or debt securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond our control could materially adversely affect the trading value of the Units.

The ability of Unitholders to redeem Units is subject to restrictions on redemption

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units will liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (a) the total amount payable by us in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitations may be waived at the discretion of the Board of Trustees); (b) 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 that the Board of Trustees believe, in their sole discretion, is able to provide representative fair market value prices for such series of the Units; and (c) the normal trading of the Units is not suspended or halted on any stock exchange on which such Units are listed (or, if not listed on a stock exchange, on any market on which such Units are quoted for trading) on the Redemption Date or for more than five trading days during the 20-day trading period commencing immediately after the Redemption Date.

Cash distributions are not guaranteed and may fluctuate with our financial performance

Our distribution policy will be established in the Declaration of Trust and may only be changed with the approval of a majority of unitholders. However, the Board of Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse effect on the market price of the Units.

Although we intend to make cash distributions in accordance with our distribution policy, the actual cash flow available for distribution to Unitholders is dependent on the amount of cash flow paid to us by our operating entities and can vary significantly from period to period for a number of reasons, including among other things: (a) the amount of net rental income derived from our properties; (b) the amount of cash required or retained for debt service or repayment; (c) amounts required to fund capital expenditures and working capital requirements; (d) tenant allowances; (e) leasing commissions; (f) Unit redemptions; (g) interest rates; and (h) other factors that may be beyond our control. These amounts are subject to the discretion of the Board of Trustees, which will regularly evaluate our distribution payout with respect to anticipated cash flows, debt levels, capital expenditure plans and amounts to be retained to fund acquisitions and expenditures. In addition, our level of distributions per Unit will be affected by the number of outstanding Units and other securities that may be entitled to receive cash distributions. Distributions may be increased, reduced or suspended entirely depending on our operations and the performance of our assets. The market value of the Units may materially deteriorate if we are unable to meet distribution expectations in the future.

Historical carve-out financial information and pro forma financial information may not be indicative of future results

The historical carve-out financial information relating to the Initial Properties included in this prospectus has been derived on a carve-out basis from Dundee REIT's, Whiterock's and the ROI Co-Owners' historical accounting records. We believe that management of each such entity has made reasonable assumptions underlying the carve-out financial statements. However, the carve-out financial statements may not reflect what our financial position, results of operations or cash flows would have been had we owned the Initial Properties during the historical periods presented or what our financial position, results of operations or cash flows will be in the future. The carve-out financial statements do not contain any adjustments to reflect changes that may occur in our cost structure, financing and operations as a result of the acquisition of the Initial Properties.

In preparing the pro forma financial information included in this prospectus, we have given effect to, among other items, the Offering and the closing of the Acquisition and the ROI Transaction. The estimates used in the financial information may not be similar to our actual experience.

Our financial forecast may not be accurate

The forecast results contained in this prospectus were prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary significantly from the forecast results and those variations may be material. We give no representation that actual results achieved in the forecast period will be the same, in whole or in part, as those forecast herein. See "Forward-Looking Information" and "Financial Forecast".

Unitholders do not have legal rights normally associated with ownership of shares of a corporation

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against us.

Unitholder liability may arise

The Declaration of Trust will provide that no holder of REIT Units or annuitant or beneficiary of a trust governed by a Plan/or of any Plan of which a holder of REIT Units acts as an annuitant will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of REIT Units or annuitant for any liability whatsoever, whether constituting extra contractual or contractual liability or arising in tort, contract or otherwise, to any Person in connection with our property or our affairs, including for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of us or of the Board of Trustees or any obligation which a holder of REIT Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such ("Trust Liability"). Only our assets are intended to be liable and subject to levy or execution for satisfaction of such Trust Liability. Each holder of REIT Units and annuitant will be entitled to be reimbursed out of our assets in respect of any payment of such Trust Liability made by such holder of REIT Units or annuitant.

The Declaration of Trust will further provide that the Board of Trustees shall cause our operations to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine practicable and consistent with their fiduciary duty to act in the best interests of the holders of REIT Units, any material risk of liability on the holders of REIT Units for claims against us, and shall, to the extent available on terms which they determine to be practicable, including the cost of premiums, cause the insurance carried by us, to the extent applicable, to cover the holders of REIT Units and annuitants as additional insured. Any written instrument creating an obligation which is or includes the granting by us of a mortgage and, to the extent the Board of Trustees determine it to be practicable and consistent with their fiduciary duties to act in the best interest of the holders of REIT Units, any written instrument which is a material obligation, shall contain a provision that the obligation created is not personally binding upon the Trustees, the holders of REIT Units or officers, employees or agents of us, but that only our property or a specific portion thereof is bound. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Ontario to unitholders or annuitants for contract claims under any written instrument disclaiming personal liability as aforesaid.

However, in conducting our affairs, we will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs, mortgages and leases. The Board of Trustees will use commercially reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the unitholders or annuitants personally. However, we may not be able to obtain such modification in all cases. If a claim is not satisfied by us, there is a risk that a unitholder or annuitant will be held personally liable for the performance of the obligations of us where the liability is not disavowed as described above. The possibility of any personal liability attaching to unitholders or annuitants under the laws of the Province of Ontario for contract claims where the liability is not so disavowed is remote.

The issuance of additional Units will result in dilution

The number of Units we are authorized to issue is unlimited. We may, in our sole discretion, issue additional Units from time to time. Any issuance of Units, including Units issued in consideration for properties acquired by us, will have a dilutive effect on existing unitholders.

Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or our termination

Upon a redemption of Units or termination of the REIT, the Board of Trustees may distribute securities directly to the unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Certain closing risks may affect our financial condition

Pursuant to the Acquisition Agreement and the LP A Notes Acquisition Agreement, the Transferors have made representations and warranties to us with respect to certain matters. The Transferors have also agreed to indemnify us, subject to certain conditions and thresholds, under the LP A Notes Acquisition Agreement if certain circumstances should occur. There can be no assurance that we will be fully protected in the event of a breach of such representations and warranties or if such circumstances should occur or that the Transferors will be in a position to indemnify us in any such event. We may not be able to successfully enforce an indemnity contained in the LP A Notes Acquisition Agreement against such parties or any such indemnity may not be sufficient to fully indemnify us from third party claims. The Transferors have not provided any security for their obligations and are not required to maintain any cash for this purpose. In addition, we may be subject to undisclosed liability to third parties and such liability may be material, which could negatively impact our financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Similar risks to the foregoing apply with respect to the ROI Purchase Agreement.

Risks Relating to our Relationship with the Transferors, DRC and Others

Significant ownership by the Transferors may adversely affect the market price of Units

On Closing, it is expected that the Transferors will hold an approximate 47.1% effective interest in us through ownership of all of the LP B Units of Industrial Partnership (or an approximate 44.1% effective interest in us if the Over-Allotment Option is exercised in full), where each LP B Unit will be attached to a Special Trust Unit, providing for voting rights in the REIT.

For so long as the Transferors maintain a significant effective interest in us, the Transferors will have the ability to exercise certain influence with respect to our affairs and significantly affect the outcome of unitholder votes, and may have the ability to prevent certain fundamental transactions. As a result, the Transferors will have the ability to influence many matters affecting us.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where the Transferors did not have the ability to influence or determine matters affecting us. Additionally, the Transferors' significant effective interest in us may discourage transactions involving a change of control of us, including transactions in which an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then-current market price.

Pursuant to the Exchange Agreement, each LP B Unit will be exchangeable at the option of the holder for one Unit (subject to customary anti-dilution adjustments). If the Transferors exchange some or all of their LP B Units for Units and subsequently sell such Units in the public market, the market price of the Units may materially decrease. Moreover, the perception in the public market that these sales will occur could also produce such an effect.

We may assume unknown liabilities in connection with the Acquisition and the ROI Transaction

We will assume liabilities arising out of or related to our business, operations or assets, and will agree to indemnify the vendors of the Initial Properties for, among other matters, such liabilities. We may assume unknown liabilities that could be significant. The allocation of assets and liabilities between us and the vendors of the Initial Properties may not reflect the allocation that would have been reached between us and a party that was not in a position to exercise significant influence over it. See "Acquisition of Initial Properties" and "Debt Strategy — Debt Composition".

Our Trustees, executive officers and DRC may be put in a position of conflict as a result of their positions held and interests in other businesses

Certain of our Trustees and executive officers are also trustees, directors and/or officers of other entities such as Dundee REIT and DRC, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with our business strategy. Accordingly, these individuals may not devote all of their time and attention to us. Consequently, these positions could create, or appear to create, conflicts of interest with respect to matters involving us. Pursuant to our Declaration of Trust, all decisions to be made by the Board of Trustees which involve us will be required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the unitholders. In addition, our Trustees and officers are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest. However, there can be no assurance that the provisions in the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in our favour.

DRC acts as the asset manager for two other publicly-traded real estate investment trusts and also provides management services to other public and private companies. As asset manager for other entities and on its own behalf, DRC will pursue other business opportunities, including but not limited to real estate and development business opportunities outside of the REIT. These multiple responsibilities to public entities and other businesses could create competition for the time and efforts of DRC which could materially adversely affect our cash flows, operating results and financial condition.

If DRC ceases to be our asset manager this may materially adversely affect our ability to meet our objectives and execute our strategy

We rely on DRC with respect to the asset management of our properties. Consequently, our ability to achieve our investment objectives depends in large part on DRC and its ability to properly advise us. This means that our investments are dependent upon DRC's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If we were to lose the services provided by DRC or its key personnel, our investments and growth prospects may significantly decline. We may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager. Prospective investors should not purchase any Units unless they are prepared to rely on our Board of Trustees, executive officers and DRC.

Although the Asset Management Agreement provides that DRC will automatically be rehired at the expiration of each term (subject to certain termination provisions), DRC has the right, at any time after the initial 10-year term and upon 180 days' notice, to terminate the Asset Management Agreement for any reason. The Asset Management Agreement may also be terminated in other circumstances, such as upon the occurrence of an event of default or insolvency of DRC within the meaning of such agreement. Accordingly, there can be no assurance that DRC will continue to be our asset manager. If DRC should cease for whatever reason to be our asset manager, the cost of obtaining substitute services may be greater than the fees we will pay DRC under the Asset Management Agreement, and this may materially adversely affect our ability to meet our objectives and execute our strategy which could materially adversely affect our cash flows, operating results and financial condition.

MATERIAL CONTRACTS

The material contracts entered into or to be entered into by the REIT or its Subsidiaries are as follows:

(a) the Acquisition Agreement described under "Acquisition of Initial Properties — Acquisition Agreement";

(b) the LP A Notes Acquisition Agreement described under "Acquisition of Initial Properties — LP A Notes Acquisition Agreement";

(c) the ROI Purchase Agreement described under "The REIT — Recent Developments — ROI Transaction";

(d) the Declaration of Trust described under "Declaration of Trust and Description of REIT Units";

(e) the Asset Management Agreement described under "Asset Management — Asset Management Agreement";

(f) the Master Property Management Agreement described under "Real Estate Management and Advisory Services — Property Management";

(g) the Services Agreement described under "Real Estate Management and Advisory Services — Administrative Services";

(h) the Exchange Agreement described under "Key Investors — Retained Interest by the Transferors";

(i) the Non-Competition Agreement described under "Real Estate Management and Advisory Services — Non Competition-Agreement";

(j) the Limited Partnership Agreement described under "Industrial Partnership";

(k) the Opportunities Agreement described under "Real Estate Management and Advisory Services — Opportunities Agreement"; and

(l) the Underwriting Agreement described under "Plan of Distribution".

Copies of the foregoing documents will be available following Closing on SEDAR at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this prospectus, no Trustee, officer of the REIT, or unitholder that beneficially owns, or controls or directs more than 10% of the REIT Units, or any associate or Affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect the REIT or any of its Subsidiaries.

Michael J. Cooper (a Trustee) and Mario Barrafato (Chief Financial Officer of the REIT) and certain other executive officers of the REIT are also senior executives of DRC, Dundee REIT, the parent of DPLP and the other Transferors, and DRMC. Scott Hayes (President and Chief Executive Officer of the REIT) is a senior executive of DRC. On Closing, the REIT will indirectly acquire DPLP's interests in the Initial Properties from DPLP and the other Transferors, DRC will be the asset manager of Industrial Partnership, DRMC will provide property management services to the property manager of the Initial Properties, and the REIT and Industrial Partnership will enter into certain agreements with DPLP, DRMC and DRC. In addition, DPLP will hold a significant effective interest in the REIT following Closing. Furthermore, DRC will receive the applicable acquisition fee in respect of the ROI Transaction pursuant to the Asset Management Agreement. See "Acquisition of the Initial Properties", "Asset Management" and "Key Investors — Retained Interest by the Transferors", together with certain other sections of this prospectus including "Trustees and Executive Officers", "Plan of Distribution" and "Risk Factors — Risks Relating to our Relationship with the Transferors, DRC and Others".

PROMOTER

DPLP has taken the initiative in founding and organizing the REIT and is therefore a promoter of the REIT for the purposes of applicable securities legislation. We will reimburse DPLP for all reasonable expenses incurred by it in connection with the founding and organizing of the REIT, including financial, legal, accounting, tax, travel, filing and printing fees. DPLP will not receive any acquisition or other fee in connection with the founding and organization of the REIT or the completion of the Acquisition and related financings. DRC, however, will receive the applicable acquisition fee for the ROI Transaction pursuant to the Asset Management Agreement.

In connection with DPLP's formation of the REIT, DPLP contributed $10.00 in cash to the REIT. Upon Closing, the Transferors (which includes DPLP and direct and indirect Subsidiaries of DPLP), will hold an approximate 47.1% effective interest in the REIT through ownership of all of the LP B Units (or an approximate 44.1% effective interest in the REIT if the Over-Allotment Option is exercised in full). See "Key Investors — Retained Interest by the Transferors".

PRINCIPAL UNITHOLDERS

Following Closing, Dundee Corporation and its Affiliates and Associates will hold in aggregate 1,750,000 Units, representing approximately 5.1% of the outstanding Units (on a fully-exchanged basis) upon completion of the Offering, the Acquisition and the ROI Transaction (approximately 4.8% if the Over-Allotment Option is exercised in full). DPLP and the other Transferors will hold in aggregate 16,034,631 Special Trust Units, representing approximately 47.1% of the outstanding Units (on a fully-exchanged basis) upon completion of the Offering, the Acquisition and the ROI Transaction (approximately 44.1% if the Over-Allotment Option is exercised in full). See "Asset Management" and "Key Investors". Michael J. Cooper will hold in aggregate 750,000 Units, representing approximately 2.2% of the outstanding Units (on a fully-exchanged basis) upon completion of the Offering, the Acquisition and the ROI Transaction (approximately 2.1% if the Over-Allotment Option is exercised in full). To the knowledge of our Board of Trustees and executive officers, no person or company, other than DPLP and its Subsidiaries, will own, directly or indirectly, more than 10% of the REIT Units immediately following Closing.

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

LEGAL MATTERS AND INTERESTS OF EXPERTS

Certain legal matters relating to the issue and sale of the Units will be passed upon on our behalf by Osler, Hoskin & Harcourt LLP and Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP, with respect to certain tax matters, and on behalf of the Underwriters by Torys LLP.

As of the date of this prospectus, none of the partners or associates of Osler, Hoskin & Harcourt LLP, the partners or associates of Wilson & Partners LLP or the partners or associates of Torys LLP beneficially own, directly and indirectly, any securities of the REIT. Upon Closing, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, the partners and associates of Wilson & Partners LLP, as a group, and the partners and associates of Torys LLP, as a group, will each beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

Certain information relating to the Appraisals has been based upon reports prepared by the Appraiser. As of the date of this prospectus, none of the "designated professionals" of the Appraiser beneficially own, directly and indirectly, any securities of the REIT. Upon Closing, the "designated professionals" of the Appraiser will beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the REIT are PricewaterhouseCoopers LLP, Chartered Accountants, located in Toronto, Ontario, who were appointed as the REIT's auditors on July 20, 2012 and are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants in Ontario.

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal office located in Toronto, Ontario.

EXEMPTIONS FROM CERTAIN PROVISIONS OF NATIONAL INSTRUMENT 41-101

We applied for and obtained an exemption, as contemplated by Part 19 of National Instrument 41-101 — General Prospectus Requirements, from the requirements in Item 32.2(1) of Form 41-101F1 in respect of 25 properties (the "Recently Acquired Properties") to be indirectly acquired by us on Closing, so that we do not need to include financial statements for the Recently Acquired Properties for the periods prior to their date of acquisition by DPLP, Whiterock or the ROI Co-Owners, as the case may be. The Recently Acquired Properties were acquired by DPLP, Whiterock or the ROI Co-Owners in 2010 or 2011. The exemption requested will be evidenced by the issuance of a receipt for this prospectus.

In our application, we represented that each of the 77 Initial Properties is reflected in the audited carve-out financial statements included in this prospectus for 2011, 64 of the Initial Properties are reflected in the audited carve-out financial statements for 2011 and 2010, and 52 of the Initial Properties are reflected in the audited carve-out financial statements for each of 2011, 2010 and 2009.

In our application, we made the following submissions:

1. Industrial properties are a stable asset class. The reasons for this have been described in this prospectus under "The Industrial Real Estate Market in Canada — Attributes of Industrial Real Estate", and include their "triple-net" lease structure (these types of leases are usually with credit-worthy tenants, with lease terms generally ranging from 5 to 20 years, and that there is more cash flow predictability and certainty because of the passing through of most costs to the tenant); the fact that tenant moving costs are generally high in the industrial sector due to high levels of investment by tenants in specialty equipment, further supporting the fact that tenancies tend to be longer term; and the fact that industrial properties have historically lower vacancy rates as compared with office and retail classes of real estate.
2. The business of owning and leasing industrial properties is non-seasonal. Additionally, we believe the business of owning and leasing industrial properties is a relatively straightforward and predictable business as compared with other businesses that may be more variable year-to-year.

3. The stability of the Initial Properties is supported by the lease expiry profile and the historical and forecast occupancy of the Initial Properties disclosed under "The Initial Properties — Occupancy and Leasing". No more than 11% of the leases measured by GLA expire in any given year from 2012 to 2016. This profile is consistent with the lease expirations for the Initial Properties in 2011, 2010 and 2009. The Initial Properties are 97% leased, have an average remaining lease term of approximately 6.8 years, with the majority of leases expiring beyond 2016. On a weighted average basis, the multi-tenant portfolio has a lease term of 3.9 years, while the single-tenant properties have a lease term of 9.5 years. The occupancy of the 77 Initial Properties has not fallen below 93% in the last eight quarters, is currently 97% and the financial forecast assumes occupancy at 97% for the forecast period. Furthermore, bad-debt expenses have averaged less than 0.6% of gross rental revenue over the past five years.

4. In making the investment decision to acquire the Initial Properties owned by DPLP, audited historical financial statements were not required by DPLP and were not relevant to the investment decision made by DPLP to acquire the Initial Properties in which it has an interest. We understand that it was also the case that audited historical financial statements were not required by Whiterock and were not relevant to the investment decision made by Whiterock to acquire the Initial Properties in which it had an interest. Instead, other information was relied upon for this purpose as part of the purchaser's due diligence procedures. Accordingly, given that such audited financial statements were not considered relevant to the investment decision made to acquire such interests in the Initial Properties, we do not believe such audited financial statements for periods prior to acquisition by DPLP, Whiterock or the ROI Co-Owners are material to the investment decision to be made by a potential investor in the Offering, particularly when compared with the other financial information provided in this prospectus. Furthermore, historical financial disclosure for individual real estate assets does not take into account the manner in which the acquirer will operate the properties post-acquisition, including the indebtedness that will exist with respect to the properties.

5. The pro forma financial statements of the REIT included in this prospectus provide a more meaningful representation of the financial performance of the Initial Properties on a historical basis than the historical carve-out financial statements included in this prospectus, because the pro forma financial statements more closely reflect the actual indebtedness and expenses to be associated with the properties and reflect other factors that are relevant to how the Initial Properties are expected to be operated by us in the future, as described in the notes describing the pro forma assumptions and adjustments. In addition, as described in "Valuation and Assessments of the Initial Properties", current appraisals have been obtained for the Initial Properties which, among other things, provide an estimate of the aggregate market value of the Initial Properties. We have also included a financial forecast in this prospectus for each of the quarters ended December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 and for the twelve-month period ended September 30, 2013, which is accompanied by a signed auditor's report with respect to the examination of the forecast made by our auditors. See "Financial Forecast".

6. The same asset manager, DRC, that currently provides asset management services to Dundee REIT with respect to the Initial Properties will continue to provide asset management services to us with respect to those same properties. Continuity of management will also exist at the property management level, since the same individuals involved in currently managing the Initial Properties will also be involved in managing the Initial Properties after they are indirectly acquired by us on Closing. Continuity of management, together with the experience of management, supports the reliability of the financial forecast provided in this prospectus. Audited financial statements for the Recently Acquired Properties for periods prior to acquisition by DPLP, Whiterock or the ROI Co-Owners would not reflect the manner in which such properties would have been operated by DPLP, Whiterock or the ROI Co-Owners or in which they will be operated by us following the Closing.

7. None of the REIT, DPLP or DRC possesses, has access to, or is entitled to obtain access to, financial information for the Recently Acquired Properties for any period prior to acquisition by DPLP, Whiterock or the ROI Co-Owners in order to prepare the audited financial statements required under Item 32.2(1) of Form 41-101F1.

8. Based on the foregoing, neither the REIT nor DPLP believe that the financial statements for the Recently Acquired Properties for periods prior to acquisition by DPLP, Whiterock or the ROI Co-Owners are necessary or required for this prospectus to contain full, true and plain disclosure of all material facts with respect to the securities being offered under this prospectus.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

We have read the prospectus of Dundee Industrial Real Estate Investment Trust (the "REIT") dated September 26, 2012 relating to the sale and issue of units of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the board of trustees of the REIT on the balance sheet of the REIT as at July 20, 2012, and the statement of changes in unitholder's equity and the statement of cash flows for the one day period ended July 20, 2012. Our report is dated September 26, 2012.

We also consent to the use in the above-mentioned prospectus of our report to the board of trustees of Dundee Real Estate Investment Trust ("Dundee REIT") on the carve-out balance sheets of Dundee Initial Properties as at December 31, 2011, December 31, 2010 and January 1, 2010, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated September 26, 2012.

We also consent to the use in the above-mentioned prospectus of our report to the board of trustees of Dundee REIT on the carve-out balance sheets of Dundee Initial Properties as at December 31, 2010 and December 31, 2009, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2010 and December 31, 2009. Our report is dated September 26, 2012.

We also consent to the use in the above-mentioned prospectus of our report to the board of trustees of the REIT on the consolidated statements of forecast net income and comprehensive income of the REIT for each of the three-month periods ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 and the twelve-month period ending September 30, 2013. Our report is dated September 26, 2012.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
September 26, 2012

AUDITORS' CONSENT

We have read the prospectus of Dundee Industrial Real Estate Investment Trust (the "REIT") dated September 26, 2012 relating to the sale and issue of units of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustees of the REIT on the carve-out balance sheets of Whiterock Initial Properties as at December 31, 2011 and 2010, and January 1, 2010, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2011 and 2010. Our report is dated September 26, 2012.

We also consent to the use in the above-mentioned prospectus of our report to the Trustees of the REIT on the carve-out balance sheets of Whiterock Initial Properties as at December 31, 2010 and 2009, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2010 and 2009. Our report is dated September 26, 2012.

(Signed) Scarrow & Donald LLP
Chartered Accountants
Winnipeg, Canada
September 26, 2012

AUDITORS' CONSENT

We have read the prospectus of Dundee Industrial Real Estate Investment Trust (the "REIT") dated September 26, 2012 relating to the sale and issue of units of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustees of the REIT on the carve-out balance sheets of ROI Co-Owned Properties as at December 31, 2011 and 2010, and January 1, 2010, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2011 and 2010. Our report is dated September 26, 2012.

We also consent to the use in the above-mentioned prospectus of our report to the Trustees of the REIT on the carve-out balance sheets of ROI Co-Owned Properties as at December 31, 2010 and 2009, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2010 and 2009. Our report is dated September 26, 2012.

(Signed) Scarrow & Donald LLP
Chartered Accountants
Winnipeg, Canada
September 26, 2012

GLOSSARY OF TERMS

"**1933 Act**" means the *United States Securities Act of 1933*, as amended;

"**Acquisition**" means the REIT's indirect acquisition of DPLP's interest in the Initial Properties from the Transferors;

"**Acquisition Agreement**" means the agreements of purchase and sale to be entered into on Closing pursuant to which Industrial Partnership will directly and indirectly acquire the Initial Properties as described under "Acquisition of Initial Properties — Acquisition Agreement";

"**Adjusted Unitholders' Equity**" means, at any time, the aggregate of: (a) the amount of unitholders' equity; and (b) the amount of accumulated depreciation and amortization recorded on the books and records of the REIT and its subsidiaries in respect of their properties, in each case calculated in accordance with IFRS;

"**Affiliate**" has the meaning given to that term in NI 45-106;

"**AFFO**" has the meaning given to that term under "Non-IFRS Measures";

"**annuitant**" means any plan of which a holder of Units acts as a trustee or a carrier;

"**Appraisals**" means the estimates of the market value of the Initial Properties provided by the Appraiser;

"**Appraiser**" means Colliers International;

"**Asset Management Agreement**" means the asset management agreement to be entered into at Closing between the REIT, Industrial Partnership and DRC, as described under "Asset Management — Asset Management Agreement";

"**Associate**" has the meaning given to that term in NI 33-105;

"**Assumed Mortgages**" means the mortgages on certain of the Initial Properties to be directly or indirectly assumed by Industrial Partnership as described under "Debt Strategy — Debt Composition";

"**Board of Trustees**" means the board of Trustees of the REIT;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are generally open in the City of Toronto in the Province of Ontario for the transaction of banking business;

"**capital gains refund**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations — Taxation of the REIT";

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Closing**" means the closing of the Offering and the Acquisition;

"**closing market price**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Unit Redemption Right";

"**Code of Conduct**" has the meaning given to that term under "Trustees and Executive Offices — Governance and Board of Trustees";

"**Counsel**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**CRA**" means the Canada Revenue Agency;

"**Credit Facility**" has the meaning given to that term under "Debt Strategy — Debt Composition — Revolving Credit Facility";

"**Declaration of Trust**" means the amended and restated declaration of trust of the REIT to be entered into at Closing, as described under "Declaration of Trust and Description of REIT Units";

"**Deferred Trust Units**" means deferred trust units issued pursuant to the Deferred Unit Incentive Plan;

"**Deferred Unit Incentive Plan**" means the deferred unit incentive plan to be adopted by the REIT at Closing;

"**Distribution Date**" means the date on which the Board of Trustees have determined that a distribution will be made by the REIT to the Unitholders;

"**Distribution Record Date**" means, unless otherwise determined by the Board of Trustees, the last Business Day of each month of each year, except for the month of December where the Distribution Record Date shall be December 31;

"**DPLP**" means Dundee Properties Limited Partnership, a limited partnership formed under the laws of the Province of Ontario, and a Subsidiary of Dundee REIT;

"**DRC**" means Dundee Realty Corporation, a corporation governed by the laws of the Province of British Columbia, a Subsidiary of Dundee Corporation;

"**DRIP**" means the distribution reinvestment plan to be adopted by the REIT on or after Closing;

"**DRMC**" means Dundee Realty Management Corp., a corporation governed by the laws of the Province of Ontario and a Subsidiary of Dundee REIT;

"**Dundee Industrial Management Corp.**" means Dundee Industrial Management Corporation, a corporation governed by the laws of the Province of Ontario and a wholly-owned subsidiary of Dundee Industrial Management LP;

"**Dundee Industrial Management LP**" means Dundee Industrial Management Limited Partnership, a limited partnership formed under the laws of the Province of Ontario and a wholly-owned Subsidiary of Industrial Partnership;

"**Dundee Initial Properties**" has the meaning given to that term under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview".

"**Dundee International REIT**" means Dundee International Real Estate Investment Trust, an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario;

"**Dundee REIT**" means Dundee Real Estate Investment Trust, an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization;

"**Eligible Participants**" has the meaning given to the term under "Executive Compensation — Deferred Unit Incentive Plan";

"**Exchange Agreement**" means the exchange and support agreement to be entered into at Closing between the REIT, Industrial Partnership and the Transferors, as described under "Key Investors — Retained Interest by the Transferors";

"**FFO**" has the meaning given to that term under "Non-IFRS Measures";

"**GAAP**" has the meaning given to such terms under "Management's Discussion and Analysis of Financial Condition and Results of Operations";

"**GDP**" means gross domestic product;

"**GLA**" means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable;

"**GP Interest**" means the general partnership interest of Industrial GP in Industrial Partnership;

"**IASB**" means the International Accounting Standard Board;

"**IFRS**" means International Financial Reporting Standards as issued by the IASB and as adopted by the Canadian Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook — Accounting, as amended from time to time;

"**Income Deferred Trust Units**" means income deferred trust units issued pursuant to the Deferred Unit Incentive Plan;

"**Independent Trustees**" has the meaning given to that term under "Trustees and Executive Officers — Governance and Board of Trustees";

"**Industrial GP**" means Dundee Industrial (GP) Inc., a corporation governed by the laws of the Province of Ontario, the sole general partner of Industrial Partnership which, upon Closing, will be a wholly-owned Subsidiary of the REIT;

"**Industrial Partnership**" means Dundee Industrial Limited Partnership, a limited partnership established under the laws of the Province of Ontario, which, upon Closing, will have the REIT and the applicable Transferors as its sole Limited Partners;

"**Initial Properties**" means the income-producing properties that Industrial Partnership will directly or indirectly acquire at Closing, as described under "Initial Properties";

"**Initial Term**" has the meaning given to that term under "Asset Management — Asset Management Agreement";

"**Limited Partners**" means the limited partners of Industrial Partnership, which, upon Closing, will be the REIT and the Transferors, and "**Limited Partner**" means any one of them;

"**Limited Partnership Agreement**" means the amended and restated limited partnership agreement governing Industrial Partnership;

"**LP A Notes**" means the promissory notes to be issued by Industrial Partnership in connection with the Acquisition;

"**LP A Units**" means the Class A limited partnership units of Industrial Partnership, and "**LP A Unit**" means any one of them;

"**LP B Units**" means the Class B limited partnership units of Industrial Partnership, and "**LP B Unit**" means any one of them;

"**LP A Notes Acquisition Agreement**" means the agreement of purchase and sale to be entered into on Closing pursuant to which the REIT will acquire all of the LP A Notes that are issued by Industrial Partnership to certain Transferors in connection with the acquisition by Industrial Partnership of certain of the Initial Properties as described under "Acquisition of Initial Properties — LP A Notes Acquisition Agreement";

"**market price**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Unit Redemption Right";

"**Master Property Management Agreement**" means the property and facility management agreement to be entered into between the REIT, Dundee Industrial Management LP and Industrial Partnership, as described under "Real Estate Management and Advisory Services — Property Management";

"**MI 61-101**" means Multilateral Instrumental 61-101 — *Protection of Minority Security Holders in Special Transactions*;

"**named executive officers**" has the meaning given to that term under "Executive Compensation — Overview";

"**NI 33-105**" means National Instrument 33-105 — *Underwriting Conflicts*;

"**NI 45-106**" means National Instrument 45-106 — *Prospectus and Registration Exemptions*;

"**NI 52-110**" means National Instrument 52-110 — *Audit Committees*;

"**NI 58-10**1" means National Instrument 58-101 — *Disclosure of Corporate Governance Practices*;

"**NOI**" has the meaning given to that term under "Non-IFRS Measures";

"**Non-Competition Agreement**" means the non-competition agreement to be entered into at Closing between DRC and the REIT, as described under "Real Estate Management and Advisory Services — Non-Competition Agreement";

"**Non-Resident**" means a non-resident of Canada within the meaning of the Tax Act;

"**Notes**" means the promissory notes, bonds, debentures, debt securities or similar evidences of indebtedness issued by an individual, body corporate, partnership, limited partnership, joint venture, trust or unincorporated organization, the Crown or any agency or instrumentality thereof, or any other entity recognized by law;

"**OBCA**" means the *Ontario Business Corporations Act*, as amended from time to time;

"**October 2003 Proposals**" means draft proposed amendments to the Tax Act relating to the deductibility of losses, released by the Department of Finance for public consultation on October 31, 2003;

"**Offering**" means the distribution of the Units under this prospectus;

"**Offeror**" means any person making a take-over bid for REIT Units;

"**Opportunities Agreement**" means the opportunities agreement to be entered into at Closing between DRC, Dundee REIT, Dundee International REIT and the REIT, as described under "Real Estate Management and Advisory Services — Opportunities Agreement";

"**Over-Allotment Option**" has the meaning given to that term under "Plan of Distribution — Over-Allotment Option";

"**Person**" includes an individual, body corporate, partnership, limited partnership, joint venture, trust or unincorporated organization, the Crown or any agency or instrumentality thereof, or any other entity recognized by law;

"**Plans**" means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans under the Tax Act;

"**Preferred Units**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Preferred Units";

"**REIT**" means Dundee Industrial Real Estate Investment Trust, an unincorporated open-ended real estate investment trust formed on July 20, 2012 under the laws of the Province of Ontario, as described under "The REIT";

"**REIT Exception**" means the exclusion from the definition of SIFT trust in the Tax Act for a trust qualifying as a "real estate investment trust" as defined in subsection 122.1(1) of the Tax Act, as described under "Certain Canadian Federal Income Tax Considerations — Status of the REIT — REIT Exception";

"**REIT Units**" means, collectively, the Units and the Special Trust Units;

"**Related Party**" means, with respect to any person, a person who is a "related party", as that term is defined in MI 61-101, as such rule may be amended from time to time (and including any successor rule or policy thereto, but shall not include a wholly-owned Subsidiary of the person);

"**Renewal Terms**" has the meaning given to that term under "Asset Management — Asset Management Agreement";

"**ROI**" means Return On Innovation Capital Ltd., a corporation incorporated under the laws of the Province of Ontario;

"**ROI Alberta Properties**" has the meaning given to that term under "Acquisition of the Initial Properties — ROI Purchase Agreement";

"**ROI Co-Owned Properties**" means, collectively, 1900 Dickson Street (Molson Distribution Centre), Montréal, Quebec, 310 Henderson Drive, Regina, Saskatchewan, 310 Hoffer Drive (McDonald Business Centre), Regina, Saskatchewan, 402 McDonald Street (Imperial Business Centre), Regina, Saskatchewan, 651 Henderson Drive (Henderson Business Centre), Regina, Saskatchewan, 10001 Metropolitan Boulevard East, Montréal, Quebec, 1155 Autoroute Chomedey, Laval, Quebec, and "**ROI Co-Owned Property**" means any one of them;

"**ROI Co-Owners**" means certain limited partnerships which are Affiliates of ROI and which have an interest in the ROI Co-Owned Properties;

"**ROI Purchase Agreement**" means the agreement of purchase and sale between the ROI Co-Owners, as vendor, and Industrial Partnership, as purchaser, dated August 3, 2012, as amended and assigned from time to time;

"**ROI Transaction**" means the REIT's acquisition of the interests held by the ROI Co-Owners pursuant to the ROI Purchase Agreement;

"**RRIF**" means a trust governed by a registered retirement income fund;

"**RRSP**" means a trust governed by a registered retirement savings plan;

"**Securities**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**SEDAR**" means the System for Electronic Documents Analysis and Retrieval;

"**Services Agreement**" means the services agreement to be entered into at Closing between the REIT, Industrial Partnership, Dundee Industrial Management LP, Dundee Industrial Management Corp., and DRMC, as described under "Real Estate Management and Advisory Services — Administrative Services — Services Agreement";

"**SIFT**" means a specified investment flow-through trust or partnership for the purpose of the Tax Act;

"**SIFT Legislation**" means the provisions of the Tax Act that apply to a SIFT, taking into account all Tax Proposals with respect to such provisions, including the amendments announced on July 20, 2011;

"**Special Trust Units**" means units in the REIT (other than Units) authorized and issued under the Declaration of Trust to a holder of securities which are exchangeable for Units, including the LP B Units;

"**Spectra Premium**" means Spectra Premium Industries Inc.;

"**Subsidiary Securities**" means the Notes or other securities of Industrial Partnership or the Notes or other securities of a Subsidiary of Industrial Partnership as the Board of Trustees may determine from time to time;

"**Subsidiary**" has the meaning given to that term in NI 45-106;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time, and the *Income Tax Regulations* (Canada), as amended from time to time, as applicable;

"**Tax Proposals**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**Term**" has the meaning given to that term under "Asset Management — Asset Management Agreement";

"**TFSA**" means a trust governed by a tax-free savings account;

"**Transcontinental**" means TC Transcontinental Inc.;

"**Transferors**" means, collectively, DPLP, Dundeal Canada Limited Partnership, LCH Properties, LAC General Partner Limited, Dundeal Holdings Limited Partnership, Dundee Realex Holdings Limited Partnership, WR Trust, WR Master Limited Partnership and their respective permitted assigns, and "**Transferor**" means any one of them;

"**Trust Liability**" has the meaning given to that term under "Risk Factors — Risks Relating to the Offering and the Acquisition — Unitholder liability may arise";

"**Trustees**" means the trustees of the REIT from time to time, and "Trustee" means any one of them;

"**TSX**" means the Toronto Stock Exchange;

"**Underwriters**" means, collectively, TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Dundee Securities Ltd., Brookfield Financial Corp., Desjardins Securities Inc., GMP Securities L.P. and National Bank Financial Inc., and "**Underwriter**" means any one of them;

"**Underwriting Agreement**" means the underwriting agreement to be entered into between the REIT, DPLP and the Underwriters, as described under "Plan of Distribution";

"**Unit**" means a unit representing an interest in the REIT (other than Special Trust Units) authorized and issued under the Declaration of Trust;

"**Unitholders**" means holders of Units, but "**unitholders**", when used in lower case type, refers to all holders of REIT Units;

"**U.S.**" or "**United States**" means the United States of America;

"**Whiterock**" means Whiterock Real Estate Investment Trust, an unincorporated open-ended real estate investment trust governed by the laws of the Province of Manitoba, now a Subsidiary of Dundee REIT; and

"**Whiterock Initial Properties**" has the meaning given to that term under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview".

INDEX TO FINANCIAL STATEMENTS

Financial Statements of the REIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Dundee Industrial Real Estate Investment Trust

We have audited the accompanying financial statements of Dundee Industrial Real Estate Investment Trust, which comprise the balance sheet as at July 20, 2012, and the statement of changes in unitholder's equity and the statement of cash flows for the one day period ended July 20, 2012, and the related notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dundee Industrial Real Estate Investment Trust as at July 20, 2012 and its financial performance and its cash flows for the one day period ended July 20, 2012 in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
September 26, 2012

BALANCE SHEET

As at July 20, 2012

ASSET	
Cash	$10
Total Assets	$10
UNITHOLDER'S EQUITY	$10

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN UNITHOLDER'S EQUITY

For the One Day Period Ended July 20, 2012

ISSUANCE OF UNITS ON FORMATION	$10
Comprehensive income	—
UNITHOLDER'S EQUITY, END OF PERIOD	$10

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

For the One Day Period Ended July 20, 2012

FINANCING ACTIVITIES	
Issuance of Units	$10
Net increase in cash	10
Cash, beginning of period	—
CASH, END OF PERIOD	$10

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

Dundee Industrial Real Estate Investment Trust (the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated July 20, 2012. In connection with Dundee Property Limited Partnership's ("DPLP") formation of the REIT, DPLP contributed $10.00 in cash to the REIT. DPLP is a subsidiary of Dundee REIT.

The address of the REIT's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The REIT's financial statements as at July 20, 2012 were authorized for issue by the Board of Trustees of the REIT (the "Trustees") on September 26, 2012, after which date the financial statements may be amended with Trustee approval.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All amounts are in Canadian Dollars.

Unitholder's equity

The REIT is authorized to issue an unlimited number of units ("Units"), and classifies issued Units as equity in the balance sheet. The Units are puttable financial instruments because of the unitholder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per Unit equal to 90% of the fair market value of the Units as determined by the Trustees. The total amount payable by the REIT in any calendar month shall not exceed $50,000 unless waived by the Trustees in their sole discretion. The REIT has classified the Units as equity pursuant to the provisions of IAS 32, *Financial Instruments: Presentation*, on the basis that the Units meet all of the criteria in IAS 32 for such classification, also referred to as the "puttable exemption".

The criteria in IAS 32 are as follows:

- The Units entitle the unitholder to a *pro rata* share of the REIT's net assets in the event of the REIT's liquidation. The REIT's net assets are those assets that remain after deducting all other claims on its assets;
- The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments (including these Units) in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the REIT to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the REIT, and it is not a contract that will or may be settled in the REIT's own instruments; and
- The total expected cash flows attributable to the Units over their life is based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the REIT over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined that it has no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also has no other financial instrument or contract that has the effect of substantially restricting or fixing the residual return to the unitholders.

Units are initially recognized at the fair value of the consideration received by the REIT. Any transaction costs arising from the issue of Units are recognized directly in unitholder's equity as a reduction of the proceeds received.

3. SUBSEQUENT EVENTS

a) Initial Public Offering

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to complete an initial public offering.

b) Contracts entered into with ROI Co-Owners and Dundee REIT

On August 3, 2012, the REIT entered into an agreement with affiliates of Return On Innovation Capital Ltd. (the "ROI Co-Owners") for the purchase of their indirect interest in a portfolio of 7 industrial properties for consideration of $84 million, subject to working capital adjustments at the time of closing. On closing of the transactions contemplated in the prospectus, the REIT is expected to enter into an acquisition agreement with Dundee Real Estate Investment Trust for the purchase of its indirect interest in a portfolio of 77 industrial properties (including 7 properties co-owned with the ROI Co-Owners as referred to above).

Unaudited Pro Forma Consolidated Financial Statements of the REIT

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As at June 30, 2012
(Amounts in thousands of Canadian dollars)

	Dundee Industrial Real Estate Investment Trust	Dundee Initial Properties	ROI Co-Owned Properties	Sub-Total	Note	Pro Forma Adjustments	Pro Forma
ASSETS							
Non-current assets							
Investment properties	$ —	$553,488	$ 95,845	$649,333	3f	$ 3,955	$653,288
Other non-current assets	—	13,142	987	14,129	3e, f, g	(7,334)	6,795
	—	566,630	96,832	663,462		(3,379)	660,083
Current assets							
Amounts receivable	—	986	169	1,155		—	1,155
Prepaid expenses	—	1,470	312	1,782		—	1,782
Cash and cash equivalents	—	1,468	1,387	2,855	3h	4,417	7,272
	—	3,924	1,868	5,792		4,417	10,209
	$ —	$570,554	$ 98,700	$669,254		$ 1,038	$670,292
LIABILITIES							
Non-current liabilities							
Debt	$ —	$220,856	$ 44,795	$265,651	3e	$ 12,657	$278,308
Deposits	—	2,173	259	2,432		—	2,432
LP B Units	—	—	—	—	3d	160,346	160,346
	—	223,029	45,054	268,083		173,003	441,086
Current liabilities							
Debt	—	51,058	1,072	52,130	3g	8,511	60,641
Amounts payable and accrued liabilities	—	4,079	1,318	5,397		—	5,397
	—	55,137	2,390	57,527		8,511	66,038
	—	278,166	47,444	325,610		181,514	507,124
DIVISIONAL SURPLUS	—	292,388	51,256	343,644	3e	(343,644)	—
UNITHOLDERS' EQUITY	—	—	—	—	3a, b, c, e	163,168	163,168
	—	292,388	51,256	343,644		(180,476)	163,168
	$ —	$570,554	$ 98,700	$669,254		$ 1,038	$670,292

See accompanying notes to the pro forma consolidated financial statements

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For The Six Month Period Ended June 30, 2012
(Amounts in thousands of Canadian dollars)

	Dundee Industrial Real Estate Investment Trust	Dundee Initial Properties	Whiterock Initial Properties	ROI Co-Owned Properties	Sub-Total	Note	Pro Forma Adjustments	Pro Forma
Investment properties revenue	$ —	$23,997	$ 2,368	$ 4,755	$31,120	4a	$ 3	$31,123
Investment properties operating expenses	—	(6,052)	(762)	(1,454)	(8,268)	4e	76	(8,192)
Net rental income	—	17,945	1,606	3,301	22,852		79	22,931
Other income and expenses								
General and administrative	—	(958)	(32)	(25)	(1,015)	4c	(199)	(1,214)
Fair value adjustments to investment properties	—	7,200	18,430	9,966	35,596		—	35,596
Acquisition-related costs	—	(2,286)	—	—	(2,286)	4f	2,286	—
Interest	—	(5,617)	(661)	(1,300)	(7,578)	4b	1,329	(6,249)
Interest-distributions on LP B Units	—	—	—	—	—	4b	(5,412)	(5,412)
Amortization	—	(69)	—	—	(69)	4d	69	—
Fee income	—	48	28	—	76	4e	(76)	—
Net income and comprehensive income	$ —	$16,263	$19,371	$11,942	$47,576		$(1,924)	$45,652

See accompanying notes to the pro forma consolidated financial statements

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For The Year Ended December 31, 2011
(Amounts in thousands of Canadian dollars)

	Dundee Industrial Real Estate Investment Trust	Dundee Initial Properties	Whiterock Initial Properties	ROI Co-Owned Properties	Sub-Total	Note	Pro Forma Adjustments	Pro Forma
Investment properties revenue	$ —	$36,573	$12,555	$ 8,380	$ 57,508	4a	$ 1,761	$ 59,269
Investment properties operating expenses	—	(8,565)	(3,052)	(2,152)	(13,769)	4e	132	(13,637)
Net rental income	—	28,008	9,503	6,228	43,739		1,893	45,632
Other income and expenses								
General and administrative	—	(1,606)	(505)	(85)	(2,196)	4c	(682)	(2,878)
Fair value adjustments to investment properties	—	27,427	1,187	8,306	36,920		—	36,920
Acquisition-related costs	—	(537)	—	—	(537)		—	(537)
Interest	—	(8,611)	(4,389)	(2,523)	(15,523)	4b	3,318	(12,205)
Interest-distributions on LP B Units	—	—	—	—	—	4b	(10,824)	(10,824)
Fee income	—	—	132	—	132	4e	(132)	—
Net income and comprehensive income	$ —	$44,681	$ 5,928	$11,926	$ 62,535		$ (6,427)	$ 56,108

See accompanying notes to the pro forma consolidated financial statements

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

1. BASIS OF PRESENTATION

Dundee Industrial Real Estate Investment Trust (the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

The unaudited *pro forma* consolidated financial statements have been prepared by management for inclusion in the prospectus (the "Prospectus") dated September 26, 2012, relating to the proposed issue and sale of units (the "Units") of the REIT (the "Offering"), and reflects the proposed acquisition from a subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT") and certain limited partnerships which are affiliates of Return On Innovation Capital Ltd. (the "ROI Co-Owners") their indirect interest in a portfolio of 77 industrial properties (the "Initial Properties") as described in "Acquisition of Initial Properties" in Note 3(e) (the "Acquisition").

The unaudited *pro forma* consolidated financial statements have been prepared based on the audited financial statements of the REIT as at July 20, 2012, the June 30, 2012 unaudited interim carve-out financial statements of Dundee Initial Properties, the December 31, 2011 audited carve-out financial statements of Dundee Initial Properties, the June 30, 2012 unaudited interim carve-out financial statements of Whiterock Initial Properties, the December 31, 2011 audited carve-out financial statements of Whiterock Initial Properties, the June 30, 2012 unaudited interim carve-out financial statements of ROI Co-Owned Properties and the December 31, 2011 audited carve-out financial statements of ROI Co-Owned Properties, included elsewhere in this Prospectus.

The unaudited *pro forma* consolidated balance sheet gives effect to the Offering and the Acquisition as if they had occurred on June 30, 2012. The Dundee Initial Properties amounts in the unaudited *pro forma* consolidated balance sheet were obtained from the June 30, 2012 unaudited interim carve-out financial statements of Dundee Initial Properties. The ROI Co-Owned Properties amounts in the unaudited *pro forma* consolidated balance sheet were obtained from the June 30, 2012 unaudited interim carve-out financial statements of ROI Co-Owned Properties. Dundee REIT acquired the Whiterock Initial Properties on March 2, 2012, and accordingly the Whiterock properties are already reflected in the June 30, 2012 unaudited interim carve-out balance sheet of Dundee Initial Properties as at June 30, 2012.

The unaudited *pro forma* consolidated statement of net income and comprehensive income for the six months ended June 30, 2012 gives effect to the Offering and the Acquisition as if they had occurred on January 1, 2011. The Dundee Initial Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the six months ended June 30, 2012 were obtained from the June 30, 2012 unaudited interim carve-out financial statements of Dundee Initial Properties. The ROI Co-Owned Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the six months ended June 30, 2012 were obtained from the June 30, 2012 unaudited interim carve-out financial statements of ROI Co-Owned Properties. The Whiterock Initial Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the six months ended June 30, 2012 were obtained from the June 30, 2012 unaudited interim carve-out financial statements of Whiterock Initial Properties, which include the results from operations corresponding to Dundee REIT's percentage ownership in the Whiterock properties attributable to the period prior to the acquisition of Dundee REIT's interest in these properties on March 2, 2012. The Dundee Initial Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the six months ended June 30, 2012 already include the results from operations of Whiterock properties for the period March 2, 2012 to June 30, 2012.

The unaudited *pro forma* consolidated statement of net income and comprehensive income for the year ended December 31, 2011 gives effect to the Offering and the Acquisition as if they had occurred on January 1, 2011. The Dundee Initial Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the year ended December 31, 2011 were obtained from the December 31, 2011 audited carve-out financial statements of Dundee Initial Properties. The Whiterock Initial Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the year ended December 31, 2011 were obtained from the December 31, 2011 audited carve-out financial statements of Whiterock Initial Properties. The ROI Co-Owned Properties amounts in the unaudited *pro forma* consolidated statement of net income and comprehensive income for the year ended December 31, 2011 were obtained from the December 31, 2011 audited carve-out financial statements of ROI Co-Owned Properties.

The unaudited *pro forma* consolidated financial statements are not necessarily indicative of the results that would have occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited *pro forma* consolidated financial statements reflect the following accounting policies in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board:

(a) Investment properties

Investment properties are initially recorded at cost and include industrial properties held to earn rental income and/or for capital appreciation. The REIT follows the fair-value model to measure the investment properties, determined based on available market evidence, at each balance sheet date. Related fair value gains and losses are recorded in net income in the period in which they arise.

(b) Revenue recognition

Revenue includes base rents earned from tenants under lease agreements, realty tax and operating cost recoveries, lease termination fees, parking revenue, management fees and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Tenant incentives that do not provide benefits beyond the initial lease term are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

(c) Business combinations

For acquisitions meeting the definition of a business, the purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the REIT's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the REIT's share of the net assets acquired, the difference is recognized directly in the net income for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

(d) Income taxes

The REIT qualifies as a mutual fund trust under the *Income Tax Act* (Canada). The Trustees intend to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes.

The legislation relating to the federal income taxation of a specified investment flow-through ("SIFT") trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFTS's taxable income and the SIFT will be subject to tax on such distribution at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it will meet the REIT Conditions and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the unaudited *pro forma* consolidated financial statements in respect of the REIT.

(e) Units and LP B units

The Units are redeemable at the holders' option. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within International Accounting Standards ("IAS") 32 — Financial Instruments: Presentation. The Class B LP Units ("LP B Units") of the REIT's limited partnership subsidiary ("Industrial Partnership") will be economically equivalent to Units, will receive distributions equal to the distributions paid on Units and will be exchangeable at the

(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

holder's option into Units. One special voting unit in the REIT will also be issued to the holder for each LP B Unit issued. However, the limited IAS 32 exception for presentation as equity does not extend to the LP B Units. As a result, the LP B Units have been classified as financial liabilities and are carried at amortized cost. The amortized cost is measured every period by reference to the fair value of the Units, with changes in measurement recorded in net income. Distributions declared on the LP B Units are presented as interest expense in the statement of net income and comprehensive income.

3. *PRO FORMA* ASSUMPTIONS AND PRO FORMA CONSOLIDATED BALANCE SHEET ADJUSTMENTS

(a) Initial Public Offering

The REIT is assumed to complete the issue of Units to the public pursuant to the Offering for gross proceeds of $155,000 through the issuance of 15,500,000 Units at a price of $10.00 per Unit.

(b) Units issued to Dundee Corporation

The REIT is assumed to complete the issue of Units to Dundee Corporation for gross proceeds of $17,500 through the issuance of 1,750,000 Units at a price of $10.00 per Unit.

(c) Units issued to Michael J. Cooper

The REIT is assumed to complete the issue of Units to Michael J. Cooper for gross proceeds of $7,500 through the issuance of 750,000 Units at a price of $10.00 per Unit.

Costs relating to the issuance of Units under 3(a), 3(b) and 3(c) above, including underwriters' fees on Units to be issued to the public, are estimated to be $13,832 and are charged directly to unitholders' equity. No underwriters' fees will be charged in relation to the issuance of Units to Dundee Corporation and Michael J. Cooper.

(d) LP B Units issued to Dundee REIT

Industrial Partnership is assumed to complete the issue of LP B Units to Dundee REIT for $160,346 through the issuance of 16,034,600 LP B Units at a price of $10.00 per unit.

(e) Acquisition of the Initial Properties

On closing, the REIT will indirectly acquire the Initial Properties for consideration of $327,457. The acquisition will be financed by way of net proceeds from the issuance of Units and LP B Units as described in notes 3(a), 3(b), 3(c) and 3(d) above, and debt as described in note 3(g) below.

The impact of acquiring the Initial Properties is as follows:

Historical values of net assets acquired	$343,644
Net preliminary adjustments to reflect assets and liabilities at fair value:	
Remove intangible assets with no value after completion of the Acquisition (i)	(10,168)
Adjust transferred debt to fair value (ii)	(12,657)
Goodwill	6,638
	(16,187)
Net assets acquired by the REIT	$327,457
Consideration transferred by the REIT consists of:	
LP B Units issued to Dundee REIT	$160,346
Cash	167,111
Consideration transferred by the REIT	$327,457

(i) Includes reversal of historical goodwill of $8,064 and removal of the external property management contract intangible asset of $2,104 included in the Dundee Initial Properties. Under this contract, a subsidiary of Dundee REIT provides property management services to properties that are co-owned by Dundee REIT and the ROI Co-Owners. Since the REIT will acquire a 100% ownership interest in these properties from Dundee REIT and the ROI Co-Owners, there will

(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

3. *PRO FORMA* ASSUMPTIONS AND PRO FORMA CONSOLIDATED BALANCE SHEET ADJUSTMENTS (Continued)

be no external cash flows flowing to the REIT subsequent to the completion of the Acquisition and therefore, no intangible asset has been recognized.

(ii) Reflects reversal of historical financing costs and mark-to-market adjustments on Initial Properties debt of $1,431 and current mark-to-market adjustments of $14,088 calculated based on estimated market rates applicable to the mortgage portfolio ranging between 2.91% and 3.78%. The market interest rate assumptions used to calculate the fair value of the mortgage portfolio results in an average effective annual interest rate on property debt of 3.28%.

Cash and cash equivalents, amounts receivable, prepaid expenses, certain other non-current assets, amounts payable and accrued liabilities, and property debt of the Initial Properties will be transferred on Closing. Tenant rental deposits and adequate restricted cash balances to cover the tenant rental deposits will also be transferred on Closing. Except for property debt, the carrying value of these balances approximates their fair value.

Costs related to the acquisition are estimated to be $3,000 and have been recorded in unitholders' equity in the unaudited *pro forma* consolidated balance sheet as these will be expensed as incurred. Divisional surplus of the Initial Properties has been eliminated. Included in acquisition costs is an estimated acquisition fee of $840 that will be payable to DRC in respect of the ROI Transaction, pursuant to the proposed Asset Management Agreement.

The actual net assets acquired by the REIT will be based on the assets acquired and liabilities assumed at the effective date of the Acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the *pro forma* amounts and the variation may be material.

(f) Investment properties

The fair values of investment properties in the historical carve-out financial statements are presented net of $3,955 relating to straight-line rent receivable which has been included in other long term assets. Since the investment properties acquired are recorded at fair value, the straight-line rent receivable balance was reclassified to investment properties in the unaudited *pro-forma* consolidated balance sheet.

(g) Debt

The unaudited *pro forma* carve-out financial statements assume that on closing of the Offering, the REIT will enter into a $35,000 operating credit facility at an interest rate of Banker's Acceptance plus 1.9% with $8,511 drawn at closing. Estimated transaction costs amount to $151 and have been deferred and included in the other non-current assets in the unaudited *pro forma* consolidated balance sheet.

(h) Sources and uses of cash

The REIT's sources and (uses) of cash after the completion of the transactions contemplated in the Offering and Acquisition are expected to be as follows:

Proceeds from initial public offering of Units	$ 155,000
Proceeds from Units issued to Dundee Corporation	17,500
Proceeds from Units issued to Michael J. Cooper	7,500
Proceeds from drawdown on operating credit facility, net	8,360
Payment of purchase consideration for the Initial Properties	(167,111)
Payment of estimated transactions costs relating to the Offering and Acquisition	(16,832)
Net cash retained as working capital of the REIT	$ 4,417

4. *PRO FORMA* ASSUMPTIONS AND *PRO FORMA* CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME ADJUSTMENTS

(a) Investment properties revenue

Investment properties revenue has been increased by $3 to reflect the straight-line rent adjustment on the Initial Properties for the six months ended June 30, 2012 and by $1,761 for the twelve months ended December 31, 2011.

(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

4. *PRO FORMA* ASSUMPTIONS AND *PRO FORMA* CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME ADJUSTMENTS (Continued)

(b) Interest Expense

Interest expense has been adjusted in the *pro forma* consolidated statement of net income and comprehensive income to reflect the following:

	Six months ended June 30, 2012	Year ended December 31, 2011
Amortization of fair value adjustments on acquired mortgage portfolio (i)	$(1,590)	$ (3,840)
Interest on operating credit facility (ii)	261	522
	$(1,329)	$ (3,318)
Expected distributions on the LP B Units (iii)	$ 5,412	$10,824

(i) Interest has been adjusted to reflect the effective interest of 3.28% on the mortgage portfolio recorded on acquisition at fair value determined using market rates applicable at June 30, 2012. Refer to note 3e(ii).

(ii) Interest expense on the operating credit facility has been calculated using an assumed annual interest rate of 3.11%.

(iii) Reflects the expected monthly distributions on the LP B Units calculated to provide an expected annual yield of 6.75%.

(c) General and administrative

The *pro forma* adjustments includes an asset management fee adjustment included in the general and administrative expense of $199 for the six months ended June 30, 2012 and $682 for the twelve months ended December 31, 2011. The asset management fee is calculated as 0.25% of the purchase price of the Initial Properties.

(d) Amortization

Reflects the reversal of amortization previously recorded on the external property management contract previously recorded by Dundee Initial Properties.

(e) Fee income

Reflects the elimination of the property management fee income earned by Dundee Initial Properties and Whiterock Initial Properties from the ROI Co-Owned Properties; correspondingly, investment properties operating expenses of ROI Co-Owned Properties was reduced to reflect the elimination of the property management fee paid.

(f) Acquisition costs

Reflects the reversal of the acquisition related costs incurred in connection with the acquisition of the Whiterock Initial Properties by Dundee REIT.

(g) Income taxes

The REIT assumes that on Closing and subsequently it will qualify as a mutual fund trust and meet the REIT Conditions as described in Note 2(d). Accordingly, no income tax expense or deferred income tax assets or liabilities have been recorded in the *pro forma* consolidated financial statements in respect of the REIT.

(h) Fair value adjustment to LP B Units

Subsequent to initial recognition, the LP B Units will be adjusted to their fair value at each reporting period with changes in fair value recorded in net income. For purposes of the *pro forma* consolidated statements of net income and comprehensive income, no change in fair value of the LP B Units has been assumed.

Dundee Initial Properties
Carve-out Financial Statements (IFRS)
For the Years Ended December 31, 2011 and 2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Dundee Real Estate Investment Trust

We have audited the accompanying carve-out financial statements of Dundee Initial Properties, which comprise the carve-out balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the carve-out financial statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Dundee Initial Properties as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
September 26, 2012

DUNDEE INITIAL PROPERTIES

CARVE-OUT BALANCE SHEETS

as of December 31, 2011, December 31, 2010 and January 1, 2010
(amounts in thousands of Canadian dollars)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
			(note 5)	(note 5)
Assets				
Non-current assets				
Investment properties	9	$396,658	$324,958	$199,908
Other non-current assets	11	2,343	1,163	742
		399,001	326,121	200,650
Current assets				
Amounts receivable	12	931	175	74
Prepaid expenses		1,256	224	121
Cash		75	—	—
		2,262	399	195
Total assets		$401,263	$326,520	$200,845
Liabilities				
Non-current liabilities				
Mortgages payable	13	$148,037	$ 98,771	$ 85,026
Deposits		1,654	1,459	1,416
		149,691	100,230	86,442
Current liabilities				
Mortgages payable	13	46,753	41,161	5,217
Amounts payable and accrued liabilities	14	3,128	2,790	1,299
		49,881	43,951	6,516
Total liabilities		199,572	144,181	92,958
Divisional surplus		201,691	182,339	107,887
Total liabilities and divisional surplus		$401,263	$326,520	$200,845

The accompanying notes form an integral part of the carve-out financial statements

DUNDEE INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

for the Years Ended December 31, 2011 and 2010
(amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2011	For the year ended December 31 2010
			(note 5)
Investment properties revenue		$36,573	$24,474
Investment properties operating expenses		(8,565)	(6,977)
Net rental income		28,008	17,497
Other income and expenses			
General and administrative		(1,606)	(1,058)
Fair value adjustments to investment properties	9	27,427	7,145
Acquisition-related costs, net	7	(537)	—
Interest	15	(8,611)	(5,050)
Net income and comprehensive income		$44,681	$18,534

The accompanying notes form an integral part of the carve-out financial statements

DUNDEE INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Years Ended December 31, 2011 and 2010
(amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2010 (Note 5)	$107,887
Net income for the year	18,534
Net contribution from Dundee REIT	55,918
Divisional surplus at December 31, 2010 (Note 5)	182,339
Net income for the year	44,681
Net distribution to Dundee REIT	(25,329)
Divisional surplus at December 31, 2011	$201,691

The accompanying notes form an integral part of the carve-out financial statements

DUNDEE INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF CASH FLOWS

for the Years Ended December 31, 2011 and 2010
(amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2011	For the year ended December 31 2010
Operating activities			
Net income for the year		$ 44,681	$ 18,534
Non-cash items:			
Acquisition related costs, net	7	537	—
Amortization of lease incentives	9	673	609
Amortization of financing costs	15	222	128
Amortization of fair value adjustments on assumed debt	15	(152)	(145)
Straight-line rent adjustment	11	(1,175)	(421)
Fair value adjustments to investment properties	9	(27,427)	(7,145)
Investment in lease incentives and initial direct leasing costs	9	(1,507)	(5,069)
Transaction costs on acquired business	7	(1,641)	—
Change in non-cash working capital	20	(1,482)	(1,481)
Cash flows from operating activities		12,729	5,010
Investing activities			
Investment in building improvements	9	(483)	(1,765)
Acquisition of Realex portfolio, net of cash acquired	7	(14,360)	—
Acquisition of investment properties	8	(9,951)	(104,088)
Cash flows used in investing activities		(24,794)	(105,853)
Financing activities			
Mortgages payable placed, net of costs of $943 (2010 — $541)		79,761	50,142
Mortgages payable principal repayment		(4,572)	(2,560)
Lump sum repayment of mortgages		(37,720)	(2,657)
(Distribution to) contribution from Dundee REIT, net		(25,329)	55,918
Cash flows from financing activities		12,140	100,843
Net increase in cash		75	—
Cash, beginning of the year		—	—
Cash, end of the year		$ 75	$ —

The accompanying notes form an integral part of the carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These carve-out financial statements are a combination of certain industrial investment properties that were indirectly owned by Dundee Real Estate Investment Trust ("Dundee REIT") at December 31, 2011 (the "Dundee Initial Properties") and do not represent a legal entity. The Dundee Initial Properties portfolio comprises industrial properties located in urban centres across Canada. Dundee REIT's place of business is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1.

The Dundee Initial Properties carve-out financial statements for the year ended December 31, 2011 were authorized for issue by the Board of Trustees of Dundee REIT on September 26, 2012, after which date the carve-out financial statements may only be amended with the Board of Trustees' approval.

NOTE 2 — BASIS OF CARVE-OUT FINANCIAL STATEMENTS PRESENTATION

Statement of Compliance

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These are the Dundee Initial Properties' first annual carve-out financial statements prepared in accordance with IFRS and IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") (note 5).

Basis of Presentation and Preparation

These carve-out financial statements present the financial position of the Dundee Initial Properties as at December 31, 2011 and December 31, 2010, and the financial performance and cash flows of the Dundee Initial Properties from the date which Dundee REIT obtained control of the Dundee Initial Properties, had the Dundee Initial Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity (Dundee REIT). The carve-out financial statements also include the proportionate share of the assets, liabilities, revenues and expenses of joint arrangements.

All amounts except for the fair value of consideration, transaction costs, financing fees paid to Dundee Realty Corporation ("DRC") in relation to business combinations, the acquisition gain, the purchase price of the Multivesco Industrial Portfolio, Gatineau, other corporate costs included in general and administrative expenses, actual property management costs incurred by Dundee Management Limited Partnership ("DMLP"), a subsidiary of Dundee REIT, and mortgages payable and related interest expense covering 23 properties of which 21 constitute Dundee Initial Properties have been derived from the historical accounting records specific to the Dundee Initial Properties.

The fair value of consideration, transaction costs, financing fees paid to DRC in relation to business combinations, and acquisition gain relating to the acquisition of Realex by Dundee REIT (see note 7) have been allocated based on net assets of the Dundee Initial Properties relative to total net assets of the investment properties acquired by Dundee REIT.

The purchase price of the Multivesco Industrial Portfolio, Gatineau has been allocated based on the fair value of the Multivesco industrial properties relative to the total fair value of the Multivesco investment properties acquired by Dundee REIT.

Mortgages payable and related interest expense covering 23 properties, of which 21 properties constitute Dundee Initial Properties has been allocated based on lending value, on the date the mortgage payable was entered into, of the 21 industrial properties relative to the total lending value, on the date the mortgage payable was entered into, of the properties covered by the mortgage payable.

Actual property management costs incurred by DMLP, which provides property management services to the Dundee Initial Properties, have been reflected in these carve-out financial statements.

Other corporate costs, such as public company costs of Dundee REIT, have been allocated based on the net rental income of the Dundee Initial Properties relative to the total net rental income of Dundee REIT.

The Dundee Initial Properties are all indirectly owned and controlled by Dundee REIT. The properties that are wholly-owned by Dundee REIT do not maintain their own cash accounts. Divisional surplus represents the net of all capital and financing/cash transactions between the Dundee Initial Properties and Dundee REIT.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Dundee Initial Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the Dundee Initial Properties.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these carve-out financial statements are described below:

Investment properties

Investment properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions and include industrial properties held to earn rental income and/or for capital appreciation. Investment properties are measured at fair value, determined based on available market evidence, at the carve-out balance sheet dates. Related fair value gains and losses are recorded in net income and comprehensive income in the period in which they arise. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the carve-out balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, current prices in an active market for a similar property in the same location and condition, and which is subject to similar leases and other contracts is first considered. As there is insufficient market evidence on which to base investment property valuation using this approach, the use of the income approach is more appropriate. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method, whereby the net operating income is capitalized at the requisite overall capitalization rate and/or the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

Revenue recognition

The Dundee Initial Properties accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, lease termination fees, parking revenue and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the year in which the corresponding costs are incurred. Other revenues are recorded as earned.

Business combinations

The acquisition method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred to the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Dundee Initial Properties' share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Dundee Initial Properties' share of the net assets acquired, the difference is recognized directly in net income and comprehensive income for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Joint arrangements

The Dundee Initial Properties reports its interests in co-ownerships using proportionate consolidation. The Dundee Initial Properties recognize its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the carve-out financial statements.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits, as required by various lending agreements. Deposits are included in other non-current assets.

Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes, and intends to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholders, no provision for income taxes is required on such amounts. In addition, as Dundee REIT intends to continue to distribute its taxable income and to qualify as a real estate investment trust for the foreseeable future, it does not recognize deferred income taxes. Accordingly, these carve-out financial statements do not reflect any income tax provision or deferred income tax.

Financial instruments

Designation of financial instruments

The following summarizes the Dundee Initial Properties' classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages payable	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

Financial assets

The Dundee Initial Properties classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and subsequently are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the carve-out statements of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when the Dundee Initial Properties determine collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the carve-out statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the carve-out statements of net income and comprehensive income.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Dundee Initial Properties transfers substantially all risks and rewards of ownership.

Financial liabilities

The Dundee Initial Properties classifies financial liabilities on initial recognition as other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (less directly attributable transaction costs). Financial liabilities classified as

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the debt.

Mortgages payable are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages are recognized at amortized cost.

Interest on debt

Interest on debt includes coupon interest and amortization of finance costs incurred in connection with the arrangement of borrowings. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparing the carve-out financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical accounting judgments

Following are the critical judgments used in applying the Dundee Initial Properties' accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Dundee Initial Properties makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

Leases

Judgments are made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where Dundee Initial Properties is the lessor, are operating or finance leases. Dundee Initial Properties has determined that all of its leases are operating leases.

Impairment

The Dundee Initial Properties assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable.

(amounts in thousands of Canadian dollars)

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimates and assumptions

The Dundee Initial Properties makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the year. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the carve-out financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

Fair value of consideration, transaction costs, financing fees paid to DRC in relation to business combinations, acquisition gain, the purchase price of the Multivesco Industrial Portfolio, Gatineau and other corporate costs included in general and administrative expenses and mortgages payable and related interest expense covering 23 properties of which 21 properties constitute the Dundee Initial Properties

Allocations, for purposes of the carve-out financial statements, of the fair value of consideration, transaction costs, financing fees paid to DRC in relation to business combinations, acquisition gain, the purchase price of the Multivesco Industrial Portfolio, Gatineau and other corporate costs included in general and administrative expenses and mortgages payable and related expense covering 23 properties of which 21 constitute the Dundee Initial Properties from Dundee REIT have been determined using methods as disclosed in note 2, that management considers to be reasonable given the nature of each item; a different basis of allocation could result in materially different amounts.

NOTE 5 — TRANSITION TO IFRS

The Dundee Initial Properties adopted IFRS effective from January 1, 2010 (the "transition date"), and has prepared its opening IFRS carve-out balance sheet as at that date. Prior to the adoption of IFRS, the carve-out financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles before adoption of IFRS ("previous GAAP").

Elected exemptions from full retrospective application

In preparing these carve-out financial statements in accordance with IFRS 1, the Dundee Initial Properties has applied certain of the optional exemptions from full retrospective application of IFRS. The elected exemptions adopted by the Dundee Initial Properties are described below.

Business combinations

The Dundee Initial Properties has applied the business combinations exemption in IFRS 1 in order to avoid retrospective application of IFRS 3 to past business combinations completed prior to January 1, 2010.

Reconciliation of amounts reported under previous GAAP to IFRS

The following is a reconciliation of Dundee Initial Properties' divisional surplus reported in accordance with previous GAAP to its divisional surplus in accordance with IFRS at the transition date:

	Note	Divisional Surplus
As reported under previous GAAP — December 31, 2009		$ 28,577
Differences increasing reported amount:		
Investment properties	(i)	79,310
As reported under IFRS — January 1, 2010		$107,887

(amounts in thousands of Canadian dollars)

NOTE 5 — TRANSITION TO IFRS (Continued)

The following is a reconciliation of Dundee Initial Properties' divisional surplus reported in accordance with previous GAAP to its divisional surplus in accordance with IFRS at December 31, 2010:

	Note	Divisional Surplus
As reported under previous GAAP — December 31, 2010		$ 89,704
Differences increasing reported amount:		
Investment properties	(i)	92,635
As reported under IFRS — December 31, 2010		$182,339

The following is a reconciliation of comprehensive income reported in accordance with previous GAAP to comprehensive income in accordance with IFRS for the year ended December 31, 2010:

	Note	For the year ended December 31, 2010
Comprehensive income as reported under previous GAAP		$ 5,209
Differences increasing reported amount:		
Investment properties	(i)	13,325
As reported under IFRS		$18,534

The adoption of IFRS did not have a material effect on the carve-out statement of cashflows for the year ended December 31, 2010.

Notes to the reconciliations

(i) Investment properties

Under previous GAAP, rental properties were recorded at cost and depreciated over their estimated lives. Under International Accounting Standards 40, "Investment Property" ("IAS 40"), the Dundee Initial Properties has elected to measure investment properties at fair value and record changes in fair value in comprehensive income during the year. In addition, under previous GAAP, intangible assets and liabilities were recognized on the acquisition of rental properties, which is not required when applying the fair value model under IFRS as the values of the intangible assets and liabilities are considered in determining the fair value of the investment properties. Accordingly, on the date of transition, all intangible assets and intangible liabilities, net of accumulated amortization, $1,351 and $(453), respectively, were derecognized by reclassifying them to investment properties (December 31, 2010 — $14,930 and $(243)). The effect increases the carrying amount of investment properties by $79,310 at the date of transition and $92,635 at December 31, 2010, with a corresponding adjustment to divisional surplus, which represents the cumulative unrealized gain in respect of the Dundee Initial Properties' investment properties. The effect on comprehensive income for 2010 is an increase to "fair value adjustments to investment properties" under IFRS and the elimination of amortization related to rental properties. "Rental properties" as described under previous GAAP are described as "investment properties" under IFRS.

NOTE 6 — CHANGES IN FUTURE ACCOUNTING POLICIES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Management is currently evaluating the impact of IFRS 9 on its carve-out financial statements. IFRS 7, "Financial Instruments — Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. Management is currently evaluating the impact of this standard on the carve-out financial statements.

(amounts in thousands of Canadian dollars)

NOTE 6 — CHANGES IN FUTURE ACCOUNTING POLICIES (Continued)

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the Dundee Initial Properties to provide disclosures related to offsetting financial assets and liabilities. Management is currently evaluating the impact of IFRS 7 on its carve-out financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities. The amendments to IAS 32 are effective from January 1, 2014.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Management is currently evaluating the impact of IFRS 10 on its carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. Management is currently evaluating the impact of IFRS 12 on the carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Dundee Initial Properties will start the application of IFRS 13 effective from January 1, 2013. Management is currently evaluating the impact on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. Management will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and is currently evaluating the impact on the carve-out financial statements as a result of its adoption.

NOTE 7 — BUSINESS COMBINATION

Effective February 8, 2011, Dundee REIT acquired all of the outstanding shares of Realex Properties Corporation ("Realex") for total cash consideration of $154,380. At that date, the fair value of the net assets and liabilities acquired equaled $166,174. Among the Realex portfolio, six industrial properties are included in the Dundee Initial Properties. The following are the recognized amounts of identifiable assets acquired and liabilities assumed for the six properties included in the Dundee Initial Properties, measured at their respective fair values:

Investment properties	$ 31,814
Other non-current assets	1
Amounts receivable	9
Cash	94
Amounts payable and accrued liabilities assumed	(259)
Assumed debt	(16,101)
Total identifiable net assets	15,558
Fair value of consideration	14,454
Acquisition gain	$ 1,104

Acquisition related costs, net of $537 comprise $1,641 in allocated transaction costs net of an allocated $1,104 acquisition gain.

(amounts in thousands of Canadian dollars)

NOTE 7 — BUSINESS COMBINATION (Continued)

During the year ended December 31, 2011, the Dundee Initial Properties recognized $2,471 of revenue and $1,365 of comprehensive income before fair value adjustments, related to the acquisition of the six Realex properties. Had the acquisition occurred on January 1, 2011, the Dundee Initial Properties would have recognized an additional $512 of revenue and $201 of comprehensive income before fair value adjustments.

NOTE 8 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the years ended December 31, 2011, and December 31, 2010 by Dundee REIT, which are included in the Dundee Initial Properties.

For the year ended December 31, 2011	Interest acquired (%)	Purchase price[(1)]	Fair value of mortgage assumed	Date acquired
Multivesco Industrial Portfolio, Gatineau	100	$ 3,511	$ —	June 9, 2011
81 Wright Avenue and 170 Joseph Zatzman Drive, Halifax	100	7,631	1,217	July 27, 2011
Total		$11,142	$1,217	

(1) Includes transaction costs.

Had acquisitions completed during the year ended December 31, 2011 occurred on January 1, 2011, the Dundee Initial Properties would have recognized:

	January 1, 2011 — date of acquisition	Date of acquisition — December 31, 2011	For the year ended December 31, 2011
Investment properties revenue	$ 905	$ 782	$1,687
Investment properties operating expenses	(325)	(306)	(658)
Net rental income	553	476	1,029
Interest	(36)	(23)	(59)
Comprehensive income before fair value adjustments	$ 517	$ 453	$ 970

For the year ended December 31, 2010	Interest acquired (%)	Purchase price[(1)]	Fair value of mortgage assumed	Date acquired
2340 St. Laurent Boulevard, Ottawa	100	$ 11,344	$ —	April 26, 2010
275 Wellington Street East, Aurora	100	25,438	—	July 30, 2010
8000 Avenue Blaise-Pascal, Montréal	100	11,296	—	July 30, 2010
1411, 1421 and 1451 Rue Ampère, Boucherville	100	29,381	—	September 2, 2010
1313 Autoroute Chomedey, Laval	100	12,716	—	September 2, 2010
970 Fraser Drive, Burlington	100	7,090	—	October 19, 2010
30 Simmonds Drive, Dartmouth	100	1,621	—	November 22, 2010
105 Akerley Boulevard, Dartmouth	100	3,101	—	November 22, 2010
580 Industrial Road, London	100	9,693	4,780	December 30, 2010
Total		$111,680	$4,780	

(1) Includes transaction costs.

(amounts in thousands of Canadian dollars)

NOTE 8 — PROPERTY ACQUISITIONS (Continued)

The assets acquired in these transactions were allocated as follows:

	For the years ended December 31	
	2011	**2010**
Investment properties	**$11,142**	$111,680
Total purchase price	**$11,142**	$111,680
The consideration paid consists of:		
Cash:		
Paid during the year	**$ 9,951**	$104,088
Assumed mortgages at fair value	**1,217**	4,780
Assumed non-cash working capital	**(26)**	2,812
Total consideration	**$11,142**	$111,680

NOTE 9 — INVESTMENT PROPERTIES

Reconciliation of the carrying amount for investment properties at the beginning and end of the current and prior years are set out below:

	December 31, 2011	**December 31, 2010**
Balance at beginning of year	**$324,958**	$199,908
Additions:		
Acquisitions from business combinations	**31,814**	—
Property acquisitions	**11,142**	111,680
Building improvements	**483**	1,765
Lease incentives and initial direct leasing costs	**1,507**	5,069
Amortization of lease incentives	**(673)**	(609)
Fair value adjustments to investment properties	**27,427**	7,145
Balance at end of year	**$396,658**	$324,958

Investment properties have been reduced by $2,338 (December 31, 2010 — $1,163) related to straight-line rent receivable, which has been reclassified to other non-current assets.

The key valuation metrics for all investment properties are set out below:

	December 31, 2011		**December 31, 2010**		**January 1, 2010**	
	Range (%)	**Weighted average (%)**	**Range (%)**	**Weighted average (%)**	**Range (%)**	**Weighted average (%)**
Capitalization rate	**6.50–9.25**	**7.09**	6.25–9.50	7.46	7.25–8.50	7.63
Discount rate	**7.50–10.00**	**8.08**	7.75–9.75	8.50	8.50–9.25	8.71
Terminal rate	**6.75–9.00**	**7.26**	7.00–9.00	7.89	7.75–8.75	7.84

Investment properties with an aggregate fair value of $22,830 at December 31, 2011 (December 31, 2010 — $141,860; January 1, 2010 — $45,420), were valued by qualified valuation professionals.

Investment properties with a fair value of $326,183 (December 31, 2010 — $282,438, January 1, 2010 — $171,400) are pledged as security for mortgages payable.

(amounts in thousands of Canadian dollars)

NOTE 9 — INVESTMENT PROPERTIES (Continued)

If the capitalization rate were increased by 25 basis points (“bps”), the investment properties balance would decrease by $13,850. If the capitalization rate were decreased by 25 bps, the investment properties balance would increase by $15,300.

NOTE 10 — JOINT ARRANGEMENT

Co-owned property

The Dundee Initial Properties' interest in a co-owned property which is accounted for on a proportionate consolidated basis is as follows:

			Ownership interest (%)	
Name	**Principal activity**	**Location**	**December 31, 2011**	**December 31, 2010**
2240 Premier Way	Investment property	Edmonton, Alberta	**50**	—

	December 31, 2011
Non-current assets	
Investment properties	$2,200
Current assets	
Prepaid expenses	1
Cash	75
	76
Total assets	$2,276
Non-current liabilities	
Mortgages payable	$1,300
Current liabilities	
Acounts payable and accrued liabilities	25
Total liabilities	$1,325

	For the year ended December 31, 2011
Investment properties revenue	$166
Investment properties operating expenses	(57)
Net rental income	109
Other income and expenses	
Fair value adjustments to investment properties	525
Acquisition related costs	(13)
Interest	(78)
Net income	$543

(amounts in thousands of Canadian dollars)

NOTE 11 — OTHER NON-CURRENT ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Deposits	**$ 5**	$ —	$—
Straight-line rent receivable	**2,338**	1,163	742
Total	**$2,343**	$1,163	$742

NOTE 12 — AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating $269 (December 31, 2010 — $342; January 1, 2010 — $554).

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	**$ 438**	$ 264	$ 201
Less: Provision for impairment of trade receivables	**(133)**	(234)	(102)
Trade receivables, net	**305**	30	99
Other amounts receivable (payable)	**626**	145	(25)
	$ 931	$ 175	$ 74

The movement in the provision for impairment of trade receivables during the years ended December 31 was as follows:

	2011	2010
As at January 1	**$234**	$ 102
Provision for (recovery of) impairment of trade receivables	**(48)**	304
Receivables written off during the year as uncollectible	**(53)**	(172)
As at December 31	**$133**	$ 234

The Dundee Initial Properties leases industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

	December 31, 2011
Less than 1 year	$ 7,125
1-5 years	27,209
Longer than 5 years and less than 10 years	13,761
	$48,095

(amounts in thousands of Canadian dollars)

NOTE 13 — MORTGAGES PAYABLE

Mortgages payable consist of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Mortgages Payable	**$195,351**	$140,331	$90,053
Financing costs	**(1,410)**	(686)	(257)
Fair value adjustments on assumed mortgages	**849**	287	447
Total	**194,790**	139,932	90,243
Less: Current portion	**46,753**	41,161	5,217
Non-current debt	**$148,037**	$ 98,771	$85,026

The aggregate principal repayment and balances maturing on the mortgages payable on investment properties in the next five years and thereafter are as follows:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2012	$ 5,340	$ 41,398	$ 46,738	5.45%
2013	4,204	1,300	5,504	5.15%
2014	4,269	5,014	9,283	4.44%
2015	4,193	48,283	52,476	4.25%
2016	2,742	11,762	14,504	4.59%
2017 and after	10,971	55,875	66,846	5.07%
	$31,719	$163,632	$195,351	4.88%

NOTE 14 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	**$ 263**	$ 350	$ 253
Accrued liabilities and other payables	**1,817**	1,654	445
Accrued interest	**834**	622	470
Rent received in advance	**214**	164	131
Total	**$3,128**	$2,790	$1,299

NOTE 15 — INTEREST EXPENSE

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	December 31, 2011	December 31, 2010
Interest expense incurred, at stated rate of mortgages payable	**$8,541**	$5,067
Amortization of financing costs	**222**	128
Amortization of fair value adjustments on assumed debt	**(152)**	(145)
Interest expense	**$8,611**	$5,050

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition (“fair value adjustment”). This fair value adjustment is amortized to interest expense over the expected life of the debt using the effective interest rate method.

NOTE 16 — TRANSACTIONS WITH RELATED PARTIES

Dundee REIT has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to the Dundee Initial Properties. As at December 31, 2011, Dundee Corporation, the majority shareholder of DRC, directly and indirectly through its subsidiaries, held 1,776,158 Dundee REIT A Units and 3,506,107 subsidiary redeemable units (December 31, 2010 — 976,506 and 3,481,733, respectively; January 1, 2010 — 921,299 and 3,454,188, respectively) of Dundee REIT.

Asset Management Agreement

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

– base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties, defined as the fair value of the properties at August 23, 2007 plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;

– capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;

– acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to (i) 1.0% of the purchase price of a property on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price on properties acquired in excess of $200,000; and

– financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT, to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

The Dundee Initial Properties are managed by DMLP.

Related Party Transactions

For the year ended December 31, 2011, the Dundee Initial Properties incurred total fees of $1,181 (December 31, 2010 — $1,616) under the Asset Management Agreement. Included in this amount is $968 (December 31, 2010 — $690), which is reported in general and administrative expenses; $159 (December 31, 2010 — nil), which is reported as an acquisition related cost; $54 (December 31, 2010 — $799), which is reported with property acquisitions; and $nil (December 31, 2010 — $127) in financing costs, which is reported with mortgages payable.

Included in amounts receivable at December 31, 2011 is $122 related to other amounts owed from DMLP (December 31, 2010 — $165, January 1, 2010 — $203) representing the over allocation of regional and corporate costs to the Dundee Initial Properties. Included in amounts payable at December 31, 2011 is $351 related to other amounts owed to DMLP (December 31, 2010 — $257, January 1, 2010 — $78) representing the under allocation of regional and corporate costs to Dundee Initial Properties.

Compensation of key management personnel is included in the fees paid under the Asset Management Agreement.

NOTE 17 — SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker (determined to be the Chief Executive Officer of Dundee REIT) as one operating segment in the context of these carve-out financial statements.

NOTE 18 — FINANCIAL INSTRUMENTS

Risk Management

IFRS 7 places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Dundee Initial Properties manages those risks, including market, credit and liquidity risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the Dundee Initial Properties' fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. In order to manage exposure to interest rate risk, Dundee Initial Properties endeavours to manage maturities of fixed rate debt, and match the nature of the

(amounts in thousands of Canadian dollars)

NOTE 18 — FINANCIAL INSTRUMENTS (Continued)

debt with the cash flow characteristics of the underlying asset. The Dundee Initial Properties have no exposure to currency or other market price risk.

Dundee Initial Properties' assets consist of industrial properties. Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Dundee Initial Properties mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the Dundee Initial Properties will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Dundee Initial Properties manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

Fair value of financial instruments

Amounts receivable, cash, deposits, amounts payable and accrued liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value. Financial instruments carried at amortized cost where carrying value does not approximate fair value are described below:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Total		Total		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Mortgages payable	**$195,351**	**$203,691**	$140,331	$141,257	$90,053	$89,990

NOTE 19 — CONTINGENCIES

Dundee REIT is contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time that are associated with the Dundee Initial Properties. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the carve-out financial statements of the Dundee Initial Properties.

NOTE 20 — SUPPLEMENTARY CASH FLOW INFORMATION

Change in non-cash working capital comprises:

	For the years ended December 31,	
	2011	2010
Increase in amounts receivable	**$ (756)**	$ (101)
Increase in prepaid expenses	**(1,032)**	(103)
(Increase) in other non-current assets	**(5)**	—
Increase in amounts payable and accrued liabilities	**338**	1,491
Increase in tenant deposits	**195**	43
Assumed non-cash working capital on business combination and acquisition	**(222)**	(2,811)
Change in non-cash working capital	**$(1,482)**	$(1,481)

(amounts in thousands of Canadian dollars)

NOTE 20 — SUPPLEMENTARY CASH FLOW INFORMATION (Continued)

The following amounts were paid on account of interest:

	For the years ended December 31,	
	2011	**2010**
Interest		
Debt	**$8,308**	$4,913

NOTE 21 — SUBSEQUENT EVENTS

On March 2, 2012, Dundee REIT acquired Whiterock Real Estate Investment Trust (“Whiterock”); among the Whiterock portfolio, the interest of Whiterock in 20 industrial properties are included in the Dundee Initial Properties. The fair value of the consideration attributable to the 20 industrial properties amounted to $78,396.

On September 26, 2012, Dundee Industrial Real Estate Investment Trust (“Dundee Industrial REIT”) entered into an underwriting agreement, whereby Dundee Industrial REIT is expected to complete an initial public offering. On closing of the transactions contemplated in the prospectus, Dundee REIT is expected to enter into an acquisition agreement to sell the Dundee Initial Properties to Dundee Industrial REIT.

Dundee Initial Properties
Carve-out Financial Statements (GAAP)
For the Years ended December 31, 2010 and 2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Dundee Real Estate Investment Trust

We have audited the accompanying carve-out financial statements of Dundee Initial Properties, which comprise the carve-out balance sheets as at December 31, 2010 and December 31, 2009 and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2010 and December 31, 2009, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the carve-out financial statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Dundee Initial Properties as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years ended December 31, 2010 and December 31, 2009 in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
September 26, 2012

DUNDEE INITIAL PROPERTIES

CARVE-OUT BALANCE SHEETS

as of December 31, 2010 and 2009
(amounts in thousands of Canadian dollars)

	Notes	December 31 2010	December 31 2009
Assets			
Rental properties	5	$207,425	$114,126
Leasing costs	6	10,210	5,574
Amounts receivable	7	176	74
Prepaid expenses and other assets		1,387	863
Intangible assets	8	14,930	1,351
Total assets		$234,128	$121,988
Liabilities			
Mortgages payable	9	$139,932	$ 90,243
Amounts payable and accrued liabilities	10	4,249	2,715
Intangible liabilities	8	243	453
Total liabilities		144,424	93,411
Divisional surplus		89,704	28,577
Total liabilities and divisional surplus		$234,128	$121,988

The accompanying notes form an integral part of the carve-out financial statements

DUNDEE INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

for the Years Ended December 31, 2010 and 2009
(amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2010	For the year ended December 31 2009
Rental properties revenue		$24,988	$20,214
Rental properties operating expenses		(6,977)	(6,236)
Net rental income		**18,011**	13,978
Other income and expenses			
General and administrative		(1,058)	(845)
Interest	11	(5,050)	(5,301)
Depreciation of rental properties		(3,960)	(3,312)
Amortization of leasing costs, tenant improvements and intangible assets		(2,734)	(2,496)
Net income and comprehensive income		**$ 5,209**	$ 2,024

The accompanying notes form an integral part of the carve-out financial statements

DUNDEE INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Years Ended December 31, 2010 and 2009
(amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2009	$24,186
Net income for the year	2,024
Net contribution from Dundee REIT	2,367
Divisional surplus at December 31, 2009	28,577
Net income for the year	5,209
Net contribution from Dundee REIT	55,918
Divisional surplus at December 31, 2010	$89,704

The accompanying notes form an integral part of the carve-out financial statements

DUNDEE INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF CASH FLOWS

for the Years Ended December 31, 2010 and 2009
(amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2010	For the year ended December 31 2009
Operating activities			
Net income for the year		$ 5,209	$ 2,024
Non-cash items:			
Depreciation of rental properties		3,960	3,312
Amortization of leasing costs, tenant improvements and intangibles		2,734	2,496
Amortization of financing costs	11	128	117
Amortization of fair value adjustments on assumed debt	11	(145)	(138)
Amortization of market rent adjustment on acquired leases		61	(263)
Straight-line rent adjustment		(421)	64
Investment in leasing costs		(5,069)	(2,264)
Change in non-cash working capital	16	(1,447)	1,027
Cash flows from operating activities		5,010	6,375
Investing activities			
Investment in building improvements		(1,765)	—
Acquisition of rental properties	4	(104,088)	—
Cash flows used in investing activities		(105,853)	—
Financing activities			
Mortgages payable placed, net of costs		50,142	—
Mortgages payable principal repayment		(2,560)	(2,784)
Lump sum repayments of mortgages		(2,657)	(5,958)
Contribution from Dundee REIT, net		55,918	2,367
Cash flows from (used in) financing activities		100,843	(6,375)
Net increase in cash		—	—
Cash, beginning of the year		—	—
Cash, end of the year		$ —	$ —

The accompanying notes form an integral part of the carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These carve-out financial statements are a combination of certain industrial rental properties that were indirectly owned by Dundee Real Estate Investment Trust ("Dundee REIT") at December 31, 2010 (the "Dundee Initial Properties") and do not represent a legal entity.

NOTE 2 — BASIS OF FINANCIAL STATEMENTS PRESENTATION

Basis of accounting

The carve-out financial statements of the Dundee Initial Properties have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions that affect the recorded amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the carve-out financial statements as well as the reported amounts of revenues and expenses during the period. Significant estimates and assumption include impairment of accounts receivable, estimates of useful lives of rental properties, impairment of long-lived assets, impairment of intangible assets and liabilities, the purchase price allocations used for acquired properties and allocations used in the preparation of the carve-out financial statements. Actual results could differ from those estimates.

Basis of presentation

These carve-out financial statements present the financial position of the Dundee Initial Properties as at December 31, 2010 and December 31, 2009, and the results of operations and cash flows of the Dundee Initial Properties from the date which Dundee REIT obtained control of the Dundee Initial Properties, had the Dundee Initial Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity (Dundee REIT). The carve-out financial statements also include the proportionate share of the assets, liabilities, revenues and expenses of joint arrangements.

All amounts except for corporate costs included in general and administrative expenses, actual property management costs incurred by Dundee Management Limited Partnership ("DMLP"), a subsidiary of Dundee REIT, mortgages payable and related interest covering 23 properties of which 21 properties constitute Dundee Initial Properties, have been derived from the historical accounting records specific to the Dundee Initial Properties.

Mortgages payable and related interest expense covering 23 properties, of which 21 properties constitute Dundee Initial Properties has been allocated based on lending value, on the date the mortgage payable was entered into, of the 21 industrial properties relative to the total lending value, on the date the mortgage payable was entered into, of the properties covered by the mortgage payable.

Actual property management costs incurred by DMLP, which provides property management services to the Dundee Initial Properties, have been reflected in these carve-out financial statements.

Other corporate costs, such as public company costs of Dundee REIT, have been allocated based on the net rental income of the Dundee Initial Properties relative to the total net rental income of Dundee REIT.

The Dundee Initial Properties are all indirectly owned and controlled by Dundee REIT. The properties that are wholly-owned by Dundee REIT do not maintain their own cash accounts. Divisional surplus represents the net of all capital and financing/cash transactions between the Dundee Initial Properties and Dundee REIT.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Dundee Initial Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the Dundee Initial Properties.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Dundee Initial Properties have retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, lease cancellation fees, parking revenue and incidental income. The Dundee Initial Properties use the straight-line method of rental revenue recognition, whereby the total of cash rents due over the initial term of a lease are recognized in income evenly over that term. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in prepaid expense and other assets. Recoveries from tenants are recognized as revenues in the year in which the corresponding costs are incurred. Other

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues are recorded as earned. The Initial Properties provides an allowance for doubtful accounts against that portion of amounts receivable that is estimated to be uncollectible. Such allowances are reviewed periodically based on the recovery experience and the creditworthiness of the debtor.

Rental properties

Rental properties are stated at historical cost less accumulated depreciation and impairment charges, if any. The Dundee Initial Properties uses the straight-line method of depreciation for rental properties, building improvements, initial leasing costs and major expansions and renovations. The estimated useful lives of the properties is between 30 and 40 years. Vehicles, office premises improvements, furniture and computer equipment are depreciated on a straight-line basis over their estimated useful lives ranging from five to ten years. Building improvements are depreciated over their estimated useful lives, which range from ten to 20 years depending on the type of improvement.

Purchase price allocations

As a result of revised Canadian Institute of Chartered Accountants ("CICA") accounting and disclosure standards for acquisitions initiated on or after September 12, 2003, the purchase price of a rental property is allocated, based on estimated fair values, to land, building, deferred leasing costs acquired, lease origination costs associated with in-place leases, the value of above- and below-market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any. The fair value of buildings is determined using the depreciated replacement cost approach. For acquisitions initiated prior to September 12, 2003, the purchase price was allocated to land and buildings based on their respective fair market values.

Intangible assets and liabilities

Intangible assets and liabilities include value of above- and below-market leases, in-place leases, lease origination costs and tenant relationships. Intangible assets and liabilities are stated at acquisition cost less accumulated amortization and impairment charges, if any.

The values of above- and below-market leases are amortized on a straight-line basis to rental properties revenue over the remaining term of the associated leases. The value associated with in-place leases is amortized on a straight-line basis over the remaining term of the lease. The value of tenant relationships is amortized on a straight-line basis over the remaining term of the lease plus an estimated renewal term. Lease origination costs are amortized on a straight-line basis over the term of the applicable lease. In the event that a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangibles is expensed.

Impairment of long-lived assets

The Dundee Initial Properties uses a two-step process for determining when an impairment of rental properties and intangible assets should be recognized in the carve-out financial statements. If events or circumstances indicate that the carrying value of a property may be impaired, a recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from property operations and the property's projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property is written down to its estimated fair value and an impairment loss is recognized in the carve-out statement of net income and comprehensive income.

Leasing costs and tenant improvements

Certain leasing costs and tenant improvements are included on the carve-out balance sheet of the Dundee Initial Properties:

- leasing costs include leasing fees and costs, except for initial leasing costs that are included in rental properties, and leasing costs acquired. These leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- tenant inducements, which are payments for which the tenant has no obligation to make leasehold improvements to the leased space and that are amortized against rental properties revenue on a straight-line basis over the term of the applicable lease; and
- tenant improvements, which include costs incurred to make leasehold improvements to tenants' space and that are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of amounts receivable

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the carve-out statements of net income and comprehensive income within operating expenses. Bad debt write-offs occur when the Dundee Initial Properties determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the carve-out statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes, and intends to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholders, no provision for income taxes is required on such amounts. In addition, as Dundee REIT intends to continue to distribute its taxable income and to qualify as a real estate investment trust for the foreseeable future, it does not recognize future income taxes. Accordingly, these carve-out financial statements do not reflect any income tax provision or future income tax.

Financial instrument

The Dundee Initial Properties follows CICA accounting standards for financial instruments comprising Section 3855, "Financial Instruments — Recognition and Measurement". The standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be and classified as held to maturity, which are required to be measured at amortized cost. Financial liabilities are classified either as held-for-trading, which are measured at fair value, or other liabilities, which are measured at amortized cost. All loans and receivables and all financial liabilities are recorded at amortized cost. Upon initial recognition, these instruments are recorded at fair value less any related transaction costs. Interest expense related to financial liabilities, including deferred financing costs, is recognized using the effective interest rate method.

Financial assets comprise amounts receivable. Financial liabilities comprise mortgages payable and amounts payable and accrued liabilities. For certain financial instruments, including amounts receivable, amounts payable and accrued liabilities, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages payable are determined by discounting the future contractual cash flows under current financing arrangements. The discount rates represent management's best estimate of borrowing rates presently available to the Dundee Initial Properties for loans with similar terms and maturities.

Future Changes in Accounting Policies

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standard Board confirmed that Canadian public entities will have to adopt International Accounting Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will not have a material impact on the reported cash flows of the Dundee Initial Properties; it will, however, have a material impact on the Dundee Initial Properties' balance sheet and statement of net income and comprehensive income.

NOTE 4 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the year ended December 31, 2010.

There were no property acquisitions during the year ended December 31, 2009.

(amounts in thousands of Canadian dollars)

NOTE 4 — PROPERTY ACQUISITIONS (Continued)

These property acquisitions have been accounted for using the purchase method. The earnings from the properties acquired have been included in the statement of net income and comprehensive income for the year commencing on their date of acquisition.

For the year ended December 31, 2010	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
2340 St. Laurent Boulevard, Ottawa	100	$ 11,344	$ —	April 26, 2010
275 Wellington Street East, Aurora	100	25,438	—	July 30, 2010
8000 Avenue Blaise-Pascal, Montréal	100	11,296	—	July 30, 2010
1411, 1421 and 1451 Rue Ampère, Boucherville	100	29,381	—	September 2, 2010
1313 Autoroute Chomedey, Laval	100	12,716	—	September 2, 2010
970 Fraser Drive, Burlington	100	7,090	—	October 19, 2010
30 Simmonds Drive, Dartmouth	100	1,621	—	November 22, 2010
105 Akerley Boulevard, Dartmouth	100	3,101	—	November 22, 2010
580 Industrial Road, London	100	9,693	4,780	December 30, 2010
Total		$111,680	$4,780	

(1) Includes transaction costs.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

	For the years ended December 31	
	2010	**2009**
Land	**$ 13,321**	$—
Buildings	**82,174**	—
Tenant improvements	**1,603**	—
Intangible assets	**14,596**	—
Intangible liabilities	**(14)**	—
Total purchase price	**$111,680**	$—
The consideration paid consists of:		
Cash:		
Paid during the year	**$104,088**	$—
Assumed mortgages at fair value	**4,780**	—
Assumed non-cash working capital	**2,812**	—
Total consideration	**$111,680**	$—

NOTE 5 — RENTAL PROPERTIES

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 42,307	$ —	$ 42,307	$ 28,986	$ —	$ 28,986
Buildings and improvements	190,108	(24,990)	165,118	106,344	(21,204)	85,140
Total	$232,415	$(24,990)	$207,425	$135,330	$(21,204)	$114,126

Rental properties with a net book value of $184,600 (December 31, 2009, $97,393) are pledged as security for mortgages payable.

(amounts in thousands of Canadian dollars)

NOTE 6 — LEASING COSTS

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Leasing costs	$16,883	$(6,673)	$10,210	$11,250	$(5,676)	$5,574

NOTE 7 — AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating to $342 (December 31, 2009 — $554).

	December 31, 2010	December 31, 2009
Trade receivables	**$ 410**	$ 176
Less: Provision for impairment of trade receivables	**(234)**	(102)
Trade receivables, net	**$ 176**	$ 74

The movement in the provision for impairment of trade receivables during the year was as follows:

	2010	2009
As at January 1	**$ 102**	$ 213
Provision for impairment of trade receivables	**304**	14
Receivables written off during the year as uncollectible	**(172)**	(125)
As at December 31	**$ 234**	$ 102

NOTE 8 — INTANGIBLE ASSETS AND INTANGIBLE LIABILITIES

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Intangible assets	$18,086	$(3,156)	$14,930	$ 4,281	$(2,930)	$1,351
Intangible liabilities	(1,880)	1,637	(243)	(1,866)	1,413	(453)

NOTE 9 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	December 31, 2010	December 31, 2009
Mortgages payable	**$140,331**	$90,053
Financing costs	**(686)**	(257)
Fair value adjustment on assumed debt	**287**	447
Total	**$139,932**	$90,243

Mortgages payable are secured by charges on specific rental properties.

(amounts in thousands of Canadian dollars)

NOTE 9 — MORTGAGES PAYABLE (Continued)

The aggregate principal repayment and balances maturing on the mortgages payable are as follows:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2011	$ 3,464	$ 37,697	$ 41,161	5.54%
2012	2,830	41,396	44,226	5.49%
2013	1,548	—	1,548	4.36%
2014	1,614	—	1,614	4.36%
2015	1,683	44,090	45,773	4.20%
2016 and thereafter	436	5,573	6,009	5.33%
	$11,575	$128,756	$140,331	5.05%

NOTE 10 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2010	December 31, 2009
Trade payables	**$ 350**	$ 253
Accrued liabilities and other payables	**1,654**	445
Accrued interest	**622**	470
Deposits	**1,459**	1,416
Rent received in advance	**164**	131
	$4,249	$2,715

NOTE 11 — INTEREST EXPENSE

Interest incurred and charged to net income and comprehensive income is recorded as follows:

	December 31, 2010	December 31, 2009
Interest expense incurred, at stated rate of mortgages payable	**$5,067**	$5,322
Amortization of financing costs	**128**	117
Amortization of fair value adjustment on acquired debt	**(145)**	(138)
Total	**$5,050**	$5,301

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition (“fair value adjustment”). This fair value adjustment is amortized to interest expense over the expected life of the debt using the effective interest rate method.

NOTE 12 — TRANSACTIONS WITH RELATED PARTIES

Dundee REIT has an asset management agreement (the “Asset Management Agreement”) with Dundee Realty Corporation (“DRC”) pursuant to which DRC provides certain asset management services to the Dundee Initial Properties. As at December 31, 2010, Dundee Corporation, the majority shareholder of DRC, directly and indirectly through its subsidiaries, held 976,506 Dundee REIT A Units and 3,481,733 subsidiary redeemable units (December 31, 2009 — 921,299 and 3,454,188, respectively) of Dundee REIT.

Asset Management Agreement

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

– base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties, defined as the fair value of the properties at August 23, 2007 plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;

NOTE 12 — TRANSACTIONS WITH RELATED PARTIES (Continued)

– capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;

– acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to (i) 1.0% of the purchase price of a property on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price on properties acquired in excess of $200,000; and

– financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT, to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

The Dundee Initial Properties are managed by DMLP.

Related party transactions

For the year ended December 31, 2010, the Dundee Initial Properties incurred total fees of $1,616 (December 31, 2009 — $594) under the Asset Management Agreement. Included in this amount is $690 (December 31, 2009 — $594), which is reported in general and administrative expenses; $799 (December 31, 2009 — $nil), which is reported with property acquisitions; and $127 (December 31, 2009 — $nil) in financing costs which is reported with mortgages payable.

Included in amounts receivable at December 31, 2010 is $165 related to other amounts owed from DMLP (December 31, 2009 — $203) representing an over allocation of regional and corporate cost to the Dundee Initial Properties. Included in amounts payable at December 31, 2010 is $257 related to other amounts owed to DMLP (December 31, 2009 — $78) representing an over allocation of regional and corporate costs to the Dundee Initial Properties.

NOTE 13 — SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker (determined to be the Chief Executive Officer of Dundee REIT) as one operating segment in the context of these carve-out financial statements.

NOTE 14 — CONTINGENCIES

Dundee REIT is contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time that are associated with the Dundee Initial Properties. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the carve-out financial statements of the Dundee Initial Properties.

NOTE 15 — FINANCIAL INSTRUMENTS

Risk Management

CICA Handbook Section 3862, “Financial Instruments — Disclosures”, places increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Dundee Initial Properties manages those risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the Dundee Initial Properties’ fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. In order to manage exposure to interest rate risk, Dundee Initial Properties endeavours to manage maturities of fixed rate debt, and match the nature of the debt with the cash flow characteristics of the underlying asset. The Dundee Initial Properties have no exposure to currency or other market price risk.

Dundee Initial Properties’ assets consist of industrial properties. Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. The Dundee Initial Properties mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis

Liquidity risk is the risk that the Dundee Initial Properties will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Dundee Initial Properties manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

(amounts in thousands of Canadian dollars)

NOTE 15 — FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

Amounts receivable, amounts payable and accrued liabilities are carried at amortized cost which due to their short term nature approximates fair value. Financial instruments carried at amortized cost where carrying value does not approximate fair value are described below:

	December 31, 2010		December 31, 2009	
	Total		Total	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages payable	**$140,331**	**$141,257**	$90,053	$89,990

NOTE 16 — SUPPLEMENTARY CASH FLOW INFORMATION

Change in non-cash working capital comprises:

	For the years ended December 31,	
	2010	2009
Increase in amounts receivable	**$ (102)**	$ (22)
Increase (decrease) in prepaid expenses and other assets	**(69)**	360
Decrease in amounts payable and accrued liabilities	**1,534**	689
Assumed non-cash working capital on business combination and acquisition	**(2,810)**	—
Change in non-cash working capital	**$(1,447)**	$1,027

The following amounts were paid on account of interest:

	For the years ended December 31,	
	2010	2009
Interest		
Debt	**$4,913**	$5,274

NOTE 17 — SUBSEQUENT EVENTS

On February 8, 2011, Dundee REIT acquired all of the outstanding shares of Realex Properties Corporation ("Realex"); among the Realex portfolio, six industrial properties are included in the Dundee Initial Properties. The fair value attributable to the six industrial properties amounted to $14,454.

On June 9, 2011, Dundee REIT acquired the Multivesco Industrial Portfolio; among the Multivesco Industrial Portfolio, two industrial properties are included in the Dundee Initial Properties. The fair value of the consideration attributable to the two industrial properties amounted to $3,511.

On March 2, 2012, Dundee REIT acquired Whiterock Real Estate Investment Trust ("Whiterock"); among the Whiterock portfolio, the interests of Whiterock in 20 industrial properties are included in the Dundee Initial Properties. The fair value of the consideration attributable to the 20 industrial properties amounted to $78,396.

On September 26, 2012, Dundee Industrial Real Estate Investment Trust ("Dundee Industrial REIT") entered into an underwriting agreement, whereby Dundee Industrial REIT is expected to complete an initial public offering. On closing of the transactions contemplated in the prospectus, Dundee REIT is expected to enter into an acquisition agreement to sell the Dundee Initial Properties to Dundee Industrial REIT.

Dundee Initial Properties
Interim Carve-Out Financial Statements (Unaudited)
For the Six Months Ended
June 30, 2012 and 2011

UNAUDITED INTERIM CONDENSED CARVE-OUT BALANCE SHEETS

as of June 30, 2012 and December 31, 2011
(amounts in thousands of Canadian dollars)

	Notes	June 30 2012	December 31 2011
Assets			
Non-current assets			
Investment properties	8	$553,488	$396,658
Other non-current assets	10	13,142	2,343
		566,630	399,001
Current assets			
Amounts receivable	11	986	931
Prepaid expenses		1,470	1,256
Cash		1,468	75
		3,924	2,262
Total assets		$570,554	$401,263
Liabilities			
Non-current liabilities			
Mortgages payable	12	$220,856	$148,037
Deposits		2,173	1,654
		223,029	149,691
Current liabilities			
Mortgages payable	12	51,058	46,753
Amounts payable and accrued liabilities	13	4,079	3,128
		55,137	49,881
Total liabilities		278,166	199,572
Divisional surplus		292,388	201,691
Total liabilities and divisional surplus		$570,554	$401,263

The accompanying notes form an integral part of the interim condensed carve-out financial statements

DUNDEE INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the Three and Six Months Ended June 30, 2012 and 2011
(amounts in thousands of Canadian dollars)

	Notes	For the three months ended June 30 2012	For the three months ended June 30 2011	For the six months ended June 30 2012	For the six months ended June 30 2011
Investment properties revenue		$13,187	$ 9,166	$23,997	$17,849
Investment properties operating expenses		(3,515)	(2,085)	(6,052)	(4,057)
Net rental income		9,672	7,081	17,945	13,792
Other income and expenses					
General and administrative		(462)	(429)	(958)	(749)
Fair value adjustments to investment properties	8	2,106	8,840	7,200	9,031
Amortization		(46)	—	(69)	—
Fee income		46	4	48	4
Acquisition related costs, net	6	(2)	—	(2,286)	(537)
Interest	14	(3,102)	(2,115)	(5,617)	(4,042)
Net income and comprehensive income for the period		$ 8,212	$13,381	$16,263	$17,499

The accompanying notes form an integral part of the interim condensed carve-out financial statements

DUNDEE INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Six Months Ended June 30, 2012 and 2011
(amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2012	$201,691
Net income for the period	16,263
Net contribution from Dundee REIT	74,434
Divisional surplus at June 30, 2012	$292,388
Divisional surplus at January 1, 2011	$182,339
Net income for the period	17,499
Net contribution from Dundee REIT	8,682
Divisional surplus at June 30, 2011	$208,520

The accompanying notes form an integral part of the interim condensed carve-out financial statements

DUNDEE INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF CASH FLOWS

for the Six Months Ended June 30, 2012 and 2011
(amounts in thousands of Canadian dollars)

	Notes	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Operating activities			
Net income for the period		$ 16,263	$ 17,499
Non-cash items:			
Acquisition gain	6	—	(1,104)
Fair value adjustment to investment properties	8	(7,200)	(9,031)
Amortization of lease incentives	8	323	41
Amortization		69	—
Amortization of financing costs	14	135	98
Amortization of fair value adjustments on acquired debt	14	(399)	(52)
Straight line rent adjustment		(630)	(564)
Investment in lease incentives and indirect leasing costs	8	(638)	(369)
Change in non-cash working capital	18	110	(1,414)
Cash flows from operating activities		8,033	5,104
Investing activities			
Investment in building improvements	8	(74)	(16)
Acquisition of investment properties	7	—	(3,505)
Acquisition of Whiterock (2011-Realex), net of cash acquired	6	(77,654)	(14,360)
Cash flows used in investing activities		(77,728)	(17,881)
Financing activities			
Mortgages placed, net of costs		3,259	39,599
Mortgages principal repayments		(3,155)	(2,144)
Lump sum repayments of mortgages		(3,450)	(33,074)
Contribution from Dundee REIT, net		74,434	8,682
Cash flows from financing activities		71,088	13,063
Net increase in cash		1,393	286
Cash, beginning of the period		75	—
Cash, end of the period		$ 1,468	$ 286

The accompanying notes form an integral part of the interim condensed carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These unaudited interim condensed carve-out financial statements are a combination of certain industrial investment properties that were indirectly owned by Dundee Real Estate Investment Trust ("Dundee REIT") at June 30, 2012 (the "Dundee Initial Properties") and do not represent a legal entity. The Dundee Initial Properties portfolio comprises industrial properties located in urban centres across Canada. Dundee REIT's place of business is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1.

The Dundee Initial Properties carve-out financial statements for the three and six months ended June 30, 2012, were authorized for issue by the Board of Trustees of Dundee REIT on September 26, 2012, after which date the carve-out financial statements may only be amended with board approval.

NOTE 2 — BASIS OF FINANCIAL STATEMENT PRESENTATION

Basis of presentation

The unaudited interim condensed carve-out financial statements for the three and six months ended June 30, 2012 have been prepared in accordance with International Accounting Standards ("IAS") 34 — "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed carve-out financial statements do not include all the information and disclosures required in the full set of carve-out financial statements, and should be read in conjunction with the Dundee Initial Properties' carve-out financial statements for the year ended December 31, 2011.

These unaudited interim condensed carve-out financial statements present the financial position of the Dundee Initial Properties as at June 30, 2012 and December 31, 2011, and the financial performance and cash flows of the Dundee Initial Properties from the date which Dundee REIT obtained control of the Dundee Initial Properties, had the Dundee Initial Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity (Dundee REIT). The carve-out financial statements also include the proportionate share of the assets, liabilities, revenues and expenses of joint arrangements.

All amounts except for the fair value of consideration, transaction costs, financing fees paid to Dundee Realty Corporation ("DRC") in relation to business combinations, acquisition gain, goodwill, external management contracts, purchase price of the Multivesco Industrial Portfolio, Gatineau, other corporate costs included in general and administrative expenses, actual property management costs incurred by Dundee Management Limited Partnership ("DMLP") a subsidiary of Dundee REIT and mortgages payable and related interest covering 23 properties of which 21 properties constitute Dundee Initial Properties, have been derived from records specific to the Dundee Initial Properties.

The fair value of consideration, transaction costs, financing fees paid to DRC, goodwill and external management contracts relating to the acquisition of Whiterock by Dundee REIT (see note 6) have been allocated based on net assets of the Dundee Initial Properties expected relative to total net assets of the investment properties acquired by Dundee REIT.

The acquisition gain, transaction costs and financing fees paid to DRC relating to Realex have been allocated based on net assets of the Dundee Initial Properties relative to the total net assets of the investment properties acquired by Dundee REIT.

The purchase price of the Multivesco Industrial Portfolio, Gatineau has been allocated based on the fair value of the Multivesco industrial properties relative to the total fair value of the Multivesco investment properties acquired by Dundee REIT.

Mortgages payable and related interest expense covering 23 properties, of which 21 properties constitute Dundee Initial Properties has been allocated based on lending value, on the date the mortgage payable was entered into, of the 21 industrial properties relative to the total lending value, on the date the mortgage payable was entered into, of the properties covered by the mortgage payable.

Actual property management costs incurred by DMLP, which provides property management services to the Dundee Initial Properties, have been reflected in these carve-out financial statements.

Other corporate costs, such as public company costs of Dundee REIT, have been allocated based on the net rental income of the Dundee Initial Properties relative to the total net rental income of Dundee REIT.

The Dundee Initial Properties are all indirectly owned and controlled by Dundee REIT. The properties that are wholly-owned by Dundee REIT do not maintain their own cash accounts. Divisional surplus represents the net of all capital and financing/cash transactions between the Dundee Initial Properties and Dundee REIT.

NOTE 2 — BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

These interim carve-out financial statements are not necessarily indicative of the results that would have been attained if the Dundee Initial Properties had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the Dundee Initial Properties.

NOTE 3 — ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The accounting policies selected and applied for significant transactions and events are consistent with those of the December 31, 2011 carve-out financial statements. In addition, the Dundee Initial Properties have adopted the following significant accounting policies in the period:

Goodwill

Goodwill arises on the acquisition of businesses, joint ventures and co-ownerships and represents the excess of the consideration transferred over the Dundee Initial Properties' interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

External property management contracts

External property management contracts assumed in a business combination are recorded on the carve-out balance sheet. External property management fees arise when the Dundee Initial Properties own less than 100% of an investment property, but manages the investment property and earns a property management fee from the other owner as compensation. External property management contracts are in-place so long as the property is owned by the Dundee Initial Properties. External property management contracts are amortized on a straight-line basis into comprehensive income over ten years.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Following are the critical judgments used in applying the Dundee Initial Properties' accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Dundee Initial Properties makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

Leases

Judgments are made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where Dundee Initial Properties is the lessor, are operating or finance leases. Dundee Initial Properties has determined that all of its leases are operating leases.

Impairment

The Dundee Initial Properties assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable.

Estimates and assumptions

The Dundee Initial Properties makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the carve-out financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

Fair value of consideration, transaction costs, goodwill, external management contracts, the purchase price of the Multivesco Industrial Portfolio, Gatineau, other corporate costs included in general and administrative expenses and mortgages payable and related interest covering 23 properties of which 21 properties constitute Dundee Initial Properties

Allocations, for purposes of the carve-out financial statements, of the fair value of consideration, transaction costs, goodwill, external management contracts, the purchase price of the Multivesco Industrial Portfolio, Gatineau, other corporate costs included in general and administrative expenses and mortgages payable and related interest covering 23 properties of which 21 properties constitute Dundee Initial Properties from Dundee REIT have been determined using methods as disclosed in note 2, that management considers to be reasonable given the nature of each item; a different basis of allocation could result in materially different amounts.

NOTE 5 — FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, “Financial Instruments: Classification and Measurement” (“IAS 39”). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Management is currently evaluating the impact of IFRS 9 on its carve-out financial statements. IFRS 7, “Financial Instruments — Disclosures” (“IFRS 7”), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, “Joint Arrangements” (“IFRS 11”). This new standard replaces IAS 31, “Interests in Joint Ventures”, and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. Management is currently evaluating the impact of this standard on the carve-out financial statements.

(Amounts in thousands of Canadian dollars)

NOTE 5 — FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the Dundee Initial Properties to provide disclosures related to offsetting financial assets and liabilities. Management is currently evaluating the impact of IFRS 7 on its carve-out financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities. The amendments to IAS 32 are effective from January 1, 2014.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Management is currently evaluating the impact of IFRS 10 on its carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. Management is currently evaluating the impact of IFRS 12 on the carve-out financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Dundee Initial Properties will start the application of IFRS 13 effective from January 1, 2013. Management is currently evaluating the impact on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. Management will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and is currently evaluating the impact on the carve-out financial statements as a result of its adoption.

NOTE 6 — BUSINESS COMBINATIONS

On March 2, 2012, Dundee REIT acquired Whiterock Real Estate Investment Trust ("Whiterock") for total cash consideration of $159,779 and the issuance of 12,580,347 REIT A Units for $434,777, representing total consideration of $594,556.

Among the Whiterock portfolio, the interests of Whiterock in 20 industrial properties are included in the Dundee Initial Properties. The following are the recognized amounts of identifiable assets acquired and liabilities assumed for the 20 properties included in the Dundee Initial Properties, measured at their respective fair values.

Investment properties	$ 149,241
Other non-current assets	1
Amounts receivable	233
Cash	741
Other assets	90
External management contracts	2,177
Amounts payable and accrued liabilities assumed	(1,417)
Assumed debt	(80,734)
Total identifiable net assets and liabilities	70,332
Goodwill (Note 10)	8,064
Fair value of consideration	$ 78,396

(Amounts in thousands of Canadian dollars)

NOTE 6 — BUSINESS COMBINATIONS (Continued)

The allocated acquisition related costs comprise $2,286 (period ended June 30, 2011 — $1,641 net of allocated acquisition gain of $1,104) in transaction costs.

During the three and six-months ended June 30, 2012, the Dundee Initial Properties recognized $3,609 and $4,818 of revenue, respectively and $1,591 and $2,177 of comprehensive income before fair value adjustments respectively, related to the acquisition of the interests in the 20 Whiterock properties. Had the acquisition occurred on January 1, 2012, the Dundee Initial Properties would have recognized an additional $2,368 of revenue and $941 of comprehensive income before fair value adjustments for the six months ended June 30, 2012.

NOTE 7 — PROPERTY ACQUISITIONS

Detailed below is the industrial property acquisition completed during the six months ended June 30, 2011. There were no property acquisitions completed during the six months ended June 30, 2012.

For the six months ended June 30, 2011	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
Multivesco Industrial Portfolio, Gatineau	100	$3,511	$—	June 9, 2011

(1) Includes transaction costs.

The assets acquired and liabilities assumed in this transaction were allocated as follows:

	For the six months ended June 30	
	2012	2011
Investment properties	$—	$3,511
Total purchase price	$—	$3,511
The consideration paid consists of:		
Cash:		
Paid during the year	$—	$3,505
Assumed non-cash working capital	—	6
Total consideration	$—	$3,511

NOTE 8 — INVESTMENT PROPERTIES

Reconciliation of the carrying amount for investment properties at the beginning and end of the period are set out below

	June 30, 2012	December 31, 2011
Balance at beginning of period	**$396,658**	$324,958
Additions:		
Acquisitions from business combinations	**149,241**	31,814
Property acquisitions	**—**	11,142
Building improvements	**74**	483
Lease incentives and initial direct leasing costs	**638**	1,507
Amortization of lease incentives	**(323)**	(673)
Fair value adjustments to investment properties	**7,200**	27,427
Balance at end of period	**$553,488**	$396,658

(Amounts in thousands of Canadian dollars)

NOTE 8 — INVESTMENT PROPERTIES (Continued)

Investment properties have been reduced by $2,968 (December 31, 2011 — $2,338) related to straight-line rent receivable, which has been reclassified to other non-current assets.

The key valuation metrics for all investment properties are set out below:

	June 30, 2012		December 31, 2011	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Overall:				
Capitalization rate	**6.10–9.25**	**6.97**	6.50–9.25	7.09
Discount rate	**7.25–9.75**	**8.01**	7.50–10.00	8.08
Terminal rate	**6.25–9.00**	**7.24**	6.75–9.00	7.26

Investment properties with an aggregate fair value of $nil at June 30, 2012 (December 31, 2011 — $22,830) were valued by qualified valuation professionals.

Investment properties with a fair value of $480,456 (December 31, 2011 — $246,454) are pledged as security for mortgages payable.

If the cap rate were increased by 25 basis points ("bps"), the investment properties balance would decrease by $19,900. If the cap rate were decreased by 25 bps, the investment properties balance would increase by $21,400.

NOTE 9 — JOINT ARRANGEMENTS

Co-owned properties

The Dundee Initial Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows.

		Ownership interest (%)	
Name	Location	June 30, 2012	December 31, 2011
2240 Premier Way	Edmonton, Alberta	**50.0**	50.0
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	**20.0**	—
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	**40.0**	—
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	**40.0**	—
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	**40.0**	—
1155 Autoroute Chomedey	Laval, Quebec	**40.0**	—
10001 Metropolitan Boulevard East	Montreal, Quebec	**40.0**	
310 Henderson Drive	Regina, Saskatchewan	**15.0**	—

(Amounts in thousands of Canadian dollars)

NOTE 9 — JOINT ARRANGEMENTS (Continued)

	June 30, 2012	December 31, 2011
Non-current assets		
Investment properties	**$43,489**	$2,200
Other non-current assets	**71**	—
	43,560	2,200
Current assets		
Amounts receivable	**14**	—
Prepaid expenses	**77**	1
Cash	**801**	75
	892	76
Total assets	**$44,452**	$2,276
Non-current liabilities		
Mortgages payable	**$22,083**	$1,300
Deposits	**160**	—
	22,243	1,300
Current liabilities		
Mortgages payable	**232**	—
Amounts payable and accrued liabilities	**421**	25
	653	25
Total liabilities	**$22,896**	$1,325

	For the three months ended June 30		For the six months ended June 30	
	2012	**2011**	**2012**	**2011**
Investment properties revenue	$1,045	$ 46	$1,450	$ 72
Investment properties operating expenses	(311)	(15)	(433)	(24)
Net rental income	734	31	1,017	48
General and administrative	(57)	—	(75)	—
Fair value adjustments to investment properties	(186)	75	(223)	75
Acquisition-related costs, net	—	(1)	—	(13)
Interest	(229)	(26)	(305)	(39)
Net income	$ 262	$ 79	$ 414	$ 71

NOTE 10 — OTHER NON-CURRENT ASSETS

	June 30, 2012	December 31, 2011
Deposits	**$ 6**	$ 5
Straight-line receivable	**2,968**	2,338
External management contracts (net of accumulated amortization of $71 (December 31, 2011 — $nil))	**2,104**	—
Goodwill (note 6)	**8,064**	—
Total	**$13,142**	$2,343

(Amounts in thousands of Canadian dollars)

NOTE 11 — AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating to $652 (December 31, 2011 — $269).

	June 30, 2012	December 31, 2011
Trade receivables	**$1,092**	$ 438
Less: Provision for impairment of trade receivables	**(259)**	(133)
Trade receivables, net	**833**	305
Other amounts receivable	**153**	626
	$ 986	$ 931

The movement in the provision for impairment of trade receivables during the periods ended June 30, was as follows:

	2012	2011
As at January 1	**$ 133**	$234
Provision for impairment of trade receivables	**377**	(66)
Receivables written off during the period as uncollectible	**(251)**	(17)
As at June 30	**$ 259**	$151

NOTE 12 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	June 30, 2012	December 31, 2011
Mortgages payable	**$270,196**	$195,351
Financing costs	**(1,325)**	(1,410)
Fair value adjustment on assumed debt	**3,043**	849
Total	**271,914**	194,790
Less: Current portion	**51,058**	46,753
Non-current debt	**$220,856**	$148,037

The aggregate principal repayment and balances maturing on the mortgages payable on investment properties in the next five years and thereafter are as follows:

	Principal Installment repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2012 (remainder of year)	$ 3,654	$ 41,397	$ 45,051	5.44%
2013	6,285	1,300	7,585	4.79%
2014	6,197	20,145	26,342	3.92%
2015	5,973	54,050	60,023	4.19%
2016	3,983	50,903	54,886	4.03%
2017 and thereafter	11,191	65,118	76,309	4.96%
	$37,283	$232,913	$270,196	4.57%

(Amounts in thousands of Canadian dollars)

NOTE 13 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2012	December 31, 2011
Trade payables	**$ 479**	$ 263
Accrued liabilities and other payables	**2,180**	1,817
Accrued interest	**1,131**	834
Rent received in advance	**289**	214
Total	**$4,079**	$3,128

NOTE 14 — INTEREST EXPENSE

Interest incurred and charged to comprehensive income is recorded as follows:

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	2012	2011
Interest expense incurred, at stated rate of mortgages payable	**$3,245**	$2,119	**$5,881**	$3,996
Amortization of financing costs	**65**	46	**135**	98
Amortization of fair value adjustments on acquired debt	**(208)**	(50)	**(399)**	(52)
Interest expense	**$3,102**	$2,115	**$5,617**	$4,042

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the expected life of the debt using the effective interest rate method.

NOTE 15 — TRANSACTIONS WITH RELATED PARTIES

Dundee REIT has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to the Dundee Initial Properties.

Asset Management Agreement

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties, defined as the fair value of the properties at August 23, 2007 plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to (i) 1.0% of the purchase price of a property on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price on properties acquired in excess of $200,000; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT, to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

The Dundee Initial Properties are managed by DMLP.

(Amounts in thousands of Canadian dollars)

NOTE 15 — TRANSACTIONS WITH RELATED PARTIES (Continued)

Related party transactions

For the six months ended June 30, 2012, the Dundee Initial Properties incurred total fees of $1,434 (June 30, 2011 — $644) under the Asset Management Agreement. Included in this amount is $626 (June 30, 2011 — $467), which is reported in general and administrative expenses; $770 (June 30, 2011 — $159), which is reported as an acquisition related cost; $nil (June 30, 2011 — $18), which is reported with property acquisitions; and $38 (June 30, 2011 — $nil) in financing costs which is reported with mortgage payable.

Included in amounts receivable at June 30, 2012 is $88 related to other amounts owed from DMLP (December 31, 2011 — $122) representing the over allocation of regional and corporate costs to the Dundee Initial Properties. Included in amounts payable at June 30, 2012 is $171 related to other amounts owed to DMLP (December 31, 2011 — $351) representing the under allocation of regional and corporate costs to Dundee Initial Properties.

Compensation of key management personnel is included in the fees paid under the Asset Management Agreement.

NOTE 16 — SEGMENTED INFORMATION

All the properties included in these interim carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker (determined to be the Chief Executive Officer of Dundee REIT) as one operating segment in the context of these interim carve-out financial statements.

NOTE 17 — CONTINGENCIES

Dundee REIT is contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time that are associated with the Dundee Initial Properties. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the interim carve-out financial statements of the Dundee Initial Properties.

NOTE 18 — SUPPLEMENTARY CASH FLOW INFORMATION

	For the six months ended June 30,	
	2012	**2011**
Decrease (increase) in amounts receivable	**$ 268**	$ (570)
Increase in prepaid expenses	**(214)**	(970)
Decrease in other non-current assets	**—**	2
Increase (decrease) in amounts payable and accrued liabilities	**(463)**	63
Increase in tenant deposits	**519**	61
Change in non-cash working capital	**110**	$(1,414)

The following amounts were paid on account of interest:

	For the six months ended June 30,	
	2012	**2011**
Interest		
Debt	**$5,470**	$3,901

NOTE 19 — SUBSEQUENT EVENTS

On September 26, 2012, Dundee Industrial Real Estate Investment Trust ("Dundee Industrial REIT") entered into an underwriting agreement, whereby Dundee Industrial REIT is expected to complete an initial public offering. On closing of the transactions contemplated in the prospectus, Dundee REIT is expected to enter into an acquisition agreement to sell the Dundee Initial Properties to Dundee Industrial REIT.

Whiterock Initial Properties
Carve-Out Financial Statements (IFRS)
For the Years Ended
December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Trustees of Dundee Industrial Real Estate Investment Trust:

We have audited the accompanying carve-out financial statements of Whiterock Initial Properties, which comprise the carve-out balance sheets as at December 31, 2011 and 2010, and January 1, 2010, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of Whiterock Initial Properties as at December 31, 2011 and 2010, and January 1, 2010, and its carve-out financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements.

(Signed) Scarrow & Donald LLP
Chartered Accountants

Winnipeg, Canada
September 26, 2012

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

WHITEROCK INITIAL PROPERTIES

CARVE-OUT BALANCE SHEETS

as of December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

	Notes	December 31 2011	December 31 2010	January 1 2010
Assets				
Non-current assets				
Investment properties	8	$130,863	$95,813	$75,604
Other non-current assets	10	923	677	530
		131,786	96,490	76,134
Current assets				
Amounts receivable		332	317	154
Prepaid expenses		47	114	111
Cash		645	483	108
		1,024	914	373
Total assets		$132,810	$97,404	$76,507
Liabilities				
Non-current liabilities				
Mortgages payable	11	72,295	45,605	42,046
Security deposits		409	258	143
		72,704	45,863	42,189
Current liabilities				
Mortgages payable	11	5,392	1,132	1,151
Amounts payable and accrued liabilities		1,294	1,058	660
		6,686	2,190	1,811
Total liabilities		79,390	48,053	44,000
Divisional surplus		53,420	49,351	32,507
Total liabilities and divisional surplus		$132,810	$97,404	$76,507

The accompanying notes form an integral part of the carve-out financial statements

WHITEROCK INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

for the years ended December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2011	For the year ended December 31 2010
Investment properties revenue		$12,555	$ 9,415
Investment properties operating expenses		(3,052)	(3,128)
Net rental income		9,503	6,287
Other income and expenses			
General and administrative		(505)	(279)
Fair value adjustments to investment properties	8	1,187	11,270
Interest	12	(4,389)	(2,593)
Property management income		132	97
Net income and comprehensive income for the year		$ 5,928	$14,782

The accompanying notes form an integral part of the carve-out financial statements

WHITEROCK INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the years ended December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2010	$32,507
Net income for the year	14,782
Net contribution from Whiterock REIT	2,062
Divisional surplus at December 31, 2010	49,351
Net income for the year	5,928
Net distribution to Whiterock REIT	(1,859)
Divisional surplus at December 31, 2011	$53,420

The accompanying notes form an integral part of the carve-out financial statements

WHITEROCK INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF CASH FLOWS

for the years ended December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2011	For the year ended December 31 2010
Operating activities			
Net income		$ 5,928	$ 14,782
Non-cash items:			
Amortization of lease incentives		22	—
Amortization of financing costs	12	220	67
Straight-line rent adjustment		(246)	(147)
Fair value adjustments to investment properties	8	(1,187)	(11,270)
Investment in lease incentives and initial direct leasing costs		(441)	(42)
Change in non-cash working capital	14	11	148
Cash flows from operating activities		4,307	3,538
Investing activities			
Investment in building improvements	8	(187)	(860)
Acquisition of investment properties	7	(9,797)	(3,238)
Cash flows used in investing activities		(9,984)	(4,098)
Financing activities			
Mortgages placed, net of costs of 2011 — $648 (2010 — $93)		24,659	(93)
Mortgage principal repayments		(1,574)	(1,034)
Lump sum repayment of mortgages		(15,387)	—
Contribution (distribution) to Whiterock REIT, net		(1,859)	2,062
Cash flows used in financing activities		5,839	935
Net increase in cash		162	375
Cash, beginning of the year		483	108
Cash, end of the year		$ 645	$ 483

The accompanying notes form an integral part of the carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These carve-out financial statements are a combination of the certain industrial investment properties that were owned by Whiterock Real Estate Investment Trust ("Whiterock REIT") at December 31, 2011 (the "Whiterock Initial Properties") and do not represent a legal entity. The registered office of Whiterock REIT is 401 The West Mall, Suite 1000, Toronto, Ontario, M9C 5J5. On March 2, 2012, Whiterock REIT and Dundee Real Estate Investment Trust ("Dundee REIT") completed a transaction for the acquisition by Dundee REIT of all the issued and outstanding units of Whiterock REIT for a combination of cash and units (note 17).

The Whiterock Initial Properties, together with their related assets and liabilities, are to be acquired Dundee Industrial Real Estate Investment Trust (the "REIT") upon completion of an initial public offering of units by the REIT. These carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 "Acceptable Accounting Principles and Auditing Standards" for carve-out financial statements.

These carve-out financial statements have been approved for issue by the Board of Trustees of Dundee REIT on September 26, 2012.

NOTE 2 — BASIS OF FINANCIAL STATEMENTS PRESENTATION

Statement of Compliance

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These are the Whiterock Initial Properties' first annual carve-out financial statements prepared in accordance with IFRS and IFRS 1, "First-time Adoption of International Financial Reporting Standards ("IFRS 1") (note 5).

Basis of Presentation

These carve-out financial statements present the financial position of the Whiterock Initial Properties as at December 31, 2011, December 31, 2010 and January 1, 2010 and the financial performance and cash flows of the Whiterock Initial Properties for the years ended December 31, 2011 and December 31, 2010, had the Whiterock Initial Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity (Whiterock REIT).

All amounts except for other corporate costs included in general and administrative expenses, have been derived from records specific to the Whiterock Initial Properties expected to be transferred to the REIT.

Other corporate costs, such as public company costs of Whiterock REIT, have been allocated based on the net rental income of the Whiterock Initial Properties relative to the total net rental income of Whiterock REIT.

Property management fees paid to Whiterock REIT are eliminated from investment property operating expenses to the extent of Whiterock REIT's interest in co-owned properties.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Whiterock Initial Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the Whiterock Initial Properties.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these carve-out statements are described below:

Investment properties

Property that is held to provide rental revenue or capital appreciation, or both is classified as investment property. Investment properties are initially recorded at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value at each reporting date.

The fair value of investment property reflects, among other things, rental revenue from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects future operating cash flows that could be expected in respect of the property. Fair value is determined based on available market evidence at the reporting date. Management uses the income approach and external valuations to determine fair value. Under the income approach, the fair value is estimated using the overall capitalization rate method whereby net operating income is capitalized at an overall capitalization rate. External valuations are performed as of the reporting date by professional valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The fair value of investment property is

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

sensitive to changes in capitalization rates. Fair value adjustments are recorded in the carve-out statement of income and comprehensive income in the period in which they arise.

Initial direct leasing costs from negotiating and arranging tenant leases are added to the carrying amount of investment properties. Expenditures with a future economic benefit, including tenant improvements, are added to the carrying amount of investment properties. Repairs and maintenance expenditures are expensed when incurred.

Divisional surplus

The Whiterock Initial Properties are held by a number of related entities that are managed by Whiterock REIT. The properties that are wholly-owned by Whiterock REIT do not maintain their own cash accounts. Divisional surplus represents the net of all capital and cash transactions between the Whiterock Initial Properties and Whiterock REIT.

Revenue recognition

Tenant leases are accounted for as operating leases given that the lessor has retained substantially all of the risks and benefits of ownership of its investment property. Revenues from investment property includes base rents, recoveries of operating expenses including property taxes, lease termination fees, parking revenue and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Property management income is recognized on an accrual basis according to the contract as the services are provided and the collectability is reasonably assured. Other revenues are recorded as earned.

Joint arrangements

The interests in the Whiterock Initial Properties held in co-ownerships are reported using proportionate consolidation. The proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships are recognized in the respective lines in the carve-out financial statements.

Cash

Cash includes all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. Security deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

The following summarizes the classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Straight-line rent receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages payable	Other liabilities	Amortized cost
Security deposits	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and subsequently are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the carve-out statements of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when management determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the carve-out statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all risks and rewards of ownership are transferred.

Financial liabilities

Financial liabilities are classified on initial recognition as either fair value through profit or loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (less directly attributable transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income over the expected life of the debt. Financial liabilities that are classified as fair value through profit or loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value being recognized in net income.

Mortgages are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages and term debt are recognized at amortized cost.

Interest on debt

Interest on debt includes interest and amortization of finance costs incurred in connection with the arrangement of borrowings. Finance costs include legal and other costs in connection with the arrangement of borrowings.

Income taxes

Whiterock REIT was a mutual fund trust and a real estate investment trust pursuant to the *Income Tax Act* (Canada). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. Accordingly, no current or deferred income taxes have been recorded in the carve-out financial statements.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparing the carve-out financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Critical accounting judgments

Following are the critical judgments used in applying the accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

Management makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment properties.

Leases

In applying the revenue recognition policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which impacts whether or not such amounts are treated as additions to the investment properties.

Judgments are also made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases are operating or finance leases. Management has determined that all of its leases are operating leases.

Impairment

Management assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable.

Estimates and assumptions

The Whiterock Initial Properties makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the carve-out financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

NOTE 5 — TRANSITION TO IFRS

Whiterock REIT adopted IFRS effective from January 1, 2010 (the "transition date"), and the opening IFRS carve-out balance sheet had been prepared as at that date. Prior to the adoption of IFRS, the consolidated financial statements of Whiterock REIT were prepared in accordance with Canadian generally accepted accounting principles in effect at that time ("previous GAAP").

(Amounts in thousands of Canadian dollars)

NOTE 5 — TRANSITION TO IFRS (Continued)

Elected exemptions from full retrospective application

In preparing these carve-out financial statements in accordance with IFRS 1, certain of the optional exemptions from full retrospective application of IFRS have been applied. The elected exemptions adopted are described below.

Business combinations

The business combinations exemption in IFRS 1 has been applied to avoid retrospective application of IFRS 3 to past business combinations completed prior to January 1, 2010.

Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the REIT under previous GAAP are consistent with their application under IFRS.

Reconciliation of amounts reported under previous GAAP to IFRS

The following is a reconciliation of divisional surplus reported in accordance with previous GAAP to divisional surplus in accordance with IFRS at January 1, 2010:

	Note	Divisional Surplus
Previous GAAP — December 31, 2009		$22,406
Differences increasing reported amount:		
Investment properties	(i)	10,101
Under IFRS — January 1, 2010		$32,507

The following is a reconciliation of divisional surplus reported in accordance with previous GAAP to divisional surplus in accordance with IFRS at December 31, 2010:

	Note	Divisional Surplus
Previous GAAP — December 31, 2010		$25,764
Differences increasing reported amount:		
Investment properties	(i)	23,587
Under IFRS — December 31, 2010		$49,351

The following is a reconciliation of net income and comprehensive income reported in accordance with previous GAAP to comprehensive income in accordance with IFRS for the year ended December 31, 2010:

	Note	For the year ended December 31, 2010
Net income and comprehensive income under previous GAAP		$ 1,296
Differences increasing reported amount:		
investment properties	(i)	13,486
Under IFRS		$14,782

Notes to the reconciliations

(i) Investment properties

Under previous GAAP, rental properties were recorded at cost and depreciated over their estimated lives. Under IAS 40, "Investment Property" ("IAS 40"), management elected to measure investment properties at fair value and record changes in fair value in net income during the period of change. In addition, under previous GAAP, intangible assets and liabilities were recognized on the acquisition of rental properties, which is not required when applying the fair value model under IFRS as the values of the intangible

NOTE 5 — TRANSITION TO IFRS (Continued)

assets and liabilities are considered in determining the fair value of the investment properties. Accordingly, on the date of transition, all intangible assets and intangible liabilities, net of accumulated amortization were derecognized by reclassifying them to investment properties. Similarly, deferred costs net of accumulated amortization, which were recorded separately under previous GAAP, have been included in the carrying balance of investment properties. The effect increases the carrying amount of investment properties by $10,101 at the date of transition and $23,587 at December 31, 2010, with a corresponding adjustment to divisional surplus, which represents the cumulative unrealized gain in respect of the investment properties. The effect on net income for 2010 is an increase to "fair value adjustments to investment properties" under IFRS and the removal of amortization related to rental properties. "Rental properties" as described under previous GAAP are described as "investment properties" under IFRS.

NOTE 6 — FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Whiterock Initial Properties is currently evaluating the impact of IFRS 9 on its carve-out financial statements. IFRS 7, "Financial Instruments — Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Whiterock Initial Properties is currently evaluating the impact of this standard on the carve-out financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the Whiterock Initial Properties to provide disclosures related to offsetting financial assets and liabilities. The Whiterock Initial Properties is currently evaluating the impact of IFRS 7 on its carve-out financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Whiterock Initial Properties is currently evaluating the impact of IFRS 10 on its carve-out financial statements.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The Whiterock Initial Properties is currently evaluating the impact of IFRS 12 on the carve-out financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Whiterock Initial Properties will start the application of IFRS 13 effective from January 1, 2013. The Whiterock Initial Properties is currently evaluating the impact on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The Whiterock Initial Properties will start the application of

(Amounts in thousands of Canadian dollars)

NOTE 6 — FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

this amendment in the carve-out financial statements effective from January 1, 2013, and is currently evaluating the impact on the carve-out financial statements as a result of its adoption.

NOTE 7 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the years ended December 31, 2011, and December 31, 2010.

For the year ended December 31, 2011	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
1155 Autoroute Chomedey, Laval	**40**	**$ 4,974**	**$ 3,332**	**Jan 26, 2011**
1125 50th Avenue, Montreal	**100**	**16,877**	**11,000**	**Jan 26, 2011**
10001 Metropolitan Boulevard East, Montreal	**40**	**11,406**	**8,700**	**Jan 26, 2011**
Total		**$33,257**	**$23,032**	

(1) Includes transaction costs.

For the year ended December 31, 2010	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
651 Henderson Drive, Regina (Henderson Business Centre)	40	$3,951	$1,978	April 12, 2010
310 Hoffer Drive, Regina (McDonald Business Centre)	40	1,662	920	April 12, 2010
402 McDonald Street, Regina (Imperial Business Centre)	40	2,424	1,702	April 12, 2010
Total		$8,037	$4,600	

(1) Includes transaction costs.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

For the years ended December 31	2011	2010
Investment properties	**$33,257**	$8,037
Total purchase price	**33,257**	8,037
The consideration paid consists of:		
Cash paid	**9,797**	3,238
Assumed mortgages at fair value	**23,032**	4,600
Assumed non-cash working capital	**428**	199
Total consideration	**$33,257**	$8,037

(Amounts in thousands of Canadian dollars)

NOTE 8 — INVESTMENT PROPERTIES

Reconciliation of the carrying amount for investment properties at the beginning and end of the current and prior year are set out below:

	For the year ended December 31, 2011	For the year ended December 31, 2010
Balance at beginning of period	**$ 95,813**	$75,604
Additions:		
Property acquisitions	**33,257**	8,037
Building improvements	**187**	860
Lease incentives and initial direct leasing costs	**441**	42
Amortization of lease incentives	**(22)**	—
Fair value adjustments to investment properties	**1,187**	11,270
Balance at end of period	**$130,863**	$95,813

As at January 1, 2010, December 31, 2010 and December 31, 2011 management conducted an internal valuation of investment properties on an individual basis, with no portfolio effect considered, to determine the fair value of investment properties. Since January 1, 2010, external appraisals have been used to support the internal valuations conducted by management. On an annual basis, the percentages of the total fair value of investment properties that have been externally appraised are approximately 8% at January 1, 2010, 51% at December 31, 2010, and 28% at December 31, 2011.

The key valuation metrics for all investment properties are set out below:

December 31, 2011		December 31, 2010		January 1, 2010	
Capitalization rate Range (%)	Weighted average (%)	Capitalization rate Range (%)	Weighted average (%)	Capitalization rate Range (%)	Weighted average (%)
6.31–8.20	**7.27**	6.90–8.50	7.51	7.70–9.05	8.19

NOTE 9 — JOINT ARRANGEMENTS

Co-owned properties

The Whiterock Initial Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows.

		Ownership interest (%)		
Name	Location	December 31, 2011	December 31, 2010	January 1, 2010
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	**20.0**	20.0	20.0
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	**40.0**	40.0	—
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	**40.0**	40.0	—
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	**40.0**	40.0	—
1155 Autoroute Chomedey	Laval, Quebec	**40.0**	—	—
10001 Metropolitan Boulevard East	Montreal, Quebec	**40.0**	—	—
310 Henderson Drive	Regina, Saskatchewan	**15.0**	15.0	15.0

(Amounts in thousands of Canadian dollars)

NOTE 9 — JOINT ARRANGEMENTS (Continued)

The following amounts represent the proportion of assets, liabilities, revenues and expenses of the properties which are accounted for on a proportionate consolidated basis.

	December 31, 2011	December 31, 2010	January 1, 2010
Non-current assets			
Investment properties	**$36,140**	$17,035	$8,540
Other non-current assets	**266**	84	15
	36,406	17,119	8,555
Current assets			
Amounts receivable	**146**	73	5
Prepaid expenses	**4**	5	6
Cash	**665**	609	86
	815	687	97
Total assets	**$37,221**	$17,806	$8,652
Non-current liabilities			
Mortgages payable	**$19,852**	$ 9,648	$5,258
Security deposits	**156**	49	4
	20,008	9,697	5,262
Current liabilities			
Mortgages payable	**456**	108	103
Amounts payable and accrued liabilities	**715**	708	120
	1,171	816	223
Total liabilities	**$21,179**	$10,513	$5,485

	For the years ended December 31, 2011	2010
Investment properties revenue	**$ 3,323**	$1,706
Investment properties operating expenses	**(726)**	(559)
Net rental income	**2,597**	1,147
Fair value adjustments to investment properties	**2,740**	1,594
Interest	**(1,086)**	(485)
Net income	**$ 4,251**	$2,256

NOTE 10 — OTHER NON-CURRENT ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Straight-line rent receivable	**$923**	$677	$530

(Amounts in thousands of Canadian dollars)

NOTE 11 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Mortgages payable	**$78,457**	$47,079	$43,513
Financing costs	**(770)**	(342)	(316)
Total	**77,687**	46,737	43,197
Less: Current portion	**5,392**	1,132	1,151
Non-current debt	**$72,295**	$45,605	$42,046

The aggregate principal repayment and balances maturing on the mortgages payable on investment properties in the next five years and thereafter are as follows:

	Principal Installment repayment	Balance Maturing	Total	Weighted Average Contractual interest Rate
2012	$ 1,949	$ 3,443	$ 5,392	5.75%
2013	1,999	—	1,999	5.05%
2014	1,821	15,151	16,972	4.81%
2015	344	7,114	7,458	4.91%
2016	2,488	37,802	40,290	5.12%
2017 and thereafter	3,424	2,922	6,346	5.93%
	$12,025	$66,432	$78,457	5.14%

As at December 31, 2011, mortgages had a weighted average annual interest rate of 5.14% (December 31, 2010 — 5.49%, January 1, 2010 — 5.58%)

NOTE 12 — INTEREST EXPENSE

Interest on debt incurred and charged to net income and comprehensive income is recorded as follows:

	For the years ended December 31, 2011	2010
Interest expense incurred	**$4,185**	$2,527
Amortization of financing costs	**220**	67
Interest income	**(16)**	(1)
Interest expense	**$4,389**	$2,593

NOTE 13 — SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker as one operating segment.

(Amounts in thousands of Canadian dollars)

NOTE 14 — SUPPLEMENTARY CASH FLOW INFORMATION

	For the years ended December 31,	
	2011	**2010**
Change in amounts receivable	**$ (15)**	$(163)
Change in prepaid expenses	**67**	(3)
Change in security deposits	**151**	115
Change in amounts payable and accrued liabilities	**236**	398
Assumed non-cash working capital on acquisitions	**(428)**	(199)
Change in non-cash working capital	**$ 11**	$ 148

	For the years ended December 31,	
	2011	**2010**
Interest paid	**$4,297**	$2,499

NOTE 15 — FINANCIAL INSTRUMENTS

Risk Management

The Whiterock Initial Properties is exposed to market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. In order to manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. Management mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions. Amounts receivable are net of an allowance for doubtful accounts of $nil as at December 31, 2011, $nil as at December 31, 2010 and $nil as at January 1, 2010. Approximately $34 (December 31, 2010 — $2 and January 1, 2010 — $9) of uncollected trade amounts receivable were three months past due at December 31, 2011, but not considered impaired.

Liquidity risk is the risk that the Whiterock Initial Properties will encounter difficulty in meeting obligations associated with the maturity of financial obligations. Maturities of the fixed rate debts are managed, and the repayment dates are monitored to ensure sufficient capital will be available to cover obligations.

Fair value of financial instruments

Amounts receivable, cash and amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value.

Financial instruments carried at amortized cost where carrying value does not approximate fair value are illustrated below:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Total		Total		Total	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Mortgages	**$77,687**	**$81,078**	$46,737	$48,031	$43,197	$43,825

(Amounts in thousands of Canadian dollars)

NOTE 16 — BASE RENT

Future minimum base rent payments to the Whiterock Initial Properties by tenants are as follows:

	Operating leases
2012	$ 16,209
2013	16,134
2014	15,719
2015	15,022
2016	11,512
Thereafter	59,602
	$134,198

NOTE 17 — SUBSEQUENT EVENTS

On January 17, 2012, Whiterock REIT and Dundee REIT jointly announced that they entered into a definitive transaction agreement (the "Transaction") for the acquisition by Dundee REIT of all of the issued and outstanding units of Whiterock REIT for a combination of cash and Dundee REIT units. The Transaction was approved by 98.8% of Whiterock REIT unitholders voting at a special meeting of Whiterock REIT unitholders on February 27, 2012. The details of the Transaction were described in the Dundee REIT take-over bid circular, the Whiterock REIT trustee's circular, and the Whiterock REIT information circular, all dated January 26, 2012. The Transaction was completed on March 2, 2012. Whiterock REIT was delisted from the Toronto Stock Exchange on March 6, 2012.

On July 20, 2012, the REIT, an open-ended real estate investment trust, was created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $155,000 through the issuance of 15,500,000 Units at $10.00 per Unit pursuant to an initial public offering (the "Offering") (excluding any over-allotment option).

The closing of the transactions contemplated by the prospectus relating to the offering are scheduled to occur no later than October 15, 2012.

Whiterock Initial Properties
Carve-Out Financial Statements (GAAP)
For the Years Ended December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

To the Trustees of Dundee Industrial Real Estate Investment Trust:

We have audited the accompanying carve-out financial statements of Whiterock Initial Properties, which comprise the carve-out balance sheets as at December 31, 2010 and 2009 and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of Whiterock Initial Properties as at December 31, 2010 and 2009, and the carve-out results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Scarrow & Donald LLP
Chartered Accountants

Winnipeg, Canada
September 26, 2012

WHITEROCK INITIAL PROPERTIES

CARVE-OUT BALANCE SHEETS

as of December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

	Notes	December 31 2010	December 31 2009
Assets			
Rental properties	5	$69,591	$63,046
Leasing costs	6	394	112
Amounts receivable		317	154
Prepaid expenses and other assets		791	641
Intangible assets	7	3,769	3,335
Cash		483	108
Total assets		$75,345	$67,396
Liabilities			
Mortgages payable	9	$46,737	$43,197
Amounts payable and accrued liabilities	10	1,316	803
Intangible liabilities	7	1,528	990
Total liabilities		49,581	44,990
Divisional surplus		25,764	22,406
Total liabilities and divisional surplus		$75,345	$67,396

The accompanying notes form an integral part of the carve-out financial statements

WHITEROCK INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

for the Years Ended December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2010	For the year ended December 31 2009
Rental properties revenue		$ 9,593	$ 7,979
Rental properties operating expenses		(3,128)	(2,603)
Net rental income		**6,465**	5,376
Other income and expenses			
General and administrative		(279)	(254)
Interest	11	(2,593)	(2,455)
Depreciation of rental properties		(1,492)	(1,266)
Amortization of leasing costs, tenant improvements and intangible assets		(902)	(1,741)
Property management income		97	21
Net income and comprehensive income		**$ 1,296**	$ (319)

The accompanying notes form an integral part of the carve-out financial statements

WHITEROCK INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Years Ended December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2009	$17,670
Net income for the year	(319)
Net contribution from Whiterock REIT	5,055
Divisional surplus at December 31, 2009	22,406
Net income for the year	1,296
Net contribution from Whiterock REIT	2,062
Divisional surplus at December 31, 2010	$25,764

The accompanying notes form an integral part of the carve-out financial statements

WHITEROCK INITIAL PROPERTIES

CARVE-OUT STATEMENTS OF CASH FLOWS

for the Years Ended December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2010	For the year ended December 31 2009
Operating activities			
Net income for the year		$ 1,296	$ (319)
Non-cash items:			
Depreciation of rental properties		1,492	1,266
Amortization of leasing costs, tenant improvements and intangibles		902	1,741
Amortization of financing costs	11	67	47
Amortization of market rent adjustment on acquired leases		(178)	(138)
Straight-line rent adjustment		(147)	(83)
Investment in initial direct leasing costs		(42)	(30)
Change in non-cash working capital	14	148	25
Cash flows from operating activities		3,538	2,509
Investing activities			
Investment in building improvements		(860)	(517)
Acquisition of rental properties	4	(3,238)	(1,868)
Cash flows used in investing activities		(4,098)	(2,385)
Financing activities			
Mortgages payable placed, net of costs		(93)	(25)
Mortgages payable principal repayment		(1,034)	(5,061)
Lump sum repayment of mortgages		—	—
Contribution from Whiterock REIT, net		2,062	5,055
Cash flows from (used in) financing activities		935	(31)
Net increase in cash		375	93
Cash, beginning of the year		108	15
Cash, end of the year		$ 483	$ 108

The accompanying notes form an integral part of the carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These carve-out financial statements are a combination of certain industrial rental properties that were owned by Whiterock Real Estate Investment Trust ("Whiterock REIT") at December 31, 2010 (the "Whiterock Initial Properties") and do not represent a legal entity. On March 2, 2012, Whiterock REIT and Dundee Real Estate Investment Trust ("Dundee REIT") completed a transaction for the acquisition by Dundee REIT of all the issued and outstanding units of Whiterock REIT for a combination of cash and units (note 15).

The Whiterock Initial Properties, together with their related assets and liabilities, are to be acquired Dundee Industrial Real Estate Investment Trust (the "REIT") upon completion of an initial public offering of units by the REIT.

NOTE 2 — BASIS OF FINANCIAL STATEMENTS PRESENTATION

Basis of Accounting

The carve-out financial statements of the Whiterock Initial Properties have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions that affect the recorded amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the carve-out financial statements as well as the reported amounts of revenues and expenses during the period. Significant estimates and assumption include impairment of amounts receivable, estimates of useful lives of rental properties, impairment of long-lived assets, impairment of intangible assets and liabilities, the purchase price and allocations used in the preparation of the carve-out financial statements. Actual results could differ from those estimates.

Basis of presentation

These carve-out financial statements present the financial position of the Whiterock Initial Properties as at December 31, 2010 and December 31, 2009 and the results of operations and cash flows of the Whiterock Initial Properties for the years ended December 31, 2010 and December 31, 2009, had the Whiterock Initial Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity (Whiterock REIT).

All amounts except for other corporate costs included in general and administrative expenses, have been derived from records specific to the Whiterock Initial Properties expected to be transferred to the REIT.

Other corporate costs, such as public company costs of Whiterock REIT, have been allocated based on the net rental income of the Whiterock Initial Properties relative to the total net rental income of Whiterock REIT.

Property management fees paid to Whiterock REIT are eliminated from investment property operating expenses to the extent of Whiterock REIT's interest in co-owned properties.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Whiterock Initial Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the Whiterock Initial Properties.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these carve-out statements are described below:

Revenue recognition

The Whiterock Initial Properties have retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, lease cancellation fees, parking revenue and incidental income. The Whiterock Initial Properties use the straight-line method of rental revenue recognition, whereby the total of cash rents due over the initial term of a lease are recognized in income evenly over that term. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in prepaid expense and other assets. Recoveries from tenants are recognized as revenues in the year in which the corresponding costs are incurred. Property management income is recognized on an accrual basis according to the contract as the services are provided and the collectability is reasonably assured. Other revenues are recorded as earned. The Initial Properties provides an allowance for doubtful accounts against

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that portion of amounts receivable that is estimated to be uncollectible. Such allowances are reviewed periodically based on the recovery experience and the creditworthiness of the debtor.

Co-ownerships

The Whiterock Initial Properties carries on certain of its activities through co-ownerships, and records its proportionate share of the respective assets, liabilities, revenues and expenses of those ventures.

Rental properties

Rental properties are stated at historical cost less accumulated depreciation and impairment charges, if any. The Whiterock Initial Properties uses the straight-line method of depreciation for rental properties, building improvements, initial leasing costs and major expansions and renovations. The estimated useful lives of the properties do not exceed 45 years. Furniture and equipment are depreciated on a straight-line basis over their estimated useful lives of five years. Building improvements are depreciated over their estimated useful lives, which do not exceed 45 years depending on the type of improvement.

Purchase price allocations

As a result of revised Canadian Institute of Chartered Accountants (“CICA”) accounting and disclosure standards for acquisitions initiated on or after September 12, 2003, the purchase price of a rental property is allocated, based on estimated fair values, to land, building, deferred leasing costs acquired, lease origination costs associated with in-place leases, the value of above- and below-market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any. The fair value of buildings is determined using the depreciated replacement cost approach.

Intangible assets and liabilities

Intangible assets and liabilities include value of above- and below-market leases, in-place leases, lease origination costs and tenant relationships. Intangible assets and liabilities are stated at acquisition cost less accumulated amortization and impairment charges, if any.

The values of above- and below-market leases are amortized on a straight-line basis to rental properties revenue over the remaining term of the associated leases. The value associated with in-place leases is amortized on a straight-line basis over the remaining term of the lease. The value of tenant relationships is amortized on a straight-line basis over the remaining term of the lease. Lease origination costs are amortized on a straight-line basis over the term of the applicable lease. In the event that a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangibles is expensed.

Impairment of long-lived assets

The Whiterock Initial Properties uses a two-step process for determining when an impairment of rental properties and intangible assets should be recognized in the carve-out financial statements. If events or circumstances indicate that the carrying value of a property may be impaired, a recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from property operations and the property’s projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property is written down to its estimated fair value and an impairment loss is recognized in the carve-out statement of net income and comprehensive income.

Leasing costs and tenant improvements

Certain leasing costs and tenant improvements are included on the carve-out balance sheet of the Whiterock Initial Properties:

- leasing costs include leasing fees and costs, except for initial leasing costs that are included in rental properties, and leasing costs acquired. These leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- tenant inducements, which are payments for which the tenant has no obligation to make leasehold improvements to the leased space and that are amortized against rental properties revenue on a straight-line basis over the term of the applicable lease; and
- tenant improvements, which include costs incurred to make leasehold improvements to tenants’ space and that are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of amounts receivable

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the carve-out statements of net income and comprehensive income within operating expenses. Bad debt write-offs occur when the Whiterock Initial Properties determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the carve-out statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

Income taxes

Whiterock REIT is taxed as a mutual fund trust for Canadian income tax purposes, and intends to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholders, no provision for income taxes is required on such amounts. In addition, as Whiterock REIT intends to continue to distribute its taxable income and to qualify as a real estate investment trust for the foreseeable future, it does not recognize future income taxes. Accordingly, these carve-out financial statements do not reflect any income tax provision or future income tax.

Financial instruments

The Whiterock Initial Properties follows CICA accounting standards for financial instruments comprising Section 3855, "Financial Instruments — Recognition and Measurement". The standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be and classified as held to maturity, which are required to be measured at amortized cost. Financial liabilities are classified either as held-for-trading, which are measured at fair value, or other liabilities, which are measured at amortized cost. Amounts receivable, cash and all financial liabilities are recorded at amortized cost. Upon initial recognition, these instruments are recorded at fair value less any related transaction costs. Interest expense related to financial liabilities, including deferred financing costs, is recognized using the effective interest rate method.

Financial assets comprise amounts receivable and cash. Financial liabilities comprise mortgages payable and amounts payable and accrued liabilities. For certain financial instruments, including amounts receivable, cash and amounts payable and accrued liabilities, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages payable are determined by discounting the future contractual cash flows under current financing arrangements. The discount rates represent management's best estimate of borrowing rates presently available to the Whiterock Initial Properties for loans with similar terms and maturities.

Divisional Surplus

The Whiterock Initial Properties are held by a number of related entities that are managed by Whiterock REIT. The properties that are wholly-owned by Whiterock REIT do not maintain their own cash accounts. Divisional surplus represents the net of all capital and cash transactions between the Whiterock Initial Properties and Whiterock REIT.

Future Changes in Accounting Policies

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standard Board confirmed that Canadian public entities will have to adopt International Accounting Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will not have a material impact on the reported cash flows of the Whiterock Initial Properties; it will, however, have a material impact on the Whiterock Initial Properties' balance sheet and statement of net income and comprehensive income.

(Amounts in thousands of Canadian dollars)

NOTE 4 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the years ended December 31, 2010 and December 31, 2009.

These property acquisitions have been accounted for using the purchase method. The earnings from the properties acquired have been included in the statement of net income and comprehensive income for the year commencing on their date of acquisition.

For the year ended December 31, 2010	Interest acquired (%)	Purchase price[(1)]	Fair value of mortgage assumed	Date acquired
651 Henderson Drive, Regina (Henderson Business Centre)	**40**	**$3,951**	**$1,978**	**April 12, 2010**
310 Hoffer Drive, Regina (McDonald Business Centre)	**40**	**1,662**	**920**	**April 12, 2010**
402 McDonald Street, Regina (Imperial Business Centre)	**40**	**2,424**	**1,702**	**April 12, 2010**
Total		**$8,037**	**$4,600**	

(1) Includes transaction costs.

For the year ended December 31, 2009	Interest acquired (%)	Purchase price[(1)]	Fair value of mortgage assumed	Date acquired
1900 Dickson Street, Montreal (Molson Distribution Centre)	20	$5,578	$3,651	December 18, 2009

(1) Includes transaction costs.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

	For the years ended December 31	
	2010	**2009**
Land	**$1,298**	$1,189
Buildings	**6,688**	3,531
Tenant improvements	**22**	130
Intangible assets	**29**	728
Total purchase price	**$8,037**	$5,578
The consideration paid consists of:		
Cash:		
Paid during the year	**3,238**	$1,868
Assumed mortgages at fair value	**4,600**	3,651
Assumed non-cash working capital	**199**	59
Total consideration	**$8,037**	$5,578

NOTE 5 — RENTAL PROPERTIES

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	**$12,933**	**$ —**	**$12,933**	$11,634	$ —	$11,634
Buildings and improvements	**62,426**	**(5,768)**	**56,658**	55,688	(4,276)	51,412
Total	**$75,359**	**$(5,768)**	**$69,591**	$67,322	$(4,276)	$63,046

(Amounts in thousands of Canadian dollars)

NOTE 6 — LEASING COSTS

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Leasing costs	**$553**	**$(159)**	**$394**	$201	$(89)	$112

NOTE 7 — INTANGIBLE ASSETS AND INTANGIBLE LIABILITIES

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Intangible assets	**$ 5,775**	**$(2,006)**	**$ 3,769**	$ 4,720	$(1,385)	$3,335
Intangible liabilities	**(2,318)**	**790**	**(1,528)**	(1,585)	595	(990)

NOTE 8 — CO-OWNERSHIPS

Co-owned properties

The Whiterock Initial Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows:

		Ownership interest (%)	
Name	Location	December 31, 2010	December 31, 2009
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	**20.0**	20.0
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	**40.0**	—
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	**40.0**	—
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	**40.0**	—
310 Henderson Drive	Regina, Saskatchewan	**15.0**	15.0

The following amounts represent the proportion of assets, liabilities, revenues and expenses of the properties which are accounted for on a proportionate consolidated basis.

	December 31, 2010	December 31, 2009
Rental properties	**$14,808**	$7,892
Leasing costs	**318**	1,027
Amounts receivable	**73**	5
Prepaid expenses and other assets	**89**	21
Intangible assets	**1,737**	53
Cash	**609**	86
Total assets	**$17,634**	$9,084
Non-current liabilities		
Mortgages payable	**9,756**	5,361
Security deposits	**49**	4
Amounts payable and accrued liabilities	**708**	120
Intangible liabilities	**740**	88
Total liabilities	**$11,253**	$5,573

(Amounts in thousands of Canadian dollars)

NOTE 8 — CO-OWNERSHIPS (Continued)

	For the years ended December 31,	
	2010	**2009**
Rental properties revenue	**$1,769**	$244
Rental properties operating expenses	**(559)**	(89)
Net rental income	**1,210**	155
Interest	**(485)**	(61)
Depreciation of rental properties	**(256)**	(30)
Amortization of leasing cost, tenant improvements and intangible assets	**(274)**	(17)
Net income	**$ 195**	$ 47

NOTE 9 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	December 31, 2010	December 31, 2009
Mortgages payable	**$47,079**	$43,513
Financing costs	**(342)**	(316)
Total	**$46,737**	$43,197

Mortgages payable are secured by charges on specific rental properties.

The aggregate principal repayment and balances maturing on the mortgages payable are as follow:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2011	$1,132	$ —	$ 1,132	5.54%
2012	1,136	9,921	11,057	5.88%
2013	988	—	988	5.36%
2014	1,024	4,888	5,912	5.72%
2015	886	5,767	6,653	4.91%
2016 and thereafter	694	20,643	21,337	5.43%
	5,860	41,219	47,079	5.49%

As at December 31, 2010, mortgages had a weighted average annual interest rate of 5.49% (December 31, 2009 — 5.58%)

NOTE 10 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2010	December 31, 2009
Accrued interest	**185**	171
Security deposits	**258**	143
Other accounts payable and accrued liabilities	**873**	489
	$1,316	$803

(Amounts in thousands of Canadian dollars)

NOTE 11 — INTEREST EXPENSE

Interest incurred and charged to net income and comprehensive income is recorded as follows:

	December 31, 2010	December 31, 2009
Interest expense incurred, at stated rate of mortgages payable	**$2,527**	$2,408
Amortization of financing costs	**67**	47
Interest income	**(1)**	—
Total	**$2,593**	$2,455

NOTE 12 — SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker as one operating segment.

NOTE 13 — FINANCIAL INSTRUMENTS

Risk Management

CICA Handbook Section 3862, "Financial Instruments — Disclosures", places increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Whiterock Initial Properties manages those risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the Whiterock Initial Properties' fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. In order to manage exposure to interest rate risk, Whiterock Initial Properties endeavours to manage maturities of fixed rate debt, and match the nature of the debt with the cash flow characteristics of the underlying asset. The Whiterock Initial Properties have no exposure to currency or other market price risk.

Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. The Whiterock Initial Properties mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash, deposits carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the Whiterock Initial Properties will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Whiterock Initial Properties manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

Fair value of financial instruments

Amounts receivable, amounts payable and accrued liabilities are carried at amortized cost which due to their short term nature approximates fair value. Financial instruments carried at amortized cost where carrying value does not approximate fair value are described below:

	December 31, 2010		December 31, 2009	
	Total		Total	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages payable	**$46,737**	**$48,031**	$43,197	$43,825

(Amounts in thousands of Canadian dollars)

NOTE 14 — SUPPLEMENTARY CASH FLOW INFORMATION

Change in non-cash working capital comprises:

	For the years ended December 31,	
	2010	**2009**
Change in amounts receivable	**$(163)**	$ (74)
Change in prepaid expenses	**(3)**	25
Change in security deposits	**115**	16
Change in amounts payable and accrued liabilities	**398**	117
Assumed non-cash working capital on acquisitions	**(199)**	(59)
Change in non-cash working capital	**$ 148**	$ 25

The following amounts were paid on account of interest:

	For the years ended December 31,	
	2010	**2009**
Interest paid	**2,499**	$2,398

NOTE 16 — SUBSEQUENT EVENTS

On January 17, 2012, Whiterock REIT and Dundee REIT jointly announced that they entered into a definitive transaction agreement (the "Transaction") for the acquisition by Dundee REIT of all of the issued and outstanding units of Whiterock REIT for a combination of cash and Dundee REIT units. The Transaction was approved by 98.8% of Whiterock REIT unitholders voting at a special meeting of Whiterock REIT unitholders on February 27, 2012. The details of the Transaction were described in the Dundee REIT take-over bid circular, the Whiterock REIT trustee's circular, and the Whiterock REIT information circular, all dated January 26, 2012. The Transaction was completed on March 2, 2012. Whiterock REIT was delisted from the Toronto Stock Exchange on March 6, 2012.

On July 20, 2012, the REIT, an open-ended real estate investment trust, was created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $155,000 through the issuance of 15,500,000 Units at $10.00 per Unit pursuant to an initial public offering (the "Offering") (excluding any over-allotment option).

The closing of the transactions contemplated by the prospectus relating to the offering are scheduled to occur no later than October 15, 2012.

Whiterock Initial Properties
Interim Carve-Out Financial Statements (Unaudited)
For the Six Months Ended
June 30, 2012 and 2011

WHITEROCK INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT BALANCE SHEETS

as of June 30, 2012 and December 31, 2011
(Amounts in thousands of Canadian dollars)

	Notes	June 30 2012	December 31 2011
Assets			
Non-current assets			
Investment properties	7	$—	$130,863
Other non-current assets	9	—	923
		—	131,786
Current assets			
Amounts receivable	10	—	332
Prepaid expenses		—	47
Cash		—	645
		—	1,024
Total assets		$—	$132,810
Liabilities			
Non-current liabilities			
Mortgages payable	11	$—	72,295
Security deposits		—	409
		—	72,704
Current liabilities			
Mortgages payable	11	—	5,392
Amounts payable and accrued liabilities	12	—	1,294
		—	6,686
Total liabilities		—	79,390
Divisional surplus		—	53,420
Total liabilities and divisional surplus		$—	$132,810

The accompanying notes form an integral part of the interim condensed carve-out financial statements

WHITEROCK INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

for the Three and Six Months Ended June 30, 2012 and 2011
(Amounts in thousands of Canadian dollars)

	Notes	For the three months ended June 30		For the six months ended June 30	
		2012	2011	2012	2011
Investment properties revenue		$—	$ 3,126	$ 2,368	$ 6,099
Investment properties operating expenses		—	(718)	(762)	(1,517)
Net rental income		—	2,408	1,606	4,582
Other income and expenses					
General and administrative		—	(201)	(32)	(402)
Fair value adjustments to investment properties	7	—	991	18,430	(560)
Interest	13	—	(1,121)	(661)	(2,061)
Property management income		—	33	28	66
Net income and comprehensive income for the period		$—	$ 2,110	$19,371	$ 1,625

The accompanying notes form an integral part of the interim condensed carve-out financial statements

WHITEROCK INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Six Months Ended June 30, 2012 and 2011
(Amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2012	$ 53,420
Net income for the period	19,371
Net distribution to Whiterock REIT	(72,791)
Divisional surplus at June 30, 2012	$ —
Divisional surplus at January 1, 2011	$ 49,351
Net income for the period	1,625
Net contribution from Whiterock REIT	704
Divisional surplus at June 30, 2011	$ 51,680

The accompanying notes form an integral part of the interim condensed carve-out financial statements

WHITEROCK INITIAL PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF CASH FLOWS

for the Six Months Ended June 30, 2012 and 2011
(Amounts in thousands of Canadian dollars)

	Notes	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Operating activities			
Net income for the period		$ 19,371	$ 1,625
Non-cash items:			
Amortization of lease incentives		—	2
Fair value adjustments to investment properties		(18,430)	560
Amortization of financing costs	13	36	107
Straight-line rent adjustment		(13)	(70)
Investment in lease incentives and initial direct leasing costs	7	—	(107)
Change in non-cash working capital	15	(230)	218
Cash flows from operating activities		734	2,335
Investing activities			
Investment in building improvements		(19)	(103)
Acquisition of investment properties	6	—	(9,797)
Cash flows used in investing activities		(19)	(9,900)
Financing activities			
Mortgages placed, net of costs of 2012 — $nil (2011 — $530)		—	8,365
Mortgage principal repayments		(323)	(694)
Contribution (distribution) to Whiterock REIT, net		(1,037)	704
Cash flows from financing activities		(1,360)	8,375
Net increase in cash		(645)	810
Cash, beginning of the period		645	483
Cash, end of the period		$ —	$ 1,293

The accompanying notes form an integral part of the interim condensed carve-out financial statements

WHITEROCK INITIAL PROPERTIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

(Amounts in thousands of Canadian dollars)

NOTE 1 — GENERAL INFORMATION

These interim condensed carve-out financial statements are a combination of the certain industrial investment properties that were owned by Whiterock Real Estate Investment Trust ("Whiterock REIT") at December 31, 2011 (the "Whiterock Initial Properties") and do not represent a legal entity. The registered office of Whiterock REIT is 401 The West Mall, Suite 1000, Toronto, Ontario, M9C 5J5. On March 2, 2012, Whiterock REIT and Dundee Real Estate Investment Trust ("Dundee REIT") completed a transaction for the acquisition by Dundee REIT of all the issued and outstanding units of Whiterock REIT for a combination of cash and units. The unaudited interim condensed carve-out statements of net income and comprehensive income, divisional surplus and cash flows present the operation of the Whiterock Initial Properties' prior to the acquisition by Dundee REIT.

The Whiterock Initial Properties, together with their related assets and liabilities, are to be acquired Dundee Industrial Real Estate Investment Trust (the "REIT") upon completion of an initial public offering of units by the REIT. These carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 "Acceptable Accounting Principles and Auditing Standards" for carve-out financial statements.

These carve-out financial statements have been approved for issue by the Board of Trustees of Dundee REIT on September 26, 2012.

NOTE 2 — BASIS OF FINANCIAL STATEMENT PRESENTATION

Basis of presentation

The interim carve-out financial statements for the three and six months ended June 30, 2012 have been prepared in accordance with International Accounting Standards ("IAS") 34 — "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

The interim carve-out financial statements do not include all the information and disclosures required in the full set of carve-out financial statements, and should be read in conjunction with the Whiterock Initial Properties' carve-out financial statements for the year ended December 31, 2011.

All amounts except for other corporate costs included in general and administrative expenses, have been derived from records specific to the Whiterock Initial Properties expected to be transferred to the REIT. Other corporate costs, such as public company costs of Whiterock REIT, have been allocated based on the net rental income of the Whiterock Initial Properties relative to the total net rental income of Whiterock REIT.

Property management fees paid to Whiterock REIT are eliminated from investment property operating expenses to the extent of Whiterock REIT's interest in co-owned properties.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Whiterock Initial Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the Whiterock Initial Properties.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES

The accounting policies selected and applied for significant transactions and events are consistent with those of the December 31, 2011 carve-out financial statements.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparing the carve-out financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Critical accounting judgments

Following are the critical judgments used in applying the accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

Management makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment properties.

Leases

In applying the revenue recognition policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which impacts whether or not such amounts are treated as additions to the investment properties.

Judgments are also made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases are operating or finance leases. Management has determined that all of its leases are operating leases.

Impairment

Management assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable.

Estimates and assumptions

The Whiterock Initial Properties makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the carve-out financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

NOTE 5 — FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Whiterock

NOTE 5 — FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

Initial Properties is currently evaluating the impact of IFRS 9 on its carve-out financial statements. IFRS 7, "Financial Instruments — Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Whiterock Initial Properties is currently evaluating the impact of this standard on the carve-out financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the Whiterock Initial Properties to provide disclosures related to offsetting financial assets and liabilities. The Whiterock Initial Properties is currently evaluating the impact of IFRS 7 on its carve-out financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Whiterock Initial Properties is currently evaluating the impact of IFRS 10 on its carve-out financial statements.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The Whiterock Initial Properties is currently evaluating the impact of IFRS 12 on the carve-out financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Whiterock Initial Properties will start the application of IFRS 13 effective from January 1, 2013. The Whiterock Initial Properties is currently evaluating the impact on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The Whiterock Initial Properties will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and is currently evaluating the impact on the carve-out financial statements as a result of its adoption.

(Amounts in thousands of Canadian dollars)

NOTE 6 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the six months ended June 30, 2011.

For the six months ended June 30, 2011	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
1155 Autoroute Chomedey, Laval	40	$ 4,974	$ 3,332	Jan 26, 2011
1125 50th Avenue, Montreal	100	16,877	11,000	Jan 26, 2011
10001 Metropolitan Boulevard East, Montreal	40	11,406	8,700	Jan 26, 2011
Total		$33,257	$23,032	

(1) Includes transaction costs.

The assets acquired and liabilities assumed in this transaction were allocated as follows:

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Investment properties	$ —	$33,257
Total purchase price	—	33,257
The consideration paid consists of:		
Cash paid	—	9,797
Assumed mortgages at fair value	—	23,032
Assumed non-cash working capital	—	428
Total consideration	$ —	$33,257

NOTE 7 — INVESTMENT PROPERTIES

Reconciliation of the carrying amount for investment properties at the beginning and end of the period are set out below:

	June 30, 2012	December 31, 2011
Balance at beginning of period	**$ 130,863**	$ 95,813
Additions:		
Property acquisitions	—	33,257
Building improvements	**19**	187
Lease incentives and initial direct leasing costs	—	441
Amortization of lease incentives	—	(22)
Fair value adjustments to investment properties	**18,430**	1,187
Distribution to Whiterock REIT	**(149,312)**	—
Balance at end of period	$ —	$130,863

The key valuation metrics for investment properties are set out below:

June 30, 2012 Capitalization rate range (%)	June 30, 2012 Weighted average (%)	December 31, 2011 Capitalization rate range (%)	December 31, 2011 Weighted average (%)
—	—	6.31–8.20	7.27

(Amounts in thousands of Canadian dollars)

NOTE 7 — INVESTMENT PROPERTIES (Continued)

As at December 31, 2011, investment properties with a fair value of $130,863 were pledged as security for mortgages payable.

NOTE 8 — JOINT ARRANGEMENTS

Co-owned properties

The Whiterock Initial Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows.

Name	Location	Ownership interest (%) June 30, 2012	Ownership interest (%) December 31, 2011
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	—	20.0
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	—	40.0
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	—	40.0
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	—	40.0
1155 Autoroute Chomedey	Laval, Quebec	—	40.0
10001 Metropolitan Boulevard East	Montreal, Quebec	—	40.0
310 Henderson Drive	Regina, Saskatchewan	—	15.0

	June 30, 2012	December 31, 2011
Non-current assets		
Investment properties	$—	$36,140
Other non-current assets	—	266
	—	36,406
Current assets		
Amounts receivable	—	146
Prepaid expenses	—	4
Cash	—	665
	—	815
Total assets	$—	$37,221
Non-current liabilities		
Mortgages payable	$—	$19,852
Security deposits	—	156
	—	20,008
Current liabilities		
Mortgages payable	—	456
Amounts payable and accrued liabilities	—	715
	—	1,171
Total liabilities	$—	$21,179

(Amounts in thousands of Canadian dollars)

NOTE 8 — JOINT ARRANGEMENTS (Continued)

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Investment properties revenue	$—	$2,026	$ 666	$ 3,996
Investment properties operating expenses	—	(464)	(214)	(1,003)
Net rental income	—	1,562	452	2,993
General and administrative	—	—	(13)	—
Fair value adjustments to investment properties	—	1,419	5,334	4,059
Interest	—	(754)	(176)	(1,412)
Net income	$—	$2,227	$5,597	$ 5,640

NOTE 9 — OTHER NON-CURRENT ASSETS

	June 30, 2012	December 31, 2011
Straight-line rent receivable	$—	$923

NOTE 10 — AMOUNTS RECEIVABLE

	June 30, 2012	December 31, 2011
Trade receivables	$—	$274
Less: Provision for impairment of trade receivables	—	—
Trade receivables, net	—	274
Other amounts receivable	—	58
	$—	$332

NOTE 11 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	June 30, 2012	December 31, 2011
Mortgages payable	$—	$78,457
Financing costs	—	(770)
Total	—	77,687
Less: Current portion	—	5,392
Non-current debt	$—	$72,295

As at December 31, 2011, mortgages had a weighted average annual interest rate of 5.74%.

(Amounts in thousands of Canadian dollars)

NOTE 12 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2012	December 31, 2011
Trade payables	$—	$ 362
Accrued liabilities and other payables	—	627
Accrued interest	—	305
Total	$—	$1,294

NOTE 13 — INTEREST EXPENSE

Interest on debt incurred and charged to net income and comprehensive income is recorded as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Interest expense incurred	$—	$1,058	**$625**	$1,954
Amortization of financing costs	—	63	**36**	107
Interest expense	$—	1,121	**661**	2,061

NOTE 14 — SEGMENTED INFORMATION

All the properties included in these interim carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker as one operating segment.

NOTE 15 — SUPPLEMENTARY CASH FLOW INFORMATION

	For the six months ended June 30,	
	2012	**2011**
Change in amounts receivable	**$ 25**	$(121)
Change in prepaid expenses	**31**	(37)
Change in amounts payable and accrued liabilities	**(286)**	679
Increase in tenant deposits	—	125
Assumed non-cash working capital on acquisitions	—	(428)
Change in non-cash working capital	**$(230)**	$ 218

The following amounts were paid on account of interest:

	For the six months ended June 30,	
	2012	**2011**
Interest paid	**$634**	$1,966

NOTE 16 — SUBSEQUENT EVENTS

On July 20, 2012, the REIT, an open-ended real estate investment trust, was created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

NOTE 16 — SUBSEQUENT EVENTS (Continued)

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $155,000 through the issuance of 15,500,000 Units at $10.00 per Unit pursuant to an initial public offering (the ‘‘Offering’’) (excluding any over-allotment option).

The closing of the transactions contemplated by the prospectus relating to the offering are scheduled to occur no later than October 15, 2012.

ROI Co-Owned Properties
Carve-Out Financial Statements
For the Years Ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Trustees of Dundee Industrial Real Estate Investment Trust:

We have audited the accompanying carve-out financial statements of ROI Co-Owned Properties, which comprise the carve-out balance sheets as at December 31, 2011 and 2010, and January 1, 2010, and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of ROI Co-Owned Properties as at December 31, 2011 and 2010, and January 1, 2010, and its carve-out financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements.

(Signed) Scarrow & Donald LLP
Chartered Accountants

Winnipeg, Canada
September 26, 2012

ROI CO-OWNED PROPERTIES

CARVE-OUT BALANCE SHEETS

as of December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

	Notes	December 31 2011	December 31 2010	January 1 2010
Assets				
Non-current assets				
Investment properties	8	$85,869	$53,249	$38,731
Other non-current assets	10	796	381	75
		86,665	53,630	38,806
Current assets				
Amounts receivable		236	127	25
Prepaid expenses		18	19	28
Cash		1,270	1,249	407
		1,524	1,395	460
Total assets		$88,189	$55,025	$39,266
Liabilities				
Non-current liabilities				
Mortgages payable	11	45,275	30,122	23,968
Security deposits		252	92	25
		45,527	30,214	23,993
Current liabilities				
Mortgages payable	11	1,038	647	466
Amounts payable and accrued liabilities		1,520	1,523	579
		2,558	2,170	1,045
Total liabilities		48,085	32,384	25,038
Divisional surplus		40,104	22,641	14,228
Total liabilities and divisional surplus		$88,189	$55,025	$39,266

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES

CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

for the years ended December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2011	For the year ended December 31 2010
Investment properties revenue		$ 8,380	$ 5,896
Investment properties operating expenses		(2,152)	(1,916)
Net rental income		6,228	3,980
Other income and expenses			
General and administrative		(85)	(12)
Fair value adjustments to investment properties	8	8,306	1,804
Interest	12	(2,523)	(1,677)
Net income and comprehensive income for the year		$11,926	$ 4,095

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES
CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the years ended December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2010	$14,228
Net income for the year	4,095
Net contribution from ROI	4,318
Divisional surplus at December 31, 2010	22,641
Net income for the year	11,926
Net contribution from ROI	5,537
Divisional surplus at December 31, 2011	$40,104

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES

CARVE-OUT STATEMENTS OF CASH FLOWS

for the years ended December 31, 2011 and 2010
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2011	For the year ended December 31 2010
Operating activities			
Net income		$11,926	$ 4,095
Non-cash items:			
Amortization of financing costs	12	91	56
Straight-line rent adjustment		(414)	(306)
Fair value adjustments to investment properties	8	(8,306)	(1,804)
Investment in lease incentives and initial direct leasing costs		—	(1)
Change in non-cash working capital	14	(62)	619
Cash flows from operating activities		3,235	2,659
Investing activities			
Investment in building improvements	8	(342)	(657)
Acquisition of investment properties	7	(5,912)	(4,857)
Cash flows used in investing activities		(6,254)	(5,514)
Financing activities			
Mortgages placed, net of costs of 2011 — $176 (2010 — $69)		(78)	(69)
Mortgage principal repayments		(2,419)	(552)
Contribution from ROI, net		5,537	4,318
Cash flows used in financing activities		3,040	3,697
Net increase in cash		21	842
Cash, beginning of the year		1,249	407
Cash, end of the year		$ 1,270	$ 1,249

The accompanying notes form an integral part of the carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These carve-out financial statements are a combination of the certain industrial investment properties that were managed by Return On Innovation Capital Ltd. ("ROI") at December 31, 2011. (the "ROI Co-Owned Properties") and do not represent a legal entity. The registered office of ROI is 37 Front Street East, 4th Floor Toronto, Ontario M5E 1B3.

The ROI Co-Owned Properties, together with their related assets and liabilities, are to be acquired Dundee Industrial Real Estate Investment Trust (the "REIT") upon completion of an initial public offering of units by the REIT. These carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 "Acceptable Accounting Principles and Auditing Standards" for carve-out financial statements.

These carve-out financial statements have been approved for issue by the Board of Trustees of Dundee REIT on September 26, 2012.

NOTE 2 — BASIS OF FINANCIAL STATEMENTS PRESENTATION

Statement of Compliance

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These are the ROI Co-Owned Properties' first annual carve-out financial statements prepared in accordance with IFRS and IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") (note 5).

Basis of Presentation

These carve-out financial statements present the financial position of the ROI Co-Owned Properties as at December 31, 2011, December 31, 2010 and January 1, 2010 and the financial performance and cash flows of the ROI Co-Owned Properties for the years ended December 31, 2011 and December 31, 2010, had the ROI Co-Owned Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity.

All amounts except for other corporate costs included in general and administrative expenses, have been derived from records specific to the ROI Co-Owned Properties expected to be transferred to the REIT. Other corporate costs that neither are common costs nor shared costs have not been allocated to these carve-out financial statements.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the ROI Co-Owned Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the ROI Co-Owned Properties.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these carve-out statements are described below:

Investment properties

Property that is held to provide rental revenue or capital appreciation, or both is classified as investment property. Investment properties are is initially recorded at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value at each reporting date.

The fair value of investment property reflects, among other things, rental revenue from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects future operating cash flows that could be expected in respect of the property. Fair value is determined based on available market evidence at the reporting date. Management uses the income approach and external valuations to determine fair value. Under the income approach, the fair value is estimated using the overall capitalization rate method whereby net operating income is capitalized at an overall capitalization rate. External valuations are performed as of the reporting date by professional valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The fair value of investment property is sensitive to changes in capitalization rates. Fair value adjustments are recorded in the carve-out statement of income and comprehensive income in the period in which they arise.

Initial direct leasing costs from negotiating and arranging tenant leases are added to the carrying amount of investment properties. Expenditures with a future economic benefit, including tenant improvements, are added to the carrying amount of investment properties. Repairs and maintenance expenditures are expensed when incurred.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Divisional surplus

The ROI Co-Owned Properties are held by a number of related entities that are managed by ROI. Divisional surplus represents the net of all capital and cash transactions between the ROI Co-Owned Properties and ROI.

Revenue recognition

Tenant leases are accounted for as operating leases given that the lessor has retained substantially all of the risks and benefits of ownership of its investment property. Revenues from investment property includes base rents, recoveries of operating expenses including property taxes, lease termination fees, parking revenue and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Property management income is recognized on an accrual basis according to the contract as the services are provided and the collectability is reasonably assured. Other revenues are recorded as earned.

Joint arrangements

The interests in the ROI Co-Owned Properties held in co-ownerships are reported using proportionate consolidation. The proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships are recognized in the respective lines in the carve-out financial statements.

Cash

Cash includes all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. Security deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

The following summarizes the classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Straight-line rent receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages payable	Other liabilities	Amortized cost
Security deposits	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

Financial assets

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and subsequently are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the carve-out statements of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

management determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the carve-out statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all risks and rewards of ownership are transferred.

Financial liabilities

Financial liabilities are classified on initial recognition as either fair value through profit or loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (less directly attributable transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income over the expected life of the debt. Financial liabilities that are classified as fair value through profit or loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value being recognized in net income.

Mortgages are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages and term debt are recognized at amortized cost.

Interest on debt

Interest on debt includes interest and amortization of finance costs incurred in connection with the arrangement of borrowings. Finance costs include legal and other costs in connection with the arrangement of borrowings.

Income taxes

The direct owners of the ROI Co-Owned Properties are limited partnerships. Limited partners are responsible for the income taxes on their share of the income or loss from the limited partnerships. Accordingly, no current or deferred income taxes have been recorded in the carve-out financial statements.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparing the carve-out financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical accounting judgments

Following are the critical judgments used in applying the accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Management makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment properties.

Leases

In applying the revenue recognition policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which impacts whether or not such amounts are treated as additions to the investment properties.

Judgments are also made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases are operating or finance leases. Management has determined that all of its leases are operating leases.

Impairment

Management assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable.

Estimates and assumptions

The ROI Co-Owned Properties makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the carve-out financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

NOTE 5 — TRANSITION TO IFRS

The ROI Co-Owned Properties adopted IFRS effective from January 1, 2010 (the "transition date"), and the opening IFRS carve-out balance sheet had been prepared as at that date. Prior to the adoption of IFRS, the consolidated financial statements of the ROI Co-Owned Properties were prepared in accordance with Canadian generally accepted accounting principles in effect at that time ("previous GAAP").

Elected exemptions from full retrospective application

In preparing these carve-out financial statements in accordance with IFRS 1, certain of the optional exemptions from full retrospective application of IFRS have been applied. The elected exemptions adopted are described below.

Business combinations

The business combinations exemption in IFRS 1 has been applied to avoid retrospective application of IFRS 3 to past business combinations completed prior to January 1, 2010.

Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the REIT under previous GAAP are consistent with their application under IFRS.

(Amounts in thousands of Canadian dollars)

NOTE 5 — TRANSITION TO IFRS (Continued)

The following is a reconciliation of divisional surplus reported in accordance with previous GAAP to divisional surplus in accordance with IFRS at January 1, 2010:

	Note	Divisional Surplus
Previous GAAP — December 31, 2009		$14,616
Differences increasing reported amount:		
Investment properties	(i)	(388)
Under IFRS — January 1, 2010		$14,228

The following is a reconciliation of divisional surplus reported in accordance with previous GAAP to divisional surplus in accordance with IFRS at December 31, 2010:

	Note	Divisional Surplus
Previous GAAP — December 31, 2010		$19,901
Differences increasing reported amount:		
Investment properties	(i)	2,740
Under IFRS — December 31, 2010		$22,641

The following is a reconciliation of net income and comprehensive income reported in accordance with previous GAAP to comprehensive income in accordance with IFRS for the year ended December 31, 2010:

	Note	For the year ended December 31, 2010
Net income and comprehensive income under previous GAAP		$ 967
Differences increasing reported amount:		
investment properties	(i)	3,128
Under IFRS		$4,095

Notes to the reconciliations

(i) Investment properties

Under previous GAAP, rental properties were recorded at cost and depreciated over their estimated lives. Under IAS 40, "Investment Property" ("IAS 40"), management elected to measure investment properties at fair value and record changes in fair value in net income during the period of change. In addition, under previous GAAP, intangible assets and liabilities were recognized on the acquisition of rental properties, which is not required when applying the fair value model under IFRS as the values of the intangible assets and liabilities are considered in determining the fair value of the investment properties. Accordingly, on the date of transition, all intangible assets and intangible liabilities, net of accumulated amortization were derecognized by reclassifying them to investment properties. Similarly, deferred costs net of accumulated amortization, which were recorded separately under previous GAAP, have been included in the carrying balance of investment properties. The effect decreased the carrying amount of investment properties by $388 at the date of transition and increased the carrying amount of investment properties by $2,740 at December 31, 2010, with a corresponding adjustment to divisional surplus, which represents the cumulative unrealized gain in respect of the investment properties. The effect on net income for 2010 is an increase to "fair value adjustments to investment properties" under IFRS and the removal of amortization related to rental properties. "Rental properties" as described under previous GAAP are described as "investment properties" under IFRS.

NOTE 6 — FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 9 on its carve-out financial statements. IFRS 7, "Financial Instruments — Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The ROI Co-Owned Properties is currently evaluating the impact of this standard on the carve-out financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the ROI Co-Owned Properties to provide disclosures related to offsetting financial assets and liabilities. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 7 on its carve-out financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 10 on its carve-out financial statements.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 12 on the carve-out financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The ROI Co-Owned Properties will start the application of IFRS 13 effective from January 1, 2013. The ROI Co-Owned Properties is currently evaluating the impact on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The ROI Co-Owned Properties will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and is currently evaluating the impact on the carve-out financial statements as a result of its adoption.

(Amounts in thousands of Canadian dollars)

NOTE 7 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the years ended December 31, 2011, and December 31, 2010.

For the year ended December 31, 2011	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
1155 Autoroute Chomedey, Laval	**60**	**$ 7,453**	**$ 4,997**	**Jan 26, 2011**
10001 Metropolitan Boulevard East, Montreal	**60**	**16,817**	**12,952**	**Jan 26, 2011**
Total		**$24,270**	**$17,949**	

(1) Includes transaction costs.

For the year ended December 31, 2010	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
651 Henderson Drive, Regina (Henderson Business Centre)	60	$ 5,927	$2,967	April 12, 2010
310 Hoffer Drive, Regina (McDonald Business Centre)	60	2,493	1,380	April 12, 2010
402 McDonald Street, Regina (Imperial Business Centre)	60	3,636	2,553	April 12, 2010
Total		$12,056	$6,900	

(1) Includes transaction costs.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

	For the years ended December 31	
	2011	**2010**
Investment properties	**$24,270**	$12,056
Total purchase price	**24,270**	12,056
The consideration paid consists of:		
Cash paid	**5,912**	4,857
Assumed mortgages at fair value	**17,949**	6,900
Assumed non-cash working capital	**409**	299
Total consideration	**$24,270**	$12,056

NOTE 8 — INVESTMENT PROPERTIES

Reconciliation of the carrying amount for investment properties at the beginning and end of the current and prior year are set out below:

	For the year ended December 31, 2011	For the year ended December 31, 2010
Balance at beginning of period	**$53,249**	$38,731
Additions:		
Property acquisitions	**24,270**	12,056
Building improvements	**44**	657
Lease incentives and initial direct leasing costs	**—**	1
Fair value adjustments to investment properties	**8,306**	1,804
Balance at end of period	**$85,869**	$53,249

(Amounts in thousands of Canadian dollars)

NOTE 8 — INVESTMENT PROPERTIES (Continued)

As at January 1, 2010, December 31, 2010 and December 31, 2011, management conducted an internal valuation of investment properties on an individual basis, with no portfolio effect considered, to determine the fair value of investment properties. Since January 1, 2010, external appraisals have been used to support the internal valuations conducted by management. On an annual basis, the percentages of the total fair value of investment properties that have been externally appraised are approximately 8% at January 1, 2010, 20% at December 31, 2010, and 30% at December 31, 2011.

The key valuation metrics for all investment properties are set out below:

December 31, 2011		December 31, 2010		January 1, 2010	
Capitalization rate range (%)	Weighted average (%)	Capitalization rate range (%)	Weighted average (%)	Capitalization rate range (%)	Weighted average (%)
6.31–7.75	**6.74**	7.25–7.40	7.33	7.80–7.95	7.86

NOTE 9 — JOINT ARRANGEMENTS

Co-owned properties

The ROI Co-Owned Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows:

		Ownership interest (%)		
Name	Location	December 31, 2011	December 31, 2010	January 1, 2010
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	**20.0**	20.0	20.0
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	**40.0**	40.0	—
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	**40.0**	40.0	—
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	**40.0**	40.0	—
1155 Autoroute Chomedey	Laval, Quebec	**40.0**	—	—
10001 Metropolitan Boulevard East	Montreal, Quebec	**40.0**	—	—
310 Henderson Drive	Regina, Saskatchewan	**15.0**	15.0	15.0

(Amounts in thousands of Canadian dollars)

NOTE 9 — JOINT ARRANGEMENTS (Continued)

The following amounts represent the proportion of assets, liabilities, revenues and expenses of the properties which are accounted for on a proportionate consolidated basis.

	December 31, 2011	December 31, 2010	January 1, 2010
Non-current assets			
Investment properties	**$85,869**	$53,249	$38,731
Other non-current assets	**796**	381	75
	86,665	53,630	38,806
Current assets			
Amounts receivable	**236**	127	25
Prepaid expenses	**18**	19	28
Cash	**1,270**	1,249	407
	1,524	1,395	460
Total assets	**$88,189**	$55,025	$39,266
Non-current liabilities			
Mortgages payable	**45,275**	30,122	23,968
Security deposits	**252**	92	25
	45,527	30,214	23,993
Current liabilities			
Mortgages payable	**1,038**	647	466
Amounts payable and accrued liabilities	**1,520**	1,523	579
	2,558	2,170	1,045
Total liabilities	**$48,085**	$32,384	$25,038

	For the years ended December 31,	
	2011	2010
Investment properties revenue	**$ 8,380**	$ 5,896
Investment properties operating expenses	**(2,152)**	(1,916)
Net rental income	**6,228**	3,980
General and administrative	**(85)**	(12)
Fair value adjustments to investment properties	**8,306**	1,804
Interest	**(2,523)**	(1,677)
Net income	**$11,926**	$ 4,095

NOTE 10 — OTHER NON-CURRENT ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Straight-line rent receivable	**$796**	$381	$75

(Amounts in thousands of Canadian dollars)

NOTE 11 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Mortgages payable	**$46,665**	$31,036	$24,688
Financing costs	**(352)**	(267)	(254)
Total	**46,313**	30,769	24,434
Less: Current portion	**1,038**	647	466
Non-current debt	**$45,275**	$30,122	$23,968

The aggregate principal repayment and balances maturing on the mortgages payable on investment properties in the next five years and thereafter are as follows:

	Principal Installment repayment	Balance Maturing	Total	Weighted Average Contractual interest Rate
2012	$1,038	$ —	$ 1,038	5.73%
2013	1,092	—	1,092	5.73%
2014	1,049	22,172	23,221	5.78%
2015	483	6,077	6,560	4.78%
2016	344	9,953	10,297	6.12%
2017 and thereafter	74	4,383	4,457	6.12%
	$4,080	$42,585	$46,665	5.74%

As at December 31, 2011, mortgages had a weighted average annual interest rate of 5.74% (December 31, 2010 — 5.56%, January 1, 2010 — 5.80%)

NOTE 12 — INTEREST EXPENSE

Interest on debt incurred and charged to net income and comprehensive income is recorded as follows:

	For the years ended December 31, 2011	2010
Interest expense incurred	**$2,455**	$1,622
Amortization of financing costs	**91**	56
Interest income	**(23)**	(1)
Interest expense	**$2,523**	$1,677

NOTE 13 — SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker as one operating segment.

(Amounts in thousands of Canadian dollars)

NOTE 14 — SUPPLEMENTARY CASH FLOW INFORMATION

	For the years ended December 31,	
	2011	**2010**
Change in amounts receivable	**$(109)**	$(102)
Change in prepaid expenses	**1**	9
Change in security deposits	**160**	67
Change in amounts payable and accrued liabilities	**295**	944
Assumed non-cash working capital on acquisitions	**(409)**	(299)
Change in non-cash working capital	**$ (62)**	$ 619

	For the years ended December 31,	
	2011	**2010**
Interest paid	**$2,393**	$1,597

NOTE 15 — FINANCIAL INSTRUMENTS

Risk Management

The ROI Co-Owned Properties is exposed to market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. In order to manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. Management mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the ROI Co-Owned Properties will encounter difficulty in meeting obligations associated with the maturity of financial obligations. Maturities of the fixed rate debts are managed, and the repayment dates are monitored to ensure sufficient capital will be available to cover obligations.

Fair value of financial instruments

Amounts receivable, cash and amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value.

Financial instruments carried at amortized cost where carrying value does not approximate fair value are illustrated below:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Total		Total		Total	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Mortgages	**$45,665**	**$45,436**	$31,036	$28,516	$24,688	$21,813

(Amounts in thousands of Canadian dollars)

NOTE 16 — BASE RENT

Future minimum base rent payments to the ROI Co-Owned Properties by tenants are as follows:

	Operating leases
2012	$ 25,705
2013	26,323
2014	26,606
2015	25,908
2016	20,173
Thereafter	125,861
	$250,576

NOTE 17 — SUBSEQUENT EVENTS

On July 20, 2012, the REIT, an open-ended real estate investment trust, was created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $155,000 through the issuance of 15,500,000 Units at $10.00 per Unit pursuant to an initial public offering (the "Offering") (excluding any over-allotment option).

The closing of the transactions contemplated by the prospectus relating to the offering are scheduled to occur no later than October 15, 2012.

ROI Co-Owned Properties
Carve-Out Financial Statements (GAAP)
For the Years Ended December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

To the Trustees of Dundee Industrial Real Estate Investment Trust:

We have audited the accompanying carve-out financial statements of ROI Co-Owned Properties, which comprise the carve-out balance sheets as at December 31, 2010 and 2009 and the carve-out statements of net income and comprehensive income, divisional surplus and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of ROI Co-Owned Properties as at December 31, 2010 and 2009, and the carve-out results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Scarrow & Donald LLP
Chartered Accountants

Winnipeg, Canada
September 26, 2012

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

ROI CO-OWNED PROPERTIES

CARVE-OUT BALANCE SHEETS

as of December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

	Notes	December 31 2010	December 31 2009
Assets			
Rental properties	5	$46,059	$34,957
Leasing costs	6	935	764
Amounts receivable		127	25
Prepaid expenses and other assets		400	103
Intangible assets	7	7,008	3,897
Cash		1,249	407
Total assets		$55,778	$40,153
Liabilities			
Mortgages payable	9	$30,769	$24,434
Amounts payable and accrued liabilities	10	1,615	604
Intangible liabilities	7	3,493	499
Total liabilities		35,877	25,537
Divisional surplus		19,901	14,616
Total liabilities and divisional surplus		$55,778	$40,153

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES

CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

for the Years Ended December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2010	For the year ended December 31 2009
Rental properties revenue		$ 6,118	$1,344
Rental properties operating expenses		(1,916)	(493)
Net rental income		4,202	851
Other income and expenses			
General and administrative		(12)	(2)
Interest	11	(1,677)	(326)
Depreciation of rental properties		(811)	(151)
Amortization of leasing costs, tenant improvements and intangible assets		(735)	(92)
Net income and comprehensive income		$ 967	$ 280

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES

CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Years Ended December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2009	$ 7,094
Net income for the year	280
Net contribution from ROI	7,242
Divisional surplus at December 31, 2009	14,616
Net income for the year	967
Net contribution from ROI	4,318
Divisional surplus at December 31, 2010	$19,901

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES

CARVE-OUT STATEMENTS OF CASH FLOWS

for the Years Ended December 31, 2010 and 2009
(Amounts in thousands of Canadian dollars)

	Notes	For the year ended December 31 2010	For the year ended December 31 2009
Operating activities			
Net income for the year		$ 967	$ 280
Non-cash items:			
Depreciation of rental properties		811	151
Amortization of leasing costs, tenant improvements and intangibles		735	92
Amortization of financing costs	11	56	8
Amortization of market rent adjustment on acquired leases		(222)	(49)
Straight-line rent adjustment		(306)	(75)
Investment in initial direct leasing costs		(1)	—
Change in non-cash working capital	14	619	159
Cash flows from operating activities		2,659	566
Investing activities			
Investment in building improvements		(657)	—
Acquisition of rental properties	4	(4,857)	(7,471)
Cash flows used in investing activities		(5,514)	(7,471)
Financing activities			
Mortgages payable placed, net of costs		(69)	—
Mortgages payable principal repayment		(552)	(78)
Contribution from ROI, net		4,318	7,242
Cash flows from (used in) financing activities		3,697	7,164
Net increase in cash		842	259
Cash, beginning of the year		407	148
Cash, end of the year		$ 1,249	$ 407

The accompanying notes form an integral part of the carve-out financial statements

ROI CO-OWNED PROPERTIES

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

As of December 31, 2010 and December 31, 2009
(Amounts in thousands of Canadian dollars)

NOTE 1 — GENERAL INFORMATION

These carve-out financial statements are a combination of the certain industrial investment properties that were managed by Return On Innovation Capital Ltd. ("ROI") at December 31, 2010 (the "ROI Co-Owned Properties") and do not represent a legal entity. The registered office of ROI is 37 Front Street East, 4th Floor Toronto, Ontario M5E 1B3.

The ROI Co-Owned Properties, together with their related assets and liabilities, are to be acquired Dundee Industrial Real Estate Investment Trust (the "REIT") upon completion of an initial public offering of units by the REIT.

NOTE 2 — BASIS OF FINANCIAL STATEMENTS PRESENTATION

Basis of Accounting

The carve-out financial statements of the ROI Co-Owned Properties have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions that affect the recorded amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the carve-out financial statements as well as the reported amounts of revenues and expenses during the period. Significant estimates and assumption include impairment of amounts receivable, estimates of useful lives of rental properties, impairment of long-lived assets, impairment of intangible assets and liabilities, the purchase price and allocations used in the preparation of the carve-out financial statements. Actual results could differ from those estimates.

Basis of presentation

These carve-out financial statements present the financial position of the ROI Co-Owned Properties as at December 31, 2010 and December 31, 2009, and the results of operations and cash flows of the ROI Co-Owned Properties for the years ended December 31, 2010 and December 31, 2009, had the ROI Co-Owned Properties been accounted for on a stand-alone basis, and reflect assumptions and allocations made by the parent entity.

All amounts except for other corporate costs included in general and administrative expenses, have been derived from records specific to the ROI Co-Owned Properties expected to be transferred to the REIT. Other corporate costs that neither are common costs nor shared costs have not been allocated to these carve-out financial statements.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the ROI Co-Owned Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the ROI Co-Owned Properties.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these carve-out statements are described below:

Revenue recognition

The ROI Co-Owned Properties have retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, lease cancellation fees, parking revenue and incidental income. The ROI Co-Owned Properties use the straight-line method of rental revenue recognition, whereby the total of cash rents due over the initial term of a lease are recognized in income evenly over that term. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in prepaid expense and other assets. Recoveries from tenants are recognized as revenues in the year in which the corresponding costs are incurred. Other revenues are recorded as earned. The Initial Properties provides an allowance for doubtful accounts against that portion of amounts receivable that is estimated to be uncollectible. Such allowances are reviewed periodically based on the recovery experience and the creditworthiness of the debtor.

Co-ownerships

The ROI Co-Owned Properties carries on its activities through co-ownerships, and records its proportionate share of the respective assets, liabilities, revenues and expenses of those ventures.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental properties

Rental properties are stated at historical cost less accumulated depreciation and impairment charges, if any. The ROI Co-Owned Properties uses the straight-line method of depreciation for rental properties, building improvements, initial leasing costs and major expansions and renovations. The estimated useful lives of the properties do not exceed 45 years. Furniture and equipment are depreciated on a straight-line basis over their estimated useful lives of five years. Building improvements are depreciated over their estimated useful lives, which do not exceed 20 years depending on the type of improvement.

Purchase price allocations

As a result of revised Canadian Institute of Chartered Accountants ("CICA") accounting and disclosure standards for acquisitions initiated on or after September 12, 2003, the purchase price of a rental property is allocated, based on estimated fair values, to land, building, deferred leasing costs acquired, lease origination costs associated with in-place leases, the value of above- and below-market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any. The fair value of buildings is determined using the depreciated replacement cost approach.

Intangible assets and liabilities

Intangible assets and liabilities include value of above- and below-market leases, in-place leases, lease origination costs and tenant relationships. Intangible assets and liabilities are stated at acquisition cost less accumulated amortization and impairment charges, if any.

The values of above- and below-market leases are amortized on a straight-line basis to rental properties revenue over the remaining term of the associated leases. The value associated with in-place leases is amortized on a straight-line basis over the remaining term of the lease. The value of tenant relationships is amortized on a straight-line basis over the remaining term of the lease. Lease origination costs are amortized on a straight-line basis over the term of the applicable lease. In the event that a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangibles is expensed.

Impairment of long-lived assets

The ROI Co-Owned Properties uses a two-step process for determining when an impairment of rental properties and intangible assets should be recognized in the carve-out financial statements. If events or circumstances indicate that the carrying value of a property may be impaired, a recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from property operations and the property's projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property is written down to its estimated fair value and an impairment loss is recognized in the carve-out statement of net income and comprehensive income.

Leasing costs and tenant improvements

Certain leasing costs and tenant improvements are included on the carve-out balance sheet of the ROI Co-Owned Properties:

– leasing costs include leasing fees and costs, except for initial leasing costs that are included in rental properties, and leasing costs acquired. These leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense;

– tenant inducements, which are payments for which the tenant has no obligation to make leasehold improvements to the leased space and that are amortized against rental properties revenue on a straight-line basis over the term of the applicable lease; and

– tenant improvements, which include costs incurred to make leasehold improvements to tenants' space and that are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

Impairment of amounts receivable

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the carve-out statements of net income and comprehensive income within operating expenses. Bad debt write-offs occur when the ROI Co-Owned Properties determines collection is not possible. Any subsequent recoveries of amounts

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

previously written off are credited against operating expenses in the carve-out statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

Income taxes

The direct owners of the ROI Co-Owned Properties are limited partnerships. Limited partners are responsible for the income taxes on their share of the income or loss from the limited partnerships. Accordingly, no current or deferred income taxes have been recorded in the carve-out financial statements.

Financial instruments

The ROI Co-Owned Properties follows CICA accounting standards for financial instruments comprising Section 3855, "Financial Instruments — Recognition and Measurement". The standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be and classified as held to maturity, which are required to be measured at amortized cost. Financial liabilities are classified either as held-for-trading, which are measured at fair value, or other liabilities, which are measured at amortized cost. Amounts receivable, cash and all financial liabilities are recorded at amortized cost. Upon initial recognition, these instruments are recorded at fair value less any related transaction costs. Interest expense related to financial liabilities, including deferred financing costs, is recognized using the effective interest rate method.

Financial assets comprise amounts receivable and cash. Financial liabilities comprise mortgages payable and amounts payable and accrued liabilities. For certain financial instruments, including amounts receivable, cash and amounts payable and accrued liabilities, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages payable are determined by discounting the future contractual cash flows under current financing arrangements. The discount rates represent management's best estimate of borrowing rates presently available to the ROI Co-Owned Properties for loans with similar terms and maturities.

Divisional Surplus

The ROI Co-Owned Properties are held by a number of related entities that are managed by ROI. Divisional surplus represents the net of all capital and cash transactions between the ROI Co-Owned Properties and ROI.

Future Changes in Accounting Policies

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standard Board confirmed that Canadian public entities will have to adopt International Accounting Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will not have a material impact on the reported cash flows of the ROI Co-Owned Properties; it will, however, have a material impact on the ROI Co-Owned Properties' balance sheet and statement of net income and comprehensive income.

NOTE 4 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the year ended December 31, 2010 and December 31, 2009.

(Amounts in thousands of Canadian dollars)

NOTE 4 — PROPERTY ACQUISITIONS (Continued)

These property acquisitions have been accounted for using the purchase method. The earnings from the properties acquired have been included in the statement of net income and comprehensive income for the year commencing on their date of acquisition.

For the year ended December 31, 2010	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
651 Henderson Drive, Regina (Henderson Business Centre)	**60**	**$ 5,927**	**$2,967**	**April 12, 2010**
310 Hoffer Drive, Regina (McDonald Business Centre)	**60**	**2,493**	**1,380**	**April 12, 2010**
402 McDonald Street, Regina (Imperial Business Centre)	**60**	**3,636**	**2,553**	**April 12, 2010**
Total		**$12,056**	**$6,900**	

(1) Includes transaction costs.

For the year ended December 31, 2009	Interest acquired (%)	Purchase price(1)	Fair value of mortgage assumed	Date acquired
1900 Dickson Street, Montreal (Molson Distribution Centre)	80	$22,314	$14,605	December 18, 2009

(1) Includes transaction costs.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

For the years ended December 31	2010	2009
Land	**$ 1,948**	$ 4,757
Buildings	**10,032**	14,125
Tenant improvements	**33**	520
Intangible assets	**43**	2,912
Total purchase price	**$12,056**	$22,314
The consideration paid consists of:		
Cash:		
Paid during the year	**$ 4,857**	$ 7,471
Assumed mortgages at fair value	**6,900**	14,605
Assumed non-cash working capital	**299**	238
Total consideration	**$12,056**	$22,314

NOTE 5 — RENTAL PROPERTIES

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	**$10,786**	**$ —**	**$10,786**	$ 8,838	$ —	$ 8,838
Buildings and improvements	**36,257**	**(984)**	**35,273**	26,277	(158)	26,119
Total	**$47,043**	**$(984)**	**$46,059**	$35,115	$(158)	$34,957

(Amounts in thousands of Canadian dollars)

NOTE 6 — LEASING COSTS

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Leasing costs	**$1,104**	**$(169)**	**$935**	$777	$(13)	$764

NOTE 7 — INTANGIBLE ASSETS AND INTANGIBLE LIABILITIES

	December 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Intangible assets	**$ 7,723**	**$(715)**	**$ 7,008**	$3,979	$(82)	$3,897
Intangible liabilities	**(3,820)**	**327**	**(3,493)**	(550)	51	(499)

NOTE 8 — CO-OWNERSHIPS

Co-owned properties

The ROI Co-Owned Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows:

		Ownership interest(%)	
Name	Location	December 31, 2010	December 31, 2009
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	**80.0**	**80.0**
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	**60.0**	**—**
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	**60.0**	**—**
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	**60.0**	**—**
310 Henderson Drive	Regina, Saskatchewan	**85.0**	**85.0**

The following amounts represent the proportion of assets, liabilities, revenues and expenses of the properties which are accounted for on a proportionate consolidated basis.

	December 31, 2010	December 31, 2009
Assets		
Rental properties	**$44,750**	$33,648
Leasing costs	**935**	764
Amounts receivable	**127**	25
Prepaid expenses and other assets	**400**	103
Intangible assets	**7,008**	3,897
Cash	**1,249**	407
Total assets	**$54,469**	$38,844
Liabilities		
Mortgages payable	**30,769**	24,434
Amounts payable and accrued liabilities	**1,615**	604
Intangible liabilities	**3,493**	499
Total liabilities	**$35,877**	$25,537

(Amounts in thousands of Canadian dollars)

NOTE 8 — CO-OWNERSHIPS (Continued)

	For the years ended December 31, 2010	For the years ended December 31, 2009
Rental properties revenue	**$ 6,118**	$1,344
Rental properties operating expenses	**(1,916)**	(493)
Net rental income	**4,202**	851
General and administrative	**(12)**	(2)
Interest	**(1,677)**	(326)
Depreciation of rental properties	**(811)**	(151)
Amortization of leasing cost, tenant improvements and intangible assets	**(735)**	(92)
Net income	**$ 967**	$ 280

NOTE 9 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	December 31, 2010	December 31, 2009
Mortgages payable	**$31,036**	$24,688
Financing costs	**(267)**	(254)
Total	**$30,769**	$24,434

Mortgages payable are secured by charges on specific rental properties.

The aggregate principal repayment and balances maturing on the mortgages payable are as follow:

	Principal Installment Repayment	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2011	$ 647	$ —	$ 647	5.54%
2012	683	—	683	5.54%
2013	721	—	721	5.54%
2014	660	22,172	22,832	5.79%
2015	76	6,077	6,153	4.69%
	2,787	28,249	31,036	5.56%

As at December 31, 2010, mortgages had a weighted average annual interest rate of 5.56% (December 31, 2009 — 5.50%)

NOTE 10 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2010	December 31, 2009
Accrued interest	**88**	63
Security deposits	**92**	25
Other accounts payable and accrued liabilities	**1,435**	516
	$1,615	$604

(Amounts in thousands of Canadian dollars)

NOTE 11 — INTEREST EXPENSE

Interest incurred and charged to net income and comprehensive income is recorded as follows:

	December 31, 2010	December 31, 2009
Interest expense incurred, at stated rate of mortgages payable	**$1,622**	$318
Amortization of financing costs	**56**	8
Interest income	**(1)**	—
Total	**$1,677**	$326

NOTE 12 — SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker as one operating segment.

NOTE 13 — FINANCIAL INSTRUMENTS

Risk Management

CICA Handbook Section 3862, "Financial Instruments — Disclosures", places increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the ROI Co-Owned Properties manages those risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the ROI Co-Owned Properties' fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. In order to manage exposure to interest rate risk, ROI Co-Owned Properties endeavours to manage maturities of fixed rate debt, and match the nature of the debt with the cash flow characteristics of the underlying asset. The ROI Co-Owned Properties have no exposure to currency or other market price risk.

Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. The ROI Co-Owned Properties mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash, deposits carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the ROI Co-Owned Properties will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The ROI Co-Owned Properties manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

Fair value of financial instruments

Amounts receivable, amounts payable and accrued liabilities are carried at amortized cost which due to their short term nature approximates fair value. Financial instruments carried at amortized cost where carrying value does not approximate fair value are described below:

	December 31, 2010		December 31, 2009	
	Total		Total	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages payable	**$31,036**	**$28,516**	$24,688	$21,813

(Amounts in thousands of Canadian dollars)

NOTE 14 — SUPPLEMENTARY CASH FLOW INFORMATION

Change in non-cash working capital comprises:

	For the years ended December 31,	
	2010	**2009**
Change in amounts receivable	**$(102)**	$ (25)
Change in prepaid expenses	**9**	(28)
Change in security deposits	**67**	(14)
Change in amounts payable and accrued liabilities	**944**	464
Assumed non-cash working capital on acquisitions	**(299)**	(238)
Change in non-cash working capital	**$ 619**	$ 159

The following amounts were paid on account of interest:

	For the years ended December 31,	
	2010	**2009**
Interest paid	**$1,597**	$255

NOTE 15 — SUBSEQUENT EVENTS

On July 20, 2012, the REIT, an open-ended real estate investment trust, was created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $155,000 through the issuance of 15,500,000 Units at $10.00 per Unit pursuant to an initial public offering (the "Offering") (excluding any over-allotment option).

The closing of the transactions contemplated by the prospectus relating to the offering are scheduled to occur no later than October 15, 2012.

ROI Co-Owned Properties
Interim Carve-Out Financial Statements (Unaudited)
For the Six Months Ended
June 30, 2012 and 2011

ROI CO-OWNED PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT BALANCE SHEETS

as of June 30, 2012 and December 31, 2011
(Amounts in thousands of Canadian dollars)

	Notes	June 30 2012	December 31 2011
Assets			
Non-current assets			
Investment properties	7	$95,845	$85,869
Other non-current assets	9	987	796
		96,832	86,665
Current assets			
Amounts receivable	10	169	236
Prepaid expenses		312	18
Cash		1,387	1,270
		1,868	1,524
Total assets		$98,700	$88,189
Liabilities			
Non-current liabilities			
Mortgages payable	11	$44,795	$45,275
Security deposits		259	252
		45,054	45,527
Current liabilities			
Mortgages payable	11	1,072	1,038
Amounts payable and accrued liabilities	12	1,318	1,520
		2,390	2,558
Total liabilities		47,444	48,085
Divisional surplus		51,256	40,104
Total liabilities and divisional surplus		$98,700	$88,189

The accompanying notes form an integral part of the interim condensed carve-out financial statements

ROI CO-OWNED PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

for the Three and Six Months Ended June 30, 2012 and 2011
(Amounts in thousands of Canadian dollars)

	Notes	For the three months ended June 30		For the six months ended June 30	
		2012	2011	2012	2011
Investment properties revenue		$ 2,376	$2,025	$ 4,755	$ 3,995
Investment properties operating expenses		(674)	(480)	(1,454)	(1,033)
Net rental income		1,702	1,545	3,301	2,962
Other income and expenses					
General and administrative		—	—	(25)	—
Fair value adjustments to investment properties	7	1,178	1,606	9,966	4,246
Interest	13	(693)	(741)	(1,300)	(1,391)
Net income and comprehensive income for the period		$ 2,187	$2,410	$11,942	$ 5,817

The accompanying notes form an integral part of the interim condensed carve-out financial statements

ROI CO-OWNED PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF DIVISIONAL SURPLUS

for the Six Months Ended June 30, 2012 and 2011
(Amounts in thousands of Canadian dollars)

Divisional surplus at January 1, 2012	$40,104
Net income for the period	11,942
Net distribution to ROI	(790)
Divisional surplus at June 30, 2012	$51,256
Divisional surplus at January 1, 2011	$22,641
Net income for the period	5,817
Net contribution from ROI	5,051
Divisional surplus at June 30, 2011	$33,509

The accompanying notes form an integral part of the interim condensed carve-out financial statements

ROI CO-OWNED PROPERTIES

UNAUDITED INTERIM CONDENSED CARVE-OUT STATEMENTS OF CASH FLOWS

for the Six Months Ended June 30, 2012 and 2011
(Amounts in thousands of Canadian dollars)

	Notes	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Operating activities			
Net income for the period		$ 11,942	$ 5,817
Non-cash items:			
Fair value adjustments to investment properties		(9,966)	(4,246)
Amortization of financing costs	13	65	46
Straight-line rent adjustment		(191)	(125)
Change in non-cash working capital	15	(422)	286
Cash flows from operating activities		1,428	1,778
Investing activities			
Investment in building improvements		(10)	(154)
Acquisition of investment properties	6	—	(5,912)
Cash flows used in investing activities		(10)	(6,066)
Financing activities			
Mortgage principal repayments		(511)	(351)
Contribution (distribution) to ROI, net		(790)	5,051
Cash flows from financing activities		(1,301)	4,700
Net increase in cash		117	412
Cash, beginning of the period		1,270	1,249
Cash, end of the period		$ 1,387	$ 1,661

The accompanying notes form an integral part of the interim condensed carve-out financial statements

NOTE 1 — GENERAL INFORMATION

These interim condensed carve-out financial statements are a combination of the certain industrial investment properties that were managed by Return On Innovation Capital Ltd. ("ROI") at June 30, 2012. (the "ROI Co-Owned Properties") and do not represent a legal entity. The registered office of ROI is 37 Front Street East, 4th Floor Toronto, Ontario M5E 1B3.

The ROI Co-Owned Properties, together with their related assets and liabilities, are to be acquired Dundee Industrial Real Estate Investment Trust (the "REIT") upon completion of an initial public offering of units by the REIT. These carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 "Acceptable Accounting Principles and Auditing Standards" for carve-out financial statements.

These carve-out financial statements have been approved for issue by the Board of Trustees of Dundee REIT on September 26, 2012.

NOTE 2 — BASIS OF FINANCIAL STATEMENT PRESENTATION

Basis of presentation

The interim carve-out financial statements for the three and six months ended June 30, 2012 have been prepared in accordance with International Accounting Standards ("IAS") 34 — "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

The interim carve-out financial statements do not include all the information and disclosures required in the full set of carve-out financial statements, and should be read in conjunction with the ROI Co-Owned Properties' carve-out financial statements for the year ended December 31, 2011.

All amounts except for other corporate costs included in general and administrative expenses, have been derived from records specific to the ROI Co-Owned Properties expected to be transferred to the REIT. Other corporate costs that neither are common costs nor shared costs have not been allocated to these carve-out financial statements.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the ROI Co-Owned Properties had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the acquisition by the REIT of the ROI Co-Owned Properties.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES

The accounting policies selected and applied for significant transactions and events are consistent with those of the December 31, 2011 carve-out financial statements.

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparing the carve-out financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical accounting judgments

Following are the critical judgments used in applying the accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be

NOTE 4 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

Management makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment properties.

Leases

In applying the revenue recognition policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which impacts whether or not such amounts are treated as additions to the investment properties.

Judgments are also made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases are operating or finance leases. Management has determined that all of its leases are operating leases.

Impairment

Management assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable.

Estimates and assumptions

The ROI Co-Owned Properties makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the carve-out financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

NOTE 5 — FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, “Financial Instruments: Classification and Measurement” (“IAS 39”). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 9 on its carve-out financial statements. IFRS 7, “Financial Instruments — Disclosures” (“IFRS 7”), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, “Joint Arrangements” (“IFRS 11”). This new standard replaces IAS 31, “Interests in Joint Ventures”, and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The ROI Co-Owned Properties is currently evaluating the impact of this standard on the carve-out financial statements.

(Amounts in thousands of Canadian dollars)

NOTE 5 — FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, requires the ROI Co-Owned Properties to provide disclosures related to offsetting financial assets and liabilities. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 7 on its carve-out financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 10 on its carve-out financial statements.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The ROI Co-Owned Properties is currently evaluating the impact of IFRS 12 on the carve-out financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The ROI Co-Owned Properties will start the application of IFRS 13 effective from January 1, 2013. The ROI Co-Owned Properties is currently evaluating the impact on the carve-out financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The ROI Co-Owned Properties will start the application of this amendment in the carve-out financial statements effective from January 1, 2013, and is currently evaluating the impact on the carve-out financial statements as a result of its adoption.

NOTE 6 — PROPERTY ACQUISITIONS

Detailed below are the industrial property acquisitions completed during the six months ended June 30, 2011.

For the six months ended June 30, 2011	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
1155 Autoroute Chomedey, Laval	60	$ 7,453	$ 4,997	Jan 26, 2011
10001 Metropolitan Boulevard East, Montreal	60	16,817	12,952	Jan 26, 2011
Total		$24,270	$17,949	

(1) Includes transaction costs.

(Amounts in thousands of Canadian dollars)

NOTE 6 — PROPERTY ACQUISITIONS (Continued)

The assets acquired and liabilities assumed in this transaction were allocated as follows:

	For the six months ended June 30	
	2012	**2011**
Investment properties	$—	$24,270
Total purchase price	—	24,270
The consideration paid consists of:		
Cash paid	—	5,912
Assumed mortgages at fair value	—	17,949
Assumed non-cash working capital	—	409
Total consideration	$—	$24,270

NOTE 7 — INVESTMENT PROPERTIES

Reconciliation of the carrying amount for investment properties at the beginning and end of the period are set out below:

	June 30, 2012	**December 31, 2011**
Balance at beginning of period	**$85,869**	$53,249
Additions:		
Property acquisitions	**—**	24,270
Building improvements	**10**	44
Fair value adjustments to investment properties	**9,966**	8,306
Balance at end of period	**$95,845**	$85,869

The key valuation metrics for investment properties are set out below:

June 30, 2012		December 31, 2011	
Capitalization rate range (%)	**Weighted average (%)**	**Capitalization rate range (%)**	**Weighted average (%)**
6.25–7.00	**6.62**	6.31–7.75	6.74

Investment properties with a fair value of $95,845 (December 31, 2011 — $85,869) are pledged as security for mortgages payable.

(Amounts in thousands of Canadian dollars)

NOTE 8 — JOINT ARRANGEMENTS

Co-owned properties

The ROI Co-Owned Properties' interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows.

Name	Location	Ownership interest (%) June 30, 2012	Ownership interest (%) December 31, 2011
1900 Dickson Street (Molson Distribution Centre)	Montreal, Quebec	**80.0**	80.0
310 Hoffer Drive (McDonald Business Centre)	Regina, Saskatchewan	**60.0**	60.0
651 Henderson Drive (Henderson Business Centre)	Regina, Saskatchewan	**60.0**	60.0
402 McDonald Street (Imperial Business Centre)	Regina, Saskatchewan	**60.0**	60.0
1155 Autoroute Chomedey	Laval, Quebec	**60.0**	60.0
10001 Metropolitan Boulevard East	Montreal, Quebec	**60.0**	60.0
310 Henderson Drive	Regina, Saskatchewan	**85.0**	85.0

	June 30, 2012	December 31, 2011
Non-current assets		
Investment properties	**$95,845**	$85,869
Other non-current assets	**987**	796
	96,832	86,665
Current assets		
Amounts receivable	**169**	236
Prepaid expenses	**312**	18
Cash	**1,387**	1,270
	1,868	1,524
Total assets	**$98,700**	$88,189
Non-current liabilities		
Mortgages payable	**$44,795**	$45,275
Security deposits	**259**	252
	45,054	45,527
Current liabilities		
Mortgages payable	**1,072**	1,038
Amounts payable and accrued liabilities	**1,318**	1,520
	2,390	2,558
Total liabilities	**$47,444**	$48,085

(Amounts in thousands of Canadian dollars)

NOTE 8 — JOINT ARRANGEMENTS (Continued)

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	2012	2011
Investment properties revenue	$2,376	$2,025	$ 4,755	$ 3,995
Investment properties operating expenses	(674)	(480)	(1,454)	(1,033)
Net rental income	1,702	1,545	3,301	2,962
General and administrative	—	—	(25)	—
Fair value adjustments to investment properties	1,178	1,606	9,966	4,246
Interest	(693)	(741)	(1,300)	(1,391)
Net income	$2,187	$2,410	$11,942	$ 5,817

NOTE 9 — OTHER NON-CURRENT ASSETS

	June 30, 2012	December 31, 2011
Straight-line rent receivable	**$987**	$796
Total	**$987**	$796

NOTE 10 — AMOUNTS RECEIVABLE

	June 30, 2012	December 31, 2011
Trade receivables	**$169**	$200
Less: Provision for impairment of trade receivables	**—**	—
Trade receivables, net	**169**	200
Other amounts receivable	**—**	36
	$169	$236

NOTE 11 — MORTGAGES PAYABLE

Mortgages payable consists of the following:

	June 30, 2012	December 31, 2011
Mortgages payable	**$46,154**	$46,665
Financing costs	**(287)**	(352)
Total	**45,867**	46,313
Less: Current portion	**1,072**	1,038
Non-current debt	**$44,795**	$45,275

(Amounts in thousands of Canadian dollars)

NOTE 11 — MORTGAGES PAYABLE (Continued)

The aggregate principal repayment and balances maturing on the mortgages payable on investment properties in the next five years and thereafter are as follows:

	Principal Installment repayment	Balance Maturing	Total	Weighted Average Interest Rate
2012 (remainder of year)	$ 526	$ —	$ 526	5.20%
2013	1,092	—	1,092	5.20%
2014	1,051	22,172	23,223	5.75%
2015	483	6,077	6,560	4.68%
2016	344	9,953	10,297	4.11%
2017 and thereafter	74	4,382	4,456	6.12%
	$3,570	$42,584	$46,154	5.25%

As at June 30, 2012, mortgages had an annual weighted average interest rate of 5.25% (December 31, 2011 — 5.74%).

NOTE 12 — AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2012	December 31, 2011
Trade payables	**$ 48**	$ —
Accrued liabilities and other payables	**1,111**	1,370
Accrued interest	**159**	150
Total	**$1,318**	$1,520

NOTE 13 — INTEREST EXPENSE

Interest on debt incurred and charged to net income and comprehensive income is recorded as follows:

	For the three months ended June 30		For the six months ended June 30	
	2012	**2011**	**2012**	**2011**
Interest expense incurred	**$693**	$716	**$1,235**	$1,345
Amortization of financing costs	**—**	25	**65**	46
Interest expense	**$693**	741	**$1,300**	1,391

NOTE 14 — SEGMENTED INFORMATION

All the properties included in these interim carve-out financial statements are industrial properties located in Canada, and are viewed by the Chief Operating Decision Maker as one operating segment.

(Amounts in thousands of Canadian dollars)

NOTE 15 — SUPPLEMENTARY CASH FLOW INFORMATION

	For the six months ended June 30,	
	2012	**2011**
Change in amounts receivable	**$ 67**	$(112)
Change in prepaid expenses	**(294)**	(291)
Change in amounts payable and accrued liabilities	**(202)**	936
Increase in tenant deposits	**7**	162
Assumed non-cash working capital on acquisitions	**—**	(409)
Change in non-cash working capital	**$(422)**	$ 286

The following amounts were paid on account of interest:

	For the six months ended June 30,	
	2012	**2011**
Interest paid	**$1,226**	$1,257

NOTE 16 — SUBSEQUENT EVENTS

On July 20, 2012, the REIT, an open-ended real estate investment trust, was created pursuant to a Declaration of Trust dated July 20, 2012, under the laws of the Province of Ontario.

On September 26, 2012, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $155,000 through the issuance of 15,500,000 Units at $10.00 per Unit pursuant to an initial public offering (the "Offering") (excluding any over-allotment option).

The closing of the transactions contemplated by the prospectus relating to the offering are scheduled to occur no later than October 15, 2012.

APPENDIX A — INITIAL PROPERTIES

The table below sets forth information concerning the Initial Properties as of the Closing Date and the name of the significant tenant or tenants occupying each property (with a significant tenant being any tenant occupying over 10,000 square feet of GLA of the Initial Property or, if there are no such tenants, the largest tenant of such Initial Property as measured by GLA). The name of each tenant referred to below is the common name by which the tenant is generally known and may not be the name of the legal entity which is a party to the relevant lease. All references to "square foot" or "square feet" refer to square foot or square feet of GLA.

Property	Ownership	Owned GLA in Square Feet	Year Built / Renovated	Year Acquired by Dundee REIT[1]	Occupied / Committed as at June 30, 2012	Significant Tenants
7004-7042 30th Street SE, Calgary	100%	94,013	1976	1998	100.0%	Control Chemical (1989) Corp.
4710-4760 14th Street NE (McCall Industrial Park), Calgary	100%	72,866	1976	1998	90.1%	Collega International
2777 23rd Avenue NE, Calgary	100%	67,250	2001	2004	100.0%	Cabinet Solutions Ltd., Sleep Country Canada LP, Western Sleep Products Ltd.
3510 29th Street NE (ACC Centre), Calgary	100%	65,009	1998	2005	100.0%	Extreme Engineering, Calgary Life Church
2150 29th Street NE (Sunbridge Business Park), Calgary	100%	59,865	1999	2004	100.0%	Kilowatts Design Company Inc., ROE Logistics Inc.
2175 29th Street NE (Sunbridge Business Park), Calgary	100%	58,156	2000	2004	73.6%	Mentor Engineering Inc., Talnea Technologies Inc., Deluxe Toronto Ltd.
2256 29th Street NE (Sunbridge Business Park), Calgary	100%	58,015	1998	2004	100.0%	P&H Minepro Services Canada Ltd.
1139-1165 40th Avenue NE, Calgary	100%	57,344	1974	1998	100.0%	Instabox Alberta Inc.
2151 32nd Street NE (Sunbridge Business Park), Calgary	100%	57,198	1999	2004	100.0%	Coast Wholesale Appliances Inc., Haefele Canada Inc., Corporate Express Canada Inc.
501-529 36th Avenue SE, Calgary	100%	57,122	1974	1998	93.7%	Icon Stone and Tile Inc., East West Plastic and Electric Products Limited
4504-4576 14th Street NE, Calgary	100%	57,085	1976	1998	91.7%	Alberta Dampproofing and Waterproofing Ltd.
2928 Sunridge Way NE, Calgary	100%	56,904	2003	2004	100.0%	Wesco Distribution Canada LP, AM/PM Systems Ltd., Sinclair Dental Co. Ltd., MS Healthcare Ltd.
2121 29th Street NE (Sunbridge Business Park), Calgary	100%	56,648	2000	2004	100.0%	Lifemark Health Management Inc., ASAT Technology Inc.
4402-4434 10th Street NE, Calgary	100%	54,015	1974	1998	100.0%	Budrich Industries, Scholastic Book Fairs Canada
2985 23rd Avenue NE (Sunbridge Business Park), Calgary	100%	53,265	2000	2004	80.1%	Botaneco
4021 9th Street SE, Calgary	100%	44,491	1961	2012	100.0%	Fratello Coffee Corporation
2886 Sunridge Way NE (Sunbridge Business Park), Calgary	100%	44,230	2001	2004	100.0%	Weatherford Canada Partnership, Plasti-Fab Ltd.
535-561 36th Avenue SE, Calgary	100%	41,440	1974	1998	100.0%	The Flower Market, Alberta Health Services
2721 Hopewell Place NE, Calgary	100%	37,690	2006	2012	100.0%	Net Safety Monitoring Inc.
2876 Sunridge Way NE (Sunbridge Business Park), Calgary	100%	30,000	2000	2004	100.0%	Ametek (Canada) Inc.
6804-6818 30th Street SE, Calgary	100%	29,998	1976	1998	86.7%	Enterprise Robert Thibert Inc., Enmax Power Corporation
6023-6039 Centre Street South, Calgary	100%	28,792	1973	1998	75.0%	Tom Harris Cellular Ltd.
4502-4516 10th Street NE, Calgary	100%	28,653	1974	1998	87.4%	Chateau Exteriors Ltd.
3250 Sunridge Way NE (Sunbridge Business Park), Calgary	100%	27,180	2000	2004	100.0%	The City of Calgary
3030 Sunridge Way NE, Calgary	100%	27,016	2000	2004	100.0%	Coffey Geotechnics Inc.
6043-6055 Centre Street South, Calgary	100%	25,200	1973	1998	100.0%	Wolseley Canada Inc.
530-544 38A Avenue SE, Calgary	100%	24,000	1974	1998	37.5%	Blackdog Productions, Inspectacar Inc., G2 Solar Corp.
1135-1149 45th Avenue NE, Calgary	100%	21,552	1974	1998	87.7%	International Furniture Wholesalers
4620-4640 11th Street NE, Calgary	100%	21,111	1971	1998	90.8%	Interfast Inc., North West Wholesales Florist

Property	Ownership	Owned GLA in Square Feet	Year Built / Renovated	Year Acquired by Dundee REIT[1]	Occupied / Committed as at June 30, 2012	Significant Tenants
102-114 61st Avenue SW, Calgary	100%	18,900	1973	1998	100.0%	Fair's Fair (For Book Lovers), Beauty Depot Enterprises
4001-4019 23rd Street NE, Calgary	100%	15,787	1976	1998	100.0%	Anwalt International Ltd., Mobile Augers & Research Ltd.
2915-2925 58th Avenue SE, Calgary	100%	15,556	1976	1998	84.7%	Crazy Red's Transport
4515-4519 1st Street SE, Calgary	100%	14,340	1969	1998	100.0%	Mars Blinds & Shutters Ltd.
3503-3521 62nd Avenue SE, Calgary	100%	13,343	1975	1998	79.9%	Tony William General Contracting
4501-4509 1st Street SE, Calgary	100%	13,200	1970	1998	100.0%	Tunedub Automotive Inc.
4523-4529 1st Street SE, Calgary	100%	11,400	1969	1998	100.0%	Audio Video Interiors Ltd.
Calgary		**1,458,634**			**94.5%**	
15303 128th Avenue (Connect Building), Edmonton	100%	178,143	1977/2004	1998	100.0%	McLeod Mercantile Ltd., Highland Moving & Storage Ltd., Direct Right Cartage 2001 Inc.
628 668 Henderson Drive (Chestmere), Regina	100%	163,807	1975	2012	99.9%	Goodall Rubber Company of Canada, Co-Operators Life Insurance Company, Regina Fasteners & Tools Ltd., TFI Transport 2 LP, Ply Gem Canada Inc.
11445 163rd Street (Alberta Park), Edmonton	100%	130,138	1981	1998	98.9%	Gregg Distributors Limited Partnership, North American Construction, Elite Marble & Granite Ltd., Instabox (Alberta) Inc., QHP Office Services Ltd.
603 Park Street, Regina	100%	109,333	1978	2012	100.0%	Novo Water Group Inc., Creative Door Services Ltd., P.A. Fine Foods & Distributors
Southwood Centre, Edmonton	100%	75,172	1998	2011	65.7%	ABC Recycling Corp.
310 Henderson Drive, Regina	100%	373,284	1976	2012	100.0%	Access Distribution, Supreme Office Products Limited, Watergroup Companies Ltd.
Park 19, Edmonton	100%	48,365	1975/1987	2006	100.0%	Boden Fabricating
1512 & 1514 8th Street, Nisku	100%	42,670	1975, 1980/2010	2012	100.0%	PCL Tools Inc.
651 Henderson Drive (Henderson Business Centre), Regina	100%	90,152	1982	2012	97.2%	Pacific Fresh Fish Ltd., All Weather Windows Ltd., General Fasteners Ltd.
204 26229 Township Road 531A, Parkland County (Edmonton)	100%	34,904	2005	2011	100.0%	Clean Harbors Industrial Services Inc.
3917 81st Avenue, Edmonton	100%	30,353	2006	2005	100.0%	GE Oil & Gas ESP (Canada) Ltd.
15301 100th Street, Grande Prairie	100%	27,058	2005	2011	100.0%	Clean Harbors Industrial Services Inc.
402 McDonald Street (Imperial Business Centre), Regina	100%	55,311	1984	2012	98.7%	WBM Office Systems Inc., Konica Minolta Business Solutions
6715 85th Avenue, Fort St. John	100%	17,405	2006	2011	100.0%	Clean Harbors Industrial Services Inc.
310 Hoffer Drive (McDonald Business Centre), Regina	100%	37,928	1985	2012	100.0%	7-Eleven Canada Inc.
120 Pond Street East, Brooks	100%	14,305	2006	2011	100.0%	Clean Harbors Industrial Services Inc.
2240 Premier Way, Edmonton	50%	13,191	2003	2011	100.0%	General Electric Canada
Western Canada (excluding Calgary)		**1,441,519**			**97.2%**	
1411, 1421 and 1451 Rue Ampère, Boucherville	100%	457,875	1998 / 2002	2010	100.0%	Spectra Premium Industries Inc.
275 Wellington Street East, Aurora	100%	317,000	1986	2010	100.0%	TC Transcontinental Inc.
1125 50th Avenue, Montréal	100%	210,710	2000	2012	100.0%	Nellson Nutraceutical
8000 Avenue Blaise-Pascal, Montréal	100%	206,345	1993	2010	100.0%	TC Transcontinental Inc.
1313 Autoroute Chomedey, Laval	100%	184,493	1999	2010	100.0%	Spectra Premium Industries Inc.
10001 Metropolitan Boulevard East, Montréal	100%	327,000	2004	2012	100.0%	The Brick
131 Thornhill Drive, Dartmouth	100%	115,773	1986	2012	100.0%	Climate Technical Gear
2340 St. Laurent Boulevard, Ottawa	100%	114,724	1989	2010	100.0%	The Dollco Corporation
580 Industrial Road, London	100%	113,595	1972 / 2002	2010	100.0%	Colabor Limited Partnership
970 Fraser Drive, Burlington	100%	95,444	1999	2010	100.0%	Sound Design Technologies Ltd.
222 Edinburgh Drive, Moncton	100%	93,504	1977 / 1999	2012	76.1%	Exide Technologies Canada Corp., Gevity Group Inc., Al Pack Enterprises Ltd., Atlantic Chemical & Aquatics Inc.

Property	Ownership	Owned GLA in Square Feet	Year Built / Renovated	Year Acquired by Dundee REIT(1)	Occupied / Committed as at June 30, 2012	Significant Tenants
4515 and 4525 Rhodes Drive (Delta Park), Windsor	100%	91,057	1999	2012	94.1%	Ground Effects Ltd., Bowes Publishers Limited
9305 Twin Oaks Drive, Windsor	100%	74,239	1996	2012	100.0%	Magna Closures Inc.
170 Joseph Zatzman Drive, Dartmouth	100%	65,670	1981	2011	94.8%	Cleve's Sporting Goods Ltd., G4S Cash Services Canada
105 Akerley Boulevard, Dartmouth	100%	57,436	1983	2010	100.0%	Domtar Inc., Goodall Snowden Rubber, H&H Industries Ltd.
1155 Autoroute Chomedey, Laval	100%	115,362	1990 / 2002	2012	100.0%	Effigi Inc.
880 Rangeview Road, Mississauga	100%	45,600	1977 / 2005	2012	100.0%	Filamat Composites Inc.
1900 Dickson Street (Molson Distribution Centre), Montréal	100%	225,000	2003	2012	100.0%	Molson Breweries Properties Ltd.
81 Wright Avenue, Dartmouth	100%	44,131	1986	2011	100.0%	Princess Auto Limited
722 Edinburgh Drive, Moncton	100%	41,200	1975 / 1990	2012	100.0%	Hercules Tire Company
30 Simmonds Drive, Dartmouth	100%	37,240	1982	2010	81.2%	Safety-Kleen Canada Inc., Prosol Distribution Inc.
2946 Walker Road, Windsor	100%	32,264	1960	2012	100.0%	Ground Effects Ltd.
29 rue de Varennes, Gatineau	100%	23,959	2006	2011	100.0%	PWGSC
38 rue de Valcourt, Gatineau	100%	16,456	1985	2011	100.0%	Camille Villeneuve
Eastern Canada		**3,106,077**			**98.6%**	
TOTAL		**6,006,230**			**97.1%**	

(1) For the ROI Co-Owned Properties, the year set forth in the table is the year that Dundee REIT acquired an initial interest in the property through its acquisition of Whiterock.

APPENDIX B

DUNDEE INDUSTRIAL REAL ESTATE INVESTMENT TRUST
(THE "TRUST")
MANDATE FOR THE BOARD OF TRUSTEES

Pursuant to the amended and restated declaration of trust for the Trust dated October 4, 2012 (the "Declaration of Trust"), the Trust may have a board of trustees (the "Board") consisting of between five and twelve trustees at any given time, although a majority of the trustees must be resident Canadians. The trustees are elected by the holders of the units of the Trust and the special trust units of the Trust (the "Unitholders"). Although trustees may be elected by the Unitholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Trust must be paramount at all times.

DUTIES OF TRUSTEES

The Board is responsible for the stewardship of the activities and affairs of the Trust. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Trust's strategic planning and organizational structure and supervising management to oversee that the strategic planning and organizational structure enhance and preserve the business of the Trust and the underlying value of the Trust.

The Board discharges its responsibility for overseeing the management of the Trust's activities and affairs by delegating to the Trust's senior officers the responsibility for day-to-day activities of the Trust. The Board discharges its responsibilities both directly and through its committees, the Audit Committee, the Governance and Environmental Committee, the Executive Committee and the Compensation Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature.

The Board's primary roles are overseeing performance and providing quality, depth and continuity of management to meet the Trust's strategic objectives.

Other principal duties include, but are not limited to the following categories:

Appointment of Management

1. The Board is responsible for approving the appointment of the chief executive officer and all other senior management.
2. The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits, and material transactions outside the ordinary course of business are reviewed by and are subject to the prior approval of the Board.
3. The Board oversees that succession planning programs are in place, including programs to train and develop management.

Board Organization

4. The Board will respond to recommendations received from the Governance and Environmental Committee and the Compensation Committee, but retains responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
5. The Board may establish committees of the Board, where required or prudent, and define their mandate. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, the conduct of performance evaluations and oversight of internal controls systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

Strategic Planning

6. The Board has oversight responsibility to participate directly, and through its committees, in developing, reviewing, questioning and approving the mission of the Trust and its objectives and goals.

7. The Board is responsible for participating in the development of, and reviewing and approving, the business, financial and strategic plans by which it is proposed that the Trust may reach those goals.

8. The Board is responsible for supervising the activities, managing the investments and affairs and approving major decisions of the Trust.

9. The Board will consider alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for Unitholders.

10. The Board is responsible for reviewing the debt strategy of the Trust.

Monitoring of Financial Performance and Other Financial Reporting Matters

11. The Board is responsible for enhancing congruence between Unitholder expectations, Trust plans and management performance.

12. The Board is responsible for adopting processes for monitoring the Trust's progress toward its strategic and other goals, and to revise and alter its direction to management in light of changing circumstances affecting the Trust.

13. The Board is responsible for approving the audited financial statements, interim financial statements and the notes and management's discussion and analysis accompanying such financial statements.

14. The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Declaration of Trust and other governing documents, including the payment of distributions, purchase and redemptions of securities, acquisitions and dispositions.

Risk Management

15. The Board is responsible for overseeing the identification of the principal risks of the Trust's business and the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Trust and achieving a proper balance between the risks incurred and the potential return to the Trust's Unitholders.

Policies and Procedures

16. The Board is responsible for:

    (a) approving and assessing compliance with all significant policies and procedures by which the Trust is operated; and

    (b) approving policies and procedures designed to ensure that the Trust operates at all times within applicable laws and regulations and in accordance with ethical and moral standards.

17. The Board shall enforce its policy respecting confidential treatment of the Trust's proprietary information and the confidentiality of Board deliberations.

Communications and Reporting

18. The Board has approved and will revise from time to time as circumstances warrant a disclosure policy to address communications with Unitholders, employees, financial analysts, governments and regulatory authorities, the media and the Canadian and international communities.

Miscellaneous

19. The Board is responsible for:

    (a) overseeing the accurate reporting of the financial performance of the Trust to Unitholders, other securityholders and regulators on a timely and regular basis;

    (b) overseeing that the financial results are reported fairly and in accordance with International Financial Reporting Standards and related legal disclosure requirements;

    (c) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Trust;

    (d) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, including reporting annually to Unitholders on its stewardship for the preceding year;

    (e) overseeing the Trust's implementation of systems which accommodate feedback from Unitholders;

    (f) ensuring the integrity and adequacy of internal controls and management information systems;

    (g) maintaining records and providing reports to Unitholders; and

    (h) determining the amount and timing of distributions to Unitholders.

APPENDIX C

DUNDEE INDUSTRIAL REAL ESTATE INVESTMENT TRUST
(THE "TRUST")
AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee (the "Committee") is a standing committee appointed by the board of trustees of the Trust (the "Board") pursuant to the amended and restated declaration of trust for the Trust dated October 4, 2012 (the "Declaration of Trust"). The Committee is established to fulfil applicable securities law obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting, including to:

(a) oversee the integrity of the Trust's financial statements and financial reporting process, including the audit process and the Trust's internal accounting controls and procedures and compliance with related legal and regulatory requirements;

(b) oversee the qualifications and independence of the external auditors;

(c) oversee the work of the Trust's financial management, internal auditors and external auditors in these areas; and

(d) provide an open avenue of communication between the external auditors, the internal auditors, the Board and management of the Trust.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (a) to plan or conduct audits, (b) to determine that the Trust's financial statements are complete and accurate and are in accordance with International Financial Reporting Standards or (c) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, its chair and its financial expert members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Trust, and are specifically not accountable or responsible for the day to day operation or performance of such activities. In particular, the member or members identified as audit committee financial experts shall not be accountable for giving professional opinions on the internal or external audit of the Trust's financial information.

Management is responsible for the preparation, presentation and integrity of the Trust's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The chief financial officer is responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls. The external auditors are responsible for planning and carrying out an audit of the Trust's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with International Financial Reporting Standards.

PROCEDURES, POWERS AND DUTIES

Pursuant to the Declaration of Trust, the Committee shall have the following procedures, powers and duties:

General

1. *Definitions* — Unless otherwise defined herein, all capitalized terms shall have the meanings set out in the Declaration of Trust.

2. *Composition* — The Committee shall consist of at least three members, all of whom shall be Independent Trustees and a majority of whom shall be resident Canadians. All members of the Committee must have the

ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements.

3. *Separate Executive Meetings* — The Committee shall meet periodically with the chief financial officer, the head of the internal audit function (if other than the chief financial officer) and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without management present.

4. *Professional Assistance* — The Committee may require the external auditors and internal auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out the Committee's duties at the Trust's expense.

5. *Reliance* — Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Trust from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Trust and its subsidiaries.

6. *Reporting to the Board* — The Committee will report through the chair of the Committee to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

7. *Procedure* — The Committee meetings shall be conducted as follows: (i) questions arising at any meeting shall be decided by a majority of the votes cast; (ii) decisions may be taken by written consent signed by all members of the Committee; and (iii) meetings may be called by the external auditors of the Trust or any member of the Committee upon not less than 48 hours notice. The external auditors of the Trust are entitled to receive notice of every meeting of the Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the external auditors.

AUDIT RESPONSIBILITIES OF THE COMMITTEE

Selection and Oversight of the External Auditors

(a) The external auditors are ultimately accountable to the Committee and the Board as the representatives of the unitholders of the Trust and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Trust to be proposed in the Trust's management information circular for approval of the unitholders of the Trust and the compensation to be paid by the Trust to the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.

(b) The Committee shall approve in advance the terms of engagement of the external auditors with respect to the conduct of the annual audit. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the external auditors, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Trust or any of its subsidiaries by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee.

(c) The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

(i) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

(ii) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Trust and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand;

(iii) consider whether there should be a regular rotation of the external audit firm itself; and

(iv) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

(d) The Committee shall prohibit the external auditor and its affiliates from providing certain non-audit services to the Trust and its subsidiaries.

(e) The Committee shall establish and monitor clear policies for the hiring by the Trust of employees or former employees of the external auditors.

(f) The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require.

(g) The Committee is responsible for resolving disagreements between management and the external auditors regarding financial reporting.

Appointment and Oversight of Internal Auditors

(h) The appointment, terms of engagement, compensation, replacement or dismissal of the internal auditors shall be subject to prior review and approval by the Committee. When the internal audit function is performed by employees of the Trust, the Committee may delegate responsibility for approving the employment, term of employment, compensation and termination of employees engaged in such function other than the head of the Trust's internal audit function.

(i) The Committee shall obtain from the internal auditors and shall review summaries of the significant reports to management prepared by the internal auditors, or the actual reports if requested by the Committee, and management's responses to such reports.

(j) The Committee shall, as it deems necessary, communicate with the internal auditors with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that the internal auditor brings to the attention of the Committee. The head of the internal audit function shall have unrestricted access to the Committee.

(k) The Committee shall, annually or more frequently as it deems necessary, evaluate the internal auditors including their activities, organizational structure and qualifications and effectiveness.

Oversight and Monitoring of Audits

(l) The Committee shall review with the external auditors, the internal auditors and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Trust and its subsidiaries, the overall audit plans, the responsibilities of management, the internal auditors and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

(m) The Committee shall meet periodically with the internal auditors to discuss the progress of their activities and any significant findings stemming from internal audits and any difficulties or disputes that arise with management and the adequacy of management's responses in correcting audit-related deficiencies.

(n) The Committee shall discuss with the external auditors any difficulties or disputes that arose with management or the internal auditors during the course of the audit and the adequacy of management's responses in correcting audit-related deficiencies.

(o) The Committee shall review with management the results of internal and external audits.

(p) The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

(q) The Committee shall, as it deems necessary, oversee, review and discuss with management, the external auditors and the internal auditors:

(i) the quality, appropriateness and acceptability of the Trust's accounting principles and practices used in its financial reporting, changes in the Trust's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;

(ii) disagreements between management and the external auditors or the internal auditors regarding the application of any accounting principles or practices;

(iii) any material change to the Trust's auditing and accounting principles and practices as recommended by management, the external auditors or the internal auditors or which may result from proposed changes to applicable International Financial Reporting Standards;

(iv) any reserves, accruals, provisions, estimates or Trust programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the financial statements of the Trust;

(v) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Trust's operations;

(vi) the use of any "pro-forma" or "adjusted" information not in accordance with International Financial Reporting Standards; and

(vii) management's determination of goodwill impairment, if any, as required by applicable accounting standards.

(r) The Committee will review and resolve disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

(s) The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management, the external auditors and the internal auditors:

(i) the adequacy and effectiveness of the Trust's internal accounting and financial controls and the recommendations of management, the external auditors and the internal auditors for the improvement of accounting practices and internal controls;

(ii) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and

(iii) management's compliance with the Trust's processes, procedures and internal controls.

Communications with Others

(t) The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Trust regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management and the internal auditors these procedures and any significant complaints received.

Oversight and Monitoring of the Trust's Financial Disclosures

(u) The Committee shall:

(i) review with the external auditors and management and recommend to the Board for approval the audited financial statements and the notes and management's discussion and analysis accompanying such financial statements, the Trust's annual report, any interim financial statements included or to be included in a prospectus and any financial information of the Trust contained in any management information circular of the Trust; and

(ii) review with the external auditors and management each set of interim financial statements and the notes and management's discussion and analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Trust containing or accompanying financial information of the Trust.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

(v) Prior to their distribution, the Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Trust gives earning guidance.

(w) The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors.

Oversight of Finance Matters

(x) Appointments of the key financial executives involved in the financial reporting process of the Trust, including the chief financial officer, shall require the prior review of the Committee.

(y) The Committee shall receive and review:

(i) periodic reports on compliance with requirements regarding statutory deductions and remittances, the nature and extent of any non-compliance together with the reasons therefor and the management's plan and timetable to correct any deficiencies;

(ii) material policies and practices of the Trust respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Trust; and

(iii) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

(z) The Committee shall meet periodically with management to review and discuss the Trust's major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

(aa) The Committee shall receive and review the financial statements and other financial information of material subsidiaries of the Trust and any auditor recommendations concerning such subsidiaries.

(bb) The Committee shall meet with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

Additional Responsibilities

(cc) The Committee shall review any significant transactions outside the Trust's ordinary activities and all pending litigation involving the Trust.

(dd) The Committee shall review and make recommendations to the Board concerning the financial structure, condition and strategy of the Trust and its subsidiaries, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long term commitments and the issuance and/or repurchase of securities.

(ee) The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

AUDIT COMMITTEE CHARTER

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements in the annual management information circular or annual report of the Trust.

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: September 26, 2012

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

DUNDEE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(Signed) SCOTT HAYES President and Chief Executive Officer	(Signed) MARIO BARRAFATO Chief Financial Officer

On behalf of the Board of Trustees

(Signed) MICHAEL J. COOPER Trustee	(Signed) MARIO BARRAFATO Trustee

DUNDEE PROPERTIES LIMITED PARTNERSHIP
by its general partner
DUNDEE PROPERTIES (GP) INC.

(as Promoter)

(Signed) MICHAEL J. COOPER Chief Executive Officer	(Signed) MARIO BARRAFATO Chief Financial Officer

On behalf of the Board of Directors

(Signed) NED GOODMAN Director	(Signed) P. JANE GAVAN Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 26, 2012

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

TD SECURITIES INC.

By: (Signed) ARMEN FARIAN

SCOTIA CAPITAL INC.

By: (Signed) STEPHEN SENDER

CIBC WORLD MARKETS INC.

By: (Signed) MARK G. JOHNSON

RBC DOMINION SECURITIES INC.

By: (Signed) WILLIAM WONG

BMO NESBITT BURNS INC.

By: (Signed) TONY REALE

CANACCORD GENUITY CORP.

By: (Signed) JUSTIN BOSA

DUNDEE SECURITIES LTD.

By: (Signed) AARON UNGER

BROOKFIELD FINANCIAL CORP.

By: (Signed) MARK MURSKI

DESJARDINS SECURITIES INC.

By: (Signed) MARK EDWARDS

GMP SECURITIES L.P.

By: (Signed) ANDREW KIGUEL

NATIONAL BANK FINANCIAL INC.

By: (Signed) ANDREW WALLACE

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