LANESBOROUGH REIT

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30 2014	December 31 2013
ASSETS		
Non-current assets		
Investment properties (Note 4)	**$421,507,670**	$421,040,369
Defeasance assets	**2,769,102**	2,879,978
Restricted cash	**4,009,392**	4,241,812
Total non-current assets	**428,286,164**	428,162,159
Current assets		
Cash	**1,724,652**	2,401,741
Rent and other receivables (Note 5)	**1,248,747**	10,129,493
Deposits and prepaids	**1,582,991**	893,063
	4,556,390	13,424,297
Assets classified as held for sale (Note 6)	**26,697,169**	26,485,863
Total current assets	**31,253,559**	39,910,160
TOTAL ASSETS	**$459,539,723**	$468,072,319
LIABILITIES AND EQUITY		
Liabilities		
Non-current liabilities		
Long-term debt (Note 7)	**$150,299,667**	$154,124,845
Total non-current liabilities	**150,299,667**	154,124,845
Current liabilities		
Trade and other payables (Note 8)	**12,864,524**	47,306,909
Current portion of long-term debt (Note 7)	**164,578,298**	133,107,487
Deposits from tenants	**2,818,180**	2,518,165
	180,261,002	182,932,561
Liabilities classified as held for sale (Note 6)	**14,791,091**	13,562,900
Total current liabilities	**195,052,093**	196,495,461
Total liabilities	**345,351,760**	350,620,306
Total equity	**114,187,963**	117,452,013
TOTAL LIABILITIES AND EQUITY	**$459,539,723**	$468,072,319

Approved by the Board of Trustees

"Charles Loewen" *"Cheryl Barker"*

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Rentals from investment properties	**$ 9,924,262**	$ 10,417,760	**$ 28,808,159**	$ 30,212,858
Property operating costs	**3,820,309**	4,012,556	**12,275,488**	12,027,364
Net operating income	**6,103,953**	6,405,204	**16,532,671**	18,185,494
Interest income	**27,770**	303,792	**619,767**	932,039
Interest expense (Note 9)	**(6,240,075)**	(6,281,557)	**(18,940,300)**	(20,733,401)
Trust expense	**(554,533)**	(440,395)	**(1,774,482)**	(1,762,327)
Gain on sale of investment property	**-**	-	**71,235**	164,928
Fair value adjustments (Note 4)	**(157,887)**	7,652,786	**(842,479)**	9,077,308
Fair value adjustment of Parsons Landing	**-**	5,152,319	**-**	7,222,079
Income recovery on Parsons Landing	**-**	630,704	**98,499**	2,272,334
Income (loss) before discontinued operations	**(820,772)**	13,422,853	**(4,235,089)**	15,358,454
Income from discontinued operations (Note 6)	**25,304**	82,471	**292,940**	670,296
Income (loss) and comprehensive income (loss)	**$ (795,468)**	$ 13,505,324	**$ (3,942,149)**	$ 16,028,750
Income (loss) per unit before discontinued operations:				
Basic	**$ (0.039)**	$ 0.711	**$ (0.203)**	$ 0.815
Diluted	**$ (0.039)**	$ 0.706	**$ (0.203)**	$ 0.809
Income per unit from discontinued operations:				
Basic and diluted	**$ 0.001**	$ 0.005	**$ 0.014**	$ 0.036
Income (loss) per unit:				
Basic	**$ (0.038)**	$ 0.716	**$ (0.189)**	$ 0.851
Diluted	**$ (0.038)**	$ 0.711	**$ (0.189)**	$ 0.845

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Issued capital (Note 11)				
Balance, beginning of period	**$116,702,389**	$107,981,081	**$116,100,394**	$107,978,701
Units issued on exercise of:				
Options	**-**	-	**22,780**	2,380
Warrants	**139,140**	-	**718,355**	-
Balance, end of period	**116,841,529**	107,981,081	**116,841,529**	107,981,081
Contributed surplus				
Balance, beginning of period	**17,066,845**	17,274,663	**17,091,850**	17,211,070
Value of deferred units granted	**18,750**	18,750	**56,250**	56,250
Value of unit options granted	**-**	-	**60,156**	26,093
Warrants exercised	**(25,141)**	-	**(126,731)**	-
Warrants purchased under normal course issuer bid	**(31,640)**	-	**(52,711)**	-
Balance, end of period	**17,028,814**	17,293,413	**17,028,814**	17,293,413
Cumulative earnings				
Balance, beginning of period	**55,463,123**	45,613,644	**58,609,804**	43,090,218
Income (loss) and comprehensive income (loss)	**(795,468)**	13,505,324	**(3,942,149)**	16,028,750
Balance, end of period	**54,667,655**	59,118,968	**54,667,655**	59,118,968
Cumulative distributions to unitholders				
Balance, beginning and end of period	**(74,350,035)**	(67,450,035)	**(74,350,035)**	(67,450,035)
Total equity	**$114,187,963**	$116,943,427	**$114,187,963**	$116,943,427

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Operating activities				
Income (loss) and comprehensive income (loss)	**$ (795,468)**	$ 13,505,324	**$ (3,942,149)**	$ 16,028,750
Adjustments to reconcile income to cash flows				
Fair value adjustments	**157,887**	(7,652,786)	**842,479**	(9,077,308)
Fair value adjustment of Parsons Landing	**-**	(5,152,319)	**-**	(7,222,079)
Gain on sale of properties	**-**	-	**(71,235)**	(164,928)
Loss on warrant repurchases	**42,400**	-	**79,742**	-
Write down of note receivable	**-**	-	**-**	190,000
Accrued rental revenue	**(311,872)**	97,017	**(520,339)**	11,998
Unit-based compensation	**18,750**	18,750	**116,406**	82,343
Deferred income tax expense	**-**	-	**-**	(285,734)
Interest income	**(27,770)**	(303,792)	**(619,767)**	(932,039)
Interest received	**30,288**	143,234	**451,870**	482,144
Interest expense	**6,553,517**	6,474,916	**19,666,815**	21,316,874
Interest paid	**(4,521,445)**	(5,073,955)	**(15,127,153)**	(18,491,931)
Cash from operations	**1,146,287**	2,056,389	**876,669**	1,938,090
Decrease (increase) in rent and other receivables	**(20,058)**	82,287	**73,936**	235,184
Decrease (increase) in deposits and prepaids	**(165,934)**	328,868	**(684,832)**	70,699
Increase (decrease) in tenant deposits	**(85,207)**	37,076	**317,765**	275,581
Increase in property sale deposit	**-**	1,000,000	**-**	1,000,000
Increase (decrease) in trade and other payables	**(412,178)**	(223,670)	**337,346**	(327,795)
	462,910	3,280,950	**920,884**	3,191,759
Cash provided by (used in) financing activities				
Proceeds of mortgage loan financing	**-**	-	**50,000,000**	117,000,000
Repayment of mortgage loans on refinancing	**-**	-	**(8,104,208)**	(119,344,952)
Payment of acquisition payable of Parsons Landing	**-**	-	**(44,006,731)**	-
Redemption of mortgage bonds	**-**	-	**(10,000,000)**	-
Repayment of long-term debt	**(1,337,324)**	(2,064,624)	**(4,297,778)**	(6,128,603)
Prepayment of mortgage loans	**-**	(1,000,000)	**-**	(2,998,500)
Proceeds of revolving loan commitment	**1,700,000**	2,305,000	**20,109,136**	12,980,000
Repayment of revolving loan commitment	**-**	(400,000)	**(11,014,136)**	(4,100,000)
Expenditures on transaction costs	**(75,287)**	(86,876)	**(2,698,445)**	(1,442,160)
Exercise of options	**-**	-	**22,780**	2,380
Exercise of warrants	**114,000**	-	**591,624**	-
Debentures purchased and cancelled under normal course issuer bid	**-**	(51,200)	**-**	(59,200)
Warrants purchased and cancelled under normal course issuer bid	**(74,040)**	-	**(132,453)**	-
	327,349	(1,297,700)	**(9,530,211)**	(4,091,035)
Cash provided by (used in) investing activities				
Capital expenditures on investment properties	**(762,700)**	(1,340,270)	**(1,682,825)**	(2,642,271)
Capital expenditures on property and equipment	**(16,517)**	(1,968)	**(135,444)**	(129,293)
Decrease in defeasance assets	**36,972**	36,297	**110,876**	108,934
Proceeds of mortgage loans receivable (Note 5)	**-**	-	**9,491,016**	3,200,000
Taxes paid on property sold	**-**	-	**-**	(1,734,702)
Proceeds of sale	**-**	-	**(6,877)**	(1,913)
Change in restricted cash	**318,140**	(205,599)	**227,725**	1,573,841
	(424,105)	(1,511,540)	**8,004,471**	374,596
Cash increase (decrease)	**366,154**	471,710	**(604,856)**	(524,680)
Add (deduct) decrease (increase) in cash from discontinued operations (Note 6)	**(35,389)**	(65,313)	**(72,233)**	694,103
	330,765	406,397	**(677,089)**	169,423
Cash, beginning of period	**1,393,887**	1,017,304	**2,401,741**	1,254,278
Cash, end of period	**$ 1,724,652**	$ 1,423,701	**$ 1,724,652**	$ 1,423,701

The accompanying notes are an integral part of these financial statements (unaudited)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1 Organization

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

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

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

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

2 Basis of presentation and continuing operations

The condensed consolidated financial statements of the Trust for the three and nine months ended September 30, 2014 and 2013 ("Financial Statements"), have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Financial Statements were authorized for issue in accordance with a resolution of the Board of Trustees on November 10, 2014.

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

The Financial Statements do not give effect to adjustments that would be necessary should the Trust be required to realize its assets in other than the normal course of business. The use of IFRS applicable to a going concern may be inappropriate as a result of the potential inability of the Trust to continue as a going concern. The Trust incurred a loss from investment properties of $820,772 for the three months ended September 30, 2014 (2013 - income of $13,422,853) and $4,235,089 for the nine months ended September 30, 2014 (2013 - income of $15,358,454). The Trust generated cash from operating activities of $462,910 for the three months ended September 30, 2014 (2013 - $3,280,950) and $920,884 for the nine months ended September 30, 2014 (2013 - $3,191,759). After deduction of capital expenditures, expenditures on transaction costs and regular principal repayments of long term debt, the Trust incurred a cash deficiency of $1,728,918 for the three months ended September 30, 2014 (2013 - $212,788) and $7,893,608 for the nine months ended September 30, 2014 (2013 - $7,150,568). In addition, the Trust has a working capital deficit of $8,345,836 as at September 30, 2014 (December 31, 2013 - $4,259,858) and the Trust was in breach of a debt service coverage requirement on one mortgage loan and the related interest rate swap liability (December 31, 2013 - one mortgage loan and the related interest rate swap liability).

2 Basis of presentation and continuing operations (continued)

The Trust was in breach of a 1.15 overall Trust debt service coverage requirement of a $15,494,688 mortgage loan and the related $1,471,409 interest rate swap liability on a property in Fort McMurray, Alberta. The Trust has notified the lender of the covenant breach and is providing operating information to the lender on a monthly basis. The covenant breach may continue for the next 12 months and there can be no assurance that the covenant breach will be remedied. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the fourth quarter of 2014.

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

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

Management believes that the going concern assumption is appropriate for the Financial Statements as the Trust has successfully sold 23 properties, including two properties during the year ended December 31, 2013, the Trust has successfully renewed mortgage loans at maturity, the Trust has extended the maturity date for the Series G debentures to 2018, the Trust has successfully eliminated covenant breaches on eight mortgage loans through refinancing and/or improved operations and the Trust has completed the acquisition of Parsons Landing.

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

Statement of compliance

The Financial Statements of the Trust have been prepared in accordance with IFRS (IAS 34) using the same presentation and accounting policies under IFRS as disclosed in the December 31, 2013 audited financial statements. The Financial Statements are based on IFRS standards issued and effective as at November 10, 2014.

Effective January 1, 2014, the Trust adopted IFRIC Interpretation 21. The interpretation addresses the accounting for a liability to pay a levy within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The adoption of the interpretation had no impact on the amounts recorded in the Financial Statements of the Trust.

The December 31, 2013 annual report is available on SEDAR at www.sedar.com.

2 Basis of presentation and continuing operations (continued)

Future changes to significant accounting policies
The following new or amended standards have been issued by the International Accounting Standards Board (IASB):

(i) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments was issued in July 2014 and is the same as disclosed in the audited consolidated financial statements for the year ended December 31, 2013 and has an effective date of implementation of January 1, 2018.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts, excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted.

The Trust is currently evaluating the impact of these standards on its Financial Statements.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Trust's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected. Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable. In the process of applying the Trust's accounting policies, management has applied the same methodologies in making significant accounting judgments, estimates and assumptions as disclosed in the Trust's Consolidated Financial Statements for the year ended December 31, 2013.

4 Investment properties

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Balance, beginning of period	$420,902,857	$432,030,750	$421,040,369	$427,967,800
Additions - capital expenditures	762,700	1,340,270	1,682,825	2,642,271
Fair value adjustments	(157,887)	7,652,786	(842,479)	9,077,308
Dispositions (a)	-	-	(373,045)	(733,333)
Fair value adjustment of Parsons Landing	-	5,152,319	-	7,222,079
Balance, end of period	$421,507,670	$446,176,125	$421,507,670	$446,176,125

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

4 Investment properties (continued)

Investment properties have been valued using methods consistent with those used in the annual Financial Statements with the following weighted average capitalization and discount rates:

	Capitalization Rate		Discount Rate	
	Range	Weighted Average	Range	Weighted Average
September 30, 2014	4.75% - 8.00%	6.76 %	6.75% - 10.00%	8.76 %
December 31, 2013	4.75% - 8.00%	6.76 %	6.75% - 10.00%	8.76 %

(a) Dispositions

One condominium unit at Lakewood Townhomes was sold during the nine months ended September 30, 2014 (2013 - two condominium units).

(b) Parsons Landing

On March 6, 2014, the acquisition of Parsons Landing was completed.

Effective January 1, 2014, any gain or loss related to a change in the fair value of Parsons Landing is reflected in "Fair value adjustments".

5 Rent and other receivables

	September 30 2014	December 31 2013
Rent receivable	$ 91,209	$ 223,314
Less: allowance for uncollectible accounts	(19,019)	(32,751)
	72,190	190,563
Loans receivable	-	9,320,600
Other receivables	386,716	348,828
Deferred rent receivable	789,841	269,502
	$ 1,248,747	$ 10,129,493

6 *Assets and liabilities of properties held for sale*

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

Assets and liabilities classified as "held for sale" are as follows:

	September 30 2014	December 31 2013
ASSETS		
Assets in discontinued operations		
Property and equipment	$ 26,506,244	$ 26,370,800
Cash	92,836	20,603
Restricted cash	48,681	43,986
Rent and other receivables	12,946	8,916
Deposits, prepaids and other	36,462	41,558
Assets classified as held for sale	$ 26,697,169	$ 26,485,863
LIABILITIES		
Liabilities in discontinued operations		
Long term debt (a)	$ 14,266,177	$ 13,042,918
Trade and other payables	248,581	261,399
Deposits from tenants	276,333	258,583
Liabilities classified as held for sale	$ 14,791,091	$ 13,562,900

Income information relating to discontinued operations are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Rental income	$ 1,282,270	$ 1,249,773	$ 3,864,870	$ 3,919,991
Property operating expenses	943,524	973,943	2,845,415	2,774,719
Net operating income	338,746	275,830	1,019,455	1,145,272
Interest expense (b)	313,442	193,359	726,515	583,473
Current tax expense	-	-	-	177,237
Deferred tax recovery	-	-	-	(285,734)
Income from discontinued operations	$ 25,304	$ 82,471	$ 292,940	$ 670,296

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

Cash flow information relating to discontinued operations are as follows.

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Cash inflow from operating activities	$ 84,099	$ 137,912	$ 444,199	$ 422,449
Cash inflow (outflow) from financing activities	(30,955)	(67,947)	(231,827)	750,845
Cash outflow from investing activities	(17,755)	(4,652)	(140,139)	(1,867,397)
Increase (decrease) in cash from discontinued operations	$ 35,389	$ 65,313	$ 72,233	$ (694,103)

(a) Long term debt

	September 30 2014	December 31 2013
Secured debt		
Mortgage loans	$ 14,418,163	$ 13,042,918
Unamortized transaction costs	(151,986)	-
Total long term debt	$ 14,266,177	$ 13,042,918

All mortgages which have matured prior to November 10, 2014 have been renewed or refinanced.

(b) Interest expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Mortgage loan interest	$ 237,106	$ 173,359	$ 581,253	$ 541,306
Amortization of transaction costs	76,336	20,000	145,262	42,167
	$ 313,442	$ 193,359	$ 726,515	$ 583,473

7 *Long-term debt*

	September 30 2014	December 31 2013 (Note 20)
Secured debt		
Mortgage loans (a)	$ 280,402,813	$ 244,586,398
Interest rate swap liability (b)	1,471,409	1,188,106
Mortgage bonds (c)	5,735,674	14,913,008
Debentures (d)	24,873,800	24,873,800
Defeased liability	2,599,815	2,644,615
Total secured debt	315,083,511	288,205,927
Mortgage guarantee fees	-	91,362
Total debt	315,083,511	288,297,289
Accrued interest payable	2,896,308	1,975,830
Unamortized transaction costs		
Mortgage loans	(1,929,753)	(1,909,636)
Mortgage bonds	(187,816)	(754,795)
Debentures	(968,108)	(352,422)
Defeased liability	(16,177)	(23,934)
Total unamortized transaction costs	(3,101,854)	(3,040,787)
	314,877,965	287,232,332
Less current portion		
Mortgage loans	(161,779,611)	(122,180,991)
Interest rate swap liability	(1,471,409)	(1,188,106)
Mortgage bonds	-	(9,319,958)
Defeased liability	(62,722)	(60,167)
Mortgage guarantee fees	-	(44,587)
Accrued interest payable	(2,896,308)	(1,975,830)
Transaction costs	1,631,752	1,662,152
Total current portion	(164,578,298)	(133,107,487)
	$ 150,299,667	$ 154,124,845
Current portion of unamortized transaction costs		
Mortgage loans	$ 1,252,591	$ 1,023,567
Mortgage bonds	147,050	329,655
Debentures	221,427	298,539
Defeased liability	10,684	10,391
	$ 1,631,752	$ 1,662,152

7 Long-term debt (continued)

(a) Mortgage loans

	Weighted average interest rates		Amount	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013
First mortgage loans				
Fixed rate	4.5%	4.6%	$ 172,696,526	$ 176,340,766
Variable rate	6.9%	6.1%	89,700,000	50,239,345
Total first mortgage loans	5.3%	4.9%	262,396,526	226,580,111
Second mortgage loans				
Fixed rate	11.8%	11.8%	4,500,000	4,500,000
Variable rate	11.1%	11.1%	13,506,287	13,506,287
Total second mortgage loans	11.3%	11.3%	18,006,287	18,006,287
Total	5.7%	5.4%	$ 280,402,813	$ 244,586,398

Certain of the mortgage loans are subject to covenants, including net operating income achievement, debt service coverage and restrictions on the registration of secondary charges against the title to a property. As of September 30, 2014, the Trust is not in compliance with a debt service coverage requirement for one mortgage loan. In accordance with IFRS the mortgage loan balance balance of $15,494,688 is included in current liabilities. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the fourth quarter of 2014.

All mortgages which have matured prior to November 10, 2014 have been renewed or refinanced.

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

(b) Interest rate swap liability

The Trust has an interest rate swap arrangement whereby the interest rate on a variable rate mortgage loan, in the amount of $15,494,688, was fixed at a rate of 5.82% and matures in 2018.

The swap arrangement is used to hedge the exposure to the variable interest rate payment on a variable rate mortgage loan. The interest rate swap liability of $1,471,409 and the mortgage loan of $15,494,688 have the same contractual terms.

The Trust is not in compliance with a debt service coverage requirement for the mortgage loan. In accordance with IFRS the mortgage loan and interest rate swap liability are included in current portion of long-term debt. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the fourth quarter of 2014.

The change in the fair value of interest rate swap liability reflects an expense of $440,729 for the three months ended September 30, 2014 (2013 - gain of $72,391) and an expense of $283,303 for the nine months ended September 30, 2014 (2013 - gain of $213,642) was recorded in interest expense.

7 Long-term debt (continued)

(c) Mortgage bonds

	September 30 2014	December 31 2013
Balance, beginning of period	$ 14,913,008	$ 14,458,831
Accretion	822,666	454,177
Redemption	(10,000,000)	-
Balance, end of period	$ 5,735,674	$ 14,913,008

The face value of the 9% mortgage bonds due December 24, 2015 is $6,000,000 (December 31, 2013 - $16,000,000).

(d) Debentures

The face value and carrying value of the 9.5% Series G debentures due June 30, 2018 is $24,873,800 (December 31, 2013 - $24,873,800).

On June 16,2014, LREIT obtained approval from the holders of the Series G debentures to extend the maturity date of the debentures from February 28, 2015 to June 30, 2018.

On June 17, 2013, LREIT initiated a normal course issuer bid for the Series G debentures under which, the Trust was entitled to purchase up to $2,493,000 of Series G debentures. The normal course issuer bid expired on June 16, 2014.

On June 23, 2014, LREIT initiated a normal course issuer bid for the Series G debentures under which, the Trust is entitled to purchase up to $2,476,380 of Series G debentures. The normal course issuer bid expires on June 22, 2015.

The Trust is not required to purchase any debentures under the normal course issuer bid.

During the period from January 1, 2014 to November 10, 2014, the Trust has not purchased any debentures.

8 Trade and other payables

	September 30 2014	December 31 2013
Accounts payable - vendor invoices	$ 1,432,393	$ 982,173
Accrued payables	555,087	658,892
Prepaid rent	877,044	754,113
Revolving loan from 2668921 Manitoba Ltd.	10,000,000	905,000
Payable on acquisition of Parsons Landing	-	44,006,731
	$ 12,864,524	$ 47,306,909

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

9 Interest expense

	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Mortgage loan interest	$ 4,326,620	$ 3,953,861	$ 12,616,854	$ 12,881,571
Change in fair value of interest rate swap	440,729	(72,391)	283,303	(213,642)
Mortgage bond interest	135,000	360,000	446,918	1,080,000
Accretion of mortgage bonds	49,712	116,878	822,666	335,323
Debenture interest	595,608	596,259	1,777,114	1,781,907
Amortization of transaction costs	692,406	426,950	2,340,130	2,168,242
Interest on acquisition payable	-	900,000	653,315	2,700,000
	$ 6,240,075	$ 6,281,557	$ 18,940,300	$ 20,733,401

10 Per unit calculations

	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Income (loss) before discontinued operations	$ (820,772)	$ 13,422,853	$ (4,235,089)	$ 15,358,454
Income from discontinued operations	25,304	82,471	292,940	670,296
Income (loss)	$ (795,468)	$ 13,505,324	$ (3,942,149)	$ 16,028,750

	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Weighted average number of units:				
Units	20,171,435	18,091,011	20,048,190	18,089,832
Deferred units	854,578	777,577	839,446	751,842
Total basic	21,026,013	18,868,588	20,887,636	18,841,674
Total diluted	21,026,013	19,001,415	20,887,636	18,974,500

11 Units

	Nine Months Ended September 30, 2014		Year Ended December 31, 2013	
	Units	Amount	Units	Amount
Outstanding, beginning of period	19,423,011	$116,100,394	18,084,011	$107,978,701
Units issued on:				
Exercise of options	67,000	22,780	7,000	2,380
Exercise of warrants	762,375	718,355	1,332,000	1,219,313
Payment of distribution	-	-	6,448,598	6,900,000
Consolidation of units	-	-	(6,448,598)	-
Outstanding, end of period	20,252,386	$116,841,529	19,423,011	$116,100,394

12 Warrants

Warrants expiring March 9, 2015:

On March 9, 2010, the Trust issued 6,780,000 trust unit purchase warrants ("March 2015 warrants"). Each warrant entitles the purchaser to purchase one unit at a price of $1.00 prior to March 9, 2015.

	September 30 2014	December 31 2013
Balance, beginning of period	6,780,000	6,780,000
Warrants exercised	(79,375)	-
Purchased and cancelled under normal course issuer bid	(91,400)	-
Balance, end of period	6,609,225	6,780,000

On January 24, 2014, the Trust implemented a normal course issuer bid under which the Trust is entitled to purchase up to an aggregate of 678,000 March 2015 warrants. The normal course issuer bid commenced on January 24, 2014 and will expire on January 23, 2015. Subsequent to September 30, 2014, 39,200 March 2015 warrants were purchased and cancelled.

12 Warrants (continued)

Warrants expiring December 23, 2015:

On December 23, 2010 and January 28, 2011, the Trust issued a total of 16,000,000 trust unit purchase warrants ("December 2015 warrants"). Each warrant entitles the purchaser to purchase one unit at a price of $0.75 prior to December 23, 2015.

	September 30 2014	December 31 2013
Balance, beginning of period	14,493,000	15,825,000
Warrants exercised	(683,000)	(1,332,000)
Purchased and cancelled under normal course issuer bid	(223,000)	-
Balance, end of period	13,587,000	14,493,000

On January 24, 2014, the Trust implemented a normal course issuer bid under which the Trust is entitled to purchase up to an aggregate of 1,404,150 December 2015 warrants. The normal course issuer bid commenced on January 24, 2014 and will expire on January 23, 2015. Subsequent to September 30, 2014, 77,800 December 2015 warrants were purchased and cancelled.

13 Unit option plan

On May 19, 2014, the Trust granted options to purchase 200,000 units at $1.11 per trust unit. The options vested immediately and will expire five years from the date they were granted. The fair value of the options issued of $60,156 was calculated using the Black-Scholes option pricing model, assuming a weighted average volatility of 27.55% on the underlying trust units, a dividend yield rate of 0% and the risk free interest rate of 1.50%. The fair value of the options issued was recorded to expense the fair value of unit-based compensation. Unit-based compensation is recorded in trust expense.

13 Unit option plan (continued)

A summary of the status of the unit options and changes during the period is as follows:

	Nine Months Ended September 30, 2014		Year Ended December 31, 2013	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding, beginning of period	333,000	$ 0.41	891,000	$ 1.69
Exercised, February 14, 2014	(30,000)	0.34	-	-
Exercised, March 25, 2014	(27,000)	0.34	-	-
Exercised, April 11, 2014	(10,000)	0.34	-	-
Issued, May 19, 2014	200,000	1.11	-	-
Cancelled, January 7, 2013	-	-	(231,000)	5.10
Issued, January 15, 2013	-	-	180,000	0.65
Exercised, February 15, 2013	-	-	(7,000)	0.34
Cancelled, July 15, 2013	-	-	(350,000)	0.60
Cancelled, July 15, 2013	-	-	(150,000)	0.65
Outstanding, end of period	466,000	$ 0.72	333,000	$ 0.41
Vested, end of period	466,000		333,000	

At September 30, 2014 the following unit options were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 0.34	176,000	176,000	December 12, 2016
0.60	60,000	60,000	November 19, 2017
0.65	30,000	30,000	January 15, 2018
1.11	200,000	200,000	May 19, 2019
	466,000	466,000	

14 Deferred unit plan

Deferred units granted to Trustees totaled 15,890 for the three months ended September 30, 2014 (2013 - 27,574) and 46,378 for the nine months ended September 30, 2014 (2013 - 79,667). Aggregate deferred units outstanding and fully vested at September 30, 2014 were 870,468 (September 30, 2013 - 805,151).

Unit-based compensation expense of $18,750 for the three months ended September 30, 2014 (2013 - $18,750) and $56,250 for the nine months ended September 30, 2014 (2013 - $56,250) relating to deferred units granted was recorded to expense the fair value of unit-based compensation. Unit-based compensation is recorded in trust expense.

15 Related party transactions

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

Management agreement
The Trust has entered into a property management agreement with Shelter Canadian Properties Limited, the current term of which expires on December 31, 2024. Under the property management agreement, Shelter Canadian Properties Limited will administer the day-to-day operations of the Trust's portfolio of investment properties, except for the seniors' housing complexes. The Trust pays property management fees equal to 4% of gross receipts from the investment properties owned by the Trust. In regard to commercial properties, Shelter Canadian Properties Limited is also entitled to leasing commissions on new leases of 3% to 5% of base rental payments and leasing commissions on renewal of 1 1/2% to 2 1/2% of base rental payments. Shelter Canadian Properties Limited is also entitled to tenant improvement and renovation fees equal to 5% of the total cost of such work. Property management fees are included in property operating costs; leasing fees and tenant improvement fees are capitalized to investment properties; and, during the period of major in-suite renovations or development, renovation fees are capitalized to the cost of buildings and properties under development.

The Trust incurred property management fees payable to Shelter Canadian Properties Limited of $409,788 for the three months ended September 30, 2014 (2013 - $427,907) and $1,212,373 for the nine months ended September 30, 2014 (2013 - $1,264,039).

Included in trade and other payables at September 30, 2014 is a balance of $17,055 (December 31, 2013 - $7,160), payable to Shelter Canadian Properties Limited in regard to outstanding property management fees.

Services agreement
The Trust has entered into a services agreement with Shelter Canadian Properties Limited, the current term of which expires on December 31, 2024. Under the services agreement, Shelter Canadian Properties Limited provides the Trust management and support services for the administration of the day-to-day activities of the Trust. The Trust pays service fees equal to 0.3% of the gross book value of the assets of the Trust, excluding cash, fair value gains (losses) and defeasance assets. Service fees are included in trust expense.

The Trust incurred service fees of $331,234 for the three months ended September 30, 2014 (2013 - $359,261) and $1,005,458 for the nine months ended September 30, 2014 (2013 - $1,078,979).

Included in trade and other payables at September 30, 2014 is a balance of nil (December 31, 2013 - nil) payable to Shelter Canadian Properties Limited in regard to outstanding service fees.

15 Related party transactions (continued)

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

The Trust incurred service fees payable to Shelter Canadian Properties Limited of nil for the three months ended September 30, 2014 (2013 - nil) and $24,932 for the nine months ended September 30, 2014 (2013 - $50,390). The Trust incurred renovation fees payable to Shelter Canadian Properties Limited of nil for the nine months ended September 30, 2014 (2013 - nil).

Financing
On January 1, 2013, the Trust had a $12 Million revolving loan commitment from 2668921 Manitoba Ltd. for general operating purposes. The loan commitment was increased to $15 Million effective July 1, 2013. The loan matured September 30, 2014 and bore interest at 12%, subject to a maximum interest and fee payment of $1,206,357 for the period from January 1, 2014 to September 30, 2014 and was renewed on October 1, 2014 to June 30, 2015 bearing interest at 12%, subject to a maximum interest and fee payment of $1,375,000 for the period from October 1, 2014 to June 30, 2015 (2013 - 12% to June 30, 2013, 12% from July 1, 2013 to December 31, 2013 subject to maximum interest and fee payments of $404,916 and $897,637, respectively). The renewals at January 1, 2014 and October 1, 2014 encompassed extension fees of $25,000 and $25,000, respectively (2013 - $25,000 and $25,000 at January 1, 2013 and July 1, 2013, respectively).

During the nine months ended September 30, 2014, the Trust received advances of $20,109,136 (2013 - $12,980,000) and repaid advances of $11,014,136 (2013 - $4,100,000) against the revolving loan, resulting in a balance of $10,000,000 (December 31, 2013 - $905,000). The revolving loan balance is included in trade and other payables.

Interest on the revolving loan of $289,450 for the three months ended September 30, 2014 (2013 - $409,182) and $1,021,422 for the nine months ended September 30, 2014 (2013 - $789,098) is included in interest expense.

Included in accrued interest payable at September 30, 2014 is a balance of nil (December 31, 2013 - nil) payable to 2668921 Manitoba Ltd. in regard to outstanding interest on the revolving loan.

The loan is secured by mortgage charges against the title to four investment properties and two seniors' housing complexes.

The revolving loan commitment was considered and approved by the independent Trustees.

Guarantees
Obligations, including certain mortgage loans payable, have been guaranteed or indemnified by Shelter Canadian Properties Limited and/or its parent company, 2668921 Manitoba Ltd. No fees were charged to the Trust in regard to the guarantees.

16 Financial instruments and risk management

Risk management
In the normal course of business, the Trust is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its tenants. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Trust, management takes steps to avoid undue concentrations of risk. The Trust manages the risks, as follows:

Liquidity risk - debt covenant requirements
At September 30, 2014, the Trust is in breach of a 1.15 overall Trust debt service coverage requirement of a $15,494,688 mortgage loan and the associated $1,471,409 interest rate swap liability on a property in Fort McMurray, Alberta. The Trust has notified the lender of the covenant breach and is providing operating information to the lender on a monthly basis. The covenant breach may continue for the next 12 months and there can be no assurance that the covenant breach will be remedied. The covenant breach is expected to be eliminated as a result of refinancing the mortgage loan in the fourth quarter of 2014.

There is no assurance that the lender will not accelerate payment of the mortgage loan.

The Bond Indenture which governs the mortgage bonds of LREIT provides for the bonds to become payable on demand in the event that the Series G debentures or any of the first mortgages on Beck Court, Norglen Terrace, Highland Tower or Westhaven Manor are in default for more than ten days and the default results in the acceleration of debt payments.

There are no other cross-default covenants with respect to other mortgage loans of the Trust.

Liquidity risk - debt maturities
Liquidity risk arises from the possibility that the Trust will not have sufficient debt or equity capital available to refinance its debt as it matures.

The risk associated with the refinancing of maturing debt is mitigated as the maturity dates of the mortgage portfolio are staggered over a number of years.

As at September 30, 2014, the weighted average term to maturity of the fixed rate mortgages on investment properties is 2.8 years (December 31, 2013 - 3.4 years).

16 Financial instruments and risk management (continued)

Liquidity risk - debt maturities (continued)

The repayment obligations in regard to the financial liabilities of the Trust, at face value, are as follows:

September 30, 2014	Mortgage Loans: Normal Principal Installments	Mortgage Loans: Principal Maturities	Debentures and Mortgage Bonds	Defeased Liability
2014 Remainder of year (1)	$ 979,234	$ 58,391,934	$ -	$ 15,367
2015	2,883,996	103,006,760	6,000,000	63,602
2016	2,828,670	7,540,966	-	2,520,846
2017	2,794,525	18,008,996	-	-
2018	1,228,289	55,302,116	24,873,800	-
Thereafter	-	27,437,327	-	-
	$ 10,714,714	$269,688,099	$ 30,873,800	$ 2,599,815

September 30, 2014	Other Payables (2)	Total
2014 Remainder of year	$ 20,050,421	$ 79,436,956
2015	-	111,954,358
2016	-	12,890,482
2017	-	20,803,521
2018	-	81,404,205
Thereafter	-	27,437,327
	$ 20,050,421	$333,926,849

(1) Mortgage loan principal maturities include a mortgage loan which is not in compliance with a debt service coverage requirement. In accordance with IFRS, the mortgage loan in the amount of $15,494,688 is reflected as a current liability. In accordance with IFRS, a $4,347,564 term loan maturing on August 1, 2015 which is reflected as a current liability as the loan document is a demand promissory note.

(2) Other payables include trade and other payables, accrued interest payable, interest rate swap liability and deposits from tenants.

Interest rate risk

Interest rate risk arises from debt financing including the risk that the Trust will not be able to refinance the mortgage loans with terms as favourable as those of existing mortgage loans. The risk is minimized by having mortgage loans on fixed term arrangements. In addition, the maturity dates of the mortgages are staggered over a number of years to reduce the exposure in any one year. At September 30, 2014 the percentage of fixed rate mortgage loans to total mortgage loans was 63% (December 31, 2013 - 72%).

The Trust has variable rate mortgage loans on investment properties totaling $103,206,287, or 37% of the total mortgage loans at September 30, 2014 (December 31, 2013 - 28%). Should interest rates change by 1%, interest expense would change by $1,032,063 per year.

16 Financial instruments and risk management (continued)

Interest rate risk (continued)
As at September 30, 2014, the Trust has total fixed rate mortgage principal maturities on investment properties which mature on or prior to September 30, 2017 of $52,297,230 representing 19% of total mortgage loans. Should the amounts be refinanced upon maturity at an interest rate differential of 1%, interest expense would change by $522,972 per year.

With the exception of the interest rate swap arrangement, the Trust has not traded in financial instruments.

Credit risk
Credit risk arises from the possibility that tenants may be unable to fulfil their lease commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Trust has credit policies to address credit risk that include the analysis of financial position and credit history of a prospective tenant and by obtaining security deposits whenever permitted by legislation. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

Rent is past due when a tenant has failed to make a payment when contractually due. The following is an aging of rent receivable past due but not impaired:

	September 30 2014	December 31 2013
Rent receivable overdue:		
0 to 30 days	$ 60,394	$ 123,531
31 to 60 days	10,156	38,555
More than 60 days	20,659	61,228
	$ 91,209	$ 223,314

A reconciliation of allowance for doubtful accounts is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Balance, beginning of period	$ 23,016	$ 20,895	$ 32,751	$ 20,051
Amount charged to bad debt expense relating to impairment of rent receivable	10,224	25,204	28,991	41,865
Amounts written off as uncollectible	(14,221)	(8,236)	(42,723)	(24,053)
Balance, end of period	$ 19,019	$ 37,863	$ 19,019	$ 37,863
Amount charged to bad debts as a percent of rentals from investment properties	0.10%	0.24%	0.10%	0.14%

16 *Financial instruments and risk management (continued)*

Market risk
Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The Trust does not have financial instruments that are affected by changes in market prices.

Currency risk
Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Trust does not have any transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with the financial instruments of the Trust are not exposed to other price risk.

Fair values
Except for the interest rate swap liability which is carried at fair value, a comparison of the carrying amounts and fair value of the financial instruments of the Trust is provided below.

	Carrying Value		Fair Value	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Financial assets				
Defeasance assets	2,769,102	2,879,978	-	-
Restricted cash	4,009,392	4,241,812	4,009,392	4,241,812
Cash	1,724,652	2,401,741	1,724,652	2,401,741
Rent and other receivables	1,248,747	10,129,493	1,248,747	10,129,493
Deposits	356,680	379,277	356,680	379,277
Financial liabilities				
Mortgages loans	280,402,813	244,586,398	283,311,031	245,530,710
Mortgage bonds	5,735,674	14,913,008	5,811,653	15,226,306
Debentures	24,873,800	24,873,800	25,451,867	24,647,812
Defeased liability	2,599,815	2,644,615	-	-
Mortgage guarantee fees	-	91,362	-	91,362
Trade and other payables	12,864,524	47,306,909	12,864,524	47,306,909
Deposits from tenants	2,818,180	2,518,165	2,818,180	2,518,165

16 Financial instruments and risk management (continued)

Fair values (continued)

The fair value of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash, rent and other receivables, deposits, trade and other payables and deposits from tenants approximate their carrying amounts due to the short-term maturities of these instruments. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
- Restricted cash is estimated by discounting expected future cash flows using current market interest rates. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
- The fair value of the defeasance assets and the defeased liability have a fair value of nil on a net basis as there was no cash flow impact to the Trust from the defeasance assets or defeased liability. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
- In regard to mortgages loans, mortgage bonds, debentures and mortgage guarantee fees:
  - The fair value of floating rate borrowings is estimated by discounting expected cash flows using rates currently available for debt or similar terms and remaining maturities. Given the variable interest rate, the fair value approximates the carrying value before deducting unamortized transaction costs. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.
  - The fair value of the fixed rate borrowings is estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data. The current market interest rates used to calculate the fair value range between 2.10% and 5.51%.
  - The fair value of debentures is based on quoted market prices. The valuation method is classified as level 2 of the fair value hierarchy as the inputs are directly or indirectly observable market data.

The fair value of the swap mortgage loan has been determined using level 2 of the fair value hierarchy whereby the Trust makes use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.

17 *Segmented financial information*

Operating segments are established on a geographic basis comprised of properties located in Fort McMurray and properties located in other areas ("Other Investment Properties"). An operating segment is also established for properties sold.

An operating segment was established for Parsons Landing in order to segregate the operations of the property as a result of a fire and the subsequent reconstruction and re-leasing of the property.

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

Three months ended September 30, 2014:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	5,881,636	2,750,193	-	1,292,433	-	9,924,262
Property operating costs	2,153,047	1,337,208	-	330,054	-	3,820,309
Net operating income	3,728,589	1,412,985	-	962,379	-	6,103,953
Interest income	7,025	3,013	-	1,602	16,130	27,770
Interest expense	3,379,431	617,746	-	1,039,585	1,203,313	6,240,075
Income (loss) before discontinued operations	(3,571,595)	1,715,048	-	2,777,492	(1,741,717)	(820,772)
Cash from operating activities	580,706	1,279,113	(18,658)	230,029	(1,692,379)	378,811
Cash from financing activities	(174,078)	(1,053,918)	19,401	(158,000)	1,724,899	358,304
Cash from investing activities	(240,285)	(93,307)	-	(95,976)	23,218	(406,350)

Three months ended September 30, 2013:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	6,228,415	2,673,558	917,333	598,454	-	10,417,760
Property operating costs	2,120,697	1,303,956	397,843	190,060	-	4,012,556
Net operating income	4,107,718	1,369,602	519,490	408,394	-	6,405,204
Interest income	7,243	2,521	9,408	1,140	283,480	303,792
Interest expense	2,563,202	675,601	123,136	900,000	2,019,618	6,281,557
Income (loss) before discontinued operations	4,223,268	3,728,234	2,357,174	5,292,557	(2,178,380)	13,422,853
Cash from operating activities	1,534,103	530,628	353,481	486,513	238,313	3,143,038
Cash from financing activities	(789,734)	(332,747)	(289,577)	485,626	(303,321)	(1,229,753)
Cash from investing activities	(418,783)	(73,455)	(36,296)	(1,016,405)	38,051	(1,506,888)

17 Segmented financial information (continued)

Nine months ended September 30, 2014:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	17,220,467	8,111,063	1,065	3,475,564	-	28,808,159
Property operating costs	6,942,319	4,051,569	103,437	1,178,163	-	12,275,488
Net operating income	10,278,148	4,059,494	(102,372)	2,297,401	-	16,532,671
Interest income	21,928	7,804	341	4,670	585,024	619,767
Interest expense	9,196,730	1,856,265	-	2,919,533	4,967,772	18,940,300
Income (loss) before discontinued operations	(2,690,386)	2,375,826	(102,031)	2,334,133	(6,152,631)	(4,235,089)
Cash from operating activities	1,552,554	2,683,818	(256,657)	214,428	(3,717,458)	476,685
Cash from financing activities	(1,664,823)	(1,721,328)	5,056	61,896	(5,979,185)	(9,298,384)
Cash from investing activities	(362,920)	(826,802)	-	(253,201)	9,587,533	8,144,610
Total assets excluding assets held for sale at September 30, 2014	263,886,763	108,825,154	5,103	56,771,259	3,354,275	432,842,554

Nine months ended September 30, 2013:

	Investment Properties					
	Fort McMurray	Other Investment Properties	Properties Sold	Parsons Landing	Trust	Total
Rental revenue	18,668,698	8,141,398	2,673,560	729,202	-	30,212,858
Property operating costs	6,582,146	3,971,162	1,211,410	262,646	-	12,027,364
Net operating income	12,086,552	4,170,236	1,462,150	466,556	-	18,185,494
Interest income	62,692	6,581	27,807	1,418	833,541	932,039
Interest expense	8,513,898	3,066,711	370,263	2,700,000	6,082,529	20,733,401
Income (loss) before discontinued operations	7,500,504	4,469,043	3,137,312	7,262,387	(7,010,792)	15,358,454
Cash from operating activities	4,084,592	1,116,333	1,069,506	319,178	(3,820,299)	2,769,310
Cash from financing activities	(2,524,114)	(610,787)	(884,069)	1,488,087	(2,310,997)	(4,841,880)
Cash from investing activities	(1,401,190)	(522,347)	(104,509)	(1,756,236)	6,026,275	2,241,993
Total assets excluding assets held for sale at December 31, 2013	267,258,190	107,485,081	366,541	53,557,016	12,919,628	441,586,456

18 Contingencies

In the normal course of operations, the Trust will become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and an estimate of the costs to satisfy such claims is recorded. Although the outcome of legal and other claims are not reasonably determined, management believes that any such outcome will not be material.

19 Subsequent event

Revolving loan
Subsequent to September 30, 2014, the Trust received advances of $1,000,000 resulting in a balance of $11,000,000 as of the date of the Financial Statements.

20 Comparative figures

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