

Dundee Industrial Real Estate Investment Trust

**Interim Financial Statements as at September 30, 2012
(Unaudited)**

Dundee Industrial Real Estate Investment Trust

Interim Balance Sheet
(Unaudited)
As at September 30, 2012

ASSET	
Cash	\$ 10
Total Assets	<u>\$ 10</u>
UNITHOLDER'S EQUITY	<u>\$ 10</u>

On behalf of the Board of Trustees of Dundee Industrial Real Estate Investment Trust

"Joanne Ferstman"

Joanne Ferstman, Trustee

"Vincenza Sera"

Vincenza Sera, Trustee

See accompanying notes to the interim financial statements

Dundee Industrial Real Estate Investment Trust

**Interim Statement of Changes in Unitholder's Equity
For the Period from July 20, 2012 to September 30, 2012
(Unaudited)**

ISSUANCE OF UNITS ON FORMATION	\$ 10
Comprehensive income.....	—
UNITHOLDER'S EQUITY, END OF PERIOD	<u>\$ 10</u>

See accompanying notes to the interim financial statements

Dundee Industrial Real Estate Investment Trust

Interim Statement of Cash Flows
For the period from July 20, 2012 to September 30, 2012
(Unaudited)

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 interim financial statements

Dundee Industrial Real Estate Investment Trust

Notes to the Interim Financial Statements (Unaudited)

1. Organization

Dundee Industrial Real Estate Investment Trust (the "Trust") 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 Trust, DPLP contributed \$10 in cash to the Trust. DPLP is a subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT").

The address of the Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust's interim financial statements as at September 30, 2012 were authorized for issue by the Board of Trustees of the Trust (the "Trustees") on November 13, 2012, after which date the interim financial statements may be amended with Trustee approval.

2. Significant Accounting Policies

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts are in Canadian Dollars.

Unitholder's Equity

The Trust is authorized to issue an unlimited number of units ("Units"), and classifies issued Units as unitholder's equity in the interim 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 Trust in any calendar month shall not exceed \$50,000 unless waived by the Trustees in their sole discretion. The Trust has classified the Units as unitholder's 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 Trust's net assets in the event of the Trust's liquidation. The Trust'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 Trust 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 Trust 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 Trust, and it is not a contract that will or may be settled in the Trust'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 Trust over the life of the Units.

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In addition to the Units meeting all of the above criteria, the Trust 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 Trust. The Trust 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 Trust. Any transaction costs arising from the issue of Units are recognized directly in unitholder's equity as a reduction of the proceeds received.

3. Related Party Transactions and Arrangements

From time to time, the Trust enters into transactions with related parties that are conducted under normal commercial terms. Effective October 4, 2012, the Trust has an asset management agreement (the "Asset Management Agreement") with Dundee Realty Corporation (DRC), a subsidiary of Dundee Corporation, pursuant to which DRC provides certain asset management services to the Trust.

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 purchase price paid by the Trust for properties, (which, in respect of the Initial Properties, will be the sum of the purchase prices reflected in the Acquisition Agreement and the Return On Innovation Capital Ltd. ("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 the Trust 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 amount of debt and equity relating to all financing transactions completed 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, the Trust 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 the Trust and DRC agree in writing are to be provided from time to time by DRC.

Related Party Transactions

There were no related party transactions for the period from July 20, 2012 to September 30, 2012. Transactions completed subsequent to September 30, 2012 are described under "Subsequent Events".

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Notes to the Interim Financial Statements (Unaudited)

4. Subsequent Events

a) Initial Public Offering

On October 4, 2012, the Trust completed its initial public offering of 15,500,000 Units, at a price of \$10 per Unit for gross proceeds of \$155,000,000. Concurrently with the initial public offering, Dundee Corporation and a Trustee purchased 1,750,000 Units and 750,000 Units respectively, at a price of \$10 per Unit for gross proceeds totaling \$25,000,000. On October 17, 2012, the Trust issued an additional 2,325,000 Units, pursuant to the exercise of the over-allotment option granted to the underwriters, for gross proceeds of \$23,250,000. Costs related to the initial public offering, including fees payable to the underwriters, are estimated to be approximately \$15,319,000 (including costs of the over-allotment option) and will be charged directly to unitholder's equity.

b) Acquisition

On October 4, 2012, the Trust completed the purchase of 77 industrial properties (the "Initial Properties") totaling approximately 6.0 million square feet of gross leasable area from Dundee REIT and affiliates of ROI for a total purchase price of \$659,726,424 (excluding acquisition costs), subject to working capital adjustments. The purchase price for the 77 industrial properties was satisfied by cash consideration of \$177,489,989, the issuance of \$160,346,310 of Class B limited partnership units of the Trust's subsidiary, Dundee Industrial Limited Partnership (LP B Units), which are exchangeable for Units of the Trust, promissory notes payable to Dundee REIT of \$42,000,000, and the assumption of mortgages with a fair value of \$279,890,125.

The identifiable assets acquired and liabilities and contingent liabilities assumed in this business combination will be measured initially at their fair value at the date of acquisition, and goodwill, if any, will be recognized. Management is in the process of completing its preliminary accounting for the acquisition. Acquisition costs of approximately \$3,000,000, which includes an acquisition fee under the Asset Management Agreement of \$838,000, will be expensed in net income in connection with the acquisition.

Sources and uses of cash

The Trust's sources and (uses) of cash after the completion of the initial public offering and acquisition are estimated to be as follows:

Initial public offering of Units (including over-allotment)	\$ 178,250,000
Units issued to Dundee Corporation	17,500,000
Units issued to a Trustee	7,500,000
Secured operating credit facility (note 3 (c))	8,500,000
Payment to vendors for purchase of Initial Properties	(177,489,989)
Offering costs and expenses	(15,319,000)
Acquisition costs	(3,000,000)
Cash added to the working capital of the Trust	<u>\$ 15,941,011</u>

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c) Secured Operating Credit Facility

On October 4, 2012, the Trust entered into a secured operating credit facility, bearing interest generally at the bank's prime rate plus 0.9% or at bankers' acceptance rate plus 1.9%. The facility is available up to a formula-based maximum not to exceed \$35,000,000 and is secured by a first-ranking collateral mortgage on nine properties. The facility expires on October 4, 2014. At October 4, 2012, the Trust drew \$8,500,000 to fund acquisition related costs. The facility was subsequently repaid with the proceeds of the over-allotment option relating to the Trust's initial public offering. As at October 31, 2012, no amounts were drawn on the facility.

d) Promissory Notes Payable to Dundee REIT

On October 4, 2012, the Trust entered into promissory notes payable to subsidiaries of Dundee REIT totaling \$42,000,000. The promissory notes payable bear interest at 3.1% and are due on the later of (i) the date of closing of and funding of the last of the outstanding financing currently being assessed by the Trust and (ii) January 2, 2013. The Trust has the option to prepay all or a portion of the promissory notes payable prior to the maturity date.

e) Amendment to the Declaration of Trust

On October 4, 2012, the Trust amended and restated its Declaration of Trust to, among other things, authorize the Trust to issue an unlimited number of Special Trust Units and to create and issue preferred units in addition to Units.

Special Trust Units

Special Trust Units may only be issued in connection with or in relation to the issuance of exchangeable securities, including the Trust's LP B Units, for the purpose of providing voting rights with respect to the Trust 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 connection with the Acquisition, on October 4, 2012, 16,034,631 Special Trust Units were issued.

Preferred Units

The Trust is authorized to create and issue preferred units in one or more classes with rights, privileges, restrictions and conditions as may be determined by the Trustees. No preferred units have been created at this time.

f) October 2012 Monthly Distribution

On October 18, 2012, a distribution for the month of October 2012 in the amount of \$0.05081 per Unit for the period from October 4, 2012 to October 31, 2012 was declared by the Trust. The distribution will be payable on November 15, 2012 to unitholders on record as at October 31, 2012.