

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

Three and six months ended June 30, 2012 and 2011
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets
(Expressed in thousands of Canadian dollars)
(Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Investment properties (note 4)	\$ 1,088,893	\$ 985,384
Goodwill	4,458	4,458
Notes and loan receivable (note 5)	49,300	8,000
Accounts receivable	3,390	4,324
Other assets	5,928	5,660
Restricted cash	175	175
Cash and cash equivalents	1,348	3,716
Total assets	\$ 1,153,492	\$ 1,011,717

Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable (note 6)	\$ 545,633	\$ 501,757
Loans payable (note 7)	41,149	5,902
Class B exchangeable units (note 8)	99,764	87,503
Accounts payable and accrued liabilities	20,254	17,945
Distributions payable	2,445	2,349
Total liabilities	709,245	615,456
Unitholders' equity (note 9)	444,247	396,261
Commitments and contingencies (note 14)		
Total liabilities and unitholders' equity	\$ 1,153,492	\$ 1,011,717

See accompanying notes to condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were approved by the Board on August 14, 2012 and signed on its behalf by:

"Michael Knowlton" _____ Trustee

"Peter Riggan" _____ Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenue from operations	\$ 32,567	\$ 28,884	\$ 65,082	\$ 55,986
Property operating expenses	14,412	12,709	29,679	25,159
Operating income	18,155	16,175	35,403	30,827
Finance cost (note 13)	6,821	5,494	13,231	11,418
Interest income	(437)	(13)	(608)	(49)
Trust expenses	1,002	733	1,900	1,597
Income before Class B exchangeable unit costs and fair value adjustments	10,769	9,961	20,880	17,861
Finance cost:				
Class B exchangeable unit distributions (note 13)	(1,523)	(1,536)	(3,046)	(3,072)
Fair value adjustment of Class B exchangeable units (notes 8 and 13)	(6,473)	(1,229)	(12,261)	(2,765)
Fair value adjustment of investment properties (note 4)	20,804	9,253	38,988	13,798
Net income and comprehensive income	\$ 23,577	\$ 16,449	\$ 44,561	\$ 25,822

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statement of Unitholders' Equity
(Expressed in thousands of Canadian dollars)
(Unaudited)

Six months ended June 30, 2012	Unit capital	Retained earnings	Total
Unitholders' equity, beginning of period	\$ 355,467	\$ 40,794	\$ 396,261
Units issued, net of costs (note 5(a))	16,300	–	16,300
Total comprehensive income	–	44,561	44,561
Distributions	–	(14,213)	(14,213)
Distribution reinvestment plan (note 9(b))	1,338	–	1,338
Unitholders' equity, end of period	\$ 373,105	\$ 71,142	\$ 444,247

Six months ended June 30, 2011	Unit capital	Retained earnings (deficit)	Total
Unitholders' equity, beginning of period	\$ 256,706	\$ 2,595	\$ 259,301
Public offering, net of costs	82,440	–	82,440
Total comprehensive income	–	25,822	25,822
Distributions	–	(13,021)	(13,021)
Distribution reinvestment plan (note 9(b))	1,094	–	1,094
Unitholders' equity, end of period	\$ 340,240	\$ 15,396	\$ 355,636

Distributions per unit during the six months ended June 30, 2012 were \$0.40 (six months ended June 30, 2011 - \$0.40).

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Operating activities:				
Net income	\$ 23,577	\$ 16,449	\$ 44,561	\$ 25,822
Adjustments for:				
Finance cost	14,817	8,259	28,538	17,255
Interest income	(437)	(13)	(608)	(49)
Fair value adjustment of investment properties	(20,804)	(9,253)	(38,988)	(13,798)
Change in non-cash operating items (note 15)	2,465	386	462	(3,113)
Cash generated from operating activities	19,618	15,828	33,965	26,117
Interest paid	(7,036)	(5,536)	(13,751)	(11,226)
Interest paid - Class B exchangeable units	(1,523)	(1,536)	(3,046)	(3,072)
Interest received	199	13	385	49
Net cash from operating activities	11,258	8,769	17,553	11,868
Investing activities:				
Acquisition of investment properties (note 3)	(14,425)	(32,076)	(50,691)	(190,160)
Additions to investment properties (note 4)	(5,822)	(2,317)	(8,935)	(3,959)
Notes and loan receivable advance	(41,300)	–	(41,300)	–
Deposits on investment properties under contract	400	(250)	1,650	5,600
Net cash used in investing activities	(61,147)	(34,643)	(99,276)	(188,519)
Financing activities:				
Proceeds from issuance of units, net of issue costs	16,300	–	16,300	82,443
Distributions	(6,596)	(6,438)	(12,779)	(11,430)
Mortgage advances	74,255	100,000	90,855	104,275
Repayment of mortgages	(36,913)	(40,424)	(49,774)	(43,714)
Secured credit facility advance	33,000	1,500	81,000	31,500
Secured credit facility repayment	(31,500)	(31,500)	(45,500)	(31,500)
Secured interim bridge facility advances	–	–	–	95,000
Repayment of interim bridge facility	–	(15,000)	–	(95,000)
Transaction costs	(363)	(275)	(747)	(778)
Net cash from financing activities	48,183	7,863	79,355	130,796
Decrease in cash and cash equivalents	(1,706)	(18,011)	(2,368)	(45,855)
Cash and cash equivalents, beginning of period	3,054	18,468	3,716	46,312
Cash and cash equivalents, end of period	\$ 1,348	\$ 457	\$ 1,348	\$ 457

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT") is a Canadian unincorporated open-ended real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2010, as amended on March 25, 2010. The REIT commenced operations on March 25, 2010 when it issued units for cash pursuant to an initial public offering and acquired a portfolio of 45 buildings or health care real estate commercial properties. The REIT invests primarily in real properties operated as medical offices in Canada. The registered office of the REIT is 284 King Street East, Suite 100, Toronto, Ontario, M5A 1K4.

1. Basis of preparation:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standards 34, Interim Financial Reporting. The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the notes to the REIT's audited consolidated financial statements for the year ended December 31, 2011, since they do not contain all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and the Class B exchangeable units, which are stated at fair value.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except for per unit amounts, which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

2. Significant accounting policies:

The accounting policies applied by the REIT in these condensed consolidated interim financial statements are the same as those applied by the REIT in its consolidated financial statements as at and for the year ended December 31, 2011 and, accordingly, should be read in conjunction.

Derivative financial instruments and hedging activities:

The REIT may use derivative financial instruments to manage risks from fluctuations in interest rates.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

The REIT has not designated any derivative financial instrument as a hedging instrument. However, the REIT has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on a variable rate mortgage. Gains or losses arising from the change in fair values of the interest rate swap contract are recognized in the condensed consolidated interim statements of income and comprehensive income.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

3. Acquisitions:

(a) Acquisitions during the six months ended June 30, 2012:

During the six months ended June 30, 2012, the REIT acquired four investment properties for net cash consideration of \$50,691. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases. The net assets acquired were as follows:

Assets

Investment properties	\$ 54,829
Accounts receivable and other assets	7
	<hr/> 54,836

Liabilities

Accounts payable and accrued liabilities	360
Assumed mortgages, including mark-to-market adjustment	3,785
	<hr/> 4,145

Net assets acquired for cash	<hr/> \$ 50,691
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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

3. Acquisitions (continued):

(b) Acquisitions during the year ended December 31, 2011:

During the year ended December 31, 2011, the REIT's subsidiaries acquired nine investment properties for net cash consideration of \$217,682. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases. The recognized amounts of assets acquired and liabilities assumed were as follows:

Assets

Investment properties	\$ 255,058
Accounts receivable and other assets	314
	255,372

Liabilities

Accounts payable and accrued liabilities	1,896
Assumed mortgages, including mark-to-market adjustment	35,794
	37,690

Net assets acquired for cash	\$ 217,682
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4. Investment properties:

Balance, January 1, 2012	\$ 985,384
Acquisitions of investment properties	54,829
Additions	8,935
Increase in straight-line rents	757
Fair value adjustment	38,988
Balance, June 30, 2012	\$ 1,088,893

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

4. Investment properties (continued):

Balance, January 1, 2011	\$ 671,033
Acquisitions of investment properties	255,058
Additions	13,069
Increase in straight-line rents	1,198
Fair value adjustment	45,026
Balance, December 31, 2011	\$ 985,384

The REIT determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The key valuation assumptions for the REIT's commercial properties are set out in the following table:

	June 30, 2012	December 31, 2011
Discount rates - range	6.5% - 11.0%	7.0% - 11.0%
Discount rate - weighted average	7.7%	8.0%
Terminal capitalization rate - range	6.0% - 10.3%	6.0% - 10.3%
Terminal capitalization rate - weighted average	7.1%	7.3%

The discounted cash flows reflect rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

Commercial properties with an aggregate fair value of nil at June 30, 2012 (December 31, 2011 - \$263,450) were valued by external valuation professionals with recognized and relevant professional qualification.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

5. Notes and loan receivable:

	June 30, 2012	December 31, 2011
Promissory notes	\$ 41,300	\$ –
Loan	8,000	8,000
	<u>\$ 49,300</u>	<u>\$ 8,000</u>

- (a) On June 1, 2012, the REIT advanced \$41,300 through two promissory notes, \$16,300 and \$25,000, respectively, issued by a subsidiary of Northwest Value Partners Inc. ("NWVP"), an affiliate of NorthWest Operating Trust ("NW Trust").

The promissory notes bear interest at 7% and are repayable the earlier of:

- (i) October 31, 2012; or
- (ii) the conveyance of the GT Portfolio (note 14(d)).

In addition, NWVP subscribed for 1,323,858 units of the REIT for \$16,300, at a price of \$12.3125 per unit (note 9).

No principal or interest amounts are due prior to the maturity of the promissory notes and \$16,300 of the principal amount may be repaid, at the borrower's option in whole or in part, in REIT units at a deemed price of \$12.3125 per unit.

The promissory notes are guaranteed by NWVP.

- (b) On December 23, 2011, the REIT funded a loan on a recently constructed property owned by a joint venture in which an affiliate of NW Trust has a 50% interest.

The loan receivable has an interest rate of 7.5% and is repayable the earlier of:

- (i) June 21, 2013; or
- (ii) the date of the sale of the property.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

5. Notes and loan receivable (continued):

No principal amounts are due prior to maturity of the loan.

The loan is secured by a pledge of the partnership interest of the joint venture partners and guaranteed by the partners; each limited to 50% of the obligations under the loan; and is subject to a certain property value threshold determined by external valuation professionals.

Under the terms of the loan, the REIT has a right of first offer to acquire the property.

6. Mortgages payable:

All mortgages are secured by first or second charges on specific investment properties and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2012	\$ 6,162	\$ –	\$ 6,162
2013	12,064	66,194	78,258
2014	10,880	60,595	71,475
2015	9,531	56,117	65,648
2016	9,034	98,033	107,067
2017	5,504	60,939	66,443
2018	4,688	25,617	30,305
2019	4,401	–	4,401
2020	4,305	36,907	41,212
2021	1,975	51,308	53,283
2022	341	19,230	19,571
Face value	<u>\$ 68,885</u>	<u>\$ 474,940</u>	543,825
Mark-to-market adjustment			2,641
Unamortized financing costs			(833)
Carrying amount			<u>\$ 545,633</u>

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

6. Mortgages payable (continued):

	June 30, 2012	December 31, 2011
Mortgages at fixed rates - contractual amount	\$ 519,154	\$ 499,160
Mortgages at variable rates - contractual amount	24,671	-
Mark-to-market adjustment	2,641	3,067
Unamortized financing costs	(833)	(470)
Carrying amount	\$ 545,633	\$ 501,757
Interest rates	3.40% - 6.53%	3.40% - 6.53%
Weighted average interest rate	5.07%	5.22%

The REIT has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on \$11,671 of its variable rate mortgages payable as at June 30, 2012. Gains or losses arising from the change in fair values of the interest rate swap contracts are recognized in the condensed consolidated interim statement of income and comprehensive income.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

7. Loans payable:

Secured floating rate revolving credit facility:

The REIT has a floating rate revolving credit facility of \$50,000 which expires on March 25, 2014. The facility bears interest at banker's acceptance rate plus 2.25% or prime plus 1.25% and is secured by certain investment properties, with a carrying value of \$103,679 and the terms of a general security agreement. As at June 30, 2012, there was a \$41,149 outstanding balance on the credit facility (net of unamortized financing costs of \$351).

The credit facility was renegotiated, expanded and extended during the three months ended March 31, 2012. Prior to the extension, the credit facility of \$35,000 bore interest at banker's acceptance rate plus 2.75% or prime plus 1.75% expiring on March 25, 2013. As at December 31, 2011, there was a \$5,902 outstanding balance on the credit facility (net of unamortized financing costs of \$98).

8. Class B exchangeable units:

Each Class B exchangeable unit of NHP Holdings Limited Partnership ("NHP"), a subsidiary of the REIT, is exchangeable into one unit of the REIT. These exchangeable Class B exchangeable units are economically equivalent to REIT units and are entitled only to receive distributions equal to those provided to holders of REIT units.

Class B exchangeable units outstanding:

	Units	Amount
Class B exchangeable units outstanding, January 1, 2012	7,615,546	\$ 87,503
Fair value adjustment of Class B exchangeable units	–	12,261
Class B exchangeable units outstanding, June 30, 2012	7,615,546	\$ 99,764

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

8. Class B exchangeable units (continued):

	Units	Amount
Class B exchangeable units outstanding, January 1, 2011	7,680,746	\$ 89,788
Fair value adjustment of Class B exchangeable units	-	(1,509)
Class B exchangeable units issued exchanged for REIT units	(65,200)	(776)
Class B exchangeable units outstanding, December 31, 2011	7,615,546	\$ 87,503

During the three and six months ended June 30, 2012, the REIT recognized \$1,523 and \$3,046, respectively (three and six months ended June 30, 2011 - \$1,536 and \$3,072, respectively), of distributions declared on Class B exchangeable units as finance cost.

9. Unitholders' equity:

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NHP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

9. Unitholders' equity (continued):

The REIT's Trustees have discretion in declaring distributions.

(a) Units outstanding:

	Units	Amount
Units outstanding, January 1, 2012	35,232,023	\$ 355,467
Units issued (note 5(a))	1,323,858	16,300
Distribution reinvestment plan	112,614	1,338
Units outstanding, June 30, 2012	36,668,495	\$ 373,105

	Units	Amount
Units outstanding, January 1, 2011	27,585,791	\$ 269,760
Follow-on equity offering	6,400,000	75,200
Follow-on equity offering over-allotment option	960,000	11,280
Units issued in exchange of Class B exchangeable units	65,200	776
Distribution reinvestment plan	221,032	2,491
Units issued	35,232,023	359,507
Less issue costs	-	4,040
Units outstanding, December 31, 2011	35,232,023	\$ 355,467

(b) Distribution reinvestment plan:

The REIT has established a distribution reinvestment plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

10. Deferred unit plan:

(a) Liability:

January 1, 2012	\$ 743
Unit-based compensation expense	618
June 30, 2012	\$ 1,361

January 1, 2011	\$ 70
Unit-based compensation expense	673
December 31, 2011	\$ 743

(b) Units outstanding:

January 1, 2012	92,719
Granted	62,970
Distribution entitlement	4,068
June 30, 2012	159,757

Vested, but not issued, June 30, 2012 –

January 1, 2011	10,806
Granted	78,061
Distribution entitlement	3,852
December 31, 2011	92,719

Vested, but not issued, December 31, 2011 –

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

10. Deferred unit plan (continued):

For the three months ended June 30, 2012, 62,970 units were granted under the deferred unit plan at an average unit price of \$12.37.

For the year ended December 31, 2011, 78,061 units were granted under the deferred unit plan at an average unit price of \$11.55.

11. Segment disclosure:

All of the REIT's assets and liabilities are in, and its revenue derived from, the Canadian real estate industry segment. No single tenant accounts for 10% or more of the REIT's rental revenue.

12. Transactions with related parties:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Related party transactions and balances:				
Condensed consolidated interim statements of income and comprehensive income:				
Minimum rent, operating cost recoveries parking income (included in revenue)	\$ 802	\$ 919	\$ 1,619	\$ 1,961
Interest revenue (included in revenue)	320	–	395	–
Fee income and cost recovery (included in revenue)	103	52	225	258
Cost recovery (offset against operating expenses and trust expenses)	–	44	72	103
Head office rent expense (included in operating expenses and trust expenses)	79	102	181	204
Leasing costs	(15)	16	88	2,200
Condensed consolidated interim balance sheets:				
Accounts receivable	26	1,820	26	1,820
Interest receivable (note 5)	238	–	238	–
Promissory notes (note 5(a))	41,300	–	41,300	–
Loan receivable, end of period (note 5(b))	4,000	–	4,000	–
Subscription of REIT units (note 5(a))	16,300	–	16,300	–

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

13. Finance cost:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Interest on fixed rate debt	\$ 6,612	\$ 5,435	\$ 13,070	\$ 10,507
Interest on floating rate debt	438	270	658	986
Amortization of debt premiums	(310)	(273)	(641)	(641)
Amortization of transaction costs	81	62	144	566
	6,821	5,494	13,231	11,418
Class B exchangeable unit distributions	1,523	1,536	3,046	3,072
Fair value adjustment of Class B exchangeable units	6,473	1,229	12,261	2,765
	\$ 14,817	\$ 8,259	\$ 28,538	\$ 17,255

14. Commitments and contingencies:

- (a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$1,117, to provide electricity and gas for its own use at its investment properties.
- (b) The REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the condensed consolidated interim financial statements.
- (c) As part of the purchase and sale agreement with an affiliate of NW Trust related to the acquisition of an investment property, the REIT agreed that in the event a development agreement is not achieved with NW Trust, the REIT would sever and sell the development land portion of the investment property to NW Trust for \$2,950.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

14. Commitments and contingencies (continued):

(d) The REIT has entered into two separate agreements with GT Canada Medical Properties Real Estate Investment Trust ("GT REIT") and a subsidiary of GT REIT, respectively, (which are controlled by NWVP) whereby the REIT will acquire certain GT REIT subsidiary entities which own in aggregate 12 medical office buildings located in Ontario (the "GT Portfolio"). Pursuant to such agreements, the REIT will be responsible to pay approximately \$40,300, comprising the aggregate purchase price and reimbursement of certain transaction costs, and to assume aggregate mortgage debt of approximately \$47,000, subject to customary adjustments. Such aggregate purchase price and transaction costs will be satisfied, at the vendors' option and subject to regulatory approvals, by the issuance of REIT units and/or the issuance of Class B exchangeable units, in each case at an issuance price of \$12.3125 per unit, and/or cash. Subject to such regulatory approvals and customary adjustments, the maximum number of units that will be issued by the REIT in connection with the noted two agreements is expected not to exceed 3,273,096 in the aggregate.

15. Change in non-cash operating items:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Decrease in accounts receivable	\$ 1,594	\$ 4,701	\$ 1,157	\$ 661
Increase in straight-line rents	(413)	(299)	(757)	(664)
Decrease (increase) in other assets, excluding deposits	(722)	(1,567)	(1,911)	(2,441)
Increase (decrease) in accounts payable and accrued liabilities	2,006	(2,449)	1,973	(669)
	\$ 2,465	\$ 386	\$ 462	\$ (3,113)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and six months ended June 30, 2012 and 2011
(Unaudited)

16. Fair values:

The fair values of the REIT's financial assets, which include accounts receivable, loans, mortgage escrow, deposits, restricted cash and cash and cash equivalents, as well as financial liabilities, which include accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

The fair value of the REIT's mortgages payable at June 30, 2012 is \$577,674. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

The REIT's Class B exchangeable units are carried at fair value and the fair value of the Class B exchangeable units has been determined with reference to the trading price of the REIT's units on the condensed consolidated interim balance sheet dates.

17. Subsequent event:

On July 10, 2012, the REIT entered into an agreement to acquire part of an investment property for \$3,405.

On July 24, 2012, the REIT entered into an agreement to acquire 84% of an investment property for \$16,440. As part of the transaction, the REIT will assume the vendor's existing mortgage, having a principal amount of approximately \$9,340, an interest rate of 4.40% and a 2015 maturity.

On August 3, 2012, the REIT entered into a commitment for a 10-year, \$33,000 variable rate mortgage. The mortgage will replace an existing \$11,251 mortgage on one of the REIT's investment properties. As part of the refinancing, the REIT will utilize an interest rate swap to limit its exposure to fluctuations in interest rates on the variable rate mortgage.

During the period from July 1, 2012 to August 14, 2012, the REIT declared distributions of \$0.13334 per unit or \$4,892.