



August 15, 2002

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

BOARDWALK REPORTS RECORD OPERATING RESULTS FOR SECOND QUARTER OF 2002

36% INCREASE IN FFO PER SHARE FROM RENTAL OPERATIONS IN SECOND QUARTER

FFO Guidance For 2002 Increased Due To Strong First Half Results and Expectations for the Balance of the Year

Calgary, Alberta – August 15, 2002 - Boardwalk Equities Inc. ("BEI" – TSX, NYSE) is pleased to report strong financial results for the second quarter of 2002, which exceeded consensus estimates.

For the second quarter ended June 30, 2002, the Company reported Total Revenues of \$67.1 million and Funds From Operations ["FFO"], a key performance measurement for real estate companies, of \$18.0 million, and FFO excluding gains of \$17.0 million. FFO per share for the second quarter was \$0.36 on a diluted basis, and FFO excluding gains per share was \$0.34.

Funds From Operations ("FFO") is a generally accepted measure of operating performance of real estate companies, however is a non-GAAP measurement. The Company calculates FFO by taking Net Earnings and adding non cash items including Income taxes and Amortization. The amount is currently referenced on Boardwalk's Consolidated Statement of Cash Flows. The determination of this amount may differ from that of other real estate companies.

Highlights of the Company's second quarter 2002 financial results include:

- Rental revenues of \$59.6 million, an increase of 18.3% compared to \$50.3 million for the three-month period ended June 30, 2001.
- Net operating income of \$41.5 million, representing a 21.7% increase from \$34.1 million in the same period last year.
- Funds From Operations (FFO) of \$18.0 million, an increase of 43.9% compared to \$12.5 million for the three-month period ended June 30, 2001. FFO excluding gains of \$17.0 million, an increase of 36.2% compared to \$12.5 million for the three-month period ended June 30, 2001.
- FFO per share of \$0.36 on a diluted basis, compared to \$0.25 for the three-month period ended June 30, 2001. FFO per share from rental operations, which excludes gains, was \$0.34 on a diluted basis, up 36.0% compared to \$0.25 for the three-month period ended June 30, 2001.

Highlights of the Company's financial results for the first six months of 2002 include:

- Rental revenues of \$114.3 million, an increase of 14.0% compared to \$100.3 million for the six-month period ended June 30, 2001.
- Net operating income of \$78.2 million, representing a 17.6% increase from \$66.5 million in the same period last year.
- Funds From Operations (FFO) of \$32.3 million, an increase of 4.0% compared to \$31.0 million for the six-month period ended June 30, 2001. FFO excluding gains of \$31.3 million, an increase of 33.0% compared to \$23.5 million for the six-month period ended June 30, 2001.
- FFO per share of \$0.65 on a diluted basis, compared to \$0.62 for the six-month period ended June 30, 2001. FFO per share from rental operations, which excludes gains, was \$0.63 on a diluted basis, up 34.0% compared to \$0.47 for the six-month period ended June 30, 2001.

Commenting on the Company's second quarter results, Sam Koliass, President and C.E.O., said "We are very pleased to report continued strong results from our rental operations which has enabled the Company to report record financial results. The fundamentals for the multi-family rental sector in Canada continue to be attractive with very limited new supply and low vacancy rates. Boardwalk is concentrated in strong markets which has enabled us to deliver solid internal growth from our portfolio. In addition, we are very pleased with the performance to date of our Nuns' Island portfolio acquisition in Montreal

"to efficiently provide the best value in carefree living at competitive prices and utmost customer satisfaction"

which closed during the second quarter. This acquisition, which was the largest acquisition in the Company's history, has performed very well to date and resulted in the Company being able to deliver strong external growth as well."

The average vacancy rate across the Company's portfolio for the second quarter of 2002 was 5.9%, down slightly from 6.2% in the second quarter of last year. Excluding the recent Montreal acquisition, which had an average 0.2% vacancy in the two months that the Company owned the portfolio in the second quarter, the average vacancy rate across the Company's portfolio for the second quarter of 2002 was 6.4%, up slightly from 6.2% in the same period last year.

The Company's overall average vacancy rate as of July 2002 had fallen to 5.0% compared to 6.0% in July of 2001.

The average monthly rent realized in the second quarter of 2002 was \$712 per unit, up \$49, or 7.4% from \$663 per unit for the same period last year. Management estimates that market rents for its properties at the end of June, 2002 averaged \$769 per unit per month which compares to an average in-place rent per occupied unit of \$744 for the six months ended June 30, 2002.

The Company's reported FFO excluding gains of \$0.34 per share in the second quarter of 2002 exceeded analyst expectations which ranged from \$0.29 to \$0.32.

Same-Property Results

Boardwalk continued to show strong performance in its stabilized properties (defined as properties owned for over 24 months). The "same-property" results for the Company's stabilized portfolio for the three month period ended June 30, 2002 showed rental growth of 6.1% and NOI growth of 9.2% compared to the same period last year. For the six month period ended June 30, 2002, the stabilized property portfolio had rental growth of 6.9% and NOI growth of 8.6% compared to the same period last year. A total of 24,216 units, representing approximately 84% of Boardwalk's total portfolio, were classified as stabilized as at June 30, 2002.

Same-Property Results - Stabilized Portfolio Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

| | Rental Revenues | Rental Operating Expenses | NOI | % of Total NOI (Stabilized Portfolio) |
|---------------|-----------------|---------------------------|--------|---------------------------------------|
| Calgary | +3.2% | -6.7% | +7.4% | 25.5 |
| Edmonton | +8.9% | -2.7% | +15.2% | 43.2 |
| Ontario | +7.3% | +3.3% | +10.7% | 12.0 |
| Other Alberta | +7.9% | +13.6% | +5.3% | 5.9 |
| Saskatchewan | +1.3% | +10.2% | -3.5% | 13.4 |
| Total | +6.1% | +0.4% | +9.2% | 100.0 |

Same-Property Results - Stabilized Portfolio Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

| | Rental Revenues | Rental Operating Expenses | NOI | % of Total NOI (Stabilized Portfolio) |
|---------------|-----------------|---------------------------|--------|---------------------------------------|
| Calgary | +5.7% | +15.1% | +2.4% | 25.1 |
| Edmonton | +9.5% | +0.8% | +13.6% | 44.0 |
| Ontario | +7.4% | -3.4% | +18.9% | 11.6 |
| Other Alberta | +3.2% | +10.9% | +0.3% | 6.3 |
| Saskatchewan | +3.1% | +5.1% | +1.7% | 13.1 |
| Total | +6.9% | +3.7% | +8.6% | 100.0 |

Acquisition and Disposition Activity

The second quarter 2002 results include operating profits from dispositions of \$1.0 million on sales of \$7.5 million related to the disposition of 121 units in several smaller non-core properties. There were no dispositions in the comparable period last year.

In the second quarter of 2002, the Company completed the previously announced acquisition of a 3,100-unit portfolio located on Nuns' Island, immediately south of downtown Montreal, at a contract price of \$180.2 million, including property transfer

costs and other closing costs. A fair value adjustment of approximately \$20 million, relating to the \$109.8 million of assumed mortgage debt on the acquisition with an average interest rate of 9.25%, resulted in the total book cost of the acquisition amounting to approximately \$200 million. The acquisition closed effective May 1, 2002.

Continued Financial Strength

The Company maintained its strong financial position in the quarter. Boardwalk's total mortgage debt was \$1.26 billion as at June 30, 2002, up from \$1.11 billion at December 31, 2001. As of June 30, 2002, the Company's debt had an average maturity of 5.0 years with a weighted average interest rate of 6.04%, and the Company's debt-to-total-market-capitalization ratio was 62.8%.

The Company's interest coverage ratio for the three month period ended June 30, 2002 increased to 1.94 times (excluding gains on sales) compared to 1.79 times in the same period last year.

Expensing of Stock Options

The Company intends to expense stock options on its financial statements starting in 2003. Management's best estimate of the impact of implementing the change today would be approximately \$0.01 per share per quarter.

Outlook and Upward Revision in Earnings Guidance

Commenting on the outlook for the Company, Sam Koliass, said "Boardwalk remains well positioned to show a strong improvement in results in the current year, driven by both internal and external growth. We continue to demonstrate strong same-property performance with our portfolio which is well positioned in strong markets. Our recent acquisition of the Nuns' Island portfolio in Montreal will also continue to make a strong contribution to results for the balance of the year."

Rob Geremia, Senior Vice President and CFO, stated "With the Company's strong performance in the first half of 2002, we currently believe that we are on track to exceed our previously stated guidance for fiscal 2002. We are increasing our guidance for 2002 for FFO per share, excluding gains, to between \$1.23 and \$1.25, which is up from our previous guidance of \$1.20 to \$1.23. In addition, we continue to anticipate approximately a two cent per share FFO contribution from property sales in 2002 which would result in our expectations for total FFO per share for the year being between \$1.25 and \$1.27."

Supplementary Information

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding the Company's activities during the quarter. The Second Quarter Supplemental Information is available on the INVESTOR section of our website (www.bwalk.com).

Teleconference on Second Quarter, 2002 Financial Results

We invite you to participate in the teleconference that will be held to discuss the Company's second quarter 2002 results this morning at 11:15am EST. Senior management will speak to the financial results and provide a corporate update. Presentation materials and a Supplementary Information Package for the second quarter of 2002 will be made available on the INVESTOR section of our website (www.bwalk.com) prior to the call.

Participation & Registration: For participation and registration for the conference call please RSVP to Investor Relations at 403-531-9255 or by email to investor@bwalk.com.

Teleconference Dial-In Numbers: The telephone numbers for the conference are: 416-640-4127 (within Toronto) or toll-free 1-888-881-4892 (outside Toronto).

Webcast: Investors will be able to listen to the call and view our slide presentation over the Internet by visiting <http://investor.bwalk.com> 15 min. prior to the start of the call. An information page will be provided for software needed and system requirements. The live audiocast will also be available at <http://www.newswire.ca/webcast/pages/BoardwalkEquities20020815/>

Replay: An audio recording of the teleconference will be available approximately one hour after the call until 11:59pm EST on August 22nd, 2002. You can access it by dialing 416-640-1917 and using the following passcode, 201251#. An audio archive will also be available on our Investor site (<http://investor.bwalk.com>) approximately two hours after the conference call until August 22nd, 2002.

Corporate Profile

Boardwalk Equities Inc. is Canada's largest owner/operator of multi-family rental properties. Boardwalk currently owns in excess of 250 properties with approximately 29,000 units totalling approximately 25 million net rentable square feet. The company's portfolio is concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec. Boardwalk is headquartered in Calgary and its shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange and trade under the symbol BEI. The Company has a total market capitalization of approximately \$2.0 billion.

Additional information is available at Boardwalk's web site at www.bwalk.com. Recent investor information can be found on the Internet at <http://investor.bwalk.com/>.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements are statements that involve risks and uncertainties, including, but not limited to, changes in the demand for apartment and town home rentals, the effects of economic conditions, the impact of competition and competitive pricing, the effects of the Company's accounting policies and other matters detailed in the Company's filings with Canadian and United States securities regulators available on SEDAR in Canada and by request through the Securities and Exchange Commission in the United States, including matters set forth in the Company's Annual Report to Shareholders under the heading "Management's Discussion and Analysis". Because of these risks and uncertainties, the results, expectations, achievements, or performance described in this release may be different from those currently anticipated by the Company.

For further information please contact:

Boardwalk Equities Inc.

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 Paul Moon, Director of Corporate Communications, (403) 531-9255.

Consolidated Balance Sheets

(CDN.\$ Thousands)

As At

| | June 30, 2002 | December 31, 2001 |
|--|----------------------|--------------------------|
| | (Unaudited) | (Audited) |
| Assets | | |
| Revenue producing properties | \$ 1,573,632 | \$ 1,381,541 |
| Properties held for resale | 6,883 | 6,630 |
| Mortgages and accounts receivable | 17,988 | 22,325 |
| Other assets | 16,308 | 14,423 |
| Deferred financing costs | 34,315 | 32,957 |
| Technology | 5,273 | 5,743 |
| Cash and short term investments | 2,060 | 25,672 |
| | \$ 1,656,459 | \$ 1,489,291 |
| Liabilities | | |
| Mortgages payable | \$1,264,459 | \$ 1,108,406 |
| Accounts payable and accrued liabilities | 20,288 | 19,525 |
| Refundable security deposits and other | 10,741 | 10,418 |
| Capital lease obligations | 6,599 | 7,203 |
| Future income taxes (NOTE 5) | 61,413 | 58,755 |
| | \$ 1,363,500 | \$ 1,204,307 |
| Shareholders' Equity | | |
| Share capital (NOTE 2) | \$263,313 | 258,202 |
| Retained earnings | 29,646 | 26,782 |
| | 292,959 | 284,984 |
| | \$ 1,656,459 | \$ 1,489,291 |

Consolidated Statement of Earnings - For the three and six months ended

(CDN.\$ thousands, except per share amounts) (Unaudited)

| | June 30 2002 (6 Months) | June 30 2001 (6 Months) | June 30 2002 (3 Months) | June 30 2001 (3 Months) |
|---|--|-------------------------------|--|-------------------------------|
| Revenue | | | | |
| Rental income | \$114,328 | \$ 100,314 | \$59,566 | \$ 50,347 |
| Sales - properties held for resale | 7,498 | 18,012 | 7,498 | - |
| | \$121,826 | \$ 118,326 | \$67,064 | \$ 50,347 |
| Expenses | | | | |
| Revenue producing properties | | | | |
| Operating expenses | \$12,558 | \$ 12,088 | \$6,689 | 6,097 |
| Utilities | 15,997 | 15,811 | 5,701 | 5,719 |
| Utility rebate (NOTE 6) | (3,303) | (3,733) | (67) | (468) |
| Property taxes | 10,919 | 9,678 | 5,713 | 4,868 |
| Cost of sales – properties held for resale | 6,531 | 10,501 | 6,531 | - |
| Administration | 8,929 | 7,829 | 4,540 | 3,945 |
| Financing costs | 36,405 | 33,538 | 19,089 | 16,851 |
| Amortization | 22,514 | 25,282 | 11,608 | 12,828 |
| | \$110,550 | \$110,994 | \$ 59,804 | \$ 49,840 |
| Operating earnings before income taxes | \$11,276 | \$ 7,332 | \$ 7,260 | \$ 507 |
| Large corporations taxes | 1,523 | 1,578 | 862 | 824 |
| Income taxes (NOTE 5) | 3,833 | (2,017) | 2,412 | (3,211) |
| Net earnings for the period | \$5,920 | \$ 7,771 | \$3,986 | \$2,894 |
| Net earnings per share (NOTE 3) | | | | |
| Basic | \$ 0.12 | \$ 0.16 | \$0.08 | \$ 0.06 |
| Diluted | \$ 0.12 | \$ 0.15 | \$0.08 | \$ 0.06 |

Consolidated Statement of Retained Earnings

(CDN.\$ thousands, except per share amounts) (Unaudited)

As at

| | June 2002 (6 Months) | June 2001 (6 Months) |
|---|-------------------------------------|----------------------------|
| Retained earnings, beginning of period | \$26,782 | \$ 47,788 |
| Net earnings | 5,920 | \$ 7,771 |
| Dividends paid | (2,477) | (2,496) |
| Premium on share repurchases | (579) | - |
| Retained earnings, end of period | \$ 29,646 | \$ 53,063 |

Consolidated Statement of Cash Flows- For the three and six months ended

(CDN \$Thousands, except per share amounts) (Unaudited)

| | June 30, 2002 (6 months) | June 30, 2001 (6 months) | June 30, 2002 (3 months) | June 30, 2001 (3 months) |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Cash obtained from (applied to): | | | | |
| Operating activities | | | | |
| Net earnings | \$5,920 | \$ 7,771 | \$3,986 | \$2,894 |
| Income taxes | 3,833 | (2,017) | 2,412 | (3,211) |
| Amortization | 22,514 | 25,282 | 11,608 | 12,828 |
| Funds from operations | 32,267 | 31,036 | 18,006 | 12,511 |
| Net change in operating working capital | 3,538 | (10,573) | 426 | (3,757) |
| Net change in properties held for resale | 5,857 | 9,583 | 5,990 | (111) |
| Total operating cash flows | 41,662 | 30,046 | 24,422 | 8,643 |
| Financing activities | | | | |
| Issue of common shares for cash (net of issue costs) | 5,584 | 1,455 | 4,472 | 1,416 |
| Stock repurchase program | (1,045) | (5) | - | - |
| Dividends paid | (2,477) | (2,496) | - | - |
| Financing of revenue producing properties | 100,883 | 71,437 | 15,702 | 38,799 |
| Repayment of debt on revenue producing properties | (75,929) | (71,122) | (17,727) | (46,368) |
| Deferred financing costs | (1,854) | (1,637) | (39) | (574) |
| | 25,162 | (2,368) | 2,408 | (6,727) |
| Investing activities | | | | |
| Purchase of revenue producing properties (NOTE 4) | (74,817) | (6,738) | (71,991) | - |
| Project improvements to revenue producing properties | (14,946) | (28,639) | (8,410) | (12,876) |
| Technology | (673) | (5,788) | (119) | (255) |
| | (90,436) | (41,165) | (80,520) | (13,131) |
| (Decrease) increase in cash and cash equivalents balance during period | (23,612) | (13,487) | (53,690) | (11,215) |
| Cash and cash equivalents, beginning of period | 25,672 | 21,055 | 55,750 | 18,783 |
| Cash and cash equivalents, end of period | 2,060 | 7,568 | 2,060 | 7,568 |
| Funds from operations per share | | | | |
| Basic | 0.65 | 0.62 | 0.36 | 0.25 |
| Diluted | 0.65 | 0.62 | 0.36 | 0.25 |
| Taxes Paid | 1,809 | 1,760 | 1,200 | 882 |
| Interest Paid | 33,487 | 32,293 | 17,095 | 16,246 |

Notes to the Consolidated Financial Statements For the three months and six months ended June 30, 2002

Note 1 - Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2001. The interim financial statements should be read in conjunction with the audited financial statements.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2002.

Note 2 - Share capital

| | | | | | |
|-------------------|---------------------------------------|---------------|---------------|-------------------|---------------|
| (a) Issued | | June 30, 2002 | | December 31, 2001 | |
| | | <u>Number</u> | <u>Amount</u> | <u>Number</u> | <u>Amount</u> |
| | Common Shares outstanding (thousands) | 49,831 | \$263,313 | 49,404 | \$ 258,202 |

(b) Stock options

The Corporation has a stock option plan that provides for the granting to directors, officers and associates of the Corporation options to purchase up to 10,643,636 (December 31, 2001 – 9,136,441) common shares. As at June 30, 2002, there are a total of 3,873,153 (December 31, 2001 – 3,647,834) options outstanding to directors, officers and associates. The exercise prices range from \$9.11 to \$22.92 (December 31, 2001 - \$9.11 to \$22.92). These options expire up to March 14, 2012. All options are issued at market prices.

| | June 30, 2002 | | December 31, 2001 | |
|------------------------------------|---------------------|------------------------------------|----------------------|------------------------------------|
| | 3 months Options | Weighted-Average Exercise Price | 12 months Options | Weighted-Average Exercise Price |
| Outstanding at beginning of period | 3,647,834 | \$12.60 | 4,399,288 | \$12.37 |
| Granted | 893,722 | 12.08 | 205,000 | 10.48 |
| Exercised | (513,800) | 10.87 | (371,157) | 5.63 |
| Forfeited | (154,603) | 18.37 | (585,297) | 14.55 |
| Outstanding at end of period | <u>3,873,153</u> | <u>\$12.47</u> | <u>3,647,834</u> | <u>\$12.60</u> |

Options exercisable at period end

The following table summarized information about the options outstanding at June 30, 2002:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | | |
|-----------------------------|-----------------------|---|--|-----------------------|---|--|
| | Number Outstanding | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price |
| \$9.01 to \$11.00 | 752,000 | 7.6 | \$9.37 | 689,800 | 7.6 | \$9.36 |
| \$11.01 to \$13.00 | 2,021,422 | 6.8 | 11.92 | 1,043,700 | 7.5 | 11.86 |
| \$13.01 to \$15.00 | 533,631 | 7.2 | 13.72 | 266,613 | 6.4 | 13.76 |
| \$15.01 to \$17.00 | 379,400 | 5.5 | 16.06 | 241,440 | 4.7 | 16.08 |
| \$17.01 to \$19.00 | 84,700 | 0.7 | 17.93 | 80,450 | 0.7 | 17.97 |
| \$19.01 to \$21.00 | 28,000 | 0.7 | 19.73 | 28,000 | 0.7 | 19.73 |
| \$21.01 to \$23.00 | 74,000 | 0.8 | 22.53 | 74,000 | 0.8 | 22.53 |
| | <u>3,873,153</u> | <u>6.59</u> | <u>\$12.47</u> | <u>2,424,003</u> | <u>6.7</u> | <u>\$12.40</u> |

The Company accounts for its stock-based compensation plans using the intrinsic-value method whereby no costs have been recognized in the financial statement for share options granted to employees and directors. As now required by Canadian Generally Accepted Accounting Principles, the impact on compensation costs of using the fair value method, whereby compensation costs had been recorded in net earnings, must be disclosed. If the fair value method had been used, the Company's net earnings and net earnings per share would approximate the following pro forma amounts [thousands except per share amounts]:

| | June 30, 2002 (6 months) | June 30, 2002 |
|-------------------------------|-----------------------------|---------------|
| Compensation Costs | \$(834,000) | \$(520,000) |
| Net Earnings | | |
| As reported | \$5,920 | \$3,986 |
| Pro forma | \$5,074 | \$3,458 |
| Net Earnings per Common Share | | |
| Basic | | |
| As reported | \$0.12 | \$0.08 |
| Pro forma | \$0.10 | \$0.07 |
| Diluted | | |
| As reported | \$0.12 | \$0.08 |
| Pro forma | \$0.10 | \$0.07 |

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

| | |
|-------------------------|---------|
| Risk free interest rate | 5.83 % |
| Expected lives (years) | 7-10 |
| Expected volatility | 42.64% |
| Dividend per share | \$ 0.05 |

Note 3 – Per share calculations

The following table sets forth the computation of basic and diluted earnings per share with respect to (loss) earnings [CDN \$ Thousands, except per share amounts].

| | June 30, 2002 (6 months) | June 30,2001 (6 months) | June 30, 2002 (3 months) | June 30,2001 (3 months) |
|--|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Numerator | | | | |
| Net (loss) earnings for the period | \$5,920 | \$7,771 | \$3,986 | \$2,894 |
| Funds from operations | \$32,253 | \$31,036 | \$17,992 | \$12,511 |
| Denominator | | | | |
| Denominator for basic earnings per share – weighted average shares | 49,444,946 | 49,953,908 | 49,554,415 | 49,992,548 |
| Effect of dilutive securities | | | | |
| Stock options | 442,255 | 222,293 | 646,002 | 222,293 |
| Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion | 49,887,201 | 50,176,201 | 50,200,417 | 50,214,841 |
| Basic earnings per share | \$0.12 | \$0.16 | \$0.08 | \$0.06 |
| Diluted earnings per share | \$0.12 | \$0.15 | \$0.08 | \$0.06 |
| Basic FFO per share | \$0.65 | \$0.62 | \$0.36 | \$0.25 |
| Diluted FFO per share | \$0.65 | \$0.62 | \$0.36 | \$0.25 |

Note 4 - Dispositions and Acquisitions of Revenue Producing Properties

Dispositions

| | June 30, 2002 (6 months) | June 30, 2001 (6 months) | June 30, 2002 (3 months) | June 30,2001 (3 months) |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Cash received | \$3,025,661 | \$13,312,392 | \$3,025,661 | - |
| Vendor take back mortgage | 500,000 | 4,700,000 | 500,000 | - |
| Debt assumed | 3,972,305 | - | 3,972,305 | - |
| Total proceeds | \$7,497,966 | \$18,012,392 | \$7,497,966 | - |
| Net book value | \$6,531,262 | \$10,501,402 | \$6,531,262 | - |
| Gain on sale | \$966,705 | \$7,510,990 | \$966,705 | - |
| Units sold | 121 | 236 | 121 | - |

Acquisitions

| | June 30, 2002 (6 months) | June 30, 2001 (6 months) | June 30, 2002 (3 months) | June 30,2001 (3 months) |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Cash paid | \$74,817,001 | \$6,738,227 | \$71,991,341 | - |
| Debt assumed | 109,597,474 | 14,054,624 | 109,597,474 | - |
| Shares issued | - | 7,116,000 | - | - |
| Total purchase price | 184,414,475 | 27,908,851 | 181,588,815 | - |
| Fair value adjustment to debt | 19,500,000 | - | 19,500,000 | - |
| Book Value | \$203,914,475 | \$27,908,851 | \$201,088,815 | - |
| Units acquired | 3,160 | 711 | 3,100 | - |

Note 5 - Future income taxes

The recovery of income taxes is computed as follows (thousands):

| | 6 Months, June 30, 2002 | 6 Months, June 30, 2001 | 3 Months June 30, 2002 | 3 months June 30, 2001 |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Tax expense based on expected rate of 36% (2001 – 40%) | \$4,030 | \$2,658 | \$2,609 | \$182 |
| Non-taxable portion of capital gains and other | (197) | (1,397) | (197) | (115) |
| Adjustment for change in effective tax rate | - | (3,278) | - | (3,278) |
| Income tax expense (recovery) | \$ 3,833 | \$(2,017) | 2,412 | (3,211) |

The future income tax liability is calculated as follows:

| <i>As at</i> | June 30, 2002 | December 31, 2001 |
|--|-------------------|--------------------|
| Tax assets related to operating losses | \$59,493 | \$ 52,991 |
| Tax liabilities related to differences in tax and book basis | (120,906) | (111,746) |
| Future income tax liability | \$(61,413) | \$ (58,755) |

Note 6 - Utility Rebate

As of March 2, 2002, ATCO Gas, the transporter of all natural gas in Alberta, distributed a non-recurring rebate. The Alberta Energy & Utility Board instructed ATCO to rebate a portion of the sale proceeds of the Viking-Kinsella producing assets, to ATCO North customers in the form of a one time rebate. The rebate was distributed to all ATCO North customers, based on historical usage, at a rate of \$3.325/GJ.

For the period ended June 30, 2001, the Alberta Government introduced two separate rebate programs to assist corporations with the increase in energy prices in 2001. The natural gas rebate program expired in April 2001 (resulting in a disproportionate share of this rebate in the first quarter of 2001) and the electrical rebate program expired on December 31, 2001. Due to the current electricity pricing environment, there was not an extension of this program in 2002.

Note 7 - Subsequent Events*Property Acquisitions*

Subsequent to June 30, 2002 the Corporation has contracted to acquire 52 units for a purchase price of \$1.85 million. The acquisition was financed through cash of \$ 0.6 million and the assumption of an existing mortgage and is contracted to close in August 2002.