NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

(Formerly GT Canada Medical Properties Real Estate Investment Trust)

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

For the year ended

DECEMBER 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEO's MESSAGE

2012 was a transformational year for the REIT. A controlling interest in the REIT was acquired by NorthWest Value Partners Inc. ("NWVP"), the REIT sold its Canadian MOB Portfolio, acquired a substantial portfolio of international healthcare real estate assets, entered into management arrangements with affiliates of NWVP to facilitate a new strategic direction and was renamed NorthWest International Healthcare Properties REIT.

Given the magnitude of these changes, I will focus my comments on the results and prospects for our business while keeping in mind the key objectives for the REIT which are to provide stable, sustainable and growing cash flows through creating a diversified, growth-oriented global portfolio of healthcare properties and to maximize the long-term value of its Trust Units through active and efficient management.

The REIT is well positioned to meet its objectives benefitting from both defensive characteristics and built-in growth prospects driven by the following key elements:

(i) The REIT's assets are comprised of a portfolio of highly occupied properties with primarily necessity-based tenancies on long-term leases, often with infrastructure-like characteristics. These assets are typically not materially impacted by economic slowdowns and are well-positioned to capitalize upon demographic and healthcare industry trends such as increasing demand for healthcare from a growing or aging population.

(ii) The REIT invests in assets and operates in markets where the contractual annual indexation of rents is typical and potentially leads to annual revenue growth.

Markets

We saw largely positive trends throughout the year in our international markets, with operating fundamentals remaining strong or improving and demand for real estate investment increasing. These trends reflect different points on the cycle in comparison to the Canadian commercial real estate market where, although fundamentals remain stable, there is a growing sentiment that Canadian real estate investment values may have peaked or are near cyclical highs. Availability of both equity and debt capital remains robust. We believe the market conditions remain supportive of our business plan to grow in our selected international markets where we can find better risk-adjusted returns.

Operations

Our REIT performed as expected during 2012. The focus of the fourth quarter was the integration of the international assets acquired on November 16, 2012 as well as the HMB acquisition completed on December 27, 2012. Rents were in line with expectations, a trend we expect to continue and improve through 2013 as the portfolio is 99.5% leased with only minor lease expiries occurring and greater than 95% of the rental revenues indexed to inflation, which should lead to revenue growth on the existing portfolio.

The financial results for the fourth quarter were in line with our expectations, with FFO and AFFO per unit for the quarter of $0.02. Our fourth quarter results were significantly impacted by a variety of one-time costs relating to the transformative transactions which facilitated our new strategic direction, our equity raise at year end and our leverage of 33%. In the following quarters we would expect to see improvement as we realize the full benefit of our recent acquisitions and deploy our excess liquidity.

Transformative Transactions

As discussed above, 2012 saw significant acquisition and disposition activity that were transformative to the REIT.

- Sold our legacy Canadian assets for $87.5m (approximately a 7.0% cap rate with WALE of 5.0 years)
- Acquired $300m of international assets (approximately a 9.5% cap rate with WALE of 13.8 years)

These transactions supported the new strategic direction for the REIT and has transformed the focus on international healthcare real estate markets which provide higher yields, longer lease terms, more consistent growth, and higher quality assets. In each of our markets, we are or can be the leading healthcare real estate investor or a market leader.

Progress and Subsequent Events

In each of our core markets we have made progress since our equity raise in late December:

- In Brazil, just before the year closed the we acquired HMB, located in suburban Sao Paulo for approximately $120M and entered into a fully net 25 year leaseback to Rede D'Or São Luiz S.A., one of the country's leading private hospital operators.
- Subsequent to year-end, we announced the acquisition of Fulda, our sixth asset in the Germany. The property is 99% leased to 24 tenants with a weighted average lease term of 7 years. The acquisition complements our other German multi-tenant medical office assets.
- Additionally, we announced our intention to increase our interest in Vital Trust from approximately 20% to 25%. With a leading market position, strong operating fundamentals and numerous growth prospects, Vital Trust remains one of the most attractive and important investments opportunities for the REIT.

Looking ahead, we continue to consider a number of growth initiatives including internal reinvestment, asset expansion opportunities and acquisitions.

Liquidity

In conjunction with the transformative acquisitions and dispositions in 2012, the REIT raised $25 million of equity capital in late December. At year-end, approximately $46 million remained in cash or receivables. Our plan is to redeploy these amounts into accretive real estate investments.

Outlook

Our outlook for 2013 and beyond is very positive. With the strategic reconfiguration of the REIT complete, our focus going forward will be fourfold:

1. Continue to enhance our platform and the operational performance where possible;
2. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
3. Increase investor liquidity by raising new capital and broadening our investor base; and,
4. Increase our profile through measured investor relations and communication strategies, such as our new website – www.nwireit.com.

Sincerely,

(signed) Paul Dalla Lana
Chief Executive Officer

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest International Healthcare Properties Real Estate Investment Trust (formerly GT Canada Medical Properties Real Estate Investment Trust) ("**NorthWest International REIT**" the "**REIT**") should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2012, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars, except where otherwise stated. This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 11, 2013 (the "**Annual Information Form**"). This MD&A is current as of at April 30, 2013 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

FORWARD-LOOKING INFORMATION ADVISORY

This MD&A contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to the following:

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the expected tax treatment of the REIT's distributions to holders ("**Unitholders**") of trust units of the REIT ("**Trust Units**"); and
- the expectations regarding real estate, the healthcare industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, and the current economic conditions remaining unchanged.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties" in this MD&A, as well aqs the section titled "Risk Factors" in the Annual Information Form.

These forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

NOTICE REGARDING INFORMATION CONCERNING OTHER PUBLIC ENTITIES

The information concerning NorthWest Healthcare Properties Real Estate Investment Trust ("**NWHP REIT**") and Vital Healthcare Property Trust ("**Vital Trust**") contained in this MD&A has been taken from, or is based upon, publicly available documents and records on file with the Canadian Securities Administrators and other regulatory bodies. Although the REIT has no knowledge that would indicate that any of such information is untrue or incomplete, the REIT was not involved in the preparation of any such publicly available documents and neither the REIT, nor any of its officers or directors, assumes any responsibility for the accuracy or completeness of such information or the failure by NWHP REIT or Vital Trust to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the REIT.

MARKET AND INDUSTRY DATA

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although the third-party sources believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

PERFORMANCE MEASUREMENT

The key performance indicators by which management measures the REIT's performance are as follows:

- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- Net operating income ("**NOI**");
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate; and
- Occupancy levels.

We have provided an analysis of NOI, FFO and AFFO under Part III – Results of Operations.

FFO, AFFO and NOI are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. FFO, AFFO and NOI are supplemental measures of a Canadian real estate investment trust's performance and the REIT believes that FFO, AFFO and NOI are relevant measures of its ability to earn and distribute cash returns to Unitholders. The IFRS measurement most directly comparable to FFO, AFFO and NOI is comprehensive income.

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

"**AFFO**" is defined as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, and (iii) deducting actual costs for tenant inducements, leasing costs, financing costs and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their discretion.

"**NOI**" is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs.

FFO, AFFO and NOI should not be construed as alternatives to comprehensive income determined in accordance with IFRS as an indicator of the REIT's performance. The REIT's method of calculating FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

The REIT's weighted average interest rate includes secured debt with fixed interest rates and excludes secured debt with floating interest rates. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

Occupancy levels are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through such measures as NOI, FFO and AFFO, management considers the following to be key drivers of current and future financial performance:

- the ability to access equity capital at a competitive/reasonable cost;
- the ability to access debt with terms and conditions that are cost effective; and,
- the ability to acquire new properties on a yield accretive basis that enhance the REIT's portfolio

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT, previously known as "GT Canada Medical Properties Real Estate Investment Trust", is an unincorporated, open–ended real estate investment trust governed under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated November 16, 2012 (the "**Declaration of Trust**"). The REIT's Trust Units trade on the TSX Venture Exchange ("**TSXV**") under the symbol "MOB.UN". The REIT's focus is to invest in healthcare real estate internationally.

The REIT's objectives are to:

- manage its investments to provide stable, sustainable and growing cash flows through investments in healthcare real estate internationally;
- build a diversified, growth-oriented global portfolio of healthcare properties based on an initial portfolio of investments in Australasia, Brazil and Germany;
- capitalize on internal growth and seek accretive healthcare real estate acquisition opportunities in its target international markets, with a focus primarily on Australasia, Brazil, and Germany;
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management; and
- provide predictable and growing cash distributions per Unit, on a tax-efficient basis.

Reconfiguration of the REIT to focus on International Healthcare Real Estate

As described in more detail below, NorthWest Value Partners Inc. ("**NWVP**") acquired approximately 82% of the total outstanding units of the REIT in mid-2012. In a series of transactions, the REIT disposed of its entire portfolio of Canadian medical office buildings with effect from October 1, 2012.

In a separate series of transactions, with effect from October 1, 2012, the REIT acquired a portfolio of international assets from NWVP. In conjunction with the acquisition of the international assets, the REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates have agreed to act as Property Manager, Asset Manager and Developer for the REIT in respect of the REIT's investments.

On October 30, 2012, the REIT changed its name to "NorthWest International Healthcare Properties Real Estate Investment Trust", reflecting its new strategic direction.

Strategic Direction

Market Opportunity

The REIT provides an opportunity for investors to gain exposure to healthcare real estate internationally. The REIT intends to provide sustainable monthly cash distributions, while allowing investors to diversify their real estate holdings beyond strictly the Canadian market. The REIT is the only publicly-listed real estate investment trust in Canada dedicated to investing in healthcare real estate internationally.

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Several of Canada's major pension funds reported having approximately half of their real estate assets outside of Canada, with a particular focus in Europe. Other significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done.

In particular, the REIT believes that healthcare real estate represents a compelling asset class within commercial real estate, serving as a defensive asset class with both scale and growth. The REIT believes that international markets will continue to offer attractive healthcare real estate acquisition opportunities into the future. To select international markets in which to expand, the REIT identifies key market characteristics that lead to growth in demand which may be similar to those occurring in Canada, specifically:

- Demographics: growing or aging population, increasing life expectancy, all key drivers in the need for healthcare;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and
- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on "core business", demand for new infrastructure, and growing public and private healthcare services.

Target Markets

Within the landscape of international healthcare real estate markets, the REIT has identified the following markets as the REIT's initial focus areas:

- Australasia: an established market with consolidation opportunities, inflation indexed triple net rents, dominant exposure through an investment in Vital Trust;
- Brazil: a high-growth market with experienced operators, exposure through long-term inflation indexed triple-net sale leaseback structure; and
- Germany: a fragmented market with first mover advantage available, NOI growth through active management and scale, similar to NWHP REIT's experiences growing in Canada.

The following table highlights certain key market data in connection with the REIT's initial targeted markets, as compared against Canada:

TABLE 1 - KEY MARKET DATA

	Australasia	Brazil	Germany	Canada
Population	26.3 Million	194.9 Million	81.7 Million	34.7 Million
GDP Growth (1)	3.10%	1.40%	0.10%	1.10%
Inflation (1)	2.20%	6.59%	1.40%	1.20%
5 Yr. Government Bond Yield (2)	2.96%	9.20%	0.37%	1.38%
Health Care System	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Publicly-funded healthcare system

Notes
(1) For the year ended December 31, 2012
(2) As at December 31, 2012

Sources: World in Figures (December 31 2012); Bloomberg

RELATIONSHIP WITH NWVP

Affiliates of NWVP serve as the REIT's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Established in 1994, Toronto-based NWVP is one of Canada's leading privately owned healthcare real estate companies. The scope of its business includes real estate development, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. NWVP currently owns approximately 83% of the outstanding units of the REIT and principals of NWVP serve as officers and a trustee of the REIT.

2012 HIGHLIGHTS

Acquisitions of Canadian Medical Office Buildings and Related Financings

On January 6, 2012, the REIT acquired a portfolio of three medical office buildings located in Lindsay, Hamilton and St. Thomas, Ontario for approximately $10.6 million.

On March 5, 2012, the REIT refinanced its Orillia property for a gross amount of $4,300,000, which generated net proceeds of $843,000. The refinancing shortened the maturity date of the debt to July 2016, while the interest rate was unchanged at 4.19%.

On March 12, 2012, the REIT announced an offering of rights to unitholders of record on March 30, 2012 at a price of $1.15 per unit. The rights expired on April 24, 2012 and investors subscribed for 3,880,212 units for gross proceeds of $4,462,244.

On May 1, 2012, the REIT completed the acquisition of a 25,000 square foot medical office building located in Port Hope, Ontario, for approximately $7.5 million.

NWVP Acquisition

On April 16, 2012, the REIT announced it had entered into a support agreement (the "**Support Agreement**") with NWVP whereby NWVP offered to acquire all of the Trust Units for $2.05 per Unit (which price was subsequently reduced to $1.87 per Unit as a result of a rights offering completed by the REIT) by way of a take-over bid (the "**NWVP Acquisition**"). After the take-up and payment of the Trust Units in connection with the NWVP Acquisition, NWVP indirectly owned approximately 82% of the total outstanding Trust Units (approximately 61% of the total outstanding Trust Units on a fully-diluted basis).

Sale of Canadian Medical Office Buildings (the "Canadian MOB Portfolio")

In connection with the NWVP Acquisition, in two separate transactions on November 14, 2012 and November 16, 2012 (together, the "**Disposition**") all of the REIT's existing properties were sold to NHP Holdings Limited Partnership ("**NHP LP**"), a subsidiary of NWHP REIT. As net consideration (after the assumption of mortgage indebtedness), the REIT received $39,200,000 (subject to customary post-closing adjustments), satisfied by cash in the amount of approximately $9,200,000 and a promissory note in the amount of $30,000,000 (the "**NHP Note**").

The NHP Note is unsecured, repayable on demand at any time on or after November 29, 2012 and bears interest at a rate of 8% per annum, payable quarterly in arrears. The NHP Note provides that NHP LP can assign its obligations under the NHP Note without the consent of the REIT (a) to an affiliate (provided the obligations of such assignee are guaranteed by NHP LP) or a related party of NHP LP (provided the obligations of such assignee are guaranteed by a credit worthy affiliate of such related party, as determined by the REIT, acting reasonably), or (b) in connection with, or as part of, a restructuring. In December 2012, approximately $15,000,000 of the NHP Note was repaid. The remaining balance of the NHP Note was assumed by an affiliate of NWVP in connection with a restructuring of other obligations owing between affiliates of NWVP and NHP LP.

The Disposition was completed on financial terms that were economically equivalent (to the REIT) to the terms offered (to the Unitholders) pursuant to the NWVP Acquisition. In other words, the NWVP Acquisition generally resulted in Unitholders of the REIT at the time receiving the same gross proceeds (on a pre-tax basis) that they would have received had the REIT completed the Disposition and then distributed the proceeds to such Unitholders. The effective date of the Disposition closing was October 1, 2012.

Reconfiguration of the REIT to Focus on International Healthcare Real Estate

On October 30, 2012, the REIT changed its name to "NorthWest International Healthcare Properties Real Estate Investment Trust", reflecting the new strategic direction of the REIT.

On November 16, 2012, with an effective date of October 1, 2012 and through a series of steps, the REIT indirectly acquired: (a) a portfolio of medical office buildings in Berlin and Northern Bavaria, Germany (the "**German MOB Portfolio**"); (b) the Sabará Children's Hospital in São Paulo, Brazil (the "**Sabará Children's Hospital**"); (c) an approximate 20% interest in Vital Trust, a healthcare real estate investment fund based in Auckland, New Zealand and listed on the New Zealand Stock Exchange, as well as a management fee participation and certain rights in respect of Vital (the "**Vital Interest**"); and (d) the NorthWest international healthcare real estate platform (together with the German MOB Portfolio, the Sabará Children's Hospital and the Vital Interest, the "**Initial International Assets**"), from NWVP.

The acquisition valued the Initial International Assets at a gross purchase price of $170,364,013, and after the assumption of estimated assumed debt of $47,275,698, implied an aggregate net purchase price of $123,088,315. The net purchase price for the acquisition was funded through the issuance of (a) 9,878,165 Trust Units at a deemed price of $1.87 per Unit (approximately $18,472,169), and (b) 55,944,444 class B exchangeable limited partnership units ("**Class B LP Units**") of NWI Healthcare Properties LP ("**NWI LP**") at a deemed price of $1.87 per unit (approximately $104,616,110). The purchase price for the Initial International Assets assumed that (i) the Initial International Assets had associated indebtedness of $47,275,698, (ii) Sabará and the German MOB Portfolio had working capital of nil, and (iii) the number of units of Vital Trust to be transferred was 58,000,000. The aggregate purchase price will be adjusted following closing to account for actual indebtedness associated with the Initial International Assets on closing (approximately $77,260,000), actual working capital of Sabará and the German MOB Portfolio on closing and the actual number of units of Vital Trust transferred.

On November 16, 2012, in conjunction with the acquisition of the Initial International Assets, the REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates have agreed to act as Property Manager, Asset Manager and Developer for the REIT in respect of the Initial International Assets. Pursuant to certain of these agreements, in addition to other rights afforded to NWVP, NWVP is entitled to various management and development fees and an annual incentive payment based on the growth in the REIT's net tangible assets. These agreements, including the various fees payable to NWVP and/or its affiliates, are described in further detail in the section "Relationship with NWVP" in the Annual Information Form.

On November 16, in conjunction with the acquisition of the Initial International Assets, the REIT entered into a put/call agreement (the "**Put/Call Agreement**") with NWVP with respect to trust units and/or securities exchangeable into trust units of NWHP REIT (the "**Option Units**") owned by NWVP, to a maximum of 12,500,000 Option Units. The rights granted pursuant to the Put/Call Agreement on November 16, 2014 if not otherwise exercised. This agreement is described in further detail in the section "Relationship with NWVP" in the Annual Information Form.

Refinancing of the German MOB Portfolio

On November 27, 2012, the REIT completed the refinancing of four of its five German MOB Portfolio. The REIT entered into a new mortgage for $22,694,000, with a five year term maturing in November 2017, a fixed interest rate of 2.50% per annum and a 40 year amortization period. The proceeds from this mortgage were used to pay out the existing mortgage financing.

Public Offering of Trust Units

On December 20, 2012, the REIT completed a public offering of trust units announced on November 16, 2012, with the issuance of 12,500,000 Trust Units at a price of $2.00 per Unit for gross proceeds of $25,000,000, along with the issuance of an additional 850,900 Trust Units for additional gross proceeds of $1,701,800 pursuant to the exercise of an over-allotment option, which closed on January 14, 2013.

Acquisition of HMB Property

On December 27, 2012, the REIT indirectly acquired the land and buildings constituting Hospital e Maternedade Brasil ("**HMB**"), located in suburban Sao Paulo, Brazil, from Rede D'Or São Luiz S.A. ("**Rede D'Or**") for $128,212,296. Concurrent with the REIT's acquisition of HMB, Rede D'Or entered into a fully net 25 year leaseback of HMB with annual inflation adjustments.

ASSETS OF THE REIT

Summary

The following table highlights certain information about the REIT's assets as at December 31, 2012:

TABLE 2 - SUMMARY OF ASSETS

Property	Date Acquired	Year Built	Approximate Area (sf)	# of Tenants	Occupancy %	WALE (1)
Brazil						
Sabará Children's Hospital	Nov 16 2012	2010	104,915	1	100.0%	12.3
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000	1	100.0%	25.0
			446,915	**2**	**100.0%**	**22.0**
Germany						
Adlershof 1	Nov 16 2012	2004	47,660	34	100.0%	3.9
Adlershof 2	Nov 16 2012	2010	37,057	15	96.6%	6.9
Berlin Neukölln	Nov 16 2012	2000	30,679	13	96.1%	2.9
Königs Wusterhausen 1	Nov 16 2012	2001	30,290	25	100.0%	3.9
Marktredwitz	Nov 16 2012	2008	36,457	13	100.0%	5.9
			182,143	**100**	**98.7%**	**4.7**
Australiasia - Vital Interest (2)			**1,244,513**	**109**	**99.5%**	**12.1**
Portfolio Totals / Weighted Averages (2)			**1,873,571**	**211**	**99.5%**	**13.8**

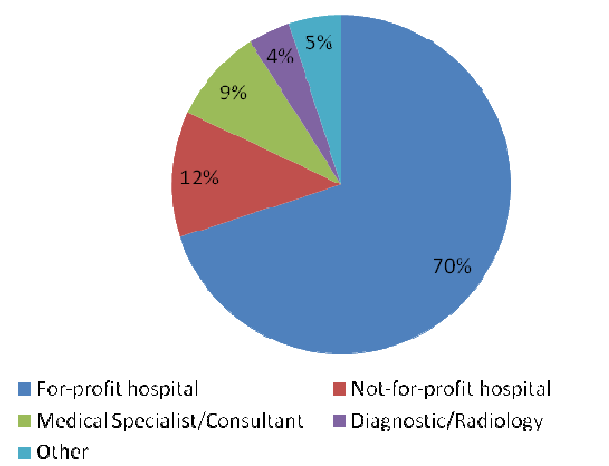
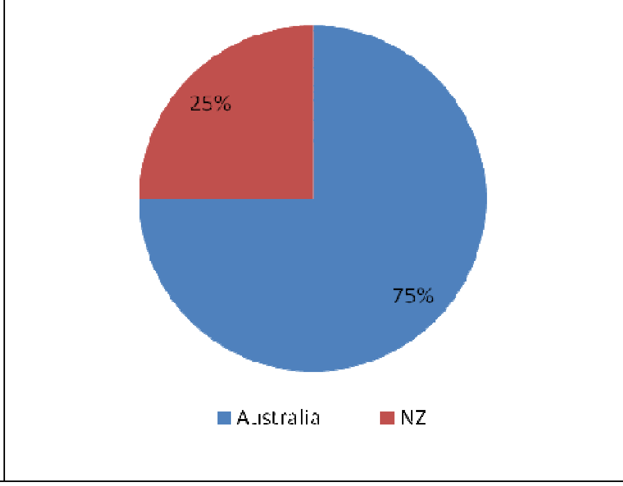
Notes
(1) Weighted average lease expiry in years.
(2) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 20% interest in Vital Trust.

Australasia – Exposure to Vital Trust

The REIT's investments in Australasia are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. The table above highlights certain information about Vital Trust as at December 31, 2012 , on a 100% basis; noting, however, that the REIT has exposure to an approximate 20% interest in Vital Trust.

Overview of Vital Trust

Vital Trust is a New Zealand Stock Exchange (**"NZSX"**) listed investment fund that invests in high-quality health and medical-related properties in New Zealand and Australia. As at December 31, 2012, Vital Trust owned a portfolio of 24 properties in New Zealand and Australia. Vital Trust's property portfolio is tenanted by hospital and healthcare operators who provide a wide range of medical and health services. Key metrics in respect of Vital Trust's property portfolio as at and for the year ended December 31, 2012 are presented below:

<table>
<tr><th>Tenant composition by Income</th><th># of Properties by Regions</th></tr>
<tr><td>
</td><td>
</td></tr>
<tr><td colspan="2"><u>Notes:</u> Represents 100% of Vital trust. The REIT has an exposure to an approximate 20% interest in Vital Trust.</td></tr>
</table>

For the six months ended December 31, 2012, Vital Trust increased its net property income by 21.9% to NZ$28,300,000 which was underpinned by an increase in portfolio occupancy to 99.5% from 99.3% as well as a market leading weighted average lease term of 12.1 years from 11.9 years, respectively.

The REIT's interest in Vital Trust

Pursuant to the acquisition of the Initial International Assets, the REIT indirectly acquired 58,600,003 trust units of Vital Trust. During the three months ended December 31, 2012, the REIT acquired an additional 905,556 trust units by electing to participate in Vital Trust's distribution reinvestment plan, increasing its interest in Vital Trust to 59,505,559 trust units or approximately 20% as at December 31, 2012.

Subsequent to year end, the REIT has acquired an additional 1,902,253 trust units of Vital Trust, maintaining is pro-rata interest at approximately 20%. On April 2, 2013, the REIT announced its intention to increase its interest in Vital Trust to 25% through the acquisition of up to 15,352,830 additional units of Vital Trust in the open market over the New Zealand Stock Exchange ("NZSX"). As of April 30, 2012, the REIT owned an interest in 61,407,812 trust units of Vital Trust.

The REIT's interest in Vital Trust is held through a global master securities lending agreement (the "Vital SLA") as described in further detail below.

Vital Management Rights

Pursuant to a service agreement entered into in connection with the acquisition of the Initial International Assets, (a) affiliates of NWVP have agreed to pay, in consideration for certain management services rendered, a subsidiary of the REIT a management fee participation equal to the difference between all management fees paid by Vital Trust to NWVP or any of its wholly-owned subsidiaries and the amount that Vital Trust would have paid should it have been wholly-owned and subject to the asset management fee arrangements of the REIT, and (b) the REIT will be indirectly entitled to direct NWVP, subject to NWVP's fiduciary duties, with respect to any control or direction rights of NWVP has pursuant to agreements entered into with Vital Trust (together, the "**Vital Management Rights**"). The purpose of the Vital Management Rights is to provide the REIT with any incremental economic benefit that may be associated with the current management arrangements currently in place between NWVP and Vital Trust.

Brazil – Long term net leases to private hospital operators

Sabará Children's Hospital

The Sabará Children's Hospital, located in São Paulo, is a 104,915 square foot private hospital facility. The facility is leased for 15 years and operated by a single tenant, Hospital Sabará (the "**Sabará Tenant**"), who uses the property to operate one of the region's largest private children's hospitals.

Hospital e Maternedade Brasil ("HMB")

HMB, located in a Santo Andre – a suburb of Sao Paulo, is a 342,000 square feet full-service hospital with 305 beds. The facility is leased for 25 years and operated by a single tenant, Rede D'Or Sao Luiz, a privately owned Brazilian hospital operator with 26 hospitals across the country.

Germany – Initial focus on medical office buildings

Adlershof 1

Adlershof 1 is a five storey, purpose built medical office building completed in 2004. The fully occupied building has a gross leasable area (including storage) of 44,660 square feet and offers 34 below grade parking stalls. A large atrium invites visitors to the ground floor where tenant signage identifying a wide range of medical/dental service providers and a pharmacy is located. Adlershof is a district in the Berlin borough of Treptow-Köpenik, an area commonly known as the "city of science, technology and media".

Adlershof 2

Adlershof 2 is a four storey, purpose built medical office building directly adjacent to Adlershof 1 which was completed in 2010. The 97% occupied building has a gross leasable area (including storage) of 37,057 square feet and offers 66 below grade parking stalls. A ground floor physiotherapy tenant includes a swimming pool as well as a private elevator and staircase to the second floor demise. A large atrium invites visitors to the ground floor where tenant signage reflecting a wide range of medical/dental service providers can be found.

Berlin Neukölln

Berlin Neukölln is a six storey terraced building with prominent corner location completed in 2000. The 95% occupied building has a gross leasable area (including storage) of 30,679 square feet and underground parking for 10 vehicles. Tenants include a wide range of medical service providers including a ground floor pharmacy. The property is located in Neukölln, one of the 12 boroughs of Berlin in the southeastern part of the city.

Königs Wusterhausen 1

Königs Wusterhausen 1 comprises a three storey (with additional attic space), detached, purpose built medical office building completed in 2001. The fully let building has a gross leasable area (including storage) of 30,290 square feet. An underground garage park contains 66 stalls. Tenants include a range of medical service providers as well as municipal agencies and legal practices. The property is located in Königs Wusterhausen, a town in the Dahme-Spreewald district of the state of Brandenburg.

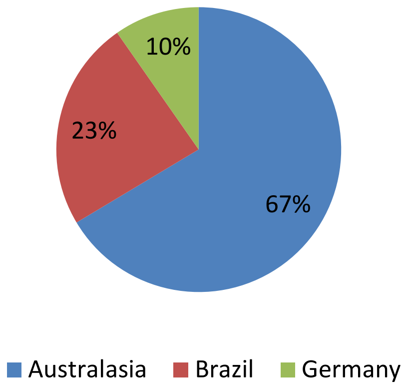
Marktredwitz

Marktredwitz is a three storey, detached, purpose built medical office building completed in 2008. The fully occupied building has a gross leasable area (including storage) of 36,457 square feet and 13 exterior covered parking stalls. The ground floor includes retail and conference centre space, the second storey is leased to a dialysis clinic and the third storey is leased to various medical tenants. Marktredwitz is a town in the district of Wunsiedel, in Bavaria, southeast Germany.

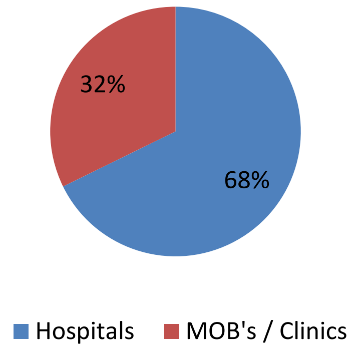
Diversification of Assets

The REIT's assets are diversified geographically and by asset type as follows:

Geographic Profile by GLA



Asset Mix by Number of Properties



Notes:
- As at December 31, 2012
- Australasia statistics represent 100% of Vital Trust. The REIT has an exposure to an approximate 20% interest in Vital Trust.

Geographic Diversification

The REIT aims to provide its investors with a well-diversified portfolio of healthcare real estate located in cities such as: Auckland (NZ), Berlin (Germany), Melbourne (Australia), Sao Paulo (Brazil) and Sydney (Australia).

Asset Mix

The REIT's asset mix can be broadly categorized into hospitals and medical office buildings / clinics. A brief summary of each asset type is below:

Hospitals:

The REIT's hospital portfolio is located in Australia, Brazil and New Zealand and represents a diversified portfolio of facilities providing healthcare services by best-in-class private hospital operators and philanthropic foundations.

All of the REIT's hospitals are leased to single tenants under long-term, inflation indexed, triple net lease structures.

Medical office buildings ("MOB"):

The REIT's MOB portfolio is located in Australia, Germany and New Zealand.

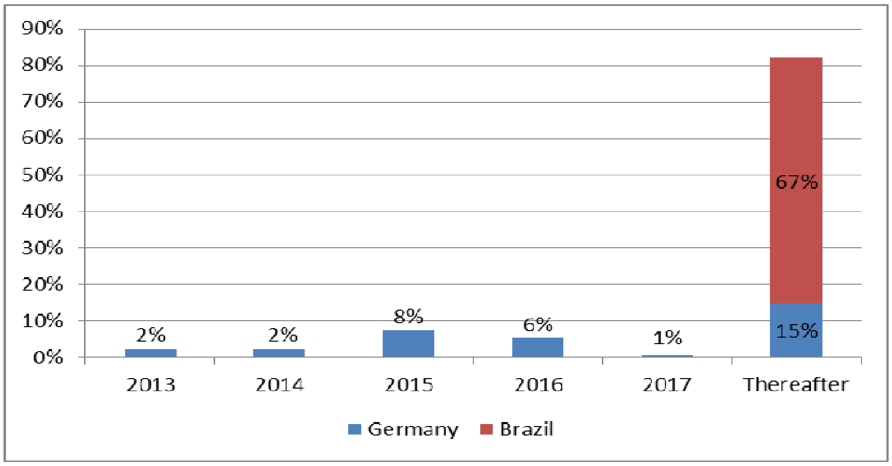
MOB's are similar to commercial office buildings and are typically multi-tenant properties leased to multiple healthcare providers.

As at December 31, 2012 and including the REIT's interest in Vital Trust on a 100% basis, the REIT has interests in 18 hospitals and 13 medical office buildings.

Lease Maturities of Assets

As at December 31, 2012 and including the REIT's interest in Vital Trust on a 100% basis, the REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 13.8 years. A summary of lease expiries in respect of the REIT's direct property holdings in Brazil and Germany is presented below:

Lease Maturities by Year



Notes:
- As at December 31, 2012
- Excludes the REIT's interest in Vital Trust

As illustrated above, an average of 3.6% of the GLA related to the REIT's direct property holdings in Brazil and Germany is maturing each year, between 2013 and 2017. In addition to the strong lease profile, the REIT's investment in Vital Trust is underpinned by a weighted average lease expiry of 12.1 years with an average of 2% of its GLA maturing each year, between 2013 and 2017. Additional details on Vital Trust's lease maturities are available in its December 31, 2012 financial reporting disclosures.

The REIT's longer term lease expiries primarily relate to the tenants of its two hospital properties in Brazil. The Sabará Children's Hospital and Hospital e Maternedade Brasil, are each occupied by leading hospital operators and have leases expiring on September 30, 2024 and December 31, 2037, respectively.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following is a summary of key financial information and statistics for the periods indicated:

TABLE 5 - FINANCIAL HIGHLIGHTS

	As at Dec. 31, 2012	As at Dec. 31, 2011	As at Dec. 31, 2010
Operational information [(1)]			
Number of properties	31	8	6
Gross Leasable Area ("GLA")	1,873,571	210,000	170,200
Occupancy %	99.5%	96.0%	96.0%
Summary of Financial information			
Gross Book Value	349,554,285	63,709,964	46,455,851
Debt [(2)]	116,497,806	32,398,102	18,874,856
Debt to Gross Book Value	33.3%	50.9%	40.6%
Percentage of mortgages and loans payable at fixed rates	70.9%	82.0%	92.7%
Weighted average interest rate on fixed rate mortgages and loans payable	5.5%	4.9%	5.5%
Adjusted Basic and Fully Diluted units outstanding [(3)]	98,541,704	15,520,847	15,520,847

	For the three months ended Dec. 31, 2012	For the twelve months ended Dec. 31, 2012
Operating results		
Net income / (loss)	(33,968,406)	(32,483,466)
NOI from Continuing Operations [(4)]	1,117,774	1,117,774
NOI from Discontinued Operations [(4)]	-	4,152,050
Funds From Operations ("FFO") [(4)]	1,636,707	7,036,798
Adjusted Funds From Operations ("AFFO") [(4)]	1,959,356	8,312,808
Distributions [(5)]	3,608,382	4,488,579
Per Unit amounts - Basic and Fully diluted		
FFO per unit	$ 0.02	$ 0.20
AFFO per unit	$ 0.02	$ 0.24
Distributions per unit	$ 0.04	$ 0.13
Adjusted Weighted Average units outstanding [(3)]		
Basic and Fully Diluted	87,400,400	35,328,067

Notes

(1) Operational information includes 100% of Vital trust. The REIT has an exposure to an approximate 20% interest in Vital Trust.

(2) Defined as total debt excluding Class B Exchangeable Units, divided by total assets

(3) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. There were 55,944,444 Class B LP Exchangeable Units outstanding as at December 31, 2012 and 662,500 Class B Exchangeable LP Units outstanding at December 31, 2011.

(4) NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(5) Represents distributions to Unitholders and Class B LP unitholders on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.

SUBSEQUENT EVENTS

Distribution Reinvestment Plan

On January 23, 2013, the REIT implemented a distribution reinvestment plan (the "**DRIP**"). Eligible unitholders (which will include holders of Class B LP Units) that elect to participate in the DRIP will have their cash distributions used to purchase units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution. The REIT may initially issue up to 10,000,000 Trust Units under the DRIP. The REIT may increase the number of units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the REIT's board of trustees, (b) the approval of any stock exchange upon which the Trust Units trade, and (c) public disclosure of such increase.

Acquisition of Fulda

On March 31, 2013, the REIT completed the acquisition of Medicum Muensterfeld ("**Fulda**"), a newly constructed medical office complex located in Fulda, Germany for $19,680,000, subject to customary closing adjustments. The investment was partially funded by a new $11,875,500 five year mortgage at a fixed interest rate of 2.37% with a 40 year amortization period.

Public Offering of Convertible Debentures

On April 3, 2013, the REIT completed an issuance of convertible unsecured subordinated debentures (the "**Debentures**") for total gross proceeds of $22.6 million, including the exercise of an over-allotment option. The Debentures mature on March 31, 2018, have a coupon of 6.50% per annum and will pay interest semi-annually in arrears on March 31 and September 30 in each year commencing on September 30, 2013. Each $1,000 principal amount of Debenture is convertible into approximately 350.877 units of the REIT, at any time, at the option of the holder, representing a conversion price of $2.85 per unit.

Intention to Increase Interest in Vital to 25%

On April 1, 2013, the REIT gave notice to Vital Healthcare Management Limited of its intention to seek to acquire up to 15,352,830 additional units of Vital Trust (the "**Potential Unit Acquisitions**") in the open market over the New Zealand Stock Exchange. The REIT currently has exposure to an approximate 20% interest in Vital Trust. Vital Trust is also managed by an affiliate of the REIT's external manager. The Potential Unit Acquisitions are expected to occur within and over the period of up to 12 months after April 24, 2013, will be in the range of NZ$1.15 to NZ$1.38 per unit and are conditional upon there being sufficient sellers of units within the price range offered by the REIT. If the Potential Unit Acquisitions are completed in full, the REIT's exposure to Vital Trust would rise to slightly less than 25%.

PART III – RESULTS FROM OPERATIONS

Effective October 1, 2012 the REIT disposed of its Canadian MOB portfolio and acquired the Initial International Assets. As such, the REIT's results for the twelve months ended December 31, 2012 relate to (i) continuing operations from the REIT's international assets for the three months ended December 31, 2012; (ii) discounted operations related to the REIT's Canadian MOB Portfolio for the nine months ended September 30, 2012; and (iii) general and administrative expenses in relation to the on-going operation of the REIT for the twelve months ended December 31, 2012.

The following discussion of the REIT's results from operations for the twelve months ended December 31, 2012 will focus primarily on its continuing operations related to the international assets.

NET INCOME

The following is a summary of selected financial information from the consolidated statements of operations for the three months and year ended December 31, 2012 and December 31, 2011.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended		Twelve months ended	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Net Operating Income (1)				
Revenue from investment properties	1,441,552	-	1,441,552	-
Property operating costs	(323,778)	-	(323,778)	-
	1,117,774	**-**	**1,117,774**	**-**
Other income				
Share of profit / (loss) of associate	1,168,584	-	1,168,584	-
Management fee participation	452,718	-	452,718	-
Interest income	271,580	4,316	278,092	12,027
	1,892,882	**4,316**	**1,899,394**	**12,027**
	3,010,656	**4,316**	**3,017,168**	**12,027**
Other expenses				
Mortgage and loan interest expense	(727,240)	-	(738,072)	-
General and administrative expense	(741,689)	(617,706)	(1,694,882)	(1,686,225)
Transaction costs	(3,903,455)	-	(7,526,686)	-
Finance costs	(12,240,474)	(58,530)	(12,532,394)	(89,601)
Foreign exchange loss	(327,804)	-	(327,804)	-
Income / (Loss) before the undernoted items	**(14,930,007)**	**(671,920)**	**(19,802,670)**	**(1,763,799)**
Other fair value gains (losses)	-	5,272	58,274	4,710,988
Gain / (Loss) on revaluation of investment properties	(8,535,836)	-	(8,535,836)	-
Gain / (Loss) on derivative finacial instrument	(13,597,507)	-	(13,597,507)	-
Income (loss) before taxes	**(37,063,349)**	**(666,648)**	**(41,877,739)**	**2,947,189**
Income tax expense	(180,788)	-	(180,788)	-
Net income (loss) from continuing operations	**(37,244,137)**	**(666,648)**	**(42,058,527)**	**2,947,189**
Net income from discontinued operations	3,275,731	726,962	9,575,061	6,392,570
Net income (loss)	**(33,968,406)**	**60,314**	**(32,483,466)**	**9,339,759**

Notes

(1) NOI is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. NOI as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI as reported by other such issuers. NOI is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

Revenue from investment properties

Revenue from investment properties for both the three months and year ended December 31, 2012 was $1,441,552 (for the three months and year ended December 31, 2012 – nil), which relates to the REIT's properties in Germany and Brazil.

For the both the three months and year ended December 31, 2012, revenue from investment properties from the German and Brazilian properties was $869,146 and $572,406 respectively. Revenue from Sabará Children's Hospital in Brazil of $572,406 for both the three months and year ended December 31, 2012 includes the amortization of deferred revenue in the amount of $370,764, which represents the securitized portion of rents recognized into income on a straight line basis. For the three months and year ended December 31, 2012, no revenue has been recorded for HMB as the property was acquired on December 27, 2012 and the lease with the tenant commenced January 1, 2013.

Property operating costs

Property operating costs for both the three months and year ended December 31, 2012 were $323,778 (for the three months and year ended December 31, 2012 – nil), which relates to the REIT's properties in Germany and Brazil.

For the both the three months and year ended December 31, 2012, property operating costs from the German and Brazilian properties were $302,885 and $20,893 respectively.

In Germany, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including property management costs.

In Brazil, property operating costs are comprised of social taxes levied on revenues. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Share of profit / (loss) of associate

During the three months and year ended December 31, 2012, the REIT was allocated distributions of $937,408 (2011 – nil) from Vital Trust which the REIT elected to receive in units through Vital Trust's Distribution Reinvestment Plan ("DRP"). As a result of the election to take the distribution in units, the REIT's interest in Vital Trust remained at 19.66% throughout the quarter.

The REIT accounts for its 19.66% ownership of Vital Trust using the equity method. During the three months and year ended December 31, 2012, the REIT recorded equity income from Vital Trust of $1,168,584 (2011 – nil).

Management fee participation

During both the three months and year ended December 31, 2012, the REIT earned $452,718 related to its Vital Management Rights, which provide the REIT with any incremental economic benefit that may be associated with the management arrangements in place between affiliates of NWVP and Vital Trust.

During both the three months and year ended December 31, 2012, $312,124 of the management fee participation related to the variance in base fees paid by the REIT and those paid by Vital Trust. The remaining $140,594 of management fee participation revenue related to activity based fees from development and acquisition fees paid by Vital Trust.

Interest income

Interest income represents amounts earned on cash balances and the NHP Note receivable. For the three months and year ended December 31, 2012, the REIT recorded interest income of $271,580 and $278,092 respectively. For the three months and year ended December 31, 2011, the REIT recorded interest income of $4,316 and $12,027 respectively. The increase in interest income from 2011 to 2012 is a result of the interest earned on the NHP Note from November 16, 2012 to December 31, 2012 in the amount of $269,589.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months and year ended December 31, 2012 was $727,240 and $738,072 respectively (2011 – nil).

For both the three months and year ended December 31, 2012, interest on the mortgages on the German properties was $224,083 (2011 – nil). In November 2012, the mortgages on four of the five German properties were refinanced which resulted in the weighted average effective interest rate on the German properties being reduced from 3.50%

to 2.67%.

For both the three months and year ended December 31, 2012, interest on the Vital SLA was $521,959 (2011 – nil).

During both the three months and year ended December 31, 2012, the REIT recorded accretion income on the instalment note from NWVP of $24,711 (2011 – nil).

General and Administrative Expenses

General and administrative expenses increased by $123,983 for the three months ended December 31, 2012 to $741,689 versus $617,706 in the comparable period in 2011. For the year ended December 31, 2012, general and administrative expenses increased by $8,657 to $1,694,882 from $1,686,225 in the prior period.

Transaction Costs

For the twelve months ended December 31, 2012 the REIT incurred $7,526,686 of transaction costs in connection with the REIT's consideration of strategic alternatives, the evaluation and negotiation of strategic transactions with NWVP, as well as the repositioning of the REIT to focus on international healthcare real estate and evaluation of the acquisition of the Initial International Assets from NWVP.

Of the total transaction costs incurred, $4,735,572 related to professional advisory fees while $2,791,114 related to management and trustee compensation.

Finance Costs

Amortization of Deferred Financing Costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or equity financing. For both the three months and year ended December 31, 2012, amortization of deferred financing costs totaled $2,819 (2011 – nil).

Distributions on Class B LP Units

Under IFRS, the Class B LP unit distributions are treated as a finance cost. Class B LP units receive distributions on an equivalent per unit basis to the distributions declared on the REIT units. During the three months and year ended December 31, 2012, the REIT made distributions of $2,167,655 and $2,181,325 respectively on the Class B LP units ($26,637 and $40,574 for the three months ended and year ended December 31, 2012 respectively).

Class B LP units

Finance costs are significantly affected by the change in the price of the REIT's units. The trading price of the REIT's units increased from $1.45 per unit at December 31, 2011 to $2.05 per unit at December 31, 2012.

The Class B LP units, under IFRS, are carried at fair value. The value of the Class B LP units mirrors the trading price of the REIT's listed units. During the three months and year ended December 31, 2012, the value of the Class B LP liability increased by $10,070,000 and $10,348,250 respectively, reflecting both the substantial new issuance of Class B LP units in relation to the REIT's acquisition of the Initial international Assets as well as the increase in the trading price of the REIT's listed units during that period. During the year ended December 31, 2011, the value of the Class B LP liability decreased by $364,375, reflecting the decline in the trading price of the REIT's listed units during the year.

Other Fair Value Gains / (Losses)

Other fair value gains are comprised of gains related to the increases in the fair value of the incentive unit options, warrants, and Deferred Unit Plan liability.

Total other fair value gains for the three months and year ended December 31, 2012 were nil and $58,274 respectively (for the three months and year ended December 31, 2011 - $5,272 and $4,710,988 respectively).

The decline in the fair value gain for the year ended December 31, 2011 to 2012 is driven by the expiration of the warrant liability at December 24, 2012.

Gain / (Loss) on Derivative Financial Instrument

In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement with NWVP with respect to Trust Units and/or securities exchangeable into Trust Units of the Option Units owned by NWVP.

The Put/Call arrangement has been determined to be a derivative financial instrument in a net liability position. The Put/Call rights have initially been measured at fair value based on the Black-Scholes option pricing model. Subsequent changes in the fair values are recognized through the consolidated statement of comprehensive income (loss).

The loss recognized in connection with the Put/Call arrangement for both the three months and year ended December 31, 2012 was $13,597,507 (2011 – nil). The loss results from the changes in underlying assumptions used to compute the fair value of the Put/Call arrangement using the Black-Scholes option pricing model between the date it was initially recorded (October 1, 2012) and December 31, 2012. Such changes in assumptions include the increase in the trading price of the REIT's units, the decrease in the trading price of NWHP REIT's units, and the decrease in the remaining life of the options.

Income from Discontinued Operations

Income from discontinued operations totaled $3,275,731 for the three months ended December 31, 2012 and $9,575,061, for the year ended December 31, 2012 ($726,962 for the three months ended December 31, 2011 and $6,392,570 for the year ended December 31, 2011). In connection with the REIT's disposition of its Canadian MOB portfolio, the REIT recorded a gain on the sale of the properties of $3,275,731 during the year ended December 31, 2012. The REIT also recognized fair value gains totaling $3,842,768 during the year ended December 31, 2012 (2011- $4,047,578) as capitalization rates continued to fall. Income before fair value gains increased in 2012 over 2011 as the REIT acquired an additional six properties from December 2011 through May 2012.

FUNDS FROM OPERATIONS ("FFO")

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

TABLE 7 - FUNDS FROM OPERATIONS

	Three months ended		Twelve months ended	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Net income	(33,968,406)	60,314	(32,483,466)	9,339,759
Add / (Deduct):				
(i) Fair market value (gains) / losses	32,203,343	(87,049)	32,481,593	(8,758,566)
(ii) Strategic transaction costs	3,903,455	-	7,526,686	-
(iii) Finance cost - Class B exchangeable unit distributions	2,167,655	9,503	2,181,325	40,574
(iv) Foreign exchange (gains) / losses	327,804	-	327,804	-
(v) Net adjustments for equity accounted entities	159,214	-	159,214	-
(vi) Deffered taxes	119,373	-	119,373	-
(vii) (Gains) / losses on dispositions	(3,275,731)	-	(3,275,731)	-
Funds From Operations ("FFO") (1)	**1,636,707**	**(17,232)**	**7,036,798**	**621,767**
Adjusted basic and fully diluted FFO per Unit	$ 0.02	$ 0.00	$ 0.20	$ 0.04
Adjusted weighted average units outstanding: (2)				
Basic and Fully diluted	87,400,400	15,520,847	35,328,067	15,520,847

Notes
(1) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.
(2) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. There were 55,944,444 Class B LP Exchangeable Units outstanding as at December 31, 2012 and 662,500 Class B Exchangeable LP Units outstanding at December 31, 2011.

For the three months ended December 31, 2012 the REIT's FFO per unit reflects the operations of the international assets for a full quarter and excludes any results from the REIT's Canadian MOB Portfolio.

As the REIT continues to (i) season its operations, (ii) deploy excess liquidity and (iii) realize the results from its recent acquisitions, management expects that its FFO per unit will increase.

Additional details on the adjustments to the REIT's net income to arrive at FFO are below:

(i) Fair market value (gains) / losses

For the three months ended December 31, 2012 fair market value (gains) / losses comprised of (a) $13,597,507 fair value loss on derivative financial instruments; (b) $10,070,000 fair value loss on Class B exchangeable units; and, (c) $8,535,836 fair value loss on investment properties. Additional details are below:

Fair value (gains) / losses on derivative financial instruments

Under IFRS certain derivative financial instruments with non-cash settlements are classified as assets or liabilities and any related unrealized fair value changes in re-measuring the derivative financial instrument impact net income. Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to derivative financial instruments have been added back to the REIT's net income.

<u>Fair value (gains) / losses on Class B LP Units</u>

Under IFRS the REIT's Class B LP Units are classified as financial liabilities and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to Class B LP units have been added back to the REIT's net income.

<u>Fair value (gains) / losses on investment properties</u>

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to investment properties have been added back to the REIT's net income.

(ii) Strategic transaction costs

Under IFRS the REIT expensed non-recurring strategic transaction costs related to its reconfiguration to focus on International Assets. The strategic and non-recurring nature of these costs are akin to those of a business combination. To allow for consistent treatment of transaction costs and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, strategic transaction costs related to the REIT's reconfiguration have been added back to net income.

(iii) Finance cost – Class B LP Unit distributions

Under IFRS the REIT's Class B LP Units are classified as financial liabilities and any related distributions on the Class B Units are regarded as an interest expense. Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, distributions related to the Class B LP Units have been added back to the REIT's net income.

(iv) Foreign exchange (gains) / losses

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's foreign exchange loss for the period relates to the revaluation of the Vital SLA which is denominated in New Zealand dollars. Consistent with RealPac guidance, the foreign exchange loss on the Vital SLA (the REIT's indebtedness on the Vital Trust Units) has been added back to the REIT's net income, as it relates to a loan that arises due to the REIT's interest in a foreign operation (Vital Trust).

(v) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associate, which represents an approximate 19.66% direct and indirect interest in Vital Trust, is accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income / (loss) is recognized in its net income / (loss), and its share of post-acquisition movements in other comprehensive income / (loss) is recognized in other comprehensive income / (loss). Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associate's post acquisition net income / (loss) has been added back to net income and FFO is presented after including the REIT's proportionate share of the associate's FFO. Additional details on these adjustments are provided below:

NET ADJUSTMENTS FOR EQUITY ACCOUNTED ENTITIES				
	Six months ending Dec. 31, 2012	Three months ending Dec. 31, 2012 (1)		
Currency	NZD	NZD	CAD	CAD
% of Vital trust	100%	100%	100%	20%
Net Income	13,207,000	6,603,500	5,390,877	1,059,846
Add / (Deduct):				
(i) Other comprehensive (income) / loss	1,355,000	677,500	553,088	108,737
(ii) Taxation expense / (credit)	3,135,000	1,567,500	1,279,655	251,580
(iii) Other (gains) / losses	(118,000)	(59,000)	(48,166)	(9,469)
(iv) Fair value (gains) / losses on interest rate derivatives	(1,033,000)	(516,500)	(421,653)	(82,897)
Funds From Operations ("FFO") (1)	**16,546,000**	**8,273,000**	**6,753,801**	**1,327,797**
Less: Share of (profit) / loss of associate				(1,168,584)
Net adjustments for equity accounted entities				**159,214**

Notes
(1) Represents Vital Trust's results for the six months ending December 31, 2012 divided by two to reflect three months ending December 31, 2012
(2) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

For the three months ended December 2012, the REIT has included $1,327,797 of FFO related to its direct and indirect interest in the Vital Trust. During this period, the REIT received $937,408 in distributions from Vital Trust.

(vi) *Deferred taxes*

Under IFRS, the REIT has recorded deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the book value and tax cost of its investment properties. Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, deferred taxes have been added back to its net income.

(vii) *(Gains) / Losses on dispositions*

In connection with the REIT's disposition of its Canadian MOB portfolio, under IFRS the REIT recorded a gain on the sale of the properties for the three months ended December 31, 2012. Consistent with RealPac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, any gains and/or losses related to the disposition of the REIT's assets have been added back to its net income.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates AFFO as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, and (iii) deducting actual costs for tenant inducements, leasing costs, financing costs and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their discretion.

TABLE 8 - ADJUSTED FUNDS FROM OPERATIONS

	Three months ended		Twelve months ended	
	Dec. 31, 2012 (Unaudited)	**Dec. 31, 2011 (Unaudited)**	**Dec. 31, 2012 (Unaudited)**	**Dec. 31, 2011 (Unaudited)**
Funds From Operations ("FFO") [1]	1,636,707	(17,232)	7,036,798	621,767
Add / (Deduct):				
(i) Instalment note	206,214	-	206,214	-
(ii) Straight line revenue	(71,382)	12,895	(34,889)	(144,985)
(iii) Actual capex and leasing costs from continuing operations	-	(101,821)	-	(361,186)
(iv) Amortization of leasing costs and tenant inducements	-	14,029	(15,959)	14,029
(v) Amortization of deferred financing charges	2,819	49,027	57,780	49,027
(vi) Unit-based compensation expense	184,998	360,415	1,062,864	389,710
Adjusted Funds From Operations ("AFFO") [1]	**1,959,356**	**317,313**	**8,312,808**	**568,362**
Adjusted basic and fully diluted AFFO per Unit	$ 0.02	$ 0.02	$ 0.24	$ 0.04
Adjusted weighted average units outstanding: [2]				
Basic and Fully diluted	87,400,400	15,520,847	35,328,067	15,520,847

Notes

(1) FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(2) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. There were 55,944,444 Class B LP Exchangeable Units outstanding as at December 31, 2012 and 662,500 Class B Exchangeable LP Units outstanding at December 31, 2011.

Additional details on the adjustments to the REIT's net income to arrive at AFFO are below:

(i) Instalment note

As part of the REIT's acquisition of the Initial International Assets, NWVP agreed to provide an effective interest rate subsidy on the securitization facility related to the Sabara Children's Hospital to reduce the in place interest rate of 9.25% plus IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) to 8%.

Under IFRS, payments received in relation to the instalment note decrease the REIT's instalment note receivable. To account for the economic impact of the reduced rate on the securitization facility related to the Sabara Children's Hospital, the REIT includes an accrual of the cash received in respect of the instalment note in AFFO.

(ii) Straight line revenue

Under IFRS, the REIT has recorded $17,226,215 of deferred revenue in respect of the securitization facility related to the Sabara Children's Hospital, which is amortized into income over the remaining term of the lease. To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended December 31, 2012 the REIT recorded $572,406 in deferred revenue related to Sabara Children's Hospital, while the actual rent received less interest on the securitization totaled $501,024. As such the REIT has reduced IFRS net income by $71,382 in AFFO.

(iii) Actual capex and leasing costs

For the three months ended December 31, 2012, the REIT did not incur any non-recoverable capital expenditures or leasing costs.

(iv) Amortization of leasing costs and tenant inducements

For the three months ended December 31, 2012 the REIT did not amortize any leasing costs or tenant inducements.

(v) Amortization of deferred financing charges

For the three months ended December 31, 2012 the REIT incurred $2,819 of amortization related to deferred financing costs in relation to the refinancing of the German MOB Portfolio.

(vi) Unit-based compensation expense

For the three months ended December 31, 2012 the REIT did not incur any unit-based compensation expenses.

For the three months ended December 31, 2012 the REIT's AFFO per unit reflects the operations of the international assets for a full quarter and excludes any results from the REIT's Canadian MOB Portfolio.

As the REIT continues to (i) season its operations, (ii) deploy excess liquidity and (iii) realize the results from its recent acquisitions, management expects that its AFFO per unit will increase.

DISTRIBUTIONS

For the twelve months ended December 31, 2012, the REIT paid a total of $4,488,579 in distributions. 2012 distributions to Unitholders are summarized below:

TABLE 9 - MONTHLY DISTRIBUTIONS

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Monthly distribution ($)	0.0051	0.0051	0.0051	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0053	0.0254	0.0133
Month-end closing price ($)	1.39	1.45	1.46	1.84	1.86	1.84	1.80	1.56	2.00	1.95	2.05	2.01
Date of Record	31-Jan-12	29-Feb-12	30-Mar-12	30-Apr-12	31-May-12	29-Jun-12	31-Jul-12	31-Aug-12	28-Sep-12	31-Oct-12	30-Nov-12	31-Dec-12
Date Paid	15-Feb-12	15-Mar-12	16-Apr-12	15-May-12	15-Jun-12	16-Jul-12	15-Aug-12	16-Sep-12	15-Oct-12	15-Nov-12	17-Dec-12	15-Jan-13

The REIT paid an initial distribution to Unitholders in the amount of $0.0061 per unit in February 2011. The REIT paid monthly distributions of $0.0051 per unit in each of the remaining months of 2011 and the first six months of 2012. The REIT increased its monthly distribution rate to $0.005334 per trust unit for the April 2012 distribution, which remained in place until October 2012.

On November 22, 2012, the REIT declared a distribution of $0.0215333 per trust unit for the month of November 2012 to unitholders of record on November 30, 2012, payable December 17, 2012. This distribution reflects the regular monthly distribution of $0.01333 per unit plus an additional one-time adjustment of $0.012080, to give effect to the change in the distribution rate from October 1, 2012. This distribution reflects the previously announced change in the annual distribution rate to $0.16 per unit per unit per annum effective October 1, 2012.

On January 23, 2013 the REIT implemented the DRIP that took effect with the distribution of $0.013334 per trust unit paid on February 15, 2013 to those unitholders of record on January 31, 2013. Eligible unitholders (which include holders of Class B LP Units that elect to participate in the DRIP will have their cash distributions used to purchase units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution.

QUARTERLY PERFORMANCE

The following is a summary of the interim results for each of the last eight quarterly periods.

TABLE 10 - QUARTERLY PERFORMANCE

	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11
Summary of Financial information								
Gross Book Value	349,554,285	88,473,236	88,517,393	75,705,892	63,709,964	56,733,443	53,043,001	49,438,980
Debt (1)	116,497,806	48,163,959	47,571,759	42,689,621	32,398,102	25,687,323	22,612,479	18,659,422
Debt to Gross Book Value (2)	33.3%	54.4%	53.7%	56.4%	50.9%	45.3%	42.6%	37.7%
Operating results								
Net income / (loss)	(33,622,572)	(2,343,296)	2,290,406	1,537,830	60,314	2,529,368	1,990,600	4,759,477
NOI from Continuing Operations (3)	1,117,774	-	-	-	-	-	-	-
NOI from Discontinued Operations (3)	-	1,407,008	1,453,069	1,291,973	992,481	803,411	834,377	863,615
FFO (3)	1,636,707	574,588	759,959	(138,606)	(17,232)	250,315	98,580	290,104
AFFO (3)	1,959,356	450,657	649,873	55,717	317,313	192,154	(61,289)	120,184
Distributions (4)	3,608,382	323,546	319,183	237,469	237,469	237,469	237,469	238,132
Per Unit amounts - Basic and Fully diluted								
FFO per unit	$ 0.02	$ 0.03	$ 0.04	$ (0.01)	$ (0.00)	$ 0.02	$ 0.01	$ 0.02
AFFO per unit	$ 0.02	$ 0.02	$ 0.03	$ 0.00	$ 0.02	$ 0.01	$ (0.00)	$ 0.01
Distributions	$ 0.04	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02
Adjusted Weighted Average units outstanding (5)								
Basic and Fully Diluted	87,400,400	20,219,095	18,647,389	15,520,847	15,520,847	15,520,847	15,520,847	15,520,847

Notes

(1) Excludes deferred consideration of $30,993,246 related to the HMB acquisition.
(2) Defined as total debt excluding Class B Exchangeable Units, divided by total assets
(3) NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.
(4) Represents distributions to Unitholders and Class B LP unitholders on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th
(5) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. There were 55,944,444 Class B LP Exchangeable Units outstanding as at December 31, 2012 and 662,500 Class B Exchangeable LP Units outstanding at December 31, 2011.

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

As at December 31, 2012 the REIT's investment properties comprised of international healthcare real estate assets. The fair value of investment properties as at December 31, 2012 was $205,502,477 representing an implied weighted average capitalization rate ("Implied Cap Rate") of 9.55%.

TABLE 11 - INVESTMENT PROPERTIES

	Dec. 31, 2012	Dec. 31, 2011
Opening Balance	61,332,333	44,676,320
Acquisition of Initial International Assets	87,005,450	-
Acquisitions of investment properties	128,212,296	-
Fair value gain / (loss)	(11,128,994)	-
Foreign currency translation	1,413,725	-
Discountinued operations	(61,332,333)	16,656,013
Closing Balance	**205,502,477**	**61,332,333**

During the twelve months ended December 31, 2012, the REIT acquired the Initial International Assets for $87,005,450, which included an allocation of transaction costs. As at December 31, 2012, the value of investment properties increased by $1,413,725 attributable to the strengthening of the Euro and Brazilian Real relative to the Canadian dollar and decreased by $11,128,994 attributable to variances against appraised values of the Initial International Assets.

The fair values of the investment properties at December 31, 2012 and December 31, 2011 were determined based on internal valuation models incorporating available market evidence. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, inflation rates, vacancy rates, and property level net operating income.

CAPITAL STRUCTURE

The REIT, as is common in the real estate industry, considers its capitalization to consist of debt and equity capital. The REIT actively manages both its debt and equity capital with the objective of ensuring that the REIT can continue to grow and operate its business. Debt associated with discontinued operations has been excluded from the capital structure.

The REIT monitors its debt regularly for compliance with debt covenants contained in its loan agreements. At the date of this MD&A, the REIT is in compliance with all of its loan covenants.

The following table shows the REIT's total capital as at December 31, 2012 and December 31, 2011, excluding debt associated with discontinued operations:

TABLE 12 - CAPITAL STRUCTURE		
	Dec. 31, 2012	**Dec. 31, 2011**
Mortgages and loans payable (1)	116,497,806	32,398,102
Class B LP unit liability	114,686,110	960,625
Warrant liability	-	2,474,543
Deferred Unit Plan liability	184,998	287,517
Unit-based compensation liability	-	108,099
Unitholders Equity	42,095,940	26,056,087
Total Capitalization	**273,464,855**	**62,284,973**

Notes
(1) Excludes deferred consideration of $30,993,246 related to the HMB acquisition.

Equity

For the twelve months ended December 31, 2012 and including the REIT's Class B LP units which are classified as a liability, the REIT's units outstanding increased from 15,520,847 to 98,541,704. A summary of the transactions in 2012 which involved the issuance and / or retirement of units is below:

- On April 24, 2012, the REIT completed its' offering of rights and issued 3,880,212 units of the REIT for gross proceeds of $4,462,244
- On May 31, 2012, as a consequence of the NWVP Acquisition:
  - the outstanding incentive unit options were cancelled;
  - 662,500 Class B LP units were converted into 662,500 REIT units at a cost of $1,238,875; and
  - the number of DUP units outstanding doubled to 818,306 units and were then converted into REIT units at a cost of $1,529,727.
- On November 16, 2012, the REIT issued 9,878,165 Trust Units and 55,944,444 Class B LP units as consideration for the acquisition of the International Assets at a price of $1.87 per Unit.
- On December 20, 2012, the REIT completed an equity offering of 12,500,000 units of the REIT at a price of $2.00 per unit. Pursuant to the Offering, the REIT issued a total of 12,500,000 units of the REIT for gross proceeds of $25,000,000.
- On December 20, 2012, the REIT issued 92,499 DUP units with a fair value $184,988.

Liabilities

As at December 31, 2012 the REIT's liabilities related to mortgages and loans payable in respect of the international assets. A summary of these facilities is presented below:

TABLE 13 - MORTGAGES AND LOANS PAYABLE			
	As at Dec. 31, 2012	**Weighted average interest rate [1]**	**Maturity**
Brazil - Loans [1]	60,264,322	6.60%	December 2014
Australiasia - Vital SLA	29,393,937	5.15%	November 2013
Germany - Loans & Mortgages	26,839,547	2.67%	June 2017 - March 2018
Total Capitalization	**116,497,806**	**5.33%**	

Notes
(1) As At December 31, 2012
(2) Excludes deferred consideration of $30,993,246 related to the HMB acquisition.

Additional details on the REIT's liabilities are set out below:

Brazil – Loans:

On December 27, 2012, in connection with the REIT's acquisition of HMB, the REIT entered into a new term loan facility in the amount of $60,737,500 at an effective interest rate of 6.60% for a two year term. The principal balance of the term loan will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) upon repayment.

The term loan is secured by the future rents of the HMB Property and the the REIT has the right to prepay the term loan subject to yield maintenance.

Australasia – Vital SLA:

On November 22, 2012, NWI Healthcare Properties LP ("NWI LP"), a current subsidiary of the REIT, entered into a Global Master Securities Lending Agreement (the "Vital SLA") with a Canadian financial institution (the "SLA Counterparty").

The Vital SLA is due to terminate on November 15, 2013 (or any earlier date agreed by the parties) and . Both the NWI LP and the SLA Counterparty may, at their option, terminate the Vital SLA at any time before that date (subject, in the case of the SLA Counterparty, to giving not less than 30 days prior notice to the REIT).
On termination of the Vital SLA, the SLA Counterparty is generally required to deliver to the REIT a number of units in Vital Trust equal to the Vital Trust Units, and the REIT is required to repay the SLA Collateral.
The obligations of the NWI LP in respect of Vital SLA have been guaranteed by the REIT pursuant to a Deed of Guarantee and Indemnity entered into by the REIT and the SLA Counterparty.

The REIT pays interest on the SLA Collateral it holds to the SLA Counterparty at a rate that fluctuates with the New Zealand dollar LIBOR rate. As at December 31, 2012 the interest rate was approximately 5.15%

Germany – Loans & Mortgages:

As at December 31, 2012, loans and mortgages related to the REIT's investment properties in Germany comprised of (i) $22,371,901 of fixed rate mortgages maturing in November 2017 with an effective interest rate of 2.50% per annum; (ii) $4,459,611 of floating maturing March 2018 with an effective interest rate of 3.50% per annum, and; (iii) $8,035 operating line of credit with an effective interest rate of 6.00% per annum.

The REIT's investment properties in Germany serve as security against the German loans and mortgages.

Off-Balance Sheet Arrangements

As at December 31, 2012, the REIT had no off-balance sheet arrangements.

Financial Instruments

Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3). The Company had no Level 3 financial instruments at December 31, 2012 and there have been no transfers between levels.

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 14 - CASH AND LIQUIDITY	As at Dec. 31, 2012	As at Dec. 31, 2011
Cash	3,749,911	1,700,067
Undrawn revolving credit facility	-	1,000,000
Total	**3,749,911**	**2,700,067**

On the assumption that occupancy levels remain strong and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to finance future acquisitions from: (i) existing cash balances and (ii) a mix of mortgage debt secured by investment properties, bridge facilities, operating facilities, issuance of equity and convertible/unsecured debentures. Cash flow generated from operating activities is the source of liquidity to service debt (except maturing debt), sustain capital expenditures, leasing costs and unit distributions.

Contractual cash flows

Liquidity risk arises from the REIT's financial obligations and in the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources to fund current and long-term obligations and to meet the REIT's capital commitments in a cost- effective manner. The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through conventional mortgage debt secured by income producing properties; and (iii) to the extent possible, the issuance of new equity.

The following table sets out the REIT's contractual cash flows, excluding those relating to discontinued operations:

TABLE 15 - CONTRACTUAL CASH FLOWS	Carrying amount	Contractual cash flow	2013	2014	2015	2016	2017	Thereafter
Accounts payable and accrued liabilities	3,060,271	3,060,271	3,060,271	-	-	-	-	-
Distributions payable	567,992	567,992	567,992	-	-	-	-	-
Deferred consideration	30,993,246	30,993,246	30,507,346	485,900	-	-	-	-
Mortgages and loans payable	116,497,806	127,822,816	34,742,255	66,083,788	1,322,353	1,317,105	21,089,953	3,267,362
Total	**151,119,315**	**162,444,325**	**68,877,864**	**66,569,688**	**1,322,353**	**1,317,105**	**21,089,953**	**3,267,362**

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount of operating cash flow to finance other capital requirements, such as acquisitions and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into of additional credit facilities.

Changes in Cash

The following table sets out the REIT's net change in cash:

TABLE 16 - NET CHANGE IN CASH

	Three months ended		Twelve months ended	
	Dec. 31, 2012 (Unaudited)	Dec. 31, 2011 (Unaudited)	Dec. 31, 2012 (Unaudited)	Dec. 31, 2011 (Unaudited)
Cash provided by / (used in):				
Operating activities				
Continuing operations	(4,856,032)	2,956,794	(9,437,003)	636,303
Discontinued operations	(195,502)	(2,987,826)	2,738,210	(442,420)
Net cash from operating activities	**(5,051,534)**	**(31,032)**	**(6,698,793)**	**193,883**
Investing activities				
Continuing operations	(36,162,628)	400,667	(36,162,628)	400,000
Discontinued operations	9,200,000	(256,861)	3,096,969	(2,399,080)
Net cash from investment activities	**(26,962,628)**	**143,806**	**(33,065,659)**	**(1,999,080)**
Financing activities				
Continuing operations	35,421,951	(699,455)	38,781,598	(934,562)
Discontinued operations	-	3,425,990	3,033,030	3,250,834
Net cash from financing activities	**35,421,951**	**2,726,535**	**41,814,628**	**2,316,272**
Net increase / (decrease) in cash during the period	**3,407,790**	**2,839,309**	**2,050,177**	**511,075**
Net increase (decrease) in cash from:				
Continuing operations	(5,596,708)	2,658,006	(6,818,033)	101,741
Discontinuing operations	9,004,498	181,303	8,868,209	409,334
Effect of foreign currency translation	(333)	-	(332)	-
Net increase / (decrease) in cash during the period	**3,407,457**	**2,839,309**	**2,049,844**	**511,075**

Details on the cash used as part of continuing operations are below:

Operating activities

Cash provided by (used in) operating activities totaled ($4,856,032) and ($9,437,003) for the three months and year ended December 31, 2012, respectively. Cash provided by (used in) operating activities totaled ($2,320,491) and $636,303 for the three months and year ended December 31, 2012 respectively. Operating costs from continuing operations increased in 2012 from the comparable periods of 2011, reflecting higher transaction costs (including compensation expense) related to the reconfiguration of the REIT.

Investing activities

Cash provided by (used in) investing activities totaled ($35,912,628) for both the three months and year ended December 31, 2012, which relates to the acquisition of HMB during the three months ended December 31, 2012. During the year ended December 31, 2012, the REIT redeemed a portion of an investment certificate, providing an additional $400,000 of cash.

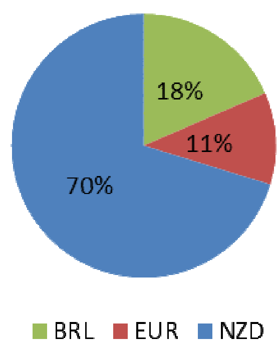
Financing activities

Cash provided by (used in) financing activities totaled $35,171,951 and $38,531,598 for the three months and year ended December 31, 2012. During the three months ended December 31, 2012, the REIT raised $22,704,819 of cash, after issuance costs and received repayment of $15,000,000 on the note receivable from NWHP REIT. In addition, the REIT raised $4,193,704 of cash, after issuance costs, from a Rights Offering that was completed on April 24, 2012, increasing funds from financing activities in the year ended December 31, 2012.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended December 31, 2012, substantially all of the REIT's investments and operations were conducted in currencies other than Canadian dollars, while its distributions to Unitholders and certain general and administrative expenses were paid in Canadian dollars. A summary of the REIT's currency exposure for the three months ended December 31, 2012 is presented below:

FFO by Currency (1) (2)



Currency Performance (1) (3)

(Against CAD)	BRL	EUR	NZD
High	0.4923	1.3174	0.8342
Low	0.4653	1.2605	0.7992
Average	0.4816	1.2856	0.8158
Balance Sheet:			
October 1st	0.4851	1.2676	0.8144
December 31st	0.4859	1.3118	0.8223
Profit & Loss:			
Weighted Average	0.4815	1.2862	0.8164

Notes:
1. For the three months ended December 31, 2012
2. Excludes Canadian Dollar FFO of $(897,824) related to general and administrative expenses
3. Rates presented against Canadian Dollar

For the three months ended December 31, 2012, 100% the REITs FFO generated in foreign currencies was redeployed in domestic currencies as part of its investing activities. For the three months ended December 31, 2012, Canadian dollar distributions to Unitholders of $3,608,382 and general and administrative expenses of $897,824 were funded by financing activities and the net proceeds from the disposition of the REIT's Canadian MOB portfolio. As at December 31, 2012 the REIT held approximately $46 million fo cash and receivables denominated in Canadian Dollars, which mitigate its near term foreign currency exposure.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT intends to maintain a hedging policy to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's hedging policy could include natural currency hedges as well as implementing specific foreign currency hedging transactions. The REIT does not currently have any specific foreign currency hedging transactions in place.

PART V – RELATED PARTY TRANSACTIONS

RELATED PARTIES TO THE CONTINUING OPERATIONS

a) As a consequence of the acquisition of control of the REIT described in note 4 to the REIT's consolidated financial statements, NWVP indirectly owns approximately 85% of the outstanding Trust Units of the REIT (approximately 66% on a fully diluted basis). Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder of NWVP. Furthermore, NWVP indirectly owns an approximately 26% interest in NWHP REIT and Mr. Dalla Lana is also Chairman of the Board of Trustees of NWHP REIT.

b) Pursuant to the Support Agreement described in note 4 to the REIT's consolidated financial statements, NWVP funded certain of the strategic transaction costs in the amount of $693,128. As consideration, the REIT issued a promissory note for the amount to NWVP. Subsequently, NWVP received a promissory note in the amount of $93,999 in lieu of its share of the cash distribution to unitholders for the month of May 2012. The promissory notes are unsecured, bear interest at a rate of 6% per annum and are redeemable on demand. As of December 31, 2012, promissory notes had been fully repaid. Interest expense on the promissory notes for the year ended December 31, 2012 totaled $10,832 (2011 - $Nil) and was included in mortgage and loan interest.

c) On November 16, 2012 with an effective date of October 1, the REIT acquired the Initial International Assets from NWVP and affiliates as described in note 6 of the REIT's consolidated financial statements.

d) On November 16, 2012, in conjunction with the acquisition of the Initial International Assets, the REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates have agreed to act as Property Manager, Asset Manager and Development Manager for the REIT.

   The Asset Manager is entitled to receive a base annual management fee calculated and payable on a monthly basis, equal to 0.50% of the sum of (a) the historical purchase price of the REIT's assets, and (b) the cost of any capital expenditures incurred by the REIT or its affiliates in respect of the assets subject to the Asset Management Agreement. The foregoing amounts are payable, at the option of the Asset Manager, in either cash, Deferred Units (which would vest immediately), Units or securities of the REIT or its subsidiaries that may be convertible into Units.

   Pursuant to the Asset Management Agreement, the REIT must reimburse the Asset Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Asset Manager in connection with the performance of the services under the Asset Management Agreement, including, but without limitation, the costs and expenses incurred by the Asset Manager for travel, lodging and reasonable and necessary costs for experts and consultants reasonably required by the Asset Manager and approved by the REIT.

   The REIT also entered into an agreement whereby an affiliate of NWVP has agreed to pay the REIT, in consideration for certain management services rendered, a fee equal to the difference between all management fees paid by Vital Trust to NWVP (or any of its wholly-owned subsidiaries) and the amount that Vital Trust would have paid should it have been wholly-owned and subject the REIT's Asset Management Agreement described above (the "Management Fee Participation Agreement"). NWVP's management arrangements with Vital Trust currently provide for a base management fee of 0.75% (as opposed to the 0.50% payable under the Asset Management Agreement), as well as an opportunity to earn certain transaction fees and an incentive fee.

The following table summarizes the related party transactions with NWVP and its subsidiaries related to the Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement during the year:

Year Ended December 31,	**2012**	2011
Base annual management fees	**$ 300,139**	$ -
Property management fees	**29,027**	-
Management fee participation	**(452,718)**	-
Reimbursement of out-of-pocket costs - completed transactions	**3,189,259**	-
Reimbursement of out-of-pocket costs - in-progress transactions	**618,820**	-
	$ 3,684,527	$ -

e) The following table summarizes the balances owing from/(to) NWVP and its subsidiaries:

	2012	2011
Instalment note receivable (i)	$ 1,296,755	$ -
Promissory note receivable (ii)	15,000,000	-
Working capital and closing adjustment receivable (iii)	27,300,011	-
Other (iv)	(1,074,023)	-
	$ 42,522,743	$ -

(i) Instalment note receivable

Pursuant to an instalment note entered into in connection with the REIT's acquisition of the Initial International Assets (and as contemplated by the Definitive Agreement), NWVP will make instalment payments to the REIT (on April 2013 and April 2014) under an arrangement with the REIT to partially compensate the REIT for assuming obligations associated with the Sabará Children's Hospital in Brazil. The instalment note is non-interest bearing with amounts owing thereunder maturing on April 2, 2013 and April 2, 2014. The instalment note receivable is recorded at the present value of the future cash flows. The receipt of the principal portion of the installment payments will be recorded as a reduction of the instalment notes receivable and is, therefore, not recorded as revenue.

(ii) Promissory note receivable

As partial consideration for sale of the Existing Portfolio to NWHP REIT, the REIT received the NHP Promissory Note in the amount of $30,000,000.

The NHP Promissory Note is unsecured, repayable on demand at any time on or after November 29, 2012 and bears interest at a rate of 8% per annum, payable quarterly in arrears. In December 2012, $15,000,000 of the note was repaid. The remaining balance of the note was assumed by an affiliate of NWVP in connection with a restructuring of other obligations owing between affiliates of NWVP and NWHP REIT.

Interest earned on the NHP Promissory Note for the year ended December 31, 2012 from NWHP REIT and NWVP was $269,589.

(iii) Working capital and closing adjustment receivable

The working capital and closing adjustment receivable from a subsidiary of NWVP arises as a result of the differences in the values of the working capital and debt assumed on acquisition of the Initial International Assets as compared to the values assigned at closing. The working capital receivable is unsecured, non-interest bearing, and is due on demand.

(iv) Other

In the normal course of operations, through agreements with its external managers, the REIT has amounts owing to NWVP and affiliates. These amounts are due within 12 months and are non-interest bearing.

f) Compensation for the REIT's current key management personnel was as follows:

Year Ended December 31,		2012		2011
Compensation expense	**$**	**56,250**	$	-
Unit-based payments		**184,998**		-
	$	**241,248**	$	-

Key management personnel of the REIT include the Trustees and the Chief Executive Officer and Chief Financial Officer. Compensation expense of $56,250 relating to the Chief Executive Officer and the Chief Financial Officer are provided by a subsidiary of NWVP under the REIT's asset management arrangements.

g) Transactions with related parties disclosed above are in the normal course of business and are recorded at the transaction amount, being the price agreed between the parties.

RELATED PARTIES TO THE DISCONTINUED OPERATIONS

The transactions described below took place between the REIT and individuals and entities that were related parties to the REIT at the time (but no longer are as a result of the NWVP Acquisition).

a) On December 24, 2010, the REIT completed the acquisition of a portfolio of five medical office buildings from a related party at the time, Thornley Holdings Limited (which was controlled by a former trustee and former officer of the REIT at such time). The REIT had a contractual obligation to pay a post-closing adjustment on December 24, 2012 in respect of the two medical office buildings acquired to the extent that the net operating income of the properties implied a value in excess of the purchase price paid. As a result of the Disposition, this is no longer an obligation of the REIT.

b) On December 24, 2010, a head lease in respect of certain properties of the REIT at such time was entered into between a subsidiary of the REIT and Guelph Medical Place 2 Ltd. (whose shareholders included former trustees and officers of the REIT). As a result of the Disposition, this is no longer an obligation of the REIT. For the year ended December 31, 2012, the REIT received $680,130 (2011 - $580,380) in respect of head leases from related parties

c) Eight of the properties of the REIT that were acquired prior to 2012 were managed by CMD Management Limited ("**CMD**") (an entity controlled by a former trustee and former officer of the REIT) pursuant to a property management agreement. During year ended December 31, 2012, the REIT was charged $248,837 (2011 – $169,525) by CMD for property management fees. On October 1, 2012, pursuant to the sale of the Existing Portfolio, the property management agreement with CMD became an obligation of NWHP REIT.

The four Canadian investment properties acquired by the REIT in 2012 were managed by NWHP REIT or its affiliate from September 1, 2012 up until disposition. During the year ended December 31, 2012, the REIT was charged $7,080 (2011 - $Nil) by NWHP REIT for property management fees.

(e) On November 16, 2012, with an effective date of October 1, 2012, the REIT sold the Existing Portfolio to NWHP REIT as described in note 5 of the REIT's consolidated financial statements. As part of the post-closing adjustment, which is currently being negotiated, the REIT has made an accrual of an amount owing NWHP REIT of $363,157 for estimated post-closing working capital related items which is included in accounts payable and accrued liabilities.

d) Compensation for the REIT's historic key management personnel was as follows:

Year Ended December 31,	2012	2011
Short-term wages, bonuses and benefits	**$ 764,034**	$ 647,363
Severance payments	**1,534,375**	-
Unit-based payments	**1,529,727**	389,710
	$ 3,828,136	$ 1,037,073

e) Transactions with related parties disclosed above, are in the normal course of business and are recorded at the transaction amount, being the price agreed between the parties.

PART VI – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and in the activities of the REIT which current and prospective Unitholders should carefully consider. Certain of these risks are described below. For a full list and explanation of relevant risks and uncertainties, please refer to the REIT's filings with securities regulators, including the Annual Information Form, which are available on SEDAR.

REAL PROPERTY OWNERSHIP AND TENANT RISKS

All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. Cash flows will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT will have an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants, such as laboratories, may require licences to operate their business. To the extent these businesses are unable to obtain licences or maintain existing licences, the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

LIQUIDITY

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to be required to liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

COMPETITION

The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have a negative effect on the REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

ENVIRONMENTAL MATTERS

Environmental legislation and regulations have become increasingly important in recent years.

As an owner of interests in real property in Brazil, Germany and Australia/New Zealand, the REIT is subject to various federal, state and municipal laws relating to environmental matters in each jurisdiction. Such environmental laws impose actual and contingent liabilities on us to undertake remedial action on contaminated sites and in contaminated buildings.

Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the REIT's officers or employees infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. We may be required to provide for additional reserves to sufficiently allocate toward the REIT's potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and the REIT's ability to make distributions on the Trust Units.

The REIT is not aware of any material non–compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT will implement policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's properties, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

GROWTH STRATEGY

The REIT's strategy will involve expansion through acquisitions and co-development projects. These activities require the REIT and NWVP to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The REIT may not be successful in identifying commercial real estate properties that meet its acquisition or development criteria or in completing acquisitions, co-developments, or investments on satisfactory terms. Failure to identify or complete acquisitions or co-developments will slow the REIT's growth. The REIT could also face significant competition for acquisitions and development opportunities. Some of the REIT's competitors have greater financial resources than the REIT and, accordingly, have a greater ability to borrow funds to acquire and develop properties.

ACCESS TO CAPITAL

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurances that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

GENERAL INSURED AND UNINSURED RISKS

The activities carried on by the REIT entail an inherent risk of liability. The REIT expects that from time to time it may be subject to lawsuits as a result of the nature of its activities. The REIT will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. The REIT will have insurance for earthquake risks, subject to certain policy limits, deductibles and self–insurance arrangements, and will continue to carry such insurance if it is economical to do so. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the REIT's insurance could have a material adverse effect on the REIT's activities, operating results and financial condition. Claims against the REIT, regardless of their merit or eventual outcome, also may have a material adverse effect on their ability to attract tenants or expand their businesses, and will require management to devote time to matters unrelated to the activities of the REIT.

FINANCING AND INTEREST RATE RISKS

The REIT intends to incur indebtedness in the future in connection with the future acquisition or expansion of facilities and its properties. The REIT may incur unsecured debt or mortgage debt secured by some or all of its real estate properties or assets. The REIT's debt may harm its financial position and operating results by:

- requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- limiting the REIT's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and
- making the REIT more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the REIT's cash flow will be insufficient to meet required payments of principal and interest, the REIT will also be subject to the risk that it may not be able to refinance existing indebtedness on its properties and that the terms of any refinancing it could obtain may not be as favourable as the terms of its existing indebtedness. If the REIT is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. The REIT intends to finance future acquisitions in part with debt borrowings, which could bear interest at fixed or variable rates. The interest expense on any variable rate indebtedness will increase when interest rates increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. A significant increase in interest expense could adversely affect the REIT's results of operations.

EXCHANGE RATE RISKS

Substantially all of the REIT's investments and operations will be conducted in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders in Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which is denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders.

The REIT intends to maintain a hedging policy to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's hedging policy could include natural currency hedges as well as implementing specific foreign currency hedging transactions. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes. The REIT's obligations under hedging arrangements may be secured by all or a portion of the REIT's assets, the value of which generally must cover the fair value of the transactions outstanding under the facility by some multiple.

SIGNIFICANT DEPENDENCY ON SINGLE LEASES IN BRAZIL

The leases for Sabará and the HMB Property are each with a single tenant, the operators of the facilities. Upon the expiry of the leases, there can be no assurance that they will be renewed or that the tenants will be replaced. If the tenants do not renew their leases, our cash flows, operating results, financial condition and our ability to make distributions on the Trust Units could be materially and adversely affected.

THE VITAL SLA

The Vital SLA is a contractual arrangement that involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Under the Vital SLA, NWI LP is required to repay the SLA Collateral to reacquire the Vital Units or securities or property equivalent thereto, regardless of the value of the Vital Units at the time. Further, subject to certain exceptions for minimal changes, the SLA Collateral is marked to the market price of the Vital Units on a daily basis, meaning that on any given day if the value of the Vital Units increases, the SLA Counterparty will be required to pay additional SLA Collateral to NWI LP, while NWI LP will be required to repay part of the SLA Collateral to the SLA Counterparty if the value of the Vital Units declines. Accordingly, a decrease in the value of the Vital Units would require NWI LP to pay a cash amount to the SLA Counterparty, which could have a material adverse effect on the ability of the REIT to pay cash distributions to Unitholders.

The Vital SLA involves the risk of counterparties, which may be unable to satisfy their obligations. If the SLA Counterparty defaults on its obligations under the Vital SLA or seeks bankruptcy protection, it could have a material adverse effect on the REIT's ability to obtain the Vital Units. In addition, while NWI LP will have a right to instruct the SLA Counterparty in relation to the exercise of voting rights attached to the underlying Vital Units, such right only exists if the SLA Counterparty physically holds the underlying units. The SLA Counterparty does not have an obligation to physically hold the underlying Vital Units and in such circumstances, NWI LP will not have an ability to direct the exercise of voting rights.

VITAL MANAGEMENT RIGHTS

The Vital Management Rights entitle the REIT to indirectly receive the difference between all management fees paid by Vital Trust to NWVP or any of its wholly-owned subsidiaries and the amount that Vital Trust would have paid should it have been wholly-owned and subject to the Asset Management Agreement. Further, the REIT shall be entitled to direct NWVP, subject to NWVP's fiduciary duties, with respect to any control or direction rights of NWVP set forth in any management agreements between NWVP and Vital Trust. The value paid by the REIT to NWVP for the Vital Management Rights is premised on the assumption that NWVP will continue to manage Vital Trust and that the fees payable by Vital Trust under its asset management agreements will continue to be higher than those it would have paid under the Asset Management Agreement. While management believes that the Vital Management Rights will be accretive to the REIT's AFFO, there can be no assurances in this regard.

THE PUT/CALL AGREEMENT

The prices of the Option Units and securities of the REIT to be issued in consideration therefor pursuant to the Put/Call Agreement are fixed until May 15, 2013. Accordingly, it is possible that (a) the value of an Option Unit will be less than the put price on the date the put right is exercised, and (b) the value of a Unit or Class B LP Unit will be higher than the price to be attributed to such securities in the Put/Call Agreement on the date the put right or call right, as applicable, is exercised. Following this 180 day period, the prices of the Option Units and Units/Class B LP Units to be issued in consideration therefor will fluctuate, meaning that the actual dilution under the Put/Call Agreement is unknown at this time. The nature of the Put/Call Agreement is such that the REIT may be required to purchase securities of NWHP REIT in the future, regardless of its liquidity or working capital position at such time. The Put/Call Agreement also means that the REIT may be subject to the related risks and uncertainties of owning such securities, including risks relating to NWHP REIT's business and any unitholders rights plan of NWHP REIT.

TAX-RELATED RISK FACTORS

The REIT currently qualifies as a "mutual fund trust" and a "real estate investment trust" for income tax purposes. The REIT expects to distribute all of the REIT's taxable income to unitholders and, therefore, generally will not be subject to tax on such amounts. In order to maintain the REIT's status as a mutual fund trust and a real estate investment trust, the REIT is required to comply with specific restrictions regarding its activities, its investments and its revenue. If the REIT were to cease to qualify as a mutual fund trust or a real estate investment trust for income tax purposes, the consequences could be material and adverse.

Please refer to the "Risks Relating to the Structure of the REIT" contained in the Annual Information Form.

PART VII – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's consolidated financial statements for the year ended December 31, 2012.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgements, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. The significant judgments and key estimates made by the REIT are outlined below:

Investment properties

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers. When estimating the fair value of investment properties, the REIT makes estimates and assumptions that have a significant effect on the reported value of investment properties. Estimates used in determining the fair value of the investment properties include capitalization rates, inflation rates, vacancy rates, and net operating income.

Unit-based compensation liabilities

The measurement of the unit-based compensation liabilities require the REIT to make estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value. Estimates and assumptions used in determining the fair value of these liabilities include the expected life of the instruments and the volatility of the Trust's unit prices.

Interests in associates

If it is determined that objective evidence exists that indicate that the REIT's interest in its associate has been impaired, the investment must be written down to its estimated fair value. Estimates used in determining the fair value of the associate include discount rates, inflation rates, and net operating income.

Derivative financial instrument

The measurement of the fair value of the REIT's derivative financial instrument is based on estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value.

Leases

The REIT makes judgments in determining whether leases in which the REIT is the lessor are operating or finance leases, and has determined that all of its leases are operating leases. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the financial statements.

Property acquisitions

When investment properties are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. All of the REIT's property acquisitions have been accounted for as asset acquisitions.

Income Tax

With the exception of subsidiaries that are subject to income tax, deferred income taxes are not recognized in the financial statements on the basis that the REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In applying this accounting policy, the REIT has made the judgment that the REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future; however, should it no longer qualify it would be able to flow through its taxable income to unitholders and the REIT would be subject to Canadian taxation on its non-portfolio earnings.

PART VIII – OUTLOOK

The REIT believes that its business is well positioned having both defensive characteristics and built-in growth prospects.

Firstly, the REIT maintains a portfolio of highly occupied properties with primarily necessity-based tenancies on long-term leases, often with difficult to replace infrastructure-like improvements and locations. These assets are typically not materially impacted by economic slowdowns and are well-positioned to capitalize upon longer term demographic and healthcare industry trends such as increasing demand for healthcare from growing or aging population combined with longer life spans as well as increasing pressure on governments and healthcare institutions to manage costs, which will likely result in additional opportunities for it to invest.

One of the most unique features of the assets and markets that the REIT invests in is the contractual annual indexation of rents in most of its leases. While not the norm in North American real estate markets, this feature exists in the majority of the REITs leases and represents greater than 95% of rental revenues potential driving annual revenue growth for the existing properties. Given the weighted average lease term of the REIT's portfolio (13.8 years) and the limited lease maturities over the next 3 years, limited cash flow needs to be reserved or re-invested into the properties to maintain or improve the tenancies.

In addition, given the infrastructure-like characteristics of its hospital assets and that tenants prefer making long-term commitments to their locations, the REIT enjoys a captive opportunity to support its tenant's reinvestment in their operations by providing expansion or renovation capital to them. Typically, these investments improve or expand the facilities and are "rentalized" upon completion at a premium to the initial yield on the asset which translates into an accretive follow-on investment opportunity. This concept is built into many of the hospital leases of the REIT and the leases of Vital Trust.

As a dedicated healthcare real estate landlord with strong relationships in the sector, one of the greatest opportunities the REIT enjoys is in providing leading healthcare services companies with a source of growth capital by buying their properties and entering into long-term sale-lease-back arrangements. In the markets where the REIT owns the land buildings used for hospital facilities, the leading healthcare services companies have or are consolidating and there exists large sophisticated entities focused on core operations. Deploying their capital efficiently is critical to continuing to expand their businesses and, as a result, real estate (with its generally stable but lower returns), is increasingly being viewed as a non-core asset. These healthcare services companies are more than ever prepared to enter into a sale lease back transaction provided a long-term strategic partner can be found with access to capital as well as the understanding and experience to support their business plans. The REIT hopes to capitalize on this trend in 2013 and beyond.

Aside from being solid investment markets with strong underlying real estate fundamentals, each of the REIT's markets offers another key opportunity – for the REIT to become the market leader. In both Germany and Brazil, there does not appear to be focused competitors in the healthcare real estate space which affords the REIT with many "first call" opportunities on an attractive, directly negotiated basis. In the case of Australia/New Zealand where the market is mature, the REIT, through its investment in Vital Trust, is the established leader and enjoys the scale and relationships to achieve the same opportunity. In sum, with limited focused competition in its core markets and/or the leading platform in the region, the REIT believes it will be able to execute a growth strategy that achieves both scale and strong long-term returns.

The REIT relies on Canadian real estate equity and debt capital markets which are currently stable with both forms of capital available to most issuers and competitively priced. However, given its recent strategic reconfiguration and relative illiquidity as a smaller cap issuer, the REIT will likely have measured access to capital markets in the near term. It is the REITs core objective to improve this going forward which it believes will occur through market "seasoning" and the ongoing implementation of its business plan.

In general, management believes that the REIT's international investment markets as less competitive than those in Canada at the moment. As a result of the limited competition, yields are higher and acquisition terms are more favorable than those available in Canada for similar quality assets. Additionally, owing to the presence of private healthcare delivery in each of its markets, the REIT is able to acquire more infrastructure-like assets, such as the land and buildings used for hospitals which are largely publicly owned in Canada. While these conditions may change over time, the REIT believes that there currently exists a significant return premium available for investment in each of its markets relative to Canada.

In the REIT's view, medical office buildings in Canada are trading in the 6% – 7% cap rate range with other commercial assets supported by long term leases trading well below that level. The REIT believes that cap rates for comparable assets in its target markets are as follows:

Australia/NZ	8.0% - 10.0%
Brazil	8.5% - 10.5%
Germany	6.5% - 8.5%

As a result, the REIT continues to pursue an active acquisition pipeline. The REIT believes, through accretive acquisitions that leverage its existing asset and property management platform, there are opportunities to grow the portfolio by being a consolidator within a sector that is characterized by relatively fragmented ownership. Further, portfolio growth is expected to enhance the REIT's relationships with its regional healthcare communities that over the longer term, should contribute to further opportunities and improved performance.