This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Homburg Invest Inc. ("Homburg Invest", "HII" or the "Company") audited consolidated financial statements and accompanying notes for the year ended December 31, 2010 prepared under International Financial Reporting Standards ("IFRS").

In compliance with National Instrument 51-102 of the Canadian Securities Administrators, Management notifies readers that the unaudited interim consolidated financial statements for the period ended September 30, 2011 and September 30, 2010, have not been reviewed by the Company's external auditors.

DATE OF MD&A
November 17, 2011

FORWARD LOOKING ADVISORY

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2011 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

This discussion contains forward-looking statements concerning capital expenditures, cost reductions and operating and financial improvements. Such statements are based on the Company's management's assumptions and beliefs in light of the information currently available to them. These statements are subject to inherent uncertainties and risks, including, but not limited to: general business and economic conditions in the Company's operating regions; pricing pressures and other competitive factors; results of the Company's ongoing efforts to reduce costs; the availability and terms of financing; risks and uncertainties relating to the Creditor Protection Proceedings (hereinafter defined), specifically risks associated with HII's ability to continue as a going concern; stabilize the business to develop a comprehensive restructuring plan in an effective and timely manner; resolve ongoing issues with creditors and other third parties whose interests may differ from the Company's; obtain court orders or approvals with respect to motions filed from time to time, including obtaining alternative or replacement financing. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements. HII, except as required by applicable law, undertakes no obligation to publicly update or revise any forward looking statements.

OVERVIEW

Creditor Protection Proceedings

On September 9, 2011 (the "Petition Date") the Company and certain of its subsidiaries (collectively, the "Applicants") applied to the Superior Court of Québec (the "Court") for protection under CCAA (the "CCAA proceedings", or "Creditor Protection Proceedings"). On the same day, the Company obtained protection from its creditors pursuant to an Order (the "Initial Order") rendered by the Court. The Initial Order provided, *inter alia*, for the following: (i) No proceedings or enforcement processes in any court or tribunal shall be commenced or continued against or in respect of the Applicants or their properties, or affecting their business operations and activities until October 7, 2011; (ii) all persons having agreements with the Applicants for the supply of goods and services must continue to provide goods and services in the normal course of business; (iii) the appointment of Samson Bélair/Deloitte & Touche Inc. (the "Monitor") as Monitor under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"); (iv) no person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, cancel, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or with the leave of the Court.

On October 7, 2011, the stay of proceedings was extended until December 9, 2011 pursuant to an Order of the Court.

The CCAA is a Canadian federal law allowing insolvent companies that owe their creditors in excess of $5 million to restructure their business and financial affairs. CCAA is not bankruptcy. The main purpose of the CCAA is to enable financially distressed companies to avoid bankruptcy or foreclosure or seizure of assets while maximizing returns for their creditors and preserving both jobs and the Company's value as a functioning business. CCAA proceedings are carried out under the supervision of the Court. The purpose of this application is to allow the Company to restructure its activities and enhance its balance sheet in an orderly fashion and in the best long-term interests of its stakeholders.

As a result of CCAA proceedings, the Company is periodically required to file various documents with and provide certain information to the Court. These documents and information may include statements of financial affairs, schedules of assets and liabilities, monthly operating reports, information relating to forecasted cash flows, as well as certain other financial information. Such documents and information may be prepared or provided on an unconsolidated, unaudited or preliminary basis, or in a format different from that used in the financial statements included in our periodic reports filed on SEDAR. Accordingly, the substance and format of these documents and information may not allow meaningful comparison with our regularly-disclosed financial statements. Moreover, these documents and information are not prepared for the purpose of providing a basis for an investment decision relating to our securities, or for comparison with other financial information filed with various securities commissions.

Further information pertaining to our CCAA proceedings may be obtained through our website at www.homburginvestinformation.ca (English language portal), or www.homburginvestinformatie.nl (Dutch language portal). Certain information regarding the reports of the Monitor is available at the Monitor's website at www.deloitte.com/ca/homburg-invest. The content of the foregoing websites is not part of this report.

Other Recent Developments

Global economic and market conditions continued to impact the Company's results. The fluctuation in the Euro against the Canadian dollar contributed to lower net operating income. Management is investigating converting the reporting currency of the Company to the Euro to eliminate this non-cash fluctuation impact on the income statement. Currently, only $30.9 million of the Company's $1,497.3 million in investment properties is not denominated in Euros. This non-cash impact was a loss of $1.0 million in the third quarter, and a loss of $18.9 million year to date. Generally poor conditions in European markets, but in particular in the The Netherlands also affected vacancies and values. As a result, our net operating income decreased during the year.

During the same period, the Board of Directors of the Company unanimously determined that the unsolicited non-binding proposal submitted by the former Chairman and CEO, Mr. Richard Homburg, on June 6, 2011, was not in the best interests of the Company. Mr. Richard Homburg then announced his intention to launch a public takeover bid for the Company at $3.25 per Class A share and Class B share, in cash, which was subsequently rescinded.

During the same period, the Board of Directors of the Company terminated the master property and asset management agreement between the Company and Homburg Canada Incorporated ("HCI"), and internalized the positions of CEO and CFO. The Company then received a claim for damages totalling approximately $27 million from HCI as compensation for said termination. HII maintains that it terminated the agreement as a result of breaches by HCI of its obligations under the agreement. The Company rejects the claim for compensation and will vigorously contest it, should the matter come before the Courts.

On September 13, 2011 the Company sold 3 million Units (as hereinafter defined) of CANMARC Real Estate Investment Trust (formerly Homburg Canada Real Estate Investment Trust) ("CANMARC") on a bought deal basis, which resulted in a loss of approximately $13 million. As a result, HII's voting ownership in CANMARC decreased from 23.1% to 16.1%. Thus, the Company no longer has significant influence in CANMARC and has reclassified it's investment from an equity investment to a portfolio investment.

PROPERTIES OWNED

HII is a public real estate company owning 125 properties with an estimated fair value of $1.7 billion and 7.5 million square feet of space as at September 30, 2011 in three main asset classes (office, retail, and industrial) and in four main geographical areas (Germany, The Netherlands, the Baltic States (Latvia, Estonia and Lithuania) and North America).

	September 30, 2011 *(Millions, except for properties)*			December 31, 2010 *(Millions, except for properties)*		
	Buildings	**Fair Value**	**Gross Sq.Ft.**	Buildings	Fair Value	Gross Sq.Ft.
By geographical segment						
Germany	**16**	**$ 784.7**	**2.5**	16	$ 748.7	2.5
The Netherlands	**32**	**451.2**	**3.7**	32	422.9	3.7
Baltic States	**53**	**230.5**	**1.0**	53	208.3	1.0
North America	**12**	**30.9**	**0.3**	11	21.8	0.3
Sub total	**113**	**1,497.3**	**7.5**	112	1,401.7	7.5
By property type						
Office	**77**	**$ 1,162.0**	**5.1**	77	$ 1,090.9	5.1
Retail	**8**	**122.6**	**0.3**	7	106.6	0.3
Industrial	**28**	**212.7**	**2.1**	28	204.2	2.1
Sub total	**113**	**1,497.3**	**7.5**	112	1,401.7	7.5
Land and property held for future development (a)	**6**	**106.2**		6	107.6	
Construction properties being developed for resale (b)	**4**	**31.0**		4	36.9	
Investment property under construction (c)	**2**	**91.4**		3	109.8	
Total	**125**	**$ 1,725.9**	**7.5**	125	$ 1,656.0	7.5

* Numbers of buildings, units and gross square footage excludes assets available for sale.

(a) Land and property held for future development - a 146 acre parcel of land on the outskirts of Calgary, Alberta, intended to be developed into single family and multi residential units; a 140 acre parcel of land on the outskirts of Calgary, Alberta, intended to be developed into single family and multi residential units; a parcel of land in Calgary, Alberta that the Company intends to develop into a condominium complex containing 214 units; a 217 acre parcel of land in Calgary, Alberta with intent to be developed into commercial properties; a 39 acre parcel of land in Calgary, Alberta that the Company intends to develop primarily into approximately 600 single family dwellings.

(b) Construction properties being developed for resale - 4 condominium units in Calgary, Alberta (Castello); 19 condominium units in the Eau Claire area of Calgary, Alberta (Churchill Estates); 46 condominium units in Grande Prairie, Alberta (Inverness Estates); and 14 condominium units in Charlottetown, Prince Edward Island (Pownal Street).

(c) Investment property under construction - a parcel of land in Calgary, Alberta that is being developed into a four building office campus; and a 440 unit condominium complex in Calgary, Alberta (Kai Towers).

NON-IFRS FINANCIAL MEASURES

The MD&A includes measures widely accepted within the real estate industry which are not defined by International Financial Reporting Standards ("IFRS"). These measures include Net Operating Income ("NOI"), Funds From Operations ("FFO") and Funds From Operations per share. These are not defined measures calculated in accordance with IFRS and may not be comparable to similar measures presented by other issuers. The Company considers these amounts to be measures of operating and financial performance.

a) NOI is calculated as Property Revenue less Property Operating Expenses.

b) FFO is presented by the Company as net income (loss) from continuing operations adjusted for deferred and capital income taxes (recovery), unrealized and realized valuation changes, fair value change in financial instruments, loss (gain) on derivative instruments, impairment loss on development properties, foreign exchange loss (gain), changes in provisions, share of associates net loss (income) net of distributions earned, accelerated accretion expense and expenses relating to CCAA filing.

c) FFO per share is calculated as Funds From Operations divided by either the basic or diluted weighted average number of shares.

The following table reconciles IFRS net income (loss) to FFO for the three and nine month periods ended September 30, 2011 and 2010:

	3 Months Ended Sept. 30, 2011	**9 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	9 Months Ended Sept. 30, 2010
	(Millions)	*(Millions)*	*(Millions)*	*(Millions)*
Net income (loss) from continuing operations	**$ (70.5)**	**$ (115.4)**	$ 1.3	$ 8.0
Add (deduct):				
Share of income of an associate net of distributions earned	**20.3**	**33.1**	4.5	4.7
Unrealized valuation changes	**1.4**	**11.8**	(13.5)	(12.4)
Realized valuation changes				(4.3)
Amortization of financing costs	**13.6**	**16.2**	1.3	3.4
Deferred and capital income tax (recovery) / expense	**(1.0)**	**1.0**	(8.1)	(4.7)
Foreign exchange loss (gain)	**1.6**	**19.6**	10.6	(9.1)
Accelerated accretion expense	**37.0**	**37.0**		
Loss (gain) on derivative instruments	**7.1**	**3.7**	3.3	10.0
Expenses relating to CCAA filing	**2.4**	**2.4**		
Change in provisions	**(0.8)**	**0.8**	(2.8)	(0.4)
Fair value change in financial instruments	**(13.7)**	**(13.7)**	0.1	(0.6)
Funds from operations (FFO)	**(2.6)**	**(3.5)**	(3.3)	(5.4)
Add (deduct): net gain (loss) on sale of properties developed for resale	**0.3**	**0.8**	(0.8)	(3.3)
FFO, net of sale of properties developed for resale	**$ (2.9)**	**$ (4.3)**	$ (2.5)	$ (2.1)

Funds from operations (FFO) from continuing operations, net of the sale of properties developed for resale, was $(2.9) million for the three-month period ended September 30, 2011, compared to $(2.5) million recorded in the same period in 2010.

Foreign Exchange Rates

The results of the Company's international operations are impacted by fluctuations in average and period end foreign exchange rates, mainly from the Euro and to a lesser extent by the US dollar. A discussion of the Company's approach to managing currency risk is included in the section entitled "Liquidity, Capital Resources and Capital Commitments" later in this MD&A. The prevailing quarterly average and year-end foreign exchange rates over the past three years were as follows:

	Q3 Average Rate		**Q2 Average Rate**		**Q1 Average Rate**		**Q4 Average Rate**	
EUR : CAD	2011	1.37575	2011	1.36990	2011	1.34760	2010	1.36843
EUR : CAD	2010	1.36371	2010	1.37676	2010	1.44309	2009	1.58706
% Change		***0.9%***		***(0.5)%***		***(6.6)%***		***(13.8)%***
USD : CAD	2011	0.97778	2011	0.97690	2011	0.98610	2010	1.03075
USD : CAD	2010	1.03597	2010	1.03479	2010	1.04145	2009	1.14172
% Change		***(5.6)%***		***(5.6)%***		***(5.3)%***		***(9.7)%***

	Quarter End Rate		**Quarter End Rate**		**Quarter End Rate**		**Quarter End Rate**	
EUR : CAD	Q3 2011	1.40450	Q2 2011	1.40510	Q1 2011	1.37064	Q4 2010	1.32560
EUR : CAD	Q2 2011	1.40510	Q1 2011	1.37064	Q4 2010	1.32560	Q3 2010	1.40330
% Change		***-%***		***2.5%***		***3.4%***		***(5.5)%***
USD : CAD	Q3 2011	1.03290	Q2 2011	0.97650	Q1 2011	0.97223	Q4 2010	1.00020
USD : CAD	Q2 2011	0.97650	Q1 2011	0.97223	Q4 2010	1.00020	Q3 2010	1.03009
% Change		***5.8%***		***0.4%***		***(2.8)%***		***(2.9)%***

	Q3 Average Rate		**Q2 Average Rate**		**Q1 Average Rate**		**Q4 Average Rate**	
EUR : CAD	2010	1.36371	2010	1.37676	2010	1.44309	2009	1.58706
EUR : CAD	2009	1.59533	2009	1.60749	2009	1.62509	2008	1.56127
% Change		***(14.5)%***		***(14.4)%***		***(11.2)%***		***1.7%***
USD : CAD	2010	1.03597	2010	1.03479	2010	1.04145	2009	1.14172
USD : CAD	2009	1.16997	2009	1.20559	2009	1.24298	2008	1.06669
% Change		***(11.5)%***		***(14.2)%***		***(16.2)%***		***7.0%***

	Quarter End Rate		**Quarter End Rate**		**Quarter End Rate**		**Quarter End Rate**	
EUR : CAD	Q3 2010	1.40330	Q2 2010	1.27990	Q1 2010	1.37140	Q4 2009	1.50410
EUR : CAD	Q2 2010	1.27990	Q1 2010	1.37140	Q4 2009	1.50410	Q3 2009	1.58480
% Change		***9.6%***		***(6.7)%***		***(8.8)%***		***(5.1)%***
USD : CAD	Q3 2010	1.03009	Q2 2010	1.04840	Q1 2010	1.01920	Q4 2009	1.04940
USD : CAD	Q2 2010	1.04840	Q1 2010	1.01920	Q4 2009	1.04940	Q3 2009	1.08610
% Change		***(1.7)%***		***2.9%***		***(2.9)%***		***(3.4)%***

Euro-Canadian dollar exchange rate: Fluctuations in the Euro exchange rates, compared to the Canadian dollar, impact the results of the Company's significant European operations located in Germany, The Netherlands, and the Baltic States, as well as the Company's unhedged Euro denominated debt which consisted of €200.0 million at September 30, 2011 and €200.0 million at December 31, 2010. The average rate for Q3 2011 of $1.38 was 0.9% higher than the comparative period average rate of $1.36 which had a favourable impact on the results of the Company's European operations when comparing Q3 2011 to Q3 2010. The closing rate at September 30, 2011 of $1.40 was 5.3% higher than the closing rate of $1.33 at December 31, 2010, which unfavourably increased the Canadian dollar equivalent amount of the Company's unhedged Euro denominated debt which stood at €200.0 million at September 30, 2011.

US dollar-Canadian dollar exchange rate: Fluctuations in the US dollar exchange rates compared to the Canadian dollar impact the results of the Company's operations located in the USA. However, the impacts are generally insignificant due to the relative size of the USA operations which comprised 4.6% of NOI in Q3 2011 and 7.7% of NOI in Q3 2010. Fluctuations in the US dollar also impact the Company's unhedged US dollar denominated debt which consisted of US$20 million at both September 30, 2011 and December 31, 2010.

Discontinued operations

On May 25, 2010 the Company sold off its portfolio of Canadian income producing investment properties to CANMARC for cash proceeds of $114.5 million, Units in CANMARC at a fair value of $143,139 plus a bargain purchase gain of $69,380 resulting in a pre-tax loss of $158,943. This represented 24 office properties, 66 retail properties, 12 residential properties, and 8 industrial properties for a combined gross square footage of 8.9 million.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended							
	Sep 30 2011	**Jun 30 2011**	**Mar 31 2011**	**Dec 31 2010**	**Sep 30 2010**	**Jun 30 2010**	**Mar 31 2010**	**Dec 31 2009**
	(Millions, except for per share amounts)							
Property revenue	**$ 31.6**	$ 31.9	$ 32.3	$ 35.4	$ 27.5	$ 31.2	$ 35.6	$ 42.9
Sale of properties developed for resale	**5.8**	3.2	1.7	1.9	2.5	5.2	5.5	61.7
Realized valuation changes				(0.7)		(0.2)	4.5	(6.8)
Unrealized valuation changes	**(1.4)**	(27.0)	16.6	(56.8)	10.0	(2.1)	0.9	(312.6)
Share of income of an associate	**(17.9)**	2.9	(9.6)	(14.1)	(0.1)	1.6		
Other income	**5.3**	(10.1)	(4.3)	20.8	(12.5)	4.6	13.5	10.2
Total revenue and other gains	**23.4**	0.9	36.6	(13.5)	30.8	40.3	60.0	(204.6)
Net operating income	**$ 25.8**	$ 25.2	$ 25.8	$ 25.7	$ 24.8	$ 26.6	$ 30.1	$ 29.9
Earnings (loss) before taxes- Continuing Operations	**$ (70.3)**	$ (40.2)	$ 0.3	$ 43.3	$ (5.6)	$ (4.3)	$ 16.0	$ (384.9)
Per Share - Basic	**$ (3.49)**	$ (1.99)	$ 0.02	$ 2.10	$ (0.32)	$ (0.25)	$ 0.76	$ (19.50)
Per Share - Diluted	**$ (3.49)**	$ (1.99)	$ 0.02	$ 2.10	$ (0.32)	$ (0.25)	$ 0.76	$ (19.50)
Net earnings (loss) - Continuing Operations	**$ (70.5)**	$ (41.6)	$ (3.3)	$ 10.3	$ 1.3	$ (9.6)	$ 16.1	$ (314.9)
Per Share - Basic	**$ (1.97)**	$ (2.10)	$ (0.20)	$ 0.44	$ 0.02	$ (0.51)	$ 0.76	$ (15.95)
Per Share - Diluted	**$ (1.97)**	$ (2.10)	$ (0.20)	$ 0.44	$ 0.02	$ (0.51)	$ 0.76	$ (15.95)
Net earnings - Discontinued Operations	**$ 0.4**	$ 0.5	$ (0.2)	$ (3.5)	$ (1.3)	$ (103.1)	$ 1.7	$ (95.1)
Per Share - Basic	**$ 0.02**	$ 0.02	$ (0.01)	$ (0.18)	$ (0.06)	$ (5.09)	$ 0.08	$ (4.81)
Per Share - Diluted	**$ 0.02**	$ 0.02	$ (0.01)	$ (0.18)	$ (0.06)	$ (5.09)	$ 0.08	$ (4.81)
Net earnings (loss)	**$ (70.0)**	$ (41.1)	$ (3.5)	$ 6.8	$ 0.1	$ (112.7)	$ 17.8	$ (410.0)
Per Share - Basic	**$ (1.95)**	$ (2.08)	$ (0.21)	$ 0.26	$ (0.04)	$ (5.60)	$ 0.84	$ (20.76)
Per Share - Diluted	**$ (1.95)**	$ (2.08)	$ (0.21)	$ 0.26	$ (0.04)	$ (5.60)	$ 0.84	$ (20.76)
Funds from operations, net of gross income (loss) from the sale of properties developed for resale	**$ (2.9)**	$ (1.8)	$ 0.2	$ 9.2	$ 2.6	$ (2.6)	$ 2.9	$ 6.1
Per Share - Basic	**$ (0.14)**	$ (0.09)	$ 0.01	$ 0.47	$ 0.13	$ (0.13)	$ 0.14	$ 0.31
Per Share - Diluted	**$ (0.14)**	$ (0.09)	$ 0.01	$ 0.47	$ 0.13	$ (0.13)	$ 0.14	$ 0.31
Total assets	**$ 2,099.2**	$ 2,088.6	$ 2,097.0	$ 2,062.9	$ 2,324.9	$ 2,192.5	$ 3,096.9	$ 3,292.2
Total long term debt	**$ 1,749.0**	$ 1,703.6	$ 1,666.8	$ 1,618.5	$ 1,729.3	$ 1,793.7	$ 2,493.5	$ 2,641.7
Dividend declared per share	**$ NIL**	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL

Third Quarter 2011 Results

Property revenues from continuing operations were $31.6 million during the third quarter ended September 30, 2011, compared to $27.5 million for the same quarter in 2010 for an increase of $4.1 million.

Net operating income (NOI) was $25.8 million in the third quarter of 2011, compared to $24.8 million in the third quarter of 2010 for an increase of $1.0 million. The increase is primarily due to increased property revenue.

The Company incurred a loss before taxes from continuing operations for the third quarter of 2011 of $70.3 million ($3.49 per share), compared to loss before taxes of $5.6 million in the same period in 2010 ($0.32 per share), an unfavourable variance of $64.7 million. The decrease relates primarily to the following:

- A net decrease in fair value of investment properties of $5.5 million in Q3 2011 compared to a net increase in fair market value of $13.5 million in Q3 2010.
- Investment properties under development saw a fair value increase by $4.1 million in Q3 2011 compared to nil in Q3 2010.
- A foreign exchange loss of $1.6 million was recorded in Q3 2011, compared to a loss of $10.6 million in Q3 2010, a variance of $12.2 million. The loss in Q3 2011 resulted from a minimal weakening of the Canadian dollar compared to the Euro between Q2 2011 and Q3 2011 from $1.41:€1 in the prior quarter to $1.40:€1 at September 30, 2011.
- A Q3 loss on the Company's share of income on an associate of $17.9 million in relation to a September 2011 public offering of Units completed by CANMARC on a bought deal basis resulting in a deemed disposal of the Company's investment and a decrease in ownership from 23.1% to 16.1%.
- A fair value gain on held for trading financial assets of $13.7 million in Q3 2011, compared to a minimal loss in Q3 2010, a negative variance of $13.7 million, resulting from decreases in the market prices on the Company's quoted investments;
- A $37.0 million expense due to the accelerated accretion of the Homburg Capital Securities A principal amount.

FFO, net of the sale of properties developed for resale, was $(2.9) million in Q3 2011 compared to $2.6 million in Q3 2010. The decrease of $5.5 million primarily related to unrealized valuation changes.

Second Quarter 2011 Results
Property revenues from continuing operations were $31.9 million during the second quarter ended June 30, 2011, compared to $31.2 million for the same quarter in 2010 for an increase of $0.7 million.

Net operating income (NOI) was $25.2 million in the second quarter of 2011, compared to $26.6 million in the second quarter of 2010 for a decrease of $1.4 million. The decrease is primarily due to the headlease commitments incurred in Q2 2011 that were not present in 2010.

The Company incurred loss before taxes from continuing operations for the second quarter of 2011 of $40.2 million ($1.99 per share), compared to loss before taxes of $4.3 million in the same period in 2010 ($0.25 per share), a variance of $35.9 million. The decrease relates primarily to the following:

- A net decrease in fair value of investment properties of $12.8 million in Q2 2011 compared to a net decrease in fair market value of $0.9 million in Q2 2010.
- Investment properties under development decreased by $14.2 million in Q2 2011.
- A foreign exchange loss of $7.8 million was recorded in Q2 2011, compared to a gain of $6.5 million in Q2 2010, a variance of $14.3 million. The loss in Q2 2011 resulted from a 2.5% weakening of the Canadian dollar compared to the Euro between Q1 2011 and Q2 2011 from $1.37:€1 in the prior quarter to $1.41:€1 at June 30, 2011.

FFO, net of the sale of properties developed for resale, was $(1.8) million in Q2 2011 compared to $(2.6) million in Q2 2010. The decrease of $0.8 million primarily related to lower NOI of $1.4 million, offset by unrealized valuation changes.

First Quarter 2011 Results
Property revenues from continuing operations were $32.3 million during the first quarter ended March 31, 2011, compared to $35.6 million for the same quarter in 2010 for a decrease of $3.3 million. The decrease is mainly a result of the 6.6% decrease in the average value of the Euro against the Canadian dollar in the first quarter of 2011 compared to the same quarter last year.

Net operating income (NOI) was $25.8 million in the first quarter of 2011, compared to $30.1 million in the first quarter of 2010 for a decrease of $4.3 million. The decrease is primarily due to the property revenue fluctuations in Europe as outlined above as well as $0.6 million in headlease commitments incurred in Q1 2011 that were not present in 2010.

The Company incurred earnings before taxes from continuing operations for the first quarter of 2011 of $0.3 million ($0.02 per share), compared to a gain before taxes of $16.0 million in the same period in 2010 ($0.76 per share), a variance of $15.7 million. The decrease relates primarily to the following:

- A net increase in fair value of investment properties of $15.6 million in Q1 2011 compared to a net increase in fair market value of $0.9 million in Q1 2010.
- Investment properties under development increased by $1.0 million in Q1 2011.
- Lower interest expense in Q1 2011 by $5.1 million over Q1 2010, mainly due to the reduction of debt at March 31, 2011 as well as the slight strengthening of the Canadian dollar against the Euro.
- A foreign exchange loss of $10.2 million was recorded in Q1 2011, compared to a gain of $13.2 million in Q1 2010, a variance of $23.4 million. The loss in Q1 2011 resulted from a 3.4% weakening of the Canadian dollar compared to the Euro between Q4 2010 and Q1 2011 from $1.33:€1 in the prior quarter to $1.37:€1 at March 31, 2011.
- A Q1 loss on the Company's share of income on an associate of $9.6 million in relation to a March 2011 public offering of Units completed by CANMARC on a bought deal basis resulting in a deemed disposal of the Company's investment and a decrease in ownership from 33.7% to 23.1%.

FFO, net of the sale of properties developed for resale, was $0.2 million in Q1 2011 compared to $2.9 million in Q1 2010. The decrease of $2.7 million primarily related to lower NOI of $4.3 million, offset by the foreign exchange gain.

Fourth Quarter 2010 Results
Property revenues from continuing operations were $35.4 million during the fourth quarter ended December 31, 2010, compared to $ 42.9 million for the same quarter in 2009 for a decrease of $7.5 million. The decrease is mainly a result of the 13.8% decrease in the average value of the Euro against the Canadian dollar in the fourth quarter of 2010 compared to the same quarter last year which equated to a $5.4 million decrease. In addition, the decrease was a result of the loss of former tenant Quelle GmbH which declared bankruptcy and vacated an industrial property in Nurnberg, Germany on December 31, 2009, as well as other current vacancies in the European portfolio.

Net operating income (NOI) was $25.7 million in the fourth quarter of 2010, compared to $29.9 million in the fourth quarter of 2009 for a decrease of $4.2 million. The decrease is primarily due to the property revenue fluctuations in Europe as outlined above as well as $0.6 million in headlease commitments incurred in Q4 2010 that were not present in 2009.

Net operating income from continuing operations increased slightly to $25.7 million in Q4 2010, $0.9 million higher than the $24.8 million recorded in Q3 2010 .

The Company incurred earnings before taxes from continuing operations for the fourth quarter of 2010 of $43.3 million ($2.10 per share), compared to loss before taxes of $384.9 million in the same period in 2009 ($19.50 per share), a variance of $428.2 million. The increase relates primarily to the following:

- A net decrease in fair value of investment properties of $40.0 million in Q4 2010 compared to a net decrease in fair market value of $263.9 million in Q4 2009. This variance of $223.9 million is largely due to a $132.0 million adjustment in fair value in Q4 2009 to the Nurnberg, Germany property vacated by former tenant, Quelle, after an independent external analysis.
- The Company realized a gain of $107.2 million in Q4 2010 relating to the sale of the Nurnberg, Germany property.

- A provision related to the establishment of an onerous contract was initially recorded in Q4 of 2009 for $34.1 million compared to a change in the provision in Q4 2010 of $4.7 million for a variance of $29.4 million.
- Investment properties under development decreased by $16.7 million in Q4 2010 compared to a decrease of $43.2 million in Q4 2009 for a positive variance of $59.9 million relating to significant write-downs of development properties in 2009 after a slowing of construction and development operations.
- The Company realized a $3.0 million gross loss (calculated as revenues less cost of sales on properties developed for resale) from the sale of properties developed for resale in Q4 2010, compared to a $19.9 million gross loss in Q4 2009, a positive variance of $16.9 million. The variance was primarily because the construction of the Homburg-Harris Centre in Calgary was substantially completed on December 31, 2009, and therefore net costs recorded in Q4 2009 are not recurring, reducing the loss on the properties. This is offset by lower sales activity on condominium units in Q4 2010.
- Lower interest expense in Q4 2010 by $2.6 million over Q4 2009, mainly due to the reduction of debt at December 31, 2010 as well as the slight strengthening of the Canadian dollar against the Euro.
- A foreign exchange gain of $11.0 million was recorded in Q4 2010, compared to a gain of $8.0 million in Q4 2009, a variance of $3.0 million. The gain in Q4 2010 resulted from a 5.5% weakening of the Canadian dollar compared to the Euro between Q3 2010 and Q4 2010 from $1.40:€1 in the prior quarter to $1.33:€1 at December 31, 2010. This fluctuation in foreign exchange decreased the value of the Company's €100 million of unhedged debt. This is compared to a strengthening of the Canadian dollar during the third quarter of 2009 from $1.58:€1 at Q3 2009 to $1.50:€1 at Q4 2009.

Offset by:

- A Q4 loss on the Company's share of income of an associate of $14.1 million in relation to a October 27, 2010 public offering of Units completed by CANMARC on a bought deal basis resulting in a deemed disposal of the Company's investment and a decrease in ownership from 41.2% to 33.7%.
- A fair value loss on investments of $0.5 million in Q4 2010, compared to a gain of $0.8 million in Q4 2009, a negative variance of $1.3 million, resulting from decreases in the market prices on the Company's quoted investments.

FFO, net of the sale of properties developed for resale, was $9.2 million in Q4 2010 compared to $6.1 million in Q4 2009. The increase of $3.1 million primarily related to lower NOI of $4.2 million, offset by the foreign exchange gain.

RESULTS OF OPERATIONS

Property revenue and net operating income
Information related to geographical operating segments is summarized below. Property revenue includes rental revenue and tenant cost recoveries. Net operating income has been calculated by deducting direct property operating expenses related to property revenue, and is exclusive of general and administrative expenses, depreciation and amortization, and interest on related debt.

Geographical Segments (In millions unless otherwise stated)	Germany	Netherlands	The Baltics	North America	Total
Nine months ended September 30, 2011					
Property revenue	**$ 45.6**	**$ 23.8**	**$ 13.5**	**$ 12.9**	**$ 95.8**
Operating expenses	**1.2**	**4.8**	**3.6**	**9.4**	**19.0**
Net operating income	**$ 44.4**	**$ 19.0**	**$ 9.9**	**$ 3.5**	**$ 76.8**
Occupancy rate at September 30, 2011	***100.0 %***	***60.9 %***	***79.2 %***	***88.3 %***	
Nine months ended September 30, 2010					
Property revenue	$ 42.7	$ 24.6	$ 14.1	$ 12.8	$ 94.2
Operating expenses	2.8	2.1	4.3	6.8	16.0
Net operating income	$ 39.9	$ 22.5	$ 9.8	$ 6.0	$ 78.2
Occupancy rate at September 30, 2010	*99.5 %*	*68.4 %*	*79.8 %*	*92.3 %*	
Three months ended September 30, 2011					
Property revenue	**$ 15.2**	**$ 7.4**	**$ 4.5**	**$ 4.5**	**$ 31.6**
Operating expenses	**0.4**	**1.0**	**1.1**	**3.3**	**5.8**
Net operating income	**$ 14.8**	**$ 6.4**	**$ 3.4**	**$ 1.2**	**$ 25.8**
Three months ended September 30, 2010					
Property revenue	$ 10.9	$ 7.8	$ 4.4	$ 4.3	$ 27.4
Operating expenses	0.9	1.1	1.2	2.9	6.1
Net operating income	$ 10.0	$ 6.7	$ 3.2	$ 1.4	$ 21.3

Total property revenue was $95.8 million in 2011, compared to $94.2 million in 2010, an increase of $1.6 million or 1.7%. This was primarily due to a rental increase in the Germany segment which was partially offset by the loss of several tenants in The Netherlands, which contributed to increased vacancies in this segment. As well, an increase of 0.9% in the average Euro foreign exchange rate compared to the Canadian dollar positively impacted the Germany, The Netherlands and the Baltic States revenue.

Property revenue from the North America segment increased slightly to $12.9 million in 2011 compared to $12.8 million in 2010, as the loss of several tenants was more than offset by revenue increases from the hotel situated in Charlottetown, PEI which commenced operations in Q3 2011.

Property operating expenses increased by $2.6 million in the North America segment to $9.4 million in 2011 compared to $6.8 million in 2010 due to new headlease commitments in 2011. The European segments experienced an increase in property operating expenses from a total of $9.2 million in 2010 to $9.6 million in 2011 for a variance of $0.4 million or 4.3%.

NOI decreased by 1.8% in 2011 compared to 2010 as a result of the loss of tenants, new headlease commitments and foreign exchange fluctuations discussed above.

In addition to the Company's geographical operating segments, the following information summarizes operating results by property classification.

Property Type Segments (In millions unless otherwise stated)	Retail	Industrial	Office	Residential	Total
Nine months ended September 30, 2011					
Property revenue	**$ 13.8**	**$ 10.6**	**$ 71.4**	**$**	**$ 95.8**
Operating expenses	**3.8**	**2.3**	**12.1**	**0.8**	**19.0**
Net operating income	**$ 10.0**	**$ 8.3**	**$ 59.3**	**$ (0.8)**	**$ 76.8**
Occupancy rate at September 30, 2011	**74.6 %**	**57.7 %**	**86.8 %**		
Nine months ended September 30, 2010					
Property revenue	$ 14.1	$ 12.1	$ 68.0	$	$ 94.2
Operating expenses	4.0	3.7	8.3		16.0
Net operating income	$ 10.1	$ 8.4	$ 59.7	$	$ 78.2
Occupancy rate at September 30, 2010	75.4 %	57.8 %	92.4 %		
Three months ended September 30, 2011					
Property revenue	**$ 4.7**	**$ 3.6**	**$ 23.3**	**$**	**$ 31.6**
Operating expenses	**1.3**	**0.5**	**3.7**	**0.3**	**5.8**
Net operating income	**$ 3.4**	**$ 3.1**	**$ 19.6**	**$ (0.3)**	**$ 25.8**
Three months ended September 30, 2010					
Property revenue	$ 4.5	$ 3.3	$ 19.6	$	$ 27.4
Operating expenses	1.2	1.2	3.7		6.1
Net operating income	$ 3.3	$ 2.1	$ 15.9	$	$ 21.3

The retail portfolio consists of 8 (December 31, 2010 - 7) retail properties, representing a shopping center in Germany, retail spaces in the Baltics, and a hotel in Prince Edward Island, Canada having total rentable square footage of 0.3 million square feet. The decrease in the occupancy rates is due to increased vacancies. The retail rental revenue and net operating income for 2011 on the properties held on September 30, 2011 have decreased 2.1% and 1.0% respectively over the same period in 2010 due primarily to the increase in vacancies during the year.

The industrial portfolio consists of 28 (December 31, 2010 - 28) industrial buildings located in Europe with a total area of 2.1 million square feet. The Company's industrial buildings generated $10.6 million total rental revenue in 2011 and $8.3 million in net operating income compared to $12.1 million total rental revenue in 2010 and $8.4 million in net operating income. These decreases of $1.5 million and $0.1 million respectively are primarily due to increased vacancy in the Netherlands and the Baltic States as previously discussed. Overall occupancy in the industrial portfolio remain consistently low - 57.7% at September 30, 2011 (57.8% - September 30, 2010) as there are several industrial properties still affected by the real estate economy slump in Europe.

The office portfolio consists of 77 (December 31, 2010 - 77) small to medium sized office buildings in the United States and Europe, with a total area of 5.1 million square feet. Property revenue in 2011 was $71.4 million compared to $68.0 million in the same period of 2010 while net operating income was $59.3 million versus $59.7 million in 2010. As operations have been stable in this segment, the decrease is due to the decrease in the foreign exchange rates. Overall occupancy in the office portfolio was 86.8% at September 30, 2011 (92.4% - September 30, 2010).

Properties Developed for Resale
Revenue from the sale of properties developed for resale decreased by $2.5 million from $13.2 million in 2010 to $10.7 million in 2011. The variance was because of significantly less sales activity on condominium units in the first half of 2011. Net gain from the sale of development properties was $0.8 million in 2011, compared to a net loss of $3.3 million in 2010.

BALANCE SHEET HIGHLIGHTS

Assets

Total assets did not fluctuate, remaining constant at $2.1 billion at December 31, 2010 and at September 30, 2011. The table below summarizes Homburg Invest's asset base.

	September 30 2011	December 31 2010
	(Millions)	*(Millions)*
Investment properties	**$ 1,497.4**	$ 1,401.7
Investment properties under development	**197.6**	217.4
Investments, at fair market value	**121.1**	8.9
Investment in an associate, at equity		191.7
Deferred tax assets	**8.9**	8.3
Restricted cash	**16.6**	4.1
Cash and cash equivalents	**46.8**	13.7
Properties under development for resale	**31.0**	36.9
Receivables and other	**35.0**	36.0
Assets classified as held for sale	**144.8**	144.2
	$ 2,099.2	$ 2,062.9

Investment Properties and Investment Properties under Development

Investment properties increased by $95.7 million from $1,401.7 million at December 31, 2010 to $1,497.4 million at September 30, 2011. The fair market value of investment properties was increased by the impact of foreign currency translation adjustments on overseas assets which was significant due to the difference between the Canadian dollar and Euro foreign exchange rate of $1.40:€1 at September 30, 2011 compared to $1.37:€1 at December 31, 2010, an increase of approximately 2.2% which equates to a $98.4 million increase. The offsetting $2.7 million relates to fair value adjustments on investment properties. Investment properties under development decreased by $19.8 million from $217.4 million to $197.6 million at September 30, 2011.

Investment in an Associate, at Equity

On September 13, 2011 the Company sold 3 million Units of CANMARC on a bought deal basis. HII's voting ownership in CANMARC therefore decreased to 16.1%, resulting in the Company no longer having a significant influence in CANMARC and reclassifying its investment to a portfolio investment.

Assets classified as Held for Sale

Assets held for sale increased marginally by $0.6 million from $144.2 million at December 31, 2010 to $144.8 million at September 30, 2011. This balance relates primarily to the planned sale of the Company's 80% joint venture interest in shopping centers in the United States. It is expected that this investment will be sold in the fourth quarter of 2011.

Receivables and other

Receivables mainly consist of amounts due from tenants and on the sale of properties developed for resale, deferred rental receipts, prepaid expenses, deferred leasing costs and GST rebates on development projects and VAT on foreign subsidiaries, all of which arise in the normal course of operations.

Investments at Fair Market Value

The long term investments totaled $121.1 million at September 30, 2011 compared to $8.9 million at December 31, 2010. The difference relates primarily to the reclassification of CANMARC investment from an equity investment.

Capital Structure

The table below summarizes Homburg Invest's capital structure.

	September 30, 2011		December 31, 2010	
	(Millions)		*(Millions)*	
Long term debt	**$ 1,749.0**	**92.4 %**	$ 1,618.5	86.2 %
Construction financing	**32.5**	**1.7 %**	40.2	2.1 %
Homburg Capital Securities A		**%**	1.0	0.1 %
Long term payables		**%**	10.3	0.5 %
MoTo Objekt Campeon GmbH & Co KG	**11.0**	**0.6 %**		%
Non-construction demand loans	**16.6**	**0.9 %**	12.9	0.7 %
Liabilities related to assets classified as held for sale	**90.0**	**4.8 %**	92.0	4.9 %
	1,899.1	**100.4 %**	1,774.9	94.5 %
Shareholders' equity	**(9.0)**	**(0.4)%**	101.7	5.4 %
	$ 1,890.1	**100.0 %**	$ 1,876.6	100.0 %

Long Term Debt

The debt instruments discussed below were in effect prior to the Petition Date. As a result, all actions to enforce or otherwise effect payment or repayment of liabilities of the Company prior to the Petition Date are stayed as of the Petition Date. Absent further order of the Court, no party may take any action to recover on pre-petition claims against the Company. It is not possible to predict the outcome of the CCAA proceedings and the discharge of liabilities are subject to significant uncertainty.

Mortgages payable on revenue producing properties increased by $42.4 million during 2011 due to the previously discussed foreign exchange rate changes on the EUR and USD denominated debt. Mortgage principal maturities include loans of $232.3 million which were in default of their lending covenants at September 30, 2011 and accordingly have been classified as falling due during the next year.

Mortgage bonds payable increased by $8.1 million during 2011, as a result of the currency increase. The Mortgage Bonds are recorded at the prevailing exchange rate at September 30, 2011.

The corporate non-asset backed bonds are seven year bonds issued in series and have a corporate guarantee pledged as collateral. The bonds mature between May 2013 and January 2015 and the Company has the option to redeem any series of bonds at their face amount anytime subsequent to the fifth anniversary of the issue of the bonds. The interest is payable semi-annually on June 30 and December 31. The bonds are issued in Euros and have been translated at period end exchange rates. The non-asset backed bonds increased by $24.5 million in 2011, which was the result of the increase of the Euro.

The junior subordinated notes consist of EUR €25.0 million ($35.1 million) (December 31, 2010 - EUR €25.0 million ($33.1 million)) and USD $20.0 million ($20.7 million) (December 31, 2010 - USD $20.0 million ($20.0 million)), and were in default of the interest coverage ratio and the net worth covenant ratio during the period ended September 30, 2011. The outstanding balances are translated at period end exchange rates.

Construction Financing
To September 30, 2011, the Company had $32.5 million in construction financing outstanding relating to its development projects outlined earlier.

Shareholders' Equity
Homburg Invest's shareholders' equity decreased $110.7 million from $101.7 million at December 31, 2010 to $(9.0) million at September 30, 2011. The decrease resulted from a $114.7 million net loss in the period that was partially offset by $4.3 million of Other Comprehensive Income resulting from foreign exchange movement.

The Company's US operations and European operations have a functional currency of the US dollar and Euro respectively for recording substantially all transactions. The financial statements of the Company's overseas operations are translated on consolidation to Canadian dollar equivalent amounts using the current rate method, whereby assets and liabilities are translated at period end exchange rates while revenues and expenses are converted using average translation rates for the reporting period. Gains and losses resulting from the currency translations of the subsidiaries are deferred and included in the accumulated Other Comprehensive Income (Loss) within shareholders' equity. At September 30, 2011, the cumulative gain was $5.5 million; an increase of $4.3 million from the accumulated gain amount of $1.2 million as at December 31, 2010.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL COMMITMENTS
Liquidity Risk
Liquidity risk relates to the possibility of insufficient debt and equity financing available to fund the desired growth of the Company and to refinance the current and long term debts as they come due. As a result of global capital market conditions, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining the same level of financing when seeking to renew existing debt and obtain new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate levels of financing. Liquidity risk also relates to the potential for early retirement of debt. Some of the Company's debt agreements have covenants including maximum loan to value ratio, net worth, interest coverage ratios, and/or reserve account balance requirements. Prior to the Petition Date, breach of any of these covenants could have resulted in the related debt being required to be repaid before its scheduled maturity date. Due to CCAA filing certain debts are in default and have therefore been reclassified as falling due in 2011. The Company does not anticipate that it will be required to make such payments during the pendency of the CCAA proceedings. See notes 1 and 2 for further discussion. The majority of the Company's real estate assets and related mortgage debts are currently held through limited partnership structures. These structures generally limit the recourse of the lender to the specific assets held in or below the limited partnership, and therefore a breach of covenant does not generally impact the Company outside of the specific limited partnership in which the breach of covenant occurs. The recourse of the lender to the Company's mortgage bonds and unsecured debt is generally unrestricted.

The Company has been negatively impacted by global economic and capital market conditions which have resulted in tightened lending standards, reduced market liquidity, a decrease in real estate transactions and lower real estate values. The Company is significantly levered with no book equity at September 30, 2011 (debt to equity - December 31, 2010 - 16.55:1) (long term debt, construction financing, long term payables and demand loans ÷ shareholders' equity). For the period ended September 30, 2011, Homburg Invest had total interest expense coverage from continuing operations of 0.71:1 (December 31, 2010 - 0.84:1) (calculated as property revenue, less property operating expenses and general and administrative expenses ÷ interest expense (excluding capitalized interest)).

The Company completed the creation of CANMARC to hold the Company’s eligible Canadian income producing real estate properties and related mortgage debt through an IPO that closed on May 25, 2010. Cash proceeds from the IPO of approximately $114.5 million were utilized to reduce debt and satisfy other obligations. On February 23, 2011 the Company announced its participation in a public offering of Units with CANMARC on a bought deal basis. The Company sold 2.5 million Units for net proceeds of $27,360. The underwriters exercised their over-allotment option, resulting in a total of 8.598 million Units being issued and HII's voting ownership in CANMARC decreasing from 33.7% to 23.1%. These transactions resulted in a net deemed disposition loss of approximately $11,452. On September 13, 2011 the Company announced its participation in a subsequent public offering of Units with CANMARC on a bought deal basis. The Company sold 3 million Units for net proceeds of $33,120. The underwriters exercised their over-allotment option, resulting in a total of 3.325 million Units being issued and HII's voting ownership in CANMARC decreasing from 23.1% to 16.1%. These transactions resulted in a net deemed disposition loss of approximately $13,110.

The following table presents the Company's contractual obligations at September 30, 2011, the majority of which are pre-petition. It is not possible to predict the outcome of the CCAA proceedings and, as such, the discharge of liabilities are subject to significant uncertainty.

(Millions) **Contractual Obligations**	**Payments Due by Period**					
	Within 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Later**
Head and ground leases	15.4	15.3	15.3	15.2	14.6	145.0
Mortgages: Normal principal installments (i)	21.1	19.5	16.4	16.5	12.5	
Interest (i)	47.9	43.5	39.5	34.6	31.0	
Principal maturities (iii)	332.9	28.6	108.6		56.3	464.1
Bonds and junior subordinated notes:						
Interest (i)	47.5	38.7	26.8	13.8	7.9	
Principal maturities (ii)	672.7					
Non construction demand loans (iv)	16.6					
Construction financing (v)	32.5					
Other current and long term payables	11.0					
Working capital deficit (vi)	25.7					
	1,223.3	**145.6**	**206.6**	**80.1**	**122.3**	**609.1**

The CCAA process outlined previously in Notes 1 and 2 could impact the amount of contractual obligations, and the time period they are settled over, and these may be different than presented.
The Company's derivative instrument liability of $26.9 million has been excluded from the above table as this liability relates to financial instruments that effectively fix the variable interest rate on certain mortgages, which is settled with the derivative instrument on a net basis. Accordingly, interest obligations on such mortgages are shown at the effective fixed rate, which approximates the timing of the related cash flows.

(i) The Company requires liquidity to meet the following obligations which ordinarily fall due in the next twelve months: mortgage principal installments of $21.1 million; interest on mortgages and mortgage bonds of $47.9 million; interest on corporate non asset backed bonds and junior subordinated notes of $47.5 million; capital spending requirements on the income property portfolio, expected to approximate $5.0 million; and operating lease commitments of $15.4 million. Sources of finance towards these obligations include: cash on hand of $46.8 million; net cash flow from operating activities before interest expense unrelated to development activities; cash generated from continued sales of completed condominium development projects; the potential sale of certain income producing and development properties, subject to reasonable prices being attained; and distributions received from CANMARC.

(ii) Through June 2012, the Company faces maturities of its mortgage bonds totalling €102,460 ($143,934), in addition to regularly scheduled principal payments and maturities related to other mortgage debts.

(iii) Mortgage principal maturities falling due within one year total $332.9 million, of which $0.4 million has been repaid subsequent to period end, $207.0 relates to loans in default of their lending covenants, $25.3 is expected to be renegotiated as part of the CCAA proceedings, and $100.1 fall current under normal business operations. During the period, the Company temporarily ceased making scheduled principal payments of €0.2 ($0.3) on four mortgages totaling €45.6 ($64.0) with property fair values of €45.6 ($64.0) at September 30, 2011 related to certain underperforming properties in the Netherlands. The lenders' recourse in respect of these property mortgages is limited to the assets of the limited partnerships holding these loans. The Company is in discussions to renegotiate the amortizations of these loans with the lenders. Subsequent to period end these mortgages have been brought current.

(iv) The Company's non construction demand loans of $16.6 million are secured by first or second charges over various investment properties not to exceed 65% of fair value.

(v) The Company has $228.6 million invested in investment properties under development and properties under development for resale that are not yet income producing. These development properties have been financed with first mortgage construction financing as well as unsecured debt totaling $32.5 million at September 30, 2011. The Company's reduced liquidity raises uncertainty with respect to the future development of certain land holdings and development projects. For properties under development for resale, where the current fair value is below the carrying value an impairment charge has been recorded. There is a risk that further delays in development projects could result in additional costs that may not ultimately be recoverable, and the potential for further impairment charges and/or fair value adjustments.

(vi) The working capital deficit of $25.7 million consists of cash of $46.8 million, related party receivable of $7.4 million, and trade receivables of $26.1 million, less payables of $91.3 million, income taxes payable of $7.1 million, related party payable of $7.5 million, and notes payables of $0.2 million, and arises in the normal course of operations as receivables from tenants are generally on shorter payment terms than trade payables to suppliers.

(vii) The Company's junior subordinated notes, with a principal balance of $55.8, were in default of the interest coverage ratio and the net worth covenant ratio during the period ended September 30, 2011. Mortgage principal maturities also include a loan in the amount of $232.3 million which was in default of its lending covenant at September 30, 2011. Accordingly, these principal maturities have been classified as falling due within one year.

As a result of the CCAA proceedings, all actions to enforce or otherwise effect payment or repayment of liabilities arising prior to the Petition Date are stayed as of the Petition Date. Absent further order of the Court, no party may take any action to recover on pre-petition claims against the Company. It is not possible to predict the outcome of the CCAA proceedings, which renders the discharge of liabilities subject to significant uncertainty.

The Company is currently developing a restructuring plan under the supervision of the Court. Pre-petition liabilities will be dealt with in the context of the plan.

Interest rate risk
As a result of global capital market conditions, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining similar terms of financing on renewals and on new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate terms for its financing. The borrowings of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. The Company's debt consists of $1,461.0 million in fixed rate debt and $331.6 million in floating rate debt (before deferred financing charges) including $47.7 million in demand and short term loans which are repayable in less than one year. The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on EUR €147.4 million ($207.0 million) (December 31, 2010 - EUR €148.3 million ($196.6 million)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended September 30, 2011, the impact on the consolidated income statement is a loss of $3.7 million (September 30, 2010 - loss of $10.0 million). The Company discloses the weighted average interest rate of maturing long term debt in the consolidated financial statements. With all other variables held constant, the Company has determined that a 1% change in interest rates would result in an annualized after tax change of $2.3 million in the Company's earnings as a result of the impact on floating rate borrowings.

Credit risk
The Company's principal assets are commercial properties. Credit risk on tenant receivables of $12.8 million (December 31, 2010 - $9.8 million) arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants, having a large diverse tenant base with varying lease expirations, requiring security deposits on high risk tenants and ensuring that a considerable portion of its property revenue is earned from international, national and large anchor tenants. The Company's largest tenant represents 37.0% of property revenue for the period. The ability of this tenant to fulfill its long term lease obligation, or to pay rent on a timely basis could impact the Company's annual cash flow. To mitigate this risk, the tenant has issued a EUR €75.0 million ($105.3 million) letter of guarantee, to the primary lender on the specific property, which would be utilized to mitigate major losses while the Company seeks replacement tenants. The Company's receivables are comprised primarily of current balances owing. The Company performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts. The remaining significant receivables consist of taxes recoverable from various government agencies and revenue from the sale of development properties. The amounts due from government agencies represent current recoverable amounts and the revenue from the sale of development properties is supported by security letters of credit issued by the purchaser.

Currency risk
Currency risk arises from assets and liabilities denominated in US dollars or Euros. The Company has established internal hedging relationships between Euro-denominated net investments in foreign self-sustaining operations and Euro-denominated corporate non-asset backed bonds and junior subordinated notes. At September 30, 2011, EUR €234.3 million ($329.1 million) (December 31, 2010 - EUR €234.3 million ($310.6 million)) of the Company's net investment was hedged with an equal amount of Euro-denominated debt. The hedge is considered to be an effective hedge at September 30, 2011 and December 31, 2010, and will be regularly reviewed to assess the continued effectiveness of the hedging relationship. Currency risk for other amounts denominated in US dollars and Euros is mitigated by US dollar and Euro revenue and expense streams related to property rentals. The operating results of the Company's foreign operations are translated to Canadian dollars for financial statement reporting purposes. Changes to the exchange rates during the reporting period impact those reported results. A 10% variation in exchange rates is considered to represent a reasonably possible change to existing rates.

With all other variables held constant, the Company has determined that a 10% change:
- in the Euro exchange rate compared to the Canadian dollar would result in a decrease (increase) in earnings after income taxes, excluding un-hedged debt, of $0.4 million and a foreign exchange gain or loss on the un-hedged Euro denominated corporate non-asset backed bonds of $9.8 million after income taxes; and
- in the US dollar exchange rate compared to the Canadian dollar would result in a decrease (increase) in earnings after income taxes, excluding un-hedged debt, of $1.2 million and a foreign exchange gain or loss on the un-hedged US dollar denominated junior subordinated notes of $1.4 million after income taxes.

The Balance Sheets of the Company's foreign self-sustaining operations are translated to Canadian dollars for financial reporting purposes using the period end exchange rate. The change in exchange rates on the net investment position of these self-sustaining foreign operations is reflected in the Other Comprehensive Income of the Company during the period. As noted above, the Company has established an internal hedging relationship between Euro-denominated debt and net investments in self-sustaining operations. To the extent that the hedges are effective, the foreign currency gain or loss on the hedging amounts of Euro-denominated debt is reflected in Other Comprehensive Income during the period.

Concentration risk
Certain of the Company's larger investment properties are leased to single tenants, and the recovery of the carried value of these investments is dependent upon the continuation of rental income on these properties from existing or new tenants. The Company's largest single tenant represented approximately 37.0% (December 31, 2010 - 36.8%) of property revenue for the year. The risk relates to the ability of the Company to replace this revenue stream on a timely basis while maintaining the related property costs. The Company mitigates this risk by entering into long term leases; reviewing the financial stability of the tenant and obtaining security or guarantees where appropriate; and seeking geographic and industry diversity of tenants. The Company's largest tenant has issued a letter of guarantee to the primary lender on the specific property, in an amount representing in excess of 2 years property revenue from this tenant. The property leased to this tenant has a fair market value of $627.8 million at September 30, 2011 (December 31, 2010 - $592.5 million). The Company also follows a policy of maintaining its properties to a quality standard that would support timely re-leasing to new tenants.

Environmental risk
As an owner and manager of real estate properties, the Company is subject to various Unites States, European and Canadian federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the Company liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. Failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell its real estate or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Company. The Company is not aware of any material non compliance with environmental laws at any of its properties. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. The Company has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on its business, financial condition or results of operation.

Risks related to HII's business operations
The Creditor Protection Proceedings have had a direct impact on HII's business and have compounded these risks and uncertainties. The actions and decisions of HII's creditors and other third parties with interests in the Creditor Protection Proceedings may be inconsistent with HII's plans and therefore could cause actual events to materially differ from those contemplated in the Company's statements. These risks and uncertainties could affect HII's business and operations in various ways such as having an adverse effect on HII's operations and financial condition, sales, customer relationships, employees and vendors.

On September 12, 2011, after receiving notification of the stay being granted in Canada, the NYSE Euronext stopped trading on the Company's Class A subordinate voting shares. The NYSE Euronext transferred the shares of the Company from trading group J7 to trading group JC. The objective of this segment is to group together securities whose market and/or financial characteristics are affected by events that might disrupt their situation in an enduring way or threaten the fair, orderly and efficient operation of the market. For additional information on Special segment JC please see NYSE Euronext Rule book I 6.9 and NYSE Amsterdam notice 2011-001. After the announcement of the transfer to the new trading group JC, trading of the shares of HII on the NYSE Euronext resumed.

On September 12, 2011 the Toronto Stock Exchange suspended all trading in the Class A subordinate voting shares, and the Class B multiple voting shares of the Company subject to an expedited review with respect to the Company meeting the continued listing requirements. On September 21, 2011 the Toronto Stock Exchange announced that effective October 20, 2011 it would delist the Company's Class A subordinate voting shares and Class B multiple voting shares for failing to meet its continued listing requirements. The Company's shares will remain halted.

FINANCIAL INSTRUMENTS

The Company does not acquire, hold or issue derivative financial instruments for trading purposes. The following table presents the classification, subsequent measurement, carrying values and fair values (where available) of the Company's financial assets and liabilities.

Classification	**Subsequent Measurement**	**Carrying Value 2011** *(Millions)*	**Fair Value 2011** *(Millions)*	Carrying Value 2010 *(Millions)*	Fair Value 2010 *(Millions)*
Held for Trading					
Long term investments: others (a)	Fair value (L1)	**$ 113.3**	**$ 113.3**	$ 1.6	$ 1.6
Long term investments: HEEF B.V. (a)	Fair value (L3)	**7.9**	**7.9**	7.2	7.2
Cash and cash equivalents (b)	Fair value (L1)	**46.8**	**46.8**	13.6	13.6
Derivative instrument liability (b)	Fair value (L2)	**(26.9)**	**(26.9)**	(21.8)	(21.8)
		$ 141.1	**$ 141.1**	$ 0.6	$ 0.6
Loans and Receivables					
Restricted cash (c)	Amortized cost	**$ 16.6**	**$ 16.6**	$ 4.1	$ 4.1
Receivables and other (c)	Amortized cost	**35.1**	**35.1**	36.0	36.0
		$ 51.7	**$ 51.7**	$ 40.1	$ 40.1
Other Financial Liabilities					
Accounts payable and other (c)	Amortized cost	**$ 138.5**	● [1]	$ 113.1	$ 113.1
Mortgages (d)	Amortized cost	**1,076.5**	● [1]	1,034.1	1,013.0
Mortgage bonds (d)	Amortized cost	**143.9**	● [1]	135.8	138.0
Corporate non-asset backed bonds (d)	Amortized cost	**435.4**	● [1]	411.0	413.8
Junior subordinated notes (d)	Amortized cost	**55.8**	● [1]	53.1	75.4
Deferred financing charges (d)	Amortized cost	**(0.2)**	● [1]	(15.5)	
Homburg Capital Securities A	Amortized cost	**37.6**	● [1]		
Construction financing (c)	Amortized cost	**32.5**	● [1]	40.2	40.2
		$ 1,920.0	**$**	$ 1,771.8	$ 1,793.5

Note 1 - The risks associated with CCAA could impact the amounts presented as Fair Value at September 30, 2011. The Company is therefore unable to determine the Fair Value of its liabilities as at the date of these statements.

The Company uses the following hierarchy for determining the fair value of financial instruments: Level 1 ("L1") - quoted (unadjusted) prices in active markets for identical assets or liabilities; Level 2 ("L2") - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and Level 3 ("L3") - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. There were no transfers in or out of financial instruments classified as L3 in 2010 or the first nine months of 2011.

(a) Long term investments are classified as held for trading and carried at their fair values. The fair value of the Company's investment in HEEF B.V. is based on the proportionate share of the reported net asset value of the B.V.. HEEF B.V. prepares its financial statements in accordance with IFRS using the fair value model. As such, the net asset value from the financial statements of the B.V. is reflective of its fair value. Management has determined that a reasonably possible change in the assumptions used to determine the fair value of the Company's investment in HEEF B.V. would not result in a significant impact to the consolidated financial statements. The fair values of other long term investments are based on quoted market prices. A gain of $13.7 resulting from the change in fair values of investments was recorded in the consolidated income statement during the period ended September 30, 2011 (2010 - gain of $0.6 million).

(b) Cash and cash equivalents, the currency guarantee payable and derivative instrument liabilities are classified as held for trading and carried at their fair values. The Company recorded a loss of $3.7 million during the period in the consolidated income statement (2010 - loss of $10.0 million).

(c) The Company's short term financial instruments, comprising restricted cash, trade receivables, related party receivables, notes receivable, trade payables, related party payables, notes payable, security deposits, Homburg Capital Securities A liability, and construction financing are carried at amortized cost which, due to their short term nature, approximates their fair value. The risks associated with CCAA, as previously outlined in Notes 1 and 2 could impact the amounts presented as Fair Value at September 30, 2011. The Company is therefore unable to determine the Fair Value of its liabilities as at the date of these statements.

(d) Long term financial instruments (other than long term investments) include mortgages, mortgage bonds, corporate non-asset backed bonds, junior subordinated notes, HCSA, and long term payables. The fair values of these financial instruments were based upon discounted future cash flows using discount rates, adjusted for the Company's own credit risk, that reflected current market conditions for instruments with similar terms and risks. Such fair value estimates were not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. The risks associated with CCAA, as previously outlined in Notes 1 and 2 could impact the amounts presented as Fair Value at September 30, 2011. The Company is therefore unable to determine the Fair Value of its liabilities as at the date of these statements.

TRANSACTIONS WITH RELATED PARTIES

The Company's direct parent is Homburg Finance A.G. which is controlled by the former Chairman and Chief Executive Officer. On September 8, 2011, however, Mr. Homburg and Homburg Finance A.G. entered into an agreement with Stitching Homburg Bonds and Stitching Homburg Capital Securities (together the "Trustees") authorizing the Trustees to exercise the voting rights of the HII shares held by Mr. Homburg and Homburg Finance A.G.

a) The Company has entered into agreements with companies commonly controlled by the former Chairman and Chief Executive Officer. A summary of the various transactions between related parties is as follows:

	Three Months Ended Sept 30 2011 (Thousands)	Three Months Ended Sept 30 2010 (Thousands)	**Nine Months Ended Sept 30 2011 (Thousands)**	Nine Months Ended Sept 30 2010 (Thousands)
Rental revenue earned	**$**	$ (209)	**$ (45)**	$ (429)
Management agreement termination fee (k)	$	$	**$**	$ 21,600
Asset and construction management fees (n)	**$ 612**	$ 2,868	**$ 4,313**	$ 6,585
Property management fees incurred (n)	**$ 517**	$ 1,972	**$ 1,568**	$ 3,483
Insurance costs incurred	**$ 7**	$ 182	**$ 45**	$ 514
Service fees incurred	**$ 1,109**	$ 1,659	**$ 2,971**	$ 3,500
Property acquisition / disposal fees incurred (n)	**$ 100**	$ 231	**$ 1,093**	$ 1,302
Mortgage bond guarantee fees incurred	$	$ 1,134	**$**	$ 3,027
Bond and other debt issue costs incurred	$	$ 32	**$**	$ 209
Interest costs incurred (h)	**$ 442**	$ 44	**$ 1,327**	$ 174

b) Included in trade payables is $3.1 million (accounts payable - December 31, 2010 - $0.4 million) with companies commonly controlled by the former Chairman and Chief Executive Officer.

c) Included in restricted cash and accounts payable is a deposit on a condominium unit of $0.4 million (December 31, 2010 - $0.4 million) from the former Chairman and Chief Executive Officer. The unit will be purchased at market prices.

d) The Company had approved a resolution authorizing the property manager, a company commonly controlled by the former Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company. This agreement was terminated July 29, 2011.

e) Professional services of approximately $0.2 million (September 30, 2010 - $0.3 million) were purchased from a corporation of which one of the Company's former directors is affiliated.

f) Included in accounts payable and other liabilities is $7.5 million (December 31, 2010 - $8.3 million) with companies commonly controlled by the former Chairman and Chief Executive Officer, which are non-interest bearing and have no set terms of repayment.

g) In 2010 the Company ended a guarantee arrangement for the principal and interest amounts of the mortgage bonds payable, with a company under the control of the former Chairman and Chief Executive Officer, wherein it was protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee per annum was 1.6% on the Series 4, Series 5, Series 6, and Series 7 Bonds. During 2010 this contract was cancelled, thus eliminating the Company's liability for $13.4 million, representing an approximate discount of 30% from the book value of the liability.

h) Included in non-construction demand loans is a promissory note payable in the amount of EUR €4.2 million ($5.9 million) (December 31, 2010 - EUR €6.3 million ($8.3 million)). This amount relates to the Company's investment in Homburg Eastern European Fund B.V. The note bears interest at 6.0% per annum and has no specific repayment terms.

i) The Company has entered into head leases (the "Head Leases") with CANMARC. The annual minimum rent payable, excluding amounts subject to third party tenants, total $1.5 million. The head leases commenced on May 25, 2010 and have a five year term subject to certain rights of termination upon third party leasing of such space. The Company has $1.0 million included in property operating expenses for the period ended September 30, 2011.

j) The Company has entered into a ground lease with CANMARC for a term of 25 years, with an option to renew for up to 3 additional periods of 25 years each. The annual minimum rent payable for the ground lease is $0.2 million. The Company has $0.1 million included in property operating expenses for the period ended September 30, 2011.

The Company has pledged and hypothecated in favour of CANMARC (the "Units") having an aggregate value of approximately $6 million as collateral for its obligations under the Head Leases (the “Head Lease Pledge”), and Units having an aggregate value of approximately $4 million as security for certain of its obligations in connection with remediation costs, if any, on certain income producing properties (the "Remediation Cost Pledge"). The number of Units pledged under the Head Lease Pledge reduces annually by 1/5 of the number of Units pledged. The number of Units pledged under the Remediation Cost Pledge will be reduced from time to time upon payment by the Company to CANMARC of any portion of the remediation costs, if any, it being understood that for each $10 of the total remediation cost paid to CANMARC, the number of Units pledged under the Remediation Cost Pledge will be reduced by one Unit. Upon payment of the full Remediation Cost, the Company will be fully discharged of its obligations under the Remediation Cost Pledge and any remaining Units will be released from the Remediation Cost Pledge.

k) As part of the CANMARC launch by the Company on December 16, 2009, the Company concluded that management functions relating to its Canadian operations performed under the existing agreements should be internalized within CANMARC. The Company considered various restructuring alternatives to modify the agreements accordingly, and concluded that the preferred alternative was the immediate termination of the agreement. Consequently, the Company, together with its various property owning subsidiary partnerships, paid the termination amount of $21.6 million provided for under the agreement, effective February 25, 2010 and this amount has been included in the loss from discontinued operations.

l) During the previous year the Company sold its 50% interest in Homburg SNS Property Finance Limited Partnership to a company commonly controlled by the former Chairman and Chief Executive Officer for $7.4 million in notes receivable.

m) On June 27, 2011, CANMARC acquired from CP Developments Ltd., a wholly owned subsidiary of the Company, the three existing office buildings that currently comprise the Centron Park Complex in Calgary's suburban south district, and an interest in lands by way of a purchase option providing CANMARC with the right to acquire the four remaining buildings of the Complex, as developed. The gross purchase price for the existing buildings and the purchase option was $39.7 million, excluding closing and transaction costs.

n) Property and Asset Management Service Fees
The Company has entered into a Property and Asset Management Agreement, initially set to expire on June 30, 2016, with a company commonly controlled by the former Chairman and Chief Executive Officer to provide the following services payable on a monthly basis:

Property Management Service Fees
(i) For investment properties where Single Tenant Triple Net Leases (which is defined as a lease under which the lessee is the sole tenant occupying the relevant property and pays rent to the lessor, as well as generally all other costs and expenses that arise from the use of the property, such as utilities, property taxes, insurance and maintenance expenses) were in place, the Manager did not receive any property management fees;
(ii) For investment properties situated in Canada or the United States where Single Tenant Triple Net Leases were not in place, fees were a percentage of all cash receipts or net revenue (i.e. total basic rent plus expense recoveries) as generated by the Properties;
(iii) For investment properties situated in Europe where Single Tenant Triple Net Leases were not in place, fees were a percentage of annual rents as generated by the Properties;
(iv) Construction supervision fees equal to 10% of the gross value (net of taxes) of the cost of construction or related construction contracts. Gross costs included the total hard and soft costs (including interest), but excluded land cost. The Manager was responsible for, including but not limited to, project management and all third party costs for construction management and other related costs; and
(v) Leasing fees equal to 10% of the first year net revenue for leases with a term of less than two years, 15% of the first year net revenue for leases of three to four years and 20% of the first year net revenue for leases of five years or longer. The Manager was to pay out of the applicable Owner's funds, mortgage payments, taxes, assessments, premiums on insurance and all other payments related to the operation of the Properties.

Asset Management Service Fees

(vi) For investment properties situated in Canada or the United States, annual fees of 0.30% of the total asset base, calculated on the quarterly basis for properties where Single Tenant Triple Net Leases (as such term is defined above) were in place, and 0.75% of the total asset base, calculated on a quarterly basis, for properties where Single Tenant Triple Net Leases (as such term is defined above) were not in place;

(vii) For investment properties situated in Europe, annual fees of 0.20% of the total asset base, calculated on a quarterly basis;

(viii) Share issue fees of 5% of the total gross proceeds raised in share issues of HII, provided that the Manager assumed all costs related to such share issues (including selling commissions payable to intermediaries, legal fees, marketing expenses, travel expenses and additional out-of pocket expenses). No fees were payable by HII to the Manager with respect to shares issued to a vendor of a property acquired by HII or private placements to related parties; and

(ix) Acquisition and disposition fees of 2.5% of the total acquisition or disposition price of the relevant property, provided however that, (i) in the context of a series of transactions forming part of the same transaction, the 2.5% fee is only payable once based on the total acquisition or disposition price, as the case may be; and (ii) the Manager was not entitled to be reimbursed for any due diligence or execution costs relating to any acquisitions or dispositions, whether successful or unsuccessful, including legal, accounting, financial advisory and brokerage services as well as travel expenses and the cost of obtaining structural, environmental, title, and appraisal reports.

On July 29, 2011 the Company terminated the Property and Asset Management Agreement described above and subsequently entered into a Property and Asset Management Agreement, set to expire on December 31, 2011, with a company commonly controlled by the former Chairman and Chief Executive Officer to provide the following services payable on a monthly basis:

Property Management Service Fees

(i) For investment properties where Single Tenant Triple Net Leases (which is defined as a lease under which the lessee is the sole tenant occupying the relevant property and pays rent to the lessor, as well as generally all other costs and expenses that arise from the use of the property, such as utilities, property taxes, insurance and maintenance expenses) were in place, the Manager did not receive any property management fees;

(ii) For investment properties situated in Europe, deemed to be producing a positive cash flow and where Single Tenant Triple Net Leases were not in place, fees were a percentage of annual rents as generated by the Properties;

(iii) For investment properties situated in Europe, not deemed to be producing a positive cash flow and where Single Tenant Triple Net Leases were not in place, fees were a fixed monthly amount;

Asset Management Service Fees

(iv) For investment properties situated in Europe, deemed to be producing a positive cash flow, annual fees of 0.20% of the total fair market value, calculated on a quarterly basis;

Related party transactions are recorded at their exchange amounts, being the amounts agreed to by the related parties.

SUBSEQUENT EVENTS

a) On October 7, 2011 the Court extended the stay, which was temporarily granted to the Company on September 9, 2011, and expiring October 6, 2011, to December 9, 2011.

b) Subsequent to period end, all mortgage principal and interest payments due on European income producing assets, held through limited partnerships, were brought current.

c) Subsequent to period end, the Company repaid its operating line of credit, which was secured by 3 million Units of CANMARC, and the Units were returned to the Company.

d) Subsequent to period end, the Company received a Notice of Default from Skandinaviska Enskilda Banken AB ("SEB"), the lender on the Company's Baltic assets with respect to the interest rate swap on the portfolio. As the default was triggered by a principal repayment request by SEB in 2010 to correct a breach of the interest coverage ratio covenant, the Company is confident that a solution can be negotiated, and discussions are ongoing.

e) Subsequent to period end, various contractors on assets under development in Calgary, Alberta, and Charlottetown, Prince Edward Island, have registered liens against the properties. Under the CCAA process, the liens are stayed, and can not be acted upon.

f) On October 20, 2011 the Toronto Stock Exchange delisted the Company's Class A subordinate voting shares ("HII.A") and Class B multiple voting shares ("HII.B") for failing to meet its continued listing requirements. Trading in the Company's shares will remain halted.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the date of the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

i) Operating lease commitments - Company as lessor.

The Company has entered into commercial and residential property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

ii) Consolidation and proportionate consolidation of Limited Partnerships (L.P.'s).

A large portion of the Company's investment properties are held in L.P.'s. In certain of these L.P.'s, the Company is the sole limited partner and it has been determined that the Company is able to exercise full control. Accordingly, these entities are consolidated. In other partnerships, the Company's share is less than 100%. Homburg LP Management Inc., a company directly and indirectly controlled by the former Chairman and CEO, acts as the general partner in all partially owned L.P.'s, except the Cedar joint venture in which the general partner is related to the minority limited partner. The Company has concluded that it is able to exercise joint control over all entities which are less than 100% owned, primarily established by terms which require the unanimous consent of all partners for major partnership decisions. Accordingly, these entities are proportionately consolidated.

Estimates and assumptions

In the process of applying the Company's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognised in the consolidated financial statements:

i) Valuation of investment properties. Investment properties comprises real estate (land or buildings or both) held by the Company in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes or in the ordinary course of business. Investment properties are presented at fair value at the reporting date. Any change in fair value is determined by using a combination of management's internal valuations and valuations from independent real estate valuation experts, each in accordance with recognized valuation techniques. The techniques used comprise both the capitalized net operating income method and the discounted cash flow method and include estimating, among other things, capitalization rates and future net operating income and discount rates and future cash flows applicable to investment properties, respectively. Management's internal assessments of fair value are based upon internal financial information and are corroborated by capitalization rates obtained from independent industry experts. Management's internal valuations and independent appraisal values obtained are both subject to significant judgment, estimates and assumptions about market conditions in effect at the reporting date.

ii) Valuation of investment properties under development. Prospectively from January 1, 2009, investment properties being constructed or developed are carried at fair value, to the extent that fair value is reliably determinable, with changes in fair value recognized in the Consolidated Income Statement. To the extent that fair value is not reliably determinable, the property is carried at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier. Fair value is determined by using a combination of management's internal valuations and valuations from independent real estate valuation experts, each in accordance with recognized valuation techniques. The techniques used comprise both the capitalized net operating income method and the discounted cash flow method and include estimating, among other things, capitalization rates and future net operating income and discount rates and future cash flows applicable to investment properties, respectively. The fair value of land to be developed for future use as an investment property is based on recent comparable market transactions, plus costs incurred that enhance the land value. Prior to January 1, 2009, the Company applied the revaluation model for its development properties (other than those being developed for resale). Under the revaluation model, the development properties were valued at fair value if and when such value could be reliably determined. If fair value could not be reliably determined, the cost approach was followed. Under the cost approach the value of a development property was estimated by summing the land value and the value of capital expenditures, including capitalized interest. The Company also assessed these properties for impairment.

iii) Valuation of properties under development for resale. Properties under development for resale are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs and costs to complete development. Estimated selling prices are supported by recent comparable market transactions.

iv) Income taxes. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In addition, the Company operates in a number of jurisdictions and its legal structure is complex. The computation of the Company's income tax provision and deferred tax balances involves many factors including interpretation of relevant tax legislation in each of the jurisdictions in which the Company operates. When applicable, the Company adjusts the previously recorded tax provision and associated tax assets and liabilities to reflect changes in estimates and for any tax assessments levied.

v) Fair value of financial instruments. Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. Inputs to these models are taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

vi) Provisions. The Company has entered into certain operating lease commitments with respect to head leases which are potentially onerous, depending on the Company's ability to recover its obligations through sub-leases with sub-tenants. The Company estimates the amounts it may be able to recover using current market data concerning leasing rates and tenant incentives and estimates of time expected to sub-lease any vacant space. Changes in assumptions about these factors could affect the reported amount of provisions.

These estimates and assumptions result from the application of judgment and therefore are subject to uncertainty. The Company monitors these estimates and assumptions on a continual basis.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

Future accounting standards and interpretations
The Company is evaluating the possible impact of a number of standards and interpretations issued by the IASB with an effective date after the date of these consolidated interim financial statements. The following sets out only those items which may have a material impact on the Company's consolidated financial statements in future periods.

IFRS 7 Financial Instruments Disclosure
IFRS 7 was issued by the IASB on October 7, 2010 and contains amendments to the existing IFRS 7. The amendments to IFRS enhances disclosure requirements about transfers of financial assets. The amendments of IFRS 7 are effective for annual periods beginning on or after July 1, 2011.

IFRS 9 Financial Instruments
IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amount, timing and uncertainty of an entity's future cash flows. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements
On May 12, 2011 the IASB issued IFRS 10, which will replace IAS 27, Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The new standard provides a single model for consolidation based on control, which exists when an investor is exposed or has the right to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. The standard also provides guidance on how to evaluate power and requires that control is assessed as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements
On May 12, 2011, IASB issued IFRS 11. The new standard replaces IAS 31, Interest in Joint Ventures. The new standard eliminates the option to proportionately consolidate interest in certain types of joint ventures. This may impact the jointly controlled entities which the Company currently proportionality consolidated under IFRS. The new standard will be effective for the Company's year end beginning January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
The IASB issued IFRS 12 on May 12, 2011. The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity and is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

IAS 12 Deferred Tax: Recovery of Underlying assets
In December 2010, the IASB made amendments to IAS 12, Income Taxes that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, Investment Property. The amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Company has not yet determined the impact of the amendments to IAS 12 on its financial statements.

IAS 1 Presentation of Financial Statements
In June 2011, the IASB amended IAS 1, Presentation of Financial Statements. The amendments to IAS 1 retain the "one or two statement" approach to presenting the Statements of Income and Comprehensive Income at the option of the entity and only revise the way other comprehensive income is presented. This amended standard is effective for annual periods beginning on or after July 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures
In May 2011, the IASB amended IAS 28, Investments in Associates and Joint Ventures, previously IAS 28, Investment in Associates. The amended IAS 28 sets out the accounting for investments in associates and the requirements for application of the equity method when accounting for investments in associates and joint ventures. The Company is assessing the impact of this new standard on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to senior management to ensure appropriate and timely decisions are made regarding public disclosure. The Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), has designed internal controls over financial reporting (as defined in the Canadian Securities Administrator's National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS).

MATERIAL CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is currently assessing the impact that internalizing management has had on the control environment, particularly in the areas of governance and information technology general controls. During the period, two directors had resigned from the Board of Directors and the Board of Directors now consists of six directors, of which five are independent. Subsequent to period end, the Company has migrated its financial data onto a server which it now exercises complete authority over. Other than these areas, there were no material changes in internal controls over financial reporting in 2011.

OTHER REQUIREMENTS

(a) Additional information relating to Homburg Invest, including our Annual Information Form (AIF) is on our website at www.homburginvest.com and at SEDAR at www.sedar.com.

(b) The Company continues to prepare its financial statements in accordance with International Financial Reporting Standards and makes its financial statements available at SEDAR at www.sedar.com.

(c) National Instrument 51-102, Section 5.4 Disclosure of Outstanding Share Data. As at September 30, 2011, Homburg Invest was authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Multiple Voting Shares and an unlimited number of Class A and B preferred shares, issuable in series, with rights and privileges to be determined upon issue. On that date, 17,034,488 Class A Subordinate Voting Shares and 3,104,839 Class B Multiple Voting Shares were issued for a recorded value of $700.4 million.

2011 OUTLOOK AND PROPOSED TRANSACTIONS

The Company has objected to the intention of the Authority for the Financial Markets in the Netherlands ("AFM") to withdraw Homburg Invest's licence as an investment company. Homburg Invest has now made formal written submissions to the AFM requesting that the AFM reconsider its proposal to revoke Homburg Invest's licence. Homburg Invest has emphasized that maintaining its licence will allow it to consider the widest number of potential alternatives for creditors, including bondholders, as part of the restructuring process. Maintaining the licence is important in that it would allow Homburg Invest to issue new equity in the Netherlands as part of the restructuring process. The Monitor is supporting Homburg Invest's initiatives in this regard.

On September 12, 2011, after receiving notification of the stay being granted in Canada, the NYSE Euronext stopped trading on the Company's Class A subordinate voting shares. The NYSE Euronext transferred the shares of the Company from trading group J7 to trading group JC. The objective of this segment is to group together securities whose market and/or financial characteristics are affected by events that might disrupt their situation in an enduring way or threaten the fair, orderly and efficient operation of the market. For additional information on Special segment JC please see NYSE Euronext Rule book I 6.9 and NYSE Amsterdam notice 2011-001. After the announcement of the transfer to the new trading group JC, trading of the shares of HII on the NYSE Euronext resumed.

On September 12, 2011 the Toronto Stock Exchange suspended all trading in the Class A subordinate voting shares, and the Class B multiple voting shares of the Company subject to an expedited review with respect to the Company meeting the continued listing requirements. On September 21, 2011 the Toronto Stock Exchange announced that effective October 20, 2011 it would delist the Company's Class A subordinate voting shares and Class B multiple voting shares for failing to meet its continued listing requirements. The Company's shares will remain halted.

The Company in consultation with the Monitor, will develop a Restructuring Plan for the Company that will then be submitted to the affected creditors for approval, prior to being submitted to the Court for final approval.

"Signed"	"Signed"
Jan SchÖningh, MBA	James F. Miles, CA
President and CEO	Vice President and CFO

Homburg Invest Inc.
Interim Condensed Consolidated Financial Statements
(Under Creditor Protection Proceedings as of September 9, 2011 - see notes 1 and 2)
(See note 1 regarding the going concern assumption)
(Unaudited - Prepared by Management)

September 30, 2011

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2011 and September 30, 2010 have not been reviewed by the Company's external auditors.

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Homburg Invest Inc.
(Under Creditor Protection Proceedings as of September 9, 2011 - see notes 1 and 2)
Consolidated Balance Sheets
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	Note	September 30 2011	December 31 2010
Assets			
Non-current assets			
Investment properties		**$ 1,497,358**	$ 1,401,727
Investment properties under development		**197,575**	217,363
Investments, at fair market value	5	**121,114**	8,864
Investment in an associate, at equity	6		191,702
Restricted cash		**16,624**	4,088
Deferred tax assets	9	**8,897**	8,316
		1,841,568	1,832,060
Current assets			
Cash and cash equivalents		**46,773**	13,617
Properties under development for resale		**30,992**	36,932
Receivables and other	4	**35,057**	36,025
		112,822	86,574
Assets classified as held for sale	10	**144,814**	144,247
		257,636	230,821
Total assets		**$ 2,099,204**	$ 2,062,881
Equity and Liabilities			
Total equity	11	**$ (9,011)**	$ 101,676
Non-current liabilities			
Long term debt	8	**722,327**	1,433,340
Derivative financial instruments	14	**222**	21,847
Deferred tax liabilities	9	**42,678**	40,055
Other liabilities	7		10,340
Provisions		**10,259**	10,287
		775,486	1,515,869
Current liabilities			
Accounts payable and other liabilities	7	**138,498**	102,783
Income taxes payable	9	**7,105**	8,243
Construction financing		**32,537**	40,231
Current portion of long term debt	8	**1,026,697**	185,168
Provisions		**11,124**	16,922
Derivative financial instruments	14	**26,723**	
		1,242,684	353,347
Liabilities associated with assets classified as held for sale	10	**90,045**	91,989
		1,332,729	445,336
Total liabilities		**2,108,215**	1,961,205
Total equity and liabilities		**$ 2,099,204**	$ 2,062,881

Commitments	16
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Approved by the Board, November 17, 2011

"Signed"
Hartmut Fromm
Director

"Signed"
Edward P. Ovsenny
Director

The accompanying notes are an integral part of these condensed consolidated financial statements.

Homburg Invest Inc.
(Under Creditor Protection Proceedings as of September 9, 2011 - see notes 1 and 2)
Consolidated Statements of Income and Loss
Nine Months Ended September 30
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	Note	**Three Mos. Ended Sept 30 2011**	Three Mos. Ended Sept 30 2010	**Nine Mos. Ended Sept 30 2011**	Nine Mos. Ended Sept 30 2010
Property revenue	18	**$ 31,557**	$ 27,447	**$ 95,723**	$ 94,203
Sale of properties developed for resale		**5,767**	2,539	**10,736**	13,172
Total revenues		**37,324**	29,986	**106,459**	107,375
Property operating expenses	18	**5,765**	6,110	**18,954**	15,966
Cost of sale of properties developed for resale		**5,460**	3,376	**9,971**	16,487
		11,225	9,486	**28,925**	32,453
Gross income from operations		**26,099**	20,500	**77,534**	74,922
General and administrative		**(6,383)**	(2,870)	**(14,744)**	(10,866)
Expenses relating to CCAA filings		**(2,418)**		**(2,418)**	
Stock based compensation		**(5)**	(27)	**(25)**	(77)
Other income, net		**185**	1,394	**392**	5,807
Dividend income		**80**		**94**	107
Share of income of an associate	6	**(17,862)**	(114)	**(24,547)**	1,518
Gain on sale of investments					4,307
Net adjustment to fair value of:					
Investment properties		**(5,487)**	13,512	**(2,730)**	12,394
Investment properties under development		**4,064**	(40)	**(9,111)**	(40)
Held for trading financial assets	5, 14	**13,727**	(39)	**13,726**	623
Derivative financial instruments	14	**(7,116)**	(3,296)	**(3,720)**	(10,040)
Interest expense	7,8	**(37,403)**	(26,896)	**(87,274)**	(81,986)
Accelerated accretion expense	8	**(37,002)**		**(37,002)**	
Foreign exchange gain (loss)		**(1,583)**	(10,559)	**(19,553)**	9,148
Change in provision		**811**	2,816	**(836)**	428
Income (loss) from continuing operations before income taxes		**(70,293)**	(5,619)	**(110,214)**	6,245
Income tax expense (recovery)	9	**182**	(6,948)	**5,197**	(1,793)
Net income (loss) from continuing operations		**(70,475)**	1,329	**(115,411)**	8,038
Net income (loss) from discontinued operations after tax	10	**432**	(1,268)	**749**	(102,844)
Net income (loss)		**$ (70,043)**	$ 61	**$ (114,662)**	$ (94,806)
Earnings (loss) per share	12				
Per Class A Subordinate Voting Share and Class B Multiple Voting Share: Basic and Diluted					
Net earnings (loss) from continuing operations		**$ (1.97)**	$ 0.02	**$ (4.29)**	$ 0.29
Net earnings (loss) from discontinued operations		**$ 0.02**	$ (0.06)	**$ 0.04**	$ (5.10)
Net loss per share		**$ (1.95)**	$ (0.04)	**$ (4.25)**	$ (4.81)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Homburg Invest Inc.
(Under Creditor Protection Proceedings as of September 9, 2011 - see notes 1 and 2)
Consolidated Statements of Comprehensive Income and Loss
Nine Months Ended September 30
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	Note	**Three Mos. Ended Sept 30 2011**	Three Mos. Ended Sept 30 2010	**Nine Mos. Ended Sept 30 2011**	Nine Mos. Ended Sept 30 2010
Net loss		**$ (70,043)**	$ 61	**$ (114,662)**	$ (94,806)
Other comprehensive income (loss) :					
Unrealized foreign currency translation gain (loss)		**3,242**	7,603	**24,351**	(36,014)
Deferred income tax (expense) recovery	9, 11	**(255)**	(3,748)	**(1,575)**	4,469
		2,987	3,855	**22,776**	(31,545)
Foreign currency gain (loss) on financial instruments designated as hedges of self sustaining foreign operations		**194**	(31,605)	**(18,490)**	20,935
Deferred income tax expense			2,687		2,687
Other comprehensive income (loss)	11	**3,181**	(25,063)	**4,286**	(7,923)
Comprehensive loss		**$ (66,862)**	$ (25,002)	**$ (110,376)**	$ (102,729)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Homburg Invest Inc.
(Under Creditor Protection Proceedings as of September 9, 2011 - see notes 1 and 2)
Consolidated Statements of Changes in Equity
Nine Months Ended September 30
(Unaudited - Prepared by Management)
(CAD $ thousands except per share amounts)

	Other Paid In Capital	Share Capital	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Deficit	Total
December 31, 2009	**34,435**	**691,785**	**12,756**	**19,224**	**(558,129)**	**200,071**
Equity contribution (net of tax)			4,932			4,932
Comprehensive loss				(18,034)	(88,054)	(106,088)
Shares issued re: DIM 2010	(11,489)	11,489				
Homburg Capital Securities A (Note 11d)	6,225				(3,133)	3,092
Acquisition & cancellation of own shares		(2,240)	1,821			(419)
Stock based compensation			88			88
December 31, 2010	**29,171**	**701,034**	**19,597**	**1,190**	**(649,316)**	**101,676**
Comprehensive income (loss)				4,286	(114,662)	(110,376)
Homburg Capital Securities A (Note 8 & 11d)	(29,171)				28,935	(236)
Acquisition & cancellation of own shares (Note 11b and c)		(631)	531			(100)
Stock based compensation			25			25
September 30, 2011	$	$ 700,403	$ 20,153	$ 5,476	$ (735,043)	$ (9,011)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Homburg Invest Inc.
(Under Creditor Protection Proceedings as of September 9, 2011 - see notes 1 and 2)
Consolidated Statements of Cash Flows
Nine Months Ended September 30
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	Note	**Three Mos. Ended Sept 30 2011**	Three Mos. Ended Sept 30 2010	**Nine Mos. Ended Sept 30 2011**	Nine Mos. Ended Sept 30 2010
Cash obtained from (used in)					
Operating activities					
Net income (loss) from continuing operations		**$ (70,475)**	$ 1,329	**$ (115,411)**	$ 8,038
Items not affecting cash:					
Realized valuation changes					(4,307)
Fair market value changes on:					
Investment properties		**5,487**	(13,512)	**2,730**	(12,394)
Development properties		**(4,064)**	40	**9,111**	40
Change in provisions		**(811)**	(2,816)	**836**	(428)
Loss on derivative instruments		**7,116**	3,296	**3,720**	10,040
Distribution income from associate		**2,569**	4,477	**8,576**	4,711
Amortization of financing fees		**13,644**	1,294	**16,162**	3,414
Loss (gain) from associate		**17,862**	(1,518)	**24,547**	(1,518)
Deferred rental loss		**67**		**191**	
Deferred income taxes		**(974)**	(8,514)	**992**	(5,110)
Stock based compensation		**5**	27	**25**	77
Fair value change in financial assets		**(13,727)**	39	**(13,726)**	(623)
Accelerated accretion of HCSA		**37,002**		**37,002**	
Foreign exchange (gain) loss		**1,583**	10,559	**19,553**	(9,148)
		(4,716)	(5,299)	**(5,692)**	(7,208)
Change in non-cash working capital and other	13	**23,937**	(665)	**23,994**	(59,846)
Net cash (used in) from continuing operations		**19,221**	(5,964)	**18,302**	(67,054)
Net cash from discontinued operations	10	**(331)**	(6,130)	**(36)**	3,266
Net cash (used in) from operating activities		**18,890**	(12,094)	**18,266**	(63,788)
Investing activities					
Investment in investment properties		**(1,390)**	(376)	**(2,171)**	(4,272)
Proceeds on sale of investment properties					114,511
(Increase) decrease in restricted cash		**1,244**	5,874	**(12,536)**	12,191
Proceeds on sale of development properties		**4,000**		**43,703**	
Proceeds on sale of investments		**33,120**		**60,480**	10,824
Investment in development properties		**(10,536)**	(7,853)	**(40,058)**	(23,080)
Discontinued operations	10	**(96)**		**(220)**	
Net cash (used in) from investing activities		**26,342**	(2,355)	**49,198**	110,174
Financing activities					
Increase (decrease) in demand loans		**(2,701)**	17,585	**(4,084)**	(46,351)
Increase (decrease) in mortgages payable		**(5,061)**	4,331	**(19,152)**	29,685
Repayment of bonds					(27,629)
Decrease in related party receivable		**144**	8,652	**766**	256
Increase (decrease) in deferred financing charges			598	**(203)**	2,101
Repurchase of common shares and issue costs			(172)	**(100)**	(172)
Increase (decrease) in construction financing		**(299)**	150	**(7,693)**	4,914
Homburg Capital Securities A proceeds	11d				4,118
Discontinued operations	10	**(691)**		**(3,842)**	(10,831)
Net cash (used in) from financing activities		**(8,608)**	31,144	**(34,308)**	(43,909)
Increase in cash		**36,624**	16,695	**33,156**	2,477
Cash, beginning of period		**10,149**	18,351	**13,617**	32,569
Cash, end of period		**$ 46,773**	$ 35,046	**$ 46,773**	$ 35,046

Supplemental cash flow information 13

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Basis of financial statement presentation and going concern considerations

Homburg Invest Inc. (the "Company" or "HII") is a Canadian resident corporation. On September 12, 2011, after receiving notification of the stay being granted in Canada, the NYSE Euronext stopped trading on the Company's Class A subordinate voting shares. The NYSE Euronext transferred the shares of the Company from trading group J7 to trading group JC. The objective of this segment is to group together securities whose market and/or financial characteristics are affected by events that might disrupt their situation in an enduring way or threaten the fair, orderly and efficient operation of the market. For additional information on Special segment JC please see NYSE Euronext Rule book I 6.9 and NYSE Amsterdam notice 2011-001. After the announcement of the transfer to the new trading group JC, trading of the shares of HII on the NYSE Euronext resumed.

On September 12, 2011 the Toronto Stock Exchange suspended all trading in the Class A subordinate voting shares, and the Class B multiple voting shares of the Company subject to an expedited review with respect to the Company meeting the continued listing requirements. On September 21, 2011 the Toronto Stock Exchange announced that effective October 20, 2011 it would delist the Company's Class A subordinate voting shares and Class B multiple voting shares for failing to meet its continued listing requirements. The Company's shares will remain halted. To comply with TSX and AEX reporting requirements, these interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim financial reporting as issued by the International Accounting Standards Board on a historical cost basis, except for investment properties, development properties, derivative financial instruments and certain long term investments which are measured at fair value as more fully described in Note 5.

The Company's reporting currency is Canadian dollars ("CAD") and all values are rounded to the nearest thousand except where otherwise indicated.

The Company has been negatively impacted by continuing global economic conditions which have resulted in a decrease in real estate transactions and declining real estate values. The Company incurred net losses of $88,054 and $449,262 for the years ended December 31, 2010 and 2009, respectively, and is highly levered with no book equity at September 30, 2011 and an interest coverage ratio of 0.71:1 for the period ended September 30, 2011.

On September 9, 2011 (the "Petition Date"), the Company and certain of its subsidiaries (collectively, the "Applicants") applied to the Superior Court of Québec (the "Court") for protection under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA", "CCAA proceedings" or "Creditor Protection Proceedings"). On the same day, the Company obtained protection from its creditors pursuant to an Order (the "Initial Order") rendered by the Court. The Initial Order provided, *inter alia*, for the following: (i) No proceedings or enforcement processes in any court or tribunal shall be commenced or continued against or in respect of the Applicants or their properties, or affecting their business operations and activities until October 7, 2011; (ii) all persons having agreements with the Applicants for the supply of goods and services must continue to provide goods and services in the normal course of business; (iii) the appointment of Samson Bélair/Deloitte & Touche Inc. (the "Monitor") as Monitor under the CCAA; (iv) no person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, cancel, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or with the leave of the Court.

On October 7, 2011, the stay of proceedings was extended until December 9, 2011 pursuant to an Order of the Court (the "Extension Order").

The unaudited interim condensed consolidated financial statements do not purport to reflect or provide for the consequences of the CCAA proceedings. In particular, such unaudited interim condensed consolidated financial statements do not purport to show: (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, all amounts that may be allowed for claims or contingencies, or the status and priority thereof, or the amounts at which they may ultimately be settled; or (c) as to shareholders' accounts, the effect of any changes that may be made in HII's capitalization.

The Creditor Protection Proceedings have had a direct impact on HII's business and have compounded the Company's operational risks. The actions and decisions of the Company's creditors and other third parties with interests in the Creditor Protection Proceedings may be inconsistent with the Company's plans and therefore could cause actual events to differ materially from those contemplated by the Company. These risks and uncertainties could affect HII's business and operations in various ways. For example, negative events associated with the Creditor Protection Proceedings could adversely affect the Company's operations and financial condition, sales, customer relationships, employees and vendors. These risks include whether or not HII will be able to continue as a going concern in light of the ongoing CCAA proceedings. Since the Company has filed for and been granted creditor protection, the unaudited interim condensed consolidated financial statements continue to be prepared using the going concern basis, which assumes that HII will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. It is not possible to predict the outcome of the CCAA proceedings and, as such, as more fully described in note 2 confirmation by the court of a plan or plans of reorganization that satisfies the requirements of the CCAA is subject to material uncertainty and therefore the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business are each subject to significant doubt. If the going concern basis is not appropriate, adjustments will be necessary to the carrying amounts and/or classification of HII's assets and liabilities. Further, a court approved plan in connection with the CCAA proceedings could materially change the carrying amounts and classifications reported in the unaudited interim condensed consolidated financial statements. For additional information, see note 2.

1. Basis of financial statement presentation and going concern considerations (cont.)

In addition to the CCAA process, the Company objected to the intention of the Authority for the Financial Markets in the Netherlands ("AFM") to withdraw Homburg Invest's licence as an investment company. Homburg Invest has now made formal written submissions to the AFM requesting that the AFM reconsider its proposal to revoke Homburg Invest's licence. Homburg Invest has emphasized that maintaining its licence will allow it to consider the widest number of potential alternatives for creditors, including bondholders, as part of the restructuring process. Maintaining the licence is important in that it would allow Homburg Invest to issue new equity in the Netherlands as part of the restructuring process. The Monitor is supporting Homburg Invest's initiatives in this regard. However, whether the Company will be able to maintain its license is also subject to material uncertainty.

As a result of the Company's limited partnership structure, with respect to certain debts the recourse of the lender is generally limited to the specific assets held in or below the limited partnerships ("ring fenced structure"). However, the Company's mortgage bonds and unsecured debts have recourse to the consolidated assets of the Company.

2. Creditor protection proceedings

On the Petition Date, after extensive consideration of all other alternatives, with the authorization of the HII Board of Directors after thorough consultation with its advisors, HII and certain of its affiliates initiated creditor protection proceedings under the restructuring regime of Canada, under the Companies' Creditors Arrangement Act. CCAA will allow the Company to restructure its operations and make a proposal to its creditors. The Court granted the Company protection for an initial 30 day period, which was extended pursuant to the terms of the Extension Order. While the Company is under CCAA protection, all proceedings on the part of its creditors are stayed.

The Company remains in possession of its assets and properties and is continuing to operate the business and manage properties as "debtors in possession" in accordance with the applicable provisions of the CCAA and orders of the Court. In general, the Applicants are authorized to continue to operate as ongoing businesses, but may not engage in transactions outside the ordinary course of business without the approval of the Court or the Monitor, as applicable.

The Company has retained legal and financial professionals to advise it on the Creditor Protection Proceedings and may, from time to time, retain additional professionals, subject to any applicable approval.

Subject to certain exceptions under the CCAA, the Initial Order automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Applicants and their property to recover, collect or secure a claim arising prior to the filing of the Creditor Protection Proceedings. Thus, for example, creditor actions to obtain possession of property from the Applicants, or to create, perfect or enforce any lien against their property, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim, are enjoined unless and until the Court lifts such stay.

In order to successfully emerge from CCAA protection, the Applicants will be required to propose and obtain approval from affected creditors and confirmation by the Court of a plan or plans of arrangement that satisfies the requirements of the CCAA. An approved plan or plans of arrangement would inter alia resolve pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance following implementation. There can be no assurance however that a plan or plans of arrangement will be supported and approved by affected creditors and confirmed by the Court or that such plan will be implemented successfully.

Under the priority scheme established by the CCAA, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before shareholders are entitled to receive any distribution or retain any property under a plan or plans of arrangement. It is too early to predict with any certainty the terms of any plan or plans of arrangement that maybe proposed to the affected creditors.

3. Changes in accounting policies and future applicable accounting standards

The accounting policies adopted are consistent with those of the previous financial year.

Future accounting standards and interpretations
The Company is evaluating the possible impact of a number of standards and interpretations issued by the IASB with an effective date after the date of these interim condensed consolidated financial statements. The following sets out only those items which may have a material impact on the Company's consolidated financial statements in future periods.

IFRS 7 Financial Instruments Disclosure
IFRS 7 was issued by the IASB on October 7, 2010 and contains amendments to the existing IFRS 7. The amendments to IFRS enhances disclosure requirements about transfers of financial assets. The amendments of IFRS 7 are effective for annual periods beginning on or after July 1, 2011.

(CAD $ thousands except per share amounts)

3. Changes in accounting policies and future applicable accounting standards (cont.)

IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amount, timing and uncertainty of an entity's future cash flows. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements

On May 12, 2011 the IASB issued IFRS 10, which will replace IAS 27, Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The new standard provides a single model for consolidation based on control, which exists when an investor is exposed or has the right to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. The standard also provides guidance on how to evaluate power and requires that control is assessed as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements

On May 12, 2011, IASB issued IFRS 11. The new standard replaces IAS 31, Interest in Joint Ventures. The new standard eliminates the option to proportionately consolidate interest in certain types of joint ventures. This may impact the jointly controlled entities which the Company currently proportionately consolidates under IFRS. The new standard will be effective for the Company's year end beginning January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The IASB issued IFRS 12 on May 12, 2011. The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity and is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

IAS 12 Deferred Tax: Recovery of Underlying assets

In December 2010, the IASB made amendments to IAS 12, Income Taxes that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, Investment Property. The amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Company has not yet determined the impact of the amendments to IAS 12 on its consolidated financial statements.

IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements. The amendments to IAS 1 retain the "one or two statement" approach to presenting the Statements of Income and Comprehensive Income at the option of the entity and only revise the way other comprehensive income is presented. This amended standard is effective for annual periods beginning on or after July 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28, Investments in Associates and Joint Ventures, previously IAS 28, Investment in Associates. The amended IAS 28 sets out the accounting for investments in associates and the requirements for application of the equity method when accounting for investments in associates and joint ventures. The Company is assessing the impact of this new standard on its consolidated financial statements.

4. Receivables and other

	September 30 2011	December 31 2010
Trade receivables	**$ 26,144**	$ 27,955
Prepaids	**1,504**	661
Related party receivable (Note 15l)	**7,409**	7,409
	$ 35,057	$ 36,025

(CAD $ thousands except per share amounts)

5. Investments, at fair market value

	September 30 2011	December 31 2010
Cedar Shopping Centers, Inc.	**$ 400**	$ 564
HEEF B.V.	**7,850**	7,221
CANMARC REIT (a) (Note 6)	**111,936**	
Homburg MediArena B.V.	**928**	1,079
	$ 121,114	$ 8,864

(a) The Company holds 8,813,866 units of CANMARC REIT a real estate investment trust listed on the Toronto Stock exchange (TSX: CMQ.UN). The investment is carried at fair value.

6. Investment in an associate, at equity

	September 30 2011	December 31 2010
CANMARC Real Estate Investment Trust (formerly Homburg Canada Real Estate Investment Trust) ("CANMARC")		
Balance, beginning of the year	**$ 191,702**	$ NIL
Acquisition of investment		212,518
Distributions received	**(8,576)**	(8,188)
Deemed disposition	**(85,042)**	(12,693)
Share of net income	**8,911**	65
Mark to Market adjustment at September 13, 2011	**(8,897)**	
Reclassification of investment to portfolio investments (Note 5)	**(98,098)**	
Balance at September 30, 2011	**$**	$ 191,702

On May 25, 2010, the Company obtained a significant portion of the ownership influence in CANMARC.

On February 23, 2011 the Company announced its participation in a public offering of CANMARC (the "Units") with CANMARC on a bought deal basis. The Company sold 2.5 million Units for net proceeds of $27,360. The underwriters exercised their over-allotment option, resulting in a total of 8.598 million Units being issued and HII's voting ownership in CANMARC decreasing from 33.7% to 23.1%. These transactions resulted in a net deemed disposition loss of approximately $11,452.

On September 13, 2011 the Company announced its participation in a subsequent public offering of Units with CANMARC on a bought deal basis. The Company sold 3 million Units for net proceeds of $33,120. The underwriters exercised their over-allotment option, resulting in a total of 3.325 million Units being issued and HII's voting ownership in CANMARC decreasing from 23.1% to 16.1%. These transactions resulted in a net deemed disposition loss of approximately $13,110. As a result of the decreased ownership the Company no longer has significant influence in CANMARC and has reclassified its investment as a portfolio investment.

The Company's share of the results of the associate and its aggregated assets and liabilities as at September 30, 2011 and for the year ended December 31, 2010 under IFRS are as follows:

	September 30 2011	December 31 2010
Non-current assets	**$**	$ 392,524
Current assets		20,671
	$	$ 413,195
Non-current liabilities	**$**	$ 214,442
Current liabilities		10,096
	$	$ 224,538
Revenue	**$ 33,618**	$ 33,182
Net income before bargain purchase gain	**$ 8,911**	$ 65
Bargain purchase gain	**$**	$ 69,380

(CAD $ thousands except per share amounts)

7. Accounts payable and other liabilities

	September 30 2011	December 31 2010
Current amounts		
Payables (Note 15b)	**$ 91,276**	$ 71,321
Non-construction demand loans (a)	**16,643**	12,921
Notes payable	**162**	147
Prepaid rents and deposits	**8,058**	7,893
Security deposits	**3,948**	1,226
Homburg Capital Securities A (Note 8)		1,000
MoTo Objekt Campeon GmbH & Co KG (b)	**10,955**	
Related party payable (Note 15f)	**7,456**	8,275
	$ 138,498	$ 102,783
Non-current amounts		
Long term payables (b)	**$**	$ 10,340

The Company has available credit facilities of $12,000 (December 31, 2010 - $20,000) of which $10,786 (December 31, 2010 - $4,582) is being utilized at September 30, 2011.

a) Non-construction demand loans consist of the following:
   i) Operating lines of credit provided by a chartered bank totalling $12,000, secured by 3,000,000 Units of CANMARC.
   ii) A promissory note payable plus interest in the amount of EUR €4,170 ($5,857), bearing interest at 6.0% per annum. This amount is payable to a related party, has no specific repayment terms and relates to the Company's investment in HEEF B.V. (Note 15h).
b) EUR €7,800 ($10,955) (December 31, 2010 - EUR €7,800 ($10,340)) represents the purchase price on the remaining 6.63% of MoTo Objekt Campeon GmbH & Co KG to be acquired in the first quarter of 2012.

As a result of the CCAA proceedings, all actions to enforce or otherwise effect payment or repayment of liabilities of the Company arising prior to the Petition Date are stayed as of the Petition Date. Absent further order of the Court, no party may take any action to recover on pre-petition claims against the Company.

8. Long term debt

	September 30 2011	December 2010
Secured debt		
Mortgages (a)	**$ 1,076,460**	$ 1,034,108
Mortgage bonds (b)	**143,934**	135,846
	1,220,394	1,169,954
Unsecured debt		
Corporate non-asset backed bonds (c)	**435,423**	410,963
Homburg Capital Securities A (e) (Note 11 d)	**37,620**	
Junior subordinated notes (d)	**55,771**	53,145
	528,814	464,108
	1,749,208	1,634,062
Less: Deferred financing charges, net of accumulated amortization of $1,579 (December 31, 2010 - $14,881)	**(184)**	(15,554)
	1,749,024	1,618,508
Less: current portion	**1,026,697**	185,168
Long term debt	**$ 722,327**	$ 1,433,340

a) Mortgages

Long term debt has both fixed and variable interest rates. At period end the contractual weighted average interest rate for variable rate long term debt was 2.53% and for fixed rate long term debt was 6.17% (December 31, 2010 - variable - 1.81%, fixed - 6.08%). Scheduled principal installments and principal maturities on long term debt are as follows:

	Mortgages				
	Normal Principal Installments	**Principal Maturities**	**Bonds, HCSA and Junior Subordinated Notes**	**Total**	**Weighted Average Interest Rate of Maturing Debt**
Within 1 year	$ 21,056	$ 332,893	$ 672,748	$ 1,026,697	6.14%
1-2 years	19,539	28,621		48,160	4.85%
2-3 years	16,378	108,555		124,933	5.23%
3-4 years	16,532			16,532	4.00%
4-5 years	12,522	56,259		68,781	5.12%
Later		464,105		464,105	4.68%
	$ 86,027	**$ 990,433**	**$ 672,748**	**$ 1,749,208**	

(CAD $ thousands except per share amounts)

8. Long term debt (cont.)

Mortgage principal maturities include loans of $232,344 which were in default of their lending covenants at September 30, 2011 and accordingly have been classified as falling due during 2011.

Specific investment properties and properties under development for resale with a fair market value of $1,510,194 (December 31, 2010 - $1,476,886) and an assignment of specific leases have been pledged as collateral for mortgages and for mortgage bonds payable. Included in mortgages are the following foreign denominated amounts, translated at period end exchange rates:

		September 30 2011	December 31 2010
US dollar denominated	USD	$ 5,178	$ 6,998
	CAD	$ 5,348	$ 7,000
EURO denominated	EUR	€ 744,591	€ 756,783
	CAD	$ 1,045,778	$ 1,003,192

b) Mortgage bonds payable

Bond Series	Maturity	Interest Rate	September 30 2011	December 31 2010	September 30 2011	December 31 2010
HMB4	Nov. 30, 2011	7.50%	EUR €20,010	EUR €20,010	28,104	26,525
HMB5	Dec. 31, 2011	7.50%	EUR €20,010	EUR €20,010	28,104	26,525
HMB6	June 30, 2012	7.50%	EUR €31,230	EUR €31,230	43,863	41,398
HMB7	June 30, 2012	7.25%	EUR €31,230	EUR €31,230	43,863	41,398
					$ 143,934	$ 135,846

The mortgage bonds are seven year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee. Due to CCAA filing the Mortgage bonds are in default and have therefore been reclassified as falling due during 2011. The discount associated with deferred financing charges has also been eliminated and is included in interest expense.

c) Corporate non-asset backed bonds

Bond Series	Maturity	Interest Rate	September 30 2011	December 31 2010	September 30 2011	December 31 2010
HB8	May 31, 2013	7.00%	EUR €50,010	EUR €50,010	$ 70,239	$ 66,293
HB9	October 31, 2013	7.00%	EUR €60,000	EUR €60,000	84,270	79,536
HB10	February 15, 2014	7.25%	EUR €100,005	EUR €100,005	140,457	132,567
HB11	January 15, 2015	7.25%	EUR €100,005	EUR €100,005	140,457	132,567
					$ 435,423	$ 410,963

The Corporate non-asset backed bonds are seven year bonds issued in series and have a corporate guarantee pledged as collateral. Due to CCAA filing the Corporate non-asset backed bonds are in default and have therefore been reclassified as falling due during 2011.

d) Junior subordinated notes

The junior subordinated notes consist of EUR €25,000 ($35,113) (December 31, 2010 - EUR €25,000 ($33,141)) and USD $20,000 ($20,658) (December 31, 2010 - USD $20,000 ($20,004)) and require interest only payments until maturity in 2036. The notes carry a fixed interest rate until 2016 and variable thereafter. The Company has a redemption option effective in 2011 until maturity. The outstanding balances are translated at period end exchange rates. The notes have a financial covenant which require the Company to maintain a certain minimum rolling four-quarter interest coverage ratio, and a net worth covenant ratio, as calculated using the Company's interim condensed consolidated financial statements prepared in accordance with IFRS. The interest coverage ratio and net worth covenant ratio were in default as at September 30, 2011. Accordingly, the notes have been classified under Current Liabilities on the Interim Consolidated Balance Sheet. The Company, however, does not anticipate that it will be required to make such payments during the pendency of the CCAA proceedings.

e) Homburg Capital Securities A

The HCSA are 99 year securities maturing February 27, 2108, bearing an annual interest rate of 9.5%, payable quarterly. Due to the CCAA filing the HCSA are now in default and are required to be classified as long term debt, which has resulted in an accelerated accretion of the HSCA principal amount which has been included in interest expense and the reversal of the capital component which has been adjusted through deficit.

(CAD $ thousands except per share amounts)

9. Income taxes

Income tax expense (recovery) differs from the amounts which would be obtained by applying the Canadian basic federal and provincial income tax rates and the rates for various foreign jurisdictions to income before income taxes, resulting from the following items:

	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Income from continuing operations before income taxes	$ (110,214)	$ 6,245
Combined Canadian federal and provincial statutory income tax rate	30.50 %	32.25 %
Income tax expense at the above tax rate	$ (33,615)	$ 2,014
Increase (decrease) in income taxes resulting from:		
Non-deductible (taxable) portion of capital losses (gains) and market value changes	(3,711)	(3,423)
Provincial capital tax	53	307
Unrecognized deductible temporary differences and foreign tax credits	38,275	(549)
Effect of rate change on temporary differences	3,104	(990)
Effect of difference in statutory tax rates of subsidiaries	398	1,795
Other	693	(947)
Income tax expense	$ 5,197	$ (1,793)
Comprised of:		
Current income tax	4,205	3,317
Deferred income tax	992	(5,110)
	$ 5,197	$ (1,793)

Deferred income tax assets (liabilities) represent the temporary differences between the tax basis of assets and liabilities and the carrying amount of assets and liabilities for financial reporting purposes. Deferred tax assets and liabilities are netted in the interim consolidated balance sheet to the extent they relate to the same fiscal entity, tax group, or taxation jurisdiction. The significant components are as follows:

	September 30 2011	December 31 2010	Income Statement	OCI [1]	Other
Deferred tax assets					
Loss carry forwards	$ 5,087	$ 17,442	$ (12,045)	$	$ (310)
Deferred revenues and costs	6,978	6,071	901	6	
Unrealized losses	3,059	(6,760)	5,930	3,889	
	15,124	16,753	(5,214)	3,895	(310)
Deferred tax liabilities					
Homburg Capital Securities A		(11,342)	11,560		(218)
Investment in associate	(4,747)	(15,735)	10,988		
Investment properties	(44,158)	(21,415)	(18,326)	(5,470)	1,053
	(48,905)	(48,492)	4,222	(5,470)	835
Net deferred tax asset (liability)	$ (33,781)	$ (31,739)	$ (992)	$ (1,575)	$ 525

(1) Other Comprehensive Income (loss)

The net deferred tax liability is disclosed as follows:

	September 30 2011	December 31 2010
Deferred tax asset	$ 8,897	$ 8,316
Deferred tax liability	(42,678)	(40,055)
	$ (33,781)	$ (31,739)

The Company has non-capital loss carryforwards of $254,689. These expire as follows: $29,036 in 2027; $126,017 in 2028, $37,497 in 2029, $8,401 in 2030 and $53,738 in 2031. The Company has gross capital loss carryforwards of $358,495 with no expiry. A benefit relating to capital losses of $35,717 has been recognized. The Company also has foreign tax credits of $3,899 which expire between 2014 and 2020, the benefit of which has not been recognized.

The Company has approximately $206,000 of taxable temporary differences associated with investments in subsidiaries for which no deferred taxes have been provided on the basis that the Company is able to control the timing of the reversal of such temporary differences and such reversal is not probable in the foreseeable future.

(CAD $ thousands except per share amounts)

10. Discontinued operations

During 2009, the Company outlined a strategy to spin off assets into four geographically based companies and a development company. On May 25, 2010 the Company completed the first step in accomplishing this strategy by selling its portfolio of Canadian income producing investment properties to CANMARC for cash proceeds of $114,511, Units in CANMARC at a fair value of $143,139 plus a bargain purchase gain of $69,380 resulting in a pre-tax loss of $150,888. The following represents the income statement amounts associated with the sale plus certain other Canadian investment properties held for sale from December 31, 2009 and presented as discontinued.

	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Income statement		
Property revenue	**$ 393**	$ 57,369
Sale of properties developed for resale	**4,974**	1,738
Total revenue	**5,367**	59,107
Property operating expenses	**48**	31,208
Cost of sale of properties developed for resale	**5,374**	1,901
	5,422	33,109
Gross income from operations	**(55)**	25,998
Other income	**47**	961
Interest expense		(12,827)
General and administrative	**(223)**	(3,388)
Fair value adjustment on investment properties	**980**	21,348
Net income (loss) from discontinued operations before income taxes	**749**	32,092
Deferred income tax expense (recovery)		8,848
	749	23,244
Loss on disposal of discontinued operations		(150,888)
Deferred tax recovery		(24,800)
Net loss from discontinued operations after tax	**$ 749**	$ (102,844)

The assets held for sale include an investment property in Canada and 9 Limited Partnerships in the United States.

	September 30 2011	December 31 2010
Assets classified as held for sale		
Investment properties	**$ 130,149**	$ 139,434
Properties under development for resale	**10,937**	
Restricted cash	**328**	485
Cash	**1,377**	2,067
Deferred income tax asset	**545**	1,565
Receivable and others	**1,478**	696
	$ 144,814	$ 144,247
Liabilities associated with assets held for sale		
Long term debt	**$ 88,908**	$ 90,431
Accounts payable	**1,137**	1,558
	$ 90,045	$ 91,989

	September 30 2011	September 30 2010
Statement of cash flows		
Operating activities	**$ (36)**	$ 3,266
Investing activities	**$ (220)**	$
Financing activities	**$ (3,842)**	$ (10,831)

11. Shareholders' equity

	September 30 2011	December 31 2010
Deficit	**$ (735,043)**	$ (649,316)
Accumulated other comprehensive income (a)	**5,476**	1,190
	(729,567)	(648,126)
Share capital (b)	**700,403**	701,034
Other paid in capital (d)		29,171
Contributed surplus	**20,153**	19,597
	$ (9,011)	$ 101,676

a) Accumulated other comprehensive income

	September 30 2011	December 31 2010
Net unrealized foreign currency translation gains	**$ 10,458**	$ 4,597
Deferred tax expense	**(4,982)**	(3,407)
	$ 5,476	$ 1,190

Accumulated other comprehensive income represents the unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States of America, Germany, The Netherlands, and the Baltic States. The change reflects the impact of currency movements during the year on these net assets offset by effective hedges in place.

The following are rates of exchange in effect:

	$1.00 USD	€1.00 EUR
September 30, 2011	**$ 1.03290**	**$ 1.40450**
December 31, 2010	$ 1.00020	$ 1.32560
Average rate for nine months 2011	**$ 0.97778**	**$ 1.37575**
Average rate for nine months 2010	$ 1.03597	$ 1.36371

b) Share capital

The particulars of the issued and outstanding shares of the Company are as follows:

	Class A Subordinate Voting Shares (000's)	Class B Multiple Voting Shares (000's)	Share Capital
Issued and outstanding at December 31, 2009	16,619	3,149	$ 691,785
Shares acquired under Normal Course Issuer Bid	(46)	(36)	(2,240)
Shares issued re DIM 2010	476		11,489
Issued and outstanding at December 31, 2010	17,049	3,113	701,034
Shares acquired under Normal Course Issuer Bid	(14)	(8)	(631)
Issued and outstanding at September 30, 2011	**17,035**	**3,105**	**$ 700,403**

c) Normal Course Issuer Bid ("NCIB")

On August 23, 2010, the Company announced plans, under an approved NCIB, to acquire up to 1,017,201 Class A Subordinate Voting shares and 157,426 Class B Multiple Voting shares over a one year period ending August 24, 2011. The NCIB enabled the Company to acquire up to 1,000 Class A Shares and up to 1,000 Class B Shares on any given trading day. Any shares acquired by the Company under the NCIB were cancelled. During the nine months ended September 30, 2011, the Company acquired and cancelled 13,700 Class A Shares at an average cost of $4.32 per share, and 8,000 Class B Shares at an average cost of $5.14 per share. Class A and Class B shares acquired are being cancelled and removed from share capital at the average issue price at the time of acquisition. The discount on repurchases made to date of $531 is credited to contributed surplus.

d) Other paid in capital

	September 30 2011	December 31 2010
Balance, beginning of period	**29,171**	34,435
Issue of shares re DIM 2010		(11,489)
Homburg Capital Securities A ("HCSA"):		
Equity component, net of tax	**(29,171)**	6,350
Deferred transaction costs		(125)
Balance, end of period	**$**	$ 29,171

The HCSA are 99 year securities maturing February 27, 2108, bearing an annual interest rate of 9.5%, payable quarterly. Due to the CCAA filing the HCSA are now in default and are required to be classified as long term debt, which has resulted in an accelerated accretion of the HSCA principal amount which has been included in interest expense and the reversal of the capital component which has been adjusted through deficit.

12. Earnings (loss) per share

Net earnings (loss) per share is calculated based on the weighted average number of shares outstanding as follows:

	Three Months Ended September 30 2011 (000's)	Three Months Ended September 30 2010 (000's)	**Nine Months Ended September 30 2011 (000's)**	Nine Months Ended September 30 2010 (000's)
Basic and Diluted				
Class A Subordinate Voting	**17,062**	17,093	**17,044**	17,026
Class B Multiple Voting	**3,105**	3,146	**3,110**	3,148
	20,167	20,239	**20,154**	20,174
Earnings available to Class A and Class B shareholders is calculated as:				
Net income (loss)	**$ (70,043)**	$ 61	**$ (114,662)**	$ (94,806)
Homburg Capital Securities equity accretion (Note 11 (d))	**30,633**	(794)	**28,935**	(2,318)
	$ (39,410)	$ (733)	**$ (85,727)**	$ (97,124)

13. Supplemental cash flow information

	Three Months Ended September 30 2011	Three Months Ended September 30 2010	**Nine Months Ended September 30 2011**	Nine Months Ended September 30 2010
Change in non-cash working capital and other:				
Receivables and other	**$ 2,281**	$ 2,295	**$ (1,185)**	$ 10,760
Construction properties for resale	**7,494**	(4,073)	**1,931**	(8,356)
Accounts payable and other liabilities	**14,162**	1,113	**23,248**	(62,250)
	$ 23,937	$ (665)	**$ 23,994**	$ (59,846)
Interest paid	**$ 15,284**	$ 14,861	**$ 63,991**	$ 76,598
Interest capitalized	**$ 3,112**	$ 4,376	**$ 9,700**	$ 13,043
Capital and income taxes paid	**$ 3,811**	$ (5,367)	**$ 5,849**	$ (2,702)

(CAD $ thousands except per share amounts)

14. Financial instruments and risk management

Financial instruments

The Company does not acquire, hold or issue derivative financial instruments for trading purposes. The following table presents the classification, subsequent measurement, carrying values and fair values (where available) of the Company's financial assets and liabilities.

Classification	Subsequent Measurement	Carrying Value September 30 2011	Fair Value September 30 2011	Carrying Value December 31 2010	Fair Value December 31 2010
Held for Trading					
Long term investments - others	Fair value (L1)	**$ 113,264**	**$ 113,264**	$ 1,643	$ 1,643
Long term investments - HEEF B.V. (a)	Fair value (L3)	**7,850**	**7,850**	7,221	7,221
Cash and cash equivalents (b)	Fair value (L1)	**46,773**	**46,773**	13,617	13,617
Derivative instrument liability (b)	Fair value (L2)	**(26,945)**	**(26,945)**	(21,847)	(21,847)
		$ 140,942	**$ 140,942**	$ 634	$ 634
Loans and Receivables					
Restricted cash (c)	Amortized cost	**$ 16,624**	**$ 16,624**	$ 4,088	$ 4,088
Receivables and other (c)	Amortized cost	**35,057**	**35,057**	36,025	36,025
		$ 51,681	**$ 51,681**	$ 40,113	$ 40,113
Other Financial Liabilities					
Accounts payable and other (c)	Amortized cost	**$ 138,498**	● [1]	$ 113,123	$ 113,123
Mortgages (d)	Amortized cost	**1,076,460**	● [1]	1,034,108	1,013,013
Mortgage bonds (d)	Amortized cost	**143,934**	● [1]	135,846	138,013
Corporate non-asset backed bonds (d)	Amortized cost	**435,423**	● [1]	410,963	413,813
Junior subordinated notes (d)	Amortized cost	**55,771**	● [1]	53,145	75,418
Deferred financing charges (d)	Amortized cost	**(184)**	● [1]	(15,554)	
Homburg Capital Securities A	Amortized cost	**37,620**	● [1]		
Construction financing (c)	Amortized cost	**32,537**	● [1]	40,231	40,231
		$ 1,920,059	$	$ 1,771,862	$ 1,793,611

Note 1 - The risks associated with CCAA, as previously outlined in Notes 1 and 2 could impact the amounts presented as Fair Value at September 30, 2011. The Company is therefore unable to determine the Fair Value of its liabilities as at the date of these statements.

The Company uses the following hierarchy for determining the fair value of financial instruments: Level 1 ("L1") - quoted (unadjusted) prices in active markets for identical assets or liabilities; Level 2 ("L2") - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and Level 3 ("L3") - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. There were no transfers in or out of financial instruments classified as L3 in 2010 or the first nine months of 2011.

(a) Long term investments are classified as held for trading and carried at their fair values. The fair value of the Company's investment in HEEF B.V. is based on the proportionate share of the reported net asset value of the B.V.. HEEF B.V. prepares its financial statements in accordance with IFRS using the fair value model. As such, the net asset value from the financial statements of the B.V. is reflective of its fair value. Management has determined that a reasonably possible change in the assumptions used to determine the fair value of the Company's investment in HEEF B.V. would not result in a significant impact to the interim condensed consolidated financial statements. The fair values of other long term investments are based on quoted market prices. A gain of $13,726 resulting from the change in fair values of investments was recorded in the consolidated income statement during the nine months ended September 30, 2011 (2010 - gain of $623).

(b) Cash and cash equivalents and derivative instrument liabilities are classified as held for trading and carried at their fair values. The Company recorded a loss of $3,720 during the nine months ended September 30, 2011 in the consolidated income statement (2010 - loss of $10,040).

(c) The Company's short term financial instruments, comprising restricted cash, trade receivables, related party receivables, notes receivable, trade payables, related party payables, notes payable, security deposits, Homburg Capital Securities A liability, and construction financing are carried at amortized cost which, due to their short term nature, approximates their fair value. The risks associated with CCAA, as previously outlined in Notes 1 and 2 could impact the amounts presented as Fair Value at September 30, 2011. The Company is therefore unable to determine the Fair Value of its liabilities as at the date of these statements.

(d) Long term financial instruments (other than long term investments) include mortgages, mortgage bonds, corporate non-asset backed bonds, junior subordinated notes, HCSA, and long term payables. The fair values of these financial instruments were based upon discounted future cash flows using discount rates, adjusted for the Company's own credit risk, that reflected current market conditions for instruments with similar terms and risks. Such fair value estimates were not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. The risks associated with CCAA, as previously outlined in Notes 1 and 2 could impact the amounts presented as Fair Value at September 30, 2011. The Company is therefore unable to determine the Fair Value of its liabilities as at the date of these statements.

(CAD $ thousands except per share amounts)

14. Financial instruments and risk management (cont.)

Risk management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to minimize them, are discussed below.

a) Liquidity risk

Liquidity risk relates to the possibility of insufficient debt and equity financing available to fund the desired growth of the Company and to refinance the current and long term debts as they come due. As a result of global capital market conditions, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining the same level of financing when seeking to renew existing debt and obtain new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate levels of financing. Liquidity risk also relates to the potential for early retirement of debt. Some of the Company's debt agreements have covenants including maximum loan to value ratio, net worth, interest coverage ratios, and/or reserve account balance requirements. Prior to the Petition Date, breach of any of these covenants could have resulted in the related debt being required to be repaid before its scheduled maturity date. Due to CCAA filing certain debts are in default and have therefore been reclassified as falling due in 2011. The Company does not anticipate that it will be required to make such payments during the pendency of the CCAA proceedings. See notes 1 and 2 for further discussion. The majority of the Company's real estate assets and related mortgage debts are currently held through limited partnership structures. These structures generally limit the recourse of the lender to the specific assets held in or below the limited partnership, and therefore a breach of covenant does not generally impact the Company outside of the specific limited partnership in which the breach of covenant occurs. The recourse of the lender to the Company's mortgage bonds and unsecured debt is generally unrestricted.

The Company has been negatively impacted by global economic and capital market conditions which have resulted in tightened lending standards, reduced market liquidity, a decrease in real estate transactions and lower real estate values. The Company is significantly levered with no book equity at September 30, 2011 (debt to equity - December 31, 2010 - 16.55:1) (long term debt, construction financing, long term payables and demand loans ÷ shareholders' equity). For the nine months ended September 30, 2011, Homburg Invest had total interest expense coverage from continuing operations of 0.71:1 (December 31, 2010 - 0.84:1) (calculated as property revenue, less property operating expenses and general and administrative expenses ÷ interest expense (excluding capitalized interest)).

The Company completed the creation of CANMARC to hold the Company's eligible Canadian income producing real estate properties and related mortgage debt through an IPO that closed on May 25, 2010. Cash proceeds from the IPO of approximately $114.5 million were utilized to reduce debt and satisfy other obligations. On February 23, 2011 the Company announced its participation in a public offering of Units with CANMARC on a bought deal basis. The Company sold 2.5 million Units for net proceeds of $27,360. The underwriters exercised their over-allotment option, resulting in a total of 8.598 million Units being issued and HII's voting ownership in CANMARC decreasing from 33.7% to 23.1%. These transactions resulted in a net deemed disposition loss of approximately $11,452. On September 13, 2011 the Company announced its participation in a subsequent public offering of Units with CANMARC on a bought deal basis. The Company sold 3 million Units for net proceeds of $33,120. The underwriters exercised their over-allotment option, resulting in a total of 3.325 million Units being issued and HII's voting ownership in CANMARC decreasing from 23.1% to 16.1%. These transactions resulted in a net deemed disposition loss of approximately $13,110.

The following table presents the Company's contractual obligations at September 30, 2011, the majority of which are pre-petition. It is not possible to predict the outcome of the CCAA proceedings and, as such, the discharge of liabilities are subject to significant uncertainty.

Contractual Obligation	Within 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later
Head and ground leases	$ 15,363	$ 15,305	$ 15,342	$ 15,162	$ 14,617	$ 144,991
Mortgages: Normal principal installments (i)	21,056	19,539	16,378	16,532	12,522	
Interest (i)	47,886	43,508	39,530	34,557	31,038	
Principal maturities (iii)	332,893	28,621	108,555		56,259	464,105
Bonds, HCSA and junior subordinated notes:						
Interest (i)	47,483	38,671	26,837	13,839	7,899	
Principal maturities (ii)	672,748					
Non construction demand loans (vi)	16,643					
Construction financing (v)	32,537					
Other current payables	10,955					
Working capital deficit (vi)	25,673					
	$ 1,223,237	$ 145,644	$ 206,642	$ 80,090	$ 122,335	$ 609,096

The CCAA process outlined previously in Notes 1 and 2 could impact the amount of contractual obligations, and the time period they are settled over, and these may be different than presented.

The Company's derivative instrument liability of $26,945 has been excluded from the above table as this liability relates to financial instruments that effectively fix the variable interest rate on certain mortgages, which is settled with the derivative instrument on a net basis. Accordingly, interest obligations on such mortgages are shown at the effective fixed rate, which approximates the timing of the related cash flows.

14. Financial instruments and risk management (cont.)

(i) The Company requires liquidity to meet the following obligations which ordinarily fall due in the next twelve months: mortgage principal installments of $21,056; interest on mortgages and mortgage bonds of $47,886; interest on corporate non asset backed bonds and junior subordinated notes of $47,483; capital spending requirements on the income property portfolio, expected to approximate $5 million; and operating and head lease commitments of $15,363. Sources of finance towards these obligations include: cash on hand of $46,773; net cash flow from operating activities before interest expense unrelated to development activities; cash generated from continued sales of completed condominium development projects; the potential sale of development and/or income producing properties, subject to reasonable prices being attained; and distributions received from CANMARC.

(ii) Through September 2012, the Company faces maturities of its mortgage bonds totalling €102,460 ($143,934), in addition to regularly scheduled principal payments and maturities related to other mortgage debts.

(iii) Mortgage principal maturities falling due within one year total $332,893, of which $433 has been repaid subsequent to period end, $207,011 relates to loans in default of their lending covenants, $25,334 is expected to be renegotiated as part of the CCAA proceedings, and $100,115 fall current under normal business operations. During the period, the Company temporarily ceased making scheduled principal payments of €244 ($343) on four mortgages totalling €45,603 ($64,049) with property fair values of €45,603 ($64,049) at September 30, 2011 related to certain underperforming properties in the Netherlands. The lenders' recourse in respect of these property mortgages is limited to the assets of the limited partnerships holding these loans. The Company is in discussions to renegotiate the amortizations of these loans with the lenders. Subsequent to period end these mortgages have been brought current.

(vi) The Company's non construction demand loans of $16,643 are secured by first or second charges over various investment properties not to exceed 65% of fair value.

(v) The Company has $228,567 invested in investment properties under development and properties under development for resale that are not yet income producing. These development properties have been financed with first mortgage construction financing as well as unsecured debt totaling $32,537 at September 30, 2011. The Company's reduced liquidity raises uncertainty with respect to the future development of certain land holdings and development projects. For properties under development for resale, where the current fair value is below the carrying value an impairment charge has been recorded. There is a risk that further delays in development projects could result in additional costs that may not ultimately be recoverable, and the potential for further impairment charges and/or fair value adjustments.

(vi) The working capital deficit of $25,673 consists of cash $46,773, trade receivables $26,144, and related party receivable $7,409 less payables $91,276, income taxes payable $7,105, related party payable of $7,456 and notes payable $162, and arises in the normal course of operations as receivables from tenants are generally on shorter payment terms than trade payables to suppliers.

(vii) The Company's junior subordinated notes, with a principal balance of $55,771, were in default of the interest coverage ratio and the net worth covenant ratio during the period ended September 30, 2011. Mortgage principal maturities also include a loan in the amount of $232,344 which was in default of its lending covenant at September 30, 2011. Accordingly, these principal maturities have been classified as falling due within one year.

As a result of the CCAA proceedings, all actions to enforce or otherwise effect payment or repayment of liabilities arising prior to the Petition Date are stayed as of the Petition Date. Absent further order of the Court, no party may take any action to recover on pre-petition claims against the Company. It is not possible to predict the outcome of the CCAA proceedings, which renders the discharge of liabilities subject to significant uncertainty.

The Company is currently developing a restructuring plan under the supervision of the Court. Pre-petition liabilities will be dealt with in the context of the plan.

b) Interest rate risk
As a result of global capital market conditions, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining similar terms of financing on renewals and on new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate terms for its financing. The borrowings of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. The Company's debt consists of $1,461,031 in fixed rate debt and $331,570 in floating rate debt (before deferred financing charges) including $47,741 in demand and short term loans which are repayable in less than one year. The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on EUR €147,391 ($207,011) (December 31, 2010 - EUR €148,283 ($196,564)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended September 30, 2011, the impact on the consolidated income statement is a loss of $3,720 (September 30, 2010 - loss of $10,040). The Company discloses the weighted average interest rate of maturing long term debt in Note 8. With all other variables held constant, the Company has determined that a 1% change in interest rates would result in an annualized after tax change of $2,304 in the Company's earnings as a result of the impact on floating rate borrowings.

14. Financial instruments and risk management (cont.)

c) Credit risk
The Company's principal assets are commercial properties. Credit risk on tenant receivables of $12,801 (December 31, 2010 - $9,826) arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants, having a large diverse tenant base with varying lease expirations, requiring security deposits on high risk tenants and ensuring that a considerable portion of its property revenue is earned from international, national and large anchor tenants. The Company's largest tenant represents 37.0% of property revenue for the period. The ability of this tenant to fulfill its long term lease obligation, or to pay rent on a timely basis could impact the Company's annual cash flow. To mitigate this risk, the tenant has issued a EUR €75,000 ($105,338) letter of guarantee, to the primary lender on the specific property, which would be utilized to mitigate major losses while the Company seeks replacement tenants. The Company's receivables are comprised primarily of current balances owing. The Company performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts. The remaining significant receivables consist of taxes recoverable from various government agencies and revenue from the sale of development properties. The amounts due from government agencies represent current recoverable amounts and the revenue from the sale of development properties is supported by security letters of credit issued by the purchaser.

d) Currency risk
Currency risk arises from assets and liabilities denominated in US dollars or Euros. The Company has established internal hedging relationships between Euro-denominated net investments in foreign self-sustaining operations and Euro-denominated corporate non-asset backed bonds and junior subordinated notes. At September 30, 2011, EUR €234,340 ($329,131) (December 31, 2010 - €234,340 ($310,641)) of the Company's net investment was hedged with an equal amount of Euro-denominated debt. The hedge is considered to be an effective hedge at September 30, 2011 and December 31, 2010, and will be regularly reviewed to assess the continued effectiveness of the hedging relationship. Currency risk for other amounts denominated in US dollars and Euros is mitigated by US dollar and Euro revenue and expense streams related to property rentals. The operating results of the Company's foreign operations are translated to Canadian dollars for financial statement reporting purposes. Changes to the exchange rates during the reporting period impact those reported results. A 10% variation in exchange rates is considered to represent a reasonably possible change to existing rates.

With all other variables held constant, the Company has determined that a 10% change:

- in the Euro exchange rate compared to the Canadian dollar would result in a decrease (increase) in earnings after income taxes, excluding un-hedged debt, of $392 and a foreign exchange gain or loss on the un-hedged Euro denominated corporate non-asset backed bonds of $9,762 after income taxes; and
- in the US dollar exchange rate compared to the Canadian dollar would result in a decrease (increase) in earnings after income taxes, excluding un-hedged debt, of $1,188 and a foreign exchange gain or loss on the un-hedged US dollar denominated junior subordinated notes of $1,436 after income taxes.

The Balance Sheets of the Company's foreign self-sustaining operations are translated to Canadian dollars for financial reporting purposes using the period end exchange rate. The change in exchange rates on the net investment position of these self-sustaining foreign operations is reflected in the Other Comprehensive Income of the Company during the period. As noted above, the Company has established an internal hedging relationship between Euro-denominated debt and net investments in self-sustaining operations. To the extent that the hedges are effective, the foreign currency gain or loss on the hedging amounts of Euro-denominated debt is reflected in other comprehensive income during the period.

e) Concentration risk
Certain of the Company's larger investment properties are leased to single tenants, and the recovery of the carried value of these investments is dependent upon the continuation of rental income on these properties from existing or new tenants. The Company's largest single tenant represented approximately 37.0% (December 31, 2010 - 36.8%) of property revenue for the year. The risk relates to the ability of the Company to replace this revenue stream on a timely basis while maintaining the related property costs. The Company mitigates this risk by entering into long term leases; reviewing the financial stability of the tenant and obtaining security or guarantees where appropriate; and seeking geographic and industry diversity of tenants. The Company's largest tenant has issued a letter of guarantee to the primary lender on the specific property, in an amount representing in excess of 2 years property revenue from this tenant. The property leased to this tenant has a fair market value of $627,812 at September 30, 2011 (December 31, 2010 - $592,540). The Company also follows a policy of maintaining its properties to a quality standard that would support timely re-leasing to new tenants.

f) Environmental risk
As an owner and manager of real estate properties, the Company is subject to various Unites States, European and Canadian federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the Company liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. Failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell its real estate or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Company. The Company is not aware of any material non compliance with environmental laws at any of its properties. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. The Company has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on its business, financial condition or results of operation.

(CAD $ thousands except per share amounts)

14. Financial instruments and risk management (cont.)

g) Risks related to HII's business operations

The Creditor Protection Proceedings have had a direct impact on HII's business and have compounded these risks and uncertainties. The actions and decisions of HII's creditors and other third parties with interests in the Creditor Protection Proceedings may be inconsistent with HII's plans and therefore could cause actual events to materially differ from those contemplated in the Company's statements. These risks and uncertainties could affect HII's business and operations in various ways such as having an adverse effect on HII's operations and financial condition, sales, customer relationships, employees and vendors.

15. Related party transactions

The Company's direct parent is Homburg Finance A.G., which is controlled by the former Chairman and Chief Executive Officer. On September 8, 2011, however, Mr. Homburg and Homburg Finance A.G. entered into an agreement with Stitching Homburg Bonds and Stitching Homburg Capital Securities (together the "Trustees") authorizing the Trustees to exercise the voting rights of the HII shares held by Mr. Homburg and Homburg Finance A.G.

a) The Company has entered into agreements with companies commonly controlled by the former Chairman and Chief Executive Officer. A summary of the various transactions between related parties is as follows:

	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Rental revenue earned	**$ (45)**	$ (429)
Management agreement termination fee (k)	**$**	$ 21,600
Asset and construction management fees (n)	**$ 4,313**	$ 6,585
Property management fees incurred (n)	**$ 1,568**	$ 3,483
Insurance costs incurred	**$ 45**	$ 514
Service fees incurred	**$ 2,971**	$ 3,500
Property acquisition/disposal fees incurred (n)	**$ 1,093**	$ 1,302
Mortgage bond guarantee fees incurred	**$**	$ 3,027
Bond and other debt issue costs incurred	**$**	$ 209
Interest costs incurred (h)	**$ 1,327**	$ 174

b) Included in trade payables is $3,108 (accounts payable - December 31, 2010 - $405) with companies commonly controlled by the former Chairman and Chief Executive Officer.

c) Included in restricted cash and accounts payable is a deposit on a condominium unit of $355 (December 31, 2010 - $355) from the former Chairman and Chief Executive Officer. The unit will be purchased at market prices.

d) The Company had approved a resolution authorizing the property manager, a company commonly controlled by the former Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company. This agreement was terminated on July 29, 2011.

e) Professional services of approximately $206 (September 30, 2010 - $284) were purchased from a corporation of which one of the Company's former directors is affiliated.

f) Included in accounts payable and other liabilities is $7,456 (December 31, 2010 - $8,275) with companies commonly controlled by the former Chairman and Chief Executive Officer, which are non-interest bearing and have no set terms of repayment.

g) In 2010 the Company ended a guarantee arrangement for the principal and interest amounts of the mortgage bonds payable, with a company under the control of the former Chairman and Chief Executive Officer, wherein it was protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee per annum was 1.6% on the Series 4, Series 5, Series 6, and Series 7 Bonds. During the previous year this contract was cancelled, thus eliminating the Company's liability for $13,383 representing an approximate discount of 30% from the book value of the liability.

15. Related party transactions (cont.)

h) Included in non-construction demand loans is a promissory note payable in the amount of EUR €4,170 ($5,857) (December 31, 2010 - EUR €6,291 ($8,339)). This amount relates to the Company's investment in Homburg Eastern European Fund B.V. The note bears interest at 6.0% per annum and has no specific repayment terms.

i) The Company has entered into head leases ("Head Leases") with CANMARC. The annual minimum rent payable, excluding amounts subject to third party tenants, total $1,537. The head leases commenced on May 25, 2010 and have a five year term subject to certain rights of termination upon third party leasing of such space. The Company has $961 included in property operating expenses for the period ended September 30, 2011.

j) The Company has entered into a ground lease with CANMARC for a term of 25 years, with an option to renew for up to 3 additional periods of 25 years each. The annual minimum rent payable for the ground lease is $186. The Company has $137 included in property operating expenses for the period ended September 30, 2011.

The Company has pledged and hypothecated in favour of CANMARC, Units having an aggregate value of approximately $6 million as collateral for its obligations under the Head Leases (the "Head Lease Pledge"), and Units having an aggregate value of approximately $4 million as collateral for certain of its obligations in connection with remediation costs, if any, on certain income producing properties (the "Remediation Cost Pledge"). The number of Units pledged under the Head Lease Pledge reduces annually by 1/5 of the number of Units pledged. The number of Units pledged under the Remediation Cost Pledge will be reduced from time to time upon payment by the Company to CANMARC of any portion of the remediation costs, if any, it being understood that for each $10 of the total remediation cost paid to CANMARC, the number of Units pledged under the Remediation Cost Pledge will be reduced by one Unit. Upon payment of the full Remediation Cost, the Company will be fully discharged of its obligations under the Remediation Cost Pledge and any remaining Units will be released from the Remediation Cost Pledge.

k) As part of CANMARC launch by the Company on December 16, 2009, the Company concluded that management functions relating to its Canadian operations performed under the existing agreements should be internalized within CANMARC. The Company considered various restructuring alternatives to modify the agreements accordingly, and concluded that the preferred alternative was the immediate termination of the agreement. Consequently, the Company, together with its various property owning subsidiary partnerships, paid the termination amount of $21,600 provided for under the agreement, effective February 25, 2010, and this amount was included in the loss from discontinued operations at December 31, 2010.

l) During the prior year the Company sold its 50% interest in Homburg SNS Property Finance Limited Partnership at book value to a company commonly controlled by the former Chairman and Chief Executive Officer for $7,409 in notes receivable.

m) On June 27, 2011, CANMARC acquired from CP Developments Ltd., a wholly owned subsidiary of the Company, the three existing office buildings that currently comprise the Centron Park Complex in Calgary's suburban south district, and an interest in lands by way of a purchase option providing CANMARC with the right to acquire the four remaining buildings of the Complex, as developed. The gross purchase price for the existing buildings was $39.7 million, excluding closing and transaction costs. CANMARC has a right of first refusal to purchase the remaining properties under development.

15. Related party transactions (cont.)

n) Property and Asset Management Service Fees
The Company had entered into a Property and Asset Management Agreement, initially set to expire on June 30, 2016, with a company commonly controlled by the former Chairman and Chief Executive Officer to provide the following services payable on a monthly basis:

Property Management Service Fees

(i) For investment properties where Single Tenant Triple Net Leases (which is defined as a lease under which the lessee is the sole tenant occupying the relevant property and pays rent to the lessor, as well as generally all other costs and expenses that arise from the use of the property, such as utilities, property taxes, insurance and maintenance expenses) were in place, the Manager did not receive any property management fees;
(ii) For investment properties situated in Canada or the United States where Single Tenant Triple Net Leases were not in place, fees were a percentage of all cash receipts or net revenue (i.e. total basic rent plus expense recoveries) as generated by the Properties;
(iii) For investment properties situated in Europe where Single Tenant Triple Net Leases were not in place, fees were a percentage of annual rents as generated by the Properties;
(iv) Construction supervision fees equal to 10% of the gross value (net of taxes) of the cost of construction or related construction contracts. Gross costs included the total hard and soft costs (including interest), but excluded land cost. The Manager was responsible for, including but not limited to, project management and all third party costs for construction management and other related costs; and
(v) Leasing fees equal to 10% of the first year net revenue for leases with a term of less than two years, 15% of the first year net revenue for leases of three to four years and 20% of the first year net revenue for leases of five years or longer. The Manager was to pay out of the applicable Owner's funds, mortgage payments, taxes, assessments, premiums on insurance and all other payments related to the operation of the Properties.

Asset Management Service Fees

(vi) For investment properties situated in Canada or the United States, annual fees of 0.30% of the total asset base, calculated on the quarterly basis for properties where Single Tenant Triple Net Leases (as such term is defined above) were in place, and 0.75% of the total asset base, calculated on a quarterly basis, for properties where Single Tenant Triple Net Leases (as such term is defined above) were not in place;
(vii) For investment properties situated in Europe, annual fees of 0.20% of the total asset base, calculated on a quarterly basis;
(viii) Share issue fees of 5% of the total gross proceeds raised in share issues of HII, provided that the Manager assumed all costs related to such share issues (including selling commissions payable to intermediaries, legal fees, marketing expenses, travel expenses and additional out-of pocket expenses). No fees were payable by HII to the Manager with respect to shares issued to a vendor of a property acquired by HII or private placement to related parties; and
(ix) Acquisition and disposition fees of 2.5% of the total acquisition or disposition price of the relevant property, provided however that, (i) in the context of a series of transactions forming part of the same transaction, the 2.5% fee was only payable once based on the total acquisition or disposition price, as the case may have been; and (ii) the Manager was not entitled to be reimbursed for any due diligence or execution costs relating to any acquisitions or dispositions, whether successful or unsuccessful, including legal, accounting, financial advisory and brokerage services as well as travel expenses and the cost of obtaining structural, environmental, title, and appraisal reports.

On July 29, 2011 the Company terminated the Property and Asset Management Agreement described above and subsequently entered into a Property and Asset Management Agreement, set to expire on December 31, 2011, with a company commonly controlled by the former Chairman and Chief Executive Officer to provide the following services payable on a monthly basis:

Property Management Service Fees

(i) For investment properties where Single Tenant Triple Net Leases (which is defined as a lease under which the lessee is the sole tenant occupying the relevant property and pays rent to the lessor, as well as generally all other costs and expenses that arise from the use of the property, such as utilities, property taxes, insurance and maintenance expenses) were in place, the Manager did not receive any property management fees;
(ii) For investment properties situated in Europe, deemed to be producing a positive cash flow and where Single Tenant Triple Net Leases were not in place, fees were a percentage of annual rents as generated by the Properties;
(iii) For investment properties situated in Europe, not deemed to be producing a positive cash flow and where Single Tenant Triple Net Leases were not in place, fees were a fixed monthly amount;

Asset Management Service Fees

(iv) For investment properties situated in Europe, deemed to be producing a positive cash flow, annual fees of 0.20% of the total fair market value, calculated on a quarterly basis;

Related party transactions are recorded at their exchange amounts, being the amounts agreed to by the related parties.

(CAD $ thousands except per share amounts)

16. Commitments

	With in 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Later
Future minimum lease payments:						
Operating leases of the Company (a)	$ 13,582	$ 13,582	$ 13,794	$ 14,431	$ 14,431	$ 141,336
Headlease commitment (Note 15(i,j)	1,781	1,723	1,548	731	186	3,655
	$ 15,363	**$ 15,305**	**$ 15,342**	**$ 15,162**	**$ 14,617**	**$ 144,991**

a) The Company has a head lease obligation and is working towards sub-leasing this space prior to the occupancy date. Any sub-leases will offset the Company's future obligation under the lease commitment. A provision for the estimated amount of the head lease contract which is considered to be onerous has been recorded.

17. Contingent liabilities

On September 9, 2011 the Company obtained an order from the Canadian Court for creditor protection under CCAA. As a result, all actions to enforce or otherwise effect payment or repayment of liabilities arising prior to the Petition Date, and substantially all pending claims and litigation against the Company, are stayed as of the Petition Date. Absent further order of the Court and subject to potential time limits, no party may take any action to recover on pre-petition claims against the Company.

a) During the period, the Company received a claim for damages totaling approximately $27 million from Homburg Canada Inc. ("HCI"), a company controlled by the former Chairman and Chief Executive Officer of HII, as compensation for the termination by HII of the master property and asset management agreement between the Company and HCI. HII maintains that it terminated the agreement as a result of breaches by HCI of its obligations under the agreement, and as such holds the position that no compensation is payable to HCI. The Company rejects the claim for compensation and will vigorously contest it, should the matter come before the Courts.

b) There are further claims which the Company is involved with, arising out of the ordinary course of business operations. The Company does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

c) One subsidiary has received a transfer tax assessment and specific other subsidiaries of the Company have been advised of pending potential transfer tax assessments. The tax assessments, both issued and potentially to be issued, would impose transfer tax on the acquisition of certain properties by the subsidiaries. The potential liability would be EUR €10,831 ($15,219) (December 31, 2010 - EUR €10,831 ($14,357)) and would result in an expense should the Company be unsuccessful in defending the existing assessment and the remaining potential assessments. Of this total amount: the Company has received an assessment for EUR €1,800 ($2,529) (December 31, 2010 - EUR €1,800 ($2,386)); an additional EUR €7,831 ($11,003) (December 31, 2010 - EUR €7,831 ($10,381)) was indicated for potential assessment, and to date no additional assessments have been received. The tax authorities have to impose these additional tax assessments before January 1, 2012. The remaining amount of EUR €1,200 ($1,686) (December 31, 2010 - EUR €1,200 ($1,590)) relates to an acquisition in 2008, and is similar in structure to the acquisition that has already been assessed. The Company has reviewed this matter, has received legal advice, and believes it is not required to pay the transfer tax on any of these acquisitions. Accordingly, the Company has not recorded any of the proposed transfer tax in its interim condensed consolidated financial statements.

18. Segmented Information

The Company is predominately organized and managed on a geographical basis. Operating performance is evaluated by the Company's Chief Operating Decision Maker ("CODM") primarily based on the net operating income of completed investment properties, which is defined as property revenues less property operating expenses, aggregated into operating segments with similar economic characteristics represented by the following geographical areas - North America, Germany, The Netherlands and the Baltic States. Centrally managed expenses such as interest, amortization, and general and administrative costs are not included or allocated to operating segment results.

The CODM also regularly reviews the carrying value of investment properties, on a property by property basis and also on an aggregated basis by geographical operating segment. Operating segment liabilities regularly reviewed by the CODM on an aggregated basis by geographical operating segment include mortgages and mortgage bonds payable to the extent these can be allocated to specific geographical operating segments.

(CAD $ thousands except per share amounts)

18. Segmented information (cont.)

	Germany	Netherlands	Baltic States	North America	Total
Nine months ended September 30, 2011					
Property revenue	**$ 45,593**	**$ 23,757**	**$ 13,505**	**$ 12,868**	**$ 95,723**
Operating expenses	**1,223**	**4,773**	**3,575**	**9,383**	**18,954**
	$ 44,370	**$ 18,984**	**$ 9,930**	**$ 3,485**	**$ 76,769**
Nine months ended September 30, 2010					
Property revenue	$ 42,684	$ 24,583	$ 14,169	$ 12,767	$ 94,203
Operating expenses	2,745	2,062	4,329	6,830	15,966
	$ 39,939	$ 22,521	$ 9,840	$ 5,937	$ 78,237
September 30, 2011					
Investment properties	**$ 784,698**	**$ 451,192**	**$ 230,530**	**$ 30,938**	**$ 1,497,358**
Mortgages payable	**$ 513,546**	**$ 363,708**	**$ 168,525**	**$ 30,681**	**$ 1,076,460**
Mortgage bonds payable	**$ 35,168**	**$ 36,798**	**$**	**$ 71,968**	**$ 143,934**
December 31, 2010					
Investment properties	$ 748,715	$ 422,916	$ 208,258	$ 21,838	$ 1,401,727
Mortgages payable	$ 492,342	$ 350,911	$ 159,939	$ 30,916	$ 1,034,108
Mortgage bonds payable	$ 31,082	$ 36,842	$	$ 67,922	$ 135,846

In addition to the above, the North American segment derived revenue from the sale of properties developed for resale of $10,736 (September 30, 2010 - $13,172), less costs of development of $9,971 (September 30, 2010 - $16,487), which resulted in a gain on sale of properties of $765 (September 30, 2010 - loss of $3,315). At September 30, 2011, the Germany segment included one (December 31, 2010 - one) tenant that individually represented 37.0% (December 31, 2010 - 36.8%) of the Company's consolidated property revenue for the period. Property operating expenses include $2,202 relating to vacant properties (December 31, 2010 - $544).

In addition to the Company's geographical operating segments, the following information is also provided to the Board of Directors on an aggregated basis by property classification (Retail, Industrial, Office and Residential).

	Retail	Industrial	Office	Residential	Total
Nine months ended September 30, 2011					
Property revenue	**$ 13,793**	**$ 10,552**	**$ 71,351**	**$ 27**	**$ 95,723**
Operating expenses	**3,799**	**2,296**	**12,099**	**760**	**18,954**
	$ 9,994	**$ 8,256**	**$ 59,252**	**$ (733)**	**$ 76,769**
Nine months ended September 30, 2010					
Property revenue	$ 14,126	$ 12,110	$ 67,967	$	$ 94,203
Operating expenses	3,982	3,705	8,279		15,966
	$ 10,144	$ 8,405	$ 59,688	$	$ 78,237
September 30, 2011					
Investment properties	**$ 122,572**	**$ 212,738**	**$ 1,162,048**	**$**	**$ 1,497,358**
Mortgages payable	**$ 81,968**	**$ 165,484**	**$ 818,399**	**$ 10,609**	**$ 1,076,460**
Mortgage bonds payable	**$ 7,064**	**$ 11,210**	**$ 53,693**	**$**	**$ 71,967**
December 31, 2010					
Investment properties	$ 106,590	$ 204,230	$ 1,090,907	$	$ 1,401,727
Mortgages payable	$ 16,055	$ 159,580	$ 785,164	$ 73,309	$ 1,034,108
Mortgage bonds payable	$ 4,557	$ 21,477	$ 41,890	$	$ 67,924

At September 30, 2011, mortgage bonds payable totalled $143,934. Of this amount $71,967 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining $71,967 is allocated to specific property classification segments above. At December 31, 2010, mortgage bonds payable totaled $135,846. Of this amount $67,922 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining $67,924 is allocated to specific property classification segments above.

19. Subsequent events

a) On October 7, 2011 the Court extended the stay, which was temporarily granted to the Company on September 9, 2011, and expiring October 6, 2011, to December 9, 2011.

b) Subsequent to period end, all mortgage principal and interest payments due on European income producing assets, held through limited partnerships, were brought current.

c) Subsequent to period end, the Company repaid its operating line of credit, which was secured by 3 million Units of CANMARC, and the Units were returned to the Company.

d) Subsequent to period end, the Company received a Notice of Default from Skandinaviska Enskilda Banken AB ("SEB"), the lender on the Company's Baltic assets with respect to the interest rate swap on the portfolio. As the default was triggered by a principal repayment request by SEB in 2010 to correct a breach of the interest coverage ratio covenant, the Company is confident that a solution can be negotiated, and discussions are ongoing. The Derivative liability and related debt have been reclassified to current liabilities

e) Subsequent to period end, various contractors on assets under development in Calgary, Alberta, and Charlottetown, Prince Edward Island, have registered liens against the properties. Under the CCAA process, the liens are stayed, and can not be acted upon.

f) On October 20, 2011 the Toronto Stock Exchange delisted the Company's Class A subordinate voting shares ("HII.A") and Class B multiple voting shares ("HII.B") for failing to meet its continued listing requirements. Trading in the Company's shares will remain halted.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. The income statement has been restated to reflect the reclassification of discontinued operations.

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, Jan Schöningh, President and Chief Executive Officer of Homburg Invest Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Homburg Invest Inc. (the "issuer") for the interim period ended September 30, 2011.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 N/A

5.3 N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2011, and ended on September 30, 2011, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **November 17, 2011**

(signed) *"Jan Schöningh"*
Jan Schöningh
President and Chief Executive Officer
Homburg Invest Inc.

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, James F. Miles, Chief Financial Officer of Homburg Invest Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Homburg Invest Inc. (the "issuer") for the interim period ended September 30, 2011.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 N/A

5.3 N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2011, and ended on September 30, 2011, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **November 17, 2011**

(signed) *"James F. Miles"*
James F. Miles, CA
Chief Financial Officer
Homburg Invest Inc.