

AUGUST 21, 2001

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

**BOARDWALK EQUITIES REPORTS STRONG SECOND QUARTER RESULTS
Record Results From Rental Operations**

Boardwalk Equities Inc. (“BEI” – NYSE, TSE) is pleased to report another strong quarter of financial results for the second quarter of 2001, representing a record quarter for the Company’s core rental operations. The Company had strong financial results for the quarter ended June 30, 2001, with Total Revenues of \$50.3 million, Funds From Operations [“FFO”] of \$12.5 million and FFO per share of \$0.25. For the six months ended June 30, 2001, Total Revenues were \$118.3 million, FFO was \$31.0 million and FFO per share was \$0.62.

Effective December 31, 2000, the Company changed its fiscal period end to December 31 from May 31. Due to this change, an identical period for comparative purposes is not available. For illustrative purposes only, where applicable, we have presented the Company’s results for the three-month and six-month periods ended May 31, 2000. Readers are cautioned that these results are not for identical comparable periods and that the real estate industry is subject to seasonal fluctuations that will affect straight comparisons of these amounts.

Highlights of the Company’s second quarter 2001 financial results include:

Rental revenues of \$50.3 million, which compares to \$46.8 million for the three-month period ended May 31, 2000.

Total revenues of \$50.3 million, compared to \$66.0 million for the three-month period ended May 31, 2000.

Net operating income of \$34.1 million, which compares to \$29.8 million for the three-month period ended May 31, 2000.

Funds from operations (FFO) of \$12.5 million, compared to \$13.7 million for the three-month period ended May 31, 2000.

FFO per share of \$0.25, compared to \$0.27 for the three-month period ended May 31, 2000. FFO per share prior to gains was \$0.25, compared to \$0.19 for the three-month period ended May 31, 2000.

Net earnings of \$2.9 million, compared to \$1.2 million for the three-month period ended May 31, 2000. EPS of \$0.06, compared to \$0.02 for the three-month period ended May 31, 2000.

Commenting on the Company’s second quarter results, Sam Kolias, President and C.E.O. said “The Company’s core real estate operations are showing continued improved results and will remain the key driver of growth. Fundamentals for the multi-family rental sector remain healthy and we continue to see strength in our major markets.”

“The second quarter is usually the weakest seasonal period for occupancy rates in our largest markets. Despite the typical seasonal weakness in the Spring, the Company has seen very strong results, which lay a good foundation for the second half”, said Mr. Kolias. “We are pleased with our financial performance

in the first half of the year and are optimistic that we can continue to demonstrate solid performance for the balance of the year.”

Boardwalk’s core rental operations posted record quarterly results, driven by continued improvement in its portfolio performance. The average vacancy rate across the Company’s portfolio for the second quarter of 2001 was 6.17%, up from 4.85% in the first quarter reflecting normal seasonal trends. As of July, 2001, the vacancy rate has shown a decline to 5.39%. Average monthly rents realized in the second quarter of 2001 were \$662 per unit, up \$46, or 7.5%, from the \$616 per unit for the three months ended May 31, 2000. Management estimates that market rents for its properties at the end of June, 2001 averaged \$749, which compares to an average in-place rent per occupied unit of \$703. This indicates a current “loss-to-lease” on the portfolio of approximately \$12.5-\$13 million on an annualized basis.

The second quarter 2001 results do not include any operating profit from asset sales. In the comparable three-month period ended May 31, 2000, operating profits on asset sales totaled \$4.0 million on sales of \$19.1 million. These sales contributed \$0.08 to FFO per share in three-month period ended May 31, 2000.

The six month results for 2001 include the sale of a property in the first quarter of the year, which resulted in \$18.0 million of revenues and \$7.5 million of pre-tax operating profit. The sale provided a \$0.15 contribution to FFO in the period. For the comparable six-month period ended May 31, 2000, operating profits on asset sales totaled \$4.2 million on sales of \$21.0 million. These sales contributed \$0.08 to FFO per share in the six-month period ended May 31, 2000.

Boardwalk’s administrative expenses continued to show a decline in the current year both as a percentage of total rental revenues and on an absolute basis. The recorded amount of \$7.8 million for the six months ended June 30, 2001 and \$3.9 million for the second quarter of the year represented a 9% and 2% reduction over the comparable six and three months reported for the period ended May 31, 2000. The decrease in administration expenses is the result of increased efficiencies now being recognized by the deployment of the Company’s on-site, real-time property management systems and the streamlining of on-site operations. With the continued strength in employment, the Company’s major markets and its ongoing pursuit of remaining competitive in terms of compensation to attract and retain talented associates, management expects to begin seeing some increases in wage costs in the quarters ahead. In addition, some executives have already opted for salary and or combination of salary plus bonus compensation versus pure option compensation as has been the practice in the past. It is anticipated that more executives will opt for cash or a blend of cash and options which could have an impact of about 2 to 3 cents per share on an annualized basis. These additional costs are expected to be offset by the anticipated continued strength in the Company’s rental operations.

Same-Store Results

Boardwalk continued to show solid improvement in its stabilized properties (defined as properties owned for over 24 months). A total of 21,309 units were classified as stabilized for the second quarter, representing 84% of Boardwalk’s total portfolio. Again, due to the change in the Company’s fiscal year end, for illustrative purposes, the prior period comparison to the six months ended May 31, 2000. On

this basis, “same-store” results for the Company’s stabilized portfolio for the six month period continued to show improved results with rental revenue growth of 6.52% and NOI growth of 10.32% versus the comparable period last year.

	Rental Revenues	Rental Expenses	NOI	% of Stabilized NOI
Edmonton	+9.15%	-0.68%	+14.48%	47
Calgary	+4.15%	-5.37%	+7.90%	29
Other Alberta	+9.72%	-8.71%	+18.57%	7
Ontario	+15.47%	+6.53%	+28.19%	2
Saskatoon	-0.67%	+0.30%	-1.26%	6
Regina	+1.51%	+7.68%	-2.27%	9
Total Stabilized	+6.52%	-0.71%	+10.32%	100

Acquisition and Disposition Activity

The Company remains active in pursuing acquisition opportunities, but continues to be disciplined with respect to its underwriting criteria. In addition to the purchase of 711 units that was previously announced and which closed in the first quarter of 2001, subsequent to the end of the second quarter Boardwalk acquired or contracted to acquire two additional properties totaling 531 units - a 359-unit property located in London, Ontario which closed in mid-August, 2001, and a 172-unit property located in Edmonton which is scheduled to close by the end of August 2001. The total cost of these two acquisitions is just over \$23 million before closing costs, or approximately \$43,600 per unit. This will bring the total acquired to over 1,240 units on a year-to-date basis. This is within the range of the previous guidance the Company provided on anticipated total acquisitions for the year of between 1,000 and 2,000 units.

During the six month period ended June 30, 2001, the Company completed the sale of a project in Edmonton totaling 236 units which closed in the first quarter of the year. The project was sold for \$18.0 million, or approximately \$76,300 per unit, with a pre-tax profit of \$7.5 million, or \$0.15 per share.

Continued Balance Sheet Strength

The Company maintained its strong financial position in the quarter. Boardwalk’s mortgage debt totalled \$1.05 billion as at June 30, 2001, up marginally from \$1.03 billion at December 31, 2000. The weighted average interest rate of 6.25% as of June 30, 2001 is down slightly from 6.27% at December 31, 2001. The Company’s liquidity remained strong, with cash and undrawn credit facilities totaling \$46 million at the end of the second quarter. In addition, an anticipated \$30 million is expected to be available in the form of pre-committed financing, mortgage hold-back releases and vendor receivable maturities. The Company’s coverage ratios also remain strong, with an interest coverage ratio of 1.97 times in the second quarter of 2001.

Update on Suite Systems Inc. and Other Technology Initiatives

Boardwalk's 100%-owned subsidiary, Suite Systems Inc., continues to make advances on a number of fronts. In the first quarter of this year, Suite Systems started a trial roll-out of digital TV and high-speed internet services to two Boardwalk buildings in Calgary, and penetration rates to date have been very favourable, with approximately 140 customers in the trial.

On the telecom side, Suite Systems recently had all technical issues approved regarding achieving its CLEC status and it is anticipated that it will be issued its CLEC license over the near term. Dramatic declines in certain hardware prices are enabling Suite Systems to look at different network routes to delivering its services, which in the past were not economically feasible. Upon receipt of its CRTC license, Suite Systems will be proceeding with a trial for phone service in one of Boardwalk's buildings, O'Neil Towers in Calgary, via T-1 lines. Upon successful completion of the trial, it expects to proceed to connect all of Boardwalk's Calgary properties.

As stated in previous releases, Suite Systems' negotiations with MEU's and other owners of rights of way and dark fiber have taken longer than originally expected due to a variety of factors, but are continuing and, in addition, with recent downward pressure on technology costs in particular telecom costs, alternatives which were not economically attractive just 12 months ago now show promise and are actively being pursued. It is anticipated that Suite Systems will be able to conclude such an agreement, or achieve alternative access, over the next several quarters. Suite Systems has made a formal application to the CRTC for access to utility poles in Calgary and is continuing to work through that process. It is anticipated that the net result will more accurately reflect current market conditions for pricing and therefore be a more long-term cost-effective and scalable business model.

"As the telecommunication and technology markets continue to be extremely volatile we want to stress that since the inception of Boardwalk, we have used the latest and most advanced tools and technology and believe we must continue doing so to succeed", stated Mr. Koliass. "Over the years, our team has developed systems that are unique in the industry and continue to provide us with controls and efficiencies that allow us to deliver a better industry level of service to our customers while making us more efficient. Our investment in technology has helped us develop a very unique brand allowing us to create significant value for both our customers and shareholders alike. "

"With the cost of capital for developing technology at record highs, the prices of equipment plummeting, a glut of dark fiber in the market place for which the pricing has yet to be reflected, and the regulatory environment changing, risks remain very high. We believe a continued, deliberate, more protracted and much smaller scale strategy is best. Given the broad market sentiment of write-offs and write-downs, we continue to evaluate our technology assets to ensure there is a realistic reflection of appropriate values on the balance sheet. We have been developing technology systems for the Company for 17 years now with wages and salaries virtually all historically expensed. The proprietary industry-specific systems that we have developed over the past many years to date remain unique in our industry. We are not aware of any other operators in our sector with the same level of technology implementation as Boardwalk. Therefore, it has always been our intention to prove the viability of this technology in our own portfolio first, and, conditions being appropriate, allowing other operators to have access."

“We believe we continue to readily recover our investment in technology through increased efficiencies and added value to our own portfolio. The additional features we are implementing or assessing are what we consider "bolt-on" and complimentary features to our existing operating systems that we have developed and rolled out throughout our portfolio. Together, we have a unique proprietary apartment industry turnkey operating system that we believe has significant value and already saves us millions every year in operating efficiencies.”

Boardwalk continues to develop additional features on an ongoing basis as part of its turnkey apartment “operating system”. One such example is a smart card system which was recently developed in-house. The initial application for this smart card technology is a networked laundry system. It is currently up and running and being trialed in one of Boardwalk’s properties, Chateau Apartments in Calgary. The Company will be able to offer discount pricing in off-peak times to better spread out utilization of the machines for all residents. From its customer’s perspective, it will increase convenience and eliminate the burden to carry change and increase accessibility to the machines. The smart card technology eliminates the need for manual coin collection and will reduce maintenance due to coin jams and security issues. As a result of this new system, Boardwalk will move to eventually eliminate all of its lease contracts and take the laundry operations across its portfolio fully in-house. The Company currently spends approximately \$95,000 per month on third-party coin collection, maintenance and lease services. Another future application will be for vending machines in its properties.

Boardwalk continues to roll out individual electrical submetering technology as part of its energy savings program and strategy to reduce its exposure to energy prices going forward. It has just completed the submetering at Patrician Village, a 392-unit Boardwalk community in Calgary. The Company is also moving to complete a submetering program at Boardwalk Centre, a 596-unit twin high-rise property in Edmonton. It is anticipated that this will be completed by year-end, with a further 2000 additional units expected to be submetered in 2002.

Outlook and Summary

Commenting on the outlook for the Company, Mr. Koliias, said “The Company remains well positioned to show improved results over the balance of the year and going forward. Economic forecasts continue to show Alberta leading the country in economic growth through 2002. With our portfolio over two-thirds weighted in the Alberta market, we are very well positioned geographically to deliver solid results driven by strong internal growth over the next several years.”

“We continue to see the largest opportunity for the Company being harvesting the significant inherent upside that exists in our portfolio over time as rents continue to rise towards replacement cost rents in our markets, a trend we have already witnessed over the past five-to-seven years in many U.S. cities”, said Sam Koliias. “We will supplement this with both external growth opportunities and through an expanded array of value add services to our residents and others in the multi-family sector.”

With respect to current “street” estimates, Rob Geremia, Vice President, Finance and Chief Financial Officer, said “We are comfortable with current street estimates with the range of analyst forecasts for

FFO for 2001 of between \$0.92 and \$0.96 per share excluding profits on asset sales, and we would guide to total FFO for the year is expected to be between \$1.06 and \$1.11 per share for the current year, which would factor in no additional bulk sales in the balance of the year.”

Teleconference on Fiscal 2001 Second Quarter Financial Results

We invite you to participate in the teleconference that will be held to discuss the fiscal 2001 second quarter financial results this morning at 11:15am EST. Sam Koliass, President and CEO, George Reti, Executive Vice President, Rob Geremia, Vice President, Finance and CFO, and Mike Hough, Executive Vice President, will speak to the results. Presentation materials will be made available on the INVESTOR section of our website (www.bwalk.com) prior to the call.

Participation & Registration: Please RSVP to Paul Moon 403-508-6208 or by email to investor@bwalk.com.

Teleconference: The telephone numbers for the conference are: 416-641-6446 (within Toronto) or 1-877-871-1828 (outside Toronto).

Webcast: Investors will be able to listen to the call and view our slide presentation over the Internet by visiting <http://investor.bwalk.com> at least 15 min. prior to the start of the call. An information page will be provided for software needed and system requirements. The live audiocast will also be available at <http://www.newswire.ca/webcast/pages/BoardwalkEquities20010821/>.

Replay: An audio recording of the teleconference will be available approximately one hour after the call until 11:59pm EST on August 28th. You can access it by dialing (416) 626-4100 and using the following reservation number, 19424700. An audio archive will also be available on our Investor site (<http://investor.bwalk.com>) two hours after the conference call until September 19, 2001.

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Corporate Profile

Boardwalk Equities Inc. is Canada's largest owner/operator of multi-family rental properties. Boardwalk currently owns and operates in excess of 200 properties with over 25,000 units totaling 21 million net rentable square feet. The company's portfolio is concentrated in the provinces of Alberta, Saskatchewan and Ontario. Through its subsidiary, Suite Systems Inc., it provides a wide range of services to the multiple-dwelling unit (MDU) market including an integrated state-of-the-art property management system together with a broad range of communication, information and e-commerce

services. Boardwalk is headquartered in Calgary and its shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange and trade under the symbol BEI. The company has a total market capitalization of \$1.6 billion.

Additional information is available at Boardwalk's web site at www.bwalk.com.

For further information please contact:

Boardwalk Equities Inc.
(403) 531-9255

Sam Kalias, President and CEO; George Reti, Executive Vice President; Roberto Geremia, Vice-President, Finance and Chief Financial Officer; Mike Hough, Executive Vice President; or Paul Moon, Director of Investor Relations.

Recent investor information can be found on the Internet at <http://investor.bwalk.com/>.

BOARDWALK EQUITIES INC.

Consolidated Balance Sheets – As at

(Thousands of dollars)

	June 30, 2001 (Unaudited)	December 31, 2000 (Audited)
Assets		
Revenue producing properties	\$ 1,354,699	\$ 1,325,715
Properties held for development and resale	6,489	6,692
Mortgages & accounts receivable	18,778	17,230
Other assets	15,791	14,637
Deferred financing costs	32,508	31,460
Technology initiative	33,721	27,045
Cash and short-term investments	<u>7,568</u>	<u>21,055</u>
	<u>\$ 1,469,554</u>	<u>\$ 1,443,834</u>
Liabilities		
Mortgages payable	\$ 1,048,815	\$ 1,034,444
Accounts payable and accrued liabilities	16,940	24,795
Refundable security deposits and other	9,936	9,953
Capital lease obligations	9,292	8,404
Future income taxes	<u>69,357</u>	<u>64,864</u>
	<u>\$ 1,154,340</u>	<u>\$ 1,142,460</u>
Shareholders' equity		
Share capital	\$ 262,151	\$ 253,586
Retained earnings	<u>53,063</u>	<u>47,788</u>
	<u>315,214</u>	<u>301,374</u>
	<u>\$ 1,469,554</u>	<u>\$ 1,443,834</u>

BOARDWALK EQUITIES INC.

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

(Thousands of dollars, except per share amounts) (Unaudited)

	June 2001 (6 Months)	May 2000 (6 Months)	June 2001 (3 Months)	May 2000 (3 Months)
Revenue				
Rental income	100,314	93,038	50,347	46,808
Sales - properties held for development and resale	18,012	21,044	-	19,146
	118,326	114,082	50,347	65,954
Expenses				
Revenue producing properties				
Operating expenses	12,088	11,291	6,097	5,916
Utilities	15,811	12,389	5,719	6,152
Utility rebate	(3,733)	-	(468)	-
Property taxes	9,678	9,325	4,868	4,947
Cost of sales - properties held for development and resale	10,501	16,827	-	15,109
Administration	7,829	8,603	3,945	4,017
Financing costs	33,538	30,538	16,851	15,143
Amortization (Note 3)	25,282	18,029	12,828	15,349
	110,994	107,002	49,840	66,633
Operating earnings before income taxes	7,332	7,080	507	(679)
Large corporations taxes	1,578	1,611	824	997
Future income taxes (Note 6)	(2,017)	892	(3,211)	(2,895)
	7,771	4,577	2,894	1,219
Net earnings	7,771	4,577	2,894	1,219
Earnings per share - Basic	\$ 0.16	\$ 0.09	\$ 0.06	\$ 0.02
Diluted	\$ 0.15	\$ 0.09	\$ 0.06	\$ 0.02

BOARDWALK EQUITIES INC.

Consolidated Statement of Retained Earnings

(Thousands of dollars, except per share amounts) (Unaudited)

	June 2001 (6 Months)	May 2000 (6 Months)
Retained earnings, as previously stated	\$ 47,788	\$ 32,726
Adjustment for retroactive adoption of future income taxes	-	(1,500)
Retained earnings, beginning of period as restated	47,788	31,226
Net earnings	7,771	4,577
Dividends paid	(2,496)	-
Premium on share repurchases	-	(3,462)
Retained earnings, end of period	\$ 53,063	\$ 32,341

BOARDWALK EQUITIES INC.

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

(Thousands of dollars, except per share amounts) (Unaudited)

	June 30, 2001	May 31, 2000	June 30, 2001	May 31, 2000
	(6 months)	(6 months)	(3 months)	(3 months)
		(restated Note 2)		
Cash flow obtained from (applied to):				
Operating activities				
Net income	\$ 7,771	\$ 4,577	\$ 2,894	\$ 1,219
Future income taxes	(2,017)	892	(3,211)	(2,895)
Amortization	<u>25,282</u>	<u>18,029</u>	<u>12,828</u>	<u>15,349</u>
Funds from operations	31,036	23,498	12,511	13,673
Net change in operating working capital	(10,573)	19,073	(3,757)	15,194
Net change in property held for development	<u>9,583</u>	<u>3,487</u>	<u>(111)</u>	<u>3,486</u>
Total operating cash flows	<u>30,046</u>	<u>46,058</u>	<u>8,643</u>	<u>32,353</u>
Financing activities				
Issue of common shares (net of issue costs)	1,455	3,016	1,416	6,442
Stock repurchase program	(5)	(6,885)	-	(6,885)
Dividends paid	(2,496)	-	-	-
Financing of revenue producing properties	71,437	70,958	38,799	34,837
Repayment of debt on revenue producing properties	(71,122)	(39,285)	(46,368)	(31,660)
Capital lease payments	(944)	-	(658)	-
Deferred financing costs	<u>(1,637)</u>	<u>(273)</u>	<u>(574)</u>	<u>299</u>
	<u>(3,312)</u>	<u>27,531</u>	<u>(7,385)</u>	<u>3,033</u>
Investing activities				
Purchases of revenue producing properties net of debt on acquisitions of \$ 14,055 (2000 - \$32,032) and shares issued of \$ 7,116 (2000 - \$nil)	(6,738)	(26,523)	-	(8,466)
Project improvements to revenue producing properties	(28,639)	(35,760)	(12,876)	(14,400)
Technology initiative	<u>(4,844)</u>	<u>(7,441)</u>	<u>403</u>	<u>(7,441)</u>
	<u>(40,221)</u>	<u>(69,724)</u>	<u>(12,473)</u>	<u>(30,307)</u>
(Decrease) increase in cash balance during the period	(13,487)	3,865	(11,215)	5,079
Cash and cash equivalents (indebtedness), beginning of period	<u>21,055</u>	<u>(2,730)</u>	<u>18,783</u>	<u>(3,944)</u>
Cash and cash equivalents, end of period	<u>\$ 7,568</u>	<u>\$ 1,135</u>	<u>\$ 7,568</u>	<u>\$ 1,135</u>
Funds from operations per share, basic and diluted	<u>\$ 0.62</u>	<u>\$ 0.47</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>
Taxes Paid	<u>\$ 1,760</u>	<u>\$ 1,228</u>	<u>\$ 882</u>	<u>\$ 819</u>
Interest Paid	<u>\$ 32,293</u>	<u>\$ 30,176</u>	<u>\$ 16,246</u>	<u>\$ 15,259</u>

BOARDWALK EQUITIES INC.

Notes to the Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2001

Note 1 - Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are consistent with those used in the audited consolidated financial statements as at and for the seven months ended December 31, 2000, except for the adoption of a new Canadian Institute of Public Real Estate Companies (“CIPREC”) requirement. The new standard requires the use of a funds from operations (“FFO”) calculation, versus the traditional cash flow from operations calculation. As a result of this change, the Corporation will now calculate funds from operations per share instead of cash flow per share. Prior period figures have been restated.

The interim financial statements should be read in conjunction with the audited financial statements. As a result of the Corporation changing its year end from May 31 to December 31, comparative figures for the quarter are May 31, 2000.

Due to seasonality, the operating results for the three months and six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2001.

Note 2 - Changes in Accounting Policy

Effective June 1, 2000, the Corporation retroactively adopted the new CICA Handbook Section 3500. Under this section, diluted earnings per share and funds from operations per share are calculated using the “treasury stock” method, replacing the previous method of “imputed earnings per share”. There was no effect on diluted earnings per share and diluted funds from operations per share for the three months and six months ended May 31, 2000.

Note 3 - Amortization of Capital Items

During the six month comparative period ending May 31, 2000, Boardwalk revised the amortization of project improvements to more closely reflect their estimated remaining useful lives. The revision was applied for the entire 2000 fiscal year and as such a period reconciliation was required for the six months ended May 31, 2000. This resulted in the reduced amortization charge of \$18 million for the six months ended May 31, 2000 versus the \$25 million for the present period.

Note 4 – Share Capital

June 30, 2001		December 31, 2000	
<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>

BOARDWALK EQUITIES INC.

Common Shares outstanding (thousands)	50,155	\$ 262,151	49,259	\$ 253,586
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Note 5 – Per Share Calculation

The following table sets forth the computation of basic and diluted earnings per share with respect to income from continuing operations [thousands except per share amounts].

	<u>June 30, 2001</u> <u>(6 months)</u>	<u>May 31, 2000</u> <u>(6 months)</u>	<u>June 30, 2001</u> <u>(3 months)</u>	<u>May 31, 2000</u> <u>(3 months)</u>
Net income	<u>\$ 7,771</u>	<u>\$ 4,577</u>	<u>\$ 2,894</u>	<u>\$ 1,219</u>
Denominator for basic earnings per share – weighted average shares	49,954	49,804	49,992	49,798
Effect of dilutive stock options	<u>222</u>	<u>417</u>	<u>223</u>	<u>579</u>
Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion	<u>50,176</u>	<u>50,221</u>	<u>50,215</u>	<u>50,377</u>
Basic earnings per share	\$ 0.16	\$ 0.09	\$ 0.06	\$ 0.02
Diluted earnings per share	\$ 0.15	\$ 0.09	\$ 0.06	\$ 0.02

Note 6 - Income Tax Rate reduction

Effective April 1, 2001, the Alberta and Ontario governments passed legislation that reduced the provincial income tax rates. The future tax balances for the company have been revalued at the new rates resulting in a cumulative future tax recovery of \$2 million for the six months ended June 30, 2001. The new rates are reflected in the tax provisions for the current period.

Note 7 - Commitments

As disclosed in the March 31, 2001 quarterly report, the Corporation has entered into a one year supply arrangement with a gas utility company to supply the Corporation with 80% of its natural gas needs in Alberta for the 12 month period ending April 30, 2002. The agreement provides that the gas utility company supplies the commodity at \$7.90 per gigajoule. The remaining 20% supply for November 2001 to March 2002 has been contracted at \$6.60 per gigajoule.

As disclosed in the December 31, 2000 annual report, the Corporation has entered into long-term supply arrangements with two utility companies to supply the Corporation with its electrical power needs for Alberta for the next three to five years at a blended rate of approximately \$0.07/kwh. These agreements provide that the Corporation purchase its power for all properties under contract for the upcoming years based on an approximation of the current year's demand levels.

BOARDWALK EQUITIES INC.

In regards to the Corporation's technology initiative, at June 30, 2001 the Corporation had remaining commitments totalling \$900,000 (December 31, 2000 - \$ 4.0 million) with various suppliers with an average weighted interest rate of 10.3% (December 31, 2000 – 10.8%).

Note 8 - Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Note 9 - Subsequent Events

Property Acquisitions

Subsequent to June 30, 2001, the Corporation has contracted to acquire 531 units for an aggregate purchase price of \$23.3 million. The acquisitions were financed through cash of \$6.7 million and the assumption of \$16.6 million in existing mortgages.

BOARDWALK EQUITIES INC.