PLAZA

Plazacorp Retail Properties Ltd.

Annual Report 2001

• About Plazacorp

Plazacorp Retail Properties Ltd. acquires and develops shopping malls and strip plazas throughout Atlantic Canada and Quebec.

We purchase well-located retail properties that show potential for increased cash flow through the application of a comprehensive redevelopment plan.

Our local market knowledge, redevelopment experience and strong relationships with Canada's leading retailers give us a distinct competitive advantage in this market niche.

• Contents

Highlights From 2001

Acquired and/or Completed Development on Twelve Properties

Centennial Plaza	Dollard-des-Ormeaux QC
Plaza Thériault	Rivière-du-Loup QC
Nashwaaksis Plaza	Fredericton NB
Staples Plaza	New Glasgow NS
Bureau en Gros	Rimouski QC
McAllister Drive Plaza	Saint John NB
Lansdowne Place	Saint John NB
Oromocto Mall	Oromocto NB
Staples Plaza	Dartmouth NS
Les Promenades St. François	Laval QC
Belvedere Plaza	Charlottetown PE
Grand Falls Shopping Mall	Grand Falls NB

Mortgage Bond Issue

Raised $2.5 million in mortgage bond issue

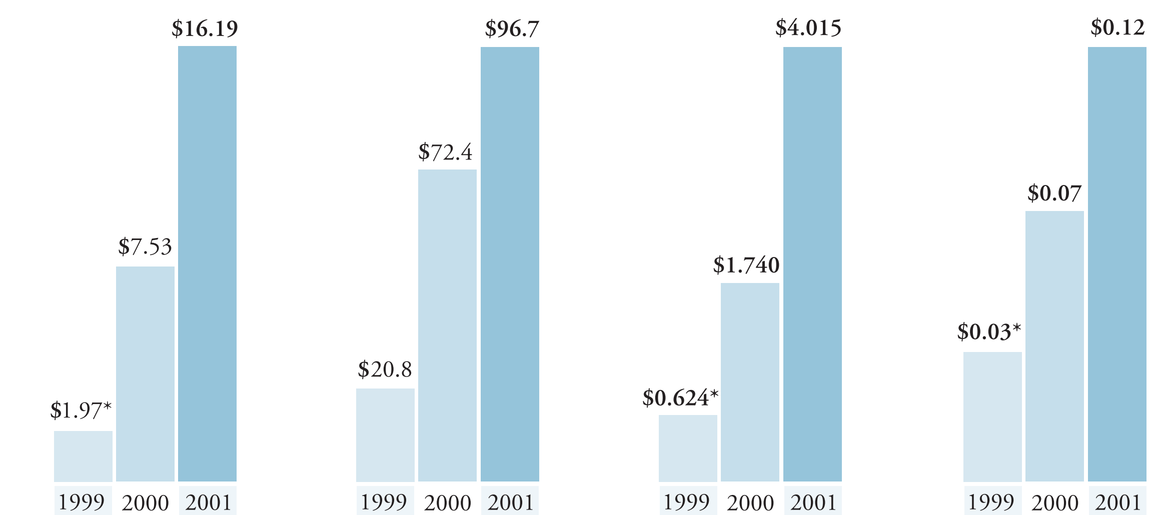
Equity

Issued 1,875,356 shares (of which 1,835,356 were issued at $1.00 per share)

Awards

Named 2nd highest in revenue growth on Atlantic Progess list of TOP 101 Companies in Atlantic Canada

Graphs



Revenues (Millions) | Assets (Millions) | Funds from Operations (Millions) | Funds from Operations per Share

* Six months

• PRESIDENT'S MESSAGE

Fellow Shareholders,

Plazacorp's primary focus in 2001 was to grow aggressively and create reliable cash flows from its properties. Our assets now total $96.7 million compared to $72.4 million at the end of 2000, an increase of 33%. We have enjoyed corresponding increases in revenues, funds from operations and funds from operations per share.

In last year's annual report we told you that in 2001 we would focus on reinvesting our cash flow in acquisition and redevelopment opportunities. This year we improved funds from operations through acquisition and redevelopment of a total of 12 properties. At year-end, Plazacorp had an interest in 23 properties comprising 1.82 million square feet of retail real estate. Redevelopment of many of the properties we acquired in 2000 and 2001 is complete or near completion. The positive impact to our cash flow from the acquisition and redevelopment efforts will be fully realized in 2002.

These investments benefit our shareholders and the communities where the properties are located. Plazacorp focuses on well-located, but often dated properties, where redevelopment offers the opportunity to increase cash flow. We select properties with the potential to be the dominant shopping centre or strip plaza within the area. Our redevelopment efforts result in improved physical appearance, increased leasing activity and improved operating standards. All three lead to increased traffic, improved business for our tenants, and a revitalized retail community. This translates into stable business for Plazacorp, with reliable recurring cash flows for its shareholders.

Shortly after our year-end, we initiated a normal course issuer bid recognizing that reinvestment in Plazacorp represents extremely good value in the current business cycle. Plazacorp will purchase up to 1,408,435 of our 28,168,716 outstanding common shares. The shares will be cancelled on acquisition, increasing the proportionate interest of all our existing shareholders.

During the year, we raised a further $2.5 million in first mortgage bonds, adding to the $2.55 million raised in fiscal 2000. These funds will be used to finance additional redevelopment projects.

Also shortly after year-end, we announced a $5-million debenture offering. The debentures carry annual interest of 11% and have a three-year term. Net proceeds will finance capital and tenant improvements and other corporate needs.

We are pleased that Annapolis Group Inc. committed to convert a $1 million vendor take back mortgage into additional common shares of Plazacorp. We value the relationship and are pleased with the confidence they have in our company and our value creation process.

Plazacorp benefits from the guidance and support of our Board of Directors, our business partners and our staff. I thank you for that and also extend to you, my fellow shareholders, a sincere thank-you for your confidence and support.

In 2002, our goal is to continue to benefit from the stability of our property portfolio and reliable cash flow. We will continue to convert that success into future value. At the end of our second full year as a public company, we are strongly positioned for ongoing success.

Yours sincerely,

EARL BREWER
President and CEO
January 15, 2002

• The Business

Plazacorp acquires and develops shopping malls and strip plazas throughout Atlantic Canada and Quebec. Plazacorp was incorporated in 1999, listed for trading in July 1999 and currently trades on the Canadian Venture Exchange under the trading symbol PLZ.

We concentrate our activities into two broad categories:

Acquisitions

Our primary business focus is the purchase and redevelopment of retail properties with high potential to increase both property value and cash flow. Our redevelopment expertise and excellent relationships with major retailers and financiers put us at competitive advantage in this market niche.

A prime example of a redevelopment project is Lansdowne Place, a 202,318 square foot strip mall located in Saint John NB. In one year we converted this older dated property into a vibrant shopping plaza which rejuvenated the local community.

New Construction

We also build new strip plazas when we can achieve a significant level of pre-leasing (at least 75%). Generally, we undertake new construction to accommodate existing customers who sign long-term leases.

An excellent example of our new construction projects comes from our continuing relationship with The Business Depot. In 2001 we added three new Staples (Bureau en Gros) stores to our portfolio, in New Glasgow NS, Rimouski QC, and Dartmouth NS. In all three cases, the stores are 25,000 square feet and have 15-year leases. We currently have five Staples stores in the portfolio.

Plazacorp's value creation process has four components:

- Property Identification and Acquisition
- Redevelopment
- Intensive Management
- Financing

Property Identification and Acquisition

We look for and acquire only those properties that fulfil our strict criteria.

Location

Our goal is to own the primary enclosed mall or the primary strip plaza in a defined commercial area. A commercial area may represent an entire smaller community or a defined subsection of a larger community.

Opportunity to increase cash flow

We target properties that show a potential for increased cash flow through the implementation of our

"We like dealing with Plazacorp. They deliver what they say they will, on time."

- Bill Heffernan
Vice-president, Real Estate and Construction, The Business Depot

"Plazacorp's redevelopment of Lansdowne Place has done more than improve the plaza...it has begun a process which should lead to the re-invigoration of the North End community."

- Jim R. Baird, MCIP
Commissioner, Planning and Development City of Saint John

• The Business

Acquisition Criteria:

- Well-located
- Significant opportunity to increase cash flow
- Unleveraged yield of at least 12%, leveraged return on equity of at least 16%

value creation program. Typically, these properties are largely depreciated, well-located but dated, often with high vacancies. In some cases, the previous owners' business interests are outside the retail real estate business.

Financial Criteria

We strictly adhere to certain minimum financial criteria whenever we acquire or build a property. We ensure that we attain attractive returns on the capital invested, which increase the company's funds from operations per share and create value for our shareholders.

The application of these criteria, combined with our eye for identifying properties with redevelopment potential, results in acquisition costs that represent extremely good value.

Redevelopment

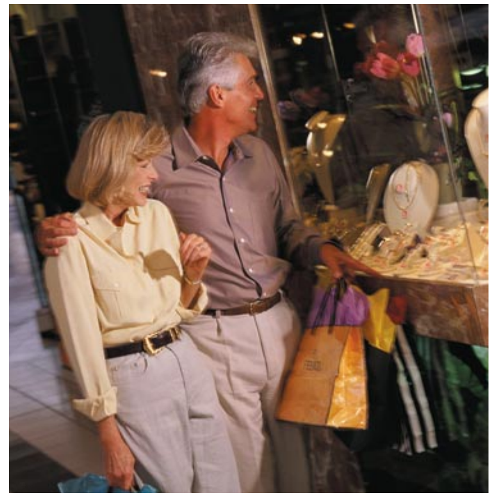
Plazacorp Redevelopment:

- Improves appearance and functionality
- Improves tenant mix
- Strengthens and increases cash flow
- Creates value

Our leasing, construction and property management teams concurrently develop the plan prior to our acquisition of a property. Once a property is acquired, we implement our redevelopment plan.

The redevelopment plan consists of identifying base building work and the associated detailed cost estimates, identifying and applying a leasing strategy and applying a timeline to the project.

We make capital investments in properties to improve their appearance, functionality and convenience for



shoppers, such as applying new façades and lighting, new parking facilities or configurations, improved access and signage to the property. In some instances we have turned unproductive enclosed malls into strip plazas. In these situations, we "de-mall" the property to maximize tenant exposure and reduce operating costs.

We also improve the operational efficiency of properties by upgrading the heating, ventilation and air conditioning systems.

Our well-established relationships with many of Canada's leading retailers enable us to attract nationally known stores to our properties and to develop better tenant mixes.

Some anchor tenants are instrumental in our decisions to acquire properties by committing to expansions of their stores.

Intensive Management

Plaza Atlantic Ltd., a related party, manages Plazacorp's portfolio. Plaza Atlantic Ltd. has more than 20 years'

• The Business

experience in managing retail properties in Quebec and Atlantic Canada.

Plaza Atlantic staff take a hands-on, entrepreneurial approach to property management that focuses on three main objectives: tenant relations, operating standards and cost control.

We recognize that our tenants are the foundation of our business and we work hard to foster and strengthen our tenant relations. Our manager works closely with our tenants to ensure we are meeting their needs.

Our property manager controls operating costs through volume purchases, implementing preventative maintenance programs and paying close attention to detail.

Financing

We have developed strong relationships with many leading financiers that offer us short-term financing, conventional mortgage financing and more recently conduit financing programs.

We have also been innovative in deriving our own debt financing vehicles.

Mortgage Bonds

Our First Mortgage Bonds, paying interest of 12%, offer us a readily available source of funds. This means we do not have to make purchases "conditional upon financing." Instead, we can close deals more quickly and at better prices. Once we have finished redevelopment, we replace mortgage bond financing with conventional long-term financing at lower rates. As a result, properties are financed at the right time and at appropriate levels.

Debentures

We have raised short-term capital through issuing an 11% debenture. The proceeds from this offering were used to finance capital and tenant improvements.

Plazacorp Stock

For some acquisitions, we have issued share capital as part of the consideration. This acquisition structure not only has significant tax advantages for the vendor, but also preserves Plazacorp's cash for reinvestment.

By ensuring each property in our portfolio is financed appropriately at each stage of the redevelopment cycle, we are able to preserve our equity and maximize returns on the capital invested in each property.

Our property manager delivers excellent tenant relations and tight cost controls.

October 2001 – Plazacorp ranks second highest for revenue growth on the Atlantic 101 list, compiled by **Atlantic Progress Magazine**

Choosing a video, going to the bank, buying the groceries, picking up a pizza – everyday things, everyday life. For Plazacorp's tenants that's business; for Plazacorp, that's stability.

• Staples Plaza, Dartmouth NS - A Case Study

"The opportunity to acquire equity in Plazacorp and benefit from their expertise in managing and redeveloping projects such as the Woodlawn Centre provides the best of both worlds for our company."

- Nick Betts
President,
Annapolis Group Incorporated

Staples Plaza, the former Woodlawn Centre, in Dartmouth NS was a 140,000 square foot strip centre at the time of purchase, made up of six individual buildings. Like all Plazacorp acquisitions, it had an excellent location, along with scope for improved value and earnings.

The plaza is in the middle of the largest population base in Dartmouth. It is in the heart of the city's most concentrated retail area, with MicMac Mall and Penhorn Mall nearby, as well as major automotive dealers, a newly constructed Home Depot and a Loblaw's Superstore.

Despite this prime location, the centre had a number of drawbacks. It had excessive store depth in one building, low value space blocking the view of the main building, and some underutilized parking. During the property identification and acquisition phase, Plazacorp determined that all of these could be readily handled through a comprehensive redevelopment plan.

Plazacorp purchased the property from Annapolis Group in October 2000. As part of the consideration, Plazacorp issued 1 million common shares at $1.00 per share to Annapolis.

A year after its purchase, the newly named Staples Plaza has substantially increased in value.

Staples Plaza, formerly Woodlawn Centre, before...

... and after.

STAPLES PLAZA, DARTMOUTH NS - A CASE STUDY

OVER THE PAST YEAR, PLAZACORP HAS:

- Improved the façade
- Opened up the view of the main building by demolishing the low value space and pushing back the façade in a protruding wing
- Reorganized the parking and improved the traffic circulation
- Attracted new tenants as well as reorganized the existing tenant mix
- Designed and built a 25,000 square foot Staples store.

The renovated Staples Plaza is 149,371 square feet.

"Since we moved into Staples Plaza, our customer traffic has increased substantially. The improved signage and visibility in our new location have attracted new customers, some who did not realize that we have been in business for over 17 years."

- KATHY DEAN
Owner,
Atlantic Fabrics

STAPLES PLAZA AFTER RENOVATIONS.

Property Portfolio

Quebec	Property	Area (ft^2)	Interest
Dollard-des-Ormeaux	Centennial Plaza	186,458	10%
Granby	Bureau en Gros	25,000	50%
Laval	Les Promenades St.François	90,000	100%
Montmagny	Les Galeries Montmagny	112,576	50%
Rimouski	Bureau en Gros	25,000	50%
Rivière-du-Loup	Plaza Thériault	24,441	100%
	Plaza Hôtel de Ville	20,311	100%
Shawinigan	Plaza Super C	129,794	100%
New Brunswick			
Fredericton	FHS Plaza	24,466	100%
	Nashwaaksis Plaza	46,425	100%
Grand Falls	Grand Falls Shopping Mall	149,872	100%
Moncton	Wedgewood Plaza	12,740	100%
Oromocto	Oromocto Mall	157,000	100%
Saint John	Business Depot	25,293	100%
	Exhibition Plaza	53,800	55%
	McAllister Drive Plaza	19,251	55%
	Lansdowne Place	202,318	100%
Nova Scotia			
Dartmouth	Staples Plaza	149,371	100%
New Glasgow	Staples Plaza	33,029	100%
Prince Edward Island			
Charlottetown	Belvedere Plaza	90,699	60%
	University Plaza	61,838	43%
	Spring Park Plaza	55,010	85%
Summerside	Granville Street Plaza	129,607	60%
Total		**1,824,299**	

• Management's Discussion & Analysis

The following should be read in conjunction with the consolidated financial statements and the notes thereto appearing later in this annual report.

Overview

Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") acquires and develops retail real estate properties throughout Atlantic Canada and Quebec.

Plazacorp's business plan is to maximize shareholder value primarily through the redevelopment of well-located, but often dated, shopping malls and strip plazas. Strict adherence to minimum financial criteria on all acquisitions and developments together with its active entrepreneurial management style, allows the Company to meet its primary objective – growth in its funds from operations per share.

Background and History of the Company

The Company was incorporated on February 2, 1999 and commenced trading on the Alberta Stock Exchange as a "junior capital pool" corporation on July 30, 1999. The Company currently trades on the Canadian Venture Exchange under the symbol "PLZ".

2001 Operating Results

For the year ended October 31, 2001, Plazacorp's year-over-year trend of improved operating results continued.

Funds from Operations

Plazacorp prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants and the recommendations of the Canadian Institute of Public Real Estate Companies ("CIPREC"). To supplement net income as a measure of operating performance, CIPREC has adopted a measurement of Funds From Operations ("FFO") considered to be a meaningful way to measure operating performance of a real estate company. This year Plazacorp has followed the CIPREC change, using FFO as a measure of operating performance instead of the previously used measure of Cash Flow From Operations. All comparative figures have been restated to conform to the new standard.

Funds From Operations grew to $4.02 million up from $1.74 million in 2000. The cause of this increase is threefold. First, 12 properties that were acquired and/or developed throughout fiscal 2000 contributed to earnings for the full 12 months in fiscal 2001.

Second, in 2001 Plazacorp focused heavily on completing development programs on seven properties that were in its portfolio as at October 31, 2000. This development work led to improved occupancy rates in specific properties, reduced operating costs and increased cash flows from the properties.

Third, in 2001 Plazacorp added five new properties to its portfolio. These five properties began contributing to

Management's Discussion & Analysis

earnings at various stages throughout the year as follows:

Property	# of months contributing to earnings
Centennial Plaza Dollard-des-Ormeaux QC	8
Plaza Thériault Rivière-du-Loup QC	6*
Staples Plaza New Glasgow NS	3
Nashwaaksis Plaza Fredericton NB	4
Bureau en Gros Rimouski QC	1

**This applies to an additional 50% interest purchased during the year.*

Acquistions and Developments

Plaza Thériault
Rivière-du-Loup QC

Between November 1, 2000 and October 31, 2001, Plazacorp acquired and developed five new properties and completed redevelopment efforts on seven existing properties.

Centennial Plaza

In February 2001, the company acquired a 10% interest in units in Centennial Plaza Limited Partnership, a partnership that acquired a prominent strip plaza located in Dollard-des-Ormeaux QC for $19.5 million. The partnership agreement entitles Plazacorp to a 20% interest in profits generated from the property. This property is 186,458 square feet and is leased to national tenants. Plazacorp is a 50% general partner in the partnership.

Plaza Thériault

On May 1, 2001, Plazacorp acquired an additional 50% interest in the shares of Plaza Thériault Inc. for a purchase price of $429,658, giving it 100% interest in the Rivière-du-Loup QC property. This strip plaza contains 24,441 square feet and is 100% leased. As consideration, the Company issued 429,658 shares at $1.00 per share.

Nashwaaksis Plaza

For a purchase price of $3,902,002, Plazacorp acquired this 46,425 square foot strip plaza in Fredericton NB from Plaza Developments Limited Partnership, a partnership owned by Richard Hamm, Earl Brewer, Michael Zakuta and Paul Leger. The acquisition occurred on July 1, 2001. As part of the consideration, Plazacorp issued 1,405,698 common shares at a price of $1.00 per share. As described in Note 9 to the consolidated financial statements, this property was recorded using the continuity of interest method of accounting; therefore, the balance sheet does not reflect the $4 million appraised value of the real estate, but rather the $2.77 million carrying value of the previous owner.

New Glasgow

Plazacorp completed the development of a new strip plaza in New Glasgow NS. Construction was completed in August on this 33,029 square foot property of which 25,000 square feet is leased to Business Depot Ltd. The balance is leased to national and regional tenants.

Bureau en Gros

The Company acquired a 50% partnership interest in a newly completed 25,000 square foot store for Business Depot Ltd. in Rimouski QC. Construction was completed in September 2001.

• Management's Discussion & Analysis

McAllister Drive Plaza Inc.
Plazacorp completed its expansion of its McAllister Drive Plaza strip plaza in March 2001. The 19,251 square foot property houses three national tenants and is located in Saint John's key retail corridor.

Lansdowne Place
Plazacorp completed its redevelopment of Lansdowne Place with the leasing and redevelopment of 38,000 square feet in the business centre to a call centre for the Spiegel Group of Chicago Il. The space began contributing to earnings in May 2001.

Oromocto Mall
Throughout 2001, Plazacorp carried out its redevelopment plan on the Oromocto Mall, located in Oromocto NB and purchased in October 2000. Redevelopment on the 157,000 square foot property included the expansion of the anchor tenant from a 25,000 square foot Atlantic SuperValu to a 50,000 square foot Atlantic Superstore. While significant capital improvements to the base building were completed in 2001, redevelopment work on the leasing and reorganizing of tenants within the mall will continue into 2002.

Staples Plaza
Plazacorp completed its redevelopment of the former Woodlawn Centre in late October 2001. Located in a significant retail area in Dartmouth NS, the now renamed Staples Plaza includes a newly constructed Staples store for Business Depot Ltd.

Les Promenades St. François
Redevelopment of our Laval QC property was completed in September 2001. The redevelopment of this property included the conversion of this secondary shopping mall into the primary strip plaza in the area.

Oromocto Mall
Oromocto NB

Belvedere Plaza
Redevelopment of this 90,699 square foot property located in Charlottetown PE was completed. The property is leased to several national tenants.

Grand Falls Shopping Mall
Plazacorp commenced redevelopment of one end of this Grand Falls NB property in February 2001 and it is nearing completion. The redevelopment includes the conversion of two recently vacated units totalling 19,550 square feet into new smaller units. This redevelopment is expected to improve cash flow from the property in 2002.

Financial and Operating Guidelines
Plazacorp strictly adheres to specific minimum financial criteria and operating guidelines on all acquisitions and new developments, which include:

- All acquisitions and new developments must produce an unleveraged yield of at least 12%
- Mortgage financing will not exceed 75% of the property's fair market value (based on the post development value of the property)
- The Company does not engage in speculative development activities and will only begin new development once an acceptable level of pre-leasing is in place
- No acquisition is completed without a thorough due diligence review, including an assessment of the property's leasing arrangements,

> "Oromocto Mall is an integral part of our town's commercial life. Thanks to Plazacorp, the mall is busier than ever. That's good for the merchants and good for the town."
>
> **- His Worship, Mayor Ross Giberson,**
> *Town of Oromocto*

• Management's Discussion & Analysis

physical condition, environmental condition and zoning matters.

All of the acquisitions and new developments in 2001 adhered to the Company's financial and operating guidelines.

Capital Structure and Liquidity

Plazacorp's objective is to ensure that it has sufficient capital and equity, to allow for continued growth consistent with its business plan.

Mortgage Debt

As explained in Note 3 to the consolidated financial statements, mortgages payable consist of conventional mortgages and short-term mortgages. Plazacorp has financed properties under development using short-term mortgages, sometimes at interest rates above conventional mortgage rates.

Plazacorp has arranged financing facilities during the year on a number of its properties totalling $32.6 million in new mortgage financing. Proceeds from this financing are being used to fund development activities and to retire existing construction financing loans. The weighted average interest rate on this new debt is 6.6% compared with the effective average interest rate for all of our mortgage debt of 7.1%.

Mortgage debt at the end of October 31, 2001 totalled $59.4 million, compared with $43.9 million at October 31, 2000.

Mortgage Bonds

During the year, the Company raised an additional $2.5 million in 12% first mortgage bonds adding to the $2.55 million raised in fiscal 2000. The funds will be used to finance up to 90% of a project's purchase and redevelopment costs and are secured by a first mortgage.

Debentures

On December 14, 2001, the Company issued $1.5 million in 11% debentures as part of its $5 million offering.

Shareholders' Equity

The book value of the Shareholders' Equity at October 31, 2001 is $16.2 million compared to $14.5 million at October 31, 2000. In addition to the 2001 earnings retained in the business, common stock increased by $629,680. The majority of this increase was attributed to Plazacorp issuing shares to purchase two properties. 429,658 shares at $1.00 per share were issued to purchase the remaining 50% ownership interest in Plaza Thériault Inc. (see Note 9). In addition, 1,405,698 shares were issued at a price of $1.00 per share to purchase Nashwaaksis Plaza. As explained in Note 9, because this property was acquired from a related party, the $192,022 increase in shareholders' equity on the balance sheet reflects the net asset value as recorded by the previous owner rather than the market value of the shares issued. The balance of increase in shareholders' equity was $8,000 representing shares issued as a result of the exercise of stock options at a price of $0.20.

Normal Course Issuer Bid

Effective November 15, 2001, the Company has, through a normal course issuer bid, the right to purchase up to 1,408,435 shares representing 5% of its current 28,168,716 common shares outstanding. The Company's management believes its common shares have been trading in a price range that does not adequately reflect their value in relation to the Company's present and future prospects. Management feels at current market prices, its outstanding common shares represent an attractive investment. Plazacorp will purchase the common shares for cancellation with the intention of increasing the proportionate interest of all existing shareholders.

Dividend Policy

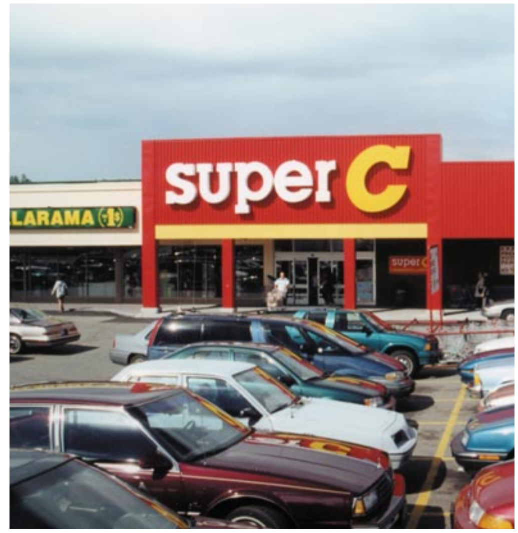
Plazacorp's dividend policy remains consistent with previous years and as such the Company does not intend to pay out any dividends during the fiscal year ending October 31, 2002.

Financing for Future Acquisitions and New Developments

Management intends to finance new acquisitions and developments through a combination of cash flow from operations, mortgages, bonds, debentures and additional equity financing. Any additional equity raised will only be negotiated if the subscription price is reasonable in the circumstances and if the funds are required by the Company to continue or expand its activities. No change in control is anticipated as a result of a potential equity financing.

Management Structure

The affairs of Plazacorp are managed by Plaza Atlantic Limited, a private company owned by Earl Brewer, Michael Zakuta, and Paul Leger, all directors of the Company. None of Plazacorp's officers received any cash compensation, including salaries, commissions or bonuses from Plazacorp for services rendered. During the year, two of the Company's directors, Richard Hamm and Stephen Johnson, received meeting attendance fees of $2,100 each.



Super "C"
Shawinigan QC

Risk Management

As with all real estate companies, Plazacorp is exposed to numerous business risks in the normal course of its business that can affect the Company's performance.

Operating Risk

The most significant operating risk affecting the Company's performance is the potential for reduction in rental income resulting from reduced levels of occupancy. Plazacorp focuses on securing strong retail tenants that provide consumers with basic necessities to make the portfolio less susceptible to general economic downturns. Plazacorp attempts to extend lease terms for major tenants and stagger lease expirations across its portfolio.

• Management's Discussion & Analysis

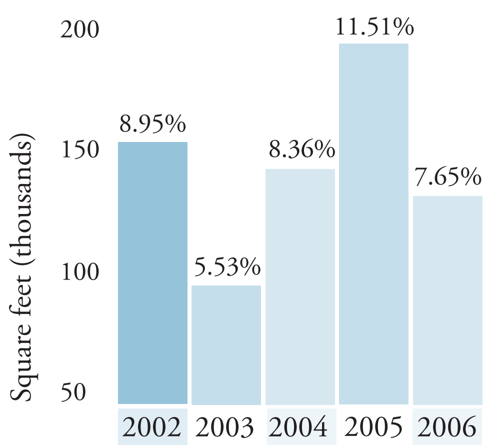
Financial and Acquisition Risk

In order to mitigate the financial risk inherent in the real estate industry, Plazacorp operates within conservative financial guidelines on acquisition, development and financing for all properties.

Outlook

In 2001 management predicted another year of growth and funds from operations per share. Once again, management remains confident that 2002 will produce the third consecutive year of growth and improved cash flow.

Lease Renewals



This graph shows the amount of space that is up for renewal over the next five years.

AUDITORS' REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Plazacorp Retail Properties Ltd.

The accompanying financial statements and information contained in this Annual Report have been prepared by, and are the responsibility of, the management of the Company. The financial statements have been prepared within accepted limits of materiality and in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. Financial information elsewhere in this report has been reviewed to ensure consistency with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for preparation of financial statements.

The consolidated financial statements have been reviewed and approved by the Board of Directors and its Audit Committee.

Teed Saunders Doyle & Co., the independent auditors appointed by the shareholders, have been engaged to audit the financial statements and provide an independent professional opinion thereon.

EARL BREWER
President and CEO
January 8, 2002

To the Shareholders of Plazacorp Retail Properties Ltd.

We have audited the consolidated balance sheet of Plazacorp Retail Properties Ltd. as at October 31, 2001 and the consolidated statements of income and retained earnings, funds from operations and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Teed Saunders Doyle & Co.

TEED SAUNDERS DOYLE & CO.
CHARTERED ACCOUNTANTS
Fredericton, NB
January 8, 2002

Financial Statements

Consolidated Balance Sheet	Note	October 31, 2001	October 31, 2000
Assets			
Income producing properties	2	$ 88,579,645	$ 69,019,992
Cash and short-term investments	4	4,314,874	1,016,628
Accounts receivable		1,558,011	1,145,190
Prepaid expenses		818,284	754,867
Other assets		1,469,484	487,477
		$ 96,740,298	$ 72,424,154
Liabilities			
Mortgages payable	3	$ 59,489,692	$ 43,907,496
Bonds payable	4	5,050,000	2,550,000
Notes payable	5	6,601,976	3,732,093
Bank indebtedness	6	582,170	226,000
Accounts payable and accrued liabilities		5,651,276	5,400,212
Income taxes payable		126,571	412,280
Future income taxes		2,651,631	1,610,294
		80,153,316	57,838,375
Minority interest in net assets		301,654	12,499
Shareholders' Equity			
Share capital	8,9	14,174,899	13,545,218
Retained earnings		2,110,429	1,028,062
		16,285,328	14,573,280
		$ 96,740,298	$ 72,424,154

See accompanying notes to the consolidated financial statements

Approved by the board:

Richard Hamm
Director

J. Paul Leger, C.A.
Director

• Financial Statements

Consolidated Statement of Income and Retained Earnings	Note	Year Ended October 31, 2001	Year Ended October 31, 2000
Rental income		$ **16,186,710**	$ 7,529,756
Operating expenses		**7,011,084**	3,448,134
Net operating income		**9,175,626**	4,081,622
Financing costs		**4,629,416**	1,729,860
Amortization		**1,771,481**	566,606
Income from properties		**2,774,729**	1,785,156
Investment income		**152,880**	75,917
Administrative expenses		**369,612**	253,619
Income before taxes & minority interest		**2,557,997**	1,607,454
Income taxes: current	**7**	**314,030**	434,280
future		**801,784**	308,672
Income before minority interest		**1,442,183**	864,502
Minority interest		**359,816**	153,993
Net income for the year		**1,082,367**	710,509
Retained earnings, beginning of year		**1,028,062**	317,553
Retained earnings, end of year		$ **2,110,429**	$ 1,028,062
Basic earnings per share	**12**	$ **0.04**	$ 0.03
Weighted average number of shares outstanding		**27,014,560**	20,457,304

See accompanying notes to the consolidated financial statements

Financial Statements

Consolidated Statement of Funds from Operations

	Note	Year Ended October 31, 2001	Year Ended October 31, 2000
Net income		**$ 1,082,367**	$ 710,509
Items not affecting cash			
Amortization		**1,771,481**	566,606
Minority interest		**359,816**	153,993
Future income taxes	**7**	**801,784**	308,672
Funds from operations	**1 (h)**	**$ 4,015,448**	$ 1,739,780
Minority interest in funds from operations		**864,912**	220,701
Funds from operations after minority interest in funds from operations		**3,150,536**	1,519,079
Basic funds from operations per share	**1 (h)**	**$ 0.12**	$ 0.07
Weighted average number of shares outstanding		**27,014,560**	20,457,304

See accompanying notes to the consolidated financial statements

• Financial Statements

Consolidated Statement of Cash Flows

	Year Ended October 31, 2001	Year Ended October 31, 2000
Cash obtained from (used for):		
Operating activities		
Funds from operations	**$ 4,015,448**	$ 1,739,780
Tenant inducements	**(652,415)**	(442,529)
Change in non-cash working capital	**(510,883)**	1,078,326
	2,852,150	2,375,577
Financing activities		
Bank indebtedness	**356,170**	28,597
Notes payable	**2,869,883**	(346,265)
Issue of common shares	**8,000**	-
Proceeds from bonds	**2,500,000**	2,550,000
Net proceeds from mortgage financing	**14,411,795**	21,941,928
Mortgage principal repayments	**(1,410,903)**	(2,111,627)
	18,734,945	22,062,633
Investing activities		
Acquisition and development of properties	**(16,736,279)**	(24,145,234)
Increase in other assets	**(1,552,570)**	(47,455)
	(18,288,849)	(24,192,689)
Increase in cash during the year	**3,298,246**	245,521
Cash, beginning of year	**1,016,628**	771,107
Cash, end of year	**$ 4,314,874**	$ 1,016,628

See accompanying notes to the consolidated financial statements

Notes to Financial Statements

1 Significant Accounting Policies

The Company's accounting policies and its standards of financial disclosure are in accordance with generally accepted accounting principles as prescribed by The Canadian Institute of Chartered Accountants and the recommendations of the Canadian Institute of Public Real Estate Companies (CIPREC), the more significant policies of which are described below:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries of the Company as follows:

Subsidiary	Ownership Interest		Number of Months Operations Included in the Financial Statements	
	2001	2000	2001	2000
Exhibition Plaza Inc.	55%	55%	12	12
McAllister Drive Plaza Inc.	55%	55%	12	12
Centre Commercial Plaza Thériault Inc. – note 9 (c)	100%	50%	12	2
Les Galeries Montmagny (1988) Inc.	50%	50%	12	2
Spring Park Plaza Inc.	85%	85%	12	2
Granville Street Properties Limited Partnership	60%	60%	12	2
Wildan Properties Limited Partnership	60%	60%	12	2

(b) Rental Properties

Rental Properties are stated at the lower of cost less accumulated amortization and estimated "net recoverable amounts". Cost includes all expenditures incurred in connection with the acquisition, development, financing and redevelopment of the properties. "Net recoverable amounts" represent the undiscounted estimated future net cash flow to be generated from the property throughout its useful life, including its residual value.

(c) Rental Income

Rental Income includes rent earned from tenants under lease arrangements, including percentage rents, property taxes and operating cost recoveries and incidental income including lease cancellation payments.

(d) Amortization

The Company utilizes the sinking fund method of amortization for its buildings and base building improvements. The sinking fund method charges amortization to income at an amount which increases annually, consisting of a fixed annual sum together with a factor compounded at the rate of 5% per annum so as to fully amortize the properties over their estimated useful lives which do not exceed 40 years.

Equipment and parking lot improvements are amortized using the declining balance method of amortization at 20% and 8% respectively.

• NOTES TO FINANCIAL STATEMENTS

Leasing fees and tenant improvements and inducements are amortized over the terms of the related leases on a straight line basis. For financial statement presentation purposes in the consolidated statement of cash flows, tenants improvements and inducements incurred on properties under development and redevelopment are treated as investing activities, those incurred on developed properties are treated as operating activities.

Financing fees and other costs incurred in connection with debt financing are amortized over the term of permanent financing in place on completion of property redevelopment.

(e) INCOME TAXES

The Company follows the future income tax liability method and records future income taxes based on temporary differences that exist between the carrying amount of the Company's assets and liabilities and their values for tax purposes. The Company recognizes future income taxes when it is more likely than not that the future income taxes will be realized.

(f) FINANCIAL INSTRUMENTS

The fair value of the Company's financial assets and liabilities that represent net working capital approximate their recorded values at October 31, 2001 due to their short term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities. The estimated fair values of the Company's long term debt are based on the values derived using market rates of similar instruments.

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible.

(g) USE OF ESTIMATES

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

(h) FUNDS FROM OPERATIONS

During the year, the Company adopted the CIPREC standard requiring the use of a funds from operations ("FFO") calculation, versus the traditional cash flow from operations ("CFFO") calculation. As a result of this change, the Company will now calculate funds from operations per share instead of cash flows from operations per share. Prior period amounts have been restated.

The principal difference between the two calculations is that the amortization of deferred financing costs is not added back to net income in the determination of funds from operations. The amortization of deferred financing costs was previously included in amortization and is now included in financing costs for the current and prior period presented.

Notes to Financial Statements

The effect of the adoption of the new standard is as follows:

	2001	2000
Cash flow from operations under previous calculation	**$ 4,070,686**	$ 1,767,478
Amortization of deferred financing costs	**55,238**	27,698
Funds from operations	**$ 4,015,448**	$ 1,739,780

2 Income Producing Properties

Income producing properties consist of the following:

	2001	2000
Land	$ 13,062,143	$ 12,852,266
Buildings and improvements	88,431,821	67,530,432
	101,493,964	80,382,698
Accumulated amortization	(12,914,319)	(11,362,706)
	$ 88,579,645	$ 69,019,992

Amortization expense includes amortization of tenant inducements and improvements of $1,522,442 (2000 - $352,894).

3 Mortgages Payable

Mortgages Payable consist of conventional mortgages and short term mortgages.

Conventional mortgages with fixed rates total $39,358,502 (2000 - $24,440,401), bear interest rates ranging from 6.28% to 9.75%, and have maturity dates ranging from April 2002 to June 2013.

Short-term mortgages, which are used to finance properties under development, with fixed rates total $4,860,000 (2000 - $8,731,863) and bear interest at 8.25%. Short-term mortgages with floating rates total $15,271,190 (2000 – $10,735,232) and bear interest at the bank's prime lending rate plus 0.75%. Short-term mortgages have maturity dates ranging from June to November 2002.

The effective average interest rate for conventional and short-term mortgages is 7.1% (2000 – 8.75%).

All mortgages are secured by first charges on the respective land and buildings, together with an assignment of leases and rents.

On December 17, 2001, the Company replaced a $1.134 million short-term floating rate mortgage with a $1.925 million conventional mortgage bearing interest at a 7.7% fixed rate. The additional $791,000 of funding received is not reflected in total mortgages as at October 31, 2001, however the repayment terms of the replacement debt are reflected in the principal repayments disclosed below.

• NOTES TO FINANCIAL STATEMENTS

Principal repayments of mortgages over the next five years are as follows:

2002	$ 1,559,006
2003	$ 1,655,409
2004	$ 1,759,368
2005	$ 2,830,888
2006	$ 1,938,814

The Company is subject to risk of interest rate fluctuations. The Company minimizes its interest rate risk by ensuring that debt maturities are spread out over a number of years allowing the Company to reduce the risk of unfavourable interest rate changes.

4 BONDS PAYABLE

Bonds payable of $5,050,000 are secured by a first mortgage on Plaza Super "C" located in Shawinigan, QC and cash of $2,566,177. The bonds bear interest at a rate of 12% with the principal due on dates ranging from June 30, 2005 to June 15, 2006.

5 NOTES PAYABLE

Notes Payable consist of the following:		2001	2000
Interest bearing notes, with an interest rate at prime plus 1%, no set terms of repayment, including Notes Payable to related parties controlled indirectly by the director Michael Zakuta in the amount of $2,155,075 (2000 - $808,119), and Notes Payable to Plaza Atlantic Limited, a related party as described in Note 11, of $1,602,551 (2000 - $179,831).		$ 3,944,626	$1,414,950
Non-interest bearing notes, no set terms of repayment including notes payable to related parties controlled indirectly by the director Michael Zakuta in the amount of $801,641 (2000 - $1,388,179)		2,217,350	1,847,143
Non-interest bearing note,		440,000	470,000
with principal repayments due as follows:			
2002	$ 30,000		
2003	50,000		
2004	50,000		
2005	50,000		
2006	50,000		
Thereafter	210,000		
Subtotal	$ 440,000		
Total		$ 6,601,976	$3,732,093

Notes to Financial Statements

6 Bank Indebtedness

Bank indebtedness is payable on demand with interest at prime plus 0.75%.

7 Income Taxes

The future income tax liability arises from a combination of taxable temporary differences relating to an excess of the net book value over the undepreciated capital cost of the Company's depreciable assets and an excess of the book value of certain deferred charges over their tax value.

The tax expense that was deducted in the determination of net income for the year ended October 31, 2001 was made up of:

	2001	2000
Current income taxes and capital taxes	$ 314,030	$ 434,280
Future income taxes resulting from an increase in taxable temporary differences	801,784	308,672
	$1,115,814	$ 742,952

The reconciliation of the tax expense deducted in the determination of net income for the period with the tax expense that would have resulted from the application of the statutory rate applicable to the company is as follows:

	2001	2000
Taxes at combined statutory rate of 42% (2000 - 44%)	$ 1,074,358	$ 707,280
Tax savings from subsidiary companys' loss carryforward and small business deductions	(183,544)	(145,328)
Large corporations tax	225,000	181,000
	$1,115,814	$ 742,952

8 Share Capital

(a) Authorized

The Company has authorized an unlimited number of preferred shares and an unlimited number of common voting shares.

• NOTES TO FINANCIAL STATEMENTS

(b) ISSUED AND OUTSTANDING

		2001	2000
Common shares	28,168,716 (2000 – 26,293,360)	$ 14,174,899	$ 13,545,218

During 2001, the company issued 1,835,356 shares (2000 – 6,891,792) for acquisitions of properties and shares in subsidiaries as described in note 9. In addition, 40,000 shares (2000 – nil) were issued through the exercise of options. As at October 31, 2001, there are 400,000 options at $0.20 outstanding which expire July 23, 2004. During the year, 10,000 options expired. 17,361,469 shares are subject to escrow provisions and hold periods that expire on various dates up to September 2006.

9 CORPORATE ACQUISITIONS

(a) On February 28, 2001, the Company, in conjunction with additional investors, completed the acquisition of Centennial Plaza and Place du Marché in Montreal QC. The properties were purchased for $19.5 million through the creation of a limited partnership, in which the Company invested $550,000 for a 20% residual partnership interest.

(b) On July 1, 2001, 1,405,698 common shares were issued as consideration for a 100% ownership interest in Nashwaaksis Plaza, Fredericton NB. The number of shares issued reflects the fair market value of the net assets acquired based on independent third party appraisals. As this property was acquired from an entity controlled by Earl Brewer, Michael Zakuta, Paul Leger, and Richard Hamm, directors of the Company, the transaction has been accounted for by the continuity of interests method whereby the recorded cost of the net assets acquired of $192,022 was the carrying amount of the related party seller.

(c) On May 1, 2001, 429,658 common shares at $1 per share were issued to an unrelated party as consideration for the remaining 50% interest in Plaza Theriault Inc., Riviére-Du-Loup QC. The Company is obligated to issue up to 61,760 additional common shares as further consideration contingent upon the property achieving specific performance criteria by the end of the 2003 fiscal period. The Company has issued no shares pursuant to this obligation.

(d) On September 28, 2001, the Company, in conjunction with additional investors, completed the acquisition of a property development located in Rimouski, QC. This $2.4 million acquisition was made through a limited partnership, in which the Company invested $125,020 for a 50% partnership interest.

Notes to Financial Statements

The net assets acquired as a result of the acquisitions of Nashwaaksis Plaza and the remaining interest in Plaza Theriault Inc., were transferred for shares pursuant to the provisions of section 85 of the Income Tax Act (Canada), and are recorded as follows:

	Nashwaaksis Plaza		Plaza Thériault Inc.	
	Fair Market Value	Reduction to Carrying Amount note 9 (b)	Fair Market Value	Total
	(000s)	(000s)	(000s)	(000s)
Assets Acquired				
Income producing properties	$ 4,000	$ (1,229)	$ 1,082	$ 3,853
Other assets	$ 119	$ (119)	$ 51	$ 51
	$ 4,119	$ (1,348)	$ 1,133	$ 3,904
Liabilities Assumed				
Mortgages payable	$ 2,497	$ -	$ 563	$ 3,060
Other liabilities	$ -	$ -	$ 32	$ 32
Future income taxes	$ 216	$ (134)	$ 109	$ 191
	$ 2,713	$ (134)	$ 704	$ 3,283
Net Assets Acquired	$ 1,406	$ (1,214)	$ 429	$ 621

10 Interest Paid

During the year the Company paid $3,373,227 (2000 - $1,702,162) in interest from cash from operations.

11 Related Party Transactions

Plaza Atlantic Limited (the "Property Manager"), a private Corporation wholly owned by some of the Company's directors, namely Earl Brewer, Paul Leger and Michael Zakuta, is engaged to act as the Company's property manager. The Property Manager is responsible for all property management functions including leasing, operations and maintenance, and also assists the Company on acquisition, financing, development activities and other management decisions. Fees billed for the year by the Property Manager totalled $ 2,107,616 (2000 - $611,149) and were at competitive market rates.

12 EARNINGS PER SHARE

Earnings and funds from operations per share are calculated based on the weighted average number of common shares outstanding during the reporting period. For the year ended October 31, 2001 the per share amounts were calculated based on a weighted average of 27,014,560 (2000 – 20,457,304) common shares outstanding.

As at October 31, 2001, mortgages payable include a fixed rate mortgage in the amount of $1,000,000 which contains a convertible feature permitting the mortgagee to convert the debt into common shares. This mortgage was converted subsequent to year end as described in note 15 (d). For the year ended October 31, 2001, this option did not have a materially dilutive effective on earnings per share.

Including the obligation described in note 9 (c), the Company is obligated to issue up to 2,839,287 additional common shares as further consideration in respect of certain past corporate acquisitions contingent upon certain properties achieving specific performance criteria by the end of the 2003 fiscal period. The company has issued no shares pursuant to these obligations.

13 CONTINGENCIES AND COMMITMENTS

(a) The Company has guaranteed the debt of its subsidiaries to $3.4 million in excess of the Company's pro-rata ownership position.

(b) The Company has provided a limited indemnity of up to $3 million related to certain matters, principally environmental, in relation to a mortgage on Centennial Plaza and Place du Marché, a limited partnership in which the Company holds a 20% residual interest as described in note 9 (a).

(c) The Company has agreements to lease land which expire on dates ranging from 2011 to 2063 with renewal options ranging from 10 years to 36 years. The minimum lease payments for the next five years are as follows:

2002	$ 451,000
2003	457,000
2004	457,000
2005	474,000
2006	481,000
Total	$ 2,320,000

Notes to Financial Statements

14 Comparative amounts

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

15 Subsequent Events

(a) On November 15, 2001, the company began a normal course issuer bid through the facilities of and in accordance with the by-laws and rules of the Canadian Venture Exchange. This bid will allow the Company to purchase up to 1,408,435 common shares, representing 5% of those outstanding. The bid commenced on November 15, 2001 and terminate November 14, 2002, or earlier if the bid is complete.

(b) On December 4, 2001, the Company acquired a 50% co-ownership interest in Terrasse Dufferin, a 17,565 ft^2 strip plaza in Valleyfield QC. The Company funded its 50% share of the $1.21 million purchase price with $500,000 from the proceeds of first mortgage bonds, as described in note 4, together with a vendor take back mortgage of approximately $100,000.

(c) On December 14, 2001, the Company raised $1.5 million through a debenture offering. The debentures, which bear interest at 11% per annum, paid monthly, will have a three-year term. Net proceeds from the sale will finance capital and tenant improvements to the company's property portfolio as well as for general corporate purposes.

(d) On January 2, 2002, the holder of a fixed rate mortgage in the amount of $1,000,000 agreed to convert its mortgage into additional common shares of the Company. The conversion price will be calculated using a formula based on the market price of the common shares at the effective date of conversion. The additional shares will be issued after a number of conditions have been met, including obtaining Canadian Venture Exchange approval for the transaction.

Directors

From left: Stephen Johnson, Paul Leger, Earl Brewer, Michael Zakuta and Richard Hamm

Earl A. Brewer

Fredericton, New Brunswick

President and Chief Executive Officer of Plazacorp Retail Properties Ltd. and Chairman of Greenarm Management Ltd. He has been involved as a principal in developing and managing real estate since 1981.

J. Paul Leger

Fredericton, New Brunswick

Secretary and Vice-President of Plazacorp Retail Properties Ltd. and President of Plaza Atlantic Ltd. Formerly a manager with Clarkson Gordon (now Ernst & Young) and a manager of finance and corporate development with Bruncor Inc., the parent company of the New Brunswick Telephone Company. He has been involved in real estate development and management since 1988.

Michael A. Zakuta

Beaconsfield, Quebec

Vice-President of Plazacorp Retail Properties Ltd. and Vice-President of Plaza Atlantic Ltd. Involved since 1986 in the development and management of retail real estate in Atlantic Canada and Quebec.

Richard Hamm

Toronto, Ontario

Principal of Stepp Three Holdings Ltd., a private investment management company. Partner in Bluewater/Chescott Investment Management Ltd., an investment management company. Formerly President of Canada Trust Mutual Funds and Senior Vice-President at Trimark Investment Management Inc.

Stephen E. Johnson

Toronto, Ontario

President and Chief Executive Officer of Canadian Real Estate Investment Trust. Previously President of DS Marcil Inc. and Vice-President and Director of RBC Dominion Securities.

Corporate Information

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Share Listing

Canadian Venture Exchange
Symbol for Common Shares: PLZ

Annual Meeting of Shareholders

The annual meeting of the Plazacorp Retail Properties Ltd. shareholders will be held on April 3, 2002 at 10 am at The Lord Beaverbrook Hotel, Petitcodiac Room, 659 Queen Street, Fredericton NB

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To receive email updates on Plazacorp activities and press releases, visit our Web site and complete the **E-MAIL REGISTRY FORM.**