



PLAZACORP RETAIL
PROPERTIES LTD.



Quarterly Report
July 31, 2002

• LETTER TO SHAREHOLDERS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

I am pleased to report that following our review during the past year of corporate structure options, we have determined that a conversion to a Mutual Fund Corporation is in the best interests of shareholders and our Board of Directors has approved, in principle, a plan to effect this conversion.

On September 18, 2002 we announced that our Board of Directors has:

- Approved the initiation of an annual dividend of \$.08 per share; and
- Approved in principle, subject to shareholder and regulatory approvals, the conversion of the Company to a "Mutual Fund Corporation" as defined in the Income Tax Act.

We believe that a Mutual Fund Corporation is the most appropriate structure for the Company because:

- It preserves the Company's ability to continue to grow its portfolio by issuing its shares in exchange for properties, which in many cases, has significant income tax savings that are typically shared by the Company and the vendor; and
- The Company will be able to flow through capital gains and dividends directly to its shareholders using the refundable tax mechanism available to mutual fund corporations; and
- It should enhance liquidity for our shareholders.

The conversion will require shareholder approval, and an Information Circular will be sent to our shareholders describing the proposed amendment prior to the shareholders meeting.

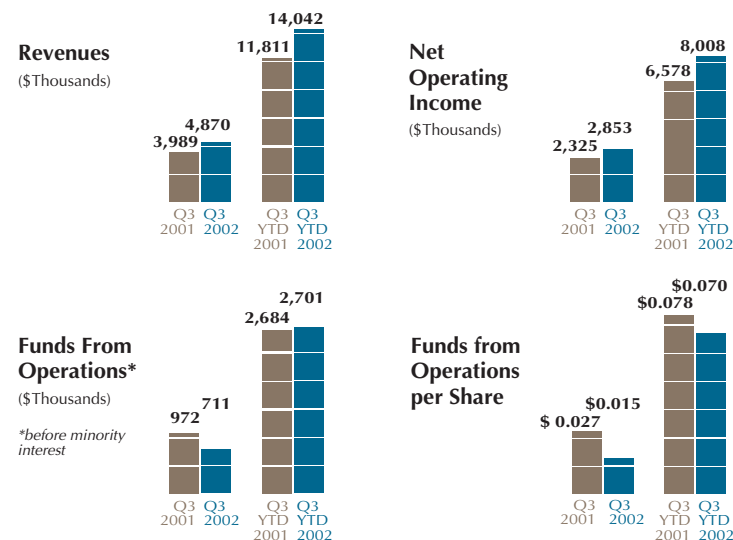
The Board of Directors has established a dividend policy providing for an annual dividend of \$.08 per share, payable quarterly. The Board has declared the first dividend of \$.02 per share to be made on November 15, 2002 for shareholders of record on November 1, 2002.

Our property portfolio continues to produce solid recurring growth in revenues and net operating income.

Net operating income for the nine months ended July 31, 2002 increased from \$6.57 million to \$8.0 million representing a 21.7% increase over the same period last year. Revenues increased from \$11.8 million to \$14.0 million representing an 18.9% increase over the same period last year. There was a corresponding increase in operating expenses from \$5.2 million to \$6.0 million representing a 15.3% increase. These increases are due to acquisitions and developments completed late in fiscal 2001 and in fiscal 2002.

Due to non-recurring expenses in the amount of \$260,932 funds from operations per share are down by 10.2% over the same period last year. Excluding these one-time costs in connection with the Company's reorganization, funds from operations per share would be \$0.079 for the nine months ended July 31, 2002 compared to \$0.078 for the same period last year.

FINANCIAL HIGHLIGHTS AND OPERATING RESULTS



ACQUISITIONS

Subsequent to the end of the third quarter, Plazacorp announced that it has commenced development on a 17,440 ft² strip plaza located in Saint John, NB. In addition, in early September, Plazacorp completed the acquisition of Les Promenades du Cuivre, a 201,341 ft² shopping mall located in Rouyn-Noranda QC.

RELATED PARTY TRANSACTIONS

Plazacorp incurred \$1.9 million in management, leasing, acquisition and financing fees during the nine months ended July 31, 2002 payable to our property manager, Plaza Atlantic Ltd., a related party.

NORMAL COURSE ISSUER BID

During the quarter, the Company purchased 26,000 shares at an average purchase price of \$0.87 under a normal course issuer bid which allows Plazacorp to purchase up to approximately 5% of our current outstanding common shares. The average purchase price of the 193,000 shares repurchased to date has been \$0.74 including commissions.

OUTLOOK

It is clear that most real estate investors expect to receive regular cash flow from their investment. We have a strong portfolio capable of paying stable recurring dividends and feel confident that by enhancing the fundamental value of our shares, the Company will be presented with many growth opportunities.

Yours sincerely,

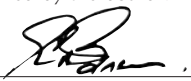
RICHARD HAMM
President and CEO
September 18, 2002

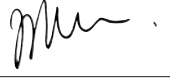
CONSOLIDATED BALANCE SHEET

	JULY 31, 2002 (UNAUDITED)	OCTOBER 31, 2001 (AUDITED)
ASSETS		
Income producing properties	\$ 94,894,317	\$ 88,579,645
Cash and short-term investments	6,076,352	4,314,874
Accounts receivable	1,032,725	1,370,323
Prepaid expenses	1,802,599	1,005,972
Other assets	2,155,648	1,469,484
	\$ 105,961,641	\$ 96,740,298
LIABILITIES		
Mortgages payable	\$ 69,037,802	\$ 59,489,692
Bonds and debentures payable	10,050,000	5,050,000
Notes payable	3,171,318	6,601,976
Bank indebtedness	246,680	582,170
Accounts payable and accrued liabilities	2,482,098	5,651,276
Income taxes payable	161,510	126,571
Future income taxes	2,645,877	2,651,631
	87,795,285	80,153,316
Minority interest in net assets	607,751	301,654
SHAREHOLDERS' EQUITY		
Share capital	15,072,482	14,174,899
Retained earnings	2,486,123	2,110,429
	17,558,605	16,285,328
	\$ 105,961,641	\$ 96,740,298

See accompanying notes to the consolidated financial statements

Approved by the board :


 Earl Brewer
 Director


 J. Paul Leger, C.A.
 Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)

	THREE MONTHS ENDED JULY 31, 2002	THREE MONTHS ENDED JULY 31, 2001	NINE MONTHS ENDED JULY 31, 2002	NINE MONTHS ENDED JULY 31, 2001
Rental income	\$ 4,870,720	\$ 3,989,932	\$ 14,041,966	\$ 11,810,850
Operating expenses	2,017,477	1,665,021	6,033,541	5,232,415
NET OPERATING INCOME	2,853,243	2,324,911	8,008,425	6,578,435
Financing costs	1,630,891	1,113,533	4,279,004	3,239,360
INCOME FROM PROPERTIES	1,222,352	1,211,378	3,729,421	3,339,075
Administrative expenses	43,949	65,713	399,174	224,894
INCOME BEFORE AMORTIZATION AND UNDERNOTED ITEMS	1,178,403	1,145,665	3,330,247	3,114,181
Non-recurring expenses (note 9)	260,932	-	260,932	-
Amortization	801,575	438,700	2,222,272	1,100,308
INCOME BEFORE TAXES AND MINORITY INTEREST	115,896	706,965	847,043	2,013,873
Income taxes: current	206,442	173,320	368,159	430,000
future	(213,889)	120,660	(5,754)	430,660
INCOME BEFORE MINORITY INTEREST AND PROPERTY GAINS	123,343	412,985	484,638	1,153,213
Minority interest	119,943	140,919	306,097	312,870
Gain on disposition of property, net of taxes and minority interest (note 3)	-	-	197,153	-
NET INCOME FOR THE PERIOD	3,400	272,066	375,694	840,343
Retained earnings, beginning of period	2,482,722	1,596,338	2,110,429	1,028,062
RETAINED EARNINGS, END OF PERIOD	\$ 2,486,123	\$ 1,868,404	\$ 2,486,123	\$ 1,868,405
BASIC EARNINGS PER SHARE	\$ 0.0001	\$ 0.010	\$ 0.013	\$ 0.032
Weighted average number of shares outstanding	29,644,796	27,236,677	29,164,116	26,625,613

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF FUNDS FROM OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED JULY 31, 2002	THREE MONTHS ENDED JULY 31, 2001	NINE MONTHS ENDED JULY 31, 2002	NINE MONTHS ENDED JULY 31, 2001
NET INCOME	\$ 3,400	\$ 272,066	\$ 375,694	\$ 840,343
ITEMS NOT AFFECTING CASH				
Amortization	801,575	438,700	2,222,272	1,100,308
Gain on disposition of property	-	-	(197,153)	-
Minority interest	119,943	140,919	306,097	312,870
Future income taxes	(213,889)	120,660	(5,754)	430,660
FUNDS FROM OPERATIONS	\$ 711,029	\$ 972,344	\$ 2,701,156	\$ 2,684,181
Minority interest in funds from operations	261,138	226,556	658,693	606,154
FUNDS FROM OPERATIONS AFTER MINORITY INTEREST IN FUNDS FROM OPERATIONS	449,891	745,788	2,042,463	2,078,027
Basic funds from operations per share	\$ 0.015	\$ 0.027	\$ 0.070	\$ 0.078
Weighted average number of shares outstanding	29,644,796	27,236,677	29,164,116	26,625,613

See accompanying notes to the consolidated financial statements

• CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED JULY 31, 2002	THREE MONTHS ENDED JULY 31, 2001	NINE MONTHS ENDED JULY 31, 2002	NINE MONTHS ENDED JULY 31, 2001
CASH OBTAINED FROM (USED FOR):				
OPERATING ACTIVITIES				
Funds from operations	\$ 711,029	\$ 972,344	\$ 2,701,156	\$ 2,684,181
Tenant inducements	(996,931)	(3,153,235)	(1,748,517)	(5,946,361)
Change in non-cash working capital	276,945	1,653,129	(3,593,268)	193,838
	(8,957)	(527,762)	(2,640,629)	(3,068,342)
FINANCING ACTIVITIES				
Bank indebtedness	7,000	226,460	(335,490)	366,140
Notes payable	(157,175)	517,361	(3,430,658)	1,528,016
Issue of common shares	-	-	-	8,000
Repurchase of common shares for cancellation	(22,600)	-	(139,910)	-
Proceeds from bonds and debentures	-	2,500,000	5,000,000	2,500,000
Net proceeds from mortgage financing	-	5,939,438	9,709,807	11,925,936
Mortgage principal repayments	(311,266)	(523,921)	(1,411,697)	(686,037)
	(484,041)	8,659,338	9,392,052	15,642,055
INVESTING ACTIVITIES				
Net acquisition, development and redevelopment of properties	(206,572)	(4,931,982)	(4,239,662)	(8,919,542)
Increase in other assets	(275,666)	(395,422)	(750,283)	(902,827)
	(482,238)	(5,327,404)	(4,989,945)	(9,822,369)
INCREASE IN CASH DURING THE PERIOD				
Cash , beginning of period	(975,236)	2,804,172	1,761,478	2,751,344
Cash , end of period	7,051,588	963,800	4,314,874	1,016,628
CASH , END OF PERIOD	\$ 6,076,352	\$ 3,767,972	\$ 6,076,352	\$ 3,767,972

See accompanying notes to the consolidated financial statements

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 2002 (UNAUDITED)

1 BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Plazacorp Retail Properties Ltd. (the "Company") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA") and the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). Although these interim financial statements follow the same accounting policies and methods of application as the annual financial statements, all disclosures required by GAAP for annual financial statements have not been presented for these interim financial statements. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended October 31, 2001.

2 CHANGES IN ACCOUNTING POLICIES

During its first quarter, the Company adopted the new recommendation issued by the CICA relating to the calculation of earnings per share. Under this revised standard, diluted earnings per share amounts are calculated using the treasury stock method, replacing the imputed interest earnings approach. Basic and fully diluted per share amounts were not affected by the change.

3 CORPORATE ACQUISITIONS AND DISPOSITION

- (a) On December 4, 2001, the Company acquired a 50% co-ownership interest in Terrasse Dufferin, a 17,587 ft² strip plaza in Valleyfield QC. The Company funded a portion of its 50% share of the \$1.21 million purchase

price with \$500,000 from the proceeds of first mortgage bonds. On March 15, 2002, these first mortgage bond funds were replaced with permanent financing.

- (b) On March 28, 2002, the Company acquired a 100% interest in Tacoma Centre, a 161,053 ft² shopping mall in Dartmouth NS, through the Tacoma Centre Limited Partnership. The Company utilized \$2.2 million from its first mortgage bond fund as well as a vendor take-back mortgage to purchase the \$4.5 million property. On September 12, 2002, the partnership completed an offering of equity in the property to private investors with the Company retaining a 10% equity interest and rights to participate in surplus cash flows.
- (c) The Company has disposed of surplus land located at Belvedere Plaza, Charlottetown PE resulting in a gain on disposition of \$0.2 million after minority interests and income taxes.
- (d) On July 31, 2002, the Company acquired a 55% interest in SCA Plaza Inc., which will build a 17,440 ft² strip plaza on leased land adjacent to two of the Company's existing centers, Exhibition Plaza, and McAllister Drive Plaza, Saint John NB.

4 RELATED PARTY TRANSACTIONS

Plaza Atlantic Limited (the "Property Manager"), a private Corporation wholly owned by certain 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 by the Property Manager to the company for the nine months ended July 31, 2002 totaled \$1.9 million and were at competitive market rates.

5 EARNINGS PER SHARE

- (a) 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 nine months ended July 31, 2002, per share amounts were calculated based on a weighted average of 29,164,116 common shares outstanding. As at July 31, 2002, there were 29,620,698 common shares outstanding.
- (b) 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 TSX Venture Exchange. This bid will allow the Company to purchase up to 1,408,435 common shares, representing 5% of those outstanding as at October 31, 2001. The bid commenced on November 15, 2001 and will terminate November 14, 2002, or earlier if the bid is complete. As at July 31, 2002, 193,000 shares had been repurchased at an average price of \$0.74 per share including commissions, for a total purchase price of \$142,446.
- (c) The Company had a fixed rate mortgage in the amount of \$1,000,000, which contained a convertible feature permitting the mortgagee to convert the debt into common shares. On January 31, 2002, the holder of this mortgage converted it into 1,587,301 common shares of the Company based on an effective conversion price of \$0.63 per share. For the nine months ended July 31, 2002, this option did not have a material dilutive effect on earnings per share.
- (d) 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.
- (e) Under the Company's stock option plan, certain employees of the Company or its affiliates may be granted stock options at an exercise price not less than 100% of the market value on the date of grant. On May 14, 2002, the Company received regulatory approval and issued 400,000 stock options that were granted on August 3, 2001. The options have an exercise price of \$0.75 and vest in even tranches over the first, second, and third anniversaries of the grant date. The options will expire on August 3, 2006. A summary of the common share options outstanding is as follows:

EXERCISE PRICE	# OF OPTIONS	EXPIRY DATE	# OF OPTIONS EXERCISABLE
\$0.20	400,000	July 23, 2004	400,000
\$0.75	400,000	August 3, 2006	133,000
	800,000		533,000

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 2002 (UNAUDITED)

6 INCOME TAXES

As at July 31, 2002, the Company had income tax loss carry-forwards in the amount of \$1.2 million, expiring in 2009. The benefit of these losses has been recognized in the financial statements to offset future income tax liability arising from the difference between the tax and book values of income producing properties and other assets.

7 CONTINGENCIES AND COMMITMENTS

- (a) The Company has guaranteed the debt of its subsidiaries to \$4.0 million in excess of the Company's pro-rata ownership position in the related assets.
- (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.
- (c) The Company has agreements to lease land that expire on dates ranging from 2011 to 2068 with renewal options ranging from 10 years to 36 years. The minimum lease payments for the next five years are as follows:

2002	\$	513,000
2003		519,550
2004		519,550
2005		536,550
2006		543,550
Total	\$	2,632,200

8 SUBSEQUENT EVENTS

- (a) On September 1, 2002, the Company purchased a 100% interest in Les Promenades du Cuivre, a 201,341 ft² enclosed shopping mall located in Rouyn-Noranda QC. The \$6.2 million acquisition was financed using \$2.4 million of first mortgage bonds, a vendor take-back mortgage in the amount of \$3.7 million and cash.
- (b) On September 18, 2002, the Company announced its intention, subject to shareholder and regulatory approval, to change the conditions attached to its common shares by giving each shareholder certain redemption rights, which satisfy the requirements under the Income Tax Act to become a Mutual Fund Corporation.

9 NON-RECURRING EXPENSES

Non-recurring expenses are in connection with the Company's reorganization to a Mutual Fund Corporation.

10 COMPARATIVE AMOUNTS

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

FOR MORE INFORMATION CONTACT:

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