



PLAZACORP RETAIL
PROPERTIES LTD.

**QUARTERLY REPORT
APRIL 30, 2004**

**MANAGEMENT DISCUSSION AND ANALYSIS
OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR PERIOD ENDED APRIL 30, 2004**

DATED JUNE 21, 2004

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**CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED APRIL 30, 2004**

PART I

FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis of results of operations and financial condition ("MD&A") should be read in conjunction with the financial statements of Plazacorp Retail Properties Ltd ("Plazacorp") for the quarters ended April 30, 2004, January 31, 2004, July 31, 2003, April 30, 2003, and January 31, 2003 as well as the years ended October 31, 2003 and October 31 2002. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Plazacorp, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include statements related to acquisitions, development activities, future maintenance and leasing expenditures, financing and the availability of financing sources. Management believes that the expectations reflected in forward-looking statements are based upon reliable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements.

Without limiting the foregoing, the words "believe", "expect", "anticipate", "intend", "estimate", and similar expressions identify forward-looking statements.

Factors that could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, the availability of new competitive supply of retail real estate which may become available either through construction or sub-lease, Plazacorp's ability to maintain occupancy and to timely lease or release space at current or anticipated rents, tenant bankruptcies, financial difficulties and defaults, changes in interest rates, change in operating costs, Plazacorp's ability to obtain adequate insurance coverage at a reasonable cost, and the ability to obtain adequate financing.

These forward-looking statements are made as of June 21, 2004 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances.

Dated: June 21, 2004

OVERVIEW OF BUSINESS

Plazacorp Retail Properties Ltd. (hereinafter referred to as “Plazacorp” or the “Company”) was incorporated on February 2, 1999 and commenced trading on the Alberta Stock Exchange (PLZ) on July 30, 1999. Plazacorp currently trades on the TSX Venture Exchange.

Headquartered in Fredericton, New Brunswick, Plazacorp acquires develops and redevelops retail real estate throughout Quebec and Atlantic Canada. The Company’s portfolio currently includes interests in 41 properties totaling 2.8 million square feet (ft²). These include properties directly held by Plazacorp as well as investments in joint ventures.

On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation.

The Company develops, redevelops, or purchases retail properties for lease to tenants in Quebec and Atlantic Canada. The retail asset types the Company operates are:

- Multi tenant retail strip plazas;
- Enclosed community shopping malls;
- Single use retail buildings.

As at April 30, 2004, the Company has acquired properties in its operating area as follows:

	<u>New Brunswick</u>		<u>Quebec</u>		<u>Nova Scotia</u>		<u>Prince Edward Island</u>		<u>TOTAL</u>	
	<u>Properties</u>	<u>Sq. Ft.</u>	<u>Properties</u>	<u>Sq. Ft.</u>	<u>Properties</u>	<u>Sq. Ft.</u>	<u>Properties</u>	<u>Sq. Ft.</u>	<u>Properties</u>	<u>Sq. Ft.</u>
	<u>(000's)</u>		<u>(000's)</u>		<u>(000's)</u>		<u>(000's)</u>		<u>(000's)</u>	
Strip Plaza	13	740	8	479	8	603	4	272	33	2,094
Enclosed Malls	2	230	3	385	-	-	-	-	5	615
Single Use	<u>1</u>	<u>25</u>	<u>2</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>76</u>
	16	995	13	915	8	603	4	272	41	2,785

PLAZACORP RETAIL PROPERTIES LTD. – MANAGEMENT DISCUSSION AND ANALYSIS
APRIL 30, 2004

The Company owns interests in 41 properties directly and through subsidiaries and joint ventures as follows:

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy as at 30-Apr-04	Notes
<u>Quebec</u>						
Les Galeries Montmagny	West Tache, Montmagny, QC	134,171	50%	67,086	98.8%	
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,479	100%	20,479	93.0%	
Plaza Super C	Shawinigan, QC	130,181	100%	130,181	95.6%	
Les Promenades St. Francois	Laval , QC	62,593	50%	31,297	79.3%	
Bureau en Gros	Granby, QC	25,695	50%	12,848	100.0%	
Centennial Plaza	Dollard-des-Ormeaux, QC	153,398	10%	15,340	98.0%	2
Plaza Theriault	Rivière-du-Loup, QC	24,380	100%	24,380	100.0%	3
Bureau en Gros	Rimouski QC	25,771	50%	12,886	100.0%	
Terrace Dufferin	Valleyfield, QC	17,587	50%	8,794	87.3%	
Les Promenades du Cuivre	Rouyn-Noranda, QC	112,447	10%	11,245	87.2%	2
Marche De L'Ouest	Dollard des Ormeaux, QC	138,718	20%	27,744	87.6%	
Place Du Marche	Dollard des Ormeaux, QC	35,264	10%	3,526	100.0%	
Carrefour des Seigneurs	Terrebonne, QC	34,153	25%	8,538	87.3%	
<u>New Brunswick</u>						
Exhibition Plaza	Saint John, NB	74,800	55%	41,140	96.3%	3
Nashwaaksis Plaza	Fredericton, NB,	52,518	100%	52,518	99.7%	
Grand Falls Shopping Mall	Grand Falls, NB	149,620	100%	149,620	95.5%	
Wedgewood Plaza	Riverview, NB	12,768	100%	12,768	100.0%	
FHS Plaza	Fredericton, NB	24,366	100%	24,366	100.0%	
Lansdowne Place	Saint John, NB	202,359	50%	101,180	96.1%	
Oromocto Mall	Oromocto, NB	80,499	100%	80,499	91.4%	
McAllister Drive Plaza	Saint John, NB	19,275	55%	10,601	100.0%	3
Business Depot	Saint John, NB	25,293	100%	25,293	100.0%	3
SCA Plaza	Saint John, NB	17,430	55%	9,587	100.0%	3
Empire Plaza	Fredericton, NB	13,831	100%	13,831	88.4%	3
Connell Road Plaza	Woodstock, NB	19,500	100%	19,500	100.0%	
Northwest Centre	Moncton, NB	178,575	10%	17,858	98.3%	2
681 Mountain Road	Moncton, NB	18,890	100%	18,890	100.0%	1
Boulevard Plaza	Moncton, NB	74,057	100%	74,057	70.3%	1&3
Main Place	Fredericton, NB	31,304	100%	31,304	97.1%	1&3
<u>Nova Scotia</u>						
Staples Plaza	Dartmouth, NS	156,817	50%	78,409	97.2%	
Staples Plaza	New Glasgow, NS	33,753	100%	33,753	100.0%	3
Tacoma Centre	Dartmouth, NS	165,991	100%	165,991	91.4%	
Commercial St. Plaza	New Minas, NS	15,332	100%	15,332	100.0%	
V-8 Plaza	New Glasgow, NS	14,000	100%	14,000	100.0%	1&3
209 Chain Lake Drive	Halifax, NS	77,600	50%	38,800	100.0%	
201 Chain Lake Drive	Halifax, NS	118,498	100%	118,498	79.9%	
Welton Street Plaza	Sydney, NS	20,975	100%	20,975	100.0%	1&3
<u>Prince Edward Island</u>						
University Plaza	Charlottetown, PEI	62,046	43%	26,680	100.0%	
Belvedere Plaza	Charlottetown, PEI	77,266	60%	46,360	100.0%	
Granville Street Plaza	Summerside, PEI	81,798	60%	49,079	76.2%	
Spring Park Plaza	Charlottetown, PEI	51,386	85%	43,678	90.4%	
Total		2,785,384		1,708,906		

- Notes: 1. Property is under development – leasing represents committed tenancy upon completion.
2. Joint venture operating through a partnership or trust.
3. Interest held subject to a ground lease.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a balanced portfolio of retail properties.

In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions;
- acquire properties at a price consistent with the Company's targeted returns on investment of 11% to 12% on unleveraged returns and greater than 16% on a leveraged return basis after redevelopment or re-tenanting;
- maintain high occupancy rates on existing properties while sourcing tenants for current and future acquisitions; and
- diligently manage costs and maintain quality of the properties;

The Company uses a diversified investment strategy that includes the following acquisition types:

- strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth;
- development of new properties on behalf of existing clients or in response to demand as established by pre-leasing a major portion of proposed space; and
- redevelopment of well located but significantly depreciated shopping malls and strip plazas.

The Board of Directors approves all Plazacorp acquisitions with a view toward accepting only those that fit the portfolio at a favorable rate of return.

Management intends to achieve Plazacorp's goals by:

- acquiring high-quality properties with the potential for increases in future cash flow;
- focusing on property leasing and operations and delivering superior service to tenants;
- managing properties to maintain high occupancies;
- increasing rental rates when market conditions permit;
- managing debt to obtain both an efficient cost and a staggered debt maturity profile to reduce financing costs; and
- disposing either wholly or partially of fully developed assets where future returns will be dictated largely by growth in inflation in respective rental rates and markets rather than intensive management.

BUSINESS ENVIRONMENT

During Plazacorp's 2003 fiscal year and the first six months of 2004, leasing markets and investment markets generally were healthy. Retail occupancies and rents have remained stable due to the strength of consumer spending. Management anticipates that occupancies and rents will remain healthy in 2004 barring an economic downturn.

2003 and to date in 2004 witnessed low inflation and a low cost of debt environment in comparison to recent history, which permitted Plazacorp to place its debt at favorable rates and terms on the assets that were positioned to be permanently financed. The low interest rate environment has also resulted in a more competitive acquisition environment, resulting in higher asking prices for quality real estate product with corresponding lower initial returns on investments.

KEY PERFORMANCE DRIVERS & INDICATORS

There are numerous factors, many beyond Management's control, that affect Plazacorp's ability to achieve its goals. These key performance drivers are divided into internal and external factors. Management believes that the key internal performance drivers are:

- Increasing occupancies;
- Increasing rental rates;
- Improving tenant service which should lead to higher tenant retention; and
- Maintaining a competitive occupancy cost structure to keep gross rental rates competitive.

Management believes that the key external performance drivers are:

- The availability of new property acquisitions which fit into Plazacorp's portfolio;
- The availability of equity and debt capital at a reasonable cost;
- The desire of retailers to expand capacity and open in new markets.

The key performance indicators by which Management measures Plazacorp's performance are as follows:

- Earnings before interest, taxes, depreciation and amortization (EBITDA);
- Debt service ratios which indicate the company's ability to service debt;
- Funds from operations (FFO);
- "Same-asset" net operating income, revenue and expense;
- Weighted average cost of debt and debt maturity pattern; and
- Occupancy.

Management believes that its key performance measures allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders.

**EXPLANATION OF NON-GAAP MEASURES USED
IN THIS MANAGEMENT DISCUSSION AND ANALYSIS:**

Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) is not a Canadian Generally Accepted Accounting Principle (GAAP) financial measure and is presented as Management considers EBITDA to be one indicative measure of Plazacorp’s operating performance. EBITDA should not be considered as an alternative to net income, cash flow from operations or any other operating or liquidity measure prescribed by GAAP. EBITDA as calculated by Plazacorp may not be comparable to similarly titled measures reported by other entities. Due to the significance of Plazacorp’s real estate assets and the contractual nature of Plazacorp’s revenues, it can be used to measure Plazacorp’s ability to service debt, fund capital needs and expand the business.

Management uses EBITDA to compute two ratio’s indicative of the financial strengths of the Company.

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds financing costs (interest plus amortization of financing costs).
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the total of financing costs plus recurring monthly principal debt repayments.

Funds From Operations (“FFO”) is an industry measure and its calculation before 2003 was prescribed in publications of The Canadian Institute of Public and Private Real Estate Companies (CIPPREC). FFO measures operating income before amortization adjusted for changes in non-cash balance sheet operating accounts. FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO is not a Canadian Generally Accepted Accounting Principle (GAAP) financial measure and is presented as Management considers FFO to be one indicative measure of the Company’s ability to fund capital requirements, dividend payments and to expand the business.

PART II

SUMMARY OF CURRENT QUARTERLY AND YEAR-TO-DATE INFORMATION

Plazacorp's Summary of Selected Quarterly Information for the current period is presented below:

(000's)	Period Ending April 30, 2004		Period Ending April 30, 2003	
	3 months	6 months	3 months	6 months
Total Revenue	\$ 6,211	12,252	5,063	10,113
Basic Earnings per Share (EPS)	\$0.083	\$0.085	\$0.005	\$0.012
Diluted Earnings per Share	\$0.067	\$0.071	\$0.005	\$0.012
Net Income	2,610	2,701	150	366
Gain on Sale of Property	(2,544)	(2,544)	-	-
Provision for Income Taxes	52	155	165	248
Amortization	1,358	2,593	813	1,648
Non-Controlling Interest	73	109	73	116
Financing costs	1,768	3,533	1,612	3,243
Earnings before Interest, taxes depreciation and amortization(EBIDTA)	\$ 3,317	6,547	2,813	5,621
Less:				
Financing costs	(1,768)	(3,533)	(1,612)	(3,243)
Straight-Lined Rent	(93)	(93)	-	-
Current Income Taxes	(25)	(75)	(46)	(56)
Amortization-Above& Below Market Rents	(33)	(53)	-	-
Equity Component of Debenture Interest	(168)	(272)	-	-
Non-Controlling Interest in FFO	(189)	(363)	(178)	(354)
Other Non-Cash Charges(Net)	-	-		(66)
Basic Funds from Operations (FFO)	\$ 1,041	2,158	977	1,902
Basic FFO per share	0.033	0.068	0.033	0.064
Basic Weighted Average Shares Outstanding (000's)	31,581	31,625	29,958	29,846
Diluted FFO per share	0.031	0.065	0.031	0.061
Total assets		131,767		103,478
Mortgages payable		83,315		68,369
Bonds and debentures payable		12,869		10,050
Notes payable		1,957		2,732
Bank Indebtedness		-		252

NOTES TO SUMMARY OF QUARTERLY AND ANNUAL INFORMATION TABLE

Over the last two years total assets of Plazacorp have increased considerably due to new property acquisitions and development activities. Accordingly, gross revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and funds from operations (FFO) are all reflective of an increasing income-producing asset base with several properties under development.

Properties Under Development

PROPERTY	PROPERTY TYPE	Property Status	SQUARE FOOTAGE	OWNERSHIP INTEREST ACQUIRED
V-8 Plaza, New Glasgow, NS	Strip Plaza	Completed during quarter	14,000	100%
Woodstock Plaza, Woodstock, NB	Strip Plaza	Completed during quarter	19,500	100%
Commercial Street Plaza, New Minas, NS	Strip Plaza	Completed during quarter	15,332	100%
Boulevard Plaza, Moncton, NB	Strip Plaza	Under Construction	74,057	100%
681 Mountain Road, Moncton, NB	Strip Plaza	Under Construction	18,890	100%
Welton Street Plaza, Sydney, NS	Strip Plaza	Under Construction	20,975	100%
Main Place, Fredericton, NB	Strip Plaza	Under Construction	31,304	100%
209 Chain Lake Drive, Halifax, NS	Strip Plaza	Under Re-Development	77,600	50%
201 Chain Lake Drive, Halifax, NS	Strip Plaza	Under Re-Development	118,498	100%

➤ **KEY PERFORMANCE INDICATOR**

Funds from operation were steady for the period at 3.3¢ per share (3.1¢ diluted) compared to 3.3¢ per share (3.1¢ diluted) for the corresponding period of 2003. This is within Management's expectations.

On March 22, 2004 the Company sold 50% interests in three properties Staples Plaza, Dartmouth, NS, Lansdowne Place, Saint John, NB, and, les Promenades St. Francois, Laval, QC. As a result of the sale approximately \$5.8 million in cash was made available for re-investment. The cash generated from the sale was invested in 201 Chain Lake Drive (approximately \$4.0 million) where occupancy is 80% and in two land parcels (approximately \$1.8 million) which are currently being developed.

The return on these investments will be lower than that generated from the assets sold during the balance of the year and as a result funds from operations declined by approximately \$0.003 per share in the quarter ended April 30, 2004.

During the third quarter this impact should continue and is expected to suppress funds from operations by approximately \$0.005 per share. The timing of any increase in funds from operations in respect of these re-invested funds is expected to occur over the next year with a diminishing impact on FFO over time.

As well, three assets under development- Connell Road Plaza, V8-Plaza and New Minas Commercial Centre- did not fully contribute to earnings during the quarter, but should contribute for the balance of the year.

➤ **KEY PERFORMANCE INDICATOR**

During the three month period ended April 30, 2004 and year to date EBITDA and associated liquidity measures were as follows:

(000's)	Q2 2004	YTD 2004	Q2 2003	YTD 2003
EBITDA	\$ 3,317	\$ 6,547	\$ 2,813	\$ 5,621
Financing Cost	1,768	3,533	1,612	3,243
Equity Component of Debenture Interest	168	272	-	-
Total Interest Costs	1,936	3,805	1,612	3,243
Mortgage Principal Repayments	375	719	331	649
Total Debt Service	2,311	4,524	1,943	3,892
Interest Coverage Ratio	1.7 times	1.7 times	1.7 times	1.7 times
Debt Service Coverage Ratio	1.4 times	1.4 times	1.4 times	1.4 times

Management views these indicators as acceptable and indicative of continued ability to adequately service the Company's debt.

CORPORATE PERFORMANCE 2004 AND 2003

The majority of the increase in revenue from properties was attributable to new acquisitions during 2004 and 2003. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the 6 months ended April 30, 2004 and for the entire 12 months ended October 31, 2003 where such assets had no significant new development or construction occurring during these periods.

The following properties were acquired or developed subsequent to November 1, 2002 and are not included in the same asset category.

2003 Acquisitions

PROPERTY	PROPERTY TYPE	DATE ACQUIRED	SQUARE FOOTAGE	OWNERSHIP INTEREST ACQUIRED	NATURE OF INTEREST
Empire Plaza, Fredericton, NB	Strip Plaza	Apr-03	13,831	100%	Leasehold
Commercial Street Plaza, New Minas, NS	Strip Plaza	Jun-03	15,332	100%	Leasehold
V-8 Plaza, New Glasgow, NS	Strip Plaza	Sept-03	14,000	100%	Leasehold
Woodstock Plaza, Woodstock, NB	Strip Plaza	Aug-03	20,000	100%	Freehold
Tacoma Centre, Dartmouth, NS	Strip Plaza	Oct-03	166,000	100%	Freehold

2004 Acquisitions

PROPERTY	PROPERTY TYPE	DATE ACQUIRED	SQUARE FOOTAGE	OWNERSHIP INTEREST ACQUIRED	NATURE OF INTEREST
Carrefour des Seigneurs, Terrebonne, QC	Strip Plaza	Dec-03	34,143	25%	Joint Venture
Main Place, Fredericton, NB	Strip Plaza	Dec-04	34,000	100%	Leasehold
209 Chain Lake Drive, Halifax, NS	Strip Plaza	Mar-04	77,600	50%	Joint Venture
Welton Street Plaza, Sydney, NS	Strip Plaza	Apr-04	21,300	100%	Leasehold
Plaza Boulevard, Moncton, NB	Strip Plaza	Feb-04	74,057	100%	Leasehold
201 Chain Lake Drive, Halifax, NS (1)	Strip Plaza	Apr-04	118,498	100%	Freehold

Notes:

- 1) On April 14, 2004, 201 Chain Lake Drive, a retail strip plaza located in Bayers Lake Park, Halifax, NS was acquired at a price of \$14,500,000 and was paid partially with cash, the assumption of a \$4,042,023 first mortgage and placement of a \$6,603,013 second mortgage. The holder of the second mortgage, CREIT, has an option to acquire a 50% interest in the property at the Company's cost before April 14, 2005.
- 2) For comparison the 2003 revenues and expenses for Lansdowne Place, Les Promenades St. Francois and Staples Plaza have been adjusted in respect to the sale of 50% of these assets in March 2004.

RENTAL REVENUE

AS AT APRIL 30,	2004	2003	Change		YTD 2004	YTD 2003	Change	
	(\$000's)	(\$000's)	(\$000's)	(%)	(\$000's)	(\$000's)	(\$000's)	(%)
Same-Asset Rental Revenue	\$ 4,858	\$4,578	\$ 280	6%	\$ 9,864	\$ 9,395	\$ 469	5%
Acquisitions and Exclusions	1,083	252	831	330%	1,835	252	1,583	628%
Property Rental Revenue	\$ 5,941	\$4,830	\$ 1,111	23%	\$11,699	\$ 9,647	\$ 2,052	21%

Revenues for the three months ended April 30, 2004 increased from \$4.83 million to \$5.94 million representing a 23 % increase over the same period last year, largely as the result of asset growth.

Straight-lined rents and amortization of above and below market rents on acquisition represent \$107 thousand of this increase.

Property rental revenue on a same-asset basis increased to \$4.86 million for the three months ended April 30, 2004 from \$4.58 million for the same period last year. For same assets straight-lined rents accounted for \$65 thousand of the increase. This is primarily due to rental rate increases and increases in the recoveries of operating costs from tenants under net leases. Certain leases contain cost recovery formulas based on the consumer price index and this may lead to lags in the recovery of costs from period to period.

PROPERTY OPERATING EXPENSES

Total property operating expenses increased 31% to \$1.69 million for the three months ended April 30, 2004 compared to \$1.29 million for the same period last year.

AS AT APRIL 30,	2004	2003	CHANGE		YTD 2004	YTD 2003	CHANGE	
	(\$000's)	(\$000's)	(\$000's)	(%)	(\$000's)	(\$000's)	(\$000's)	(%)
Same-Asset Operating Expenses	\$1,318	\$1,236	\$ 82	7%	\$2,707	\$2,486	\$ 221	9%
Acquisitions and Exclusions	377	57	320	320%	599	57	542	1050%
Property Operating Expense	\$1,695	\$1,293	\$ 402	31%	\$3,306	\$2,543	\$ 763	30%

For the same asset class, property operating expenses have increased by 7% for the three months ending April 30, 2004 compared to the same period in 2003. The primary increases are attributable to the rising insurance costs (70% increase) and the write-off of disputed common area adjustments (\$20 thousand). Another contributor was an increase in the ground land lease rent for Exhibition Plaza co-incident with the leasing of additional land for a tenant expansion.

Year-to-date expenses are up in part due to costs associated with abnormal weather related events and non-recoverable repairs to properties. This trend is not expected to continue.

REALTY TAX

The realty tax expense increased 33% to \$1.01 million for the three months ended April 30, 2004 from \$754 thousand for the same period last year.

AS AT APRIL 30	2004	2003	CHANGE		YTD	YTD	CHANGE	
	(\$000's)	(\$000's)	(\$000's)	(%)	2004	2003	(\$000's)	(%)
Same Asset Realty Taxes	\$ 808	\$ 728	\$ 80	11%	\$ 1,639	\$ 1,576	\$ 63	4%
Acquisitions and Exclusions	196	26	170	654%	361	26	335	1288%
Total Realty Taxes	\$ 1,004	\$ 754	\$ 250	33%	\$ 2,000	\$ 1,602	\$ 398	25%

On a same-asset basis, realty tax expense increased 11% year-over year. This increase results from increases in assessed values at the end of development and increases in municipal taxes generally. A trend is not discernable until all properties have been reassessed based on their post development values. Virtually all increases in realty taxes are recoverable from tenants under net leases.

Summary of Property Operating Expenses

AS AT APRIL 30,	Q2 2004	Q2 2003	CHANGE		YTD	YTD 2003	CHANGE	
	(\$000's)	(\$000's)	(\$000's)	(%)	2004	(\$000's)	(\$000's)	(%)
Operating Costs	\$ 1,695	\$ 1,293	\$ 402	31%	\$ 3,306	\$ 2,543	\$ 763	30%
Realty Taxes	1,004	754	250	33%	2,000	1,602	398	25%
Property Operating Expenses	\$ 2,699	\$ 2,047	\$ 652	32%	\$ 5,306	\$ 4,145	\$ 1,161	28%

➤ KEY PERFORMANCE INDICATOR

Net operating income for same assets for the period ending April 30, 2004 has increased by \$118 thousand compared to the same period last year. Of this increase, straight line property revenue reporting requirements accounted for \$65 thousand. The remaining increase is due to general rent increases on existing leases.

Same Asset Property Net Operating Income

AS AT APRIL 30,	Q2 2004	Q2 2003	CHANGE		YTD	YTD 2003	CHANGE	
	(\$000's)	(\$000's)	(\$000's)	(%)	2004	(\$000's)	(\$000's)	(%)
Same Asset Property Revenue	\$ 4,858	\$ 4,578	\$ 280	6%	\$ 9,864	\$ 9,395	\$ 469	5%
Same Asset Property Operating Expenses	2,126	1,964	162	8%	4,346	4,062	284	7%
Same Asset Property Net Operating Income	\$ 2,732	\$ 2,614	\$ 118	5%	\$ 5,518	\$ 5,333	\$ 185	3%

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of \$109 thousand increased by 4% for the 3 months ended April 30, 2004 compared to the same period in 2003 due to increases in corporate insurance, audit fees, general administrative services, and compliance filing fees. Given the continuously changing disclosure and reporting requirements applicable to public entities like Plazacorp, it is reasonable to conclude these costs will escalate by rates exceeding general inflation. Year to date the expenses have increased by 6% after adjusting for stock option compensation recorded in the first quarter of 2003.

INVESTMENT INCOME

Investment income year-to-date as at April 30, 2004 has increased to \$553 thousand from \$467 thousand for the same period in 2003. This increase is consistent with Management's expectation.

AMORTIZATION AND DEPRECIATION

Prior to 2003 the Company used a 5% sinking fund method of depreciation over 40 years. In November 2003, Plazacorp adopted a straight line depreciation method and now depreciates its buildings on a straight line basis over their useful lives to a maximum of 40 years. This policy has significantly increased depreciation charges. The Company amortizes leasing commissions and free rent granted for tenant improvements constructed or tenant allowances paid in cash collectively "Tenant acquisition costs" over the term of the respective leases.

During Q2 - 2004 amortization increased \$546 thousand compared to Q2 – 2003. The increase was as follows:

AS AT APRIL 30,	2004	2003	CHANGE	YTD 2004	YTD 2003	CHANGE
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Same-Asset Amortization	\$ 967	\$ 716	\$ 251	\$ 1,986	\$ 1,528	\$ 458
Acquisitions and Exclusions	392	97	295	607	120	487
Total Amortization	\$ 1,359	\$ 813	\$ 546	\$ 2,593	\$ 1,648	\$ 945

Amortization will continue at high levels for the foreseeable future until significant tenant expires occurs and the resulting tenant acquisition costs are fully amortized.

Gain of Disposition of Property

On March 22, 2004 Plazacorp sold 50% interests in three properties to Retrocom Mid-Market REIT. The gross proceeds of disposal were \$15.9 million and the cost of the assets sold including disposition costs was \$13.4 million for a gain of \$2.5 million before taxes. The agreement of purchase and sale calls for adjustments to the purchase price subsequent to closing for certain items estimated at closing such that the reported gain may change but this change should not be material.

Income Tax Expense

The Company records income taxes during quarterly periods based on its estimate for the taxes for the full fiscal year and the impact of timing differences during the year and current quarter. The financial statements include the estimated pro-rated income taxes payable by consolidated subsidiaries based on estimates for the current years. During the six-months ended April 30, 2004 the estimated income taxes were:

	Six Months Ended <u>April 30, 2004</u>	Six Months Ended <u>October 31, 2003</u>
(000's)		
Current Taxes	\$ 75	56
Future Taxes	<u>80</u>	<u>192</u>
Total	\$ 155	248

PART III

LIQUIDITY AND FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

As outlined in strategy, Plazacorp strives to deliver reliable and growing cash distribution over time.

Cash flow generated from operating the portfolio represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to fund operating, leasing and property tax costs and to fund dividends. Development activity costs are funded by a combination of debt, equity raised and cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, collectability of rent, efficiencies built into leases and efficiencies in operations as well as other factors.

Plazacorp's cash distribution policy reflects repayment of recurring mortgage amortization from FFO. Accordingly, Plazacorp attempts to reduce the overall debt level on existing properties year-on-year in order to strengthen the balance sheet and enhance the underlying value of existing shares, rather than incur new debt or raise equity in the form of share capital to cover recurring monthly mortgage principle payments.

WORKING CAPITAL

Rents form a recurring monthly source of funds which exceeds the operating and debt service costs for the assets. Liquidity is a concern only as it relates to funding of investments and acquisitions.

AVAILABILITY OF BANK AND MORTGAGE FINANCING

The Company has organized a facility with a Canadian Chartered bank in the amount of \$10.0 million to fund acquisition and development of projects with a limit of \$5.0 million per asset funded or 70% loan-to-value based on appraisal or cost, whichever is the least. The interest rate on funds drawn is prime + $\frac{3}{4}$ %.

At April 30, 2004, the Company had drawn \$1.1 million under the facility and pledged the Connell Road project in Woodstock, N.B. as security. The remaining facility may be drawn subject to standard lending terms.

The Company also has a \$0.5 million letter of credit facility with a Canadian Chartered bank of which \$0.3 million has been drawn. This line is secured by Personal Property Security Act (PPSA) charges in three provinces.

Both of these facilities require the Company to maintain certain balance sheet equity accounts including convertible debentures at predetermined levels and to maintain debt service ratios based on EBITDA in excess of fixed thresholds. As of, April 30, 2004, these ratios have been maintained and management is confident the ratios will be maintained for the foreseeable future.

The current market for obtaining mortgage financing for the Company's properties is favorable with many sources of real estate debt financing available.

EQUITY ACTIVITIES IN 2004

During December 2003 Plazacorp issued \$ 5 million of 9 ½ % convertible debentures maturing October 31, 2008. The debentures are convertible at \$1.20 per share. The funds from this issue were used to fund various development activities and asset acquisitions.

On March 22, 2004 the Company sold a 50% interest in three properties to Retrocom Mid-Market REIT.

- Les Promenades St. Francois, Laval, Quebec
- Staples Plaza, Dartmouth, Nova Scotia
- Lansdowne Plaza, Saint John, New Brunswick

Each of these properties has undergone significant redevelopment and had entered a stable income and growth period. Management determined that funds from this sale could be best channeled to higher growth assets and is deploying these funds on new developments and redevelopments.

Management will periodically review the portfolio to determine if opportunities exist to redeploy locked in equity in slow growth properties into higher growth activities.

On May 20th the Company announced the proposed issuance of \$10 million of 8.5% Convertible Debentures due April 30, 2009 and convertible to common stock at \$1.60 per share. \$5.0 million of the proceeds will be used to retire 11% Debentures which mature at various times from December 2004 to April 2005. The remaining \$5.0 million will be used to fund property investments and pay the costs of the offering. The anticipated closing date is June 30, 2004 and based on interest expressed from investors, management is highly confident of closing this offering as detailed above. The offering, if completed, will reduce cash interest costs on existing debentures by \$125,000 per annum. Management believes the issuance of convertible debt is a cost effective method of raising capital and allows institutional involvement in the Company's equity structure.

MORTGAGE BOND USAGE

The Company expects Plaza LPC Commercial Trust to refinance Les Promenades du Cuivre and repay mortgage bond funds, which will then be available for use in new properties or re-developments. Management is confident that this refinancing will occur before October 31, 2004 but this is not assured. The funds invested in Les Promenades du Cuivre are \$5.05 million. In the interim the Company intends to assign the loan to a chartered bank as security for advances under its acquisition line. Any funds advanced from this refinancing and/or assignment will be secured by mortgage charges in favor of the trustee for the mortgage bonds or held as segregated cash.

DEBT REPAYMENT SUMMARY

The effective average interest rate for conventional and short-term mortgages is 7.62%. The average term to maturity of the mortgages outstanding is 6.11 years. The average remaining amortization or repayment period on fixed rate mortgage debt is 20.8 years.

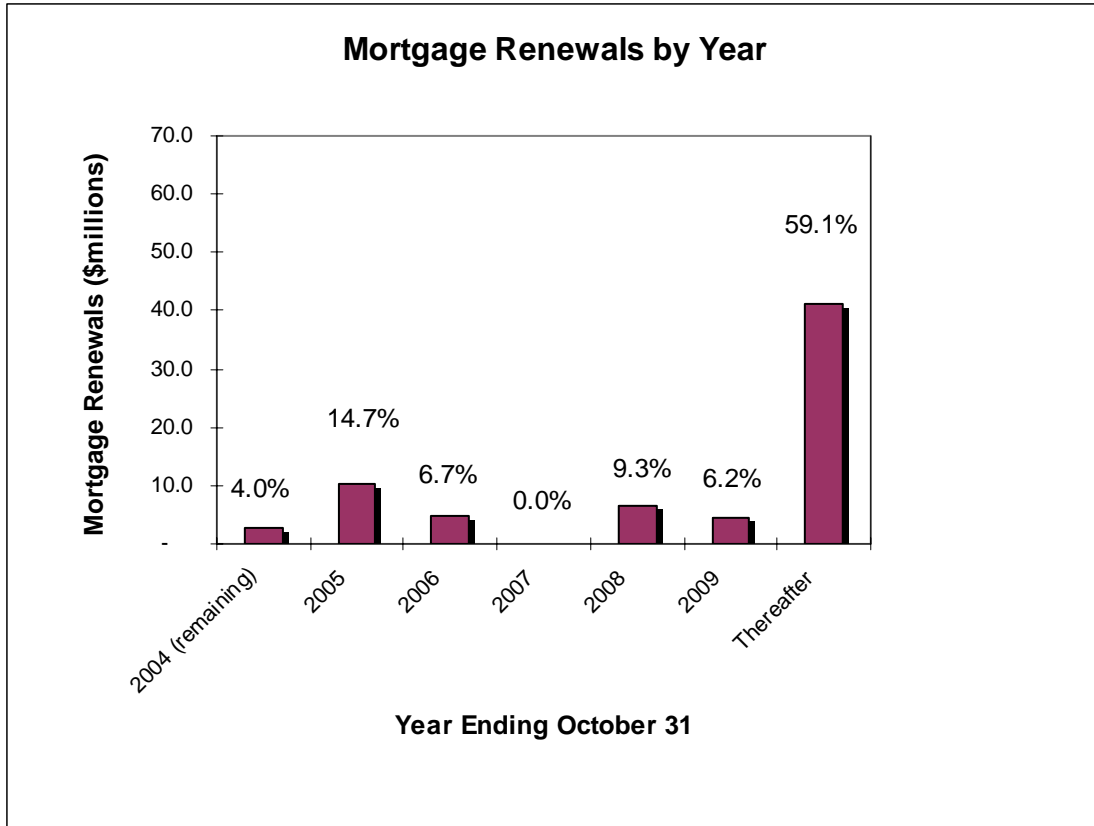
The Company is subject to risk of interest rate fluctuations. The Company minimizes its interest rate risk by ensuring that debt maturities are staggered over a number of years, allowing the Company to minimize the risk of unfavorable interest rate or capital market conditions in any one period.

The Company's strategy going forward will be to balance maturities and terms on new fixed debt with existing debt maturities to minimize exposure in any one year and to reduce overall interest costs.

(\$000's)	2004	2005	2006	2007	2008	2009	Thereafter
Periodic amortized principal payments	\$ 860	\$1,681	\$1,706	\$ 1,716	\$ 1,764	\$ 1,574	\$ 4,304
Mortgage due on maturity	2,779	10,251	4,663	-	6,515	4,309	41,193
Bank operating facilities	0	-	-	-	-	-	-
	\$3,639	\$11,932	\$6,369	\$ 1,716	\$ 8,279	\$ 5,883	\$ 45,497
Percentage of Total	4%	14.7%	6.7%	-	9.3%	6.2%	59.1%
Weighted Average Interest Rate	4.50%	7.66%	6.71%	-	7.04%	5.72%	7.49%

Maintaining the average cost of debt will be dependent on capital market conditions at the time of refinancing.

The Company's use of floating rate debt has been limited to assets under development or redevelopment. The Company fixes debt rates and repayment terms as soon as it is practical based on capital market conditions. Fixed rate debt represents 96.6% of total mortgage debt.



At April 30, 2004 and 2003, the Company's weighted average cost of debt was as follows:

AS AT APRIL 30,	2004	2003	Change
Mortgage debt	7.62%	7.50%	.120%
Bank Operating Facilities	5.30%	5.00%	.300%

➤ **KEY PERFORMANCE INDICATOR**

The weighted average cost of mortgage debt increased to 7.62% for the three month period ended April 30, 2004 from 7.50% for the same period in 2003, and the weighted average term to maturity decreased to 6.1 years from 7.1 years. This was due to the funding of long term debt at Tacoma Center and with the replacement of floating rate debt and the assumption of \$10 million in debt at 201 Chain Lake Drive at an average rate of 8.246%. Management expects the average cost of debt to remain stable within a narrow band of interest rates for the foreseeable future.

Part of Plazacorp's debt strategy involves having a sufficient amount of mortgage debt maturing each year such that Management is in position to refinance or attempt to upward refinance the principal amount of such maturing debt so as to fund additional acquisitions. Current market parameters for conventional mortgage debt are in the range of 65% - 75% of the appraised market value of the underlying property asset. The success of this strategy is dependant upon debt market parameters existing at that time as well as the particular features and quality of the underlying assets being financed in the period.

COMMITMENTS

Plazacorp's current estimated commitments for the development of expansion lands, costs to complete development projects, and redevelopment projects initiated and scheduled for future periods is \$11.4 million.

Management believes that Plazacorp has sufficient unused bank line availability, together with recently acquired unencumbered assets to be pledged as security to fund these future commitments.

Plazacorp's future commitments, and the estimated timing of these commitments, are outlined in the schedule below:

(000's)	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual Obligations					
Long Term Mortgage Debt	\$ 83,315	\$ 3,639	\$20,017	\$ 14,162	\$ 45,497
Capital Lease Obligations	-	-	-	-	-
Bonds & Debentures	18,550	5,000	-	13,550	-
Operating Ground Leases	33,357	606	3,759	2,540	26,452
Development Activities	11,422	11,422	-	-	-
Other Obligations	135	135	-	-	-
Total Contractual Obligations	\$146,779	\$ 20,802	\$23,776	\$ 30,252	\$ 71,949

Plazacorp makes significant use of Ground Leases to develop real estate. Ground leases allow the Company to maximize financial leverage during development.

Ground Lease commitments as at April 30, 2004 are as follows:

(000's)	Remaining	Annual Payments				
	2004	2005	2006	2007	2008	2009
Properties Held by Subsidiaries	\$ 405	\$ 480	\$ 492	\$ 492	\$ 492	\$ 492
Properties Held by Plazacorp	201	764	764	768	778	778
Totals	\$ 606	\$1,244	\$1,256	\$1,260	\$1,270	\$1,270

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchaser of 50% interests in three properties. These commitments are subject to cross-indemnity agreements. The balance outstanding on these loans is \$8.5 million.

PART IV

SUMMARY OF QUARTERLY INFORMATION

February 1, 2002 to April 30, 2004

(000's)	Q2'04	Q1'04	Q4'03	Q3'03	Q2'03	Q1'03	Q4'02	Q3'02
Total Revenue	\$ 6,211	\$ 6,041	\$ 5,534	\$ 5,227	\$ 5,063	\$ 5,050	\$ 5,361	\$ 4,871
Net Income for the period	2,610	90	343	101	150	216	24	3
Basic earning per share (EPS)	0.083	0.003	0.027	0.003	0.0050	0.0073	0.010	0.000
Diluted earnings per share	0.067	0.003	0.025	0.003	0.0048	0.0069	0.010	0.000
Dividends Paid	678	624	601	600	599	599	591	-
Dividends Per Share	\$ 0.0225	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	-
Weighted Average Shares Outstanding	31,581	31,458	30,028	29,984	29,958	29,738	29,645	29,645
Total assets	131,767	121,128	113,545	106,178	103,478	103,535	105,358	105,962
Mortgages payable	83,315	78,787	74,032	67,865	68,369	68,600	69,001	69,038
Bonds and debentures payable	12,869	13,037	11,256	11,309	10,050	10,050	10,050	10,050
Notes payable	1,957	2,033	3,541	2,304	2,732	2,833	2,962	3,171
Bank indebtedness	-	-	405	92	252	264	240	247

NOTES TO SUMMARY OF QUARTERLY RESULTS TABLE

Commercial real estate operations are generally not materially influenced by seasonal variations, but are impacted by economic events and cycles (local, national and international), which influences the demand for space. Factors such as consumer spending, or employment growth, are examples of events which will impact commercial real estate.

The summary of quarterly results therefore is free from material seasonal variations and reflects activities occurring in the periods presented but does reflect changes due to the timing of development activity.

The quarterly information highlights the increasing total assets and gross revenues over the eight quarters and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

The real estate assets of the Company have grown from 25 assets at April 30, 2002 to 41 assets at April 30, 2004.

SUMMARY OF ANNUAL INFORMATION

(000's)	2003	2002	2001
Total Revenue	\$ 20,874	19,600	16,340
Net income	809	399	1,082
Net income Per Share - Basic	0.027	0.014	0.040
Diluted Net Income Per Share	0.025	0.014	0.040
Dividends Paid	2,399	591	-
Dividend Per Share	\$ 0.08	\$ 0.02	\$ -
Weighted Average Shares Outstanding	29,927	29,265	27,015
Total Assets	113,545	105,358	98,194
Mortgages Payable	74,037	69,001	60,978
Bonds and Debentures Payable	18,050	10,050	5,050
Notes Payable	3,541	2,962	6,535
Bank Indebtedness	\$ 405	240	582

NOTES TO SUMMARY OF YEARLY RESULTS TABLE

The real estate assets of the Company have grown from 13 assets at November 1, 2000 to 35 assets at October 31, 2003.

The summary of yearly results is influenced by significant development and re-development activity over the last three years.

The yearly information highlights the increasing total assets over the three years and the corresponding increases in assets and revenues and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

PART V

CRITICAL ACCOUNTING ESTIMATES

Plazacorp's significant accounting policies are described in the Consolidated Financial Statements. Management believes the significant policies which are most subject to estimation and Management judgment are those outlined below.

PROPERTY ACQUISITIONS

For acquisitions subsequent to September 12, 2003, in accordance with CICA 1581 and CICA 3062, Management is required to perform the procedures listed below. Many of these procedures are subject to estimation and Management judgment.

1. Estimate the value of the building "as if vacant" as of the acquisition date;
2. Allocate that value among land, site improvements and building;
3. Allocate the value of the above and below-market leases to the intangible assets;
4. Calculate the value and associated life of the tenant relationships, if any, by taking the direct identifiable benefits of the tenant relationship and discounting that to its present value; and this amount is recorded as an intangible asset and amortized over the life of the respective tenancy.
5. Estimate the fair value of the tenant improvements and leasing commissions.

For the acquisitions after September 12, 2003 the Company estimated these amounts as detailed in the financial statements for the quarter ended April 30, 2004. These estimates may change as new information emerges on the appropriateness of estimates made during the first six months of 2004.

This estimate is critical insofar as it may impact on the allocation of the purchase price of a purchased asset between land, buildings, tenant improvements, intangible assets and liabilities and thus impact on the corresponding amortization period of the related asset.

CHANGES TO ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES ADOPTED IN 2004

ACCOUNTING FOR OPERATIONAL LEASES ACQUIRED IN EITHER AN ASSET ACQUISITION OR A BUSINESS COMBINATION

Effective for transactions after September 12, 2003, in accordance with CICA Handbook Sections 1581 (Business Combinations) and 3062 (Goodwill and Other Tangible Assets), the purchase price of the income property is allocated to land, building, tenant improvements and intangibles (such as the value of above and below-market leases and the value of tenant relationships, if any).

The values of the above and below-market leases are amortized and recorded as either a decrease (in the case of above-market leases) or an increase (in the case of below-market leases) to property rental revenue over the remaining term of the associated lease. The value associated with the in-place leases and tenant relationships is amortized over the expected term of the relationship, which includes an estimated probability of the lease renewal and its estimated term. In the event a tenant vacates its leased space prior to the contractual termination of the lease and no rental payments are being made per the lease, any unamortized balance of the related intangible will be expensed. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease and expensed in full in the event the lease is terminated prior to its contractual termination date.

Intangible assets represent the value of above-market leases, origination costs associated with in-place leases and the value of existing tenant relationships for income producing properties acquired after September 12, 2003 and net of accumulated amortization equals \$2.7 million (2003 – nil).

Intangible liabilities represent the value of below-market leases for income producing properties acquired after September 12, 2003 and net of accumulated amortization equals \$1.07 million (2003 – nil).

REVENUE

Effective February 1, 2004 the Company adopted the requirements of the CICA in respect of staged or stepped revenues in leases so as to record all revenue from leases on a straight line basis over the term of the lease.

Accordingly, a receivable is recorded from the tenants for the current difference between the straight-line rent over the term and the rent that is contractually due from the tenant. Plazacorp has adopted this recommendation, on a prospective basis, effective February 1, 2004.

Management has determined the impact to the rental revenue will be as follows:

2004 (9 months)	Increase in rental revenue by \$279,238
2005	Increase in rental revenue by \$261,486
2006	Increase in rental revenue by \$127,138
2007	Increase in rental revenue by \$59,258
2008	Increase in rental revenue by \$4,220
2009	Decrease in rental revenue by \$47,058
2010 & Beyond	Decrease in rental revenue by \$684,282

This projection is revised based on tenancy in place at each quarter end.

FUTURE CHANGES IN ACCOUNTING POLICY

On November 1, 2004 as required by CICA 3860 the Company will reclassify convertible debentures from substantially an equity classification to substantially a debt classification. The Company has not as yet determined the impact of this change in accounting principles on the financial statements. The Company may chose to adopt this recommendation at an earlier date. There is no impact on the Company's creditor arrangements as a result of this change.

PART VI

RISKS AND UNCERTAINTIES

All income property investments are subject to a degree of risk and uncertainty. Income property is affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. Management attempts to manage these risks through geographic and asset class diversification in Plazacorp's portfolio. At April 30, 2004 Plazacorp held 41 properties spread geographically among four provinces in Canada.

INTEREST RATE AND FINANCING RISK

Current market conditions are very favorable for obtaining mortgage financing in both the fixed rate and floating rate facilities. However, interest rate spreads over Government of Canada Bonds have tightened over the last six months. The favorable availability has been offset by increases in bond rates. At existing rates the Company is able to obtain positive returns from debt financing. The availability of debt financing makes management highly confident of obtaining suitable long term financing for projects on completion of development and maturity of existing debt as it comes due.

Management attempts to stagger the maturities of Plazacorp's mortgage portfolio consistent with related tenant lease expiries with the view of locking in returns on developed assets for as long a period as market conditions will permit. Management is of the view that such a strategy results in the most conservative interest rate risk management practice.

As outlined under "Liquidity and Capital Resources", Plazacorp has an ongoing requirement to access the debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to Plazacorp, or any terms at all.

Management's strategy attempts to mitigate Plazacorp's exposure to excessive amounts of debt maturing in any one year. Re-financing debt at maturity with conventional financing is generally limited to 65-75% of appraised value. Management is of the view that such level of indebtedness is achievable given the lending parameters currently existing in the real estate market place and is confident all debts will be financed or refinanced as they come due for the foreseeable future.

Plazacorp has invested in one mortgage and further financing risk arises in the event that the borrower defaults on the repayment of said mortgage to Plazacorp. Plazacorp has endeavored to ensure that adequate security has been provided in support of such mortgage. Currently the mortgage secures an asset with a loan to value ratio of less than 65% based on an appraisal dated December 2003.

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plazacorp's tenant mix is diversified and by limiting Plazacorp's exposure to any one tenant. Plazacorp also maintains a portfolio that is diversified by property type so that exposure to business sectors is lessened.

Currently, no one tenant represents more than 6.3 % of total revenues. The top 10 tenants collectively represent about 34% of total revenues. Plazacorp's ten largest tenants based upon current monthly gross rent are as follows:

	% of Gross Revenue
1. Staples Business Depot	6.30%
2. Dollarama	5.55%
3. Marks Workwearhouse	4.49%
4. Loblaws	3.87%
5. Reitmans	3.18%
6. Canadian Tire	2.68%
7. Cleve's Sporting Goods	2.32%
8. Sears and Sears Franchisees	1.94%
9. Shoppers Drug Mart	1.87%
10. Bulk Barn	1.79%

The leasing of the Company's portfolio has produced a mix of National, Regional, and Local tenancy that is well positioned to resist down turns in our markets. This portfolio mix is outlined in the chart below.

	April 30, 2004	October 31, 2003
National	79.4%	74.0%
Regional	6.6%	6.7%
Local & Non Retail	14.0%	19.3%

LEASE ROLL-OVER RISK

Lease roll-over risk arises from the possibility that Plazacorp may experience difficulty renewing leases as they expire or in releasing space vacated by tenants.

Management has completed to date in 2004, 232,106 square feet of new leasing deals at market rates thus increasing our occupied or committed space by 138,710 square feet net of all expiries and turnovers.

Management attempts to stagger the lease expiry profile so that Plazacorp is not faced with disproportionate amounts of space expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by asset type and geographic location.

The following tables represent lease expiries, by square footage, for Plazacorp's portfolio from April 30, 2004 to October 31, 2004:

BALANCE OF 2004 LEASE EXPIRIES BY ASSET CLASS & REGION

Region	Strip Plazas	Enclosed Malls	Single Use	Total
Quebec	4,900	11,010	-	15,910
New Brunswick	8,120	14,765	-	22,885
Nova Scotia	19,851	-	-	19,851
PEI	5,869	-	-	5,869
Total	38,740	25,775	-	64,515

LEASE ROLL-OVER BY ASSET CLASS

Year	Strip Plazas		Enclosed Malls		Single-User		Total	
	SF	%	SF	%	SF	%	SF	%
2004	38,740	2.4%	25,775	7.1%	-	-	64,515	2.3%
2005	159,940	9.8%	58,128	16.0%	-	-	218,068	7.8%
2006	143,753	8.8%	33,614	9.2%	-	-	177,367	6.4%
2007	135,348	8.3%	103,150	28.3%	-	-	238,498	8.6%
2008	148,060	9.1%	40,678	11.2%	-	-	188,738	6.8%
2009	120,501	7.4%	44,592	12.2%	-	-	165,093	5.9%
Thereafter	1,471,309	48.7%	43,087	11.8%	76,759	100.0%	1,591,155	57.1%
Vacant	126,684	5.4%	15,266	4.2%	-	-	141,950	5.1%
Total	2,343,800	100.0%	364,290	100.0%	76,759	100%	2,785,384	100.0%

Management views the expiry of tenant leases, where the existing rent is below market, as opportunities for revenue enhancement from the existing portfolio. The average gross rents per square foot vary across properties and asset classes. The weighted average contractual gross rental rate per square foot (including the recovery of operating costs and property taxes) for leases expiring in Plazacorp’s portfolio excluding non-consolidated investments and projects under development is outlined in the following table:

Year	Strip Plazas	Enclosed Malls	Single-User
2004	\$ 13.60	\$ 19.72	\$ -
2005	13.38	13.88	-
2006	13.62	18.61	-
2007	14.97	12.48	-
2008	14.81	18.88	-
2009	17.83	14.97	-
Thereafter	13.89	17.06	13.79
Total Average	\$ 14.59	\$ 16.51	\$ 13.79

Overall Lease Weighted			
Average term	7.8 years	3.3 years	10.6 years

On average, Plazacorp’s embedded or contractual gross rents expiring in 2004 would be at or below current market rates. Plazacorp’s financial exposure to vacancies and lease roll-overs differs among the three asset types, since gross rental rates differ dramatically by asset class.

One of Plazacorp’s performance drivers is related to occupancy. The majority of Plazacorp’s leases in place are referred to as net leases, meaning tenants reimburse Plazacorp for their share of property operating costs and realty taxes. Many of Plazacorp’s operating costs and tax expenses are generally of a fixed nature, although Plazacorp does experience a variable element as it relates to utilities, janitorial costs, and in certain municipalities, realty tax.

The effect of hypothetical changes in occupancy by 100 basis points on net operating income would be approximately \$248 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions Management may take in relation to the changes.

➤ **KEY PERFORMANCE INDICATOR**

Average occupancy in the strip plazas was 94% for the three months ended April 30, 2004 compared to 95% for the same period last year. The change in occupancy rates is largely due to the vacating of a junior department store at Granville Street Plaza and the vacating of premises at Les Promenades St. Francois on completion of an owner occupied food store adjoining the center. Both tenants paid rents significantly below market and management believes that the space can be re-leased at market value in the short term.

Average occupancy in the enclosed malls was 96 % as at April 30, 2004 compared to 95 % for the same period last year. Occupancy for single user assets remained stable at 100%. The pre-leased space in properties under development is 84%.

Overall the portfolio, excluding developments and joint-venture property is 94% leased - compared to 95 % in April 2003 and 95% leased overall including all property types.

ENVIRONMENTAL RISK

Plazacorp is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos. Environmental risk is relevant to Plazacorp's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Plazacorp. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plazacorp's portfolio, or of any pending or threatening actions, investigations or claims against Plazacorp relating to environmental matters.

Plazacorp has formal policies and procedures to manage environmental exposures in a proactive manner during every aspect of the property life cycle.

PART VII

SHARES OUTSTANDING

If all share options and rights to convert shares under the provisions of convertible debt were exercised the impact on shares outstanding would be as follows:

	Shares	Share capital
Current Outstanding Shares	31,614,393	\$16,718,363
Employees Share Options	256,667	\$ 192,500
Series 1 Convertible Debentures	3,500,000	\$ 3,500,000
Series 2 Convertible Debentures	<u>4,166,667</u>	<u>\$ 5,000,000</u>
Total adjusted shares O/S	39,537,727	\$25,410,863

The Company announced May 20th, 2004 its intent to issue \$10,000,000 in 8.5% debentures, maturing April 30, 2009, convertible at \$1.60 per share. If these debentures are placed and subsequently converted, the number of shares potentially outstanding would increase to 45,787,727.

The Company has the absolute right to redeem the Series I and Series II outstanding convertible debentures at maturity based on 95% of the 20 day negotiated average trading price ending 5 days before redemption. The rights arising between May 1, 2006 and April 30, 2007 for Series I and between November 1, 2006 and October 31, 2007 for Series II are restricted unless market trading prices for the Company's shares exceed 115% of conversion price. The decision to redeem in shares is not certain and will be based on capital market conditions at that time.

Plazacorp has agreements with individual unit holders as an investor liquidity measures in LPC Commercial Trust (until June 1, 2005) and with units holders of Northwest Centre Commercial Trust (until April 30, 2006) whereby unit holders have the right to put units of the trusts at the lower of cost and fair market value for the units to Plazacorp in exchange for shares in Plazacorp. The Company believes there is minimal risk associated with this arrangement. To date, no unit holder has exercised this right.

Plazacorp also has the right but not the obligation to acquire a majority interest in each of these trusts after June 2005 in the case of Plaza LPC Commercial Trust and after April 2006 in the case of Northwest Centre Commercial Trust. An assessment of market conditions and compliance with securities regulation would be required prior to making an offer to unit holders pursuant to the call arrangements.

RELATED PARTY TRANSACTIONS

Plaza Atlantic Limited manages the Company's property under a management contract that expires April 30, 2009 and has managed the properties since 1999. In Quebec staff of Les Immeubles Plaza –Z Corp handle management duties under sub-contracting arrangements with Plaza Atlantic Limited.

Plaza Atlantic Limited is owned by three directors of Plazacorp namely Michael Zakuta, Earl Brewer and Paul Leger. Mr. Brewer is Chairman of Plazacorp, Michael Zakuta is Vice-President of the Company and Paul Leger is the former Vice-President and Secretary of the Company. Plaza –Z Corp is effectively controlled by Michael Zakuta.

The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Plaza Z Corp.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management Company in all its operational areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic and Plaza Z –Corp manage properties for third parties.

Mr. Zakuta and Mr. Brewer receive no direct compensation from the Company for performing their duties as officers and directors and Mr. Leger receives no direct compensation for performing his duty as a director.

The fees charged under the management contract are as follows:

Property management	5% of gross revenue paid
Acquisitions	2% of the purchase price of assets
Dispositions	1 ½ % of the proceeds of disposition on assets
Leasing Fees	4% of Rental Revenue per year for first five years of term. 2% of rental revenue per year for year's six to ten of a lease term. Renewals are charged at 50% of above rates
Development Fees	4% of costs of construction on development projects
Construction Management Fees	10% of tenant improvement costs on non development projects
Financing Fees	¾ % of debt placed where no outside broker is involved ¼ % of debt placed where an outside broker is involved

During the six months ended April 30, 2004 and 2003 the following amounts were billed under the contract:

(000's)	2004 YTD Total	2003 YTD Total
Management Fees	\$ 466	\$ 475
Leasing Fees	340	143
Development Fees	144	74
Financing Fees	34	-
Acquisition Fees	371	-
Disposition Fees	242	-
Total Fees	\$ 1,598	\$ 692

SHARE ISSUANCE

The Company will issue 1,417,663 additional shares pursuant to agreements of purchase and sale relating to assets purchased from related parties and from others in September 2000. The contingent price adjustment was based on earnings of the properties for the fiscal year ended October 31, 2003. The shares will be issued at a price of \$1.00 per share per the original agreement. Certain directors, or entities that they control directly or indirectly, being Earl Brewer and Michael Zakuta will be issued shares as follows as a result of these agreements:

Michael Zakuta and related entities.	502,999
Earl Brewer and related entities.	<u>141,836</u>
	644,835

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at April 30, 2004 fall into two categories:

- Non-interest bearing notes that existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes have no fixed terms of repayment and are repayable on sale or refinancing of the related asset.
- Interest bearing notes that are advanced from time-to-time to assist in financing property acquisitions and development costs.

(000's)	Maturity Date	Interest Rate	April 30 2004	October 31, 2003
Interest bearing notes:				
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a director of the Company	No set terms	7.5% 10%	897	1,161 350
NASA Developments, a company controlled by Michael Zakuta, Earl Brewer, Richard Hamm and Paul Leger, all directors of the Company	No set terms	10%	-	495
Kilgoire Investments Ltd., a company controlled by Richard Hamm, a director of the Company	No set terms	10%	-	350
Non-Interest bearing notes:				
Various companies owned (directly and indirectly) and controlled by Michael Zakuta, director of the Company	No set terms	N/A	434	612
Total			1,331	2,968

INTERESTS IN JOINT VENTURES

The Company uses joint ventures for several reasons, principally:

- i) Obtain interests in properties where 100% ownership is beyond the capital capability of the Company but where it can apply development skills required by the joint-venture;
- ii) Share development risk with equity partners; and
- iii) Limit the total exposure to the risks of any one asset.

The effect of terminating the arrangements would be the same as those involved in sale of the asset or the foreclosure of a mortgage loan. If the equity interest, net of debt, assumed by the buyer differs from the carrying value of the asset a loss or gain could arise. In the case of a foreclosure or third party sale there could be continuing liability as the original borrower under a mortgage arrangement.

Note 14 of the April 30, 2004 consolidated financial statements detail the Company's joint venture arrangements.

OUTLOOK

Year to date 2004 has been an active and successful period for Plazacorp on many fronts. The Company is in a development period and expects to increase its income producing assets significantly over the next year.

The key performance indicators, discussed throughout the MD&A, address how Management measures performance and progress, and how shareholders realize the benefits.

KEY PERFORMANCE INDICATORS SUMMARY

- OCCUPANCY
 - ⇒Decreased year-over-year in strip plazas by 1% .
 - ⇒Increased year-over-year in enclosed malls by 1% .
 - ⇒Single use properties unchanged at 100% occupancy.
 - ⇒Overall occupancy stable at 95%

- SAME-ASSET PROPERTY NET OPERATING INCOME
 - ⇒Increased 5% for quarter.

- WEIGHTED AVERAGE COST OF DEBT
 - ⇒Increase in the cost of debt of 12 basis points

- FUNDS FROM OPERATIONS
 - ⇒Remained stable .

- EBITDA
 - ⇒Improvement of 18% for the quarter compared to same period last year.

The primary benefit to Shareholders is a reliable and, over time, increasing cash distribution. Cash distributions to Shareholders increased 12% for 2004 over 2003 and the Company expects to maintain distributions at the current level for the balance of the year.

Plazacorp was faced with numerous challenges during 2003 and 2004 will undoubtedly present new challenges. Management has demonstrated the strength of its strategies and operating capabilities and, barring any unforeseen events, is confident on delivering solid performance in 2004, and a significant increase to the size of the portfolio.

OTHER

This Management Discussion and Analysis has been reviewed and approved by the Company and the Directors.

Additional information relating to Plazacorp including the Annual Information Form, Material Change reports and all other continuous documents required by the securities regulators, are files on System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com.

Plazacorp Retail Properties Ltd.
Consolidated Balance Sheet
As at

	April 30, 2004 (unaudited)	October 31, 2003
Assets		
Income producing properties (Note 2)	\$ 113,873,067	\$ 100,283,698
Mortgage receivable (Note 3)	5,050,000	5,050,000
Cash and cash equivalents	1,717,472	1,669,253
Accounts receivable	1,422,559	619,899
Prepaid expenses	3,027,695	2,183,621
Deferred charges (Note 4)	2,237,463	2,388,241
Intangible assets (Note 5)	2,667,282	-
Refundable capital gains taxes (Note 10)	421,000	-
Investment in limited partnerships and trusts (Note 15)	1,350,000	1,350,000
	<u>\$ 131,766,538</u>	<u>\$ 113,544,712</u>
Liabilities		
Mortgages payable (Note 6)	\$ 83,315,025	\$ 74,037,236
Bonds and debentures payable (Note 7)	12,868,806	11,256,084
Notes payable (Note 8)	1,957,426	3,540,740
Bank indebtedness (Note 9)	-	404,970
Accounts payable and accrued liabilities	4,361,888	2,327,990
Dividend Payable	711,323	600,650
Income taxes payable (Note 10)	569,186	411,511
Future income tax liability (Note 10)	3,061,324	2,981,097
Intangible liabilities (Note 5)	1,068,363	-
	<u>107,913,341</u>	<u>95,560,278</u>
Non-controlling interest in net assets	107,892	274,749
Shareholders' Equity		
Equity portion of convertible debt (Note 7)	5,681,194	2,293,916
Share capital (Note 11)	16,718,363	15,167,344
Contributed surplus	266,860	266,860
Retained earnings (Deficit)	1,078,888	(18,435)
	<u>23,745,305</u>	<u>17,709,685</u>
	<u>\$ 131,766,538</u>	<u>\$ 113,544,712</u>

See accompanying notes to the consolidated financial statements

Approved by the Board:



J. Paul Leger
Director



Richard Hamm
Director

Plazacorp Retail Properties Ltd.
Consolidated Statement of Retained Earnings and Deficit

	six months ended April 30, 2004 (unaudited)	six months ended April 30, 2003 (unaudited)
Retained earnings (deficit), beginning of period	(18,435)	1,634,571
Net income for the period	2,700,784	366,072
Equity distribution in respect of convertible debt	(163,714)	-
Dividends declared during the period	<u>(1,439,747)</u>	<u>(1,198,300)</u>
Retained Earnings(Deficit), end of period	<u>\$ 1,078,888</u>	<u>\$ 802,343</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statement of Income

	three months ended April 30, 2004 (unaudited)	three months ended April 30, 2003 (unaudited)	six months ended April 30, 2004 (unaudited)	six months ended April 30, 2003 (unaudited)
Rental revenue	\$ 5,941,197	\$4,830,112	\$11,698,990	\$ 9,646,704
Operating expenses	<u>2,698,834</u>	<u>2,046,647</u>	<u>5,306,353</u>	<u>4,144,631</u>
Net property operating income	3,242,363	2,783,465	6,392,637	5,502,073
Investment income	<u>269,428</u>	232,958	553,055	466,609
Income from property and investments	3,511,791	3,016,423	6,945,692	5,968,682
Financing costs	<u>1,768,307</u>	1,612,342	3,533,308	3,242,683
Income before undernoted	1,743,484	1,404,081	3,412,384	2,725,999
Administrative expenses	108,527	103,922	227,955	148,104
Amortization & depreciation	1,358,734	812,653	2,593,151	1,647,651
Capital taxes	<u>85,000</u>	<u>100,000</u>	<u>170,000</u>	<u>200,000</u>
Income before undernoted	191,223	387,506	421,278	730,244
Gain on disposal of income producing properties	<u>2,543,579</u>	-	2,543,579	-
Income before income taxes and non-controlling interest	2,734,802	387,506	2,964,857	730,244
Income tax expense - current	(16,600)	46,300	75,000	56,300
- future	<u>68,302</u>	119,013	80,227	191,643
	51,702	165,313	155,227	247,943
Income before non-controlling interest	2,683,100	222,193	2,809,630	482,301
Non-controlling interest	<u>72,790</u>	72,500	108,846	116,229
Net income for the period	2,610,310	149,693	2,700,784	366,072
Basic earnings per share	\$ 0.083	\$ 0.005	\$ 0.085	\$ 0.012
Weighted average number of shares outstanding	<u>31,580,851</u>	29,958,079	31,625,480	29,846,217
Diluted earnings per share	\$ 0.067	\$ 0.005	\$ 0.071	\$ 0.012

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows

	three months ended April 30, 2004 (unaudited)	three months ended April 30, 2003 (unaudited)	six months ended April 30, 2004 (unaudited)	six months ended April 30, 2003 (unaudited)
Cash obtained from (used for):				
Net income	\$ 2,610,310	\$ 149,693	\$ 2,700,784	\$ 366,072
Operating activities				
Items not affecting cash				
Amortization	1,358,734	812,653	2,593,151	1,647,651
Gain on disposal	(2,543,579)	-	(2,543,579)	-
Stock option compensation	-	-	-	(66,100)
Non-controlling interest	72,790	72,500	108,846	116,229
Future income taxes	68,302	119,813	80,227	192,443
Funds from operations	<u>1,566,557</u>	<u>1,154,659</u>	<u>2,939,429</u>	<u>2,256,295</u>
Tenant inducements	(1,189,138)	(114,700)	(3,851,395)	(166,294)
Change in non-cash working capital	<u>435,185</u>	<u>52,034</u>	<u>123,838</u>	<u>(765,832)</u>
	<u>812,604</u>	<u>1,091,993</u>	<u>(788,128)</u>	<u>1,324,169</u>
Financing activities				
Bank indebtedness	-	(11,590)	(404,970)	12,310
Increase in notes payable	-	-	54,108	-
Decrease in notes payable	(75,360)	(100,632)	(1,637,422)	(230,437)
Issue of common shares	35,320	1,259	1,476,019	1,259
Issue of common shares pursuant to option agreements	32,500	-	75,000	80,000
Distribution in respect of equity portion of convertible debt	(100,808)	-	(163,714)	-
Dividends paid to non-controlling interests	(137,850)	(122,850)	(275,700)	(245,700)
Dividends paid to shareholders	(677,784)	(599,166)	(1,301,472)	(1,197,041)
Proceeds from bonds and debentures	-	-	5,000,000	-
Proceeds from mortgage financing	10,043,225	140,735	15,134,495	1,141,928
Mortgage principal repayments	(5,515,431)	(331,088)	(5,856,706)	(648,837)
	<u>3,603,812</u>	<u>(1,023,332)</u>	<u>12,099,638</u>	<u>(1,086,518)</u>
Investing activities				
Acquisition, development and redevelopment	(19,654,593)	-	(27,316,362)	(306,116)
Net proceeds from disposition of property	15,902,293	-	15,902,293	-
Increase in mortgage receivable	-	-	-	(83,720)
Increase in other assets	393,269	(54,172)	150,778	(65,224)
	<u>(3,359,031)</u>	<u>(54,172)</u>	<u>(11,263,291)</u>	<u>(455,060)</u>
Increase (decrease) in cash during the period	1,057,385	14,489	48,219	(217,409)
Cash , beginning of period	<u>660,087</u>	<u>2,197,542</u>	<u>1,669,253</u>	<u>2,429,440</u>
Cash , end of period	\$ 1,717,472	\$ 2,212,031	\$ 1,717,472	\$ 2,212,031

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

**CONSOLIDATED STATEMENT OF CASH FLOWS
SUPPLEMENTAL CASH FLOW DISCLOSURE**

- 1) On December 4, 2003, a 25% interest in Carrefour des Seigneurs, a retail strip plaza located in Terrebonne, Quebec was acquired for \$700,000 and was paid partially with the placement of a \$525,000 first mortgage.
- 2) On December 8, 2003, a 50% interest in 209 Chain Lake Drive a retail strip plaza located in Halifax, Nova Scotia was acquired for \$5,975,000 and was partially paid with the placement of a \$4,481,250 mortgage.
- 3) On March 12, 2004, 681 Mountain Road, a single use retail building located in Moncton, New Brunswick was acquired for \$1,250,000.
- 4) On March 22, 2004, a 50% interest in each of Woodlawn Staples Plaza, a retail strip plaza located in Dartmouth, Nova Scotia, Les Promenades St-Francois a retail strip plaza located in Laval, Quebec and Lansdowne Place a retail strip plaza located in Saint John, New Brunswick was sold to Retrocom Mid-Market REIT for proceeds of \$ 15,902,293 and with Retrocom assuming \$10,080,585 in mortgage debt.
- 5) On April 14, 2004, 201 Chain Lake Drive, a retail strip plaza located in Bayers Lake Park, Halifax, NS was acquired at a price of \$14,500,000 and was paid partially with cash, the assumption of a \$4,042,023 first mortgage and placement of a \$6,603,013 second mortgage. The holder of the second mortgage, CREIT., has an option to acquire a 50% interest in the property at the Company's cost before April 14, 2005.
- 6) Cash interest paid including convertible debenture interest during the three months ended April 30, 2004 was \$ 1,954,642 (six months ended April 30, 2004 was \$3,780,998) (April 30, 2003 – three months ended \$1,568,486, six months ended \$ 3,154,903).
- 7) Cash income and capital tax installments paid during the three months ended April 30, 2004 was \$26,412(six months ended April 30, 2004 - \$452,824) (April 30, 2003 - three months ended \$20,780, six months ended \$441,560).
- 8)
 - i) Mortgages assumed by the Company on the acquisition of properties totaled \$4,042,043.
 - ii) Mortgages assumed by purchasers on the disposition of properties total \$10,080,585.

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 (CICA), the more significant policies of which are described below:

a) Principles of consolidation

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures as follows:

Entities

	Ownership Interest	
	April 30 2004	October 31 2003
<u>Accounting Method – Consolidation</u>		
Exhibition Plaza Inc.	55%	55%
McAllister Drive Plaza Inc.	55%	55%
Centre Commercial Plaza Theriault Inc.	100%	100%
Les Galeries Montmagny (1988) Inc.	50%	50%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
SCA Plaza Inc.	55%	55%
Tacoma Plaza Limited Partnership	100%	10% ⁽¹⁾
Commercial Street Plaza Trust	100%	0%

(1) Prior to October 1, 2003, the date of acquisition of 100% of the partnership units, this partnership was reported at cost.

Accounting Method – Proportionate Consolidation

Les Immeubles RSM Inc.	50%	50%
University Plaza (SC) Inc.	43%	43%
S.E.C. Rimouski Bureau en Gros	50%	50%
Centre Commercial Dufferin (2001) Inc.	50%	50%
Carrefour des Seigneurs, PQ	25%	0%
Les Promenades St-Francois, PQ	50%	100% ⁽¹⁾
Staples Plaza – Woodlawn, NS	50%	100% ⁽¹⁾
Lansdowne Place, NB	50%	100% ⁽¹⁾
209 Chain Lake Drive, NS	50%	0%

(1) Prior to March 22, 2004, the date of disposition of 50% of these properties, these assets were consolidated in the financial statements at 100%.

b) Income producing properties

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and an impairment loss is recognized.

Effective for acquisitions after September 12, 2003 the company adopted the recommendations of the CICA Emerging Issues Committee (EIC-140) regarding the allocation of the purchase price of property acquisitions. The Company will now allocate costs of a new acquisition to i) land and site improvements; ii) building on an “as vacant” basis; iii) tenant acquisition costs, the residual value of leasehold improvements and acquisition costs, if any; iv) intangible assets and liabilities, estimated lease-up costs, the value of above and below market leases; and v) the value of tenant relationships by taking the direct identifiable benefits of the tenant relationship discounted to its present value. The amounts so allocated are subjective and represent management’s best estimate at the time of acquisition.

c) Properties under development

Interest incurred while a property is under significant development or redevelopment is capitalized until completion and included in the cost of the property.

d) Revenue

i) Rental income includes rent earned from tenants under lease arrangements, including base rent, percentage rents, property taxes, and operating cost recoveries and incidental income including lease cancellation payments. The company retains substantially all of the benefits and risks of ownership of its income producing properties and therefore accounts for leases with its tenants as operating leases.

ii) Certain leases provide for minimum rent increases during the term of the lease. Effective February 1, 2004, in accordance with CICA Handbook section 1100, minimum rental income is recorded for the fixed term of each lease on a straight-line basis. Accordingly, a receivable is recorded from tenants for the current difference between the straight-line rent and the rent that is contractually due from the tenant. The amount included in rental income for the three months ended April 30, 2004, which had not yet been billed was \$93,279.

iii) Investment income includes interest income and income from trusts and partnerships.

e) Amortization

Effective November 1, 2003 the Company prospectively adopted straight-line depreciation. Income producing properties are depreciated over their useful lives, initially 40 years and changed prospectively, based on the remaining useful life, on a straight-line basis. Equipment and parking lot improvements are amortized using the declining balance method at a rate of 20% per annum and 8% per annum respectively.

Tenant acquisition costs including tenant improvements, tenant allowances, leasing fees and free rent are capitalized and amortized over the terms of the related leases on a straight-line basis. The amount related to joint ventures is proportionately consolidated in the financial statements and is included in income producing properties. For financial statement presentation purposes in the consolidated statement of cash flows, tenant 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.

Intangible assets and liabilities in respect to above and below market rents are amortized over the remaining term of the respective leases. Intangible assets related to tenant relationship and related re-leasing costs are amortized over varying period ranging from the lease term and anticipated renewal periods not exceeding the remaining useful life of the related asset.

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. Other deferred charges are amortized over periods related to their useful life.

f) Income taxes

The Company follows the asset and liability method for tax allocation. Future income taxes are recognized for temporary differences that exist between the tax bases and accounting bases of the Company's assets and liabilities based on income tax rates and income tax laws that have been enacted or substantially enacted and are expected to apply in the periods in which the differences are expected to affect income. The Company recognizes future income taxes when it is more likely than not that the future income taxes will be realized.

g) Financial 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.

The fair value of the Company's financial assets and liabilities that represent net working capital, including cash and cash equivalents, prepaid expense, accounts receivable, accounts payable & accrued liabilities, dividends payable, current income taxes payable and bank indebtedness, approximate their recorded values due to their short term nature.

The estimated fair value of the Company's long-term debt including mortgages payable, mortgage bonds payable, unsecured debentures, convertible debentures (debt portion), and notes payable is based on the values derived using current market rates for each related instrument with similar terms and conditions. The fair value of the Company's long-term debt exceeds the recorded value by \$4.17 million (fair value exceeded recorded value by \$3.38 million at October 31, 2003).

The fair value of the Company's mortgage receivable is equal to its carrying value due to imminent maturity of the instrument.

h) 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.

i) Stock-based compensation plans

Stock-based payments and direct awards to non-employees, stock appreciation rights and similar awards to employees that are to be settled in cash or equity instruments, are to be accounted for using the fair value method of accounting.

j) Investments in limited partnerships and trusts

Limited partnerships and trusts are recorded at cost. Amounts received in accordance with the income distribution formula of the entity, if not a capital or financing receipt, are included in investment income.

k) Cash and cash equivalents

Cash and cash equivalents represent cash in bank accounts and short term deposits where the deposit could be turned into cash within three months of acquisition.

2 Income Producing Properties

	April 30, 2004		October 31, 2003	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 22,118,763	-	22,118,763	14,153,205
Buildings	85,385,239	(9,813,255)	75,571,983	71,130,547
Tenant Acquisition Costs	22,196,087	(7,416,894)	14,779,193	13,525,930
Equipment	420,749	(304,657)	116,092	94,436
Parking Lot Improvements	1,986,686	(699,651)	1,287,036	1,379,580
	<u>\$ 132,107,524</u>	<u>(18,234,457)</u>	<u>113,873,067</u>	<u>100,283,698</u>

Interest capitalized during the three months ended April 30, 2004 was \$20,569 (six months ended \$31,114) (April 30, 2003 three month ended \$0, six-months ended \$10,854).

3 Mortgage Receivable

Mortgage receivable consists of a \$5,050,000 first mortgage recorded at cost on issuance, on Les Promenades du Cuivre, a property owned by Plaza LPC Commercial Trust. The mortgage bears interest at 12% per annum, payable monthly, interest only and matures on December 31, 2004 (see note 7).

4 Deferred Charges

Deferred Charges consist of the following:

	April 30, 2004		October 31, 2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Deferred finance charges	\$ 2,349,252	(536,317)	1,812,935	1,941,799
Other	461,428	(36,900)	424,528	446,442
	<u>\$ 2,810,680</u>	<u>(573,217)</u>	<u>2,237,463</u>	<u>2,388,241</u>

5 Intangible Assets and Liabilities

Intangible assets represent the value at acquisition of above-market tenant leases, lease-up costs for in-place tenants and the value of existing tenant relationships for income producing properties acquired after September 12, 2003 as follows:

	April 30, 2004		October 31, 2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Above market tenant leases	\$ 103,842	(5,347)	98,495	-
Tenant relationships	2,669,296	(100,509)	2,568,787	-
	\$ 2,773,138	(105,856)	2,667,282	-

Intangible liabilities represent the value of below-market tenant leases for income producing properties acquired after September 12, 2003 as follows:

	April 30, 2004		October 31, 2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Below market tenant leases	\$ 1,126,917	(58,554)	1,068,363	-

6 Mortgages Payable

Conventional mortgages total \$80,536,250 and include fixed rate mortgages and non interest bearing mortgages recorded at cost on issuance. Fixed rates mortgages total \$80,226,250 (October 31, 2003 - \$67,219,607), bear interest at rates ranging from 5.29% to 8.46%, and have maturity dates ranging from November 2004 to May 2014. Non-interest bearing notes consist of one note in the amount of \$310,000 and matures on April 1, 2009 (October 31, 2003-\$360,000).

Principal repayments and maturities of the above noted conventional mortgages over the next five years and thereafter are as follows:

Year ending October 31	Recurring Principal Repayments	Balance of Mortgages Maturing
2004 (remaining)	\$859,592	-
2005	1,681,352	10,250,879
2006	1,706,049	4,663,230
2007	1,716,208	-
2008	1,763,487	6,515,293
2009	1,573,990	4,309,115
thereafter	4,304,493	41,192,562
Total	\$ 13,605,171	66,931,079

Short-term construction mortgages total \$2,778,775 (October 31, 2003 – \$6,457,630), and consist of three short-term, floating rate, mortgages bearing interest at the bank's prime lending rate plus 0.75%. Two of these mortgages totalling \$1,678,374 mature on October 31, 2004. The final short-term, floating rate mortgage of \$1,100,000 matures May 1, 2005.

The company has a revolving acquisition and development facility with a Canadian chartered bank in the amount of \$10.0 million. The facility is limited to a maximum of \$5.0 million per asset funded and further restricted to a 70% loan to value based on the lower of appraised value or cost of the assets pledged. The interest rate on funds drawn is prime + ¾ %, with standby fees of ¾ % per annum on the unused facility. At April 30, 2004, the company had drawn \$1.1 million under the facility and pledged Connell Street Plaza in Woodstock, N.B. as security.

The effective weighted average interest rate for conventional and short-term construction mortgages as at April 30, 2004 is 7.62% (October 31, 2003 – 7.35%). The average term to maturity as at April 30, 2004 is 6.1 years (October 31, 2003 – 6.7years).

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

7 Bonds and Debentures Payable

Bonds and debentures payable consist of the following:

	Maturity Date	Interest Rate	April 30, 2004	October 31, 2003
Mortgage Bonds	June 20, 2008	12%	\$ 5,050,000	5,050,000
Debentures	December 2004 to April 2005	11%	5,000,000	5,000,000
Series 1 Convertible Subordinated Debentures (debt component)	April 30, 2008	9.5%	1,095,829	1,206,084
Series 2 Convertible Subordinated Debentures (debt component)	October 31, 2008	9.5%	1,722,977	-
Total			\$12,868,806	11,256,084

Mortgage bonds payable of \$5,050,000, paying interest at 12% per annum, mature on June 20, 2008 and are secured by a \$5,050,000 first mortgage on Les Promenades du Cuivre, a property owned by Plaza LPC Commercial Trust (October 31, 2003 - \$5,050,000).

Debentures payable of \$5,000,000 are unsecured and bear interest at the rate of 11% per annum with principal due on dates ranging from December, 2004 to April, 2005. The Company intends to redeem these debentures using proceeds from Series 3 Convertible Subordinated Debenture Offering (see Note 17 - Subsequent Events).

Series 1 Convertible Subordinated Debentures in the amount of \$3,500,000 are unsecured, bear interest at 9.5% per annum payable quarterly, will mature on April 30, 2008 and may be converted into Plazacorp common shares at the option of the holder at any time at \$1.00 per share. Plazacorp has the right to redeem the debentures for either cash or common shares any time after May 1, 2006 or on maturity. If the redemption price is satisfied by issuing common shares, the holder will receive shares equal to the principal amount maturing divided by 95% of the then current market price of the common shares.

Redemption from May 1, 2006 to April 30, 2007 may only occur if the share price of the Company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date.

Series 2 Convertible Subordinated Debentures in the amount of \$5,000,000 are unsecured, bear interest at 9.5% per annum, payable quarterly, mature on October 31, 2008 and may be converted into Plazacorp common shares at the option of the holder at any time at \$1.20 per share. Plazacorp has the right to redeem the debentures for either cash or common shares any time after October 31, 2006 or on maturity. If the redemption price is satisfied by issuing common shares, the holder will receive shares equal to the principal amount maturing divided by 95% of the then current market price of the common shares. Redemption from November 31, 2006 to October 31, 2007 may only occur if the share price of the Company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date.

The obligations resulting from these convertible debentures are recorded as an instrument with a debt component and an equity component due to the possibility of their redemption in shares, as follows:

	Equity Component	Debt Component	Total
Series 1 9.5% Convertible Debentures	\$2,404,171	1,095,829	3,500,000
Series 2 9.5% Convertible Debentures	3,277,023	1,722,977	5,000,000
Total Convertible Debentures	\$5,681,194	2,818,806	8,500,000

8 Notes Payable

Notes Payable consists of the following:

Interest bearing notes:	Maturity Date	Interest Rate	April 30, 2004	October 31, 2003
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a director of the Company	no set terms	7.5%	\$896,696	\$1,160,720
	no set terms	10%	-	350,000
NASA Developments, a company controlled by Michael Zakuta, Earl Brewer, Richard Hamm and Paul Leger, all directors of the company	no set terms	10%	-	495,000
Kilgorie Investments Ltd., a company controlled by Richard Hamm, a director of the Company	no set terms	10%	-	350,000
Unrelated parties	December 1, 2006	8%	100,000	100,000
Non-interest bearing notes:				
Various companies owned (directly and indirectly) and controlled by Michael Zakuta, director of the Company	no set terms	-	433,755	612,153
Unrelated parties	no set terms	-	526,975	472,867
Total			\$1,957,426	\$3,540,740

9 Bank Indebtedness

Bank indebtedness is payable on demand with rates of interest of between prime plus 0.75% and prime plus 1.00% and is unsecured.

10 Income Taxes

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:

	Six months ended April 30, 2004	Six months ended April 30, 2003
Taxes at a combined effective rate of 40% (April 30, 2003 - 40%)	\$ 677,227	\$ 292,098
Permanent differences due to mutual fund corporation treatment of capital gains and stock option compensation.	(508,716)	(24,000)
Tax savings from subsidiaries' loss carry forwards and small business deductions	(13,284)	(20,155)
	\$ 155,227	\$ 247,943

The income tax effects of temporary differences that gave rise to significant portions of future income tax assets and future income tax liabilities are presented below:

	April 30, 2004	October 31, 2003
<u>Future Income Tax Assets</u>		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	\$ 991,200	991,200
Loss carry-forwards of subsidiaries	<u>92,287</u>	<u>105,064</u>
	1,083,487	1,096,264
<u>Future Income Tax Liabilities</u>		
Income producing properties	2,645,669	2,786,319
Tenant acquisition costs	944,366	929,131
Deferred financing costs	<u>554,776</u>	<u>361,911</u>
	4,144,811	4,077,361
Net Future Tax Liability	<u>\$ 3,061,324</u>	<u>2,981,097</u>

As at October 31, 2003, the Company had income tax loss carry-forwards in the amount of \$2.4 million, expiring as follows:

Year	Amount
2008	\$ 59,644
2009	2,037,854
2010	302,502
Total	\$ 2,400,000

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.

As a mutual fund corporation, the Company is entitled to a refund at a rate of approximately 21% (including federal and provincial portions) of taxes paid in respect of capital gains upon payment of

sufficient dividends to effect a refund. The Company recognizes this refund at the time of paying the related dividend. On May 14, 2004, the Company paid a dividend in the amount of \$711,323 and \$149,000 has been offset against the capital gains tax refund account.

11 Share Capital

a) Authorized

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

b) Issued and Outstanding

	April 30, 2004		October 31, 2003	
	Shares	\$'s	Shares	\$'s
Common shares outstanding start of period	30,042,491	\$15,167,344	29,556,698	\$15,017,672
Issuance of Common Shares:				
Shares issued pursuant to asset purchase agreements	1,417,663	1,417,663		
Shares issued through exercise of options	100,000	75,000	433,333	105,000
Shares issued through dividend reinvestment plan	54,239	58,356	52,460	44,672
Common shares outstanding, end of period	31,614,393	\$16,718,363	30,042,491	\$15,167,344

The company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable bearing interest at a rate equal to the prescribed rate of interest calculated pursuant to paragraph 4301c of the regulations promulgated under the Income Tax Act (Canada) in effect at the time of its issue and will mature and be fully repaid at the end of two years after issuance. The notes may also be prepaid without penalty. As at April 30, 2004, the Company had redeemed no shares under the mutual fund corporation provisions.

7,488,086 shares are subject to escrow provisions and hold periods that expire on various dates up to September 2006.

Effective November 1, 2003, the Company recorded the effect of 1,417,663 common shares to be issued at \$1.00 per share pursuant to the original purchase and sale agreements 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 shares will be issued to various vendors of past corporate acquisitions, some of whom are directors of the Company namely, Earl Brewer, and Michael Zakuta. (see Note 13 - Related Party Transactions). There are no further contingencies in respect of these transactions.

Except as outlined above, the Company issued no shares (2003 – nil) for acquisitions of properties and shares in subsidiaries during the quarter ended April 30, 2004.

The Company has a dividend reinvestment plan which enables the Company's shareholders to reinvest their dividends in additional common shares of the Company. Participants in the plan will also receive a 3% bonus on amounts reinvested to be paid in additional common shares of the Company. Shares purchased under the Plan will be priced at the weighted average closing price of the common shares of the Corporation on the previous 20 trading days. The Company pays all fees relating to the administration of the dividend reinvestment plan. During the quarter ended April 30, 2004, shareholders were issued 29,647 shares at an average price of \$1.19 per share.

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share considers the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures. A reconciliation between the weighted average number of shares used to calculate basic and diluted earnings per share is as follows:

	Three months ended April 30 2004	Three months ended April 30, 2003	Six months ended April 30, 2004	Six months ended April 30, 2003
Weighted average number of shares	31,580,851	29,958,079	31,625,480	29,846,217
Effect of shares to be issued on past acquisitions	-	1,417,663	-	1,417,663
Effect of dilutive stock options	112,820	36,364	112,820	36,364
Effect of dilutive debenture conversions	7,666,667	-	6,911,172	-
Weighted average number of diluted shares	39,360,338	31,412,106	38,649,472	31,300,244

12 Stock Options

The Company has a stock option plan whereby directors and 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 to employees that were granted on August 3, 2001. These options have an exercise price of \$0.75 and vest in even tranches over the first, second, and third anniversaries of the grant date.

A summary of the remaining common share options outstanding is as follows:

	Directors Options		Employees Options	
	2004	2003	2004	2003
Opening balance, start of year	-	400,000	366,667	400,000
Options granted	-	-	-	-
Options expired	-	-	(10,000)	-
Options exercised	-	(400,000)	(100,000)	(33,333)
Options outstanding, end of year	-	-	256,667	366,667

Details of the single class of options outstanding are as follows:

Exercise Price	# of Options	Expiry Date	# of Options Exercisable
\$0.75	256,667	August 3, 2006	126,667

The cumulative amount of compensation expense based on application of the CICA recommendation on stock-based compensation, is \$ 266,860, including options issued to directors and exercised during prior years and has been reclassified to contributed surplus for the current period and prior fiscal year. The weighted average fair value of all vested options was determined using the Black-Scholes model with the following assumptions: a 2.8 year expected life, a 41% expected volatility; no consideration of anticipated dividends; and a risk-free rate of return of 3.6%.

13 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 assist the Company on acquisition, financing, development activities and other management decisions.

The basis of fee payment under the management agreement is as follows:

Property management	5% of gross rents paid
Acquisitions	2% of the purchase price of assets
Dispositions	1 ½ % of the proceeds of disposition on assets
Leasing Fees	4% of rental revenue per year for first five years of a lease term 2% of rental revenue per year for year's six to ten of a lease term. Leasing fees for renewal are at 50% of the above.
Development Fees	4% of costs of construction on development projects
Construction Management Fees	10% of tenant improvement costs on non development projects
Financing Fees	¾ % of loan amount where no outside broker is involved ¼ % of loan amount where an outside broker is involved

Fees billed for the year to date by the Property Manager are as follows:

	Charged to	Six months ended April 30, 2004	Six months ended April 30, 2003
Management fees	Property operating expenses	\$465,853	475,956
Leasing fees	Tenant acquisition costs	339,685	143,194
Development fees	Income producing properties	144,446	73,149
Financing fees	Deferred Charges	34,013	-
Acquisition fees	Income producing properties	371,780	-
Disposition fees	Gain or Loss on sale of property	\$242,315	-
Total		\$1,598,092	692,299

Effective November 1, 2003, the Company recorded the effect of 1,417,663 common shares to be issued in settlement of an obligation arising from past corporate acquisitions, (see Note 11 – Share Capital). Certain of these shares were issued to related parties as follows:

Related Party	Shares Issued
Company owned and controlled by Earl Brewer, Chairman and Director of the Corporation	141,836
Various entities owned directly or indirectly and controlled by Michael Zakuta, Vice President and Director of the Company	502,999
Total shares issued to related parties	644,835

14 Interest in Joint Ventures

As described in note 1(a), the consolidated financial statements include the Company's proportionate interest in its activities conducted jointly with other parties. The following amounts represent the total proportionate amounts consolidated within these financial statements for Les Immeubles RSM Inc., University Plaza (SC) Inc., S.E.C. Rimouski Bureau En Gros, Centre Commercial Dufferin (2001) Inc., Carrefour des Seigneurs, 209 Chain Lake Drive, Staples Plaza – Woodlawn, Les Promenades St. Francois and Lansdowne Place:

	April 30, 2004	October 31, 2003
Assets	\$30,613,661	\$5,002,661
Liabilities	19,520,836	3,802,211
Rental Income	1,186,259	846,015
Expenses, including financing costs but excluding amortization	607,303	512,698
Net Income	425,731	189,268
Funds From (Applied To)		
Cash Flow from Operating Activity	578,956	333,317
Cash Flow from Investing Activity	(538,943)	1,393
Cash Flow from Financing Activity	\$6,723,408	\$(110,797)

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is \$ 3,687,300. Plazacorp indemnifies its co-venturer through the co-ownership agreements governing Lansdowne Place, Staples Plaza Dartmouth and Les Promenades St. Francois including cross-default provisions in support of this indemnity.

The Company is contingently liable for certain obligations of its co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan.

15 Investment in Limited Partnerships and Trusts

The Company has investments in limited partnerships and trusts that are not consolidated within these financial statements:

	Centennial Plaza Limited Partnership	Plaza LPC Commercial Trust	MDO Commercial Trust	Northwest Plaza Commercial Trust	Total
Ownership position	10%	10%	20%	10%	
Preferred return on investment	10%	12%	10%	-	
Profit entitlements after payment of preferred return	20%	50%	30%	-	
Maximum amount of loan guarantee	-	-	-	-	
Additional indemnities	\$3,000,000	-	-	-	
Investment at cost	\$550,000	\$230,000	\$400,000	\$170,000	\$1,350,000

The Company has provided a limited indemnity of up to \$3 million related to certain matters, principally environmental, in relation to a mortgage granted to Centennial Plaza Limited Partnership.

16 Contingencies, Commitments and Guarantees

a) Guarantees

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. The Company has recourse under these guarantees in the event of default by the purchaser, in which case the Company would have a claim against the underlying property. The estimated amount of the debt subject to such guarantees at April 30, 2004 is \$8.5 million (October 31, 2003 – Nil) with an estimated weighted average remaining term of 8.6 years.

b) Land Leases

The Company has agreements to lease land which expire on dates ranging from 2011 to 2063 with renewal options ranging from 10 years to 60 years. The minimum lease payments for the next five years are as follows:

Ground Lease commitments as at April 30, 2004 are as follows:

(000's)	Remaining		Annual Payments			
	2004	2005	2006	2007	2008	2009
Properties Held by Subsidiaries	\$ 404,396	\$ 479,826	\$ 491,925	\$ 491,925	\$ 491,925	\$ 491,925
Properties Held by Plazacorp	201,250	763,988	764,338	768,755	777,630	777,630
Totals	\$ 605,646	\$1,243,814	\$1,256,263	\$1,260,680	\$1,269,555	\$1,269,555

c) Letters of Credit

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. As at April 30, 2004, \$300,000 (October 31, 2003 \$300,000) of such letters-of-credit were issued and outstanding. The facility is secured by Personal Property Security Act (PPSA) charges in each province. The facility under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. As at April 30, 2004, the Company was in compliance with these requirements.

d) Developments

The Company's estimated commitments in respect of certain projects under development and non-mortgage long-term obligations are as follows:

(000's)	2004	2005	Beyond	Total
Land Purchases & Site Preparation	\$ 350	\$ -	-	\$ 350
Developments Costs	11,072	-	-	11,072
Bonds & Debentures	5,000	-	13,550	18,550
Other	135	-	-	135
Total	\$ 16,557	\$ -	\$ 13,550	\$ 30,107

17 Subsequent Events

Series 3 Convertible Subordinated Debentures:

On May 20, 2004, the Company announced its intention to complete a private placement of \$10,000,000 convertible debentures. The debentures will be unsecured and bear interest at 8.5% per annum, payable quarterly, will mature on April 30, 2009 and will be convertible into Plazacorp common shares at the option of the holder at any time at \$1.60 per share. Plazacorp will also have the right to redeem the debentures for either cash or common shares any time after April 30, 2007 or on maturity. If the redemption price is satisfied by issuing common shares, the holder will receive shares equal to the principal amount maturing divided by 95% of the then current market price of the common shares. Redemption from April 30, 2007 to April 30, 2008 may only occur if the share price of the company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date.

18 Comparative amounts

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

19 Auditor Review

The Company's auditor has not reviewed these interim consolidated financial statements.