

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and information in this Annual Report have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants. The Management of the Company is responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains appropriate systems of internal control, policies and procedures to ensure its reporting practices and accounting and administrative procedures are of high quality. The financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Deloitte & Touche LLP, the auditors appointed by the shareholders, have examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report as auditors is set forth herein.

The consolidated financial statements have been further reviewed and approved by the Board of Directors and its Audit Committee. The Audit Committee, which is comprised of two independent directors who are not officers of the company, reports to the Board of Directors. The auditors have direct and full access to the Audit Committee.



Greg N. Herndier
President



Katherine Ayotte
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders' **NewNorth Projects Limited**

We have audited the consolidated balance sheet of NewNorth Projects Limited as at December 31, 2003 and 2002 and the consolidated statements of income (loss) and deficit and cash flows for the year ended December 31, 2003 and for the period from the date of inception on May 30, 2002, to December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the period ended December 31, 2003 and for the period from the date of inception on May 30, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Calgary, Alberta

March 5, 2004

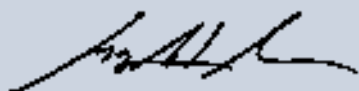
CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31

Columnar amounts expressed in thousands of dollars

	2003	2002
ASSETS		
Cash	\$ 1,685	\$ 6,284
Short-term investments	150	471
Accounts receivable and other (note 4)	15,064	12,489
Real estate for development and sale (note 5)	9,835	7,569
Work-in-progress	11,464	3,112
Capital assets, net book value (note 6)	3,211	3,207
Advances and investments in affiliates (note 7)	909	5,292
Prepaid Expenses	355	259
Goodwill	623	623
	\$ 43,296	\$ 39,306
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	\$ 10,257	\$ 16,321
Long-term debt payable (note 9)	6,761	6,795
Financing payable (note 10)	5,800	4,902
Deferred revenue	11,897	3,036
Land and property development service costs	1,351	564
	\$ 36,066	\$ 31,618
Future income tax liability (note 12)	176	251
Non-controlling interest (note 11)	246	319
	\$ 36,488	\$ 32,188
SHAREHOLDERS' EQUITY		
Unrealized gain on exchange	12	15
Share capital (note 13)	7,251	7,251
Deficit	(455)	(148)
	\$ 6,808	\$ 7,118
	\$ 43,296	\$ 39,306

Approved by the Board of Directors:



Greg N. Herndier
Director



Jack Walker
Director

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND DEFICIT

<i>Columnar amounts expressed in thousands of dollars, except for per share amounts</i>	Year ended December 31, 2003	Period from Date of Inception on May 30, 2002 to December 31, 2002
REVENUE		
Construction	\$ 35,371	\$ 39,731
Land & Housing	8,172	6,892
Project Development	2,047	516
Rental properties	301	162
Interest and other	624	325
	\$ 46,515	\$ 47,626
EXPENSES		
Cost of construction	\$ 34,462	\$ 38,444
Cost of land & housing	6,313	6,165
Cost of Project Development	1,614	–
Rental properties operating costs	115	59
General and administrative costs		
- construction	1,473	876
- corporate overhead	815	372
- land development	521	258
- project development	172	388
- rental property mortgage interest	75	36
- mezzanine financing interest	39	–
Non-controlling interest	247	227
Loss on sale of land held for sale	–	19
	\$ 45,846	\$ 46,844
Income before other expenses and income taxes	\$ 669	\$ 782
Other expenses		
Bad debts - construction	186	649
Interest on debenture	600	355
Amortization	275	100
	\$ 1,061	\$ 1,104
Income (loss) before income taxes	(392)	(322)
Income taxes (note 12)		
- current (recovery) expense	30	(97)
- future (recovery) expense	(115)	(77)
	\$ (85)	\$ (174)
Net income (loss)	\$ (307)	\$ (148)
Deficit, beginning of period	(148)	–
Deficit, end of period	\$ (455)	\$ (148)
Earnings (Loss) per share, basic and diluted	\$ (0.03)	\$ (0.01)
Outstanding shares	10,516,524	10,516,524

CONSOLIDATED STATEMENT OF CASHFLOW

<i>Columnar amounts expressed in thousands of dollars</i>	Year ended December 31, 2003	Period from Date of Inception on May 30, 2002 to December 31, 2002
Operating Activities		
Net Income (Loss)	\$ (307)	\$ (148)
Add back items not affecting cash		
Gain on sale of marketable securities	(54)	(39)
Amortization	275	100
Future income tax recovery	(115)	(77)
	\$ (201)	\$ (164)
Changes in non-cash working capital	(9,935)	4,645
Non-controlling interest	247	227
	\$ (9,889)	\$ 4,708
Financing Activities		
Proceeds (repayment) of mezzanine financing	(160)	2,546
Advances (Repayment) of financing	1,024	(2,425)
Advances (to) from affiliates	4,383	(5,045)
	\$ 5,247	\$ (4,924)
Investing Activities		
Acquisition of assets under Plan of Arrangement	-	7,597
Investment in marketable securities	(156)	(693)
Proceeds from sale of marketable securities	477	336
Acquisition of capital assets	(430)	(740)
Disposition of capital assets	152	-
	\$ 43	\$ 6,500
Net increase (decrease) in cash, end of period	\$ (4,599)	\$ 6,284
Cash - beginning of period	6,284	-
Cash - end of period	\$ 1,685	\$ 6,284
Supplemental Information		
Interest Paid	\$ 173	\$ 90
Taxes paid	\$ 25	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2003 and the Period from Date of Inception on May 30, 2002 to December 31, 2002
(Columnar amounts expressed in thousands of dollars, except for per share amounts)

1. ORGANIZATION OF CORPORATION

NewNorth Projects Ltd. ("NewNorth" or the "Company") is an incorporated real estate development company created on May 30, 2002 for the benefit of shareholders pursuant to a Plan of Arrangement. NewNorth was created to invest directly and indirectly through the rollover of assets from Urbco Inc. in real estate development projects and the construction of projects for third parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

NewNorth's financial statements are prepared in conformity with the Canadian generally accepted accounting principles ("GAAP").

Principles of consolidation

The consolidated financial statements include the accounts of NewNorth and its wholly and partially owned subsidiaries, together with NewNorth's proportionate share of the assets, liabilities, revenue and expenses of joint ventures. Investments in significantly influenced companies are accounted for using the equity method.

Use of estimates

The preparation of financial statement in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses for the consolidated reported period. Actual results may differ from those estimates.

Capital Assets

Rental properties are stated at the lower of cost less accumulated amortization and net recoverable amount. Cost of the properties includes the original acquisition costs of the property and other acquisition related costs. Estimated useful lives of capital assets are periodically evaluated by management and any changes in these estimates are accounted for on a prospective basis.

All capital assets are recorded at cost and are amortized using the following annual rates and methods:

Rental Properties	30 – 40 years	sinking fund *
Office furniture, fixtures and equipment	20% - 30%	declining balance
Vehicles	20% - 30%	declining balance
Leasehold improvements	Varying	straight-line

* Effective January 1, 2004, the Company will adopt the straight-line method to compute amortization of its rental properties. The adoption of the straight-line method from the sinking-fund method will be applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100.

Land equity leases

Prepaid land equity leases are amortized over the remaining lives of the related leases ranging from 15 to 30 years.

Real estate for development and sale

- (i) Real estate for development and sale is valued at the lower of cost and net realizable value.
- (ii) NewNorth capitalizes all direct costs relating to land under development and held for development. Indirect costs such as financing and property taxes are expensed as incurred.
- (iii) Costs capitalized to condominiums under development and held for sale include all direct costs relating to the project and all indirect costs such as financing, property taxes and general and administrative costs, as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real estate for development and sale (continued)

- (iv) The total estimated servicing and development costs for land development are recorded as a liability at the time development begins on a project. The total estimated servicing, development and construction costs for condominium construction are recorded as a liability at the time of substantial completion of the project or when units have been recognized as sold. The unexpended portion of these costs are shown as "land and property development service costs". Whenever the estimate is determined to be materially different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision with a corresponding adjustment to the cost of sales and real estate held for development and sale. However, until the municipality completely accepts the completed development, these costs are subject to uncertainty.

Investments

NewNorth records investments in marketable securities using the cost method of accounting whereby the investment is initially recorded at cost and earnings from such investments are recognized only to the extent of dividends received or receivable.

NewNorth uses the equity method to account for its interest in corporations in which NewNorth owns 50% or less but over which NewNorth has significant influence. Under this method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include NewNorth's pro-rata share of earnings and losses. Profit distributions received are recorded as a reduction to the amount of the investment.

Where there has been a permanent decline in value, the investment will be stated at estimated net realizable value.

Income taxes

Income taxes are accounted for using the liability method. Under this method, future income taxes are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

Revenue recognition

- (i) Construction sales are based on contracts and are recorded on percentage of completion basis, whereby revenue and costs are recognized based on the ratio of actual cost of work performed to date to current estimated total contract costs. If a loss on the contract can be reasonably estimated, the estimated amount of the loss will be charged to income during the year.
- (ii) Lot sales are recorded when a minimum of 15% of the sales price has been received, servicing is substantially complete, and the sale is unconditional.
- (iii) House sales are recorded when:
 - (a) The sale is unconditional and full sale proceeds have been received (either in the form of cash or an irrevocable assignment of mortgage proceeds in favour of NewNorth); and
 - (b) A minimum of 95% of construction is completed on the condominium unit.

Foreign operations

NewNorth has operations in Greenland and the functional currency for those operations is the local currency. The foreign operations are translated using the current rate method. Under the current rate method, all assets and liabilities are translated at exchange rate in effect at year end. Revenues and expenses are translated at the average rates of exchange for the period. The resulting net gains or losses are shown under "Unrealized Gain on Exchange" in shareholder equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial instruments, which include short-term investments, accounts receivable, prepaid expenses, other assets, accounts payable and accrued liabilities, long-term debt payable, financing payable, and deferred revenue are recorded at the lower of their cost and estimated realizable value. Unless otherwise disclosed, the fair value of all financial instruments approximates their carrying values.

Goodwill

Goodwill is assessed for impairment when events or changes in circumstances indicate that goodwill might be impaired.

Goodwill is assessed for impairment in two steps:

- >> A potential impairment is identified by comparing the fair value (based on estimates of discounted future cash flows or other valuation methods) or our reporting units to its carrying value. When the fair value of the reporting unit is less than its carrying value, the fair value of the reporting unit is allocated to all of its assets and liabilities, based on their fair values. The amount by which the fair value of the reporting unit exceeds the amounts assigned to its assets and liabilities is the fair value of goodwill.
- >> An impairment is determined by comparing the fair value of goodwill to its carrying value. Any excess is deducted from earnings.

3. INITIAL ACQUISITION

NewNorth was incorporated under laws of the Province of Alberta and was publicly listed on the Toronto Venture Exchange as NNP on May 30, 2002. Trading commenced on May 30, 2002. NewNorth acquired the land and construction assets from Urbco Inc. (a related party at the time of the transaction) as contemplated in the Plan of Arrangement in exchange for 10,516,524 NewNorth shares, NewNorth debentures totalling \$6.0 million, and a cash payment of \$1.29 per share. All assets and liabilities were transferred at their carrying value.

Net assets acquired:

Cash	\$	7,590
Initial properties acquired from Urbco		2,567
Marketable securities		75
Loans and investments in affiliates		248
Goodwill		624
Future income taxes		(328)
Long-term and other debt		(11,576)
Net working capital		8,051
	\$	7,251
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Consideration		
Public issue of shares (net of issue costs)	\$	7,251

4. ACCOUNTS RECEIVABLE

	2003	2002
Construction receivables	\$ 9,717	\$ 9,896
Land and property development receivables	3,103	1,632
Other receivables	2,244	961
	\$ 15,064	\$ 12,489

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. REAL ESTATE FOR DEVELOPMENT AND SALE

	2003	2002
Land held for development and sale	\$ 3,106	\$ 1,754
Properties held for development and sale	6,729	5,815
	\$ 9,835	\$ 7,569

Interest during construction in the amount of \$72,148 (2002 \$90,181) has been capitalized to properties held for development and sale in the current year.

6. CAPITAL ASSETS

	Accumulated		2003	2002
	Cost	Amortization	Net Book Value	Net Book Value
Land	\$ 78	\$ -	\$ 78	\$ 78
Rental properties	2,133	26	2,107	2,267
Furniture, fixtures and equipment	157	50	107	359
Vehicles	763	147	616	144
Leasehold improvements	373	70	303	359
	\$ 3,504	\$ 293	\$ 3,211	\$ 3,207

7. ADVANCES AND INVESTMENTS IN AFFILIATES

	2003	2002
Advances to (from) affiliates	\$ 904	\$ 5,287
Investment in affiliates	5	5
	\$ 909	\$ 5,292

Advances to affiliates are unsecured, non-interest bearing and have no fixed terms of repayment.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2003	2002
Construction trade payables	\$ 4,001	\$ 11,483
Holdbacks payable	2,279	2,970
Other payables	1,269	695
Land and property development payables	2,629	894
Lot deposits payable	73	213
Accrued liabilities	6	66
	\$ 10,257	\$ 16,321

9. LONG-TERM DEBT PAYABLE

Mortgage

Mortgage payable bearing effective interest rate of 9.75% and maturing December 1, 2004.

Minimum future principal payments are as follows:

2004	\$ 761
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The fair value of the mortgage at December 31, 2003 \$832,000 The mortgage is secured by the rental property associated with it.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. LONG-TERM DEBT PAYABLE (CONTINUED)

Debenture

Debenture in the amount of \$6.0 million maturing May 30, 2012. The unsecured debentures bear interest at a rate of 10% per annum and interest is to be paid as may be determined by the Board of Directors of NewNorth, and in any event not less than annually. The carrying value of the debenture approximates fair value. The debenture was listed on the TSX Venture Exchange November, 2003 under the trading symbol NNP.DB.

10. FINANCING PAYABLE

	2003	2002
Demand revolving credit facility to a maximum of \$1.0 million bearing interest at the prime lending rate plus 1% per annum, for the purpose of acquiring specific fixed assets limited to heavy equipment and vehicles in excess of \$10,000 per item. The facility is secured by general assignments and specific assets.	\$ nil	
Demand revolving operating loan facility to a maximum of \$3.0 million bearing interest at the prime lending rate plus 0.75% per annum. The facility is secured by a general assignment of book receivables, a \$500,000 demand debenture providing a first registered mortgage charge over specific assets and a floating charge over specific other assets, and an assignment of insurance proceeds.	\$ nil	
Demand development facility to a maximum of \$2.3 million to finance land under development. The facility is due on demand, bears interest at the prime lending rate plus 0.5% per annum and secured by general security agreements over specific assets, book receivables, and a \$3.5 million demand debenture providing a first fixed charge on specific lands. Eighty-five percent of the proceeds from lot sales are used to pay down the facility.	\$ 1,301	\$ nil
Demand construction facility to a maximum of \$10.2 million to finance land under development and housing for resale. The facility is due on demand, bears interest at the prime lending rate plus 1.0% per annum and secured by demand collateral mortgage/assignment of rents aggregating \$9.04 million creating first fixed charges over land under development, general security agreements over specific assets, and assignments of insurance proceeds. Eighty-five percent of the proceeds from house sales (minimum \$160,000 per house) are used to pay down the facility.	\$ 2,113	\$ 2,356
Mezzanine facility payable to Northern Property Real Estate Investment Trust (NPR) in the amount of \$2.5 million advanced for the purpose of developing properties. The facility is secured by a general security agreement and a promissory note and bears interest at 11% per annum, payable on sale of the assets to NPR.	\$ 2,386	\$ 2,546
	<u>\$ 5,800</u>	<u>\$ 4,902</u>

Letters of credit totalling \$557,201 are outstanding on the Sheep River project and are secured by the land.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. NON-CONTROLLING INTEREST

The consolidated financial statements include 100% of the assets and liabilities of Riverview Heights Developments Inc. at December 31, 2003, NewNorth owned 66 2/3% equity interest. The remaining 33 1/3% have been accounted for as non-controlling interest.

12. INCOME TAXES

The provision for income taxes differs from the results which would be obtained by applying the combined federal and provincial income tax rate to net loss before taxes. The difference results from the following:

	2003	2002
Loss before future and current income taxes	\$ (392)	\$ (322)
Effective statutory income tax rate	34.54%	39.12%
Income tax recovery from statutory income tax rate	(135)	(126)
Increase (decrease in taxes resulting from:		
Large corporation tax	32	19
Benefit of loss carryback not recognized on acquisition	-	(122)
Adjustment for change in effective tax rate	(30)	(12)
Other	48	67
	\$ 85	\$ (174)
Current income tax expense (recovery)	30	(97)
Future income tax expense (recovery)	(115)	(77)
Income tax recovery	\$ (85)	\$ (174)

The balance of future income tax liability of \$176,000 results from the difference in the carrying values of the assets and liabilities for accounting purposes versus those for tax purposes and the recognition for loss carry forwards in the amount of \$588,625.

13. SHARE CAPITAL

Authorized

Unlimited number of common voting shares

Unlimited number of non-voting, cumulative, preferred shares

Issued

	2003		2002	
	Number of Shares	Stated Value	Number of Shares	Stated Value
Issued	10,516,524	\$ 7,696	10,516,524	\$ 7,696
Issue cost		(445)		(445)
	10,516,524	\$ 7,251	10,516,524	\$ 7,251
Loss per share				
Net Loss		\$ (307)		\$ (148)
Loss per share		\$ (0.03)		\$ (0.01)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENTS IN JOINT VENTURES

NewNorth's share of assets, liabilities, revenue, expenses and cash flow from (used in) operating, financing and investing activities of joint ventures which have been proportionately considered in these consolidated financial statements are as follows:

	2003	2002
Assets		
Cash and cash equivalents	\$ 734	\$ 228
Accounts receivable and prepaids	782	142
Work in progress	844	–
Land held for development and sale	236	295
	\$ 2,596	\$ 665
Liabilities		
Accounts payable and accrued liabilities	\$ 218	\$ 21
Due to affiliates	17	16
Land development service costs	213	230
Deferred revenue	1,985	
	\$ 2,433	\$ 267
Net investments	\$ 163	\$ 398
Revenue	\$ 2,360	\$ 77
Expenses	2,269	70
Net Income	\$ 91	\$ 7
Cash flow from operating activities, net	\$ 831	\$ 344
Cash flow from financing activities, net	\$ –	\$ –
Cash flow from (used in) investing activities, net	\$ 325	\$ (250)

NewNorth is jointly and severally liable for obligations of its non-related ventures in the joint ventures, however, the assets in the joint ventures are available to satisfy these obligations.

15. COMMITMENTS AND CONTINGENCIES

A Development and Services Agreement exists between NPR and NewNorth. The agreement grants NPR the option to purchase any of NewNorth's development properties following completion at a price equal to 100% of the appraised fair market value. NPR will also have the right to offer to make mezzanine loans for 100% of the projected equity of all development projects to assist NewNorth with development.

During the period, a mezzanine loan, classified as mezzanine financing payable, in the amount of \$2.4 million (including accrued interest) was made to NewNorth for the development of properties to which NPR has right of first refusal (See note 10).

16. SEGMENTED INFORMATION

NewNorth conducts its operations through four industry segments: rental properties, construction, development and sale of real estate properties, and land and housing development. Foreign operations include Greenland projects.

Earnings of industry segments exclude unallocated corporate expenses but include, when applicable, gains from disposition of segment assets. Identifiable assets are those used in the operation of the segments. Corporate assets include corporate cash and cash equivalents, corporate accounts receivable, income taxes recoverable, corporate prepaids, and corporate investments and advances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2003

	Rental Properties	Construction	Project Development	Land and Housing	Foreign Operations	Corporate and Eliminations	Total
Sales	\$ 301	\$ 35,371	\$ 2,047	\$ 8,172	\$ -	\$ -	\$ 45,891
Interest and other	103	330	-	21	24	146	624
Total revenues	404	35,701	2,047	8,193	24	146	46,515
Cost of sales	-	34,462	1,614	6,561	-	-	42,637
General and administrative	-	1,473	-	521	171	815	2,980
Rental operating costs	115	-	-	-	-	-	115
Interest	75	-	-	-	-	39	114
Total expenses	190	35,935	1,614	7,082	171	854	45,846
Income before Other Items and income tax	214	(234)	433	1,111	(147)	(708)	669
Bad Debt - construction	-	186	-	-	-	-	186
Interest on debenture	-	-	-	-	-	600	600
Amortization	86	189	-	-	-	-	275
Income before income taxes	128	(609)	433	1,111	(147)	(1,308)	(392)
Income taxes recovery	-	-	-	-	-	85	85
Net income	\$ 128	\$ (609)	\$ 433	\$ 1,111	\$ (147)	\$ (1,223)	\$ (307)
Identifiable assets	\$ 4,855	\$ 24,265	\$ 1,065	\$ 6,284	\$ -	\$ 6,827	\$ 43,296

Seven Month Period From Inception to December 31, 2002

	Rental Properties	Construction	Project Development	Land and Housing	Corporate and Eliminations	Total
Sales	\$ 162	\$ 39,730	\$ -	\$ 6,893	\$ -	\$ 46,785
Interest and other	-	139	516	9	177	841
Total revenues	162	39,869	516	6,902	177	47,626
Cost of sales	-	38,444	-	6,392	-	44,836
General and administrative	-	876	28	258	344	1,506
Project development costs expensed	-	-	-	-	388	388
Rental operating costs	59	-	-	-	-	59
Interest	36	-	-	-	-	36
Loss on sale of land held for sale	-	-	-	19	-	19
Total expenses	95	39,320	28	6,669	732	46,844
Income before Other Items and income tax	67	549	488	233	(555)	782
Bad debt - construction	-	649	-	-	-	649
Interest on debenture	-	-	-	-	355	355
Amortization	45	55	-	-	-	100
Income before income taxes	22	(155)	488	233	(910)	(322)
Income taxes	-	-	-	-	174	174
Net income	\$ 22	\$ (155)	\$ 488	\$ 233	\$ (736)	\$ (148)
Identifiable assets	\$ 3,625	\$ 20,352	\$ -	\$ 6,638	\$ 8,691	\$ 39,306

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. RELATED PARTY

For accounting purposes, NewNorth and NPR are considered related parties as they share some common directors, trustees and management. NPR does not have any ownership interest in NewNorth; neither entity is considered an affiliate of the other for taxation, legal or regulatory purposes.

Transactions between the two entities pursuant to a Development and Services Agreement, require the approval of the independent and unrelated directors and trustees of NewNorth and NPR.

In compliance with GAAP, sales of properties by NewNorth to NPR are deemed, for accounting purposes, not to be conducted between related parties because of the requirement for approval of such transactions by an independent committee of the board of trustees. Sales of properties by NewNorth to NPR are recorded at their exchange amount determined by independent appraisals and approved by independent trustees and directors. The exchange amounts approximate fair market value due to the terms and conditions of the Development and Services Agreement, and is the basis for recording these transactions for both NewNorth and NPR.

During the twelve month period ending December 31, 2003, NPR borrowed \$3.1 million from NewNorth and has repaid the loan in full. The demand loans were secured by promissory notes and bear interest at bank prime. A total of \$443,075 was charged from NPR to NewNorth for services of senior management and administration costs (2002 - \$268,382). During the twelve month period, NewNorth and its subsidiaries leased rental accommodation from NPR totalling \$154,895 (2002 - \$106,843).

NewNorth was engaged to construct an apartment project, Niven Lake, on a site located in Yellowknife, NT that is owned by NPR. The committed price contract is for \$4.3 million. Construction commenced in July, 2003 and a total of \$2,089,545 has been received by NewNorth as at December 31, 2003.

On September 11, 2003, NewNorth entered into a demand loan agreement with NPR, up to a maximum of \$3.1 million, to fund developments in Greenland. This loan bears interest at 11.0% per annum, payable monthly. The facility is secured by a general security agreement and a promissory note and is payable on sale of the assets to NPR. Balance outstanding at December 31, 2003 was \$2.4 million (see Note 10).

18. GUARANTEES

Effective January 1, 2003, the Company adopted Accounting Guideline 14 (AcG-14), Disclosure of Guarantees. This guideline provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given, regardless of whether it will have to make payments under the guarantees.

In the ordinary course of business, the Company provides indemnification commitments to counter-parties through director and officer indemnification agreements. The terms of these indemnification agreements do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant payments under such indemnifications and no amount has been accrued in the financial statements with respect to these indemnification commitments.

19. COMPARATIVE FIGURES

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