

NEW NORTH PROJECTS LTD.

Report for the period ended

March 31, 2005

Q1

Unaudited Consolidated Balance Sheet

Columnar amounts expressed in thousands of dollars

	March 31, 2005	December 31, 2004
ASSETS		
Cash	\$ 5,661	\$ 4,503
Short-term investments	1,200	1,198
Accounts receivable and other (note 3)	9,757	16,415
Real estate for development and sale (note 4)	4,715	7,845
Work-in-progress	5,844	3,365
Capital assets, net book value	7,658	7,778
Advances and investments in affiliates (note 5)	754	804
Prepaid expenses	217	266
Future income tax asset	565	469
Goodwill	-	-
	\$ 36,371	\$ 42,643
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	\$ 8,365	\$ 12,834
Long-term debt payable	6,714	6,724
Financing payable (note 7)	10,263	12,386
Deferred revenue	2,777	1,429
Land and property development service costs	1,992	2,219
	\$ 30,111	\$ 35,592
Non-controlling interest (note 8)	104	800
	\$ 30,215	\$ 36,392
SHAREHOLDERS' EQUITY		
Unrealized gain on exchange	33	13
Share capital	7,251	7,251
Deficit	(1,128)	(1,013)
	\$ 6,156	\$ 6,251
	\$ 36,371	\$ 42,643

Unaudited Consolidated Statement of Income (Loss) and Deficit

Three Months Ended
March 31

Columnar amounts expressed in thousands of dollars, except for per share amounts

	<u>2005</u>	<u>2004</u>
REVENUE		
Construction	\$ 858	\$ 4,806
Land & Housing	3,911	2,243
Project Development	-	-
Rental properties	335	64
Interest and other	27	29
	<u>\$ 5,131</u>	<u>\$ 7,142</u>
EXPENSES		
Cost of construction	\$ 826	\$ 4,656
Cost of land & housing	3,324	1,915
Cost of Project Development	-	-
Rental properties operating costs	102	18
General and administrative costs	-	-
- construction	165	291
- corporate overhead	173	175
- land development	91	98
- project development	119	69
- rental property	40	-
- rental property mortgage interest	61	18
- mezzanine financing interest	-	67
Non-controlling interest	116	106
	<u>\$ 5,017</u>	<u>\$ 7,413</u>
Income before other expenses and income taxes	\$ 114	\$ (271)
Other expenses		
Interest on debenture	150	150
Amortization	140	65
	<u>\$ 290</u>	<u>\$ 215</u>
Income (loss) before income taxes	\$ (176)	\$ (486)
Income tax (recovery) expense	(61)	(184)
Net income (loss)	\$ (115)	\$ (302)
Deficit, beginning of period	(1,013)	(455)
Deficit, end of period	<u>\$ (1,128)</u>	<u>\$ (757)</u>
Earnings (Loss) per share, basic and diluted	\$ (0.01)	\$ (0.03)
Outstanding shares	10,516,524	10,516,524

Unaudited Consolidated Statement of Cashflow

	Three Months Ended March 31	
	2005	2004
<i>Columnar amounts expressed in thousands of dollars</i>		
Operating Activities		
Net Loss	\$ (115)	\$ (302)
Add back items not affecting cash		
Amortization	140	65
Future income tax recovery	(97)	(81)
	\$ (72)	\$ (318)
Changes in non-cash working capital	3,218	(453)
Non-controlling interest	116	106
	\$ 3,262	\$ (665)
Financing Activities		
Proceeds (repayment) of mezzanine financing	(152)	457
Advances of financing	(1,980)	411
Advances (to) from affiliates	50	(473)
	\$ (2,082)	\$ 395
Investing Activities		
Investment in marketable securities	(2)	-
Proceeds from sale of marketable securities	-	-
Acquisition of capital assets	(20)	(58)
Disposition of capital assets	-	-
	\$ (22)	\$ (58)
Net increase (decrease) in cash, end of period	\$ 1,158	\$ (328)
Cash - beginning of period	4,503	1,685
Cash - end of period	\$ 5,661	\$ 1,357

Notes to Unaudited Consolidated Financial Statements

For the Three Months ending March 31, 2005 and the Year Ended December 31, 2004

(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

These unaudited interim consolidated financial statements of NewNorth have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants and are consistent with those used in the audited consolidated financial statements as at and for the period ended December 31, 2004. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian 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 financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2005.

3. ACCOUNTS RECEIVABLE

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>
Construction receivables	\$ 6,288	\$ 6,897
Land and property development receivables	2,515	8,502
Other receivables	954	1,016
	<u>\$ 9,757</u>	<u>\$ 16,415</u>

4. REAL ESTATE FOR DEVELOPMENT AND SALE

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>
Land held for development and sale	\$ 4,644	\$ 4,388
Properties held for development and sale	71	3,457
	<u>\$ 4,715</u>	<u>\$ 7,845</u>

5. ADVANCES AND INVESTMENTS IN AFFILIATES

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>
Advances to (from) affiliates	\$ 749	\$ 799
Investment in affiliates	5	5
	<u>\$ 754</u>	<u>\$ 804</u>

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

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>
Construction trade payables	\$ 3,504	\$ 5,053
Holdbacks payable	2,279	2,439
Other payables	476	1,995
Land and property development payables	1,900	3,089
Lot deposits payable	4	252
Accrued liabilities	202	6
	<hr/> \$ 8,365	<hr/> \$ 12,834

7. FINANCING PAYABLE

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>
Demand development facility to a maximum of \$1.3 million to finance land under development. The facility is due on demand, bears interest at the prime lending rate plus 1% per annum and secured by a demand mortgage creating a first fixed charge over lands under development, general security agreements over specific assets, book receivables. One Hundred percent of the proceeds from net lot sales are used to pay down the facility.	\$ nil	\$ 231
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 are used to pay down the facility.	\$ nil	\$ 1,205
Demand development facility to a maximum of \$3.6 million to finance land under development. The facility is due on demand, bears interest at 7% per annum and secured by general security agreements over specific assets, assignment of insurance proceeds and a demand debenture providing a first fixed charge on specific lands. One hundred percent of the proceeds from sales are used to pay down the facility.	\$ nil	\$ 3,031
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.	\$ 104	\$ 113
Demand development facility to a maximum of \$1.8 million to finance land under development. The facility is due on demand, bears interest at the prime lending rate plus 1% per annum and secured by a demand mortgage creating a first fixed charge over lands under development, general security agreements over specific assets, book receivables. One Hundred percent of the proceeds from net lot sales are used to pay down the facility.	\$ 1,149	\$ nil
Mezzanine facility payable to Northern Property Real Estate Investment Trust (NPR) in the amount of \$4.7 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 monthly principal payable upon sale to NPR, but no later than November 30, 2006.	\$ 2,529	\$ 2,681

Financing payable cont'd

Mar 31, 2005

Dec 31, 2004

Demand project loan to a maximum of \$6.9 million to finance the development of an executive suites accommodation in Inuvik, NT. The facility is due on demand, bears interest at the prime lending rate plus 1.0% per annum and secured by: demand collateral mortgage creating first fixed charge over specific property; general security agreements over specific assets; payment guarantees and assignments of insurance proceeds.

\$ 3,397 \$ 3,397

Demand development facility to a maximum of \$4.4 million to finance land under development. The facility is due on demand, bears interest at 7% per annum and secured by general security agreements over specific assets, assignment of insurance proceeds and a demand debenture providing a first fixed charge on specific lands. One hundred percent of the proceeds from sales are used to pay down the facility.

\$ 3,084 \$ 1,728

\$ 10,263 \$ 12,386

Letters of credit totalling \$794,949 are outstanding on the Sheep River project and are secured by cash and land.

8. NON-CONTROLLING INTEREST

The consolidated financial statements include 100% of the assets and liabilities of Riverview Heights Developments Inc. at December 31, 2004, NewNorth owned 66 2/3% equity interest. The remaining 33 1/3% have been accounted for as non-controlling interest.

9. COMMITMENTS AND CONTINGENCIES

A Development and Services Agreement exists between NPR and NewNorth. The agreement grants NPR, subject to specific conditions, the option to purchase 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 \$2.5 million (including accrued interest) was made to NewNorth for the development of properties to which NPR has right of first refusal (See note 7).

10. 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.

Three Months Ended March 31, 2005

	Rental Properties	Construction	Property Development	Land and housing	Foreign Operations	Corporate and Eliminations	Total
Sales	\$ 335	\$ 858	\$ -	\$ 3,911	\$ -	\$ -	\$ 5,104
Interest and other	4	1	-	21	(3)	4	27
Total revenues	339	859	-	3,932	(3)	4	5,131
Cost of sales	-	826	-	3,440	-	-	4,266
General and administrative	40	165	-	91	119	173	588
Rental operating costs	102	-	-	-	-	-	102
Interest	61	-	-	-	-	-	61
Total expenses	203	991	-	3,531	119	173	5,017
Income (loss) before Other Items and income tax	136	(132)	-	401	(122)	(169)	114
Interest on debenture	-	-	-	-	-	150	150
Amortization	116	19	-	-	-	5	140
Income before income taxes	20	(151)	-	401	(122)	(324)	(176)
Income tax (expense) recovery	-	-	-	-	-	61	61
Net income (loss)	\$ 20	\$ (151)	\$ -	\$ 401	\$ (122)	\$ (263)	\$ (115)
<i>Identifiable assets</i>	<i>6,166</i>	<i>10,015</i>	<i>541</i>	<i>4,912</i>	<i>2,287</i>	<i>12,450</i>	<i>36,371</i>

Three Months Ended March 31, 2004

	Rental Properties	Construction	Project Development	Land and housing	Foreign Operations	Corporate and Eliminations	Total
Sales	\$ 64	\$ 4,806	\$ -	\$ 2,243	\$ -	\$ -	\$ 7,113
Interest and other	0	1	-	6	-	22	29
Total revenues	64	4,807	-	2,249	-	22	7,142
Cost of sales	-	4,656	-	2,021	-	-	6,677
General and administrative	-	291	-	98	69	175	633
Rental operating costs	18	-	-	-	-	-	18
Interest	18	-	-	-	-	67	85
Total expenses	36	4,947	-	2,119	69	242	7,413
Income before Other Items and income tax	28	(140)	-	130	(69)	(220)	271
Interest on debenture	-	-	-	-	-	150	150
Amortization	23	42	-	-	-	-	65
Income before income taxes	5	(182)	-	130	(69)	(370)	(486)
Income taxes recovery	-	-	-	-	-	184	184
Net income	\$ 5	\$ (182)	\$ -	\$ 130	\$ (69)	\$ (186)	\$ (302)
<i>Identifiable assets</i>	<i>4,857</i>	<i>23,157</i>	<i>1,882</i>	<i>6,160</i>	<i>-</i>	<i>7,288</i>	<i>43,344</i>