

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED DECEMBER 31, 2003

Management's discussion and analysis of financial conditions and results of operations should be read in conjunction with the Audited Financial statements for the Year ended December 31, 2003 and the Audited Financial Statements for the Period from Inception on May 30, 2002 to December 31, 2002. Certain statements in this Report may constitute "forward looking statements". Forward looking statements involve risk, uncertainties and other factors that might cause the actual results, performance or achievements of the Corporation to vary significantly.

OVERVIEW

NewNorth Projects Ltd.'s ("NewNorth") first full year of operation was filled with change. New opportunities and strengths have been developed within NewNorth, of which we are now seeing the results.

- >> Land and housing continued to bring good returns to the company, as the marketplace in Alberta remained strong and NewNorth brought to market a product that is well received by the consumer.
- >> Greenland operations are now underway developing residential units for resale to the marketplace. The Greenlandic product (which has been designed to accommodate the market's demands and has a distinct European flavor) is being well received by the marketplace and the first twelve units are anticipated to close in early 2004.
- >> A strategic alliance has been made to engage in development of properties in the north. We anticipate this alliance will bring to market a product that will meet the market's needs and that will be well received.



- >> Construction began a new book of work, focusing on government projects and engaging in a new strategic alliance to construct a medical facility in Cambridge Bay (the Kitikmeot Health Centre).

Comparative Information for the Past Full Six Quarters (Since Inception)

	Oct - Dec	Jul - Sep	Apr - Jun	Jan - Mar	Oct - Dec	Jul - Sep
\$ 000's (except per share amounts)	2003	2003	2003	2003	2002	2002
Sales	\$ 15,607	\$ 17,645	\$ 7,394	\$ 5,869	\$ 17,540	\$ 25,986
Gross Profit	1,665	594	547	954	1,254	1,062
Net Income	(38)	(188)	(164)	83	(354)	119
Per Share	0.00	(0.02)	(0.02)	0.01	(0.03)	0.01

In the period ending December 2002, Ninety North Construction & Development Ltd. ("Ninety North"), a wholly owned subsidiary, wrote down a receivable on a Calgary project (Sunpark Plaza) in the amount of \$649,000 (total allowance to December 2002, was \$849,000) and also recognized the reversal of \$500,000 in management fees taken on the Inuvik Hospital prior to the Plan of Arrangements. In the quarter ending September 2003, additional costs in relation to the Inuvik Hospital were identified and recognized for approximately \$650,000.

In the quarter ending December 2003, Ninety North realized an additional write down of \$186,000 in the collection of the Sunpark Plaza receivable. Ninety North secured all assets of the project through sale or acquisition, and retains two rental units with a collective value of \$0.7 million for future sale. Other quarterly fluctuations and patterns are related to sales and revenue recognition, as depicted by business channel in the following table:

Business Channel Comparative Information for the Past Full Six Quarters (Since Inception)

		Oct - Dec	Jul - Sep	Apr - Jun	Jan - Mar	Oct - Dec	Jul - Sep
		2003	2003	2003	2003	2002	2002
\$ 000's							
Rental Properties	Sales	\$ 65	\$ 178	\$ 76	\$ 85	\$ 79	\$ 59
	Gross Profit	9	140	55	85	40	44
Construction	Sales	\$ 11,447	\$ 14,169	\$ 5,700	\$ 4,385	\$ 14,054	\$ 23,332
	Gross Profit	616	(42)	255	410	274	861
Property Development	Sales	\$ 881	\$ 896	\$ -	\$ 271	\$ 516	\$ -
	Gross Profit	176	42	(1)	271	516	-
Foreign Operations	Sales	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ -
	Gross Profit	24	-	-	-	-	-
Land and housing	Sales	\$ 3,126	\$ 2,379	\$ 1,573	\$ 1,115	\$ 2,732	\$ 2,583
	Gross Profit	833	427	223	146	265	127
Corporate	Sales	\$ 64	\$ 23	\$ 45	\$ 13	\$ 159	\$ 12



Holman Health Centre



Granum School, Granum, Alberta

>> **Rental Properties** income would typically fluctuate upon lease ups or termination of leases, however in the quarter ended September 2003, one of NewNorth's rental properties was sold for a gain on disposition of \$103,000. Net rental revenues that will not be realized on future statements due to the disposition are approximately \$1,200 per month.

>> **Construction** in the north traditionally realizes most of its revenue in the quarters ending September and December (as depicted in these quarters in both 2002 and 2003). Logistics of ordering and shipping large quantities of materials in the far north (in a very short shipping period) are coordinated in the first half of the fiscal year. Typically, by June materials are shipped and may land 'on the beach' in the summer and fall, when construction of the building begins.

>> **Property Development** revenues in the quarters ending December 2002 and March 2003, are development fees in relation to the successful completion of 30 unit housing projects on Baffin Island. Construction on the Niven Lake project in Yellowknife began in July 2003, bringing revenues, based on percent complete, in the quarters ending September and December 2003. As the majority of property development revenues are realized upon finalization and turnover to the client, there can be periods of no revenue recognition, followed by significant amounts of revenue recognition.

>> **Foreign Operations** in Greenland were in its start up year. Though revenues are nominal (and related to small material sales), construction activity has been brisk. As a property development company, Ninety North Greenland A/S will recognize its profits upon sale to the client.

>> **Land and Housing** revenues were relatively consistent between quarters, but a notable decrease in revenues in the quarters ending January and June 2003, were due to the traditional slow down for lot sales for these periods. The sale of 37 lots in Sheep River Cove in the quarters ending September and December 2003, reflected strong market conditions.

>> **Corporate** revenues include interest earned on loans to third parties. The quarter ended December 2002, includes interest not recorded in the preceding quarters for fiscal 2002.

NewNorth proceeds into 2004 with a strong balance sheet and a good book of business on hand for the year. Management is now concentrating on the positive execution of this program of work. The company is seeking additional opportunities that have the potential to complement the work on hand and that have the opportunity to improve operating margins.



Sheep River Heights, Okotoks, Alberta

LAND AND HOUSING

Revenue associated with NewNorth's land and housing developments in the year totalled \$8.2 million. In the Riverview Heights project in Fort McMurray sales total 24 houses, and 40 lots were sold in the Sheep River development in Okotoks.

In Fort McMurray, Riverview's average selling price has increased from \$204,000 to \$216,000 per unit – a 6% increase. As the development has matured, acceptance in the marketplace and buyer optimism has increased as Fort McMurray's economy stabilized with the signing of the Kyoto Accord. Sixty-seven homes have been sold in the project (43 to December 31, 2002; 24 in 2003). Prior to our partner's interest (33.3%), 2003 realized gross profit of \$0.8 million compared to 2002 gross profit of \$0.6 million. During 2004, NewNorth will continue its development of Phases 2 and 3.

Sheep River in Okotoks continues to be a premier project for the Land Division. Since 1993, 471 lots have been developed and sold. During 2003, approvals were received for Sheep River Cove, a multi-phase 150 lot subdivision adjacent to Sheep River Ridge. Sheep River Cove enjoyed strong builder interest with Phase 1 100% sold at December 31 2003. The strong housing market in southern Alberta, particularly in Okotoks, low interest rates, and financing incentives (ie: CMHC financing now requiring low down payments) continue to contribute strongly to the housing market and we see this trend continuing.

Willowside Equestrian Estates, a 24 lot country residential estate development east of Okotoks, is substantially complete with only three lots remaining. In the current year, one lot was sold with gross revenues of \$77,500 and net income of \$16,110.

Land & Housing Activity by Quarter

<i>\$ 000's</i>	2003					2002
	Q1	Q2	Q3	Q4	Total	Total
Riverview *						
House Sales	5	7	5	7	24	33
Revenue	\$ 1,045	\$ 1,573	\$ 1,033	\$ 1,539	\$ 5,190	\$ 6,733
Costs	950	1,367	964	1,399	4,680	6,278
Gross Profit	\$ 95	\$ 206	\$ 69	\$ 140	\$ 510	\$ 455
Sheep River						
Lot Sales	1	–	17	22	40	1
Revenue	\$ 70	\$ –	\$ 1,269	\$ 1,587	\$ 2,926	\$ 91
Costs	29	–	924	866	1,819	52
Gross Profit	\$ 41	\$ –	\$ 345	\$ 721	\$ 1,107	\$ 39
Willowside						
Lot Sales	–	–	1	–	1	1
Revenue	\$ –	\$ –	\$ 77	\$ –	\$ 77	\$ 78
Costs	–	–	62	–	62	62
Gross Profit	\$ –	\$ –	\$ 15	\$ –	\$ 15	\$ 16
Total Land & Housing						
Units	6	7	23	29	65	35
Revenue	\$ 1,115	\$ 1,573	\$ 2,379	\$ 3,126	\$ 8,193	\$ 6,902
Costs	979	1,367	1,950	2,265	6,561	6,392
Gross Profit	\$ 136	\$ 206	\$ 429	\$ 861	\$ 1,632	\$ 510

*Net of partner's interest

PROPERTY DEVELOPMENT

Revenues for Project Development are related to NewNorth developing rental real estate for sale to third parties.

Two projects have been undertaken:

- >> Niven Lake, a residential development in Yellowknife that commenced summer 2003, is being developed for Northern Property Real Estate Investment Trust ("NPR").
- >> Inuvik Capital Suites, comprised of 44 furnished executive suites is being developed by NewNorth for a partnership owned 50% by NewNorth.

Property development revenue for the year ended December 31, 2003 was \$2,047,000 (\$516,000 in 2002). This amount is comprised of:

- >> development fee of \$321,000 (\$516,000 in 2002) associated with the completion of 30 rental townhomes. Ten units were built in each of Pond Inlet, Cape Dorset and Pangnirtung on Baffin Island. The expenses associated with this development were reported in previous fiscal periods.
- >> construction sales of \$1,726,000 in relation to the Niven Lake residential development, based on percent complete revenue recognition.

These projects are carried out pursuant to the Development and Services Agreement between NewNorth and NPR.



Sheep River Heights, Okotoks, Alberta



Sheep River Cove, Okotoks, Alberta

FOREIGN OPERATIONS

Foreign operations are comprised of NewNorth's wholly owned subsidiary, Ninety North Greenland A/S ("Greenland A/S"), engaged in the development of multi-family residential rental units. Under development at the time of writing are 24 units (four 6-plexes) in Nuuk (Greenland's capital) that are designed to meet the Greenlandic market trends and will bring a much needed quality product to the market place. The intent of the company is to construct and lease residential units in preparation for resale of a completed, leased up project to the open market. Third party financing for future projects has been established through a Greenlandic bank and favourable sites have been secured by the Greenland A/S team.

In its first year of operation, Greenland A/S has realized a net loss of \$147,000 related to general and administration costs to establish an office and presence in Greenland that are typically incurred during the presale stages of a development. Due to 100% revenue recognition methodology, revenue and related costs are recognized upon sale of the developed project, the first of which we anticipate will occur early 2004.

NPR has a right of first refusal on the initial project pursuant to the Development and Services Agreement. If exercised, the property would be sold by Greenland A/S to NPR at its appraised value at the time that the project is complete and fully rented. Full rental achievement is expected in the next fiscal year.

RENTAL PROPERTY OPERATIONS

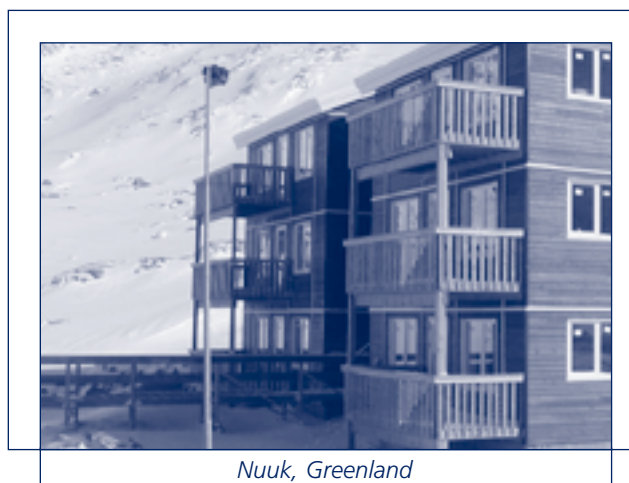
Revenues associated with Rental Property Operations are generally rents received on rental projects developed by NewNorth that will ultimately be sold to third parties. The following table provides a summary of revenues and costs for 2003 in comparison to the seven month fiscal period ended December 31, 2002. For comparative purposes only, an average monthly income and expense is provided

	2003	2002	2003	2002
<i>\$ 000's</i>		(7 months)	Monthly Average	Monthly Average
Rental Revenue	\$ 404	\$ 162	\$ 25	\$ 23
Operating Cost	115	59	10	9
Income before mortgage interest and amortization	\$ 289	\$ 103	\$ 15	\$ 14

The main contributor to rental revenue of \$404,000 for the year is an industrial warehouse complex in Iqaluit, Nunavut. Operating costs associated with the project were \$115,000. The balance of rental revenues is due to disposition of one rental property to NPR in Iqaluit, resulting in a gain of approximately \$103,000. After amortization and mortgage interest, net income for rental operations was \$128,000.

NPR has a right of first refusal on this industrial warehouse project pursuant to the Development and Services Agreement. If exercised, the property would be sold by NewNorth to NPR at its appraised value at the time that the project is complete and fully rented. Full rental achievement is not expected in the next fiscal year.

In November 2003, two rental properties in Calgary, Alberta (Sunpark Plaza) were acquired in consideration of a mortgage receivable held by Ninety North. One of these two commercial office units is currently leased and we anticipate the second will be leased at market rates early in 2004.



Nuuk, Greenland

CONSTRUCTION OPERATIONS

Ninety North began work to successfully undertake the \$52 million in new multi-year contracts awarded it in 2003, and in addition, to the completion of prior year projects of approximately \$7 million.

\$ 000's	2003			2002		
	Sales	Costs	Gross Profit (Loss)	Sales	Costs	Gross Profit (Loss)
Ninety North Construction & Development	\$ 31,846	\$ 30,027	\$ 1,819	\$ 35,760	\$ 33,532	\$ 2,228
Ninety North Partners Inc.	1,573	2,228	(655)	4,109	4,912	(803)
KCL/NNC&D Joint Venture	2,282	2,207	75	–	–	–
	\$ 35,701	\$ 34,462	\$ 1,239	\$ 39,869	\$ 38,444	\$ 1,425

After general and administrative expenses for the year totalling \$1.5 million, compared to the seven month period ending December 31, 2002 of \$0.9 million (Average monthly 2003, \$122,750; Average monthly 2002, \$125,142); amortization of \$189,000; and an additional write down of bad debt of \$186,000 related to a specific client (\$649,000 in 2002), construction realized a net loss of \$0.6 million.

A strategic alliance was established in 2003 (KCL/NNC&D Joint Venture, owned 49% by NewNorth) to win and successfully execute the \$12 million contract for the Kitikmeot Regional Health Centre.

Ninety North Partners Inc., engaged in finalizing the Inuvik Hospital, owned 50% by Ninety North Construction, identified additional costs to complete the project, placing the project in a total project loss position at this time of \$1.3 million.

Efforts to minimize additional write downs in relation to the bad debt related to Sunpark Plaza, a 2002 Calgary project, were taken by Ninety North through aggressive collection actions. Ninety North secured all assets of the project through sale or acquisition and retains two rental units, at the time of writing, with a collective value of \$0.7 million.

CORPORATE

Interest revenue in the amount of \$146,000 was earned on short term investments by the corporation during the year (compared to \$177,000 in 2002). General and administrative expense of \$815,000 (average of \$67,900/mo) includes the costs of senior management compensation, office space, travel, and office operating costs as compared to \$344,000 (average of \$49,000/mo). Management is currently taking measures to minimize overhead on an ongoing basis through improved controls and stringent reporting requirements.

When Urbco was reorganized in May of 2002, Urbco shareholders received cash, units in NPR, shares in NewNorth plus NewNorth debentures bearing interest at 10%. The debenture issue provides important working capital for the development and construction activities of NewNorth. The \$600,000 interest expense for the year is entirely related to this debenture issue. Interest is accrued on the debenture each quarter and paid by December 31.

FINANCIAL POSITION

At December 31, 2003, NewNorth had a total of \$1.7 million in cash and \$150,000 invested in marketable securities. NewNorth has an unused operating line of \$3.0 million secured by accounts receivable and certain capital assets. Ninety North has an unused operating line of \$1.0 million for the purposes of acquiring heavy equipment, secured by specific assets. Cash requirements associated with land and housing development in the near future are forecast to be minimal as sales are expected to more than offset servicing and construction costs in our subdivisions. In addition, development financing has been secured for Sheep River Cove, with a maximum facility of \$3.5 million, the balance outstanding at December 31 was \$1.3 million and a development facility of \$10.2 million is available for Riverview Heights (outstanding at December 31 was \$2.1 million). Property development projects planned for 2004 are subject to mezzanine financing from NPR (Greenland A/S mezzanine financing maximum \$3.1 million, balance outstanding at December 31 was \$2.4 million and unused mezzanine financing for Inuvik Capital Suites for up to \$4.0 million) under the Development and Services Agreement. Most of the construction work contracted this year is with government, historically a reliable payer of construction accounts.



PLAN OF ARRANGEMENTS

NewNorth Projects Ltd. was incorporated under the laws of the Province of Alberta and was publicly listed on the TSX Venture Exchange as NNP on May 30, 2002. NewNorth acquired the land and construction assets from Urbco Inc. as contemplated in the Plan of Arrangement in exchange for 10,516,524 NewNorth shares, the NewNorth debentures totalling \$6.0 million, and a cash payment of \$1.2936 per share. In November 2003, said debenture was listed on the TSX Venture Exchange under the listing NNP.DB



Sheep River, Okotoks, Alberta