

**Unaudited Consolidated Balance Sheet**

*Columnar amounts expressed in thousands of dollars*

	<b>June 30, 2004</b>	<b>December 31, 2003</b>
<b>ASSETS</b>		
Cash	\$ 1,964	\$ 1,685
Short-term investments	373	150
Accounts receivable and other	14,204	15,064
Real estate for development and sale	14,367	9,835
Work-in-progress	20,352	11,464
Capital assets, net book value	3,374	3,211
Advances and investments in affiliates	1,749	909
Prepaid Expenses	237	355
Goodwill	623	623
	<b>\$ 57,243</b>	<b>\$ 43,296</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 15,093	\$ 10,257
Long-term debt payable	6,743	6,761
Financing payable	9,380	5,800
Deferred revenue	16,740	11,897
Land and property development service costs	2,225	1,351
	<b>\$ 50,181</b>	<b>\$ 36,066</b>
Future income tax liability	152	176
Non-controlling interest	190	246
	<b>\$ 50,523</b>	<b>\$ 36,488</b>
<b>SHAREHOLDERS' EQUITY</b>		
Unrealized gain on exchange	12	12
Share capital	7,251	7,251
Retained earnings	(543)	(455)
	<b>\$ 6,720</b>	<b>\$ 6,808</b>
	<b>\$ 57,243</b>	<b>\$ 43,296</b>

**Unaudited Consolidated Statement of Income and Retained Earnings**

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

	Six Months Ended June 30		Three Months Ended June 30	
	2004	2003	2004	2003
<b>REVENUE</b>				
Construction	\$ 13,870	\$ 10,030	\$ 9,064	\$ 5,660
Land & Housing	5,757	2,684	3,515	1,572
Project Development	-	271	-	-
Rental properties	137	161	72	76
Interest and other	45	117	16	86
	<u>\$ 19,809</u>	<u>\$ 13,263</u>	<u>\$ 12,667</u>	<u>\$ 7,394</u>
<b>EXPENSES</b>				
Cost of construction	\$ 13,055	\$ 9,420	\$ 8,399	\$ 5,445
Cost of land & housing	4,595	2,198	2,680	1,265
Cost of Project Development	-	-	-	-
Rental properties operating costs	38	22	20	12
General and administrative costs				
- construction	691	700	400	354
- corporate overhead	299	290	124	102
- land development	215	219	117	162
- project development	137	1	67	1
- rental property mortgage interest	36	38	18	38
- mezzanine financing interest	141	-	75	-
Non-controlling interest	195	122	89	85
	<u>\$ 19,402</u>	<u>\$ 13,010</u>	<u>\$ 11,989</u>	<u>\$ 7,464</u>
<b>Income (loss) before other expenses and income taxes</b>	<b>\$ 407</b>	<b>\$ 253</b>	<b>\$ 678</b>	<b>\$ (70)</b>
<b>Other expenses</b>				
Bad Debt	107	-	107	-
Interest on debenture	300	300	150	150
Amortization	138	85	73	45
	<u>\$ 545</u>	<u>\$ 385</u>	<u>\$ 330</u>	<u>\$ 195</u>
<b>Income (loss) before income taxes</b>	<b>(138)</b>	<b>(132)</b>	<b>348</b>	<b>(265)</b>
<b>Income tax (recovery) expense</b>	<b>(50)</b>	<b>(50)</b>	<b>134</b>	<b>(101)</b>
<b>Net income (loss)</b>	<b>\$ (88)</b>	<b>\$ (82)</b>	<b>\$ 214</b>	<b>\$ (164)</b>
Retained earnings, beginning of period	(455)	(148)	(757)	(66)
Retained earnings, end of period	<u>\$ (543)</u>	<u>\$ (230)</u>	<u>\$ (543)</u>	<u>\$ (230)</u>
Earnings per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ 0.02	\$ (0.02)
Outstanding shares	10,516,524	10,516,524	10,516,524	10,516,524

**Unaudited Consolidated Statement of Cashflow**

*Columnar amounts expressed in thousands of dollars*

	<b>Six Months ended June 30</b>	
	<b>2004</b>	<b>2003</b>
<b>Operating Activities</b>		
Net Income	\$ (88)	\$ (82)
Add back items not affecting cash		
Amortization	138	85
Future income tax recovery	(23)	-
	\$ 27	\$ 3
Changes in non-cash working capital	(2,364)	(7,076)
Non-controlling interest	195	122
	\$ (2,142)	\$ (6,951)
<b>Financing Activities</b>		
Proceeds (repayment) of mezzanine financing	2,158	(2,479)
Advances (repayment) of financing	1,404	392
Advances (to) from affiliates	(840)	5,129
	\$ 2,722	\$ 3,042
<b>Investing Activities</b>		
Investment in marketable securities	-	(1,788)
Acquisition of capital assets	(301)	(359)
Disposition of capital assets	-	-
	\$ (301)	\$ (2,147)
Net increase (decrease) in cash, end of period	\$ 279	\$ (6,056)
Cash - beginning of period	1,685	6,284
<b>Cash - end of period</b>	<b>\$ 1,964</b>	<b>\$ 228</b>

**Notes To the Unaudited Financial Statements  
Six Months Ended June 30, 2004**

*Columnar amounts expressed in thousands of dollars*

**1. 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, 2003. 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 six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2004.

**2. ACCOUNTS RECEIVABLE**

	<u>Jun 30, 2004</u>	<u>Dec 31, 2003</u>
Construction receivables	\$ 9,756	\$ 9,717
Land and property development receivables	2,577	3,103
Other receivables	1,871	2,244
	<u>\$ 14,204</u>	<u>\$ 15,064</u>

**3. REAL ESTATE FOR DEVELOPMENT AND SALE**

	<u>Jun 30, 2004</u>	<u>Dec 31, 2003</u>
Land held for development and sale	\$ 4,339	\$ 3,106
Properties held for development and sale	10,028	6,729
	<u>\$ 14,367</u>	<u>\$ 9,835</u>

**4. ADVANCES AND INVESTMENTS IN AFFILIATES**

	<u>Jun 30, 2004</u>	<u>Dec 31, 2003</u>
Advances to (from) subsidiaries	\$ 1,744	\$ 904
Investment in subsidiaries	5	5
	<u>\$ 1,749</u>	<u>\$ 909</u>

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

# NEWNORTH PROJECTS

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Jun 30, 2004</u>	<u>Dec 31, 2003</u>
Construction trade payables	\$ 8,091	\$ 4,001
Holdbacks payable	2,405	2,279
Other payables	1,265	1,269
Land and property development payables	2,801	2,629
Lot deposits payable	525	73
Accrued liabilities	6	6
	<u>\$ 15,093</u>	<u>\$ 10,257</u>

## 6. FINANCING PAYABLE

	<u>Jun 30, 2004</u>	<u>Dec 31, 2003</u>
Bank loans payable	\$ 4,837	\$ 3,414
Mezzanine financing payable	4,543	2,386
	<u>\$ 9,380</u>	<u>\$ 5,800</u>

## 7. SEGMENTED INFORMATION

### Six Months Ended June 30, 2004

	Rental Properties	Construction	Project Development	Land and housing	Foreign Operations	Corporate and Eliminations	Total
Sales	\$ 137	\$ 13,870	\$ -	\$ 5,757	\$ -	\$ -	\$ 19,764
Interest and other	0	1	-	6	-	38	45
Total revenues	<u>137</u>	<u>13,871</u>	<u>-</u>	<u>5,763</u>	<u>-</u>	<u>38</u>	<u>19,809</u>
Cost of sales	-	13,055	-	4,790	-	-	17,845
General and administrative	-	691	2	215	135	299	1,342
Rental operating costs	38	-	-	-	-	-	38
Interest	36	-	-	-	-	141	177
Total expenses	<u>74</u>	<u>13,746</u>	<u>2</u>	<u>5,005</u>	<u>135</u>	<u>440</u>	<u>19,402</u>
Income before Other Items and income tax	<u>63</u>	<u>125</u>	<u>(2)</u>	<u>758</u>	<u>(135)</u>	<u>(402)</u>	<u>407</u>
Bad Debt - construction	-	107	-	-	-	-	107
Interest on debenture	-	-	-	-	-	300	300
Amortization	42	86	-	-	-	10	138
Income before income taxes	<u>21</u>	<u>(68)</u>	<u>(2)</u>	<u>758</u>	<u>(135)</u>	<u>(712)</u>	<u>(138)</u>
Income taxes recovery	-	-	-	-	-	50	50
Net income	<u>21</u>	<u>(68)</u>	<u>(2)</u>	<u>758</u>	<u>(135)</u>	<u>(662)</u>	<u>(88)</u>
Identifiable assets	2,811	27,045	7,279	7,274	944	11,890	57,243

**Six Months Ended June 30, 2003**

	Rental Properties	Construction	Project Development	Land and housing	Corporate and Eliminations	Total
Sales	161	10,030	271	2,684	-	13,146
Interest and other	-	55	-	5	58	118
<b>Total revenues</b>	<b>161</b>	<b>10,085</b>	<b>271</b>	<b>2,689</b>	<b>58</b>	<b>13,264</b>
Cost of sales	-	9,420	-	2,320	-	11,740
General and administrative	-	700	1	219	291	1,211
Rental operating costs	22	-	-	-	-	22
Mortgage interest	38	-	-	-	-	38
<b>Total expenses</b>	<b>60</b>	<b>10,120</b>	<b>1</b>	<b>2,539</b>	<b>291</b>	<b>13,011</b>
Income before Other Items and income tax	<b>101</b>	<b>(35)</b>	<b>270</b>	<b>150</b>	<b>(233)</b>	<b>253</b>
Interest on debenture	-	-	-	-	300	300
Amortization	5	80	-	-	-	85
Income before income taxes	96	(115)	270	150	(533)	(132)
Income taxes	-	-	-	-	(50)	(50)
<b>Net income</b>	<b>96</b>	<b>(115)</b>	<b>270</b>	<b>150</b>	<b>(483)</b>	<b>(82)</b>
Identifiable assets	3,611	16,128	-	6,206	3,223	29,168