NEWNORTH PROJECTS

Management Discussion & Analysis

Six Months ended June 30, 2005

Management's discussion and analysis of financial conditions and results of operations should be read in conjunction with the Unaudited Financial Statements for the six months ended June 30, 2005 and the Audited Financial Statements for the Year Ended December 31, 2004. Certain statements in this report may constitute "forward looking statements". While management believes that its expectations regarding future performance of the Corporation are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. 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

Strengthening land and building development, NewNorth Projects Ltd's (NewNorth's) core business, and optimizing profitability in development, the company has positioned itself to take full advantage of new opportunities.

- Land and housing exceeded expectations, as the marketplace in Alberta remains strong and NewNorth brought to market products that are well received.
- Development projects that complement the body of work on hand are actively being sought to provide quality product to existing and new clients.
- Greenland turned over the two six-plexes that were pre-sold to a commercial Greenlandic client. Management has determined that due to market change, it is in the best interest of NewNorth to not engage in further development in Greenland.
- Construction has undergone significant change. Refocused on the development arm of NewNorth, construction will no longer engage in further third party construction work.

Comparative Information for the Past Full Eight Quarters

$ 000's *(except per share amounts)*	Apr - Jun 2005	Jan - Mar 2005	Oct - Dec 2004	Jul - Sep 2004	Apr - Jun 2004	Jan - Mar 2004	Oct - Dec 2003	Jul - Sep 2003
Sales	$ 4,244	$ 5,131	$ 32,848	$ 22,029	$ 12,667	$ 7,142	$ 15,607	$ 17,645
Gross Profit	645	763	1,650	617	1,475	448	1,665	594
Net Income (loss) before goodwill impairment	(202)	(115)	292	(139)	214	(302)	(38)	(188)
Goodwill impairment	-	-	623	-	-	-	-	-
Net Income (loss)	(202)	(115)	(331)	(139)	214	(302)	(38)	(188)
Per Share	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.01)	$ 0.02	$ (0.03)	$ 0.00	$ (0.02)
Per Share prior to impairment (a non-GAAP calculation)	$ (0.02)	$ (0.01)	$ 0.03	$ (0.01)	$ 0.02	$ (0.03)	$ 0.00	$ (0.02)

In the quarter ending September, 2003 costs in relation to the Inuvik Hospital, under a contract with a corporation owned 50% by Ninety North Construction & Development Ltd. ("Ninety North"), a wholly owned subsidiary, were identified and recognized for approximately $187,000 (amounts stated here reflect Ninety North's interest).

In the quarter ending December, 2003, Ninety North realized a receivable write down of $186,000 on a Calgary project (Sunpark Plaza). Total write down to December, 2003 was $1,035,000. NewNorth 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.

The quarter ending June, 2004 NewNorth realized strong housing and land sales with a complementary active period for construction. Ninety North Construction realized a bad debt of $107,000 in this quarter due to a Yellowknife client going into receivership. Additional losses in respect to the Inuvik Hospital project were identified ($186,000) and recognized in the quarters ending September and December, 2004 as well as cost adjustments for Ninety North's third party construction projects. Ninety North's proportionate losses on the Inuvik Hospital at December 31, 2004 was $0.8 million.

The quarter ended December 31, 2004 reflects the result of the annual impairment test conducted to ensure intangible assets are supportable. For the year ended 2004, the test showed that a write down of goodwill was required in the amount of $623,000. This goodwill was specifically associated to the value of Ninety North and the amount was established at the time the Plan of Arrangements was completed. Management considers earnings per share before the impairment to be more representative of the operations of the corporation.

The quarters ending March and June, 2005 most specifically show the planned reduction of third party construction activity by the corporation, in comparison to prior periods.

Other quarterly fluctuations and patterns are related to sales and revenue recognition and are reported in the following table:

Comparative Information for the Past Full Eight Quarters by Division

$ 000's	Apr - Jun 2005	Jan - Mar 2005	Oct – Dec 2004	Jul – Sep 2004	Apr – Jun 2004	Jan – Mar 2004	Oct - Dec 2003	Jul - Sep 2003
Land and housing								
Sales	$ 371	$ 3,932	$ 9,994	$ 3,726	$ 3,514	$ 2,249	$ 3,126	$ 2,379
Gross Profit	123	492	1,171	591	741	228	833	427
Property Development								
Sales	$ -	$ -	$ 5,269	$ 2,488	$ -	$ -	$ 881	$ 896
Gross Profit	-	-	287	126	-	-	176	42
Foreign Operations								
Sales	$ 3	$ (3)	$ 6,463	$ 2,784	$ -	$ -	$ 24	$ -
Gross Profit	3	(3)	360	175	-	-	24	-
Rental Properties								
Sales	$ 413	$ 339	$ 211	$ 69	$ 73	$ 64	$ 65	$ 178
Gross Profit	296	237	61	36	53	47	9	140
Construction								
Sales	$ 3,449	$ 859	$ 10,916	$ 12,955	$ 9,064	$ 4,807	$ 11,447	$ 14,169
Gross Profit	215	33	(224)	(318)	665	151	616	(42)
Corporate								
Sales	$ 8	$ 4	$ (5)	$ 7	$ 16	$ 22	$ 64	$ 24

- ***Land and housing*** revenues were relatively consistent between quarters, however a notable increase in the quarter ending December 31, 2004 was a result of 35 closings in Riverview Heights (Fort McMurray, Alberta) combined with 11 sales in Sheep River. Wet ground and flood conditions constrained lot availability in the quarter ending June, 2005 resulting in a fluctuation in lot sales.

- ***Property development*** revenues are typically recognized upon final completion and turnover to the client, resulting in some periods in which little or no revenue may be recognized. The quarter ending December, 2004 includes the development sale of the Inuvik Capital Suites building to a Limited Partnership that NewNorth holds a 50% interest in. Revenues for the quarters ending September, 2003 through September, 2004 are primarily related to the construction of a multi family project in Yellowknife, NT. This development, due to the nature of the contract, was subject to percent complete revenue recognition.

- ***Foreign operations*** reflect the development sale of properties in Nuuk, Greenland. Revenues are recognized upon turnover to the client. In the quarter ending December, 2004, 17 units were sold, with seven sales recognized in the quarter ending September, 2004.

- ***Rental property*** income typically fluctuates upon lease up or termination of leases. In the quarter ending December 31, 2004, an executive suites project (in Inuvik, NT) began operations resulting in increased revenues which continued to grow in the following quarters. In the period ending September, 2003, one of NewNorth's rental properties was sold for a gain on disposition of $103,000.

- ***Construction*** revenues are recognized on percent completion basis. In periods of less activity, typical in the first quarters of the fiscal year for northern construction (depicted in the quarters ending March 2005 and 2004) lower revenues directly reflect the construction activity. Third party estimates are compiled far in advance of execution of the work in the north, and though regular project reviews are conducted and a conservative revenue recognition approach taken, corrections in anticipated profits can occur. The quarters ending September and December, 2004 show clearly the effects of such adjustments to anticipated profits. The quarter ending September, 2003 reflects a similar cost adjustment in relation to the Inuvik Hospital of $375,000 in the period. Quarters ending in 2005 reflect NewNorth's strategic decision to focus construction on its own development resulting in reduced third party revenues.

Land and Housing

New land development projects have been secured including:

- 185 acres appropriate for country residential development a short distance northwest of Cochrane, Alberta, with each proposed lot having a mountain view and a highly desirable location. Approvals for this project are currently being sought and the project is expected to begin development in fiscal 2006.

- A large parcel, east of Airdrie, Alberta, and within easy commuting distance to Calgary, has been secured through a partnership agreement which NewNorth has a 50% interest.

Other land opportunities in Fort McMurray and in bedroom communities surrounding Calgary are currently being negotiated.

Land and housing revenues exceeded $4.3 million for the period. Riverview Heights, a land and housing development project in Fort McMurray, Alberta, sold 12 homes, while land development projects in Okotoks, Alberta sold 10 lots.

The Riverview Heights project in Fort McMurray has enjoyed strong market conditions. A growing local economy excited by the activity and commitment of the oil and gas industry to the area, combined with a quality product focused on the move-up and starter single family housing market resulted in a successful development. Prior to our partner's interest (33.3%), the period realized a gross profit of $0.38 million. Fully sold out, one hundred forty six (146) homes have been sold in the project (43 to December 31, 2002; 24 in 2003; 67 in 2004; 12 in the six months ending June, 2005).

Sheep River in Okotoks continues to be a premier project for the division, with Sheep River Cove Phase 2 selling 8 lots in the period (12 in 2004). Since 1993, 514 lots have been developed and sold in this growing community. The strong housing market in southern Alberta continues to perform well and we anticipate this trend continuing. Willowside Equestrian Estates, a 24 lot country residential estate development east of Okotoks is sold out, with the final two lots selling in the quarter ending March, 2005. In the quarter ending June, 2005 a review of costs to complete on the Willowside Project showed a reduction of costs was required.

Land & Housing Activity

	$ 000's	2005 Q2	2005 Q1	2005 Total	2004 Total	2003 Total
*Riverview **	*House Sales*	*1*	*11*	***12***	*67*	*24*
	Revenue	$ 371	$ 3,127	**$ 3,498**	$ 16,577	$ 5,186
	Costs	356	2,895	**3,251**	14,952	4,680
	Gross Profit	$ 15	$ 232	**$ 247**	$ 1,625	$ 506
Sheep River	*Lot Sales*	-	*8*	***8***	*29*	*40*
	Revenue	$ -	$ 642	**$ 642**	$ 2,756	$ 2,930
	Costs	-	425	**425**	1,683	1,819
	Gross Profit	$ -	$ 217	**$ 217**	$ 1,073	$ 1,111
*Willowside **	*Lot Sales*	-	*2*	***2***	*2*	*1*
	Revenue	$ -	$ 163	**$ 163**	$ 150	$ 77
	Costs	(108)	120	**12**	117	62
	Gross Profit	$ 108	$ 43	**$ 151**	$ 33	$ 15
Total Land & Housing	***Units***	***1***	***21***	***22***	***98***	***65***
	Revenue	**$ 371**	**$ 3,932**	**$ 4,303**	**$ 19,483**	**$ 8,193**
	Costs	**248**	**3,440**	**3,688**	**16,752**	**6,561**
	Gross Profit	**$ 123**	**$ 492**	**$ 615**	**$ 2,731**	**$ 1,632**

** Net of partner's interest*

After general and administration costs of $212,000 ($215,000 for the six months ended June, 2004), land and housing realized before tax net income of $403,000, compared to $758,000 for the same period in 2004.

Property Development

Property Development revenues are generally realized only upon finalization and turnover to the client. Thus, there can be periods of little revenue recognition, followed by significant amounts of revenue recognition when large projects are turned over. Revenues are related to NewNorth developing rental real estate for sale to third parties or affiliates.

NewNorth has finalized negotiations on three multi family condominium projects in Fort McMurray anticipated to be completed in fiscal 2006. These projects are designed to bring affordable housing to the market and pre-tests indicate good reception to the proposed product, including:

- 144 unit multi-family, three phase condominium project in Fort McMurray, Alberta. Approvals on the site are currently being sought and phase 1 development is anticipated to begin by early 2006. Through a limited partnership agreement in NewNorth holds a 46.7% interest.

- Two apartment "residential over commercial" projects are being undertaken in Fort McMurray. Approvals are in place on the first of these projects (32 residential units), with development anticipated to start in the fall of 2005. The second project, with 24 residential units, is anticipated to begin development by early 2006. NewNorth enjoys a 50% interest in these developments.

Foreign Operations

Foreign operations are comprised of NewNorth's wholly owned subsidiary Ninety North Greenland A/S ("Greenland A/S"). Due to market change management has decided to not undertake further development activity in Greenland. Government regulation in 2004 resulted in NewNorth's anticipated primary client (NPR) being unable to enter the rental market, requiring the Greenland team to go to the open market. Though the product was well received, the sales market proved to not be strong enough to support the development activity required to profitably operate in Greenland. Warranty work on completed projects will be completed prior to finalizing the move-out and an allowance will be made for any future warranty items. Based on historical losses in Greenland, NewNorth will realize projected future overhead savings of approximately $350,000 per year, commencing fiscal 2006.

A project (comprised of two six-plexes) has recently been completed, and turned over to the client in July, 2005. These units were pre-sold to a commercial Greenlandic client. Third party financing was secured for the completion of these two six-plexes, and the debt will be fully retired upon closing. Revenues for this project will be realized in the third quarter of 2005.

General and administration typically incurred during the presale stages of a development, were incurred in the period totalling $151,000 compared to $135,000 in the same period, 2004 (fiscal 2004 $579,000). Due to 100% revenue recognition methodology, revenue and related costs are recognized upon closing (full receipt of sale proceeds) of the developed project. After overhead Greenland A/S realized a before tax loss of $151,000.

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 2005 in comparison to the fiscal year ended December 31, 2004. For comparative purposes only, an average monthly income and expense is provided

Rental Property Activity

$ 000's	2005 Q2	2005 Q1	2005 Total	2004 Total	Monthly Average 2005	Monthly Average 2004
Rental Revenue	$ 413	$ 339	$ 752	$ 417	$ 125	$ 35
Operating Cost	117	102	219	220	37	18
Rental income before mortgage interest and amortization	$ 296	$ 237	$ 533	$ 197	$ 88	$ 17

Three rental properties comprise NewNorth's rental portfolio:

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$ 000's		2005 (Q2)	2005 (Q1)	2005 Total	2004	Monthly Average 2005	Monthly Average 2004
Inuvik Capital Suites, Inuvik, NT*	Revenue	$ 332	$ 267	**$ 599**	$ 147	$ 100	$ 49
	Operating	88	77	**165**	42	28	14
	Gross Profit	$ 244	$ 190	**$ 434**	$ 105	$ 72	$ 35
Nova Warehouse, Iqaluit, NU	Revenue	$ 71	$ 62	**$ 133**	$ 239	$ 22	$ 20
	Operating	26	23	**49**	170	8	14
	Gross Profit	$ 45	$ 39	**$ 84**	$ 69	$ 14	$ 6
Sunpark Plaza, Calgary, AB	Revenue	$ 10	$ 10	**$ 20**	$ 31	$ 3	$ 3
	Operating	3	2	**5**	8	1	1
	Gross Profit	$ 7	$ 8	**$ 15**	$ 23	$ 2	$ 2

**net of partner's 50% interest; 2004 three months operating income*

Inuvik Capital Suites represents NewNorth's 50% interest in the Inuvik Capital Suites Zheh Gwizu' Limited Partnership, formed to develop rental properties in the Inuvik market. The Inuvik Capital Suites is a 44 suite executive accommodation offering full service, long-term leases and short term accommodation to the public. Inuvik Capital Suites commenced operations in October, 2004.

An industrial warehouse complex in Iqaluit, Nunavut has four units in this eight unit complex currently under lease. Originally targeting clients in need of cold storage, the remaining four units now include tenant improvements to meet current market need for finished, heated warehousing. Northern Property Real Estate Investment Trust (NPR) has a right of first refusal on this industrial warehouse project pursuant to the Development and Services Agreement. If exercised, the property will be sold by NewNorth to NPR at its appraised value at the time the project is complete and fully rented.

In November, 2003 two rental properties in Calgary, Alberta (Sunpark Plaza) were acquired in consideration of a mortgage receivable held by Ninety North Construction and Development Ltd. One of these two commercial office units is currently leased. After amortization of $232,000, mortgage interest of $134,000, and administration in relation to the Inuvik Capital Suites of $101,000, rental operations realized a before tax profit of $66,000.

Construction Operations

The effects of rapid growth and radical change from shorter term internal development construction to long term third party construction resulted in unprecedented losses for the construction division, and to mitigate further losses, discontinuation of the third party construction was necessary.

Refocused on the development arm of NewNorth, the company returns to a field in which it has historically performed well. In addition, reduced overheads and streamlined systems have effectively been implemented (an overhead reduction of 66% from the first quarter of 2004 versus the fourth). These changes leave an effective management team in place with a business plan that supports the NewNorth group. This refocus is supported by the success of historic projects as well as the recently completed Inuvik Capital Suites. As the company works toward the completion of the $53 million third party contracts awarded in 2003, revenues will be less than in the previous periods.

Construction in the north traditionally realizes most of its revenue in the quarters ending September and December (as depicted in these quarters in the "Comparative Information" table on page 2). Estimates are compiled far in advance of execution of the work in the north, and though regular project reviews are conducted and a conservative revenue recognition approach taken, corrections in anticipated profits can occur. The quarters ending September and December, 2004 show clearly the effects of such adjustments to anticipated profits.

Subdivision of Ninety North's property in Yellowknife, and subsequent disposition of a portion of this property, resulted in a gain of $138,000 in 2004. In the second quarter of 2004 a bad debt was realized in relation to a project in Yellowknife, which management has determined it will be unlikely to collect. Goodwill in the amount of $623,000 was specifically associated to the value of Ninety North at the time the Plan of Arrangements was completed. Annually, an impairment test is conducted to ensure the intangible asset is supportable. For the year ended 2004, the test showed that a write down of the asset was required and it was appropriately recognized.

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

$ 000's		2005 Q2	2005 Q1	2005 Total	2004 YTD
Ninety North Construction	Sales	$ 3,449	$ 859	$ **4,308**	$ 33,727
	Costs of Sales	3,209	826	**4,035**	33,445
	Gross Profit	240	33	**273**	282
Ninety North Partners Inc.	Sales	$ -	$ -	$ -	$ 571
	Costs of Sales	25	-	**25**	751
	Gross Profit	(25)	-	**(25)**	(180)
KCL/NNC&D Joint Venture	Sales	$ -	$ -	$ -	$ 3,444
	Cost of Sales	-	-	-	3,272
	Gross Profit	-	-	-	172
Total	Sales	$ 3,449	$ 859	$ **4,308**	$ 37,742
	Cost of Sales	3,234	826	**4,060**	37,468
	Gross Profit	$ 215	$ 33	$ **248**	$ 274

After general and administrative expenses for the period totalling $392,000, averaging $65,000 per month (average monthly 2004, $89,000; 2003, $122,750) and amortization of $48,000, construction realized a net loss before tax of $192,000.

Corporate

Interest revenue in the amount of $12,000 was earned on short term investments by the corporation during the period (compared to $38,000 for the same period in 2004).

General and administrative expense of $349,000, averaging $58,000 per month (2004 average of $50,000 per month) includes the costs of senior management compensation, office space, travel, and office operating costs.

When Urbco was reorganized in May, 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 debenture interest expense for the reporting fiscal year is entirely related to this debenture issue. Interest is accrued on the debenture each quarter and paid by December 31.

Financial Position

At June 30, 2005, NewNorth had a total of $2.4 million in cash and $0.7 million 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 operating line for the purpose of acquiring heavy equipment secured by specific assets (balance outstanding June 30 was $95,000).

Cash requirements associated with current land and housing development are forecast to be minimal as sales are expected to more than offset servicing and construction costs in our subdivisions. In addition, third party development financing has been secured for Sheep River Cove 2, with a maximum facility of $1.8 million, the balance outstanding at June 30 was $1.1 million.

The newly formed Franklin & Penhorwood Limited Partnership (FPLP) has secured a development facility to a maximum of $2.25 million, which has been fully drawn. NewNorth's proportionate share of the outstanding balance at June 30, 2005 was $1.1 million.

Inuvik Capital Suites Limited Partnership has secured third party construction and project financing with a maximum facility of $6.9 million secured by General Security Agreement and certain capital assets. NewNorth's proportionate share of the outstanding balance was $3.4 million on this facility at the end of the reporting period.

Projects under development in Greenland have been financed through a Greenlandic bank with maximum facilities of $4.4 million, an outstanding balance of $3.5 million was outstanding at June 30, 2005. Most of the construction work this year is with government, historically a reliable payer of construction accounts.

Property development projects subject to mezzanine financing from NPR under the Development and Services Agreement include:

- Inuvik Capital Suites for up to $4.0 million with $2.5 million outstanding, including accrued interest, at period end. Pursuant to the Development and Services Agreement, mezzanine financing was provided by NPR and upon stabilization they enjoy the right of first refusal for the purchase of NewNorth's interest in the Inuvik Capital Suites Zheh Gwizu' Limited Partnership.

Further project financing is currently under negotiation for approved development projects in Fort McMurray.

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.