



PLAZACORP RETAIL
PROPERTIES LTD.

**PLAZACORP RETAIL PROPERTIES LTD.
QUARTERLY REPORT**

**MANAGEMENT DISCUSSION AND ANALYSIS
OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED
APRIL 30, 2006**

DATED: JUNE 26, 2006

TABLE OF CONTENTS

PART I

Forward-looking Disclaimer	1
Explanation of Non-GAAP Measures Used in this Document	1
Properties Owned by the Company	2
Overview of Business	3
Strategy	4
Business Environment	4
Key Performance Drivers and Indicators	4

PART II

Performance Summary	5
Outlook	6
Summary of Funds From Operations	6
Supplemental Disclosure – Funds From Operations	7
Property and Corporate Performance 2006 and 2005	8
Summary of Annual Information	11

PART III

Summary of Quarterly Information	12
--	----

PART IV

Liquidity and Capital Resources	12
Working Capital	13
Availability of Bank and Mortgage Financing	13
Equity and Debt Activities	13
Mortgage Bond Usage	13
Debt Repayment	13
Commitments	14

PART V

Critical Accounting Policies	15
------------------------------------	----

PART VI

Risks and Uncertainties	16
-------------------------------	----

PART VII

Shares Outstanding	17
Related Party Transactions	18
Disclosure Controls	19
Interest in Joint Ventures	20
Other	20

CONSOLIDATED FINANCIAL STATEMENTS	21
--	-----------

PART I

FORWARD-LOOKING DISCLAIMER

Management's Discussion and Analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the three months ended April 30, 2006 should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the three months ended April 30, 2006, with the MD&A for the year ended October 31, 2005, including the section on "Risks and Uncertainties", and with the consolidated financial statements and the notes thereto for the year ended October 31, 2005. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic and competitive real estate conditions.

These forward-looking statements are made as of June 26, 2006 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances.

This Management Discussion and Analysis has been reviewed and approved by the Company and the Audit Committee.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") is not a Canadian Generally Accepted Accounting Principle (GAAP) financial measure and is presented as Management considers EBITDA to be one indicative measure of Plazacorp's operating performance. EBITDA should not be considered as an alternative to net income or any other operating or liquidity measure prescribed by GAAP. EBITDA, as calculated by Plazacorp, may not be comparable to similarly titled measures reported by other entities. Due to the significance of Plazacorp's real estate assets and the contractual nature of Plazacorp's revenues, it can be used to measure Plazacorp's ability to service debt, fund capital needs and expand the business.

Management uses EBITDA to compute two ratios indicative of the financial strengths of the Company.

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds financing costs (interest plus amortization of financing costs).
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the total of financing costs plus recurring monthly principal debt repayments.

Funds From Operations ("FFO") is an industry measure and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). Plazacorp has adopted the REALpac (then known as CIPREC) white paper on FFO dated November 2004 as the basis for computing the FFO. FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO should not be considered as an alternative to net income or any other operating or liquidity measure provided by GAAP. FFO is an industry standard for measuring operating results exclusive of historic cost amortization and future income taxes.

PLAZACORP RETAIL PROPERTIES LTD.

PROPERTIES OWNED BY THE COMPANY

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy or Committed Leasing as at 30-Apr--06	Notes
Strip Plazas						
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,185	100%	20,185	92.4%	
Plaza Super C	Shawinigan, QC	129,923	100%	129,923	97.3%	
Les Promenades St. Francois	Laval , QC	55,290	50%	27,645	99.0%	
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	25,780	100.0%	1
Terrace Dufferin	Valleyfield, QC	17,567	50%	8,784	100.0%	
Carrefour des Seigneurs	Terrebonne, QC	34,153	25%	8,538	87.3%	
Exhibition Plaza	Saint John, NB	75,280	55%	41,404	100.0%	1
Nashwaaksis Plaza	Fredericton, NB,	56,794	100%	56,794	100.0%	
Wedgewood Plaza	Riverview, NB	12,768	100%	12,768	100.0%	1
FHS Plaza	Fredericton, NB	24,280	100%	24,280	100.0%	
Lansdowne Place	Saint John, NB	204,344	50%	102,172	99.2%	
McAllister Drive Plaza	Saint John, NB	19,275	55%	10,601	100.0%	1
SCA Plaza	Saint John, NB	17,430	55%	9,587	100.0%	1
Empire Plaza	Fredericton, NB	13,743	100%	13,743	100.0%	1
Connell Road Plaza	Woodstock, NB	19,645	100%	19,645	100.0%	
Miramichi Power Center-Phase I	Miramichi, NB	38,074	100%	38,074	92.9%	
Boulevard Plaza	Moncton, NB	83,021	100%	83,021	100.0%	1
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	10,410	100.0%	
Main Place	Fredericton, NB	31,284	100%	31,284	100.0%	1
Major Brook Drive	Saint John, NB	40,640	55%	22,352	88.8%	
Champlain Plaza	Dieppe, NB	48,754	100%	48,755	100.0%	
Crown Street	Saint John, NB	16,094	100%	16,094	60.2%	2
Staples Plaza	Dartmouth, NS	153,026	50%	76,513	98.3%	
Staples Plaza	New Glasgow, NS	33,753	100%	33,753	100.0%	1
Tacoma Centre	Dartmouth, NS	160,991	100%	160,991	96.8%	
Commercial St. Plaza	New Minas, NS	15,342	100%	15,342	100.0%	
V-8 Plaza	New Glasgow, NS	13,400	100%	13,400	100.0%	1
209 Chain Lake Drive	Halifax, NS	89,576	50%	44,788	100.0%	
201 Chain Lake Drive	Halifax, NS	118,503	50%	59,249	98.0%	
303 Main St. Plaza	Antigonish, NS	21,484	100%	21,484	73.9%	
Welton Street Plaza	Sydney, NS	20,975	100%	20,975	100.0%	1
Tacoma Valley Field	Dartmouth, NS	25,323	100%	25,323	76.6%	
Starrs Road	Yarmouth, NS	60,066	100%	60,066	77.8%	2
University Plaza	Charlottetown, PE	62,046	43%	26,680	100.0%	
Belvedere Plaza	Charlottetown, PE	77,266	60%	46,360	100.0%	
Granville Street Plaza	Summerside, PE	68,304	60%	40,982	98.2%	
Spring Park Plaza	Charlottetown, PE	46,328	85%	39,380	100.0%	
Sub-total		1,961,117		1,447,125	96.9%	
Enclosed Malls						
Les Galeries Montmagny	West Tache, Montmagny, QC	133,852	50%	66,927	96.2%	1
Grand Falls Shopping Mall	Grand Falls, NB	150,345	100%	150,345	81.9%	2
Gateway Mall	Sussex, NB	141,512	25%	35,378	97.0%	
Les Promenades du Cuivre	Rouyn-Noranda, QC	124,520	100%	124,520	98.3%	
Oromocto Mall	Oromocto, NB	77,110	100%	77,110	99.7%	
Sub-total		627,339		454,280	93.8%	

PLAZACORP RETAIL PROPERTIES LTD.

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy or Committed Lease as at 30-Apr-06	Anticipated Change to Income Producing Status
Single Use						
Bureau en Gros	Granby, QC	25,695	50%	12,848	100.0%	
Bureau en Gros	Rimouski QC	25,771	50%	12,886	100.0%	
912 East River Road Plaza	New Glasgow, NS	16,912	100%	16,912	100.0%	
681 Mountain Road	Moncton, NB	19,504	100%	19,504	100.0%	
Business Depot	Saint John, NB	25,293	100%	25,293	100.0%	1
Sub-total		113,175		87,443	100.0%	
Total Income Producing Properties		2,701,631		1,988,848	96.3%	
Projects Under Development						
Miramichi Power Center-Phase 2	Miramichi, NB	19,239	100%	19,239	54.3%	Q4 06
St. Peters Avenue	Bathurst, NB	25,640	100%	25,640	66.4%	Q1 07
UAS Plaza	Charlottetown, PE	23,258	100%	23,258	81.0%	Q4 06
Pleasant Street Plaza	Yarmouth, NS	20,020	100%	20,020	82.8%	Q3 06
St. Anne's	Bathurst, NB	25,680	100%	25,680	53.7%	Q1 07
Conception Bay	Conception Bay NL	23,610	100%	23,610	88.3%	Q4 06
Sub-total		137,447		137,447	71.0%	
Total Excluding Non-Consolidated Trusts and Partnerships		2,839,078		2,126,295	95.1%	
Holdings of Non-Consolidated Trusts and Partnerships						
Marche De L'Ouest	Dollard des Ormeaux, QC	122,174	20%	24,435	88.6%	
Trois Rivieres Limited Partnership	Trois Rivieres, QC	72,158	15%	10,824	95.5%	Q4 06
Place Du Marche	Dollard des Ormeaux, QC	35,264	10%	3,526	100.0%	
Centennial Plaza	Dollard-des-Ormeaux, QC	152,188	10%	15,219	75.0%	
Northwest Centre	Moncton, NB	177,171	10%	17,717	99.0%	
The Village Mall	St. John's, NL	476,792	20%	95,358	78.8%	
Sub-total		1,035,747		167,079	84.7%	
Grand Total		3,874,825		2,293,374	92.3%	

Note: 1. Interest held subject to a ground lease.
2. Properties under partial re-development as at April 30, 2006.

Champlain Plaza, and Major Brook Drive Plaza became income producing properties during the period ended April 30, 2006.

As at April 30, 2006 the Company owns interests in 62 properties including land in Magog, QC, Kings Road, Sydney River, NS, and Kenmount Road, St. John's, NL, held for development directly and through subsidiaries and joint ventures.

Subsequent to April 30, 2006, the Company purchased land in Bay Roberts, NL, Edmunston, NB, and St. Catherines, ON increasing total properties to 65 as at June 26, 2006.

OVERVIEW OF BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the Alberta Stock Exchange (PLZ) on July 30, 1999. Plazacorp currently trades on the TSX Venture Exchange. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation.

Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Quebec and Atlantic Canada. The Company's portfolio as at April 30, 2006 currently includes interests in 59 properties totaling 3.9 million square feet (ft²) and three parcels of land held for development. These include properties directly held by Plazacorp as well as investments in joint ventures and other structures. Acquisitions and developments completed subsequent to April 30, 2006 are detailed in the consolidated financial statements in Note 18 Subsequent Events.

PLAZACORP RETAIL PROPERTIES LTD.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a balanced portfolio of retail properties.

In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions;
- acquire properties at a price consistent with the Company's targeted returns on investment of 16% on a leveraged return basis after re-development or re-tenanting;
- maintain high occupancy rates on existing properties while sourcing tenants for current and future acquisitions; and,
- diligently manage costs and maintain quality of the properties.

The Company uses a diversified investment strategy that includes the following acquisition types:

- strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth;
- development of new properties on behalf of existing clients or in response to demand as established by pre-leasing a major portion of proposed space; and,
- re-development of well located but significantly depreciated shopping malls and strip plazas.

The Board of Directors approves all Plazacorp acquisitions with a view toward accepting only those that fit the portfolio at a favourable rate of return.

Management intends to achieve Plazacorp's goals by:

- acquiring high-quality properties with the potential for increases in future cash flow;
- focusing on property leasing, operations and delivering superior service to tenants;
- managing properties to maintain high occupancies;
- increasing rental rates when market conditions permit;
- managing debt to obtain both an efficient cost and a staggered debt maturity profile to reduce financing costs;
- raising capital where required in the most cost effective/value creating manner for our shareholders; and,
- periodically review the portfolio to determine if opportunities exist to redeploy unrealized equity in slow growth properties into higher growth activities. The Company has no current plans to dispose of properties.

BUSINESS ENVIRONMENT

To date in 2006 and throughout 2005 and 2004, leasing markets and investment markets were generally healthy. Retail occupancies and rents have remained stable due to the strength of consumer spending. Management anticipates that occupancies and rents will remain healthy throughout the remainder of 2006 barring an economic downturn.

We witnessed low inflation in 2005 and throughout 2004. This combined with a low cost of debt environment, in comparison to recent history has permitted Plazacorp to place its debt at favourable rates and terms on the assets that were positioned to be permanently financed. The low interest rate environment has also resulted in a more competitive acquisition environment, resulting in higher asking prices for quality real estate product with corresponding lower initial returns on investments. Plazacorp remains committed to its disciplined purchase strategy in this environment.

KEY PERFORMANCE DRIVERS AND INDICATORS

There are numerous factors, many beyond Management's control, that affect Plazacorp's ability to achieve its goals. These key performance drivers are divided into internal and external factors.

Management believes that the key internal performance drivers are:

- Increasing occupancies;
- Increasing rental rates;
- Improving tenant service which should lead to higher tenant retention; and,
- Maintaining a competitive occupancy cost structure to keep gross rental rates competitive.

PLAZACORP RETAIL PROPERTIES LTD.

Management believes that the key external performance drivers are:

- The availability of new property acquisitions which fit into Plazacorp's portfolio;
- The availability of equity and debt capital at a reasonable cost; and,
- The desire of retailers to expand capacity and open in new markets.

The key performance indicators by which Management measures Plazacorp's performance are as follows:

- Funds from operations (FFO);
- Earnings before interest, taxes, depreciation and amortization (EBITDA);
- Debt service ratios which indicate the Company's ability to service debt;
- "Same-asset" net property operating income, revenue and expense;
- Weighted average cost of debt and debt maturity pattern; and,
- Occupancy levels.

Management believes that its key performance measures allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders.

PART II

PERFORMANCE SUMMARY

The first six months of the 2006 fiscal year have been a very active time for Plazacorp. The Company is in a development period and expects activities commenced in 2006 to increase its income producing assets significantly over the next year.

The key performance indicators discussed throughout the MD&A and summarized below address how Management measures performance and progress, and how shareholders realize the benefits. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A.

KEY PERFORMANCE INDICATORS SUMMARY

- **FUNDS FROM OPERATIONS (FFO)**
 - ⇒ For the quarter ended April 30, 2006 FFO was 4.8¢ compared to 3.5¢ per share for the same quarter in 2005. Year-to-date FFO was 10.2¢ compared to 7.5¢ for the same period in 2005.
- **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**
 - ⇒ Increase of 34.8% compared to same quarter last year and 30.5% year-to-date over 2005.
- **DEBT SERVICE RATIOS – EXCLUDING IMPACT OF CONVERTIBLE DEBENTURES**
 - ⇒ Interest Coverage Ratio – decreased 0.2 times over the same quarter and year-to-date over 2005.
 - ⇒ Debt Service Coverage Ratio – decreased 0.1 times over the same quarter and year-to-date over 2005.
- **OCCUPANCY**
 - ⇒ Decrease year-over-year in strip plazas by 1%.
 - ⇒ Decrease in enclosed malls of 2%.
 - ⇒ Single use properties unchanged at 100% occupancy.
 - ⇒ Overall occupancy at 96.3% excluding non-consolidated trusts and partnerships and properties under development.
- **SAME-ASSET NET PROPERTY OPERATING INCOME**
 - ⇒ Increased 3% for the quarter ended April 30, 2006. and 4% year-to-date over 2005.
- **WEIGHTED AVERAGE COST OF DEBT**
 - ⇒ Decrease in the weighted average cost of debt for permanent fixed long-term mortgage debt of 27 basis points over the same period in 2005.

PLAZACORP RETAIL PROPERTIES LTD.

OUTLOOK

The primary benefit to Shareholders of the Company's performance is a reliable and, over time, increasing dividend. Dividends to shareholders are 12.5¢ per share for 2006. Performance to date has demonstrated the strength of current strategies and operating capabilities and, barring any unforeseen events, Management is confident of delivering solid performance in 2006, as well as a significant increase to the size of the portfolio.

SUMMARY OF FUNDS FROM OPERATIONS ("FFO")

Plazacorp's Summary of FFO for the current period in comparison to previous reporting period is presented below:

(000's – except per share amounts)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
For the Periods Then Ended				
Total revenues	\$ 8,673	\$ 6,874	\$ 17,256	\$ 13,657
Basic earnings (loss) share	(0.001)	(0.002)	0.028	(0.003)
Diluted earnings (loss) per share	(0.001)	(0.002)	0.027	(0.003)
Net income (loss)	\$ (58)	\$ (88)	\$ 1,059	\$ (111)
Gain on sale of property	-	-	(1,917)	-
Income tax expense	(29)	(42)	936	100
Amortization	2,079	1,562	4,032	3,004
Non-controlling interests	17	36	64	93
Financing costs	2,541	1,910	5,106	4,021
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	4,550	3,378	9,280	7,107
Less:				
Financing costs	(2,541)	(1,910)	(5,106)	(4,022)
Current income taxes	(35)	(38)	(55)	(76)
Equity component of debenture interest	20	32	47	65
Equity accounting and non-controlling interest in FFO	(75)	(210)	(232)	(461)
Corporate amortization	(11)	(13)	(23)	(26)
Basic funds from operations (FFO)	1,908	1,239	3,911	2,587
Interest on outstanding debentures	191	324	435	661
Diluted FFO	\$ 2,099	\$ 1,563	\$ 4,346	\$ 3,248
Basic weighted average shares outstanding	39,703	35,350	38,443	34,454
Basic FFO per share	\$ 0.048	\$ 0.035	\$ 0.102	\$ 0.075
Diluted shares outstanding per consolidated financial statements	40,144	35,495	39,445	34,598
Diluted effect of excluded convertible debentures	6,074	10,284	5,474	10,284
Total diluted shares outstanding	46,218	45,779	44,919	44,882
Diluted FFO per share	\$ 0.045	\$ 0.034	\$ 0.097	\$ 0.072

Diluted FFO includes the impact of convertible debentures not dilutive to net income but dilutive to FFO (see note 11c of the consolidated financial statements April 30, 2006).

PLAZACORP RETAIL PROPERTIES LTD.

➤ KEY PERFORMANCE INDICATOR

For the six months ended April 30, 2006 FFO was up 51.1% year-to-date and 54.0% for the quarter ended April 30, 2006. On a per share basis FFO was 10.2¢ per share (9.7¢ diluted) compared to 7.5¢ per share (7.2¢ diluted) for the corresponding 2005 period and was 4.8¢ per share (4.5¢ diluted) compared to 3.5¢ per share (3.4¢ diluted) for the corresponding quarter in 2005.

The Company is continuing a substantial development program and has significant funds invested in the equity of projects under development or significant re-development. In addition to new developments, properties at Starrs Road Plaza, Lansdowne Place, Oromocto Mall and 201 Chain Lake Drive were in re-development programs during 2005. Funds invested in development and re-development of these assets started to generate earnings this year contributing to an increase in net operating income and FFO. The Company is continuing its development program for 2006 and anticipates these asset additions from 2006 will enhance NOI and FFO in late 2006 and 2007.

The Company received \$130 thousand in lease termination fees which increased FFO by 0.3¢ in the first quarter and are not expected to re-occur. The impact of the reduction in management fees to 4% from 5% and the agreement of the Chief Executive Officer, Michael Zakuta, to end salary payments by the Company, contributed 0.3¢ per share to FFO in the period. These factors and several minor adjustments produce a current period FFO consistent with management's expectations for the Company during a development period.

There were no significant operational variances within the same asset pool.

SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

(000's) For the Six Months Ended April 30,	2006	2005
Non Cash Items Included in FFO		
Straight line rent	\$ 256	\$ 186
Above and below market rent	129	107
Amortization of deferred finance charges	204	137
Capital Expenditures for Completed Projects		
Square feet constructed	152,841	133,067
Building cost per square foot (excluding land)	\$ 86.22	\$ 61.71
Tenant allowance per square foot	17.50	18.42
Leasing commission cost per square foot	4.74	4.81
Total	\$ 108.46	\$ 84.94

Costs for completed projects span a two year period based on completed projects.

Tenant Acquisition Costs for New Leasing	2006	2005
Tenant acquisition costs – new tenants		
Square feet	103,641	152,889
Tenant allowance	\$ 32.62	\$ 16.74
Leasing commissions	\$ 5.55	\$ 4.39
Tenant acquisition costs – renewed tenants		
Square feet	18,815	37,440
Tenant allowance	\$ -	\$ 0.26
Leasing commissions	\$ 1.28	\$ 2.51

Cost for new and renewed tenants span a two year period based on new leasing.

Tenant acquisition costs detailed in operating activities include:

(000's) For the Six Months Ended April 30,	2006	2005
Tenant acquisition cost for income producing properties	\$ 913	\$ 3,094
Tenant acquisition costs for properties under development	4,023	470
Total	\$ 4,936	\$ 3,564

PLAZACORP RETAIL PROPERTIES LTD.

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
As at April 30,				
Capital expenditures in development properties	\$ 7,359	\$ 8,313	\$ 15,615	\$ 14,989
Acquisitions during the period	-	-	-	1,608
Total gross additions during the period	\$ 7,359	\$ 8,313	\$ 15,615	\$ 16,597

➤ **KEY PERFORMANCE INDICATOR**

During the periods ended April 30, 2006 and 2005 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and associated liquidity measures were as follows:

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
As at April 30,				
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	\$ 4,550	\$ 3,378	\$ 9,280	\$ 7,107
Interest related to debenture accretion	\$ 20	\$ 32	\$ 47	\$ 65
Interest on outstanding debentures	191	324	435	661
Total debenture interest	211	356	482	726
Financing cost - excluding debenture interest	2,330	1,554	4,624	3,296
Total financing costs	2,541	1,910	5,106	4,022
Periodic mortgage principal repayments	594	457	1,087	843
Total annual debt service	\$ 3,135	\$ 2,367	\$ 6,193	\$ 4,865
Including Impact of Convertible Debentures				
Interest coverage ratio	1.8 times	1.8 times	1.8 times	1.8 times
Debt service coverage ratio	1.5 times	1.4 times	1.5 times	1.5 times
Excluding Impact of Convertible Debentures				
Interest coverage ratio	2.0 times	2.2 times	2.0 times	2.2 times
Debt service coverage ratio	1.6 times	1.7 times	1.6 times	1.7 times

Management views these indicators as acceptable and indicative of the continued ability to adequately service the Company's debt and maintain stable cash flows.

PROPERTY AND CORPORATE PERFORMANCE 2006 AND 2005

The majority of the increase in revenue from properties was attributable to new acquisitions and development during 2006 and 2005. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the six months ended April 30, 2006 and for the entire year ended October 31, 2005.

PLAZACORP RETAIL PROPERTIES LTD.

PROPERTY OPERATING INCOME

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the six months ended April 30, 2006 and 2005 where such assets had no significant new development or construction occurring during these periods.

(000's)	Change			
	2006	2005	\$	%
For the Three Months Ended April 30,				
Same rental revenue	\$ 6,247	\$ 6,126	\$ 121	2
Excluded assets rental revenue	2,319	561	1,758	313
Total rental revenue	8,566	6,687	1,879	28
Same asset operating expenses	1,535	1,553	(18)	(1)
Excluded asset operating expenses	669	274	395	144
Total operating expenses	2,204	1,827	377	21
Same asset realty expense	1,118	1,097	21	2
Excluded asset realty expense	451	168	283	168
Total realty expense	1,569	1,265	304	24
Total expenses	3,773	3,092	681	22
Same asset property operating income	3,594	3,476	118	3
Excluded asset property operating income	1,199	119	1,080	910
Total property operating income	\$ 4,793	\$ 3,595	\$ 1,198	33

(000's)	Change			
	2006	2005	\$	%
For the Six Months Ended April 30,				
Same asset rental revenue	\$ 12,540	\$ 12,210	\$ 330	3
Excluded assets rental revenue	4,548	1,027	3,521	343
Total rental revenue	17,088	13,237	3,851	29
Same asset operating expenses	3,006	3,051	(45)	(1)
Excluded asset operating expenses	1,424	396	1,028	259
Total operating expenses	4,430	3,447	983	29
Same asset realty expense	2,179	2,092	87	4
Excluded asset realty expense	670	256	414	162
Total realty expense	2,849	2,348	501	21
Total expenses	7,279	5,795	1,484	26
Same asset property operating income	7,355	7,067	288	4
Excluded asset property operating income	2,454	375	2,079	554
Total property operating income	\$ 9,809	\$ 7,442	\$ 2,367	32

NOTES TO QUARTERLY INFORMATION SUMMARY FOR THE PERIODS APRIL 30, 2005 AND 2006

Rental revenue for the three months ended April 30, 2006 have increased from \$6.7 million to \$8.6 million representing an increase of 28% over the same quarter last year largely as a result of asset growth. Year-to-date revenue has increased from \$13.2 million to \$17.1 million representing a 29% increase over the same period last year. Same asset rental revenue is up \$121 thousand to \$6.2 million for the quarter ended April 30, 2006 over 2005 and is up \$330 thousand to \$12.5 million for the period ended April 30, 2006 in comparison to the same period last year. This increase is due to several minor factors.

Total property operating expenses increased 21% to \$2.2 million from \$1.8 million in the three months ended April 30, 2006 over the same quarter in 2005 and has increased 29% to \$4.4 million for the period ended April 30, 2006 compared to \$3.4 million for the same period last year due primarily to asset growth. For the same asset class, property operating expenses decreased \$18 thousand for the quarter ended April 30, 2006 over the same quarter last year and decreased to \$3 million compared to \$3.1 million for the same period last year, as a result of the reduction in management fees charged by the manager to 4% from 5% and several other minor factors.

Total realty tax expense increased 24% for the quarter ended April 30, 2006 to \$1.6 million from \$1.3 million in 2005 and increased 21% to \$2.9 million for the period compared to \$2.3 million for the same period in 2005. For the same asset class, realty tax expense increased 2% for the quarter ended April 30, 2006 over the same quarter last year and up 4% year-to-date from \$2.1 million to \$2.2 million. This is largely due to revised assessments on completed developments. Virtually all tax increases are recoverable from tenants through net leases.

PLAZACORP RETAIL PROPERTIES LTD.

Total net property operating income increased 33% to \$4.8 million for the quarter ended April 30, 2006, compared to \$3.6 million in 2005, and 32% to \$9.8 million for the period ended April 30, 2006 compared to \$7.4 million for the same period in 2005.

➤ **KEY PERFORMANCE INDICATOR**

Net property operating income for same assets increased by 3% or \$118 thousand for the quarter ended April 30, 2006 over 2005 and increased by \$288 thousand or 4% for the period ended April 30, 2006 compared to the same period last year.

Significant portions of the Company's leases (46%) have common costs recoveries excluding taxes, linked to the consumer price index (CPI). As a result, certain costs, may not be completely offset by cost recoveries in a period where the cost increase exceeds overall inflation. Most tenants in strip plazas provide their own electric power and utilities and these costs do not significantly impact on CPI or other cost recovery formulas. Rental step-ups are no longer a factor in revenue growth as straight-line rent GAAP changes introduced in 2004 now equalizes rental income over the life of a given lease. There were no significant operational variances within the same asset pool.

INVESTMENT INCOME

Investment income for the quarter ended April 30, 2006 has decreased to \$107 thousand from \$187 thousand and decreased to \$168 thousand from \$420 thousand year-to-date. This partially relates to the repayment of mortgage bonds by Plaza LPC Commercial Trust and the consolidation of the results of Plaza LPC as at September 1, 2005. Operating income from the Centennial Plaza and Marche De L'Ouest was below expectations.

ADMINISTRATIVE EXPENSES

Administrative expenses were \$242 thousand for the quarter ended April 30, 2006 and were down \$35 thousand compared to \$277 thousand for the comparable quarter in 2005. Year-to-date they are down from \$517 thousand to \$427 thousand, this decrease is primarily attributed to the agreement by the Chief Executive Officer with the Board to stop salary payments effective November 1, 2005 and to the absence of certain one time administrative costs. Given reporting requirements applicable to public entities such as Plazacorp, it is reasonable to conclude that general and administrative costs will escalate by rates exceeding general inflation.

GAIN ON DISPOSAL OF INCOME PRODUCING PROPERTIES

In the period the Company disposed of lands, surplus to development of two of income producing properties in Miramichi and Oromocto to a national retailer for a gain of \$1,917 thousand.

AMORTIZATION

During the quarter ended April 30, 2006 amortization expense has increased \$517 thousand compared to the same quarter in 2005, and increased \$1 million year-to-date due to asset growth and change to income producing status of certain properties under development in 2005.

(000's)			
For the Three Months Ended April 30,	2006	2005	Change
Same-asset amortization	\$ 1,454	\$ 1,372	\$ 82
Acquisitions and exclusions	625	190	435
Total amortization	\$ 2,079	\$ 1,562	\$ 517

(000's)			
For the Six Months Ended April 30,	2006	2005	Change
Same-asset amortization	\$ 2,813	\$ 2,641	\$ 172
Acquisitions and exclusions	1,219	363	856
Total amortization	\$ 4,032	\$ 3,004	\$ 1,028

Amortization will continue at high levels for the foreseeable future until significant tenant lease expirations occur and the resulting tenant acquisition costs are fully amortized yearly. Increases in amortization are consistent with management expectation based on asset growth.

PLAZACORP RETAIL PROPERTIES LTD.

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the period ended April 30, 2006 the Company and its subsidiaries recorded \$270 thousand in capital taxes compared to \$237 thousand in 2005. Capital taxes are a point-in-time calculation based on period-end balances. Additions to assets attract capital tax at full annual rates regardless of when an asset is purchased and significant fluctuations in this expense may occur from time to time. Debt incurred on properties under development attract capital taxes without a corresponding increase in income. The Federal and New Brunswick governments have announced the phase out of capital taxes and the Company expects a moderation in the growth of these taxes and a possible decline by 2008, depending on the location of asset growth.

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the prior three completed fiscal years is presented below:

(\$000's except per share amounts)		2005	2004	2003
Total revenue		\$ 28,716	\$ 25,253	\$ 20,799
Net (loss) income		(224)	2,437	732
Dividends paid in cash		3,310	2,737	2,388
Dividends per share		0.09	0.09	0.08
Basic weighted average shares outstanding		35,212	31,702	29,928
Assets		172,449	138,161	114,995
Mortgages payable		109,645	82,651	74,036
Bonds and debentures payable		29,259	22,350	13,420
Notes payable		2,566	2,053	3,541
Bank indebtedness		-	69	405
(Loss) earnings per share	Basic	(0.006)	0.077	0.024
	Diluted	(0.006)	0.075	0.023
FFO per share	Basic	0.165	0.157	0.130
	Diluted	0.159	0.147	0.122

Certain comparative figures have been reclassified to conform to the presentation for the current year to include adoption of the REALpac (CIPPREC) white paper on FFO of November 2004.

The real estate assets of the Company have grown from 27 properties at November 1, 2003 to 62 properties at April 30, 2006. The summary of yearly results is influenced by significant acquisition development and re-development activity over the last three years.

The yearly information highlights the increasing total assets over the three years and the corresponding increases in assets and revenues and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

PLAZACORP RETAIL PROPERTIES LTD.

PART III

SUMMARY OF QUARTERLY INFORMATION

July 1, 2004 to April 30, 2006

(\$000's except per share and other data)

	Q2'06	Q1'06	Q4'05	Q3'05	Q2'05	Q1'05	Q4'04	Q3'04
Total revenue	\$ 8,673	\$ 8,582	\$ 8,091	\$ 6,969	\$ 6,874	\$ 6,782	\$ 6,830	\$ 6,172
Net income (loss) for the period	(58)	1,116	(44)	(69)	(88)	(23)	(25)	(44)
Basic earnings (loss) per share	(0.001)	0.030	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)
Diluted earnings (loss) per share	(0.001)	0.028	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)
Dividends paid including dividend reinvestment plan	1,038	963	938	932	919	726	715	711
Dividends per share	0.0313	0.0313	0.0263	0.0263	0.0263	0.0225	0.0225	0.0225
Weighted average shares outstanding	39,703	37,172	36,255	35,659	35,350	33,588	31,965	31,786
Total assets	190,038	180,306	172,444	158,395	150,407	139,058	138,161	138,115
Mortgages payable	117,778	115,602	109,645	96,345	90,251	88,343	82,651	84,293
Bonds and debentures payable	31,469	28,448	29,259	28,434	26,667	19,620	22,350	22,650
Notes payable	2,160	2,426	2,566	2,001	1,930	1,810	2,053	1,935
Bank indebtedness	-	-	-	-	-	13	69	223
FFO per share								
Basic	0.048	0.054	0.050	0.040	0.035	0.040	0.046	0.040
Diluted	0.045	0.050	0.046	0.038	0.034	0.038	0.041	0.038

SUMMARY OF QUARTERLY RESULTS TABLE

Commercial real estate operations are generally not materially influenced by seasonal variations, except where leases have fixed cost recovery formulas preventing full offsetting of common costs by recovery revenue in a given period, but are impacted by economic events and cycles (local, national and international), which influences the demand for space. Factors such as consumer spending, or employment growth, are examples of events which will impact commercial real estate.

The summary of quarterly results reflects activities occurring in the periods together with seasonal variation caused by the fixed common cost recovery patterns and changes due to the timing of development and acquisition activity.

The quarterly information highlights the increasing total assets and gross revenues over the eight quarters and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

PART IV

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operating the portfolio represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, fund operating, leasing and property tax costs and to fund dividends. Development activity costs are funded by a combination of debt, equity and cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, collectability of rent, efficiencies built into leases and efficiencies in operations as well as other factors.

Plazacorp's cash distribution policy reflects repayment of recurring mortgage amortization from FFO. Accordingly, Plazacorp attempts to reduce the overall debt level on existing properties year-over-year in order to strengthen the balance sheet and enhance the underlying value of existing shares, rather than incur new debt or raise equity in the form of share capital to cover recurring monthly mortgage principal payments. The Company has a 2006 annual dividend policy of 12.5¢ per share. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay these anticipated dividends.

PLAZACORP RETAIL PROPERTIES LTD.

WORKING CAPITAL

Rents form a recurring monthly source of funds which exceeds the operating and debt service costs for the assets. Liquidity is a concern only as it relates to funding of investments and acquisitions.

AVAILABILITY OF BANK AND MORTGAGE FINANCING

The Company has a acquisition and development facility with a Canadian Chartered bank for \$35.0 million to fund acquisition development projects with a limit of \$7.5 million per asset funded. The interest rate on funds drawn is prime plus $\frac{5}{8}$ %. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facility from time to time. This line of credit matures April 23, 2007.

At April 30, 2006, the Company had drawn \$7.2 million under the facility. The remaining facility may be drawn subject to standard lending terms. Subsequent to April 30, 2006 and up to June 14, 2006, the Company had drawn additional funds of \$4.0 million on the facility.

The Company has a \$4.8 million operating line of credit facility with a Canadian chartered bank at the rate of prime + $\frac{3}{4}$ %. As at April 30, 2006, this line had been fully repaid. This operating line of credit is secured by mortgage charges on Plaza Hotel de Ville and Plaza Theriault, Riviere du Loup, Quebec and the Staples Building, Saint John, New Brunswick. This line of credit matures on November 30, 2007.

The Company also has a \$0.5 million letter of credit facility with a Canadian Chartered bank of which \$0.45 million has been drawn. This line is secured by Personal Property Security Act (PPSA) charges in three provinces and matures on September 30, 2006. A Plazacorp subsidiary has an unsecured bank facility in the amount of \$150 thousand on which no funds were drawn as at January 31, 2006.

The above credit facilities require the Company to maintain certain balance sheet equity accounts including convertible debentures at predetermined levels and to maintain debt service ratios based on EBITDA in excess of fixed thresholds. As of April 30, 2006, these ratios have been maintained and management is confident the ratios will be maintained for the foreseeable future.

The current market for obtaining mortgage financing for the Company's properties is favourable with many sources of real estate debt financing available. As at June 26, 2006, the Company has not yet negotiated refinancing on three assets with mortgages maturing on October 1, 2006 totaling \$3.5 million. Management is confident that all short-term financing and long-term mortgage maturing in 2006 will be renewed or converted to long-term debt at maturity on favourable terms.

EQUITY AND DEBT ACTIVITIES

During the first quarter of 2006 the Company issued \$1.33 million of 8% subordinate debentures maturing July 2010 for beneficial corporate use.

The Company issued \$7.5 million of Series III, 8% mortgage bonds to mature May 2011 and July 2011 and issued \$1.3 million, Series IV, 7% convertible debentures maturing July 31, 2011.

During the period \$220,000 of Series I convertible debentures, \$1,780,000 of the Series II convertible debentures, and \$2,279,000 of Series III convertible debentures were converted to share capital and 3,127,708 shares were issued. Further conversions of these debentures is anticipated during the balance of 2006.

MORTGAGE BOND USAGE

Mortgage bond funds were deployed to fund Company properties as at April 30, 2006 as detailed in Note 8 to the April 30, 2006 consolidated financial statements.

DEBT REPAYMENT

The Company's strategy going forward will be to balance maturities and terms on new fixed debt with existing debt maturities to minimize exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on capital market conditions at the time of refinancing.

PLAZACORP RETAIL PROPERTIES LTD.

The Company's use of floating rate debt has been limited to assets under development or redevelopment. The Company fixes debt rates and repayment terms as soon as it is practical based on capital market conditions. Fixed rate debt represents 95.3% of total mortgage debt.

➤ KEY PERFORMANCE INDICATORS

At April 30, 2006 and 2005, the Company's weighted average cost of debt was as follows:

	April 30, 2006	April 30, 2005	Change
Permanent fixed long-term mortgage debt	6.57%	7.01%	(0.44)
Permanent variable long-term mortgage debt	6.50%	5.0%	1.50
Other fixed rate debt	9.65%	9.49%	0.16
Bank operating facilities	Prime + 3/4%	Prime + 3/4%	-
Bank development facility	Prime + 5/8%	Prime + 3/4%	(0.125)

(1) Long-term mortgage debt includes loans with fixed principal repayments and excludes interest only debt, interim variable rate debt, mezzanine debt and vendor take back loans without periodic principle repayments.

(2) As at April 30, 2006 the Company had drawn no funds on bank operating facilities.

(3) Other fixed rate debt includes second mortgage debt and vendor take back loans without periodic principal repayments.

The weighted average term to maturity for the long-term mortgages decreased to 7.1 years from 7.29 years in April 2005, as a result of new long-term debt placed on developments and existing properties that were in position to be financed. The average remaining amortization or repayment period on long-term mortgage debt is 21.2 years.

From November 1, 2005 to June 26, 2006 the Company funded \$18 million of mortgage debt with an average rate of 5.2%, term of 10 years and average amortization of 29 years. This funding contributed to improvements in the weighted average interest cost of mortgage debt term to maturity and remaining amortization of mortgages outstanding as at April 30, 2006.

Plazacorp's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets, at current market rates to stabilize cash flow available for reinvestment and dividend payments. Current market parameters for conventional mortgage debt are in the range of 65% - 75% of the appraised market value of the underlying property. The success of this strategy is dependant upon debt market parameters existing at that time as well as the particular features and quality of the underlying assets being financed in the period.

COMMITMENTS

Plazacorp's current commitments for the development of expansion lands, costs to complete development projects, and re-development projects initiated and scheduled for future periods is \$24.1 million. Management believes that Plazacorp has sufficient unused bank line availability, mortgage bond availability, and recently acquired un-encumbered assets that may be pledged as security to fund these future commitments.

Plazacorp's future contractual commitments, and the estimated timing of these commitments, are outlined below:

(000's)	Total	Payments Due by Period			
		Year 2007	2-3 years 2008 to 2009	4-5 years 2010 to 2011	After 5 years
Contractual obligations					
Mortgages	\$ 117,776	\$ 13,008	\$ 12,854	\$ 15,473	\$ 76,441
Mortgage bonds and debentures	31,695	-	11,536	20,159	-
Operating land leases	31,754	1,402	2,842	2,934	24,576
Development activities	24,082	24,082	-	-	-
Other obligations	450	450	-	-	-
Total contractual obligations	\$ 205,757	\$ 38,942	\$ 27,232	\$ 38,566	\$ 101,017

(1) Operating land leases expire on dates ranging from 2011 to 2065 with renewal options ranging from 10 to 60 years

PLAZACORP RETAIL PROPERTIES LTD.

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchaser of 50% interests in three properties. These commitments are subject to cross-indemnity agreements. The balance outstanding on these loans is \$8.2 million as at April 30, 2006. See note 14c of the April 30, 2006 consolidated financial statements.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$820 thousand. See note 14c of the April 30, 2006 consolidated financial statements.

PART V

CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Plazacorp's significant accounting policies are described in the Consolidated Financial Statements. Management chooses the accounting policies and estimates that it believes are appropriate to fairly report the Company's operating results and financial position. Management regularly assesses its critical accounting estimates in light of current and forecasted economic conditions and reviews these estimates with its Audit Committee. The following outlines the more significant judgments and estimates used in the preparation of the financial statements:

NON-CONTROLLING INTEREST

Non-controlling interests represent the common ownership positions in subsidiary entities held by unrelated parties. The interest is recorded at the proportionate interest of those parties in the underlying book value of the entity. This interest, for each year, are increased by the non controlling party's share in the net income of the respective entity and reduced by cash distributions to partners or shareholders of those entities.

Accumulated deficits arise in the capital accounts of subsidiary limited partnerships and corporations when, due to non-cash charges to net income such as amortization, the subsidiaries free cash flow allows cumulative cash drawings to exceed accumulated earnings and contributed capital. If the non-controlling parties have contractual obligations, by the way of guarantees, to fund their proportion of the underlying secured debt of the entity, this deficit is recorded as an asset by the Company so long as those guarantees exceed the non-controlling party's proportionate share of the accumulated deficit. Any deficit in excess of the underlying guarantees would be recorded as charges to consolidated net income by the Company. The comparison of the guarantees to the underlying deficit of the entity is performed yearly to determine if charges to consolidated net income are warranted.

This estimate is critical in that it may impact on charges to net income related to Plazacorp's exposure to the activities of non controlling parties.

PROPERTY ACQUISITIONS

For acquisitions subsequent to September 12, 2003, in accordance with CICA Handbook sections 1581 and 3062, Management is required to allocate the purchase price to acquired tangible and intangible assets and in place leases. The allocation may change as new information emerges on the appropriateness of estimates made during 2006. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets.

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and impairment loss is recognized. No impairment has been recognized in the period ended April 30, 2006 (April 30, 2005 –nil).

The estimate is critical insofar as it may impact on the classification and book value of income producing properties held and net income should impairment be present.

VARIABLE INTEREST ENTITIES

On November 1, 2004 as required by CICA Handbook section 3055 and AcG-15 (Consolidation of Variable Interest Entities) and effective for reporting periods thereafter, the Company evaluated all joint-venture relationships and partial ownership interests to determine if current methods of consolidation, equity accounting, joint-venture accounting or cost accounting are consistent with the new variable interest entity guidelines. The Company had determined that there are no significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at April 30, 2006 compared to October 31, 2005.

There were no changes to accounting policies in the first quarter, please refer to October 31, 2005 Consolidated Financial Statements for a full description of the Company's accounting policies.

PART VI

RISKS AND UNCERTAINTIES

All income property investments are subject to a degree of risk and uncertainty. Income property is affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. Management attempts to manage these risks through geographic and asset class diversification in Plazacorp's portfolio. At April 30, 2006 Plazacorp held interest in 62 properties spread geographically among five provinces in Canada.

INTEREST RATE AND FINANCING RISK

Current market conditions are very favourable for obtaining mortgage financing in both the fixed rate and floating rate facilities. Interest rate spreads over Government of Canada Bonds have tightened over the last twelve months. The favourable availability has been offset by fluctuations in bond rates over the year. At existing rates, the Company is able to obtain positive returns from debt financing. The availability of debt financing makes management highly confident of obtaining suitable long-term financing for projects on completion of development and maturity of existing debt as it comes due. Management's strategy attempts to mitigate Plazacorp's exposure to excessive amounts of debt maturing in any one year. Re-financing debt at maturity with conventional financing is generally limited to 65-75% of appraised value. Management is of the view that such level of indebtedness is achievable given the lending parameters currently existing in the real estate market place and is confident all debts will be financed or refinanced as they come due for the foreseeable future.

Management attempts to stagger the maturities of Plazacorp's long-term mortgage portfolio consistent with related tenant lease expiries with the view of locking in returns on developed assets for as long a period as market conditions will permit. Management is of the view that such a strategy results in the most conservative interest rate risk management practice.

As outlined under "Liquidity and Capital Resources", Plazacorp has an ongoing requirement to access the debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to Plazacorp, or on any terms at all.

The Company may choose to invest in mortgages to affiliates from time to time and would be subject to normal credit and interest rate risks from those investments.

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plazacorp's tenant mix is diversified and by limiting Plazacorp's exposure to any one tenant. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently, no one tenant represents more than 10.5% of contracted revenue in place. The top 10 tenants collectively represent approximately 38.7% of total revenues.

PLAZACORP RETAIL PROPERTIES LTD.

OCCUPANCY RISK

One of Plazacorp's performance drivers is related to occupancy. The majority of Plazacorp's leases in place are referred to as net leases, meaning tenants reimburse Plazacorp for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plazacorp's operating costs and tax expenses are generally of a fixed nature, although Plazacorp does experience a variable element as it relates to utilities, janitorial costs, and in certain municipalities, realty tax.

The hypothetical impact of a change in occupancy of 1% to net property operating income would be approximately \$360 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions Management may take in relation to the changes.

➤ **KEY PERFORMANCE INDICATOR**

Occupancy in the strip plazas was 96.9% for the period ended April 30, 2006 compared to 97.5% for the same period last year.

Average occupancy in the enclosed malls was 93.8% as at April 30, 2006 compared to 96.1% for the same period last year. Occupancy for single user assets remained stable at 100%. The pre-leased space in properties under development is 71%. Overall the portfolio, excluding non-consolidated trusts and partnerships and properties under development is 96.3% leased compared to 94.9% for the same period in 2005. These occupancy rates are within management's expectations in view of continuing development in the portfolio and transfers of development properties to income producing status during the quarter.

ENVIRONMENTAL RISK

Plazacorp is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos. Environmental risk is relevant to Plazacorp's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Plazacorp. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plazacorp's portfolio, or of any pending or threatening actions, investigations or claims against Plazacorp relating to environmental matters.

Plazacorp has formal policies and procedures to manage environmental exposures in a proactive manner during every aspect of the property life cycle.

LITIGATION RISK

Plazacorp is involved in litigation and claims in relation to its income producing properties from time-to-time. In Management's opinion, any liability that may arise from such litigation would not have a significant adverse effect on these financial statements.

PART VII

SHARES OUTSTANDING

If all share options and rights to convert shares under the provisions of convertible debt were exercised the impact on shares outstanding would be as follows:

As at June 26, 2006	Shares	Share Capital
Current Outstanding Shares	41,118,205	\$ 28,773,665
Employee and Director Share Options	1,583,751	2,805,402
Series I Convertible Debentures	100,000	100,000
Series II Convertible Debentures	366,667	440,000
Series III Convertible Debentures	4,606,875	7,371,000
Series IV Convertible Debentures	327,750	1,311,000
Total adjusted shares outstanding	48,103,248	\$ 40,801,067

PLAZACORP RETAIL PROPERTIES LTD.

The Company has the absolute right to redeem the Series I, Series II and Series III outstanding convertible debentures at maturity, through the issuance of shares, based on 95% of the 20 day weighted average trading price ending 5 days before redemption.

Plazacorp has agreements with individual unitholders as investor liquidity measures of Northwest Centre Commercial Trust (until April 30, 2006) whereby unitholders have the right to put units of the trusts, at the lower of cost and fair market value for the units, to Plazacorp in exchange for shares in Plazacorp. The Company believes there is minimal risk associated with this arrangement. To date, no unitholder has exercised this right. Plazacorp also has the right, but not the obligation, to acquire a majority interest in Northwest Centre Commercial Trust through a call agreement after April 2006. An assessment of market conditions and compliance with securities regulations would be required prior to making an offer to unitholders pursuant to the call agreement.

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited manages the Company's property under a management contract that expires April 30, 2009 and has managed the properties since 1999. In Quebec, staff of Les Immeubles Plaza-Z Corp handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Plaza Z Corp. These companies employ 76 people in the accounting, finance, engineering, development, leasing, and other administrative capacities excluding property specific staff.

Plaza Atlantic Limited is owned by two directors of Plazacorp namely Michael Zakuta, Earl Brewer and a former director, Paul Leger. Mr. Brewer is Chairman of Plazacorp, Michael Zakuta is President of the Company. Plaza-Z Corp is effectively controlled by Michael Zakuta.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all its operational areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic and Plaza Z-Corp manage properties for third parties.

Mr. Brewer receives no direct compensation from the Company for performing his duties as officer and director and Mr. Zakuta was paid an annual salary of \$100,000 per year effective from his appointment as President on April 20, 2005. This salary was stopped effective November 1, 2005 by agreement with the Board of Directors.

The fees payable under the management contract are as follows:

Property management	4% of gross rents paid.
Acquisitions	2% of the purchase price of assets.
Dispositions	1 ½% of the proceeds of disposition on assets.
Leasing Fees	4% of rental revenue per year for first five years of term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewals are at 50% of above rates.
Development Fees	4% of costs of construction on development projects.
Construction Management Fees	10% of tenant improvement costs on non-development projects.
Financing Fees	¾% of loan amount where no outside broker is involved. ¼% of loan amount where an outside broker is involved.
Legal Services	Cost recovery, currently \$130 per hour.

PLAZACORP RETAIL PROPERTIES LTD.

During the six months ended April 30, 2006 and 2005 the following amounts were billed under the contract:

(000's) For the Six Months Ended April 30,	2006	2005
Management fees	\$ 609	\$ 705
Leasing fees	676	759
Development fees	231	400
Financing fees	225	43
Acquisition fees	142	-
Brokerage fees	94	-
Legal services	140	-
Total	\$ 2,117	\$ 1,907

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at April 30, 2006 fall into two categories:

- Non-interest bearing notes that existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.
- Interest bearing unsecured notes that are advanced from time-to-time to assist in financing property acquisitions and development costs and are retired on funding of long-term debt or sale of the property to which the note relates.

(000's) As at January 31,	Interest Rate	2006	2005
Interest bearing notes: Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a director of the Company	Prime +1%	\$ 882	\$ 939
Non-Interest bearing notes: Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, director of the Company	n/a	60	361
Total		\$ 942	\$ 1,300

Two directors directly or beneficially share interests in common with the Company in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, purchased the land at V8 Plaza, New Glasgow, NS, subject to a ground lease with Plazacorp, and are now the landlord under the lease at an annual payment of \$87,500 and entered into a land lease with the Company on the Conception Bay South property with an annual rent of \$109 thousand.

DISCLOSURE CONTROLS

The Company's board of directors has adopted a disclosure policy with the following broad objectives to ensure information releases on all material information, events and continuous disclosure documents are:

- timely, factual and accurate;
- broadly disseminated in accordance with all applicable legal and regulatory requirements; and,
- in compliance with National Instrument 51-102 – Continuous Disclosure Obligations.

Management has concluded, given the size of the management team and the scope of its operations, that the disclosure policies, and the related control procedures, have been effective during the period covered by this MD&A in meeting the stated objectives.

INTERESTS IN JOINT VENTURES

The Company uses joint ventures for several reasons, principally:

- i) Obtain interests in properties where 100% ownership is beyond the capital capability of the Company but where it can apply development skills required by the joint-venture;
- ii) Share development risk with equity partners; and,
- iii) Limit the total exposure to the risks of any one asset.

The effect of terminating the arrangements would be the same as those involved in sale of the asset or the foreclosure of a mortgage loan. If the equity interest, net of debt, assumed by the buyer differs from the carrying value of the asset a loss or gain could arise. In the case of a foreclosure or third party sale there could be continuing liability as the original borrower under a mortgage arrangement.

OTHER

The company intends to change the year end for Financial Reporting for the fiscal year beginning November 1, 2005 to end on December 31, 2006, changed from October 31, 2006 and reporting on the 14 months ended on December 31, 2006. See notice posted February 24, 2006 on www.sedar.com for further details.

Additional information relating to Plazacorp including the Management Information Circular, Material Change reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com or on the Plazacorp web site at www.plaza.ca.

Plazacorp Retail Properties Ltd.

Consolidated Balance Sheets

As at (000's)	April 30, 2006	October 31, 2005
Assets		
Income producing properties (Note 3)	\$ 165,360	\$ 153,826
Cash and cash equivalents	933	989
Receivables (Note 4)	3,690	2,304
Prepaid expenses and deposits	6,100	3,984
Deferred charges (Note 5)	2,967	2,475
Intangible assets (Note 6)	3,364	3,909
Refundable capital gains tax (Note 10)	108	108
Investment in limited partnerships and trusts	4,408	1,905
Goodwill	2,025	2,025
Deficits of subsidiaries	1,081	919
	<u>\$ 190,036</u>	<u>\$ 172,444</u>
Liabilities		
Mortgages payable (Note 7)	\$ 117,778	\$ 109,645
Mortgage bonds payable (Note 8)	17,525	12,525
Debentures payable (Note 9)	13,944	16,734
Notes payable	2,160	2,566
Accounts payable and accrued liabilities	6,854	3,569
Dividends payable	1,250	963
Income taxes payable (Note 10)	303	196
Future income tax liability (Note 10)	7,318	6,438
Below market leases (Note 6)	779	950
	<u>167,911</u>	<u>153,586</u>
Shareholders' Equity		
Equity portion of convertible debt (Note 9)	400	586
Share capital (Note 11)	27,512	22,679
Contributed surplus (Note 12)	34	27
Deficit	(5,821)	(4,434)
	<u>22,125</u>	<u>18,858</u>
	<u>\$ 190,036</u>	<u>\$ 172,444</u>

Contingencies, commitments, guarantees, and indemnities – see consolidated financial statement note 14.

Subsequent events – see consolidated financial statement note 18.



Michael Zakuta, Director



Earl Brewer, Director

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Deficit For the Six Months Ended April 30, (000's)

	2006	2005
Deficit, beginning of the period	\$ (4,434)	\$ (458)
Net income (loss)	1,059	(111)
Dividends	<u>(2,446)</u>	<u>(1,851)</u>
Deficit, end of the period	<u>\$ (5,821)</u>	<u>\$ (2,420)</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Income (Loss) For the Periods then Ended (000's) – Except Per Share Amounts	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Rental revenues	\$ 8,566	\$ 6,687	\$ 17,088	\$ 13,237
Operating expenses	<u>3,773</u>	<u>3,092</u>	<u>7,279</u>	<u>5,795</u>
Net property operating income	4,793	3,595	9,809	7,442
Investment income	<u>107</u>	<u>187</u>	<u>168</u>	<u>420</u>
Income from properties and investments	4,900	3,782	9,977	7,862
Financing costs	<u>2,541</u>	<u>1,910</u>	<u>5,106</u>	<u>4,022</u>
Income before undernoted	2,359	1,872	4,871	3,840
Administrative expenses	<u>242</u>	<u>277</u>	<u>427</u>	<u>517</u>
Amortization	<u>2,079</u>	<u>1,562</u>	<u>4,032</u>	<u>3,004</u>
Capital taxes	<u>108</u>	<u>127</u>	<u>270</u>	<u>237</u>
Income (loss) before undernoted	(70)	(94)	142	82
Gain on disposal of income producing properties	<u>-</u>	<u>-</u>	<u>1,917</u>	<u>-</u>
Income (loss) before income taxes and non-controlling interests	(70)	(94)	2,059	82
Income tax expense (recovery) (Note 10) – current	<u>35</u>	<u>38</u>	<u>55</u>	<u>75</u>
– future	<u>(64)</u>	<u>(80)</u>	<u>881</u>	<u>25</u>
	<u>(29)</u>	<u>(42)</u>	<u>936</u>	<u>100</u>
Income (loss) before non-controlling interests	(41)	(52)	1,123	(18)
Non-controlling interests	<u>17</u>	<u>36</u>	<u>64</u>	<u>93</u>
Net income (loss)	\$ (58)	\$ (88)	\$ 1,059	\$ (111)
Basic earnings (loss) per share (Note 11)	\$ (0.001)	\$ (0.002)	\$ 0.028	\$ (0.003)
Diluted earnings (loss) per share (Note 11)	\$ (0.001)	\$ (0.002)	\$ 0.027	\$ (0.003)

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Cash Flows For the Periods then Ended (000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Cash obtained from (used for):				
Operating activities				
Net income (loss)	\$ (58)	\$ (88)	\$ 1,059	\$ (111)
Items not affecting cash:				
Amortization (see cash flow supplemental)	2,182	1,593	4,181	3,035
Gain on disposal of income producing properties	-	-	(1,917)	-
Stock option compensation	9	8	17	5
Interest relating to debenture accretion	20	32	47	65
Non-controlling interests	17	36	64	93
Future income taxes	(64)	(80)	881	25
	<u>2,106</u>	<u>1,501</u>	<u>4,332</u>	<u>3,112</u>
Tenant acquisition costs	(1,272)	(3,040)	(4,936)	(3,564)
Change in non-cash working capital (see cash flow supplemental)	877	794	292	(2,243)
	<u>1,711</u>	<u>(745)</u>	<u>(312)</u>	<u>(2,695)</u>
Financing activities				
Decrease in bank indebtedness	-	(13)	-	(69)
Increase (decrease) in notes payable	(266)	121	(405)	(123)
Issue of common shares, pursuant to employee option agreements	275	23	275	31
Dividends paid to non-controlling interests	(44)	(124)	(226)	(249)
Dividends paid to shareholders	(1,038)	(868)	(1,959)	(1,554)
Proceeds from bonds and debentures	5,000	7,500	6,326	7,500
Proceeds from mortgage financing	7,229	6,516	25,230	25,729
Mortgage repayments at maturity	(4,458)	(9,198)	(16,010)	(18,331)
Mortgage principal repayments	(594)	(457)	(1,087)	(843)
	<u>6,104</u>	<u>3,500</u>	<u>12,144</u>	<u>12,091</u>
Investing activities				
Acquisitions, developments and re-developments	(6,087)	(5,273)	(10,679)	(11,768)
Net proceeds from disposal of property	-	-	2,521	-
Increase in investment in non-consolidated partnerships and trusts	(2,178)	(90)	(2,504)	(90)
Decrease (increase) in deposits on properties	201	130	(403)	(5)
Decrease in mortgage receivable	-	5,050	-	5,050
Increase in deferred charges	(386)	(179)	(823)	(218)
	<u>(8,450)</u>	<u>(362)</u>	<u>(11,888)</u>	<u>(7,031)</u>
Net increase (decrease) in cash and cash equivalents	(635)	2,393	(56)	2,365
Cash and cash equivalents, beginning of the period	<u>1,568</u>	<u>1,151</u>	<u>989</u>	<u>1,179</u>
Cash and cash equivalents, end of the period	\$ 933	\$ 3,544	\$ 933	\$ 3,544

See accompanying notes to the consolidated financial statement

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended April 30, 2006 and 2005

1) Investing in Properties and Equipment

a) Cash and Non-Cash Additions

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Gross additions from property acquisitions, developments, and re-developments	\$ 7,359	\$ 8,313	\$ 15,615	\$ 16,597
Less: Assumed mortgages	-	-	-	(1,045)
Assumed working capital deficiency	-	-	-	(220)
Cash additions to income producing properties and intangible	7,359	8,313	15,615	15,332
Less: total tenant acquisition costs (operating activity)	(1,272)	(3,040)	(4,936)	(3,564)
Cash additions from property developments, re-developments	\$ 6,087	\$ 5,273	\$ 10,679	\$ 11,768

b) Acquisitions

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Real estate assets				
Land	\$ -	\$ -	\$ -	\$ 471
Building	-	-	-	764
Tenants acquisition costs	-	-	-	77
Net intangible assets	-	-	-	244
Less: Intangible liabilities	-	-	-	(3)
	-	-	-	1,553
Net liabilities				
Net working capital deficiency (surplus)	-	-	-	(31)
Future income tax liability	-	-	-	251
Assumed mortgage	-	-	-	1,045
	-	-	-	1,265
Net assets acquired, funded from cash	\$ -	\$ -	\$ -	\$ 288

2) Mortgage Financing

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Gross mortgage proceeds	\$ 7,229	\$ 6,516	\$ 25,230	\$ 26,774
Less: Assumed mortgages	-	-	-	(1,045)
Cash received from new mortgage financing	\$ 7,229	\$ 6,516	\$ 25,230	\$ 25,729

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended April 30, 2006 and 2005

3) Mortgage Repayments

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Gross mortgage repayments	\$ 5,053	\$ 9,655	\$ 17,097	\$ 24,224
Less: mortgage bonds assigned	-	-	-	(5,050)
mortgages paid out	(4,459)	(9,198)	(16,010)	(18,331)
Regular mortgage principal repayments	\$ 594	\$ 457	\$ 1,087	\$ 843

4) Dividends

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Dividends declared during the period	\$ 1,250	\$ 932	\$ 2,446	\$ 1,851
Adjustment for accrued dividends	(54)	(13)	(287)	(206)
Dividends paid	1,196	919	2,159	1,645
Dividend re-investment through share subscriptions	(158)	(51)	(200)	(91)
Dividends paid in cash	\$ 1,038	\$ 868	\$ 1,959	\$ 1,554

5) Debentures Converted to Share Capital

(000's) (except per share amounts)		3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Series I debentures converted to share capital	Face value	\$ 120	\$ 150	\$ 220	\$ 1,950
	Conversion	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
	Shares issued	120	150	220	1,950
Series II debentures converted to share capital	Face value	\$ 1,130	\$ 350	\$ 1,780	\$ 1,400
	Conversion	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
	Shares issued	942	292	1,484	1,167
Series III debentures converted to share capital	Face value	\$ 800	\$ -	\$ 2,279	\$ -
	Conversion	\$ 1.60	\$ -	\$ 1.60	\$ -
	Shares issued	500	-	1,424	-
Total debentures converted to share capital		\$ 2,050	\$ 500	\$ 4,279	\$ 3,350
Total shares issued		1,562	442	3,128	3,117

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended April 30, 2006 and 2005

6) Amortizations

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Amortization of income producing properties	\$ 865	\$ 566	\$ 1,571	\$ 1,134
Amortization of tenant acquisition costs	978	832	1,906	1,546
Amortization of intangible assets (except above/below market tenant leases)	216	131	502	243
Amortization of other deferred charges	20	33	53	81
Amortization expense per the Statement of Income (Loss)	2,079	1,562	4,032	3,004
Amortization of deferred financing charges (included with financing costs)	110	80	203	138
Amortization of above/below market tenant leases (included with revenue)	(60)	(49)	(129)	(107)
Amortization of deferred recoverable expenses (included with operating expenses)	53	-	75	-
Total amortizations charged to income	\$ 2,182	\$ 1,593	\$ 4,181	\$ 3,035

7) Interest

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Cash interest paid	\$ 2,705	\$ 2,093	\$ 5,346	\$ 4,441

8) Income and Capital Taxes

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Cash income and capital tax paid	\$ 82	\$ 126	\$ 221	\$ 594

9) Changes in Non-Cash Working Capital

(000's)	3 Months Ended April 30, 2006	3 Months Ended April 30, 2005	6 Months Ended April 30, 2006	6 Months Ended April 30, 2005
Receivables	\$ (1,045)	\$ (1,246)	\$ (1,386)	\$ (712)
Prepaid expenses	(1,836)	(938)	(1,713)	(716)
Accounts payable and accrued liabilities	3,684	2,939	3,284	(525)
Income taxes payable	74	39	107	(290)
Total cash from change in non-cash working capital	\$ 877	\$ 794	\$ 292	\$ (2,243)

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended April 30, 2006 and 2005

10) Gain on Sale of Income Producing Properties

For the 6 month period ended April 30, 2006 the Company disposed of land, surplus to the development of income producing properties in Miramichi and Oromocto for proceeds of \$2,521 thousand resulting in a gain on disposal of \$1,917 thousand.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

1. Nature of Operations

The Company operates a retail real estate ownership and development business in Quebec and the Atlantic Provinces. The Company was incorporated under the New Brunswick Business Corporations Act on February 2, 1999. On December 11, 2002 the Company amended its articles of incorporation to become a Mutual Fund Corporation as defined in the Income Tax Act of Canada.

2. Basis of Presentation

The Company's accounting policies and its standards of financial disclosure are in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants (CICA), the more significant policies of which are described below.

a) Interim Financial Statements

The interim financial statements follow the same accounting policies and methods of their application as the October 31, 2005 annual audited financial statements.

In the opinion of the Company the accompanying consolidated financial statements contain all the adjustments necessary to present fairly the financial position as of April 30, 2006, and October 31, 2005, and the results of operations for the six months ended April 30, 2006 and 2005 and the changes in cash flows for the six months ended April 30, 2006 and 2005. While the Company believes that disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the year ended October 31, 2005.

The results of operations for the six months ended April 30, 2006 are not necessarily indicative of the results for the full year and are influenced by seasonal cost variances on properties with fixed common cost recovery formulas. The term "period" or "in the period" when used herein means the six month period then ended.

b) Principles of Consolidation

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures in accordance with the pronouncements of CICA 1590, 3051, 3055, and after November 1, 2004 the provisions of Accounting Guideline #15 (Consolidation of Variable Interest Entities).

The chart below details the Company's accounting treatment of indirect investments and co-ownership in real estate assets.

	Ownership Interest	
	April 30, 2006	October 31, 2005
<u>Accounting Method – Consolidation</u>		
Exhibition Plaza Inc. ⁽¹⁾	55%	55%
MDO Commercial Trust	100%	100%
Centre Commercial Plaza Theriault ⁽²⁾	100%	100%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
Tacoma Plaza Limited Partnership	100%	100%
Commercial Street Plaza Trust	100%	100%
Plazacorp Real Estate Investment Trust	100%	100%
Plazacorp Retail Limited Partnership #1	100%	100%
Plazacorp Master Limited Partnership	100%	100%
Plaza LPC Commercial Trust	100%	100%

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

	Ownership Interest	
	April 30, 2006	October 31, 2005
<u>Accounting Method – Proportionate Consolidation</u>		
Les Galeries Montmagny, QC	50%	50%
University, PE	43%	43%
Societe en Commandite RBEG Limited Partnership, QC	50%	50%
Bureau en Gross, QC	50%	50%
Terrance Dufferin, QC	50%	50%
Carrefour des Seigneurs, QC	25%	25%
Les Promenades St-Francois, QC	50%	50%
Staples Plaza – Woodlawn, NS	50%	50%
Lansdowne Place, NB	50%	50%
201 Chain Lake Drive, NS	50%	50%
209 Chain Lake Drive, NS	50%	50%
Fundy Retail Ltd.	50%	50%
<u>Accounting Method – Equity</u>		
Centennial Plaza Limited Partnership	10%	10%
MDO Limited Partnership	20%	20%
Trois Riviere Limited Partnership	15%	15%
Village Shopping Centre Limited Partnership	20%	-
<u>Accounting Method – Cost</u>		
Northwest Plaza Commercial Trust	10%	10%

(1) On November 1, 2005 SCA Plaza Inc. and McAllister Drive Plaza Inc. were amalgamated with Exhibition Plaza Inc.

(2) On March 31, 2006 assets of Centre Commercial Theriault Inc. were wound up into Plazacorp Retail Properties Ltd.

c) Financial instruments

The estimated fair value of the Company's long-term debt including mortgage payable, mortgage bonds payable, unsecured debentures payable, convertible debentures (debt portion), and notes payable is based on the values derived using current interest rates for each related instrument with similar terms and conditions. As at April 30, 2006 the fair value of the Company's long-term debt exceeds the recorded value by \$3.8 million (fair value exceeded recorded value by \$5.6 million at October 31, 2005).

The Company's fair value of the exposure from mortgage guarantees is not readily determinable (Note 14c).

3. Income Producing Properties

(000's)	April 30, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 27,244	\$ -	\$ 27,244	\$ 24,155	\$ -	\$ 24,155
Buildings	114,495	(12,262)	102,233	104,763	(10,865)	93,898
Tenant acquisition costs	33,974	(10,589)	23,385	29,610	(9,254)	20,356
Furnishings and equipment	694	(355)	339	636	(319)	317
Parking lot	2,662	(981)	1,681	2,660	(875)	1,785
Properties under development	10,478	-	10,478	13,315	-	13,315
Total	\$ 189,547	\$ (24,187)	\$ 165,360	\$ 175,139	\$ (21,313)	\$ 153,826

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

During the period the Company capitalized \$275 thousand of interest and \$34 thousand of operational losses from properties under development to the cost of land or buildings (for the year ended October 31, 2005 – \$845 thousand and \$112 thousand respectively).

4. Receivables

Receivables consist of the following:

(000's) As at	April 30, 2006	October 31, 2005
Tenant accounts receivables	\$ 1,354	\$ 211
Straight-line rent receivable	1,690	1,434
Other	646	659
Total receivables	\$ 3,690	\$ 2,304

5. Deferred Charges

Deferred charges consist of the following:

(000's)	April 30, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred finance charges	\$ 3,767	\$ (1,338)	\$ 2,429	\$ 3,170	\$ (1,124)	\$ 2,046
Other deferred charges	895	(357)	538	672	(243)	429
Total deferred charges	\$ 4,662	\$ (1,695)	\$ 2,967	\$ 3,842	\$ (1,367)	\$ 2,475

Included with financing costs is \$203 thousand (2005 - \$402 thousand) of amortization expense relating to deferred finance charges. Included with amortization is \$53 thousand (2005 – \$100 thousand) of amortization expense relating to other deferred charges.

6. Intangible Assets and Below Market Leases

Intangible assets represent the un-amortized costs of acquired above-market tenant leases the value of in-place tenant leases and the value of existing tenant relationships for income producing properties acquired after September 12, 2003 as follows:

(000's)	April 30, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Above market leases	\$ 249	\$ (73)	\$ 176	\$ 277	\$ (59)	\$ 218
Value of in place leases	2,220	(709)	1,511	2,548	(662)	1,886
Tenant relationships	1,894	(217)	1,677	1,916	(111)	1,805
Total intangible assets	\$ 4,363	\$ (999)	\$ 3,364	\$ 4,741	\$ (832)	\$ 3,909

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

Below market leases represent the un-amortized cost of acquired below-market tenant leases for income producing properties acquired after September 12, 2003 as follows:

(000's)	April 30, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market leases	\$ 1,256	\$ (477)	\$ 779	\$ 1,380	\$ (430)	\$ 950

7. Mortgages Payable

(000's)	Average Rate	Maturity Dates	April 30, 2006	October 31, 2005
Fixed rate loans	6.57%	Up to Apr 2020	\$ 103,512	\$ 87,501
Other fixed rate loans	9.65%	Dec 2009	6,034	6,085
Variable rate loans – regular	Prime plus 0.75%	Oct 2006	1,003	1,020
Variable rate loan – construction line of credit	Prime plus 0.625%	Apr 2007	7,229	15,039
Total mortgages payable			\$ 117,778	\$ 109,645

8. Mortgage Bonds Payable

Mortgage bonds payable of \$17.525 million are secured by property of the Company as follows:

(000's)	April 30, 2006				October 31, 2005
	Series I	Series II	Series III	Total	
Mortgage Bonds					
Champlain Plaza, Dieppe, NB, 2 nd Mortgage	\$ -	\$ -	\$ -	\$ -	\$ 952
Starrs Road Plaza, Yarmouth, NS, 1 st & 2 nd Mortgage	2,525	633	-	3,158	3,153
Madawaska Road Plaza, Grand Falls, NB, 2 nd Mortgage	-	478	-	478	454
UAS Plaza, PE, 1 st Mortgage	-	2,391	90	2,481	-
Main Place, Fredericton, NB, 2 nd Mortgage	-	667	-	667	667
912 East River Plaza, New Glasgow, NS, 2 nd Mortgage	-	-	-	-	245
315 Main Street Plaza, Antigonish, NS, 2 nd Mortgage	-	-	-	-	1,178
MBD Plaza, Saint John, NB, 2 nd Mortgage	-	1,626	-	1,626	1,626
Pleasant Street Plaza, Yarmouth, NS, 2 nd Mortgage	-	976	-	976	1,906
Miramichi Power Center-Phase 1, Miramichi, NB, 2 nd Mortgage	-	-	-	-	1,392
St. Peters Street, Bathurst, NB, 1 st Mortgage	-	875	115	990	824
Crown Street, Saint John, 1 st Mortgage	-	483	491	974	98
Miramichi Power Center-Phase 2, Miramichi, NB, 1 st Mortgage	-	983	96	1,079	30
St. Anne Street, Bathurst, B, 1 st & 2 nd Mortgage	-	329	84	413	-
Kings Road, Sydney Rive, NS, 1 st Mortgage	-	559	-	559	-
Kenmount Road, St John's, NL, 1 st Mortgage	-	-	1,624	1,624	-
Mortgage bonds secured	2,525	10,000	2,500	15,025	12,525
Cash held in segregated accounts	-	-	2,500	2,500	-
Mortgage bonds outstanding	\$ 2,525	\$ 10,000	\$ 5,000	\$ 17,525	\$ 12,525

Series I, Series II, and Series III mortgage bonds pay interest at 12%, 8.5%, and 8% per annum, and mature June 20, 2008, March 31, 2010 and May 2011 respectively.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

9. Debentures Payable

Debentures payable consist of the following:

		April 30, 2006			October 31, 2005	
(000's)						
Debentures	Maturity Date	Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series 1	April 30, 2008	9.5%	\$ 590	\$ 25	\$ 803	\$ 34
Series 2	October 31, 2008	9.5%	1,018	43	2,748	116
Series 3	April 30, 2009	8.5%	7,177	332	9,350	436
Total convertible debentures			8,785	400	12,901	586
Non convertible subordinate	July 31, 2010	8.0%	5,159	-	3,833	-
Total			\$ 13,944	\$ 400	\$ 16,734	\$ 586

Convertible debenture terms are as follows:

	Series I	Series II	Series III
Conversion price	\$1.00	\$1.20	\$1.60
First redemption date	May 1, 2006	November 1, 2006	May 1, 2007
Maturity date	April 30, 2008	October 31, 2008	April 30, 2009
Face value outstanding, April 30, 2006 (000's)	\$600	\$1,040	\$7,371

Convertible debentures may only be redeemed during the year immediately following the first redemption date if the share price of the Company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date. If the convertible debentures are redeemed in shares, the holder will receive shares equal to the principal amount maturing divided by 95% of the then current market price of the common shares.

10. Income Taxes

As at October 31, 2005, the Company had income tax loss carry-forwards in the amount of \$4.63 million, expiring as follows:

(000's)	Amount
2012	\$ 2,231
2013	303
2014	2,100
Total	\$ 4,634

The income tax benefit of these losses has been recognized in the financial statements by reducing the future income tax liability arising from the difference between the tax and book values of income producing properties and other assets.

As a mutual fund corporation, the Company is entitled to a refund of taxes paid in respect of realized capital gains upon payment of sufficient dividends to affect a refund. The Company has recognized a refund receivable of \$108 thousand as at April 30, 2006 (October 31, 2005 - \$108 thousand).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

11. Share Capital

a) Authorized

The Company has authorized an unlimited number of preferred shares and an unlimited number of common voting shares.

b) Issued and Outstanding

(000's)	April 30, 2006		October 31, 2005	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the period	36,684	\$ 22,679	32,288	\$ 17,685
Issuance of common shares:				
Shares issued through exercise of options	162	284	87	76
Shares issued through dividend re-investment plan	86	200	110	205
Shares issued through debt conversion				
- face value debentures	3,128	4,279	4,199	4,660
- accumulated interest accretion	-	70	-	53
Common shares outstanding, end of the period	40,060	\$ 27,512	36,684	\$ 22,679

As at April 30, 2006, 612 thousand shares (October 31, 2005 - \$3.1 million shares) are subject to escrow provisions and hold periods that expire on various dates up to September 2006.

Pursuant to the Company's Dividend Re-Investment Plan, during the period ended April 30, 2006, shareholders were issued 86 thousand shares at a weighted average price of \$2.33 per share (for the year ended October 31, 2005 - \$110 thousand shares at a weighted average of \$1.86 per share).

c) Earnings per Share

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation.

A reconciliation between the weighted average number of shares used to calculate basic and diluted earnings per share is as follows:

(000's)	3 Months	3 Months	6 Months	6 Months
	Ended	Ended	Ended	Ended
For the Periods then Ended	April 30,	April 30,	April 30,	April 30,
	2006	2005	2006	2005
Weighted average number of shares	39,703	35,350	38,443	34,454
Effect of dilutive stock options	441	145	402	144
Effect of dilutive debenture conversions	-	-	600	-
Weighted average number of diluted shares	40,144	35,495	39,445	34,598
Net income (loss), net of income tax	\$ (58)	\$ (88)	\$ 1,059	\$ (111)
Diluted net income (loss), net of income tax	\$ (58)	\$ (88)	\$ 1,076	\$ (111)

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

12. Stock Options

The Company has a stock option plan whereby directors and certain employees of the Company or its affiliates may be granted stock options at an exercise price not less than 100% of the market value on the date of grant.

On August 31, 2001, the Company granted and issued 400 thousand stock options to employees. These options have an exercise price of \$0.75 and are fully vested and detailed herein as Series II options. During 2005 the Company granted options for 1,615 thousand shares to both directors (255 thousand shares) and employees (1,360 thousand shares) and are detailed herein as Series III options. Series III options vest equally in January 2006, January 2007, and January 2008. During 2006 the Company granted options for 100 thousand shares to employees and are detailed herein as Series IV Options. Series IV options vests equally in April 2007, April 2008, and April 2009.

A summary of the common share options outstanding is as follows:

(000's)	Directors Options		Employees Options	
	2006	2005	2006	2005
For the Six Months Ended April 30, 2006 and the Year Ended October 31, 2005				
Options outstanding, start of the period	255	-	1,391	144
Options granted	-	255	100	1,360
Options expired	-	-	-	(25)
Options exercised	(85)	-	(77)	(88)
Options outstanding, end of the period	170	255	1,414	1,391

Details of options outstanding are as follows:

(000's) – Except exercise price

	Exercise Price	# of Options	Expiry Date	# of Options Exercisable
Series II	\$0.75	25	August 3, 2006	25
Series III	\$1.72	1,439	February 3, 2010	382
Series III	\$1.85	20	April 15, 2010	-
Series IV	\$2.75	100	April 12, 2011	-

The Company recorded \$17 thousand in compensation expense related to stock options for the six months ended April 30, 2006 (year ended October 31, 2005 – \$20 thousand).

The amount of compensation expensed in prior years for Series II options not exercised at the end of the period is \$3 thousand (October 31, 2005 - \$4 thousand). The amount of compensation expensed in the current period for Series III options not exercised at the end of the period is \$29 thousand (October 31, 2005 - \$23 thousand). The amount of compensation expensed in the current period from Series IV options not exercised at the end of the period is \$2 thousand (October 31, 2005 – nil). The cumulative amount of \$34 thousand (October 31, 2005 - \$27 thousand) is accounted for as Contributed Surplus.

The weighted average fair value of all options vesting during the period was determined on the grant date using the Black-Scholes model with the following assumptions at the grant date:

	Series II	Series III	Series IV
Expected life of options	5 years	5 years	5 years
Volatility	18%	16%	17%
Risk free rate of return	5.4%	3.58%	4.34%
Dividend rate	0%	6.10%	4.55%

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

13. Related Party Transactions

Plaza Atlantic Limited (the "Property Manager"), a private Corporation wholly owned by some of the Company's directors, namely Earl Brewer, Michael Zakuta, and Paul Leger, a former director, is engaged to act as the Company's Property Manager. The Property Manager is responsible for all property management functions including leasing, operations and maintenance, and also assists the Company on acquisition, financing, development activities and other management decisions.

The basis of fee payment under the management agreement is as follows:

Property Management	4% of gross rents paid.
Acquisitions	2% of the purchase price of assets.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Leasing Fees	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for year's six to ten of a lease term. Leasing fees for renewal are at 50% of the above.
Development Fees	4% of costs of construction on development projects.
Construction Management Fees	10% of tenant improvement costs on non-development projects.
Financing Fees	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Legal Services	Cost recovery basis, currently \$130 per hour.

Fees charged by the Property Manager are as follows:

(000's)		For the Six Months Ended	
		April 30,	
Fee Category	Included for Reporting Purposes In	2006	2005
Management fees	Property operating expenses	\$ 609	\$ 705
Leasing fees	Tenant acquisition costs	676	759
Development fees	Income producing properties	231	400
Financing fees	Deferred charges	225	43
Acquisition fees	Income producing properties	142	-
Brokerage fees	Tenant acquisition costs	94	-
Legal services	Property acquisition cost and general administrative	140	-
Total fees billed by the Property Manager		\$ 2,117	\$ 1,907

The Directors own directly or indirectly mortgage bonds, subordinated debentures, and convertible debentures of the Company, purchased at various times at the face value, as follows:

(000's)	Related Party	As at	
		April 30, 2006	October 31, 2005
	Richard Hamm, Director	\$ 325	\$ 775
	Michael Zakuta, Director	875	1,749
	Edouard Babineau, Director	400	700
	Earl Brewer, Director	520	820
	Stephen Johnson, Director	1,125	1,125
	Barbara Trenholm, Director	100	100
Total related party mortgage bonds and debentures held		\$ 3,345	\$ 5,269

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

For the six months ended April 30 2006, Series II debentures were converted by Directors of the Company or companies owned and controlled by Director, Richard Hamm (\$250 thousand) resulting in the issuance of 208 thousand shares.

For the six months ended April 30, 2006, Series III debentures were converted by Directors of the Company, or companies owned and controlled by Directors, Michael Zakuta (\$874 thousand), Earl Brewer (\$300 thousand), and Richard Hamm (\$200 thousand), and Ed Babineau (\$500 thousand) resulting in the issuance of 1.2 million shares.

TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer purchased the land underlying V8 Plaza, New Glasgow, NS subject to a ground lease to Plazacorp, and is now the lessor under the lease at an annual rent of \$87 thousand and entered into a land lease with the Company on the Conception Bay South property with an annual rent of \$109 thousand.

Two directors directly or beneficially through companies they control share interests in common with the Company having a 50% interest in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

As at April 30, 2006 \$882 thousand (October 31, 2005 - \$939 thousand) in interest bearing notes and \$85 thousand (October 31, 2005 - \$262 thousand) in non-interest bearing notes amounts were owed to Les Immeuble Plaza Z Corp Inc., a company controlled by Michael Zakuta, a director of the Company.

14. Contingencies, Commitments, Guarantees and Indemnities

a) Letters-of-Credit

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures September 30, 2006. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. As at April 30, 2006, \$450 (October 31, 2005 - \$450 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

b) Commitments

The Company's estimated commitments in respect of certain projects under development and other long-term obligations are as follows:

(000's)						After 5	
Contractual Obligations	2007	2008	2009	2010	2011	Years	Total
Mortgages	\$ 13,008	\$ 2,449	\$ 10,405	\$ 10,243	\$ 5,230	\$ 76,441	\$117,776
Bonds and debentures	-	600	10,936	10,000	10,159	-	31,695
Operating land leases ⁽¹⁾	1,402	1,409	1,433	1,462	1,472	24,576	31,754
Development activities	24,082	-	-	-	-	-	24,082
Other long-term obligations	450	-	-	-	-	-	450
Total contractual obligations	\$ 38,942	\$ 4,458	\$ 22,774	\$ 21,705	\$ 16,861	\$ 101,017	\$205,757

(1) Operating leases expire on dates ranging from 2011 to 2065 with renewal options ranging from 10 to 60 years

c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. The Company has recourse under these guarantees in the event of default by the purchaser, in which case the Company would have a claim against the underlying property. The estimated amount of the debt subject to such guarantees at April 30, 2006 is \$8.2 million (October 31, 2005 - \$8.3 million) with an estimated weighted average remaining term of 6.4 years (October 31, 2005 - 6.9 years).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is \$3.6 million. Plazacorp indemnifies its co-venturer in respect of the cross default provisions through the co-ownership agreements governing Lansdowne Place, Staples Plaza Dartmouth and Les Promenades St. Francois including cross-default provisions in support of this indemnity.

The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan. As at April 30, 2006 the total exposure on this cross-guarantee is \$820 thousand (October 31, 2005 - \$834 thousand).

The Company has provided an unlimited indemnity related to certain matters, principally environmental, in relation to a mortgage granted to Centennial Plaza Limited Partnership.

The fair value of the Company's exposure from mortgage guarantees is not readily determinable.

15. Litigation

Plazacorp is involved in litigation and claims in relation to its income producing properties from time-to-time. In Management's opinion, any liability that may arise from such litigation would not have a significant adverse effect on these financial statements.

16. Risk Management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the action taken to manage them are as follows:

a) Interest Rate Risk

Interest rate risk arises for every 100 basis points increase to interest rates, it would increase interest expense and decrease pre-tax earnings in the annual amount of \$1.49 million.

The Company minimizes their exposure to interest credit risk by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. Whenever possible the Company also locks into long term fixed mortgage contracts.

b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The Company also initiates thorough credit assessments on all new leasing.

The Company is also subjected to risk from borrowers defaulting on the repayment of their mortgages. The Company ensures that adequate security is provided to support all mortgage receivables.

17. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Periods Ended April 30, 2006 and October 31, 2005

18. Subsequent Events

Between April 30, 2006 and June 26, 2006 the following material activities have taken place:

Debentures & mortgage bonds

- 1) \$500,000 of Series I convertible debentures were converted to shares and 500,000 shares were issued;
- 2) \$600,000 of Series II convertible debentures were converted to shares and 500,000 shares were issued;
- 3) The Company issued \$2.5 million of Series III mortgage bonds maturing July 2011 and redeemed \$2.53 million of Series I mortgage bonds; and,
- 4) The Company issued \$1.3 million of Series IV 7%, \$4.00 convertible debentures maturing July 31, 2011.

Acquisition and sales

The company purchased land in Bay Roberts, NL, St. John's, NL, Edmundston, NB, and St. Catharines, ON, for future development for a total investment of \$5.9 million.

Disposed of land surplus to development at Grand Falls for \$1.5 million to a national retailer.

Purchased \$5.9 million of Government of Canada bonds and pledged these bonds as a substitute of security for the repayment of a mortgage secured by the Grand Falls mall.

Financing

The Company obtained long-term financing totalling \$3.05 million on two properties at an average rate of 5.64%.

19. Involvement of Company's Auditors

The Company's auditors have not reviewed these interim consolidated financial statements.