QUARTERLY REPORT

MANAGEMENT DISCUSSION AND ANALYSIS
OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, IN CANADIAN DOLLARS)

FOR THE SIX MONTHS ENDED
JUNE 30, 2013 AND 2012

DATED: AUGUST 9, 2013

TABLE OF CONTENTS

PART I

Basis of Presentation.. 1
Forward-Looking Disclaimer 1
Explanation of Non-GAAP Measures Used in this Document 1
Explanation of Additional GAAP measures Used in this Document 2
Accounting Changes....2
Overview of the Business. 2
Business Environment. 3
Strategy 3
Significant Events During 2013. 4

PART II

Key Performance Drivers and Indicators 5
Property and Corporate Performance 2013 and 2012 7
Outlook 15

PART III

Summary of Selected Quarterly Performance 17

PART IV

Operating Liquidity and Working Capital 18
Capital Resources, Equity and Debt Activities 18
Commitments and Contingent Liabilities 21

PART V

Risks and Uncertainties 22

PART VI

Related Party Transactions 23
Disclosure Controls and Procedures and Internal Controls Over Financial Reporting 25
Critical Accounting Policies 25
Future Accounting Policy Changes 25
Additional Information 26
Properties of the Company 26

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 27

PART I

BASIS OF PRESENTATION

Financial information included in this Management Discussion and Analysis ("MD&A") includes material information up to August 9, 2013. Financial information provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using International Accounting Standard 34 with respect to quarterly information.

This MD&A has been reviewed and approved by management of the Company and the Audit Committee on behalf of the Board of Directors.

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 six months ended June 30, 2013 should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements and the notes thereto for the six months ended June 30, 2013 and 2012, along with the MD&A for the year ended December 31, 2012, including the section on "Risks and Uncertainties". 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, capital market, and competitive real estate conditions. These forward-looking statements are made as of August 9, 2013 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, required further explanation to avoid being misleading.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

Funds from Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit (loss) for the period attributable to shareholders on page 7). Plazacorp considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a company's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and some entities use the fair value model to account for investment properties).

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream (see reconciliation to FFO on page 8). Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Plazacorp, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Company's ability to service debt. Its calculation is profit before finance costs, income tax

expense, gains/losses on property dispositions, unrealized change from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps.

FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

EXPLANATION OF ADDITIONAL GAAP MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Company includes NOI as an additional IFRS measure in its consolidated statement of comprehensive income. NOI as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. Plazacorp considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of comprehensive income (property revenues less total property operating costs, including operating ground rents).

ACCOUNTING CHANGES

Effective January 1, 2013, the Company implemented a new accounting standard issued - IFRS 11, "Joint Arrangements". The new standard required the Company to evaluate its interests in joint arrangements. Based on the evaluation, the Company determined that a number of its joint arrangements are considered "joint ventures" under the new standard and have therefore now been accounted for using the equity method instead of proportionate consolidation. Prior periods have been restated for this change in accounting policy in accordance with the requirements of the new standard. As a result of this new standard, approximately $26.3 million of gross assets and approximately $14.2 million of gross liabilities were reclassified and netted to investments on the statement of financial position at December 31, 2012. There was no impact to net income, however, certain revenues and expenses had to be reclassified and recorded as share of profit of associates. Comparative discussions throughout this MD&A have been restated for this change in accounting policy.

OVERVIEW OF THE BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the TSX Venture Exchange (PLZ) on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation and retains that status. On July 2, 2013, the Company graduated its listing from the TSX Venture Exchange to the TSX. Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops unenclosed and enclosed retail real estate throughout Canada, which are predominantly occupied by national tenants. The Company's developments are generally focused in Eastern Canada. The Company's portfolio at June 30, 2013 includes interests in 346 properties totaling 6.4 million square feet and additional lands held for development. These include properties directly held by Plazacorp, its subsidiaries and through joint arrangements.

Summary of Properties

	Number of Properties June 30, 2013[1]	**Gross Leasable Area (sq. ft.) June 30, 2013[1] [2]**	Number of Properties June 30, 2012[1]	Gross Leasable Area (sq. ft.) June 30, 2012[1] [2]
Alberta	**15**	**111,397**	-	-
British Columbia	**6**	**10,442**	-	-
Newfoundland and Labrador	**10**	**621,726**	10	620,644
New Brunswick	**47**	**1,595,481**	37	1,556,292
Nova Scotia	**39**	**1,157,715**	22	1,008,824
Manitoba	**8**	**34,524**	-	-
Ontario	**107**	**743,380**	14	259,087
Prince Edward Island	**10**	**493,053**	8	426,271
Quebec	**103**	**1,662,824**	26	1,211,150
Saskatchewan	**1**	**5,000**	-	-
Total	**346**	**6,435,542**	117	5,082,268

[1] Includes properties under development and non-consolidated investments.
[2] At 100%, regardless of the Company's ownership interest in the properties

BUSINESS ENVIRONMENT

The principal regions in which we operate continue to exhibit stability in retailer demand for space and in consumer spending. Our strategy is to develop or acquire properties tenanted primarily by national retailers, with a focus on retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is currently approximately 90% occupied by national retailers, providing investors with stable cash flow.

Yearly Dividend Growth

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	Aug 2011	2012	2013
Dividend per share annually	8.0¢	8.75¢	10.5¢	12.5¢	15.0¢	17.5¢	18.5¢	19.25¢	20.25¢	21.0¢	21.5¢	22.5¢
Percentage increase	n/a	9.4%	20.0%	19.0%	20.0%	16.7%	5.7%	4.1%	5.2%	3.7%	2.4%	4.7%

Plazacorp has a proven history of dividend growth, having increased its dividend eleven times over the past ten years. Plazacorp began paying dividends in November 2002. Plazacorp's first full year of dividends began in 2003.

The capital markets continue to be good for financing through both debt and equity. Long-term debt financing is available at historically competitive rates with long amortization periods and long terms.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a diversified portfolio of retail properties. To achieve this goal the Company's Board of Directors has set acquisition and development criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates and assuming a 25 year amortization period.

The Company strives to:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions and new developments;
- acquire or develop properties at a cost that is consistent with the Company's targeted returns on investment;
- maintain high occupancy rates on existing properties while sourcing tenants for properties under development and future acquisitions; and
- diligently manage its properties to ensure tenants are able to focus on their businesses.

The Company invests in the following property types:

- new properties developed on behalf of existing clients or in response to demand;
- well located but significantly amortized shopping malls and strip plazas to be redeveloped; and
- existing properties that will provide stable recurring cash flows with opportunity for growth.

Management intends to achieve Plazacorp's goals by:

- acquiring or developing high quality properties with the potential for increases in future cash flows;
- focusing on property leasing, operations and delivering superior services to tenants;
- managing properties to maintain high occupancies and staggering lease maturities appropriately;
- increasing rental rates when market conditions permit;
- achieving appropriate pre-leasing prior to commencing construction;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- matching, as closely as practical, the weighted average term to maturity of mortgages to the weighted average lease term;
- retaining sufficient capital to fund capital expenditures required to maintain the properties well;
- raising capital where required in the most cost-effective manner; and
- periodically reviewing the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

SIGNIFICANT EVENTS DURING 2013

Acquisition of KEYreit

The Company completed the acquisition of 100% of the issued and outstanding units of KEYreit, a real estate investment trust previously listed on the TSX. KEYreit unitholders had the option to tender their units for either $8.35 per unit in cash, subject to a maximum aggregate cash amount of $62.1 million, 1.7041 shares of the Company, or any combination thereof, subject to proration. The bid expired on May 16, 2013, at which time 13,288,370 units of KEYreit were tendered (or approximately 88.5% of the then issued and outstanding units of KEYreit) and taken up by the Company. The Company then effected a subsequent acquisition transaction on June 26, 2013 in order to acquire all of the remaining units of KEYreit. All of the issued and outstanding units of KEYreit, being 15.0 million units were purchased by the Company through the payment of $62.1 million in cash and the issuance of 12.9 million shares of the Company, for total consideration of $121.9 million. As part of the transaction, the asset management and property management agreements with JBM Properties Inc. (a company owned by the former CEO of KEYreit, John Bitove) were terminated. The Company funded the cash portion of the transaction with a secured bridge facility. The acquisition has been accounted for as an asset acquisition and not as a business combination, as no key strategic processes of KEYreit were acquired. The share consideration issued in the transaction has been valued in reference to the fair value of the units of KEYreit acquired.

Plazacorp believes that this transaction is attractive for the following reasons:

- The acquisition is estimated to immediately deliver high single digit percentage accretion to Plazacorp's AFFO per share, largely as a result of anticipated synergies because of Plazacorp's internalized management team. Given the higher coupon rates on many of KEYreit's mortgages and its convertible debentures, management believes that many favourable refinancing opportunities will exist over time, which are expected to augment AFFO per share accretion.
- KEYreit's properties are compatible with Plazacorp's portfolio.
- The integration of KEYreit’s properties has enhanced the geographic diversification of Plazacorp, giving the Company a higher weighting in Ontario and Quebec than what it previously had.
- The Company has the ability to sell off many of the properties for prices considerably higher than acquisition cost, as these properties are not at their highest and best use.
- Over time, the Company believes that it will be able to use its in-house development/redevelopment expertise to create value at many of the properties.

Conversion to a REIT

The Company received a positive ruling from Canada Revenue Agency in respect of converting from a mutual fund corporation to a real estate investment trust ("REIT") structure on a tax-deferred basis. The Company believes that the conversion will be beneficial to shareholders since a REIT is a more tax efficient structure and is the preferred vehicle in Canada for owning real estate.

Completion of this conversion is planned to occur at the end of this year and will be subject to shareholder approval. In conjunction with this conversion, the Company will move from a quarterly dividend to a monthly distribution.

Graduation to the TSX

The Company graduated from the TSX Venture Exchange to the TSX. The graduation took place just following the acquisition of KEYreit on July 2, 2013.

PART II

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

- occupancy rates;
- rental rates;
- tenant service; and
- maintaining competitive operating costs.

Management believes that the key external performance drivers are:

- the availability of new properties for acquisition and development;
- the availability of equity and debt capital; and
- a stable retail market.

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

- funds from operations (FFO);
- FFO/AFFO payout ratios;
- Profit (loss);
- debt service ratios;
- "same-asset" net property operating income;
- weighted average effective cost of debt; and
- occupancy levels.

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. For a detailed explanation of the key performance indicators please refer to the definitions previously mentioned in the "Non-GAAP Measures" and "Additional GAAP Measures" sections of this MD&A. Management believes that its key performance indicators allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to shareholders. The following chart discusses the key performance indicators for the six months ended June 30, 2013 compared to the six months ended June 30, 2012.

Funds from Operations	➢ For the six months ended June 30, 2013 FFO was $8.9 million, or 13.2¢ per share (13.2¢ per share diluted) compared to $7.9 million, or 13.1¢ per share (13.1¢ per share diluted) for the six months ended June 30, 2012 an increase of 12.3% on a dollar basis and 0.7% on a per share basis. Excluding one-time administrative expenses of $270 thousand relating to the integration of KEYreit as well as the Company's REIT conversion, FFO per share would have been 13.6¢, compared to 13.1¢ per share for the prior year, or a 3.8% increase. The principal factors influencing FFO were: ➢ Incremental NOI growth of approximately $268 thousand earned by properties which were acquired or transferred from properties under development to income producing status during 2012 and 2013. ➢ Incremental NOI from the purchase of KEYreit of $2.9 million. ➢ An increase in same-asset NOI of $263 thousand. ➢ An increase in the Company's effective joint ownership position in the Village Shopping Centre, as well as an improvement in NOI at the Village Shopping Centre, which increased FFO by approximately $334 thousand. ➢ An increase in finance costs of $2.2 million mainly due to the acquisition of KEYreit. ➢ An increase in administrative expenses of $641 thousand mainly affected by an increase in compensation expense due to the issuance of Restricted Share Units ("RSUs") under the Company's RSU plan in December 2012 and additional consulting and other one-time costs incurred mainly for the integration of KEYreit. ➢ A decrease in share of profit of associates of approximately $128 thousand as a result of the sale of Marché de L'Ouest shopping center in 2012.
FFO/AFFO Payout Ratios	➢ For the six months ended June 30, 2013, the FFO payout ratio was 81.5% compared to 81.9% in the prior year. For the six months ended June 30, 2013, the AFFO payout ratio was 85.1% compared to 92.0% in the prior year. Excluding one-time administrative costs, the FFO and AFFO payout ratios would have been 79.1% and 82.5%.
Profit (loss)	➢ For the six months ended June 30, 2013 the Company reported a net loss of $3.4 million compared to a profit of $31.7 million for the prior year, mainly due to the same factors affecting FFO indicated above, as well as non-cash fair value adjustments to investment properties and one-time transaction-related costs recorded on the acquisition of KEYreit.
Debt Service Ratios	➢ For the six months ended June 30, 2013 the interest and debt service coverage ratios decreased over the prior year to 1.9 times and 1.6 times, respectively, from 2.1 times and 1.7 times, respectively, mainly due to the acquisition of KEYreit and the resultant assumption of convertible debentures and increase in overall leverage. The debt service coverage and interest coverage ratios exceed the requirements under borrowing arrangements and overall leverage is close to the Company's targeted leverage.
Same-Asset Net Property Operating Income	➢ For the six months ended June 30, 2013, same-asset NOI increased compared to the prior year by $263 thousand or 1.7%, mainly due to lease termination fees and a net increase in occupancy, partly offset by the timing of non recoverable maintenance costs.
Weighted Average Effective Cost of Debt	➢ At June 30, 2013 the weighted average effective cost of mortgage debt decreased 46 basis points to 5.45% from 5.91% at June 30, 2012. The decrease was a result of continued historically low interest rates at which the Company has been able to renew/place debt as well as the addition of the KEYreit portfolio at a lower weighted average rate.
Occupancy Levels	➢ At June 30, 2013 overall occupancy was 94.9% compared to 96.4% at June 30, 2012.

PROPERTY AND CORPORATE PERFORMANCE 2013 AND 2012

Funds from Operations (FFO)

Plazacorp's summary of FFO for the three and six months ended June 30, 2013, compared to the three and six months ended June 30, 2012 is presented below:

(000s – except per share amounts and debt coverage ratios)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
Profit (loss) for the period attributable to shareholders	**$ (12,119)**	$ 15,855	**$ (3,832)**	$ 30,047
Add (deduct):				
Gain on disposal of surplus land	**-**	-	**-**	(8)
Transaction-related costs on acquisition of KEYreit	**9,061**	-	**9,061**	-
Deferred income taxes	**(1,159)**	4,846	**2,018**	9,290
Refundable tax on disposals of investment properties	**(410)**	-	**(410)**	-
Fair value adjustment to investment properties	**10,966**	(14,643)	**4,451**	(27,139)
Fair value adjustment to investments	**44**	(3,248)	**(1,238)**	(5,723)
Fair value adjustment to convertible debentures	**(1,518)**	258	**(1,868)**	179
Equity accounting adjustment	**-**	99	**747**	(11)
Non-controlling interest adjustment	**(33)**	910	**(76)**	1,250
Basic FFO	**$ 4,832**	$ 4,077	**$ 8,853**	$ 7,885
Interest on dilutive convertible debentures	**-**	-	**-**	-
Diluted FFO	**$ 4,832**	$ 4,077	**$ 8,853**	$ 7,885
Basic Weighted Average Shares Outstanding	**69,819**	60,449	**66,940**	60,196
Diluted Weighted Average Shares Outstanding	**69,819**	60,449	**66,940**	60,196
Basic and diluted FFO per share	**$ 0.069**	$ 0.067	**$ 0.132**	$ 0.131
Debt coverage ratios				
Interest coverage ratio[1]	**1.8 times**	2.1 times	**1.9 times**	2.1 times
Debt service coverage ratio[2]	**1.5 times**	1.7 times	**1.6 times**	1.7 times

(1) Calculated as EBITDA divided by finance costs.
(2) Calculated as EBITDA divided by total debt service (finance costs plus periodic mortgage principal repayments).

Basic FFO for the six months ended June 30, 2013 increased by 12.3% over the same period in the prior year. Positively impacting FFO was: (i) incremental NOI growth from new developments/acquisitions of approximately $268 thousand; (ii) the increase in the Company's effective joint ownership position in the Village Shopping Centre effective January 1, 2013, as well as an improvement in NOI at the Village Shopping Centre, which accounted for approximately $334 thousand of the increase (see further details about this below under the heading "Share of Profit of Associates"); (iii) same-asset NOI growth of $263 thousand; and (iv) incremental NOI of $2.9 million from the purchase of KEYreit. Negatively impacting FFO was: (i) an increase in administrative expenses of $641 thousand, approximately $270 thousand of which are one-time in nature (relating to the integration of KEYreit as well as the Company's REIT conversion); (ii) a decrease in share of profit of associates of approximately $128 thousand due to the sale of Marché de L'Ouest in December 2012; and (iii) an increase in finance costs of $2.2 million mainly due to the acquisition of KEYreit. Excluding the one-time administrative expenses, FFO per share would have been $0.136, compared to $0.131 per share for the prior year, or a 3.8% increase over the prior year.

Basic FFO for the three months ended June 30, 2013 increased by 18.5% over the same period in the prior year. Positively impacting FFO was: (i) incremental NOI growth from new developments/acquisitions of approximately $78 thousand; (ii) the increase in the Company's effective joint ownership position in the Village Shopping Centre effective January 1, 2013, as well as an improvement in NOI at the Village Shopping Centre, which accounted for approximately $204 thousand of the increase (see further details about this below under the heading "Share of Profit of Associates"); (iii) incremental NOI of $2.9 million from the purchase of KEYreit; and (iv) a decrease in net current income tax expense (net of refundable tax on disposals of investment properties, which doesn't impact FFO) of $218 thousand. Negatively impacting FFO was: (i) an

increase in administrative expenses of $433 thousand, approximately $270 thousand of which are one-time in nature as mentioned above; (ii) a decrease in share of profit of associates of approximately $78 thousand due to the sale of Marché de L'Ouest in December 2012; (iii) an increase in finance costs of $2.2 million; and (iv) a decrease in same asset NOI of $75 thousand. Excluding the one-time administrative expenses, FFO per share would have been $0.073, compared to $0.067 per share for the prior year, or a 9.0% increase over the prior year.

The interest and debt coverage ratios decreased over the prior year mainly due to the acquisition of KEYreit and the resultant new debt, including the assumption of convertible debentures. The debt service coverage and interest coverage ratios exceed the requirements under borrowing arrangements and overall leverage is close to the Company's targeted leverage.

Adjusted Funds from Operations (AFFO)

Plazacorp's summary of AFFO for the three and six months ended June 30, 2013, compared to the three and six months ended June 30, 2012 is presented below:

(000s, except per share amounts and percentage data)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
Basic FFO[(1)]	**$ 4,832**	$ 4,077	**$ 8,853**	$ 7,885
Add: Amortization of finance charges included in interest expense	**515**	184	**700**	368
Amortization of mark-to-market on debt assumed from KEYreit	**(102)**	-	**(102)**	-
Principal repayment of tenant loans	**92**	139	**184**	275
Non-controlling interest adjustment	**15**	62	**23**	79
Less: Non-cash revenue – straight-line rent	**(138)**	(207)	**(391)**	(474)
Equity accounting adjustment	**(37)**	(113)	**(81)**	(205)
Maintenance capital expenditures – existing properties	**(101)**	(136)	**(203)**	(266)
Leasing costs – existing properties	**(341)**	(341)	**(445)**	(638)
Mortgage finance charges – existing properties	**(31)**	-	**(59)**	-
Basic and diluted AFFO	**$ 4,704**	$ 3,665	**$ 8,479**	$ 7,024
Basic and diluted AFFO per share	**$ 0.067**	$ 0.061	**$ 0.127**	$ 0.117
Gross dividend payments	**3,620**	3,243	**7,219**	6,461
AFFO after dividends	**$ 1,084**	$ 422	**$ 1,260**	$ 563
Dividends as a percentage of basic AFFO	**77.0%**	88.5%	**85.1%**	92.0%
Dividends as a percentage of basic FFO	**74.9%**	79.5%	**81.5%**	81.9%

(1) See reconciliation of Basic FFO to profit (loss) attributable to shareholders in the FFO section of the MD&A above

For the six months ended June 30, 2013, AFFO increased by $1.5 million, or 20.7% over the prior year mainly due to the increase in FFO from new properties coming into income producing status and the purchase of KEYreit, and a decrease in leasing costs on existing properties. Excluding the one-time administrative expenses included in AFFO (as mentioned previously in the discussion of FFO), AFFO per share would have been $0.131, compared to $0.117 per share for the prior year, or a 12.0% increase over the prior year.

For the three months ended June 30, 2013, AFFO increased by $1.0 million, or 28.3% over the prior year mainly due to the increase in FFO from new properties coming into income producing status and the purchase of KEYreit. Excluding the one-time administrative expenses included in AFFO (as mentioned previously in the discussion of FFO), AFFO per share would have been $0.071, compared to $0.061 per share for the prior year, or a 16.4% increase over the prior year.

As a result of the acquisition of KEYreit as well as new properties moving from development status to income producing status, the FFO and AFFO payout ratios improved over the prior year. The FFO payout ratio for the six months ended June 30, 2013 was 81.5% compared to 81.9% for the six months ended June 30, 2012, while the AFFO payout ratio for the six months ended June 30, 2013 was 85.1% compared to 92.0% for the six months ended June 30, 2012. The FFO payout ratio

for the three months ended June 30, 2013 was 74.9% compared to 79.5% for the three months ended June 30, 2012, while the AFFO payout ratio for the three months ended June 30, 2013 was 77.0% compared to 88.5% for the three months ended June 30, 2012. Excluding the one-time administrative costs, the FFO and AFFO payout ratios would have been 79.1% and 82.5% for the six months ended June 30, 2013 and 71.0% and 72.8% for the three months ended June 30, 2013.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the six months ended June 30, 2013 and the entire year ended December 31, 2012 and excludes partial year results from certain assets due to timing of acquisition, redevelopment or disposition.

Significant portions of the Company's leases have common cost recoveries from tenants linked to the consumer price index (CPI). Certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

(000s, except percentage data)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
Same-asset rental revenue	**$ 13,676**	$ 13,487	**$ 27,660**	$ 27,003
Same-asset operating expenses	**2,862**	2,765	**5,745**	5,693
Same-asset realty tax expense	**2,970**	2,803	**5,823**	5,481
Same-asset net property operating income	**$ 7,844**	$ 7,919	**$ 16,092**	$ 15,829
Total net property operating income	**$ 11,935**	$ 8,522	**$ 21,152**	$ 16,793

As noted in the chart above, the NOI for the same-asset pool for the six months ended June 30, 2013, increased by $263 thousand or 1.7% over the same period in the prior year. This was mainly due to an increase in lease termination fees recorded of $138 thousand, with the balance relating to a net increase in occupancy partly offset by the timing of non-recoverable maintenance costs.

NOI for the same-asset pool for the three months ended June 30, 2013, decreased by $75 thousand or 1.0% over the same period in the prior year. This was mainly due to a decrease in lease termination fees.

The following table shows a breakdown of total net property operating income by entity.

(000s)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
Plazacorp properties	**$ 9,043**	$ 8,522	**$ 18,260**	$ 16,793
KEYreit properties	**2,892**	n/a	**2,892**	n/a
Total net property operating income	**$ 11,935**	$ 8,522	**$ 21,152**	$ 16,793

Total NOI for the six months ended June 30, 2013 grew by $4.4 million, or 26.0% due to the overall growth in investment properties, purchase of KEYreit and the movement of the Village Shopping Centre out of equity-accounted investments and into investment properties, effective January 1, 2013, as a result of the restructuring of the Village Shopping Centre Limited Partnership (see further details about this below under the heading "Share of Profit of Associates"). More specifically, the increase in total NOI was mainly attributable to:

- the full period impact of four properties transferred to income producing status from properties under development in 2012, accounting for approximately $245 thousand of the increase;

- the full period impact of three properties transferred to income producing status from properties under development in 2013, accounting for approximately $23 thousand of the increase (annualized impact to NOI of approximately $633 thousand);
- the addition of the Village Shopping Centre, which increased NOI by approximately $1.0 million due to the change in accounting treatment from equity accounting to proportionate consolidation;
- incremental NOI from the purchase of KEYreit on May 16, 2013 of $2.9 million; and
- the same-asset pool increase of $263 thousand, mentioned previously.

In terms of the KEYreit portfolio, the following is a comparison of NOI recorded by Plazacorp on the portfolio from May 16, 2013 with those previously recorded by KEYreit publicly in its first quarter 2013 report.

(000s)	
NOI reported by Plazacorp for the KEYreit portfolio	$ 2,892
Add/(Subtract):	
Difference in classification of ground lease expense	58
Difference in classification of bad debt expense	39
Impact of acquisitions made by KEYreit after March 31, 2013	(93)
Additional non-recoverable expenses incurred in the quarter	60
	2,956
Grossed up for a full quarter	5,783
Add/(Subtract):	
Property management fees previously deducted by KEYreit	(278)
Non-recurring insurance proceeds previously recorded by KEYreit	90
Other	48
NOI as reported by KEYreit – Q1 2013	**$ 5,643**

Total NOI for the three months ended June 30, 2013 grew by $3.4 million, or 40.0% due to the overall growth in investment properties, purchase of KEYreit and the movement of the Village Shopping Centre out of equity-accounted investments and into investment properties, effective January 1, 2013, as a result of the restructuring of the Village Shopping Centre Limited Partnership (see further details about this below under the heading "Share of Profit of Associates"). More specifically, the increase in total NOI was mainly attributable to:

- the full period impact of seven properties transferred to income producing status from properties under development in 2012 and 2013, accounting for approximately $78 thousand of the increase;
- the addition of the Village Shopping Centre, which increased NOI by approximately $572 thousand due to the change in accounting treatment from equity accounting to proportionate consolidation;
- incremental NOI from the purchase of KEYreit of $2.9 million; and
- the same-asset pool decrease of $75 thousand, mentioned previously.

The following table shows a breakdown of same-asset NOI by province.

(000s, except percentage data)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
New Brunswick	**$ 2,379**	$ 2,611	**$ 5,141**	$ 5,266
Quebec	**1,196**	1,209	**2,370**	2,368
Nova Scotia	**2,555**	2,314	**5,183**	4,687
Ontario	**322**	313	**640**	626
Newfoundland and Labrador	**714**	722	**1,415**	1,429
Prince Edward Island	**678**	750	**1,343**	1,453
Same-asset net property operating income	**$ 7,844**	$ 7,919	**$ 16,092**	$ 15,829
Percentage increase (decrease) over prior period	**(1.0%)**		**1.7%**	

The following assets are not included in "same asset" measurements due to timing of acquisition, redevelopment or disposition.

	Property Type	Square Footage	Ownership	Income Producing/Acquired During
Spencer Drive, Charlottetown, PE	Strip Plaza	95,713	100%	Q2 12
Manotick, Manotick (Ottawa), ON	Single Use	28,968	50%	Q3 12
Powell Drive, Carbonear, NL	Single Use	10,000	100%	Q3 12
Buchanan Street Plaza, Charlottetown, PE	Strip Plaza	56,452	100%	Q4 12
Village Shopping Centre, St. John's, NL[1]	Enclosed	427,623	44.5%	Q1 13
Beauport, Quebec City, QC	Single Use	2,600	100%	Q2 13
Queen Mary, Montreal, QC	Strip	13,563	25%	Q2 13
Wyse Road, Dartmouth (Halifax), NS	Single Use	60,979	50%	Q2 13
Oromocto Mall, Oromocto, NB	Enclosed	86,025	100%	Q4 13
KEYreit portfolio	Single Use/Strip	1,236,894	100%	Q2 13
Total		**2,018,817**		

[1] The joint venture arrangement was restructured effective January 1, 2013 and moved from equity-accounted investments to investment properties accounted for using proportionate consolidation and therefore has been excluded from same-asset NOI in order to be able to compare the two years on the same basis.

Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's property portfolio at June 30, 2013 (excluding non-consolidated investments).

	Strip Plazas		Enclosed Malls		Single-User		Total	
Year	**Sq Ft[1]**	**%**	**Sq Ft[1]**	**%**	**Sq Ft[1]**	**%**	**Sq Ft[1]**	**%**
Remainder of 2013	111,466	3.9	38,643	5.0	-	0.0	**150,109**	**3.0**
2014	235,441	8.1	113,604	14.6	13,900	1.1	**362,945**	**7.4**
2015	326,267	11.3	94,565	12.1	25,695	2.0	**446,527**	**9.1**
2016	374,774	13.0	103,628	13.3	49,346	3.9	**527,748**	**10.7**
2017	207,199	7.2	145,910	18.7	94,516	7.5	**447,625**	**9.1**
2018	184,370	6.4	97,640	12.5	254,616	20.3	**536,626**	**10.9**
Thereafter	1,451,342	50.2	185,404	23.8	818,394	65.1	**2,455,140**	**49.8**
Subtotal	2,890,859	100.0	779,394	100.0	1,256,467	100.0	**4,926,720**	**100.0**
Vacant	172,216		70,634		22,427		**265,277**	
Total	**3,063,075**		**850,028**		**1,278,894**		**5,191,997**	
Weighted average lease	**6.8 years**		**4.2 years**		**8.8 years**		**6.9 years**	

[1] At 100%, regardless of the Company's ownership interest in the properties.

At June 30, 2013, overall occupancy for the portfolio (excluding properties under development and non-consolidated investments) decreased to 94.9% from 96.4% at June 30, 2012. This decrease was mainly due to the increase in vacancy at Grand Falls Shopping Centre, Plaza Boulevard Royale and Nashwaaksis Plaza., The decrease in occupancy was also due to: (i) the Village Shopping Centre, which has a lower occupancy than the average for investment properties and which came out of equity-accounted investments and into investment properties effective January 1, 2013; and (ii) Buchanan Street, which has a lower occupancy than the average for investment properties and which came out of properties under development to income-producing status after Q2 2012. Excluding the Village Shopping Centre and Buchanan Street, occupancy was 95.8%, compared to 96.4% at June 30, 2012.

For the six months ended June 30, 2013, the Company completed 442 thousand square feet of new and renewal leasing deals at market rates (including leasing at non-consolidated investments). The 442 thousand square feet of leasing was comprised of 142 thousand square feet on new developments, and 300 thousand square feet on existing properties. Excluding leasing at non-consolidated investments, the Company completed 328 thousand square feet of new and renewal leasing deals at market rates. The 328 thousand square feet of leasing was comprised of 75 thousand square feet on new developments and 253 thousand square feet on existing properties.

On average, Plazacorp's embedded or contractual gross rents expiring in 2013 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ dramatically by asset class.

- Occupancy in the strip plazas was 94.4% at June 30, 2013, compared to 96.1% at June 30, 2012, and 95.7% at December 31, 2012.
- Average occupancy for enclosed malls was 91.7 % at June 30, 2013, compared to 94.0% at June 30, 2012 and 91.0% at December 31, 2012.
- Occupancy for single use assets was 98.2% at June 30, 2013, compared to 100.0% at June 30, 2012 and December 31, 2012.
- Pre-leased space in properties in the development phase and in the construction phase is 87.6% at June 30, 2013.

Plazacorp has built a portfolio with a high quality revenue stream. Plazacorp's ten largest tenants based upon current monthly base rents at June 30, 2013 represent approximately 57.4% of total revenues in place.

	% of Gross Revenue		**% of Gross Revenue**
1. Shoppers Drug Mart	24.5	6. Mark's Work Wearhouse	1.9
2. KFC[1]	14.7	7. Reitmans	1.8
3. Dollarama	4.3	8. Best Buy/Future Shop	1.8
4. Staples	3.5	9. Winners	1.5
5. Pharma Plus	1.9	10. Bulk Barn	1.5

[1] Represented by 6 tenants.

The Company's mix of tenancy is primarily made up of national tenants. The portfolio is well positioned to resist downturns in its markets and provide stability to cash flows from which it funds operations and dividends.

	June 30, 2013	June 30, 2012
National	**89.5%**	89.4%
Regional	**3.2%**	4.0%
Local	**6.6%**	5.7%
Non-Retail	**0.7%**	0.9%

Profit and Total Comprehensive Income for the Period

The Company recorded a loss for the six months ended June 30, 2013 of $3.4 million compared to a profit of $31.7 million for the same period in the prior year. Profit was impacted by: (i) a decrease in share of profit of associates of $5.5 million, mainly due to a decrease in the fair value adjustment of the underlying investment properties, the removal of the Village Shopping Centre from equity-accounted investments and the sale of Marché de L'Ouest in 2012; (ii) an increase in administrative expenses of $0.6 million; (iii) $9.1 million in transaction-related costs expensed as a result of the acquisition of KEYreit; (iv) an increase of $2.2 million in finance costs mainly due to the acquisition of KEYreit; and (v) a net loss from fair value adjustments to investment properties of $4.5 million for June 30, 2013 compared to a $27.1 million gain for the prior year, mainly as a result of the fair value adjustment on capitalized transaction costs on acquisition of KEYreit, and a change in capitalization rates compared to the prior year. These were offset by: (i) the increase in NOI of $4.4 million mentioned previously; (ii) an increase in the net gain from fair value adjustments to convertible debentures, which increased profit by $2.0 million over the prior year; and (iii) a decrease in deferred taxes of $7.3 million.

The Company recorded a loss for the three months ended June 30, 2013 of $11.9 million compared to a profit of $17.0 million for the same period in the prior year. Profit was impacted by the same factors affecting the year-to-date results.

Share of Profit of Associates

Share of profit of associates consists of income from equity and cost-accounted investments as well as fair value changes in the underlying investment properties included within these equity-accounted investments and other changes to the equity position of the equity-accounted investments that would impact the residual returns on wind-up (such as debt financing

incurred). The following schedule shows Plazacorp's ownership position, rates of preferred returns on investment and Plazacorp's interest in cash on capital appreciation beyond the preferred returns.

	Ownership Position	Preferred Return	Residual Return
Equity Accounted Investments[1]			
Centennial Plaza Limited Partnership	10%	10%	20%
Trois Rivieres Limited Partnership	15%	10%	30%
Plazacorp – Shediac Limited Partnership	10%	8%	50%
Plazacorp Ontario1 Limited Partnership	25%	4%	25%
Plazacorp Ontario2 Limited Partnership[2]	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership[2]	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership[2]	50%	n/a	n/a
RBEG Limited Partnership[2]	50%	n/a	n/a
CPRDL Limited Partnership[2]	50%	n/a	n/a
Fundy Retail Limited[2]	50%	n/a	n/a
VGH Limited Partnership[3]	20%	8%	27%
Cost Accounted Investments[1]			
Northwest Plaza Commercial Trust	10%	n/a	n/a

(1) Equity and cost accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche and BPK Levis (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivieres Limited Partnership); Shediac West (Plazacorp – Shediac Limited Partnership); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Scugog Street Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill (Plazacorp Ontario3 Limited Partnership); Manotick (Plazacorp Ontario4 Limited Partnership); Bureau en Gros (RBEG Limited Partnership); CPRDL (CPRDL Limited Partnership); Gateway Mall (Fundy Retail Limited); St. Jerome (VGH Limited Partnership); and the Northwest Centre (Northwest Plaza Commercial Trust).

(2) These properties were added to equity-accounted investments as a result of the accounting change under IFRS 11.

(3) The land within this partnership is currently in the planning phases of development.

Share of profit of associates for the six months ended June 30, 2013 includes Plazacorp's share of NOI of approximately $1.5 million. Share of profit of associates decreased by $5.5 million for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The decrease was mainly due to: (i) a decrease in the fair value adjustment of the underlying investment properties due to a smaller change in capitalization rates compared to the prior year; (ii) the sale of Marché de L'Ouest in 2012; and (iii) the removal of the Village Shopping Centre Limited Partnership from equity-accounted investments.

Share of profit of associates for the three months ended June 30, 2013 includes Plazacorp's share of NOI of approximately $732 thousand. Share of profit of associates decreased by $3.2 million for the three months ended June 30, 2013 compared to the three months ended June 30, 2012. The decrease was mainly due to the same factors affecting the year-to-date results.
The joint venture for the Village Shopping Centre was reorganized and converted from a preferred return/residual return structure to a pari-passu co-ownership structure effective January 1, 2013, with the Company's ownership position becoming 44.5%. As part of the reorganization, the Village Shopping Centre Limited Partnership was dissolved. As a result, the Village Shopping Centre was moved from equity-accounted investments to investment properties and is now being accounted for on a proportionate consolidation basis.

Distributions received from associates for the six months ended June 30, 2013 (excluding the final distribution to the partners on the sale of Marché de L'Ouest) were $0.8 million compared to $1.0 million for the six months ended June 30, 2012.

Finance Costs

Finance costs for the six months ended June 30, 2013 were $10.0 million, compared to $7.8 million for the same period in the prior year. The increase in finance costs was mainly due to: the new mortgages and debentures assumed by Plazacorp on the acquisition of KEYreit, accounting for approximately $1.4 million of the difference; interest and other commitment fees incurred on the bridge facility, accounting for approximately $0.6 million of the difference; and amortization of deferred financing charges on the bridge facility, accounting for approximately $0.3 million of the difference. These were partly offset by amortization of the mark-to-market on debt recorded on the acquisition of KEYreit of $0.1 million. Higher interest

expense incurred on the Company's lines of credit (as a result of higher outstanding balances), on net new mortgages placed and on the inclusion of the Village Shopping Centre as it is now being proportionately consolidated, were mostly offset by a decrease in interest on convertible debentures as a result of conversions since the prior year.

Finance costs for the three months ended June 30, 2013 were $6.1 million, compared to $3.9 million for the same period in the prior year. The increase was due to the same factors mentioned above.

Change in Fair Value of Investment Properties

The Company recorded a fair value decrease to investment properties for the six months ended June 30, 2013 of $4.5 million, compared to a fair value increase of $27.1 million for the six months ended June 30, 2012. The decrease was mainly due to the fair value adjustment on capitalized transaction costs on acquisition of KEYreit, and a smaller change in capitalization rates compared to the prior year. The weighted average capitalization rate at June 30, 2013 was 6.81% compared to 6.99% at June 30, 2012. At June 30, 2013 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $32.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $33.6 million.

Change in Fair Value of Convertible Debentures

Series A, B and C convertible debentures are publicly traded and their fair values are based on their traded prices. Series VI convertible debentures are not publicly traded and the fair value is based on inputs other than quoted market prices.

The net gain from the fair value adjustment to convertible debentures for the six months ended June 30, 2013 was $1.9 million and for the six months ended June 30, 2012 was a net loss of $179 thousand. The increase was mainly due to the Company's Series VI convertible debentures, which fair value was affected by changes in the Company's share price.

Administrative Expenses

Administrative expenses increased by $0.6 million for the six months ended June 30, 2013, compared to the same period in the prior year, mainly due to: an increase in compensation expense relating to RSUs under the Company's RSU plan, amounting to approximately $190 thousand; approximately $220 thousand in additional consulting and other one-time costs for the integration of KEYreit; an increase in net salary expense (mainly as a result of annual salary increases and head count) of approximately $146 thousand; and additional consulting of approximately $50 thousand for the REIT conversion. The acquisition of KEYreit is forecasted to result in approximately $0.5 million to $0.6 million in additional administrative expenses on a steady-state basis.

Administrative expenses increased by $0.4 million for the three months ended June 30, 2013, compared to the same period in the prior year, mainly due to: an increase in compensation expense relating to RSUs under the Company's RSU plan, amounting to approximately $83 thousand; approximately $220 thousand in additional consulting and other one-time costs for the integration of KEYreit; and additional consulting of approximately $50 thousand for the REIT conversion.

Income Tax Expense

The financial statements include the current and deferred income taxes payable by the Company and its consolidated subsidiaries.

(000s)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
Current income taxes (recovery)	**$ (617)**	11	**$ (370)**	$ 22
Deferred income taxes (recovery)	**(1,159)**	4,846	**2,018**	9,290
Total income tax expense (recovery)	**$ (1,776)**	4,857	**$ 1,648**	$ 9,312

Deferred income tax expense decreased for the three and six months ended June 30, 2013 compared to the prior year, mainly as a result of lower profit before income taxes, mainly driven by $9.1 million of transaction-related costs recorded on the acquisition of KEYreit, as well as a decrease in fair value adjustments compared to the prior year.

The Company recorded a current income tax recovery for the three and six months ended June 30, 2013, compared to a current income tax expense in the prior year as a result of taxes being refunded through capital gains dividends paid to shareholders. Capital gains taxes were previously recognized on the sale of investment properties and on the restructuring of the Village Shopping Centre.

OUTLOOK

Plazacorp's acquisition, development and leasing efforts over the years have produced a property portfolio that is dominated by national retailers and provides investors with a very stable cash flow. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events, management believes it can deliver solid performance in 2013, as well as growth to the portfolio. The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Plazacorp's current dividend policy is to pay shareholders 22.50¢ per share for 2013 compared to 21.50¢ per share for 2012.

In terms of Plazacorp's development pipeline, Plazacorp currently owns an interest in eleven projects under development and five land assemblies in progress which, upon completion, are expected to be accretive to the Company's earnings. The following properties, in which the Company currently owns an interest, are under construction, active development or active planning and are anticipated to become income producing at various points over the next three years as follows:

Properties under development	Property Type	Status	Square Footage[1]	Ownership	Occupied or Committed at June 30, 2013	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning[2]	6,000	50%	n/a	Q3 2014
Bourque & Haut-Bois, Sherbrooke, QC – Phase I	Strip Plaza	In Construction	88,000	50%	78%	Q3 2013
Bourque & Haut-Bois, Sherbrooke, QC – Phase II	Strip Plaza	In Planning[2]	100,000	50%	n/a	2-3 years
Jean Talon, Montreal, QC	Strip Plaza	In Planning[2,3]	15,000	50%	n/a	1-3 years
Magog, Magog, QC – Phase I	Strip Plaza	In Construction	53,000	50%	100%	Q4 2013
Magog, Magog, QC – Phase II	Strip Plaza	In Planning[2]	27,000	50%	n/a	2014
Commercial Street Plaza – 2, New Minas, NS	Strip Plaza	In Construction	10,000	100%	70%	Q4 2013
Boisbriand, QC	Strip Plaza	In Construction	7,300	33%	100%	Q4 2013
Fairville Boulevard – 3, Saint John, NB	Strip Plaza	In Planning[2]	24,000	100%	n/a	1-2 years
Oromocto Mall, Oromocto, NB[4]	Enclosed	In Planning[2]	86,025	100%	70%	Q4 2013
Spencer Drive – 2, Charlottetown, PE	Strip Plaza	In Planning[2]	80,000	100%	n/a	1-2 years
St. Jerome, St. Jerome, QC[5]	Strip Plaza	In Planning[2]	200,000	20%	n/a	2-3 years
Champlain Plaza II, Dieppe (Moncton), NB	Strip Plaza	In Construction	60,000	100%	n/a	Q4 2014
Total			756,325			

(1) Approximate square footage.
(2) All are appropriately zoned for the intended use.
(3) There is a conditional sale for a portion of the land with an option in favour of the buyer to purchase the remainder.
(4) This is an existing mall that is in the planning phases of a de-malling redevelopment.
(5) This is owned in a limited partnership that is part of the Company's non-consolidated trusts and partnerships. Square footage includes a second parcel of land that is conditional under purchase agreement.

There is excess density at existing properties that the Company plans to develop in the short term which would represent approximately 50 thousand additional square feet at completion.

At June 30, 2013, there were four other conditional land assemblies which were under purchase agreements and subject to due diligence or other conditions. These four land assemblies would represent 73 thousand additional square feet of retail space at completion (at the Company's ownership percentage). As well, at June 30, 2013, there were four income producing properties totaling 527 thousand square feet (at the Company's proposed ownership percentages) under purchase agreement and subject to due diligence or other conditions. Subsequent to quarter end, the conditions on one of these properties, representing approximately 202 thousand square feet, was waived, with closing expected by the end of August 2013. The property is being purchased for redevelopment. The property is located in Saint John, NB and is approximately 50% occupied. The total purchase price is $10.6 million.

The Company also benefits from growth stemming from contractual rental rate increases from existing tenants' leases that generally grow at or above the expected rate of inflation.

The Company received a positive ruling from Canada Revenue Agency in respect of converting from a mutual fund corporation to a real estate investment trust ("REIT") structure on a tax-deferred basis. Completion of this conversion is planned to occur at the end of this year and will be subject to shareholder approval. In conjunction with this conversion, the Company will move from a quarterly dividend to a monthly distribution.

PART III

SUMMARY OF SELECTED QUARTERLY INFORMATION

Plazacorp's summary of selected quarterly information for the last eight quarters is presented below:

(000s except per share, percentage and number of properties data) (unaudited)	Q2'13	Q1'13	Q4'12[3]	Q3'12[3]	Q2'12[3]	Q1'12[3]	Q4'11[3]	Q3'11[3]
Total revenue [1]	**$ 20,363**	$ 17,279	$ 19,022	$ 16,135	$ 18,685	$ 17,177	$ 17,237	$ 14,704
Profit (loss) and total comprehensive income (loss)	**$(11,905)**	$ 8,507	$ 2,092	$ 13,242	$ 17,023	$ 14,716	$ 7,889	$ 5,807
Dividends per share	**5.625¢**	5.625¢	5.38¢	5.38¢	5.38¢	5.38¢	5.25¢	5.25¢
Funds from operations per share – basic [2]	6.9¢	6.3¢	6.4¢	6.9¢	6.7¢	6.4¢	6.1¢	7.1¢
Funds from operations per share – diluted [2]	6.9¢	6.3¢	6.4¢	6.9¢	6.7¢	6.4¢	6.1¢	7.1¢
Dividends as a percentage of basic FFO	**74.9%**	89.5%	83.3%	76.8%	79.5%	84.5%	86.0%	73.6%
Dividends as a percentage of basic AFFO	**77.0%**	95.3%	88.6%	79.3%	88.5%	95.8%	97.4%	87.3%
Total assets	**$963,100**	$616,030	$607,221	$605,677	$586,424	$569,405	$550,345	$548,796
Total mortgages, bonds, debentures, notes and bank indebtedness	**$578,689**	$281,229	$287,756	$284,646	$292,777	$292,851	$295,915	$305,133
Basic weighted average shares outstanding	**69,819**	64,029	63,833	61,538	60,449	59,942	59,716	52,341
Number of properties under development	**11**	11	10	10	12	9	7	8
Number of income producing properties (including non-consolidated investments)	**335**	107	108	108	105	105	105	104
Total number of properties in portfolio	**346**	118	118	118	117	114	112	112
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development)								
Strip Plazas	**3,063**	2,645	2,674	2,616	2,587	2,491	2,432	2,329
Enclosed Malls	**850**	850	670	671	671	671	671	672
Single Use	**1,279**	392	510	510	500	554	611	611
Total income producing properties	**5,192**	3,887	3,854	3,797	3,758	3,716	3,714	3,612
Strip Plazas	**94.4**	94.9	95.9	96.2	96.1	96.1	95.7	97.8
Enclosed Malls	**91.7**	91.8	92.5	93.2	94.7	95.1	96.1	96.1
Single Use	**98.2**	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	**94.9**	94.7	95.9	96.2	96.4	96.5	96.5	97.9

(1) Includes investment income, other income and share of profit of associates.
(2) Adjusted for debenture issuance costs if applicable.
(3) All previous quarters have not been restated for the IFRS 11 change in accounting policy.

During the last eight quarters occupancy has remained high which contributes to stability of cash flow. Significant fluctuations in profit and loss are mainly due to non-cash fair value adjustments on the Company's investment properties and

convertible debentures, as well as the KEYreit acquisition. Fair value adjustments are based on market parameters for which the Company has no control or ability to predict.

Some of Plazacorp's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs. At June 30, 2013, approximately 43.8% of the Company's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict Common Area Maintenance (CAM) cost recoveries. As a result of both of these factors, seasonal fluctuations in NOI and FFO occur primarily due to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

PART IV

OPERATING LIQUIDITY AND WORKING CAPITAL

Cash flow, in the form of recurring rent generated from the portfolio, represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to pay operating, leasing and property tax costs, and to fund dividends. Costs of development activities, which form a large portion of accounts payable and accrued liabilities, are funded by a combination of debt, equity and operating cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors.

Plazacorp's cash distribution policy generally reflects repayment of recurring mortgage principal amortization from cash flow in determining cash available for distribution. New debt or equity capital raised is generally directed to acquisitions or continuing development activities, which are discretionary, based on the availability of such capital.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000s)	$21.5 Million Operating	$20.0 Million Development	$15.0 Million Development
December 31, 2012[1]	$ 3,647	$ 4,912	$ 5,094
Net Change	9,762	618	(5,094)
June 30 , 2013[1]	$ 13,409	$ 5,530	$ -
Interest rate	Prime + 1.00% or BA + 2.50%	Prime + 1.00% or BA + 2.75%	Prime + 1.00% or BA + 2.50%
Maturity	July 31, 2014	July 31, 2013	July 31, 2013
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, interest coverage, occupancy & equity maintenance covenants	Debt service, occupancy & leverage covenants	Debt service, interest coverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$500 thousand
Issued and outstanding	$137 thousand	-	-

[1] Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service coverage,

interest coverage, occupancy and shareholder equity thresholds. As of June 30, 2013, all debt covenants in respect of the above facilities have been maintained.

Subsequent to quarter end, the two development facilities were renewed at the same terms for another year.

Bridge Facility

On May 17, 2013, the Company entered into a one-year secured credit facility with a Canadian chartered bank for up to $122.5 million, to fund the acquisition of KEYreit, acquisition-related costs for the acquisition of KEYreit and other working capital requirements of the Company. Of this amount, $82.5 million is extendible for 2 additional 6-month periods at the Company's request and with the lender's consent. Prepayment of the facility may be made in whole or in part at any time without penalty. The Company must maintain certain financial ratios, including debt service, interest coverage, equity maintenance and distribution covenants. As of June 30, 2013, the Company is in compliance with all applicable covenants. Interest is payable at prime plus 3.25% or BAs plus 4.25%, escalating to prime plus 3.625% or BAs plus 4.625% after 6 months and to prime plus 4.00% or BAs plus 5.00% after 9 months. The Company is currently paying interest on this facility at approximately 5.5%. At June 30, 2013, $88.2 million is outstanding on the facility. The Company intends to repay the bridge facility through moderate asset sales as well as pursuing refinancing opportunities. The availability of refinancing and the terms of any refinancing will depend on market conditions at that time. Subsequent to quarter end, the unused portion of the facility was reduced by the Company by $15 million.

Debentures and Mortgage Bonds

Mortgage bonds are secured by either property or cash.

Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss. With the acquisition of KEYreit, the Company assumed $52.3 million in convertible debentures of KEYreit. These debentures are listed on the TSX. Due to the resulting change of control of KEYreit, the Company was required to make a repurchase offer for these debentures at a price equal to 101% of their respective principal amounts. The repurchase offer expired on June 28, 2013 with $10.3 million of face value of debentures tendering to the offer. The tendered debentures were paid out on July 8, 2013.

During the six months ended June 30, 2013, $1.3 million of Series VI convertible debentures were converted to 344 thousand common shares.

On February 26, 2013, the Company closed $1.6 million Tranche A unsecured debentures. On April 15, 2013, the Company closed $2.3 million Tranche B unsecured debentures and on May 2, 2013, the Company closed $100 thousand Tranche C unsecured debentures. All tranches have a term of 5 years and an interest rate of 5%.

Mortgages

During 2013 long-term financing in the amount of $6.6 million (at Plazacorp's consolidated share) with a weighted average term of 10 years was obtained at a weighted average interest rate of 4.38%.

The Company has a variable rate secured construction loan on one of its development projects. The loan bears interest at prime plus 1.25%. During the quarter, the Company extended the variable rate construction loan for another year to June 2014 and increased the amount available from $4.0 million to $7.0 million (of which the Company's share is 50% as it has a 50% ownership interest in the development project securing the loan). At June 30, 2013, $3.4 million has been drawn on the loan (at the Company's ownership percentage). Subsequent to June 30, 2013 the Company entered into a further $3.8 million property-specific construction loan for the same development project ($1.9 million at the Company's ownership percentage). The loan bears interest at prime plus 1.25% and is also for a one-year term.

The Company's strategy is to balance maturities and terms on new debt with existing debt maturities to minimize maturity exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on market conditions at the time of refinancing. Plazacorp's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets being financed, at current market rates, in order to stabilize cash flow available for reinvestment and dividend payments.

As a conservative interest rate risk management practice, the Company's use of floating-rate debt is generally limited to its operating line (to fund ongoing operations and acquisitions) and its development lines. As a result of obtaining the bridge facility, at June 30, 2013, fixed-rate debt decreased to 80.0% of mortgages and lines of credit secured on investment properties. Once the temporary bridge facility is paid off, fixed-rate debt will increase to more normal levels of between 90 and 100%.

The following is a maturity chart by year:

(000s, except percentage data)	Remainder 2013	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	After 5 Years	Total
Long-term mortgages due at maturity	$18,342	$20,005	$22,967	$60,953	$65,019	$22,421	$120,854	$330,561
Principal repayments	4,349	8,426	8,148	7,646	6,161	4,541	19,030	58,301
Subtotal long-term mortgages	22,691	28,431	31,115	68,599	71,180	26,962	139,884	388,862
Bank operating facility	-	13,409	-	-	-	-	-	13,409
Bridge facility	-	88,200						88,200
Variable rate construction loan	-	3,389	-	-	-	-	-	3,389
Development lines of credit	-	5,530	-	-	-	-	-	5,530
Total	$22,691	$138,959	$31,115	$68,599	$71,180	$26,962	$139,884	$499,390
As a percentage	4.5%	27.8%	6.2%	13.8%	14.3%	5.4%	28.0%	100.0%
Weighted average expiring rate on long-term mortgages	5.79%	6.54%	6.29%	5.13%	5.62%	5.59%	5.07%	

At June 30, 2013 and June 30, 2012, the Company's cost of mortgage debt was as follows:

(000s, except percentage data)	Balance Outstanding June 30, 2013	Effective Rates June 30, 2013	Effective Rates December 31, 2012
Fixed rate mortgage loans	**$ 388,862**	**5.45%**	5.78%
$21.5 million bank operating facility	**$ 13,409**	**Prime + 1.00%**	Prime + 1.00%
$20 million bank development facility	**$ 5,530**	**Prime + 1.00%**	Prime + 1.00%
$15 million bank development facility	**$ -**	**Prime + 1.00%**	Prime + 1.00%
$122.5 million bridge facility	**$ 88,200**	**Prime + 3.25%**	-
Variable rate secured construction loan	**$ 3,389**	**Prime + 1.25%**	Prime + 1.25%

At June 30, 2013 the weighted average effective cost of mortgage debt is 5.45% compared to 5.78% at December 31, 2012 and compared to 5.91% at June 30, 2012. The drop results from continued historically low interest rates at which the Company has been able to renew/place debt as well as the addition of the KEYreit portfolio at a lower weighted average rate (as a result of shorter maturities).

The weighted average term to maturity for the long-term mortgages is 5.6 years, down from December 31, 2012 at 5.8 years. The average remaining repayment (amortization) period on long-term mortgage debt is 23.1 years.

The ratio of debt to gross book value of assets at June 30, 2013 (excluding convertible debentures) is 51.7% compared to 42.5% at December 31, 2012. Although the debt-to-gross book value is higher than prior periods, it is close to its target of 50% excluding convertible debentures and 55% including convertible debentures.

Shares Outstanding

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

At August 9, 2013 (000s)	Shares
Current outstanding shares	**78,113**
Series A convertible debentures	**3,715**
Series B convertible debentures	**2,028**
Series C convertible debentures	**3,904**
Series VI convertible debentures	**4,049**
Total adjusted shares outstanding	**91,809**

Land Leases

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall shareholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plazacorp has 27 long-term land leases (affecting 26 properties) with total annual rent of $3.3 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 15% of the Company's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 41 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 66 years including these non-automatic renewal options. Of the 27 land leases, 11 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000s)	**3 Months Ended June 30, 2013 (unaudited)**	3 Months Ended June 30, 2012 (unaudited)	**6 Months Ended June 30, 2013 (unaudited)**	6 Months Ended June 30, 2012 (unaudited)
Leasing fees – existing properties	**$ 24**	$ -	**$ 28**	$ 32
Leasing fees – redevelopment properties	**-**	21	**-**	21
Leasing fees – new developments	**12**	11	**52**	38
Total leasing fees	**36**	32	**80**	91
Capital additions – existing properties	**418**	477	**620**	872
Capital additions – redevelopment properties	**614**	673	**614**	828
Capital additions – new developments	**9,148**	4,724	**10,117**	8,158
Total capital additions	**10,180**	5,874	**11,351**	9,858
Total gross additions	**$ 10,216**	$ 5,906	**$ 11,431**	$ 9,949

COMMITMENTS AND CONTINGENT LIABILITIES

The Company has $8.2 million in short-term commitments in respect of development activities. Management believes that Plazacorp has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments.

The Company has contingent liabilities as original borrower on four mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Company's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at June 30, 2013 totals $7.7 million with remaining terms ranging from 1.8 years to 9.6 years.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $4.6 million.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are 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 for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At June 30, 2013, the Company held interests in 346 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 25 to the December 31, 2012 Annual Consolidated Financial Statements for further details. Also see the Company's Annual Information Form dated February 28, 2013 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

Management attempts to lock in cash returns on assets for the longest period, consistent with exposure to debt maturing and leases expiring in any given year.

The Company mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. As a result of obtaining the bridge facility, at June 30, 2013, fixed-rate debt decreased to 80.0% of mortgages and lines of credit secured on investment properties. Once the temporary bridge facility is paid off, fixed-rate debt will increase to more normal levels of between 90% and 100%. The Company mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Company may attempt to renegotiate its existing debt to take advantage of lower interest rates.

At existing financing rates, the Company is able to obtain positive returns from debt financing. The quality of the Company's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Company has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Company or on any terms at all. Management believes that all debts maturing in 2013 will be able to be financed or refinanced as they come due.

Credit Risk

Credit risk mainly 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 heavily weighted to national tenants and by ensuring any significant individual revenue exposures are to tenants of significant credit worthiness. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 24.5% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 57.4% of total revenues in place. National and regional tenants represent 92.7% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

Lease roll-over risk arises from the possibility that Plazacorp may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants.

Management attempts to stagger the lease expiry profile so that Plazacorp is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by retail asset type and geographic location and ensuring that the Company maintains a well staffed and highly skilled leasing department to deal with all leasing issues.

One of Plazacorp's performance drivers is related to occupancy levels. The majority of Plazacorp's leases in place are referred to as net leases, meaning tenants reimburse Plazacorp fully 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 realty taxes are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with a decline in occupancy.

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately $447 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. Plazacorp's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

Plazacorp's external growth prospects will depend in large part on identifying suitable development, redevelopment and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired or developed by the Company. If Plazacorp is unable to manage its growth and integrate its acquisitions and developments effectively, its business, operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Company's performance.

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 or petroleum products. 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 material pending or threatened actions, investigations or claims against Plazacorp relating to environmental matters. Plazacorp manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environmental risk before purchase or development.

PART VI

RELATED PARTY TRANSACTIONS

Notes Payable to Related Parties

The following non-interest bearing notes 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.

(000s)	**Interest Rate**	**June 30, 2013 (unaudited)**	December 31, 2012
Non-interest bearing notes:			
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Director of the Company	n/a	**$ 261**	$ 261

Bonds and Debentures Held

The Directors directly or indirectly held convertible debentures and mortgage bonds of the Company as follows (stated at face value):

(000s)	**June 30, 2013 (unaudited)**	December 31, 2012
Earl Brewer	**$ 219**	$ 219
Edouard Babineau	**350**	350
Michael Zakuta	**670**	670
Stephen Johnson	**750**	750
Total	**$ 1,989**	$ 1,989

Other key management personnel own $45 thousand in mortgage bonds of the Company at June 30, 2013 (December 31, 2012 - $45 thousand).

Other Related Party Transactions

Two directors, directly or beneficially, hold interests in common with the Company's 25% interest in the Gateway Mall, Sussex, NB, 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 LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plazacorp at a total annual rent of $877 thousand. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value. The business purpose of the leases was to enhance levered equity returns on the affected assets.

Earl Brewer and Michael Zakuta hold interests in common with the Company's 10% interest in Northwest Plaza Commercial Trust, the owner of the Northwest Centre, Moncton, NB. There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

Plaza Group Management Limited (a wholly-owned subsidiary of Plazacorp) is a party to an aircraft operating agreement with Plaza Atlantic Limited (a company owned by Michael Zakuta and Earl Brewer) with respect to the use and operation of a turbo-prop airplane, used from time to time by Plazacorp to facilitate more timely access to properties across the Corporation's portfolio, mainly for construction and development. Costs associated with the use of the airplane for the six months ended June 30, 2013 were $80 thousand (June 30, 2012 - $411 thousand).

Plaza Group Management Limited is a party to an office lease for Plazacorp's corporate headquarters in Fredericton, NB. The owner of the office building (and counter-party to the office lease) is a company indirectly owned by Michael Zakuta and Earl Brewer. Basic minimum rent under this office lease is $201 thousand per year. The lease expires on March 31, 2014.

Plaza Group Management Limited manages certain properties owned directly or indirectly by Michael Zakuta and Earl Brewer, namely 527 Queen Street, Fredericton, NB and 271 Queen Street, Fredericton, NB.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Venture issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). In particular, the CEO and CFO do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company ceased to be a venture issuer on July 2, 2013 as a result of the listing of its common shares on the TSX. The Company is currently in the process of developing and implementing NI 52-109 compliance DC&P and ICFR, which will be incorporated prior to the end of the Corporation's first full quarter as a TSX issuer, or September 30, 2013.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgements include the assessment of fair values, the discount rates used in the valuation of the Company's assets and liabilities, capitalization rates, the relative credit worthiness of the Company to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

(i) Investment properties

One significant judgement and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Company or by external valuators. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

(ii) Accounting for acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset acquisition or a business combination. This assessment impacts the treatment of transaction costs, the allocation of the cost of the acquisition and whether or not goodwill is recognized

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending December 31, 2013, and have not been applied in preparing the consolidated financial statements. Please see Note 3 to the condensed interim consolidated financial statements for further details about future accounting policy changes.

ADDITIONAL INFORMATION

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 website at www.plaza.ca.

PROPERTIES OF THE COMPANY

A chart listing the Company's properties at June 30, 2013 can be accessed on the Plazacorp website www.plaza.ca.

Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Financial Position
(unaudited)
(in thousands of Canadian dollars)

	June 30, 2013	Restated (Note 3) December 31, 2012	Restated (Note 3) January 1, 2012
Assets			
Non-Current Assets			
Investment properties (Note 6)	**$ 912,250**	$ 531,764	$ 472,060
Investments	**29,312**	52,562	38,746
Tenant loans	**2,469**	591	1,097
Deferred income tax asset	**3,289**	951	609
	947,320	585,868	512,512
Current Assets			
Cash	**3,748**	2,900	3,652
Receivables	**2,477**	1,128	1,004
Prepaid expenses and deposits	**8,346**	2,938	3,311
Current portion of investments	**-**	-	15,548
Income taxes receivable	**417**	-	-
Notes receivable	**792**	263	2,518
	15,780	7,229	26,033
	$ 963,100	$ 593,097	$ 538,545
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Debentures payable (Note 7)	**$ 64,178**	$ 21,865	$ 39,532
Mortgage bonds payable (Note 8)	**2,067**	2,065	2,045
Mortgages payable (Note 9)	**363,358**	201,192	216,748
Deferred income tax liability	**65,741**	61,385	47,867
	495,344	286,507	306,192
Current Liabilities			
Bank indebtedness (Note 11)	**13,409**	3,647	-
Current portion of debentures payable (Note 7)	**10,454**	-	-
Current portion of mortgage bonds payable (Note 8)	**-**	-	6,000
Current portion of mortgages payable (Note 9)	**37,914**	44,084	19,038
Bridge facility (Note 10)	**85,879**	-	-
Accounts payable and accrued liabilities	**12,653**	5,720	7,503
Income taxes payable	**-**	1,022	141
Notes payable	**1,430**	906	884
	161,739	55,379	33,566
	657,083	341,886	339,758
Shareholders' equity	**292,286**	237,570	187,509
Non-controlling interests	**13,731**	13,641	11,278
	306,017	251,211	198,787
	$ 963,100	$ 593,097	$ 538,545

Subsequent events – see Note 15

Michael Zakuta, Director

Earl Brewer, Director

The notes on pages 31 to 45 are an integral part of these condensed interim consolidated financial statements.

Plazacorp Retail Properties Ltd.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (unaudited)
(in thousands of Canadian dollars)

	3 Months Ended June 30, 2013	Restated 3 Months Ended June 30, 2012	**6 Months Ended June 30, 2013**	Restated (Note 3) 6 Months Ended June 30, 2012
Revenues	**$ 19,352**	$ 14,266	**$ 35,248**	$ 28,422
Operating expenses	**(7,417)**	(5,744)	**(14,096)**	(11,629)
Net property operating income	**11,935**	8,522	**21,152**	16,793
Share of profit of associates	**535**	3,776	**1,530**	6,992
Administrative expenses	**(2,002)**	(1,569)	**(3,637)**	(2,996)
Transaction-related costs on acquisition of KEYreit (Note 5(c))	**(9,061)**	-	**(9,061)**	-
Investment income	**26**	51	**62**	100
Other income	**450**	607	**802**	1,042
Other expenses	**-**	-	**-**	(8)
Income before finance costs, fair value adjustments, gain (loss) on disposals and income taxes	**1,883**	11,387	**10,848**	21,923
Finance costs	**(6,116)**	(3,892)	**(10,015)**	(7,840)
Finance costs - net gain (loss) from fair value adjustments to convertible debentures	**1,518**	(258)	**1,868**	(179)
Net gain (loss) from fair value adjustments to investment properties	**(10,966)**	14,643	**(4,451)**	27,139
Gain on disposal of land	**-**	-	**-**	8
Profit (loss) before income tax	**(13,681)**	21,880	**(1,750)**	41,051
Income tax recovery (expense)				
- Current	**617**	(11)	**370**	(22)
- Deferred	**1,159**	(4,846)	**(2,018)**	(9,290)
	1,776	(4,857)	**(1,648)**	(9,312)
Profit (loss) and total comprehensive income (loss) for the period	**$ (11,905)**	$ 17,023	**$ (3,398)**	$ 31,739
Profit (loss) and total comprehensive income (loss) for the period attributable to:				
- Shareholders	**$ (12,119)**	$ 15,855	**$ (3,832)**	$ 30,047
- Non-controlling interests	**214**	1,168	**434**	1,692
	$ (11,905)	$ 17,023	**$ (3,398)**	$ 31,739

The notes on pages 31 to 45 are an integral part of these condensed interim consolidated financial statements.

Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)
(in thousands of Canadian dollars)

	Share Capital (Note 12)	Retained Earnings	Total Attributable to Shareholders	Non-Controlling Interests	Total Equity
Balance as at December 31, 2011	$ 87,550	$ 99,959	$ 187,509	$ 11,278	$ 198,787
Profit and total comprehensive income for the period	-	30,047	30,047	1,692	31,739
Transactions with shareholders, recorded directly in equity:					
- Contributions by shareholders	3,549	-	3,549	-	3,549
- Dividends to shareholders	-	(6,461)	(6,461)	-	(6,461)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(714)	(714)
Balance as at June 30, 2012	$ 91,099	$ 123,545	$ 214,644	$ 12,256	$ 226,900
Balance as at December 31, 2011	$ 87,550	$ 99,959	$ 187,509	$ 11,278	$ 198,787
Profit and total comprehensive income for the year	-	43,598	43,598	3,475	47,073
Transactions with shareholders, recorded directly in equity:					
- Contributions by shareholders	19,609	-	19,609	-	19,609
- Dividends to shareholders	-	(13,146)	(13,146)	-	(13,146)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(1,112)	(1,112)
Balance as at December 31, 2012	$ 107,159	$ 130,411	$ 237,570	$ 13,641	$ 251,211
Balance as at December 31, 2012	$ 107,159	$ 130,411	$ 237,570	$ 13,641	$ 251,211
Profit (loss) and total comprehensive income (loss) for the period	-	(3,832)	(3,832)	434	(3,398)
Transactions with shareholders, recorded directly in equity:					
- Contributions by shareholders	2,020	-	2,020	-	2,020
- Shares issued to purchase KEYreit (Note 5(a))	59,747	-	59,747	-	59,747
- Shares issued to terminate KEYreit's asset and property management agreements (Note 5(c))	4,000	-	4,000	-	4,000
- Dividends to shareholders	-	(7,219)	(7,219)	-	(7,219)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(344)	(344)
Balance as at June 30, 2013	$ 172,926	$ 119,360	$ 292,286	$ 13,731	$306,017

The notes on pages 31 to 45 are an integral part of these condensed interim consolidated financial statements.

Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)
(in thousands of Canadian dollars)

	3 Months Ended June 30, 2013	Restated 3 Months Ended June 30, 2012	**6 Months Ended June 30, 2013**	Restated (Note 3) 6 Months Ended June 3, 2012
Cash obtained from (used for):				
Operating activities				
Profit (loss) and total comprehensive income (loss) for the period	**$ (11,905)**	$ 17,023	**$ (3,398)**	$ 31,739
Interest expense	**5,703**	3,710	**9,417**	7,474
Items not affecting cash:				
Share of profit of associates	**(535)**	(3,776)	**(1,530)**	(6,992)
Amortization of finance charges included in interest expense	**515**	184	**700**	368
Net change in fair value of investment properties	**10,966**	(14,643)	**4,451**	(27,139)
Net change in fair value of convertible debentures	**(1,518)**	258	**(1,868)**	179
Amortization of loan revaluations included in interest expense	**(102)**	-	**(102)**	-
Shares issued as partial consideration for termination of KEYreit's asset and property management agreements (Note 5(c))	**4,000**	-	**4,000**	-
Gain on disposal of land	**-**	-	**-**	(8)
Current and deferred income taxes	**(1,776)**	4,857	**1,648**	9,312
Straight-line rent revenue	**(138)**	(207)	**(391)**	(474)
Interest paid	**(5,773)**	(3,807)	**(9,376)**	(7,612)
Income taxes paid	**(11)**	(171)	**(1,069)**	(186)
Leasing commissions	**(36)**	(32)	**(80)**	(91)
Change in non-cash working capital (Note 13)	**(9,665)**	(2,660)	**(7,705)**	(1,779)
	(10,275)	736	**(5,303)**	4,791
Financing activities				
Issue (repayment) of notes payable	**211**	(170)	**524**	(1,012)
Issue of common shares	**-**	374	**-**	582
Dividends paid to shareholders	**(3,620)**	(3,243)	**(7,219)**	(6,461)
Dividend reinvestment proceeds	**167**	172	**328**	352
Cash received on change in ownership structure of joint arrangement (Note 4)	**-**	-	**553**	-
Gross proceeds (repayments) of bonds and debentures	**2,425**	(6,000)	**4,000**	(6,000)
Finance charges incurred for bonds and debentures	**(114)**	-	**(114)**	-
Bridge facility proceeds	**88,200**	-	**88,200**	-
Finance charges incurred for bridge facility	**(2,653)**	-	**(2,653)**	-
Gross mortgage proceeds	**3,591**	15,845	**7,470**	19,705
Financing charges incurred from mortgage placement	**(102)**	(16)	**(130)**	(8)
Mortgages repaid	**(18,169)**	(9,715)	**(21,693)**	(15,128)
Periodic mortgage principal repayments	**(1,384)**	(897)	**(2,453)**	(1,904)
	68,552	(3,650)	**66,813**	(9,874)
Investing activities				
Acquisitions, developments and redevelopments	**(10,180)**	(5,874)	**(11,351)**	(9,858)
Proceeds from disposal of land (Note 6)	**-**	-	**-**	22
Payments of bonds purchased for mortgage defeasances	**-**	9,778	**-**	15,547
Bonds purchased for mortgage defeasances and other investments	**(156)**	(175)	**(156)**	(175)
Acquisition of KEYreit, net of cash acquired (Note 5)	**(61,203)**	-	**(61,203)**	-
Equity accounted investments – (contributions to) and distributions from	**343**	(885)	**5,471**	(1,292)
Contributions paid by subsidiaries to non-controlling interests	**(251)**	(232)	**(344)**	(714)
Decrease (increase) in deposits for acquisitions and financings	**487**	1,524	**(468)**	427
Increase in notes receivable	**(205)**	(1,929)	**(529)**	(1,861)
Repayment of tenant loans	**92**	139	**184**	275
Funding of tenant loans	**(10)**	-	**(2,028)**	-
	(71,083)	2,346	**(70,424)**	2,371
Net decrease in cash	**(12,806)**	(568)	**(8,914)**	(2,712)
Cash less bank indebtedness, beginning of the period	**3,145**	1,508	**(747)**	3,652
Cash less bank indebtedness, end of the period	**$ (9,661)**	$ 940	**$ (9,661)**	$ 940

The notes on pages 31 to 45 are an integral part of these condensed interim consolidated financial statements.

1. Reporting Entity

Plazacorp Retail Properties Ltd. (the "Company") is incorporated and domiciled in Canada. The address of the Company's registered office is 527 Queen Street, Fredericton, New Brunswick.

The Company operates a retail real estate ownership and development business in Canada. 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 Preparation

(a) Statement of Compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting"; on a basis consistent with the accounting policies disclosed in Note 3 of the December 31, 2012 consolidated financial statements, except with respect to the changes in accounting policies described in Note 3(b).

The condensed interim financial statements do not include all the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the 2012 annual financial statements.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee on behalf of the Board of Directors of the Company on August 9, 2013.

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the following items in the condensed interim consolidated statements of financial position:

- Interest rate swaps measured at fair value;
- Share-based payments measured at fair value;
- Convertible debentures measured at fair value;
- Investment property measured at fair value; and
- Investment property included in investments measured at fair value.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Use of Estimates and Judgements

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgements include the assessment of fair values, the discount rates used in the valuation of the Company's assets and liabilities, capitalization rates, the relative credit worthiness of the Company to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

(i) Investment property

One significant judgement and key estimate that affects the reported amounts of assets at the date of the condensed interim consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the condensed interim consolidated statements of financial position at fair value, are valued either by the Company or by external valuators. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

(ii) Accounting for acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset acquisition or a business combination. This assessment impacts the treatment of transaction costs, the allocation of the cost of the acquisition and whether or not goodwill is recognized.

3. Summary of Significant Accounting Policies

(a) General and Consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and the entities that it controls. Entities subject to joint arrangements characterized as joint ventures are accounted for using the equity method. Entities subject to joint arrangements characterized as joint operations are accounted for using proportionate consolidation. Entities subject to significant influence are accounted for using the equity method. Entities over which the Company does not exercise significant influence are accounted for using the cost method. The financial statements of the consolidated and equity accounted entities are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full.

(b) Changes in Accounting Policies

(i) Joint arrangements

Effective January 1, 2013, the Company implemented IFRS 11, “Joint Arrangements”. The new standard required the Company to evaluate its interests in joint arrangements. Based on the evaluation, the Company has determined a number of the joint arrangements are joint ventures under IFRS 11, and will now be accounted for using the equity method instead of proportionate consolidation. Prior periods have been restated for this change in accounting policy in accordance with the requirements of the new standard.

The impact of the application of IFRS 11, "Joint Arrangements" on the consolidated statements of financial position for December 31, 2012 and January 1, 2012 is as follows:

December 31, 2012	Consolidated Statement of Financial Position as Previously Reported	Elimination of Carrying Values of Entities Proportionately Consolidated	Presentation of Proportionately Consolidated Entities Using Equity Accounting	Consolidated Statement of Financial Position After IFRS 11
Assets				
Non-current assets:				
Investment properties	$ 557,373	$ (25,609)	$ -	$ 531,764
Investments	40,470	-	12,092	52,562
Other	1,891	(349)	-	1,542
	599,734	(25,958)	12,092	585,868
Current assets	7,528	(299)	-	7,229
Total Assets	$ 607,262	$ (26,257)	$ 12,092	$ 593,097
Liabilities and Shareholders' Equity				
Non-current liabilities	$ 299,963	$ (13,456)	$ -	$ 286,507
Current liabilities	56,088	(709)	-	55,379
	356,051	(14,165)	-	341,886
Shareholders' equity	237,570	-	-	237,570
Non-controlling interests	13,641	-	-	13,641
	251,211	-	-	251,211
Total Liabilities and Shareholders' Equity	$ 607,262	$ (14,165)	$ -	$ 593,097

January 1, 2012	Consolidated Statement of Financial Position as Previously Reported	Elimination of Carrying Values of Entities Proportionately Consolidated	Presentation of Proportionately Consolidated Entities Using Equity Accounting	Consolidated Statement of Financial Position After IFRS 11
Assets				
Non-current assets:				
Investment properties	$ 493,445	$ (21,385)	$ -	$ 472,060
Investments	29,656	-	9,090	38,746
Other	1,997	(291)	-	1,706
	525,098	(21,676)	9,090	512,512
Current assets	25,247	786	-	26,033
Total Assets	$ 550,345	$ (20,890)	$ 9,090	$ 538,545
Liabilities and Shareholders' Equity				
Non-current liabilities	$ 317,470	$ (11,278)	$ -	$ 306,192
Current liabilities	34,088	(522)	-	33,566
	351,558	(11,800)	-	339,758
Shareholders' equity	187,509	-	-	187,509
Non-controlling interests	11,278	-	-	11,278
	198,787	-	-	198,787
Total Liabilities and Shareholders' Equity	$ 550,345	$ (11,800)	$ -	$ 538,545

The impact of the application of IFRS 11, "Joint Arrangements" on the consolidated statements of comprehensive income for the six months ended June 30, 2012 and for the year ended December 31, 2012 is as follows:

Six Months Ended June 30, 2012	**Consolidated Statement of Comprehensive Income as Previously Reported**	**Adoption of IFRS 11**	**Consolidated Statement of Comprehensive Income After IFRS 11**
Revenues	$ 29,399	$ (977)	$ 28,422
Operating expenses	(11,912)	283	(11,629)
Net property operating income	17,487	(694)	16,793
Share of profit of associates	5,307	1,685	6,992
Administrative expenses	(2,996)	-	(2,996)
Investment income	114	(14)	100
Other income	1,042	-	1,042
Other expenses	(8)	-	(8)
Income before finance costs, fair value adjustments, gain (loss) on disposals and income taxes	20,946	977	21,923
Finance costs	(8,162)	322	(7,840)
Finance costs – net loss from fair value adjustments to convertible debentures	(179)	-	(179)
Finance costs – net revaluation of interest rate swaps	11	(11)	-
Net gain from fair value adjustments to investment properties	28,427	(1,288)	27,139
Gain on disposal of land	8	-	8
Profit before income tax	41,051	-	41,051
Income tax expense			
- Current	(22)	-	(22)
- Deferred	(9,290)	-	(9,290)
	(9,312)	-	(9,312)
Profit and total comprehensive income for the period	$ 31,739	$ -	$ 31,739

Year Ended December 31, 2012	**Consolidated Statement of Comprehensive Income as Previously Reported**	**Adoption of IFRS 11**	**Consolidated Statement of Comprehensive Income After IFRS 11**
Revenues	$ 59,412	$ (2,098)	$ 57,314
Operating expenses	(24,114)	610	(23,504)
Net property operating income	35,298	(1,488)	33,810
Share of profit of associates	9,623	3,373	12,996
Administrative expenses	(5,934)	-	(5,934)
Investment income	240	(30)	210
Other income	1,744	-	1,744
Other expenses	(9)	-	(9)
Income before finance costs, fair value adjustments, gain (loss) on disposals and income taxes	40,962	1,855	42,817
Finance costs	(16,075)	681	(15,394)
Finance costs – net loss from fair value adjustments to convertible debentures	(673)	-	(673)
Finance costs – net revaluation of interest rate swaps	48	(48)	-
Net gain from fair value adjustments to investment properties	37,091	(2,488)	34,603
Loss on disposal of land	(43)	-	(43)
Profit before income tax	61,310	-	61,310
Income tax expense			
- Current	(1,061)	-	(1,061)
- Deferred	(13,176)	-	(13,176)
	(14,237)	-	(14,237)
Profit and total comprehensive income for the period	$ 47,073	$ -	$ 47,073

The impact of the application of IFRS 11, "Joint Arrangements" on the consolidated statements of cash flows for the six months ended June 30, 2012 and for the year ended December 31, 2012 is as follows:

Six Months Ended June 30, 2012	**Consolidated Statement of Cash Flows as Previously Reported**	**Adoption of IFRS 11**	**Consolidated Statement of Cash Flows After IFRS 11**
Cash provided by operating activities	$ 5,270	$ (479)	$ 4,791
Cash used in financing activities	(8,963)	(911)	(9,874)
Cash provided by investing activities	1,015	1,356	2,371
Cash less bank indebtedness, beginning of period	3,767	(115)	3,652
Cash less bank indebtedness, end of period	$ 1,089	$ (149)	$ 940

Year Ended December 31, 2012	**Consolidated Statement of Cash Flows as Previously Reported**	**Adoption of IFRS 11**	**Consolidated Statement of Cash Flows After IFRS 11**
Cash provided by operating activities	$ 13,956	$ (771)	$ 13,185
Cash used in financing activities	(6,733)	(2,410)	(9,143)
Cash used in investing activities	(11,485)	3,044	(8,441)
Cash less bank indebtedness, beginning of period	3,767	(115)	3,652
Cash less bank indebtedness, end of period	$ (495)	$ (252)	$ (747)

(ii) Consolidated financial statements

Effective January 1, 2013, the Company implemented IFRS 10, “Consolidated Financial Statements” which replaced IAS 27, “Consolidated and Separate Financial Statements”. This standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The adoption of the new standard did not have an impact on the Company’s assessment of control or which entities are subject to consolidation in the Company’s financial statements.

(iii) Disclosure of interest in other entities

IFRS 12, “Disclosure of Interest in Other Entities”, is effective for the Company’s annual period ending December 31, 2013. This standard establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities. The Company’s financial statements for the year ending December 31, 2013 will contain this additional disclosure.

(iv) Fair value measurement

Effective January 1, 2013, the Company implemented IFRS 13, “Fair Value Measurement”. This is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosure of fair value measurements. The adoption of the new standard did not have an impact on the Company’s measurement of fair value.

(c) Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending December 31, 2013, and have not been applied in preparing these condensed interim consolidated financial statements.

(i) Financial instruments

The IASB has issued a new standard, IFRS 9 (2010), “Financial Instruments”, which will ultimately replace IAS 39, “Financial Instruments – Recognition and Measurement” and augments the previously issued IFRS 9 (2009). The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. This standard becomes effective on January 1, 2015. The Company is currently evaluating the impact of this new standard.

(ii) Offsetting financial assets and liabilities

The IASB has issued amendments to IAS 32, “Offsetting Financial Assets and Liabilities”. The amendments clarify an entity’s legally enforceable right to offset financial assets and liabilities. The amendments become effective on January 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

(iii) Recoverable amount disclosures for non-financial assets

The IASB has issued amendments to IAS 36, “Impairment of Assets”. The amendments require recoverable amounts to be disclosed only when an impairment loss has been recognized or reversed. The amendments become effective January 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect the amendments to have a material impact on the financial statements.

4. Restructuring of the Village Shopping Centre Joint Arrangement

Effective January 1, 2013 the Company restructured the ownership arrangement of the Village Shopping Centre. The existing limited partnership agreement was dissolved and a new co-ownership agreement was entered into. The new agreement changed the ownership percentage and method of holding that interest. The joint arrangement was reorganized from a preferred return/residual return structure to a pari-passu co-ownership structure. The Company’s ownership position moved to 44.5%.

As a result, the Company has accounted for this transaction as an acquisition by contract alone, and effective January 1, 2013 began to proportionately consolidate its 44.5% interest in the Village Shopping Centre. Previously the Village Shopping Centre

was considered an investment and was accounted for using the equity method, having a carrying value of $20.4 million at January 1, 2013. The identifiable assets acquired and liabilities assumed were as follows:

Investment properties	$ 28,933
Tenant loans	35
Cash	553
Receivables	125
Prepaid expenses and deposits	9
Mortgages payable	(9,653)
Accounts payable and accrued liabilities	(532)
	$ 19,470

Assets acquired and liabilities assumed were recorded at estimated fair values at the date of acquisition.

No cash consideration was transferred as part of this transaction.

The difference between the carrying value of the Company's net investment and the fair value of the net assets acquired/assumed is recorded as a loss on change in ownership, recorded in share of profit of associates.

5. Acquisition of KEYreit

(a) The Acquisition

The Company completed the acquisition of 100% of the issued and outstanding units of KEYreit, a real estate investment trust previously listed on the TSX. KEYreit unitholders had the option to tender their units for either $8.35 per unit in cash, subject to a maximum aggregate cash amount of $62.1 million, 1.7041 shares of the Company, or any combination thereof, subject to proration. The bid expired on May 16, 2013, at which time 13,288,370 units of KEYreit were tendered (or approximately 88.5% of the then issued and outstanding units of KEYreit) and taken up by the Company. The Company then effected a subsequent acquisition transaction on June 26, 2013 in order to acquire all of the remaining units of KEYreit. All of the issued and outstanding units of KEYreit, being 15.0 million units were purchased by the Company through the payment of $62.1 million in cash and the issuance of 12.9 million shares of the Company, for total consideration of $121.9 million. The acquisition has been accounted for as an asset acquisition and not as a business combination, as no key strategic processes of KEYreit were acquired. The share consideration issued in the transaction has been valued in reference to the fair value of the units of KEYreit acquired. The initial accounting for the acquisition has been provisionally determined and the following table summarizes the purchase price and the estimated fair value of the net assets acquired.

Investment properties	$ 343,080
Cash	945
Receivables	1,018
Prepaid expenses and deposits	2,554
Debentures payable	(52,428)
Mortgages payable	(162,897)
Accounts payable and accrued liabilities	(10,377)
Total consideration paid	$ 121,895
Purchase price satisfied by:	
Shares issued to KEYreit unitholders	$ 59,747
Cash from drawdown of bridge facility (Note 10)	62,148
	$ 121,895

(b) Transaction-Related Costs of the Company

To June 30, 2013, the Company incurred $4.6 million in transaction-related costs. These costs were funded through the bridge facility and cash on hand. These costs have been capitalized to investment properties acquired.

(c) Termination of KEYreit's Asset and Property Management Agreements

As part of the agreement to acquire KEYreit, the existing asset and property management agreements between KEYreit and JBM Properties Inc. (a company owned by the former CEO of KEYreit) were terminated upon closing of the first stage of the acquisition for a termination fee of $8.0 million. The termination fee was paid 50% in cash and 50% in shares (825 thousand shares) of the Company. In addition, $1.0 million in severance costs were paid by the Company to various KEYreit employees. The cash portion of both the termination payment and severance was funded through the bridge facility. Both payments have been expensed in the statement of comprehensive income.

(d) Transaction-Related Costs of KEYreit

The Company funded (through its bridge facility) $7.5 million in previously accrued transaction-related costs and bid defense costs of KEYreit.

(e) Convertible Debentures of KEYreit

As a result of the acquisition of KEYreit and the resulting change of control, the Company was required to make a repurchase offer for the KEYreit convertible debentures at a price equal to 101% of their respective principal amounts. The repurchase offer expired on June 28, 2013 and $10.3 million of debentures tendered to the offer. The Company took up and paid for those tendered debentures on July 8, 2013 through drawing on its bridge facility. The remaining untendered debentures are obligations of the Company as successor to KEYreit and are publicly listed on the TSX.

6. Investment Properties

	June 30, 2013	December 31, 2012
Balance, beginning of period:	**$ 531,764**	$ 472,060
Additions (deductions):		
Additions to investment properties	**10,086**	13,584
Additions – acquisitions of investment properties or land	**2,226**	10,733
Additions – the Village Shopping Centre (see Note 4)	**28,933**	-
Additions – KEYreit (see Note 5)	**343,080**	-
Disposals	**-**	(470)
Straight line rent receivable change	**612**	1,254
Fair value adjustment	**(4,451)**	34,603
Balance, end of period:	**$ 912,250**	$ 531,764

The majority of the Company's investment properties have been pledged as security under various mortgage and mortgage bond agreements.

Investment properties are stated at fair value using the following methods, estimates and key assumptions:

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them. Where available, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, $23.5 million of investment properties were based on such external appraisals (December 31, 2012 - $52.7 million).

(ii) Internal approach - direct capitalization income approach

Under this method the Company determines the fair value based upon capitalization rates applied to normalized net operating income (property revenue less property operating expenses). The key assumption is the capitalization rate for each specific property. The Company receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Company utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the

provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

As at June 30, 2013 the Company has utilized the following range of capitalization rates:

	Number of Properties[1]	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding	65	6.38%	5.75% – 7.00%	6.00% - 11.00%
Quick Service Restaurant	182	6.82%	5.00% - 9.00%	5.50% - 11.00%
Anchored Strip – Class A	17	6.71%	5.75% - 6.75%	6.25% - 8.25%
Anchored Strip – Class B	20	6.61%	6.00% - 7.25%	6.50% - 8.75%
Unanchored Strip	38	7.35%	6.00% - 7.75%	7.00% - 9.25%
Enclosed Malls – Community	5	7.80%	6.25% - 8.50%	7.00% - 9.50%
	327	6.81%		

(1) Excludes properties under development and non-consolidated trusts and partnerships.

Freestanding - defined as freestanding retail space. May include nominal additional gross leasable area ("GLA") if the additional GLA is 15% or less than the total GLA or gross revenue.

Quick Service Restaurant – defined as freestanding retail space for food. May include nominal additional GLA.

Anchored Strip – Class A - defined as a food or equivalent-anchored retail strip, 20,000-125,000 square feet and where the anchor tenant represents 70% or more of GLA or gross revenue.

Anchored Strip – Class B - defined as a food or equivalent-anchored retail strip, 20,000-200,000 square feet and where the anchor tenant represents less than 70% of GLA or gross revenue.

Unanchored Strip - defined as an unanchored retail strip less than 75,000 square feet.

Enclosed Malls - Community - defined as an enclosed community mall with food or department/junior department store or equivalent anchors.

As at December 31, 2012 the Company has utilized the following range of capitalization rates:

	Number of Properties[1]	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding	33	6.34%	5.75% – 6.75%	6.00% - 7.25%
Anchored Strip – Class A	11	6.70%	5.75% - 6.75%	6.25% - 8.00%
Anchored Strip – Class B	17	6.57%	6.00% - 7.25%	6.50% - 8.50%
Unanchored Strip	29	7.73%	6.75% - 7.75%	7.00% - 9.25%
Enclosed Malls – Community	4	8.14%	6.25% - 8.50%	7.00% - 9.50%
	94	6.83%		

(1) Excludes properties under development and non-consolidated trusts and partnerships.

At June 30, 2013 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $32.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $33.6 million.

(a) Straight-line Rent

Included in investment properties as at June 30, 2013 is $11.6 million (December 31, 2012 - $7.5 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

(b) Surplus Land

Included in investment properties as at June 30, 2013 is $1.2 million of surplus lands at fair value (December 31, 2012 - $1.2 million).

(c) Properties Under Development

Included in investment properties as at June 30, 2013 is $24.6 million of properties under development (December 31, 2012 - $22.2 million), of which $14.9 million are recorded at cost as fair value was not determinable (December 31, 2012 - $17.7 million).

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the six months ended June 30, 2013 is $355 thousand (for the three months ended June 30, 2012 - $543 thousand).

(e) Disposals

There were no disposals during the six months ended June 30, 2013.

During the six months ended June 30, 2012, the Company disposed of land in Riviere-du-Loup and Shawinigan, QC for net proceeds of $22 thousand and an accounting gain of $8 thousand.

7. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	June 30, 2013	December 31, 2012
Convertible[1]				
Series A	December 31, 2014	7.75%	**$ 20,013**	$ -
Series B	December 31, 2016	8.00%	**12,300**	-
Series C	December 31, 2017	7.00%	**20,960**	-
Series VI	March 31, 2015	7.50%	**17,461**	21,865
Total convertible debentures			**70,734**	21,865
Non-convertible[2] [3]	February 26, 2018	5.00%	**3,898**	-
Total debentures			**74,632**	21,865
Less: debentures – current portion			**(10,454)**	-
Total debentures – long-term portion			**$ 64,178**	$ 21,865

[1] Recorded at fair value
[2] Recorded at amortized cost
[3] Net of unamortized finance charges of $102 thousand

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series A	Series B	Series C	Series VI
Conversion price	see below	see below	see below	$3.80
Company's first redemption date	December 31, 2012	December 31, 2014	December 31, 2015	March 31, 2013
Maturity date	December 31, 2014	December 31, 2016	December 31, 2017	March 31, 2015
Face value outstanding June 30, 2013	$19,765	$12,000	$20,549	$15,387
Publicly listed	yes	yes	yes	no

Series A, B and C convertible debentures were assumed by the Company on the acquisition of KEYreit (see Note 5). The debentures are publicly listed on the TSX. As a result of the change of control of KEYreit, and pursuant to the respective trust indentures as supplemented and amended upon the change of control, each $1,000 principal amount of the Series A debentures

is convertible into $117.25 in cash and 188 shares of the Company, each $1,000 principal amount of the Series B debentures is convertible into $99.76 in cash and 169 shares of the Company and each $1,000 principal amount of the Series C debentures is convertible into $112.76 in cash and 190 shares of the Company.

As a result of the acquisition of KEYreit and the resulting change of control, the Company was required to make a repurchase offer for the Series A, B and C convertible debentures at a price equal to 101% of their respective principal amounts (see Note 5). The $10.3 million of face value of debentures that tendered to the offer has been classified as current in the balance sheet, as this was paid out on July 8, 2013.

For the six months ended June 30, 2013, holders of $1.3 million of Series VI convertible debentures (for the six months ended June 30, 2012 - $1.3 million of Series V convertible debentures and $600 thousand of Series VI convertible debentures) exercised their option to convert to 344 thousand common shares (for the six months ended June 30, 2012 – 390 thousand common shares and 158 thousand common shares, respectively). There were no conversions of Series A, B or C convertible debentures during the period.

On February 26, 2013, the Company closed Tranche A of a private placement of unsecured non-convertible debentures for gross proceeds of $1.6 million. On April 15, 2013 the Company closed $2.3 million of Tranche B and the remaining $100 thousand of Tranche C debentures closed May 2, 2013. The debentures have a term of 5 years and an interest rate of 5%.

8. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

			June 30, 2013	December 31, 2012
	Series V	**Series VI**	**Total**	Total
Fairville Boulevard (ANBL), Saint John, NB, 1st mortgage	$ -	$ 900	$ **900**	$ 900
Boulevard Hebert Plaza, Edmundston, NB, 1st mortgage	1,185	-	**1,185**	1,185
Gross mortgage bonds payable	1,185	900	**2,085**	2,085
Less: unamortized finance charges			**(18)**	(20)
Net mortgage bonds payable – long-term portion			**$ 2,067**	$ 2,065

	Series V	**Series VI**
Interest Rate	8.0%	5.25%
Maturity Date	June 4, 2016	February 24, 2016
Amount	$1,185	$900

The Company has no right to redeem the Series V or VI bonds prior to the maturity date.

9. Mortgages Payable

	Rate Range	Weighted Average	Maturity Dates	June 30, 2013	December 31, 2012
Fixed rate loans:	4.16% - 7.97%	5.45%	Up to May 2033	**$ 388,862**	$ 234,572
Revaluation of loans upon acquisition of KEYreit, net of amortization of $102				**5,932**	-
Less: unamortized finance charges				**(2,347)**	(2,474)
Total net fixed rate loans				**392,447**	232,098
Variable rate loans:					
- $20 million development facility	Prime plus 1.00% or BA plus 2.75%		July 31, 2013	**5,530**	4,912
- $15 million development facility	Prime plus 1.00% or BA plus 2.50%		July 31, 2013	**-**	5,094
-					
- $7 million secured construction loan	Prime plus 1.25%		June 22, 2014	**3,389**	3,259
Less: unamortized finance charges				**(94)**	(87)
Total net variable rate loans				**8,825**	13,178
Net mortgages payable				**401,272**	245,276
Less: mortgages payable – current portion				**(37,914)**	(44,084)
Total mortgages payable – long-term portion				**$ 363,358**	$ 201,192

All mortgages are secured by charges against specific assets. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Company has two 365-day revolving acquisition and development facilities with Canadian chartered banks available upon pledging of specific assets. One is a $20 million facility that bears interest at prime plus 1.00% or BAs plus 2.75%, and the other is a $15 million facility that bears interest at prime plus 1.00% or BAs plus 2.50%. At June 30, 2013 there is $29.5 million available on these development lines (December 31, 2012 - $25 million). Funding is secured by first mortgage charges on development properties. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service, interest coverage and occupancy ratios, as well as shareholder equity tests. As of June 30, 2013 the Company is in compliance with all covenants.

The secured variable rate construction loan was extended for another year and increased from $4 million to $7 million. The Company owns 50% of the development for which this loan was obtained and therefore the Company's share of the potential proceeds from the loan is $3.5 million.

10. Bridge Facility

The Company entered into a one-year secured credit facility with a Canadian chartered bank for up to $122.5 million, to fund the acquisition, acquisition-related and other working capital requirements of the Company (including $7.5 million in previously accrued transaction-related costs and bid defense costs of KEYreit). Of this amount, $82.5 million is extendible for 2 additional 6-month periods at the Company's request and with the lender's consent. Prepayment of the facility may be made in whole or in part at any time without penalty. Interest is payable at prime plus 3.25% or BAs plus 4.25%, escalating to prime plus 3.625% or BAs plus 4.625% after 6 months and to prime plus 4.00% or BAs plus 5.00% after 9 months.

The Company must maintain certain financial ratios to comply with the facility. These covenants include debt service, interest coverage and distribution ratios, as well as a shareholders' equity test. As of June 30, 2013 the Company is in compliance with all applicable covenants.

The Company incurred $2.7 million in financing fees. These costs have been netted against the bridge facility on the balance sheet.

	Rate at June 30, 2013	Maturity Date	June 30, 2013	December 31, 2012
$122.5 million bridge facility	Prime plus 3.25% or BA plus 4.25%	May 17, 2014	**$ 88,200**	$ -
Less: unamortized finance charges			**(2,321)**	-
Total bridge facility			**$ 85,879**	$ -

11. Bank Indebtedness

The Company has a $21.5 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus 1.00% or BAs plus 2.25%, maturing July 31, 2014. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at June 30, 2013, the available limit was $19.4 million. At June 30, 2013, $13.4 million (December 31, 2012 – $3.6 million) was drawn on the facility and therefore the maximum amount available to be drawn on the facility was $5.9 million (December 31, 2012 – $6.2 million), net of letters of credit outstanding of $137 thousand (December 31, 2012 - $137 thousand). As security, the Company has provided a $25 million demand debenture secured by a first mortgage over nine properties.

12. 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

	June 30, 2013		December 31, 2012	
	Shares (000s)	Amount	Shares (000s)	Amount
Common shares outstanding, beginning of the period	**63,980**	**$ 107,159**	59,878	$ 87,550
Issuance of common shares:				
Shares issued through exercise of stock options	**-**	**-**	120	582
Shares issued for the acquisition of KEYreit (Note 5(a))	**12,893**	**59,747**	-	-
Shares issued to terminate KEYreit's asset and property management agreements (Note 5(c))	**825**	**4,000**	-	-
Shares issued through dividend reinvestment plan	**69**	**328**	146	687
Shares issued through RSU plan	**2**	**-**	-	-
Shares issued through debt conversions				
- face value debentures	**344**	**1,308**	3,836	13,227
- impact of fair value of convertible debentures	**-**	**384**	-	5,113
Common shares outstanding, end of the period	**78,113**	**$ 172,926**	63,980	$ 107,159

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such, shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable, at the discretion of the Company. The note payable would bear interest at a rate equal to the prescribed rate of interest under the Income Tax Act (Canada) in effect at the time of its issue, and will mature and be fully repaid two years after issuance. The notes may also be prepaid without penalty. For the six months ended June 30, 2013 no shareholder had redeemed shares under the mutual fund corporation provisions (December 31, 2012 – nil).

The Company has a Dividend Reinvestment Plan to enable Canadian resident shareholders to acquire additional shares of the Company through the reinvestment of dividends on their shares. Shares issued in connection with the Dividend Reinvestment Plan are issued directly from the treasury of the Company at a price based on the weighted average closing price of the shares for the 20 trading days immediately preceding the relevant dividend date. Participants also receive "bonus shares" in an amount equal to 3% of the dividend amount reinvested. Pursuant to the Company's Dividend Reinvestment Plan, during the six

months ended June 30, 2013, shareholders were issued 69 thousand shares at a weighted average price of $4.76 per share (for the six months ended June 30, 2012 – 76 thousand shares at a weighted average price of $4.64 per share).

13. Change in Non-Cash Working Capital

	3 Months Ended June 30, 2013	3 Months Ended June 30, 2012	**6 Months Ended June 30, 2013**	6 Months Ended June 30, 2012
Receivables	**$ 1,186**	$ 1,990	**$ (2)**	$ (331)
Prepaid expenses and mortgage deposits	**729**	163	**(2,898)**	(3,405)
Accounts payable and accrued liabilities	**(11,571)**	(4,813)	**(4,805)**	1,949
Income taxes payable	**(9)**	-	**-**	8
Total cash from change in non-cash working capital	**$ (9,665)**	$ (2,660)	**$ (7,705)**	$ (1,779)

14. Financial Instruments and Risk Management

In accordance with IFRS, the Company is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data.

The following table shows the fair values and fair value hierarchies for balance sheet items recorded at fair value.

	June 30, 2013			December 31, 2012		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investment properties	**$ -**	**$ -**	**$ 912,250**	$ -	$ -	$ 531,764
Series A, B & C convertible debentures	**53,273**	**-**	**-**	-	-	-
Series VI convertible debentures	**-**	**17,461**	**-**	-	21,865	-
	$ 53,273	**$ 17,461**	**$ 912,250**	$ -	$ 21,865	$ 531,764

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independant appraisers.

The fair value of the Series VI convertible debentures payable has been determined by using an industry standard pricing model which uses the Company's share price, share volatility and yields on government of Canada bonds.

The fair values of cash, bank indebtedness, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of those instruments.

To mitigate the interest rate risk on two of the variable rate mortgages, included in investments, interest rate swaps are in place and mature on July 31, 2020. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

15. Subsequent Events

Financing

On July 11, 2013, the Company reduced the unused portion of the bridge facility by $15 million.

In July 2013, the Company entered into a $3.8 million property-specific construction facility for the continued development of Bourque & Haut-Bois in Sherbrooke, QC. The facility bears interest at prime plus 1.25% and is for a one-year term. The Company owns 50% of the development for which this loan was obtained.

In July 2013, the Company refinanced the mortgage on Plaza BBRF, Sherbrooke, QC in the amount of $4.3 million with a 10 year term and an interest rate of 4.48%. The Company owns 50% interest in this property.

The Company's two development lines were renewed for another year on the existing terms.

Investment Properties

In August 2013, the Company waived conditions to acquire a 202,000 square foot retail strip centre in Saint John, New Brunswick for $ 10.6 million.

In July 2013, the Company sold a 2,776 square foot single-tenant quick service restaurant property in Olds, Alberta for $600 thousand.

Debentures

As a result of the acquisition of KEYreit and the resulting change of control, the Company was required to make a repurchase offer for the KEYreit convertible debentures (the Series A, B and C debentures) at a price equal to 101% of their respective principal amounts. The repurchase offer expired on June 28, 2013 and $10.3 million of face value of debentures tendered to the offer. The Company took up and paid for those tendered debentures on July 8, 2013 through drawing on its bridge facility.

TSX Graduation

On July 2, 2013, the Company graduated its listing from the TSX Venture Exchange to the TSX.

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