PLAZA

PLAZACORP RETAIL PROPERTIES LTD.

QUARTERLY REPORT

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2007

DATED: NOVEMBER 21, 2007

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PART I

CHANGE IN YEAR END

The Company changed the year end for financial reporting during 2006 to report on the fourteen months ended December 31, 2006. (See our notice posted February 24, 2006 on www.sedar.com for further details.) This changed the quarter end comparisons used for the year 2007 versus 2006 and these statements compare the nine months ended September 30, 2007 to the nine months ended October 31, 2006, the closest comparable quarter as mandated by National Instrument 51-102.

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 nine months ended September 30, 2007 should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto for the nine months ended September 30, 2007, with the MD&A for the fourteen months ended December 31, 2006, including the section on "Risks and Uncertainties", and with the consolidated financial statements and the notes thereto for the fourteen months ended December 31, 2006. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic and competitive real estate conditions. These forward-looking statements are made as of November 21, 2007 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, requires further explanation to avoid being misleading.

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

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

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

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

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds financing costs-including those related to discontinued operations.
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the total of financing costs-including discontinued operations plus periodic mortgage principal repayments.

Funds From Operations (FFO) is an industry measure 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 should not be considered as an alternative to net income or any other operating or liquidity measure provided by GAAP. FFO is an industry standard for measuring operating results exclusive of amortization, future income taxes and gains or loss on property disposition. Plazacorp considers FFO a meaningful additional measure as it primarily rejects the assumption that the value of real estate investments diminish predictably over time.

Readers are advised that changes in operating factors which impact FFO with the principal exception of financing costs directly affect EBITDA.

PART II PERFORMANCE SUMMARY

Nine months ended September 30, 2007 has been an active time for Plazacorp with the Company investing $42.5 million on development and acquisitions. Eight properties became income producing during the nine month period contributing $205 thousand to FFO. We are anticipating eight properties will transfer to income producing status during the 4th quarter. Currently there are sixteen properties under development and one land assembly in progress, which upon completion, will contribute positively to income and FFO growth.

The key performance indicators discussed throughout the MD&A are summarized below. For a detailed explanation of the key performance indicators please refer to the appropriate section in 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 our shareholders.

The following chart details these statistics for the nine months ended September 30, 2007 compared to the nine months ended October 31, 2006 detailed as "Year-to-Date", and for the three months ended September 30, 2007 compared to the three months ended October 31, 2006, detailed as the "For the Period".

Funds From Operations (FFO)	Year-to-Date ➢ FFO was 17.6¢ per share (17.2¢ diluted per share) compared to 16.1¢ per share (15.3¢ diluted per share) increasing by $1.1 million, or 16.7 % growth. ➢ FFO reduced by $220 thousand (0.5¢ per share) related to third-party costs of a mortgage substitution ("defeasance"). ➢ FFO increased by $179 thousand (0.4¢ per share) in lease termination fees. ➢ Shortfall in FFO due to Q1 sale of properties - $360 thousand (0.8¢ per share) For the Period ➢ FFO was 5.7¢ per share (5.5¢ diluted) compared to 6.2¢ per share (5.9¢ diluted). ➢ FFO reduced by $220 thousand (0.5¢ per share) related to third-party costs of a mortgage substitution ("defeasance"). ➢ Shortfall in FFO due to Q1 sale of properties - $180 thousand (0.4¢ per share). ➢ Basic FFO for the period, adjusting for above-noted items, would have been 6.6 ¢ per share.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	Year-to-Date ➢ EBITDA was up $2.4 million, representing 16.6% growth. For the Period ➢ EBITDA was up $687 thousand, representing 12.9% growth.
Debt Service Ratios	Year-to-Date ➢ Interest Coverage Ratio at 1.9 times and Debt Service Coverage ratio at 1.5 times are unchanged. For the Period ➢ Interest Coverage and Debt Service Coverage ratio's were each down 0.1 times.
Same-Asset Net Property Operating Income	Year-to-Date ➢ Same-Asset net property operating income was up $297 thousand representing 2.4% growth, relating to occupancy changes and favorable cost experience. For the Period ➢ Same-Asset net property operating income was up $95 thousand representing 2.2% growth, relating to occupancy changes and favorable cost experience.
Weighted Average Cost of Debt	➢ The weighted average effective cost of mortgage debt dropped 44 basis points from 6.99% to 6.55% resulting from favorable mortgage terms on new assets relative to the existing portfolio.
Occupancy Levels	➢ Occupancy increased to 97.0% from 96.7% primarily as a result of the addition of new properties at high occupancy.

FUNDS FROM OPERATIONS (FFO) & EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

➢ ***KEY PERFORMANCE INDICATOR***

Plazacorp's summary of FFO for the three and nine months ended September 30, 2007, compared to the three and nine months ended October 31, 2006, including the results of discontinued operations, are presented below:

(000's – except per share amounts) **For the Periods Ended**	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Total revenues	**$ 10,321**	$ 8,678	**$ 29,993**	$ 24,987
Basic earnings per share	**$ 0.016**	$ 0.009	**$ 0.090**	$ 0.041
Diluted earnings per share	**$ 0.016**	$ 0.009	**$ 0.089**	$ 0.041
Net income	**$ 704**	$ 378	**$ 3,935**	$ 1,688
Gain on disposals of income producing properties and surplus lands	**(831)**	(27)	**(3,619)**	(1,195)
Income tax expense	**504**	273	**886**	303
Income tax expense (recovery) included in income from discontinued operations	**(2)**	55	**10**	139
Amortization	**2,142**	1,699	**6,325**	5,271
Amortization included in income from discontinued operations	**-**	118	**85**	368
Non-controlling interests	**90**	78	**260**	180
Financing costs	**3,389**	2,578	**9,112**	7,446
Financing costs included in income from discontinued operations	**-**	158	**115**	477
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**5,996**	5,310	**17,109**	14,677
Less:				
Financing costs	**(3,389)**	(2,736)	**(9,227)**	(7,923)
Current income tax expense	**(10)**	(6)	**(15)**	(55)
Non-cash debenture interest	**12**	24	**52**	66
Equity accounting and non-controlling interest adjustments to FFO	**(88)**	10	**(230)**	(164)
Corporate amortization	**(8)**	(11)	**(23)**	(34)
Basic FFO	**2,513**	2,591	**7,666**	6,567
Interest on dilutive convertible debentures	**39**	157	**116**	466
Diluted FFO	**$ 2,552**	$ 2,748	**$ 7,782**	$ 7,033
Basic weighted average shares outstanding	**44,287**	41,557	**43,570**	40,792
Basic FFO per share	**$ 0.057**	$ 0.062	**$ 0.176**	$ 0.161
Diluted shares outstanding per consolidated financial statements	**44,912**	42,307	**45,369**	41,332
Dilutive effect on FFO of convertible debentures	**1,147**	4,630	**-**	4,633
Total diluted weighted average shares outstanding	**46,059**	46,937	**45,369**	45,965
Diluted FFO per share	**$ 0.055**	$ 0.059	**$ 0.172**	$ 0.153

➢ ***KEY PERFORMANCE INDICATOR***

Earnings before interest, taxes, depreciation and amortization (EBITDA)	**$ 5,996**	$ 5,310	**$ 17,109**	$ 14,677
Financing costs – including financing costs in discontinued operations	**$ 3,389**	$ 2,736	**$ 9,227**	$ 7,923
Periodic mortgage principal repayments	**613**	591	**1,911**	1,762
Total debt service	**$ 4,002**	$ 3,327	**$ 11,138**	$ 9,685
Debt coverage ratios				
Interest coverage ratio	**1.8 times**	1.9 times	**1.9 times**	1.9 times
Debt service coverage ratio	**1.5 times**	1.6 times	**1.5 times**	1.5 times

See also supplemental disclosure – Funds From Operations (FFO) – Page 7 of this MD&A

The Company is continuing a significant development and redevelopment program which is adding high quality assets to the portfolio. Significant impacts on FFO and EBITDA are:

- Properties transferred to Income Producing Property status ("IPP") contributed $205 thousand to FFO year-to-date in 2007.
- Properties transferred to IPP status in 2006 contributed $1.4 million to FFO in 2007. The Village Shopping Centre, St. John's, NL, acquired in 2006 contributed $386 thousand to investment income year-to-date in 2007 (2006 - $117 thousand).
- Third party mortgage substitution ("defeasance") costs of $220 thousand reduced FFO by 0.5¢ per share for the quarter. This transaction generated $2.4 million for reinvestment in properties under development.
- Lease termination fees of $179 thousand increased FFO year-to-date by 0.4¢ per share.
- The sale of properties during Q1 2007, reduced FFO by $180 thousand per quarter (0.4¢ per share). Funds generated from the sale ($4.0 million) were re-invested in properties under development.

EBITDA growth resulted primarily from the addition of new properties, and results in debt service ratios consistent with management's expectation, and indicative of the continued ability to adequately service the Company's debt and maintain stable cash flows. These ratios are in excess of all required debt covenants in Company borrowing arrangements.

TRANSACTIONS

The following table includes properties that were developed or acquired subsequent to November 1, 2005 and became income producing properties as noted. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the entire nine months ended September 30, 2007 and the entire nine months ended October 31, 2006 and excludes partial year results from assets included in the 2007 and 2006 transaction categories below.

2007 **Property**	**Property Type**	**Square Footage**	**Ownership**	**Income Producing During**
Plaza BDP, Deux Montagnes, QC	Single Use	16,940	37.5%	Q2 07
CPDRL, Riviere-du-Loup, QC	Single Use	41,568	50%	Q3 07
Boulevard Hebert Plaza, Edmundston, NB	Strip Plaza	26,689	100%	Q1 07
Main and Victoria, Shediac, NB	Single Use	10,287	100%	Q3 07
Kings Road Plaza, Sydney River, NS	Single Use	16,847	100%	Q1 07
Central Avenue Plaza, Greenwood, NS	Single Use	16,989	100%	Q1 07
Scott Street Plaza, St. Catharines, ON	Strip Plaza	21,582	50%	Q3 07
Kenmount Road Plaza, St. John's, NL	Strip Plaza	21,404	100%	Q2 07

2006 **Property**	**Property Type**	**Square Footage**	**Ownership**	**Income Producing During**
Plaza TS Magog, Magog, QC	Single Use	17,452	50%	Q3 06
Miramichi Power Center Phase 2, Miramichi, NB	Strip Plaza	18,639	100%	Q3 06
Crown Street, Saint John, NB	Strip Plaza	21,764	100%	Q4 06
Major Brook Drive Plaza, Saint John, NB	Strip Plaza	40,559	100%	Q1 06
St. Anne Street Plaza, Bathurst, NB	Strip Plaza	25,213	100%	Q4 06
St. Peters Avenue Plaza, Bathurst, NB	Strip Plaza	22,848	100%	Q5 06
Champlain Plaza, Dieppe, NB	Strip Plaza	48,815	100%	Q1 06
Pleasant Street Plaza, Yarmouth, NS	Strip Plaza	22,586	100%	Q3 06
UAS Plaza, Charlottetown, PE	Strip Plaza	23,386	100%	Q4 06
15260 Yonge Street, Aurora, ON	Strip Plaza	14,070	50%	Q3 06
Conception Bay South Plaza, Conception Bay South, NL	Strip Plaza	21,220	100%	Q5 06
Bay Roberts Plaza, Bay Roberts, NL	Strip Plaza	20,468	100%	Q5 06
Village Shopping Centre, St. John's, NL	Enclosed Mall	446,607	19.2%	Q2 06

PROPERTY AND CORPORATE PERFORMANCE 2007 AND 2006

➢ ***KEY PERFORMANCE INDICATOR***

SAME-ASSET NET PROPERTY OPERATING INCOME

(000's) **For the Periods Ended**	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Same-asset rental revenue	**$ 7,460**	$ 7,463	**$ 22,449**	$ 22,087
Transaction rental revenue	**2,509**	1,015	**6,611**	2,467
Total rental revenue	**9,969**	8,478	**29,060**	24,554
Same-asset operating expenses	**1,670**	1,821	**5,525**	5,632
Transaction operating expenses	**447**	214	**1,275**	504
Total operating expenses	**2,117**	2,035	**6,800**	6,136
Same-asset realty tax expense	**1,340**	1,287	**3,986**	3,814
Transaction realty tax expense	**464**	148	**1,191**	571
Total realty tax expense	**1,804**	1,435	**5,177**	4,385
Total expenses	**3,921**	3,470	**11,977**	10,521
Same-asset net property operating income	**4,450**	4,355	**12,938**	12,641
Transaction net property operating income	**1,598**	653	**4,146**	1,392
Total net property operating income	**$ 6,048**	$ 5,008	**$ 17,084**	$ 14,033
Net property operating margin	**60.7%**	59.0%	**58.8%**	57.2%
Change in same-asset net property operating income	**2.2%**		**2.4%**	

The majority of the increase in total rental revenue was attributable to new acquisitions, developments and re-developments, transferred to income producing status during 2007 and 2006 as noted in the prior chart on transactions.

There were no significant operational issues within the same-asset pool for the three month and nine month periods ending September 30, 2007. Three properties were transferred to Income Producing Property status during the current period and eight properties year-to-date. Net Property Operating Income is comparable to the prior three months ended October 31, 2006 adjusting for the property additions and the change in months used for comparison.

GAAP requires that contractual rental revenue reported be averaged over the term of the respective leases. As a result, growth in same-asset property operating income is derived primarily from changes in occupancy, cost containment and contractual rental increases on lease renewal.

Significant portions of the Company's leases (56.9%) have common costs recoveries, excluding taxes, linked to the consumer price index (CPI). As a result, certain costs may not be completely offset by cost recoveries in a period where the cost increase exceeds overall inflation. Municipal taxes are generally net and fully recoverable from tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and therefore changes to these costs do not significantly impact on property operating income.

INVESTMENT INCOME

Investment income is made up of interest income ($155 thousand), income reported on a cost basis from Northwest Plaza ($22 thousand) and the income reported on equity accounting basis for Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets and the Village Shopping Centre ($755 thousand).

ADMINISTRATIVE EXPENSES

For the nine months ended September 30, 2007, administrative expenses are up $153 thousand over the prior reporting period for the nine months ended October 31, 2006. Given reporting and certification requirements for public entities such as Plazacorp, it is reasonable to conclude that administrative expenses will fluctuate and may escalate by rates exceeding general inflation during 2007 and 2008.

GAIN ON DISPOSAL OF INCOME PRODUCING PROPERTIES

During the nine months ended September 30, 2007, the Company disposed of interests in two income producing properties Staples Plaza, Dartmouth, NS and Lansdowne Place, Saint John, NB for an accounting gain of $2.8 million. The Company also disposed of three parcels of land during the nine months ended September 30, 2007 for an accounting gain of $830 thousand.

AMORTIZATION

Increases in amortization are primarily due to transfers to income producing status of properties under development in 2006 and 2007, offset by the sale of two income producing properties in March 2007.

(000's) **For the Periods Ended**	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Same-asset amortization	**$ 1,442**	$ 1,321	**$ 4,400**	$ 4,333
Transactions	**700**	378	**1,925**	938
Total amortization	**$ 2,142**	$ 1,699	**$ 6,325**	$ 5,271

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the nine months ended September 30, 2007 the Company and it subsidiaries recorded $311 thousand in capital taxes compared to $300 thousand for the nine months ended October 31, 2006. The Federal, New Brunswick and Nova Scotia Governments have announced the repeal or phase out of capital taxes and the Company expects a significant slowing of growth for these taxes, with a decline possible during 2008.

INCOME TAX EXPENSE

The Company records income taxes based on its estimate for the taxes for the full fiscal year and the impact of temporary differences between accounting and taxable income during the year. The financial statements include the current and future income taxes payable by consolidated subsidiaries. All current income taxes were those of subsidiaries. As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains. See note 17 of the September 30, 2007 interim consolidated financial statements for a complete explanation of taxation balances.

(000's) **For the Periods Ended**	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Current income taxes	**$ 10**	$ 6	**$ 15**	$ 55
Future income taxes	**494**	267	**871**	248
Total income taxes	**$ 504**	$ 273	**$ 886**	$ 303

SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

(000's) For the Periods Ended	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Non Cash Items Included in FFO:				
Straight-line rent included in revenue	**$ 145**	$ 184	**$ 400**	$ 351
Above and below market rent amortized in revenue	**48**	54	**173**	161
Deferred finance charges amortized in financing costs	**144**	198	**435**	506
Deferred recoverable expenses amortized in operating costs	**23**	60	**45**	174

Tenant Acquisition Costs Detailed in Operating Activities per the Statement of Cash Flows:

(000's) For the Periods Ended	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Tenant acquisition costing for same-asset properties	**$ 473**	$ 82	**$ 754**	$ 731
Anchor tenant cost repositioning for same-asset properties	**395**	657	**1,078**	1,044
Tenant acquisition costs for transactions	**586**	2,391	**2,640**	2,813
Total tenant acquisition cost	**$ 1,454**	$ 3,130	**$ 4,472**	$ 4,588

Gross Additions including Tenant Acquisition Costs:

(000's) For the Periods Ended	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Same-asset - maintenance capital expenditures	**$ 520**	$ 86	**$ 1,252**	$ 898
Anchor tenant repositioning costs for same-asset properties	**761**	1,671	**4,496**	3,103
Gross addition for transactions	**12,783**	13,664	**42,382**	34,865
Total gross additions	**$ 14,064**	$ 15,421	**$ 48,130**	$ 38,866

Maintenance Capital Expenditures *are costs related to tenancy changes and capital expenditures that do not change the income earning potential of the property. These are typically financed from operating cash flows.*
Anchor Tenant Repositioning Costs *include expenditure related to moving or expanding anchor tenants that increase the income producing potential of an existing property. These costs are typically financed through development lines of credit.*

OUTLOOK

The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Dividends to shareholders will be 15.0¢ per share for 2007 compared to 12.5¢ per share for 2006. Our efforts have produced a tenant profile across the portfolio which contributes to cash flow stability. Performance to date has demonstrated the strength of current strategies and operating capabilities and, barring any unforeseen events management is confident of delivering solid performance in 2007, as well as a significant growth to the size of the portfolio.

Year	**2007**	**2006**	**2005**	**2004**	**2003**
Dividend per share annually	15.0¢	12.5¢	10.5¢	9.0¢	8.0¢
Percentage increase	20.0%	19.0%	16.7%	12.5%	-

Plazacorp is building up a portfolio with a high quality rental revenue stream. To date our leasing activities have produced a portfolio with the following broad credit classifications.

Plazacorp's ten largest tenants based upon current monthly gross rents as at September 30, 2007 represent approximately 47.3% of total revenues in place.

		% of Gross Revenue			% of Gross Revenue
1.	Shoppers Drug Mart	20.7	6.	Bulk Barn	2.1
2.	Dollarama	7.0	7.	Michaels	2.0
3.	Marks Work Wearhouse	4.6	8.	Empire Theatres	1.6
4.	Staples	4.1	9.	Canadian Tire	1.5
5.	Reitmans	2.2	10.	Winners	1.5

The following mix of National, Regional, and Local tenancy that is well positioned to resist downturns in our markets and helps stability of continuing cash flows to fund operations and dividends.

As at	**September 30, 2007**	December 31, 2006
National	**84.9%**	83.4%
Regional	**6.1%**	6.6%
Local	**9.0%**	10.0%

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.

Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio as at September 30, 2007 includes interests in 85 properties totaling over 4.1 million square feet and additional lands held for development. These include properties directly held by Plazacorp and its subsidiaries as well as investments in joint ventures. Thus far in 2007, and during 2006, Plazacorp's growth is primarily created through the development of new real estate assets. This trend will likely continue with $8.6 million committed to new development for the remainder of 2007.

BUSINESS ENVIRONMENT

Leasing and investment markets were healthy in 2006 and thus far in 2007. Retail occupancies and rents have remained stable due to the strength of consumer spending. We witnessed moderate inflation in 2006 and thus far in 2007. Low debt costs in comparison to long-term trends has permitted Plazacorp to place its debt at favourable rates and terms. A low interest rate environment has also resulted in a more competitive acquisition environment, resulting in higher asking prices for quality real estate assets with corresponding lower initial returns. Within in this business environment, Plazacorp remains committed to its disciplined purchase and development strategy.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a balanced portfolio of retail properties. To achieve this goal the Company's Board of Directors has set acquisition criteria for requiring a minimum of 16% leveraged returns after redevelopment or re-tenanting.

In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance the acquisition of new developments;
- acquire or develop properties at a price 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 costs and maintain quality of the properties.

The Company invests in the following property types:

- development of new properties on behalf of existing clients or in response to demand;
- redevelopment of well located but significantly amortized shopping malls and strip plazas; and
- strategic financial investments in 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;
- increasing rental rates when market conditions permit;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- raising capital where required in the most cost effective manner; and
- periodic review of the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

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 operational costs.

Management believes that the key external performance drivers are:

- The availability of new properties for acquisitions and developments;
- The availability of equity and debt capital; and
- A strong growing retail market.

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

- Funds From Operations (FFO);
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA);
- Debt Service Ratios;
- "Same-Asset" Net Property Operating Income;
- Weighted Average Effective Cost of Debt; and
- Occupancy Levels.

PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Sept-07	Major Tenants
Strip Plazas					
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,185	100%	92%	Bouclair, Yellow Shoes
Plaza Boulevard Royal	Shawinigan, QC	130,095	100%	100%	Rossy, l'Aubainerie, Dollarama
Les Promenades St. Francois	Laval, QC	54,738	100%	100%	Jean Coutu, Dollarma
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Reitmans
Terrace Dufferin	Valleyfield, QC	17,567	50%	91%	Videotron, Mike's Restaurant
Carrefour des Seigneurs	Terrebonne, QC	33,900	25%	100%	Jean Coutu
Exhibition Plaza	Saint John, NB	75,280	55%	100%	Empire Cinemas, Mark's Work Wearhouse
Nashwaaksis Plaza	Fredericton, NB	57,549	100%	97%	Dollarama, McDonalds
Wedgewood Plaza	Riverview, NB	12,768	100%	100%	Dollarama, Blockbuster
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sports, Bulk Barn
McAllister Drive Plaza	Saint John, NB	19,275	55%	100%	McDonald’s, Cleve’s Sporting
SCA Plaza	Saint John, NB	17,430	55%	100%	Bulk Barn, Great Canadian Dollar Store
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	19,645	100%	100%	Dollarama, Mark's Work Wearhouse
Miramichi Power Center - Phase 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - Phase 2	Miramichi, NB	18,639	100%	83%	Boston Pizza
Boulevard Plaza	Moncton, NB	83,021	100%	100%	Winners, Michael's
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	100%	Pizza Delight, Tim Horton’s
Main Place	Fredericton, NB	31,284	100%	100%	Shoppers Drug Mart
Major Brook Drive Plaza	Saint John, NB	40,559	55%	100%	Michael's, Boston Pizza
Champlain Plaza	Dieppe, NB	48,815	100%	100%	Shoppers Drug Mart, Bulk Barn
Crown Street	Saint John, NB	21,764	100%	100%	Shoppers Drug Mart
St. Anne Street Plaza	Bathurst, NB	25,213	100%	96%	Dollarama, Reitmans
St. Peters Avenue Plaza	Bathurst, NB	22,848	100%	89%	Shoppers Drug Mart
Boulevard Hebert Plaza	Edmundston, NB	26,689	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	33,753	100%	100%	Staples
Tacoma Centre	Dartmouth, NS	160,991	100%	94%	Canadian Tire, Dollarama
Commercial Street Plaza - Phase 1	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons
V-8 Plaza	New Glasgow, NS	13,400	100%	100%	Dollarama, Swiss Chalet
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Bulk Barn
201 Chain Lake Drive	Halifax, NS	118,534	50%	100%	McDonalds, Home Outfitters
303 Main Street Plaza	Antigonish, NS	21,484	100%	84%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Tacoma Valley Field	Dartmouth, NS	25,325	100%	81%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	60,072	100%	93%	Empire Theatres, Reitmans
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	100%	Shoppers Drug Mart, Cotton
University Plaza	Charlottetown, PE	62,046	43%	100%	Dollarama, Smitty's, Colour
Belvedere Plaza	Charlottetown, PE	77,016	60%	100%	Marks Work Wearhouse, Indigo
Granville Street Plaza	Summerside, PE	62,362	60%	100%	Dollarama, Pennington’s
Spring Park Plaza	Charlottetown, PE	49,734	85%	97%	Co-op, Fabricville, Value
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart, TD Bank
15260 Yonge Street	Aurora, ON	14,070	50%	100%	Dollarama
Scott Street Plaza	St. Catharines, ON	21,582	50%	95%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	21,220	100%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John’s, NL	21,404	100%	90%	XS Cargo, Montana’s
Sub-total		1,844,836		97.9%	

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Sept-07	Major Tenants
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	137,341	50%	97%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	125,735	100%	97%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	133,050	100%	77%	Staples, Shoppers Drug Mart
Gateway Mall	Sussex, NB	158,391	25%	98%	Sobey's, Zellers
Oromocto Mall	Oromocto, NB	76,691	100%	96%	Shoppers Drug Mart, Dollarama
Sub-total		631,208		93.0%	
Single Use					
Bureau en Gros	Granby, QC	25,695	50%	100%	Staples
Bureau en Gros	Rimouski, QC	25,771	50%	100%	Staples
Plaza TS Magog	Magog, QC	17,452	50%	100%	Shoppers Drug Mart
Plaza BDP	Deux Montagnes, QC	16,940	37.5%	100%	Shoppers Drug Mart
CPRDL	Riviere-du-Loup, QC	41,568	50%	100%	Caisse Populaire
681 Mountain Road	Moncton, NB	19,504	100%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
912 East River Road	New Glasgow, NS	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	16,847	100%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
Sub-total		233,258		100.0%	
Income producing properties		2,709,302		97.0%	
Projects Under Development					
Plaza Jean XXIII	Trois-Rivieres, QC	16,721	50%	100%	Shoppers Drug Mart
Plaza BBRF	Sherbrooke, QC	21,000	50%	100%	Shoppers Drug Mart
Plaza Tracadie	Tracadie, NB	19,500	100%	-	
Main and Western Street Plaza	Sussex, NB	14,300	100%	100%	Dollarama
KGH Plaza	Miramichi, NB	16,845	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	12,000	100%	33%	Reitmans
201 Main Street	Sussex, NB	16,915	100%	100%	Shoppers Drug Mart
Commercial Street Plaza - Phase 2	New Minas, NS	10,000	100%	38%	Easy Home
Joseph Howe Drive Plaza	Halifax, NS	25,519	100%	92%	Shoppers Drug Mart, Bulk Barn
North Sydney Plaza	North Sydney, NS	19,260	100%	79%	Shoppers Drug Mart
Robbie Street	Truro, NS	21,890	100%	100%	Shoppers Drug Mart
Bedford Commons	Bedford, NS	70,000	100%	7%	Bulk Barn
St. Josephs Boulevard	Orleans, ON	16,910	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	17,168	50%	100%	Shoppers Drug Mart
Port Hope Plaza	Port Hope, ON	22,600	50%	100%	Shoppers Drug Mart
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
Sub-total		338,937		69.1%	
Total Excluding Non-Consolidated Trusts and Partnerships		3,048,239		93.9%	
Non-Consolidated Trusts and Partnerships					
Marche De L'Ouest	Dollard des Ormeaux, QC	126,100	20%	94%	IGA, SAQ
Plaza des Recollets	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Place Du Marche	Dollard des Ormeaux, QC	35,278	10%	91%	Laurentian Bank, Starbucks
Centennial Plaza	Dollard-des-Ormeaux, QC	152,189	10%	92%	Value Village, Jean Coutu
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Northwest Centre	Moncton, NB	177,171	10%	100%	Zellers, Princess Auto
Village Shopping Centre	St. John's, NL	446,607	19.2%	87%	Sears, Urban Planet, Dollarama
Sub-total		1,019,466		90.2%	
Grand Total		4,067,705		93.4%	

PART III

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the prior three completed fiscal years and the twelve months ended October 31, 2006 are presented below:

($000's except per share amounts)		**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005	12 Months Ended October 31, 2004
Total revenue		**$ 41,998**	$ 35,364	$ 28,716	$ 25,253
Net income (loss) from continuing operations		**3,019**	2,804	(224)	(504)
Gain on disposals of income producing properties and income from discontinued operations		**-**	-	-	2,941
Net income (loss)		**3,019**	2,804	(224)	2,437
Dividends		**5,042**	5,042	3,752	2,799
Dividends per share		**0.125**	0.125	0.105	0.090
Total assets		**229,888**	219,940	172,444	138,161
Mortgages payable		**149,944**	143,282	109,645	82,651
Mortgage bonds payable		**17,500**	17,500	12,525	5,050
Debentures payable		**16,543**	17,119	16,734	17,300
Notes payable		**3,604**	3,070	2,566	2,053
Bank indebtedness		**2,959**	2,079	-	69
Earnings (loss) per share - basic					
	Continuing operations	**0.075**	0.070	(0.006)	(0.016)
	Gain on disposals	**-**	-	-	0.093
	Discontinued operations	**-**	-	-	-
	Net earnings (loss)	**0.075**	0.070	(0.006)	0.077
Earnings (loss) per share - diluted					
	Continuing operations	**0.075**	0.069	(0.006)	(0.018)
	Gain on disposals	**-**	-	-	0.093
	Discontinued operations	**-**	-	-	-
	Net earnings (loss)	**0.075**	0.069	(0.006)	0.075
Basic weighted average shares outstanding		**40,151**	39,872	35,212	31,702
Total properties in portfolio		**74**	71	55	45
Properties under development		**10**	12	5	5
Rentable Sq Ft.					
	Strip	**2,152**	2,069	1,820	2,158
	Enclosed Malls	**635**	627	689	620
	Single Use	**131**	113	113	95
	Total	**2,918**	2,809	2,622	2,873
Occupancy %					
	Strip	**97.0**	97.0	97.3	95.4
	Enclosed Malls	**95.0**	94.5	94.9	96.1
	Single Use	**100.0**	100.0	100.0	100.0
	Total	**96.7**	96.5	96.8	95.8

The summary of yearly results is influenced by significant acquisition, development and re-development activities over the four years and highlights the increasing total assets and revenues resulting from these activities. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

SUMMARY OF QUARTERLY INFORMATION

November 1, 2005 to September 30, 2007

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

	Q3'07	Q2'07	Q1'07	Q5'06 (1)	Q4'06	Q3'06	Q2'06	Q1'06
Total revenue	**$ 10,321**	$ 9,937	$ 9,733	$ 6,634	$ 9,286	$ 8,822	$ 8,674	$ 8,582
Net income (loss) from continuing operations	**(706)**	185	238	215	378	1,366	(56)	1,116
Gain on disposals of income producing properties and income from discontinued operations	**(2)**	(20)	2,826	-	-	-	-	-
Net income (loss)	**704**	165	3,064	215	378	1,366	(56)	1,116
Dividends	**1,652**	1,624	1,590	-	1,301	1,294	1,250	1,196
Dividends per share	**0.0375**	0.0375	0.0375	-	0.0313	0.0313	0.0313	0.0313
Total assets	**262,181**	248,124	233,029	229,888	219,940	207,627	190,038	180,306
Mortgages payable	**180,349**	161,285	152,091	149,944	143,282	133,530	117,778	115,602
Mortgage bonds payable	**20,324**	20,327	17,377	17,500	17,500	17,500	17,525	12,525
Debentures payable	**11,714**	14,064	14,970	16,543	17,119	15,668	13,944	15,923
Notes payable	**2,401**	2,090	1,494	3,604	3,070	3,720	2,160	2,426
Bank indebtedness	**-**	-	-	2,959	2,079	-	-	-
Earnings (loss) per share - basic								
Continuing operations	**0.016**	0.005	0.006	0.005	0.009	0.033	(0.001)	0.030
Gain on disposals	**-**	-	0.065	-	-	-	-	-
Discontinued operations	**-**	(0.001)	0.001	-	-	-	-	-
Net earnings (loss)	**0.016**	0.004	0.072	0.005	0.009	0.033	(0.001)	0.030
Earnings (loss) per share - diluted								
Continuing operations	**0.016**	0.005	-	0.005	0.009	0.032	(0.001)	0.028
Gain on disposals	**-**	-	0.065	-	-	-	-	-
Discontinued operations	**-**	(0.001)	0.001	-	-	-	-	-
Net earnings (loss)	**0.016**	0.004	0.066	0.005	0.009	0.032	(0.001)	0.028
Basic weighted average shares outstanding	**44,287**	43,640	42,766	41,816	41,557	41,013	39,703	37,172
Total properties in portfolio	**85**	83	80	74	71	67	62	58
Properties under development	**16**	17	14	10	12	12	6	4
Rentable Sq Ft.								
Strip	**1,845**	1,821	1,801	2,152	2,069	1,998	1,961	1,910
Enclosed Malls	**631**	631	638	635	627	622	627	682
Single Use	**233**	181	165	131	113	113	113	113
Total	**2,709**	2,633	2,604	2,918	2,809	2,733	2,701	2,705
Occupancy %								
Strip	**97.9**	97.5	97.6	97.0	97.0	97.2	96.9	96.9
Enclosed Malls	**93.0**	92.4	92.5	95.0	94.5	95.9	93.8	93.7
Single Use	**100.0**	100.0	100.0	100.0	100.0	100.0	100.	100.0
Total	**97.0**	96.5	96.5	96.7	96.5	97.0	96.3	96.2

(1) 2 month period November 1, 2006 to December 31, 2006 reported as result to the change in year-end to December 31.

The summary of quarterly results reflect operating activities occurring in the last eight reporting periods, as well as significant changes resulting from acquisition, development and redevelopment activities. Seasonal fluctuations primarily relate to winter costs and yearly repair and maintenance activities which typically occur in the late spring and early summer seasons. With leases tied to CPI costs recovery formula's (56.9%), which do not allow direct matching of costs to Common Area Cost (CAM) recovery revenue in any given period, variations in income and cash flow can occur in any given quarter.

The quarterly information highlights the increasing total assets and gross revenues over the eight quarters and is reflective of significant growth in acquisitions, developments, and re-developments. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio during a period of solid growth. The change in year end and the consequent comparison of quarters with differing period ends could introduce fluctuations, which do not reflect operational changes on a quarterly basis. These fluctuations are not readily quantifiable, and will not be present for 2008 reporting periods.

PART IV

LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

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, property tax costs, and to fund dividends. Costs of development activity are funded by a combination of debt, equity and cash flow. Liquidity is a concern only as it relates to the availability of debt and equity to fund new developments and acquisitions.

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

Plazacorp's cash distribution policy reflects repayment of recurring mortgage principal payments from cash flow. Accordingly, the overall debt level on existing properties is reduced year-over-year. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay anticipated dividends. New debt or equity capital raised is diverted to a continuing development activities, which are discretionary, based on the availability of such capital.

The Company has no exposure to asset backed securities (ABS) typically used for short-term investment of cash balances.

EQUITY AND DEBT ACTIVITIES

BANK FINANCING

(000's)	**$7.3 Million Operating**	**$35 Million Development**	**$15 Million Development**
Balance December 31, 2006	$2,396	$13,173	$3,291
Draw (repayments) net	$(2,396)	$6,017	$7,700
Balance September 30, 2007	-	$19,190	$10,991
Line reservation for letters-of-credit	$500	-	$200
Interest rate	Prime + ¾%	Prime + 5/8%	Prime + 1/2%
Maturity	November 30/07	April 23/08	July 31/08
Security	First charges on pledged property	First charges on pledged property	First charges on pledged property
Other terms	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants

In addition to bank development credit facilities the Company had a $4.5 million single use development facility which matured October 31, 2007. Interest was at prime plus 1% and as security the Company has provided a first charge mortgage on the property being funded. This facility has been converted to long-term debt.

The Company has an additional $500 thousand letter-of-credit facility maturing September 30, 2008 with a Canadian Chartered Bank, secured by Personal Property Security Act (PPSA) charges in various provinces. This line was fully drawn as at September 30, 2007. A Company subsidiary also has a $150 thousand unsecured operating line with a chartered bank upon which no funds were drawn as at September 30, 2007.

As of November 21, 2007, all debt covenants in respect of the above facilities have been maintained and management is confident the covenants will be maintained for the foreseeable future.

Despite recent volatility, the market for obtaining long-term mortgage funding for the Company's properties is adequate with many sources of real estate debt financing available. Management is confident that all short-term financings relating to the bank facilities maturing in 2007 will be renewed or converted to long-term debt upon maturity at reasonable terms.

DEBENTURES

During the nine months ended September 30, 2007, $395 thousand of the Series II convertible debentures, and $4.4 million of Series III convertible debentures were converted to share capital and 3.1 million shares were issued. No new debentures were issued during the period.

The 7% subordinate debentures require the Company to maintain debt service ratios based on EBITDA in excess of fixed threshold. As of September 30, 2007, the ratio has been maintained and management is confident the ratio will be maintained for the foreseeable future.

MORTGAGE BONDS

The Company issued $1.8 million of 7.5%, 5 year mortgage bonds on April 25, 2007 and a further $1.2 million of 7.5%, five year mortgage bonds on May 16, 2007.

Mortgage bond funds were deployed to fund property development as at September 30, 2007, as detailed in note 13 of the September 30, 2007 interim consolidated financial statements.

There were no redemptions of mortgage bonds during 2007. The Company is in compliance with the terms and covenants of various indentures covering mortgage bonds and expects compliance will continue for the foreseeable future.

MORTGAGES

There are no long-term mortgages maturing in 2007 and there are $2.8 million long-term mortgages maturing in 2008.

The Company's strategy is to balance maturities and terms on new fixed 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 capital 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 and at current market rates in order to stabilize cash flow available for reinvestment and dividend payments.

The Company's use of floating rate debt has generally been limited to assets under development or redevelopment. The Company fixes new mortgages debt when the debt parameters and repayment terms are most favorable. Fixed rate debt represents 81.0% of total mortgage debt, including bank development facilities. Management is of the view that such a strategy results in the most conservative interest rate risk management practice. Current market parameters for conventional mortgage debt are in the range of 65% - 75% of the appraised market value of the underlying property. The success of this strategy is depended upon debt market parameters existing at that time as well as the particular features and quality of the underlying assets being financed in the period.

From January 1, 2007 to September 30, 2007, the Company funded $28.7 million of mortgage debt with an average rate of 5.37%, term of 10 years and average amortization of 29 years. This funding contributed to improvements in the weighted average interest cost of mortgage debt, term to maturity and remaining amortization period of mortgages outstanding as at September 30, 2007. For the balance of 2007 and throughout 2008 the Company expects that funding of first mortgage debt will be at higher rates than the first nine months of the year due to increased lending spreads for mortgage debt generally.

LAND LEASES

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. The minimum return criterion for Plazacorp to undertake a project is a return on invested cash of 16%.

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 be undertaken without use of a land lease. On the downside, long-term land leases tend to have a minor negative impact on project valuation, but in many instances, an option to purchase the land at a future dates can offset this factor.

Currently Plazacorp has 21 long-term land leases with total annual rent of $2.2 million.

➢ ***KEY PERFORMANCE INDICATOR***

At September 30, 2007 and October 31, 2006, the Company's cost of debt was as follows:

As at (000's)	**Effective Rate**	**September 30, 2007**	October 31, 2006
Fixed rate mortgage loans	**6.55%**	**5.1% - 8.0%**	5.1 % - 8.0%
Variable rate loans	**7.00%**	**Prime + 3/4%**	Prime + 3/4%
Other fixed rate loans with periodic repayments	**9.07%**	**8.5%**	8.5% - 10.0%
Bank operating facility	**Prime + 3/4%**	**Prime + 3/4%**	Prime + 3/4%
Bank development facilities	**Prime + 5/8%**	**Prime + 5/8%**	Prime + 5/8%

The weighted average effective cost of fixed rate mortgage loans is 6.55% for the nine months ended September 31, 2007 compared to 6.99% for the nine months ended October 31, 2006.

The weighted average term to maturity for the long-term mortgages is 7.0 years. The average remaining amortization or repayment period on long-term mortgage debt is 24.0 years.

COMMITMENTS AND CONTINGENT LIABILITIES

Plazacorp's current commitments for acquisitions, developments and redevelopments scheduled for future periods is $8.6 million. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these future commitments.

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

(000's)		**Payments Due by Year**			
Contractual obligations	**Total**	**Year 1**	**Years 2-3**	**Years 4-5**	**After 5 years**
Mortgages	**$ 183,058**	**$ 37,424**	$ 27,712	$ 22,997	$ 95,005
Mortgage bonds and debentures	**32,479**	**-**	16,979	15,500	-
Operating land leases	**115,205**	**2,239**	4,582	4,534	103,850
Development activities	**8,610**	**8,610**	-	-	-
Total contractual obligations	**$ 339,352**	**$ 48,273**	$ 49,273	$ 43,031	$ 198,855

(1) Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years.
(2) The yearly totals are based on a rolling 12 months with the first term based on October 1, 2007 to September 30, 2008.

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchaser of two properties on March 7, 2007. These commitments are subject to indemnity agreements. The balance outstanding on these loans is $15.9 million as at September 30, 2007. This sale did not relieve the Company's obligations as original borrower in respect of these mortgages. See note 23c of the September 30, 2007 interim consolidated financial statements.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $774 thousand. See note 23c of the September 30, 2007 interim consolidated financial statements.

The Company assumed a guarantee for a $15.8 million development line-of-credit held by the Village Shopping Centre Limited Partnership for the completion of construction. As at September 30, 2007 the remaining budgeted development costs are $5.1 million.

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

The Company has determined that potential obligations under the above guarantees are nil.

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 particularly affect property investments. Management attempts to manage these risks through geographic and asset class diversification in the portfolio. At September 30, 2007, The Company held interests in 85 properties spread geographically among six provinces in Canada.

INTEREST RATE AND FINANCING 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.

Despite current volatility in debt markets, market conditions are favourable for obtaining mortgage financing in both the fixed rate and floating rate facilities. Interest rate spreads over Government of Canada Bonds have been relatively stable over the last twelve months but the Company expects increased spreads on financings undertaken for the balance of the year. At existing rates, the Company is able to obtain positive returns from debt financing. The availability of debt financing makes management highly confident of obtaining suitable long-term financing for projects on completion of development as well as the maturity of existing debt. Refinancing debt at maturity with conventional financing is generally limited to 65%-75% of appraised value. Management is of the view that such level of indebtedness is achievable in the market place and is confident all maturing debts will be financed or refinanced as they come due for the foreseeable future.

The Company has an ongoing requirement to access the debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Company, or on any terms at all.

CREDIT RISK

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

Currently, no one tenant represents more than 20.7% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 47.3% of total revenues in place.

LEASE ROLL-OVER RISK

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

To date in 2007, management completed 343 thousand square feet (2006 – 543 thousand square feet) of new leasing deals at market rates thus decreasing our occupied or committed space by 96 thousand square feet (2006 – 700 thousand square feet) net of all expires, renewals and vacated space. The decrease is due to the sale of two income producing properties reducing our committed space by 344 thousand square feet. The 343 thousand square feet of new leasing was made up of 237 thousand square feet on developments and acquisitions and 106 thousand square feet on same-asset properties.

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 asset type and geographic location and ensuring that the property manager maintains a well staffed and highly skilled leasing department to deal with all leasing issues.

LEASE ROLL-OVER BY ASSET CLASS

The average lease terms to maturity for the various asset types are as follows:

	Average Term	**Square Footage Expiring Remainder of 2007**
Strip Plazas	8.32	32,459
Enclosed Malls	5.46	7,667
Single Use	11.61	-
Overall	7.94	40,136

On average, Plazacorp's embedded or contractual gross rents expiring in 2007 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the three asset types, as gross rental rates differ dramatically by asset class.

OCCUPANCY RISK

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 for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plazacorp's operating costs and tax expenses are generally of a fixed nature, although Plazacorp does experience a variable element as it relates to utilities, snow removal, janitorial costs, and in certain municipalities realty tax.

The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $426 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes.

➢ ***KEY PERFORMANCE INDICATOR***

- Occupancy in the strip plazas was 97.9% as at September 30, 2007, compared to 97.0% as at October 31, 2006.
- Average occupancy in the enclosed malls was 93.0% as at September 30, 2007, compared to 94.5% as at October 31, 2006, due primarily to anchor repositioning at the Grand Falls Shopping Centre.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development is 69.1%.
- Overall the portfolio, excluding non-consolidated trusts and partnerships and properties under development as at September 30, 2007 was 97.0%, up 0.5% from October 31, 2006.

These occupancy rates are within management's expectations in view of continuing development in the portfolio and transfers of development properties with high occupancy, to income producing status during the last 12 months.

DEVELOPMENT AND ACQUISITIONS RISK

Plazacorp's external growth prospects will depend in large part on identifying suitable development and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the retail facilities acquired by the Company. If Plazacorp is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affective. 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 pending or threatening actions, investigations or claims against Plazacorp relating to environmental matters. Plazacorp has formal policies and procedures to manage environmental exposures in a proactive manner during every aspect of the property life cycle.

LITIGATION RISK

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

PART VI

SHARES OUTSTANDING

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

As at November 21, 2007	Shares	Share Capital
Current Outstanding Shares	45,739,153	$ 36,553,647
Employee and Director Share Options	1,245,937	2,548,662
Series II Convertible Debentures	37,500	45,000
Series III Convertible Debentures	1,109,375	1,775,000
Series IV Convertible Debentures	1,250,000	5,000,000
Total adjusted shares outstanding	49,381,965	$ 45,922,309

The Company has the right to redeem the Series II, Series III and Series IV outstanding convertible debentures at maturity, through the issuance of shares, based on 95% of the 20 day weighted average trading price ending 5 days before redemption. Details of conversions and options exercising during the year are detailed in notes 10 and 22 of the interim consolidated financial statements.

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. manage the Company's properties under a management contract that expires April 30, 2009 and has managed the properties since 1999. In Quebec, staff of Les Immeubles Plaza–Z Limited handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Plaza Z Corp. These companies employ 77 people in the accounting, finance, engineering, development, leasing, and other administrative capacities excluding property specific staff.

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

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic Limited and Les Immeubles Plaza Z–Corp manage properties for third parties. Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as Directors, during 2007.

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

Property Management	4% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of a lease term.
	2% of rental revenue per year for years six to ten of a lease term.
	Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects.
	10% of tenant improvement costs on non-development projects.
Financing	¾ % of loan amount where no outside broker is involved.
	¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of third party land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $142 per hour.

During the nine months ended September 30, 2007 and the nine months ended October 31, 2006 the following amounts were charged under the contracts:

(000's) **For the Nine Months Ended** **Fee Category**	**Included for Reporting Purposes In**	**September 30, 2007**	October 31, 2006
Management fees	Property operating expenses	**$ 1,147**	$ 942
Leasing fees	Tenant acquisition costs and property operating costs	**1,193**	1,289
Development fees	Income producing properties	**746**	667
Financing fees	Deferred charges and income producing properties	**152**	297
Acquisition fees	Income producing properties	**111**	260
Disposition fees	Gain on disposal of income producing properties	**166**	165
Legal services	Varies depending on nature of service	**303**	277
Total fees billed by the Property Manager		**$ 3,818**	$ 3,897

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at September 30, 2007 fall into two categories:

- Non–interest bearing notes that existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

- Interest bearing unsecured notes that are advanced from time-to-time to assist in financing property acquisitions and development costs and are retired on funding of interim or long-term debt or sale of the property to which the note relates.

As at (000's)	**Interest Rate**	**September 30, 2007**	December 31, 2006
Interest bearing notes:			
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, President and Chief Executive Officer of the Company.	Prime +1%	**$ 1,617**	$ 2,289
Non-Interest bearing notes:			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company.	n/a	**262**	286
Total		**$ 1,879**	$ 2,575

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

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, leases seven parcels of land to Plazacorp at a total annual rent of $675 thousand. The land leases expire at various times from October 2043 to March 2047, subject to options to renew. The business purpose of the leases is to enhance levered returns on the affected development asset.

BONDS AND DEBENTURES HELD

Below is a summary of convertible debentures and mortgage bonds of the Company held at face value directly or indirectly by related parties as at September 30, 2007 and December 31, 2006.

As at (000's)	**September 30, 2007**	December 31, 2006
Richard Hamm, Director	**$ 325**	$ 325
Michael Zakuta, Director	**1,200**	1,200
Edouard Babineau, Director	**600**	600
Earl Brewer, Director	**438**	658
Stephen Johnson, Director	**1,220**	1,275
Barbara Trenholm, Director	**364**	264
Total	**$ 4,147**	$ 4,322

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive Officer and Chief Financial officer assessed, or caused an assessment under their direct supervision of, the design of our disclosure controls and procedures and our internal controls over financial reporting as at September 30, 2007. No changes were made in the Company's disclosure controls and procedures or internal control over financial reporting during the three months ended September 30, 2007, that materially affected, or are reasonably likely to materially affect Plazacorp's internal control over financial reporting.

INTERESTS IN JOINT VENTURES

The Company uses joint ventures for several reasons, principally:

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

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

CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

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

PROPERTY ACQUISITIONS

Management is required to allocate the purchase price to acquired tangible and intangible assets and in-place leases. The allocation may change as new information emerges on the appropriateness of estimates made during 2006 and 2007. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets and net income.

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and an impairment loss is recognized. No impairment has been recognized in the nine months ended September 30, 2007 (October 31, 2006 –nil).

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

VARIABLE INTEREST ENTITIES

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company had determined that there are no significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at September 30, 2007 compared to December 31, 2006.

Readers should refer to the September 30, 2007 and December 31, 2006 Consolidated Financial Statements for a full description of the Company's accounting policies.

CHANGES IN ACOUNTING POLICIES

Effective January 1, 2007 the Company adopted the following new accounting standards issued by the CICA. Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, Handbook Section 3865, Hedges, and Handbook Section 3251, Equity. The new standards are not applied retroactively and accordingly, comparative amounts for prior periods, if any, have not been restated, except for adjustments required to reclassify the impact of the recording of deferred financing charges on the effective interest rate basis.

i) Comprehensive Income

Section 1530 introduces Comprehensive income, which consists of Net Income and Other Comprehensive Income (OCI). OCI represents changes in shareholders equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as "available for sale", and changes the fair value of the effective portion of cash flow hedging instruments. There was no impact on Plazacorp as a result of implementing this change.

ii) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheet upon entering into a financial instrument or a financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Re-measurement in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified or designated as "held for trading". For other financial instruments, transaction costs are capitalized on initial recognition.

Financial assets and financial liabilities classified as "held for trading", if any, are measured at fair value with changes in those fair values recognized in the determination of Net Income. Financial assets classified as "held to maturity", loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. "Available for sale" assets are presented separately on the Consolidated Balance Sheet and measured at fair value with unrealized gains and losses being recognized in OCI. Plazacorp has no "held for trading" or "available for sale" financial assets as at September 30, 2007. Derivative instruments are recorded on the Consolidated Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in Net Income. Plazacorp had no embedded derivatives in its contracts as at September 30, 2007.

Other accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method for any transaction costs or fees earned or incurred for financial instruments measured at amortized cost. And the recognition of the fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guideline 14, Disclosure of Guarantees (AcG 14). No subsequent re-measurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative, it is re-measured at fair value at each balance sheet date.

The Company designated its notes receivable, accounts receivable as "loans and receivables" and its mortgages payable, debentures payable, bank loan, notes payable and accounts payable as "other liabilities" pursuant to CICA Handbook Section 3855, all of which are reflected on the Consolidated Balance Sheet at amortized cost using the effective interest method of measurement.

Prior to January 1, 2007, external fees and costs incurred to obtain debt financing were deferred and amortized on a straight-line basis over the term of the respective indebtedness, or expensed in full in the event the property securing the indebtedness was sold or the indebtedness was discharged prior to its maturity. The unamortized balance was included in deferred financing costs. Pursuant to CICA Handbook Section 3855, effective January 1, 2007, financing costs are capitalized to the related asset or liability and are measured at amortized cost using the effective interest method.

FUTURE ACCOUNTING POLICY CHANGES

On December 1, 2006 the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862. Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards will be effective for years beginning on or after October 31, 2007.

OTHER

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

NOTICE OF NO AUDITOR REVIEW

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements (in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor).

Plazacorp Retail Properties Ltd.
Interim Consolidated Balance Sheet

As at (000's)	September 30, 2007	December 31, 2006
Assets		
Income producing properties (Note 3)	**$ 193,579**	$ 181,097
Properties under development (Note 4)	**38,131**	22,110
Surplus lands (Note 5)	**1,378**	-
Intangible assets (Note 6)	**2,732**	2,834
Deferred charges (Note 7)	**299**	3,502
Cash	**1,955**	563
Receivables (Note 8)	**4,793**	2,909
Prepaid expenses and deposits (Note 9)	**5,141**	4,081
Refundable capital gains tax (Note 17)	**131**	152
Future income tax asset (Note 17)	**413**	413
Investments (Note 10)	**10,593**	9,158
Goodwill	**2,025**	2,025
Deficits of subsidiaries (Note 11)	**1,011**	1,044
	$ 262,181	$ 229,888
Liabilities		
Mortgages payable (Note 12)	**$ 180,349**	$ 149,944
Mortgage bonds payable (Note 13)	**20,324**	17,500
Debentures payable (Note 14)	**11,714**	16,543
Notes payable (Note 15)	**2,401**	3,604
Bank indebtedness (Note 16)	**-**	2,959
Accounts payable and accrued liabilities	**7,857**	6,106
Income taxes payable	**167**	142
Future income tax liability (Note 17)	**9,027**	8,146
Below market leases (Note 18)	**646**	601
	232,485	205,545
Shareholders' Equity		
Equity portion of convertible debt (Note 14)	**243**	456
Share capital (Note 19)	**36,377**	30,292
Contributed surplus (Note 20)	**69**	51
Deficit	**(6,993)**	(6,456)
	29,696	24,343
	$ 262,181	$ 229,888

Contingencies, commitments, guarantees, indemnities, and litigation – see interim consolidated financial statement Note 23.
Subsequent events – see interim consolidated financial statement Note 25.

Michael Zakuta, Director

Earl Brewer, Director

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.
Interim Consolidated Statement of Deficit
For the Nine Months Ended
(000's)

	September 30, 2007	October 31, 2006
Deficit, beginning of the period	**$ (6,456)**	$ (4,514)
Effect of adoption of accounting policy changes (Note 2b)	**394**	-
Deficit, beginning of the period, as restated	**(6,062)**	(4,514)
Net income	**3,935**	1,688
Dividends	**(4,866)**	(3,845)
Deficit, end of the period	**$ (6,993)**	$ (6,671)

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.
Interim Consolidated Statement of Income
For the Periods Then Ended
(000's) –Except Per Share Amounts

	3 Months Ended September 30, 2007	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Rental revenues	**$ 9,969**	$ 8,478	**$ 29,061**	$ 24,554
Operating expenses	**3,921**	3,470	**11,977**	10,521
Net property operating income	**6,048**	5,008	**17,084**	14,033
Investment income	**352**	200	**932**	433
Income from properties and investments	**6,400**	5,208	**18,016**	14,466
Financing costs	**3,389**	2,578	**9,112**	7,446
Income before undernoted	**3,011**	2,630	**8,904**	7,020
Administrative expenses	**299**	232	**820**	667
Amortization	**2,142**	1,699	**6,325**	5,271
Capital taxes	**100**	72	**311**	300
Income before undernoted gain on sale of surplus lands, income taxes, non-controlling interests and discontinued operations	**470**	627	**1,448**	782
Gain on sale of surplus lands	**830**	27	**830**	1,195
Income before undernoted income taxes, non-controlling interests and discontinued operations	**1,300**	654	**2,278**	1,977
Income tax expense				
– current	**10**	6	**15**	55
– future	**494**	267	**871**	248
	504	273	**886**	303
Income before non-controlling interests and discontinued operations	**796**	381	**1,392**	1,674
Non-controlling interests	**90**	78	**260**	180
Income from continuing operations	**706**	303	**1,132**	1,494
Gain on disposal of income producing properties (Note 21)	**1**	-	**2,789**	-
Income (loss) from discontinued operations (Note 21)	**(3)**	75	**14**	194
Net income	**$ 704**	$ 378	**$ 3,935**	$ 1,688
Net earnings per share - basic				
Continuing operations	**$ 0.016**	$ 0.007	**$ 0.026**	$ 0.036
Gain on disposals	**-**	-	**0.064**	-
Discontinued operations	**-**	0.002	**-**	0.005
Net earnings (Note 19c)	**$ 0.016**	$ 0.009	**$ 0.090**	$ 0.041
Net earnings per share - diluted				
Continuing operations	**$ 0.016**	$ 0.007	**$ 0.027**	$ 0.036
Gain on disposals	**-**	-	**0.062**	-
Discontinued operations	**-**	0.002	**-**	0.005
Net earnings (Note 19c)	**$ 0.016**	$ 0.009	**$ 0.089**	$ 0.041

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.
Interim Consolidated Statement of Cash Flows
For the Periods Then Ended
(000's)

	3 Months Ended September 2007	3 Months Ended October 31, 2006	**9 Months Ended September 2007**	9 Months Ended October 31, 2006
Cash obtained from (used for):				
Operating activities				
Net income	**$ 704**	$ 378	**$ 3,935**	$ 1,688
Items not affecting cash:				
Non-cash investment income	**(318)**	(149)	**(754)**	(335)
Amortization (see cash flow supplemental – Note 1)	**2,261**	2,026	**6,730**	6,173
Gain on disposal of income producing properties and sale of surplus lands (see cash flow supplemental – Note 2)	**(831)**	(27)	**(3,619)**	(1,195)
Stock option compensation	**15**	10	**39**	26
Interest relating to debenture accretion	**12**	24	**52**	66
Non-controlling interests	**90**	78	**260**	180
Future income taxes	**492**	322	**881**	387
Straight-line rent revenue	**(145)**	(184)	**(400)**	(351)
Tenant acquisition costs (see cash flow supplemental – Note 3a)	**(1,454)**	(3,130)	**(4,472)**	(4,588)
Change in non-cash working capital (see cash flow supplemental – Note 4)	**(6,182)**	714	**(400)**	85
	(5,356)	62	**2,252**	2,136
Financing activities				
Increase (decrease) in notes payable	**260**	(648)	**(957)**	645
Issue of common shares, pursuant to employee option agreement (see cash flow supplemental - Note 5)	**112**	60	**575**	377
Dividends paid by subsidiaries to non-controlling interests	**(44)**	(84)	**(227)**	(172)
Dividends paid to shareholders (see cash flow supplemental – Note 6)	**(1,468)**	(1,246)	**(4,329)**	(3,373)
Net proceeds from mortgage bonds	**(3)**	-	**2,941**	5,000
Net proceeds from debentures	**-**	1,676	**-**	5,000
Redemption of mortgage bonds	**-**	-	**-**	(25)
Net proceeds from mortgage financing (see cash flow supplemental – Note 7)	**23,958**	14,828	**56,507**	36,794
Mortgage payouts (see cash flow supplemental – Note 8)	**(4,467)**	(4,486)	**(15,425)**	(7,353)
Mortgage principal repayments (see cash flow supplemental – Note 8)	**(613)**	(591)	**(1,911)**	(1,762)
	17,735	9,509	**37,174**	35,131
Investing activities				
Acquisitions, developments and redevelopments (see cash flow supplemental – Note 3a)	**(12,610)**	(12,291)	**(42,206)**	(34,263)
Net proceeds from disposal of income producing properties and sale of surplus lands (see cash flow supplemental - Note 2)	**894**	27	**8,369**	1,357
(Increase) decrease in investments				
Bonds	**(1,835)**	71	**(1,684)**	(5,767)
Contributions returned (made)	**90**	-	**90**	(2,200)
Distributions received	**366**	317	**913**	623
(Increase) decrease in deposits on properties	**(422)**	351	**(473)**	1,131
Increase in deferred charges	**(28)**	(242)	**(83)**	(985)
	(13,545)	(11,767)	**(35,074)**	(40,104)
Net increase (decrease) in cash	**(1,166)**	(2,196)	**4,352**	(2,837)
Cash less bank indebtedness, beginning of the period	**3,121**	927	**(2,397)**	1,568
Cash less bank indebtedness, end of the period (see cash flow supplemental – Note 9)	**$ 1,955**	$ (1,269)	**$ 1,955**	$ (1,269)

See accompanying notes to the interim consolidated financial statements

1) Amortization

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Amortization of income producing properties	**$ 932**	$ 603	**$ 2,724**	$ 2,087
Amortization of tenant acquisition costs	**1,002**	886	**2,976**	2,590
Amortization of intangible assets (except above-market tenant leases)	**198**	188	**597**	582
Amortization of other deferred charges	**10**	22	**28**	12
Amortization expense per the Statement of Income	**2,142**	1,699	**6,325**	5,271
Amortization of deferred financing charges (included with financing costs)	**144**	198	**435**	506
Amortization of above/below market leases (included with revenue)	**(48)**	(54)	**(173)**	(161)
Amortization of deferred recoverable expenses (included with operating expenses)	**23**	60	**45**	174
Amortization of discontinued operations	**-**	123	**98**	383
Total amortization charged to income	**$ 2,261**	$ 2,026	**$ 6,730**	$ 6,173

2) Gain on Disposal of Income Producing Properties and Sale of Surplus Lands

On March 7, 2007 the Company disposed of income producing properties in Saint John, NB and Dartmouth, NS for net proceeds of $13.2 million. During the period the Company also disposed of land in St. John's, NL, Sydney River, NS and Miramichi, NB for net proceeds of $3.2 million for total net proceeds of $16.4 million. These dispositions resulted in a cumulative gain on disposal of $3.6 million. As part of two of these agreements the purchaser assumed mortgages totalling $8.0 million, resulting in net cash proceeds of $8.4 million.

3) Acquisitions, Developments and Redevelopments

a) Cash and Non-Cash Additions

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Gross additions from acquisitions, developments, and redevelopments	**$ 14,064**	$ 15,421	**$ 48,130**	$ 38,866
Less: assumed mortgages	**-**	-	**(1,452)**	-
assumed working capital deficiency	**-**	-	**-**	(15)
Cash additions to income producing properties and intangible assets and below market leases	**14,064**	15,421	**46,678**	38,851
Less: total tenant acquisition costs (operating activity)	**(1,454)**	(3,130)	**(4,472)**	(4,588)
Cash additions from acquisitions, developments, and redevelopments	**$ 12,610**	$ 12,291	**$ 42,206**	$ 34,263

b) Acquisitions

On March 7, 2007 the Company acquired the remaining 50% interest in Les Promenades St. Francois, a property located in Laval, Quebec through the acquisition of 50% of the net assets. On June 30, 2006 the Company acquired a 50% interest in 15260 Yonge Street, Aurora, Ontario through the acquisition of 50% of the net assets.

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Real estate assets				
Land	**$ -**	$ -	**$ 1,015**	$ -
Building	**-**	-	**909**	-
Parking lot	**-**	-	**226**	-
Tenants acquisition costs	**-**	-	**230**	-
Development costs	**-**	-	**-**	1,004
Deferred charges	**-**	-	**-**	13
Net intangible assets	**-**	-	**557**	-
Less: below market leases	**-**	-	**(278)**	-
	-	-	**2,659**	1,017
Net liabilities				
Assumed mortgage	**-**	-	**1,452**	-
Net working capital deficiency (surplus)	**-**	-	**-**	(15)
	-	-	**1,452**	(15)
Net assets acquired, funded from cash	**$ -**	$ -	**$ 1,207**	$ 1,032

4) Change in Non-Cash Working Capital

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Receivables	**$ (1,697)**	$ 198	**$ (1,611)**	$ 256
Prepaid expenses and mortgage deposits	**287**	166	**(587)**	(645)
Accounts payable and accrued liabilities	**(4,867)**	348	**1,751**	276
Income taxes payable, net of refundable capital gains tax	**95**	2	**47**	198
Total cash from change in non-cash working capital	**$ (6,182)**	$ 714	**$ (400)**	$ 85

5) Issue of Common Shares

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Total from shares issued through exercise of stock options	**$ 118**	$ 62	**$ 596**	$ 390
Less: transfer of equity from contributed surplus	**(6)**	(2)	**(21)**	(13)
Cash raised from issuance of common shares, pursuant to employee option agreement	**$ 112**	$ 60	**$ 575**	$ 377

6) Dividends

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Dividends declared during the period	**$ 1,652**	$ 1,301	**$ 4,866**	$ 3,845
Adjustment for accrued dividends	**-**	(6)	**-**	(104)
Dividends paid	**1,652**	1,295	**4,866**	3,741
Dividend reinvestment through share subscriptions	**(184)**	(49)	**(537)**	(368)
Dividends paid in cash	**$ 1,468**	$ 1,246	**$ 4,329**	$ 3,373

There is no contractual requirement to pay dividends. All dividends declared are at the discretion of the Board of Directors.

7) Net Proceeds from Mortgage Financing

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Proceeds from development lines-of-credit	**$ 13,183**	$ 8,166	**$ 26,927**	$ 26,249
Proceeds from long-term mortgages	**10,816**	6,662	**31,584**	10,545
Gross mortgage proceeds	**23,999**	14,828	**58,511**	36,794
Less: assumed mortgages	**-**	-	**(1,452)**	-
deferred financing costs incurred	**(41)**	-	**(552)**	-
Net proceeds from mortgage financing	**$ 23,958**	$ 14,828	**$ 56,507**	$ 36,794

8) Mortgage Repayments

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Repayment of development lines-of-credit	**$ -**	$ 2,044	**$ 10,959**	$ 4,910
Repayment of long-term mortgages	**5,080**	3,033	**14,438**	4,205
Gross mortgage repayments	**5,080**	5,077	**25,397**	9,115
Less: mortgages assumed by purchaser on sale	**-**	-	**(8,061)**	-
repayments at maturity	**(4,467)**	(4,486)	**(15,425)**	(7,353)
Periodic long-term mortgages principal repayments	**$ 613**	$ 591	**$ 1,911**	$ 1,762

9) Cash Net of Bank Indebtedness

As at (000's)	**September 30, 2007**	**December 31, 2006**	October 31, 2006
Cash	$ 1,955	**$ 563**	$ 810
Bank indebtedness from operating lines-of-credit	-	**(2,959)**	(2,079)
Cash, net of bank indebtedness	$ 1,955	**$ 2,396**	$ (1,269)

10) Debentures Converted to Share Capital

(000's) (except per share amounts)		**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Series I debentures converted to share capital	Face value	**$ -**	$ 100	**$ -**	$ 720
	Conversion	**$ 1.00**	$ 1.00	**$ 1.00**	$ 1.00
	Shares issued	**-**	100	**-**	720
Series II debentures converted to share capital	Face value	**$ -**	$ -	**$ 395**	$ 1,730
	Conversion	**$ 1.20**	$ 1.20	**$ 1.20**	$ 1.20
	Shares issued	**-**	-	**329**	1,442
Series III debentures converted to share	Face value	**$ 2,400**	$ 100	**$ 4,433**	$ 1,350
	Conversion	**$ 1.60**	$ 1.60	**$ 1.60**	$ 1.60
	Shares issued	**1,500**	63	**2,771**	844
Total debentures converted to share capital		**$ 2,400**	$ 200	**$ 4,828**	$ 3,800
Total shares issued		**1,500**	163	**3,100**	3,006

11) Interest

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Financing costs expensed	**$ 3,389**	$ 2,578	**$ 9,112**	$ 7,446
Plus: financing costs grouped with discontinued operations	**-**	158	**115**	477
Total financing costs	**3,389**	2,736	**9,227**	7,923
Plus: interest capitalized to properties	**360**	400	**1,133**	948
Less: amortization of deferred finance charges	**(144)**	(159)	**(435)**	(473)
Interest costs charged	**3,605**	2,977	**9,925**	8,398
Adjustment for accrued interest	**(54)**	80	**(68)**	(33)
Interest paid in cash	**$ 3,551**	$ 3,057	**$ 9,857**	$ 8,365

12) Income and Capital Taxes

(000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Income and capital taxes paid	**$ 7**	$ 122	**$ 312**	$ 216

1. Nature of Operations

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

The Company has changed the prior year's fiscal year end for financial reporting purpose from October 31 to December 31, 2006. As a result the interim consolidated financial statements comparative figures will be for period ends, that are different than from the current period.

2. Basis of Presentation

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

a) Interim Financial Statements

In the opinion of the Company the accompanying interim consolidated financial statements contain all the adjustments necessary to present fairly the financial position as at September 30, 2007, and December 31, 2006, and the results of operations for the nine months ended September 30, 2007 and October 31, 2006 and the changes in cash flows for the nine months ended September 30, 2007 and October 31, 2006. While the Company believes that disclosures presented are adequate to make the information not misleading, it is suggested that these financial statement be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2006.

The results of operations for the nine months ended September 30, 2007 are not necessarily indicative of the results for the full year and are influenced by seasonal cost variances on the properties with fixed common cost recovery formulas. The term "period" or "in the period" when used herein means the nine month period then ended.

b) Changes in Accounting Policies

On January 1, 2007 the Company adopted four new accounting standards that were issued by the CICA. Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, Handbook Section 3865, Hedges, and Handbook Section 3251, Equity. The new standards are not applied retroactively and accordingly, comparative amounts for prior periods, if any, have not been restated, except for adjustments required to reclassify the impact of the recording of deferred financing charges on the effective interest rate basis.

i) Comprehensive Income

Section 1530 introduces Comprehensive Income, which consists of Net Income and Other Comprehensive Income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as "available for sale", and changes the fair value of the effective portion of cash flow hedging instruments. There was no impact on Plazacorp as a result of implementing this change.

ii) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheet upon entering into a financial instrument or a financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Remeasured in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified or designated as "held for trading". For other financial instruments, transaction costs are capitalized on initial recognition.

Financial assets and financial liabilities classified as "held for trading", if any, are measured at fair value with changes in those fair values recognized in the determination of Net Income. Financial assets classified as "held to maturity", loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. "Available for sale" assets are presented separately on the Consolidated Balance Sheet and measured at fair value with unrealized gains and losses being recognized in OCI. Plazacorp had no "held for trading", "available for sale" or financial assets as at September 30, 2007. Derivative instruments are recorded on the Consolidated Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in Net Income. Plazacorp had no embedded derivatives in its contracts as at September 30, 2007.

Other accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method for any transaction costs or fees earned or incurred for financial instruments measured at amortized cost, and the recognition of the fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guideline 14, Disclosure of Guarantees (AcG 14). No subsequent re-measurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative, it is re-measured at fair value at each balance sheet date.

The Company designated its notes receivable and accounts receivable as "loans and receivables" and its mortgages payable, debentures payable, bank loan, notes payable and accounts payable as "other liabilities" pursuant to CICA Handbook Section 3855, all of which are reflected on the Consolidated Balance Sheet at amortized cost using the effective interest method of measurement.

Prior to January 1, 2007, external fees and costs incurred to obtain debt financing were deferred and amortized on a straight-line basis over the term of the respective indebtedness, or expensed in full in the event the property securing the indebtedness was sold or the indebtedness was discharged prior to its maturity. The unamortized balance was included in deferred financing costs. Pursuant to CICA Handbook Section 3855, effective January 1, 2007, financing costs are capitalized to the related asset or liability and are measured at amortized cost using the effective interest method.

c) Principles of Consolidation

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

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

	Ownership Interest	
	September 30, 2007	December 31, 2006
Accounting Method – Consolidation		
Exhibition Plaza Inc.	55%	55%
Plaza MDO Commercial Trust	100%	100%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
Plaza Tacoma Centre Limited Partnership	100%	100%
Commercial Street Plaza Trust	100%	100%
Plazacorp Real Estate Investment Trust	100%	100%
Plazacorp Operating Trust	100%	100%
Plaza Retail Limited Partnership #1	100%	100%
Plazacorp Master Limited Partnership	100%	100%
Plazacorp Property Holdings Inc.	100%	100%
Plaza LPC Commercial Trust	100%	100%
Les Promenades St-Francois, QC (1)	100%	50%
Scott Street Plaza, ON	50%	-
St Josephs Boulevard, ON	50%	-
Civic Centre Road, ON	50%	-
Ontario Street, Port Hope, ON	50%	-
Accounting Method – Proportionate Consolidation		
Les Galeries Montmagny, QC	50%	50%
University Plaza, PE	43%	43%
RBEG Limited Partnership, QC	50%	50%
Bureau en Gross, QC	50%	50%
Terrace Dufferin, QC	50%	50%
Carrefour des Seigneurs, QC	25%	25%
Staples Plaza – Woodlawn, NS (2)	-	50%
Lansdowne Place, NB(2)	-	50%
201 Chain Lake Drive, NS	50%	50%
209 Chain Lake Drive, NS	50%	50%
Fundy Retail Ltd., NB	50%	50%
Plaza TS Magog, QC	50%	-
15260 Yonge Street, ON	50%	-
Plaza BDP, QC	37.5%	-
CPDRL, QC	50%	-
Plaza Jean XXIII, QC	50%	-
Plaza BBRF, QC	50%	-
Accounting Method – Equity		
Centennial Plaza Limited Partnership	10%	10%
MDO Limited Partnership	20%	20%
Trois Rivieres Limited Partnership	15%	15%
Village Shopping Centre Limited Partnership	19.2%	19.2%
Accounting Method – Cost		
Northwest Plaza Commercial Trust	10%	10%

(1) Les Promenades St. Francois – The remaining 50% interest in this property was acquired March 7, 2007. Results after March 7, 2007 were fully consolidated.

(2) Staples Plaza-Woodlawn and Lansdowne Place – The Company's 50% interest in these properties were sold on March 7, 2007.

d) Financial Instruments

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible.

The fair value of the Company's financial assets and liabilities that represent net working capital, including cash and cash equivalents, receivables, accounts payable and accrued liabilities, dividends payable and bank indebtedness, approximate their recorded values due to their short-term nature.

The estimated fair value of the Company's long-term debt including mortgage payable, mortgage bonds payable, non-convertible debentures payable, convertible debentures (debt portion), and notes payable is estimated based on the values derived using current interest rates for each related instrument with similar terms and conditions. As at September 30, 2007, the fair value of the Company's long-term debt exceeds the recorded value by $205 thousand (fair value exceeded recorded value by $4.9 million at December 31, 2006).

The Company's fair value of the exposure from mortgage guarantees and indemnities are nil (see interim consolidated financial statements note 23c).

As at September 30, 2007, the fair value of the Company's investment in bonds of $9.4 million ($5.7 million - December 31, 2006) exceeded its recorded value by $47 thousand ($34 thousand - December 31, 2006).

3. Income Producing Properties

As at (000's)	**September 30, 2007**			December 31, 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 40,300**	**$ -**	**$ 40,300**	$ 34,281	$ -	$ 34,281
Buildings	**137,658**	**(15,765)**	**121,893**	130,880	(14,134)	116,746
Tenant acquisition costs	**39,777**	**(12,541)**	**27,236**	38,529	(11,474)	27,055
Furnishings and equipment	**846**	**(445)**	**401**	790	(400)	390
Parking lot	**4,968**	**(1,219)**	**3,749**	3,665	(1,040)	2,625
Total income producing properties	**$ 223,549**	**$ (29,970)**	**$ 193,579**	$ 208,145	$ (27,048)	$ 181,097

4. Properties Under Development

Costs for properties under development include land, construction costs, tenant acquisition costs and other costs related to development including capitalized interest.

The Company capitalized $360 thousand and $1.1 million of interest for the three and nine month periods ending September 30, 2007 (for the fourteen months ended December 31, 2006 - $1.3 million).

5. Surplus Lands

Surplus lands are made up of land pieces that become surplus after assembly and subdivision of parcels used for development of income producing properties. These lands are held in 100% owned subsidiaries of the Company.

6. Intangible Assets

Intangible assets represent the unamortized costs of acquired above-market tenant leases, the value of in place tenant leases, and the value of existing tenant relationships for income producing properties. Details of amounts are as follows:

As at (000's)	September 30, 2007			December 31, 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Above-market leases	**$ 386**	**$ (179)**	**$ 207**	$ 250	$ (118)	$ 132
Value of in place leases	**2,294**	**(1,275)**	**1,019**	2,141	(964)	1,177
Tenant relationships	**2,086**	**(580)**	**1,506**	1,894	(369)	1,525
Total intangible assets	**$ 4,766**	**$ (2,034)**	**$ 2,732**	$ 4,285	$ (1,451)	$ 2,834

7. Deferred Charges

Deferred charges consist of the following:

As at (000's)	September 30, 2007			December 31, 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Deferred recoverable charges	**$ 369**	**$ (281)**	**$ 88**	$ 313	$ (251)	$ 62
Other deferred charges	**339**	**(128)**	**211**	337	(100)	237
Deferred finance charges	**-**	**-**	**-**	4,708	(1,505)	3,203
Total deferred charges	**$ 708**	**$ (409)**	**$ 299**	$ 5,358	$ (1,856)	$ 3,502

Included with amortization expense is $28 thousand (for the fourteen months ended December 31, 2006 - $50 thousand) relating to other deferred charges and included with operating expenses is $45 thousand (for the fourteen months ended December 31, 2006 - $248 thousand) relating to deferred recoverable amortization expense. As at January 1, 2007 deferred finance charges are not shown as an asset, but are offset against the related debt (see change in accounting policies, interim consolidated financial statements note 2b).

8. Receivables

Receivables consist of the following:

As at (000's)	September 30, 2007	December 31, 2006
Tenant accounts receivable	**$ 464**	$ 75
Straight-line rent receivables	**2,448**	2,107
Accrued tenant common costs and property tax recoveries	**249**	447
Tenant loans	**1,154**	-
Other receivables	**478**	280
Total receivables	**$ 4,793**	$ 2,909

9. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

As at (000's)	September 30, 2007	December 31, 2006
Prepaid expenses	**$ 2,879**	$ 1,319
Deposits for acquisitions and financing	**939**	466
Deposits under mortgage agreements	**1,323**	2,296
Total prepaid expenses and deposits	**$ 5,141**	$ 4,081

10. Investments

Investments consist of the following:

As at (000's)	Ownership Position	Preferred Return	Distribution After Payment of Preferred Return	September 30, 2007	December 31, 2006
Limited Partnership					
Centennial Plaza Limited Partnership	**10%**	**10%**	**20%**	**$ 544**	$ 562
Commercial Trusts and Trust Subsidiaries					
Northwest Plaza Commercial Trust	**10%**	**-**	**-**	**170**	260
MDO Limited Partnerships[(1)]	**20%**	**10%**	**30%**	**542**	528
Village Shopping Centre Limited	**19.2%**	**8%**	**50%**	**1,592**	1,786
Trois Rivieres Limited Partnership[(1)]	**15%**	**10%**	**30%**	**348**	308
				2,652	2,882
				3,196	3,444
Held to Maturity Investment		**Effective Interest Rate**			
Bonds – substituted for mortgage		**4.68%**		**1,912**	-
Bonds – substituted for mortgage		**3.45%**		**5,485**	5,714
				7,397	5,714
Total investments				**$ 10,593**	$ 9,158

(1) The Company's ownership position in MDO Limited Partnership and Trois Rivieres Limited Partnership is from it's 100% ownership in Plaza MDO Commercial Trust.

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

The Company has provided a construction completion guarantee for the Village Shopping Centre Limited Partnership (see guarantees – interim consolidated financial statements note 23c).

Bonds are made up of fifteen Government of Canada Bonds totaling $9,187 thousand ($5,507 thousand – December 31, 2006) maturing between November 1, 2007 and December 1, 2009 with yields between 4.03% and 4.70% respectively. The balance of $122 thousand ($207 thousand – December 31, 2006) is made up of restricted cash that is utilized for monthly mortgage payments. The bonds have been pledged as substituted security on a mortgage.

11. Deficits of Subsidiaries

Deficit of subsidiaries (non controlling interest in net assets) consist of the following:

As at (000's)	September 30, 2007	December 31, 2006
Exhibition Plaza Inc.	**$ 29**	$ 38
Granville Street Properties Limited Partnership	**361**	368
Wildan Properties Limited Partnership	**621**	638
Total deficits of subsidiaries	**$ 1,011**	$ 1,044

For the nine months ended September 30, 2007 the excess of draws for Spring Park Plaza Inc. exceeded underlying contractual guarantees by $1 thousand and this amount was charged to consolidated net income (fourteen months December 31, 2006 - $26 thousand).

12. Mortgages Payable

As at (000's)	Rate Range	Effective Rate	Maturity Dates	September 30, 2007	December 31, 2006
Fixed rate loans	**5.12% - 8.46%**	**6.55%**	**Up to Apr 2022**	**$ 146,721**	$ 126,467
Other fixed rate loans	**0 – 10.0%**	**9.07%**	**Dec 2009**	**1,498**	6,034
Variable rate loans – regular long-term mortgage	**Prime plus 3/4%**		**Oct 2007**	**2,408**	980
Total long-term mortgages				**150,627**	133,481
Variable rate loans - development lines of credit	**Prime plus 5/8%, 1/2% and 1%**		**Oct 2007, Apr 2008 and Jul 2008**	**32,431**	16,463
Gross mortgage payable				**183,058**	149,944
Less: unamortized deferred finance charges				**(2,709)**	-
Net mortgages payable				**$ 180,349**	$ 149,944

All mortgages are secured by charges against specific assets.

To assist in development activities the Company has three acquisition and development facilities with Canadian Chartered banks of $35.0 million, $15.0 million and a single use facility of $4.5 million respectively to fund acquisition and development projects for a total of $54.5 million. These facilities have a limit of $5.0 million, $6.0 million and $4.5 million respectively per asset funded. The interest rate on funds drawn is prime plus 5/8%, 1/2% and 1% respectively. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facility. The lines-of-credit mature on April 23, 2008, July 31, 2008 and October 31, 2007 respectively. The facility expiring October 31, 2007 was converted to long term debt.

For details on annual principal repayments, see interim consolidated financial statement note 23b.

The unamortized deferred finance charge amount is made up of fees and costs incurred to obtain the mortgage financing less the accumulated amortization amount (see change in accounting policy, interim consolidated financial statements note 2b). Included with financing costs is $435 thousand (for the fourteen months ended December 31, 2006 - $713 thousand) of amortization expense relating to deferred finance charges utilizing the effective interest cost basis for amortization.

13. Mortgage Bonds Payable

Mortgage bonds payable of $20.5 million are secured by the following properties:

As at (000's)	September 30, 2007 Series II	Series III	Series IV	Total	December 31, 2006
Tri County, Starrs Road Plaza, Yarmouth, NS, 1st Mortgage	**$ -**	**$ 2,450**	**$ -**	**$ 2,450**	$ 2,500
Miramichi Power Center-Phase 2, Miramichi, NB, 2nd Mortgage	**197**	**-**	**-**	**197**	487
Kenmount Road Plaza, St John's, NL, 2nd Mortgage	**1,037**	**-**	**-**	**1,037**	2,900
Grand Falls Mall, Grand Falls, NB, 2nd Mortgage	**-**	**4,661**	**-**	**4,661**	4,661
LeMarchant Road Plaza, St. John's, NL, 1st Mortgage	**1,652**	**-**	**-**	**1,652**	1,449
KGH Plaza, Miramichi, NB, 2nd Mortgage	**1,012**	**-**	**-**	**1,012**	1,444
Victoria Street Plaza, Edmundston, NB, 1st & 2nd Mortgage	**887**	**389**	**-**	**1,276**	-
Scott Street Plaza, St. Catherines, ON, 2nd Mortgage	**1,044**	**-**	**-**	**1,044**	-
Main & Western Street Plaza, Sussex, NB, 2nd Mortgage	**276**	**-**	**-**	**276**	-
North Sydney Plaza, North Sydney, NS, 2nd Mortgage	**422**	**-**	**-**	**422**	-
Robie Street Truro Plaza, Truro, NS, 2nd Mortgage	**991**	**-**	**-**	**991**	-
Main & Victoria, Shediac, NB, 2nd Mortgage	**279**	**-**	**-**	**279**	-
Commercial Street-Phase 2, New Minas, NS, 1st Mortgage	**309**	**-**	**-**	**309**	-
201 Main Street, Sussex, NB, 2nd Mortgage	**130**	**-**	**-**	**130**	-
Joseph Howe Drive Plaza, Halifax, NS, 2nd Mortgage	**371**	**-**	**-**	**371**	-
Bedford Commons Plaza, Bedford, NS, 1st & 2nd Mortgage	**300**	**-**	**3,000**	**3,300**	
Plaza Tracadie, Tracadie, NB, 1st Mortgage	**1.093**	**-**	**-**	**1,093**	-
Mortgages redeployed during 2007	**-**	**-**	**-**	**-**	4,059
Gross mortgage bonds outstanding	**$ 10,000**	**$ 7,500**	**$ 3,000**	**20,500**	17,500
Less: unamortized deferred finance charges				**(176)**	-
Net mortgage bonds outstanding				**$ 20,324**	$ 17,500

Series II, Series III, and Series IV mortgage bonds pay interest at 8.5%, 8%, and 7.5% per annum. Series II mature March 31, 2010, Series III mature between May 26, 2011 and July 15, 2011, and Series IV matures June 30, 2012.

The mortgage bonds have been secured by a first or second charges against the properties.

The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount.

Unamortized deferred finance charges are made up of fees and costs incurred to obtain the mortgage bond financing less the accumulated amortization amount (see change in accounting policies, interim consolidated financial statements note 2b).

14. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

As at			**September 30, 2007**		December 31, 2006	
(000's)						
Debentures	**Maturity Date**	**Interest Rate**	**Debt Component Outstanding**	**Value of Option to Convert**	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series II	October 31, 2008	9.5%	**$ 45**	**$ 2**	$ 433	$ 19
Series III	April 30, 2009	8.5%	**1,751**	**83**	6,086	279
Series IV	July 31, 2011	7.0%	**4,894**	**158**	4,865	158
Total convertible debentures			**6,690**	**243**	11,384	456
Non convertible subordinate debentures	July 31, 2010	8.0%	**5,159**	**-**	5,159	-
Gross debentures			**11,849**	**243**	16,543	456
Less: unamortized deferred finance charges			**(135)**	**-**	-	-
Net debentures			**$ 11,714**	**$ 243**	$ 16,543	$ 456

Convertible and non convertible debentures are unsecured.

Convertible debenture terms are as follows:

	Series II	**Series III**	**Series IV**
Conversion price	$1.20	$1.60	$4.00
Company's first redemption date	November 1, 2006	May 1, 2007	August 1, 2009
Maturity date	October 31, 2008	April 30, 2009	July 31, 2011
Face value outstanding September 30, 2007 (000's)	$45	$1,775	$5,000

Convertible debentures can be converted by the shareholder in whole or in part in denominations of $1,000 into common shares of the Company at the conversion price, at any time up to the maturity date.

Convertible debentures may only be redeemed by the Company during the year immediately following the first redemption date if the share price of the Company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date. After one year from the Company's first redemption date the debentures are redeemable at any time. At the Company's option the principal may be redeemed by the issuance of common shares. The number of common shares issued shall be priced at 95% of the then current market price.

During the nine months ended September 30, 2007, holders of $4.8 million (for the fourteen months ended December 31, 2006 - $6.6 million) of convertible debentures at face value exercised their option to convert to common shares. Of these amounts $213 thousand (for the 14 months ended December 31, 2006 - $288 thousand) was recorded as a reduction to the original equity component and $4.7 million (for the 14 months ended December 31, 2006 - $6.5 million) was recorded as a reduction to the debt component; consistent with the original equity and debt ratio. A total of 3.1 million (for the fourteen months ended December 31, 2006 – 5.0 million) common shares were issued on these conversions.

The unamortized deferred finance charge amount is made up of fees and costs incurred to obtain the debenture financing less the accumulated amortization amount. See change in accounting policies, interim consolidated financial statements note 2b.

15. Notes Payable

Notes payable consists of the following:

As at (000's)	Maturity Date	Interest Rate	September 30, 2007	December 31, 2006
Interest bearing notes:				
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, President, CEO and Director of the Company	(1)	Prime plus 1%	**$ 1,617**	$ 2,289
Non-interest bearing notes:				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	(1)	n/a	**262**	286
Unrelated parties and non-controlling interests	(1)	n/a	**522**	1,029
Total notes payable			**$ 2,401**	$ 3,604

1) Notes payables are due on sale or refinancing of the property funded through the note.

For the nine months ended September 30, 2007 the Company expensed $18 thousand (for the fourteen months ended December 31, 2006 - $89 thousand) in related party interest.

16. Bank Indebtedness

The Company has a $7.3 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus ¾%, maturing November 30, 2009. $500 thousand of this operating line of credit is reserved for letters-of-credit. This operating line of credit is secured by mortgage charges on Plaza Hotel de Ville and Plaza Theriault in Rivieres-du-Loups, Quebec, the Staples Building in Saint John, New Brunswick, Main & Victoria in Shediac, New Brunswick and 201 Main Street in Sussex, New Brunswick.

17. Income Taxes

As a mutual fund corporation, the Company is entitled to a refund of income taxes paid in respect of realized qualifying capital gains upon payment of sufficient dividends to affect a refund. The Company has earned $842 thousand in refundable capital gains tax of which $711 thousand has been triggered for a refund from the payment of a capital gains dividend. The difference of $131 thousand (December 31, 2006 - $152 thousand) has been recognized as a refundable capital gains tax that will be receivable after payment of $635 thousand in qualifying capital gains dividends.

As at December 31, 2006, the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of $14.8 million, expiring as follows:

(000's) Year	Consolidated Subsidiaries	Plazacorp Retail Properties Ltd.	Total
2007	$ 17	$ 721	**$ 738**
2008	87	303	**390**
2009	299	-	**299**
2013	11	1,607	**1,618**
2014	302	-	**302**
2015	75	-	**75**
2025	272	-	**272**
2026	5,744	5,328	**11,072**
Total	$ 6,807	$ 7,959	**$ 14,766**

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

18. Below Market Leases

Below market leases represent the unamortized cost of acquired below market tenant leases for income producing properties, details are as follows:

As at (000's)	**September 30, 2007**			December 31, 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Below market leases	**$ 1,372**	**$ (726)**	**$ 646**	$ 1,109	$ (508)	$ 601

19. 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*

For the Periods Ended (000's)	**September 30, 2007**		December 31, 2006	
	Shares	**Amounts**	Shares	Amounts
Common shares outstanding, beginning of the period	**42,087**	**$ 30,292**	36,684	$ 22,679
Issuance of common shares:				
Shares issued through exercise of stock options	**325**	**597**	270	476
Shares issued through dividend reinvestment	**129**	**537**	178	474
Shares issued through debt conversion				
- face value debentures	**3,100**	**4,828**	4,955	6,642
- accumulated interest accretion	**-**	**123**	-	21
Common shares outstanding, end of the period	**45,641**	**$ 36,377**	42,087	$ 30,292

Pursuant to the Company's Dividend Reinvestment Plan, during the nine months ended September 30, 2007, shareholders were issued 129 thousand shares at a weighted average price of $4.16 per share (for the fourteen months ended December 31, 2006 – 178 thousand shares at a weighted average of $2.67 per share).

c) Earnings per Share

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation. As at September 30, 2007 $5.0 million in debentures which equates to 1.25 million shares were anti-dilutive as well as Series V of stock options. (December 31, 2006 $15.6 million in debentures which equates to 5.5 million shares were antidilutive).

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

For the Periods Then Ended (000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2006
Weighted average number of shares	**44,287**	41,557	**43,570**	40,791
Effect of dilutive stock options	**625**	750	**652**	541
Effect of dilutive convertible debentures	**-**	-	**1,147**	-
Weighted average number of diluted shares	**44,912**	42,307	**45,369**	41,332
Net income	**$ 704**	$ 378	**$ 3,935**	$ 1,688
Diluted net income	**$ 704**	$ 380	**$ 4,040**	$ 1,688

20. Stock Options / Contributed Surplus

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

During 2005 the Company granted options for 1,615 thousand shares to both directors (255 thousand shares) and employees (1,360 thousand shares) and are detailed herein as Series III options. Series III options vest equally in February 2006, 2007, and 2008. During 2006 the Company granted options for 100 thousand shares to employees and are detailed herein as Series IV Options. Series IV options vest equally in April 2007, 2008, and 2009. During 2007 the Company granted options for 120 thousand shares to directors and are detailed herein as Series V options. Series V options vest equally in May 2008, 2009, and 2010.

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

For the Periods Ended	**Directors Options**		**Employees Options**	
(000's)	**September 30, 2007**	December 31, 2006	**September 30, 2007**	December 31, 2006
Options outstanding, start of the period	**145**	255	**1,306**	1,391
Options granted	**120**	-	**-**	100
Options expired	**-**	-	**-**	(25)
Options exercised	**(85)**	(110)	**(240)**	(160)
Options outstanding, end of the period	**180**	145	**1,066**	1,306
Outstanding options that are exercisable	**-**	25	**546**	299

Details of options outstanding are as follows:

(000's) - Except exercise price	**Exercise Price**	**Options Outstanding**	**Expiry Date**	**Options Exercisable**
Series III	$1.72	1,031	February 2, 2010	528
Series III	$1.85	10	April 14, 2010	-
Series IV	$2.75	100	April 11, 2011	18
Series V	$4.36	120	May 6, 2012	-

The Company recorded $39 thousand in compensation expense related to stock options for the nine months ended September 30, 2007 (for the fourteen months ended December 31, 2006 - $40 thousand).

The amount of compensation expensed for Series III options not exercised at the end of the period is $49 thousand (December 31, 2006 - $43 thousand). The amount of compensation expensed from Series IV options not exercised at the end of the period is $10 thousand (December 31, 2006 – $8 thousand). The amount of compensation expensed for Series V options not exercised at the end of the period is $10 thousand (December 31, 2006 – nil). The cumulative amount of $69 thousand (December 31, 2006 - $51 thousand) is accounted for as Contributed Surplus.

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

	Series III	**Series IV**	**Series V**
Expected life of options	5 years	5 years	5 years
Volatility	16%	17%	14%
Risk free rate of return	3.58%	4.34%	4.65%
Dividend rate	6.10%	4.55%	3.40%

The weighted average grant date fair value of option issued during the nine months ended September 30, 2007 is $59 thousand (fourteen months ended December 31, 2006 - $26 thousand).

21. Discontinued Operations

On March 7, 2007, the Company sold its 50% interest in Lansdowne Place, Saint John, NB and Staples-Woodlawn, Dartmouth, NS. These two transactions generated gross proceeds of $13.5 million resulting in a gain on disposal of $2.8 million.

The results of operations for these two discontinued properties are as follows:

For the Periods Then Ended (000's)	**3 Months Ended September 30, 2007**	3 Months Ended October 31, 2006	**9 Months Ended September 30, 2007**	9 Months Ended October 31, 2007
Rental revenues	**$ -**	$ 608	**$ 443**	$ 1,793
Operating expenses	**5**	202	**219**	615
Net property operating income (loss)	**(5)**	406	**224**	1,178
Financing costs	**-**	158	**115**	477
Amortization	**-**	118	**85**	368
Income before income taxes	**(5)**	130	**24**	333
Income tax expense	**(2)**	55	**10**	139
Income from discontinued operations	**$ (3)**	$ 75	**$ 14**	$ 194

22. Related Party Transactions

Plaza Atlantic Limited and Les Immeubles Plaza-Z Limited manage the Company's properties under a management contract that expires April 30, 2009 and has managed the properties since 1999. In Quebec, staff of Les Immeubles Plaza–Z Limited handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Plaza Z Corp. These companies employ 77 people in the accounting, finance, engineering, development, leasing, and other administrative capacities excluding property specific staff.

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

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic Limited and Les Immeubles Plaza Z–Corp manage properties for third parties. Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as Directors, during 2007.

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

Property Management	4% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of third party land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $142 per hour.

For properties that are consolidated, the consolidated fees charged by the Property Managers are as follows:

(000's) **For the Nine Months Ended** **Fee Category**	**Included for Reporting Purposes In**	**September 30, 2007**	October 31, 2006
Management fees	Property operating expenses	**$ 1,147**	$ 942
Leasing fees	Tenant acquisition costs and property operating expense	**1,193**	1,289
Development fees	Income producing properties	**746**	667
Financing fees	Deferred charges and income producing properties	**152**	297
Acquisition fees	Income producing properties	**111**	260
Disposition fees	Gain on disposal of income producing properties	**166**	165
Legal services	Varies depending on nature of service	**303**	277
Total fees billed by the Property Manager		**$ 3,818**	$ 3,897

For properties that are consolidated, the consolidated fees owing to the Property Manager are as follows:

As at **(000's)**	**September 30, 2007**	December 31, 2006
Included with accounts payable and accrued liabilities	**$ 58**	$ 1,304

The Directors own directly or indirectly the following mortgage bonds and debentures of the Company:

As at **(000's)**	**September 30, 2007**	December 31, 2006
Richard Hamm, Director	**$ 325**	$ 325
Michael Zakuta, Director	**1,200**	1,200
Edouard Babineau, Director	**600**	600
Earl Brewer, Director	**438**	658
Stephen Johnson, Director	**1,220**	1,275
Barbara Trenholm, Director	**364**	264
Total related party mortgage bonds and debentures held	**$ 4,147**	$ 4,322

For the nine months ended September 30, 2007, $275 thousand of Series III debentures were converted by Directors of the Company, or companies owned and controlled by Directors. During the period the following conversions took place; Earl Brewer ($120 thousand), and Stephen Johnson ($155 thousand) resulting in the issuance of 172 thousand shares.

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer purchased land from the Company in the amount of $2.3 million during 2007. The Company now has seven ground leases with TC Land LP and pay annual rent of $675 thousand under these leases. The business purpose of the leases is to enhance levered returns on the affected development asset.

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

23. Contingencies, Commitments, Guarantees, Indemnities and Litigation

a) Contingencies

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures September 2007. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. As at September 30, 2007, $500 thousand (December 31, 2006 - $500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

b) Commitments

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

(000's)	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 Years	Total
Mortgages	$ 37,424	$ 11,008	$ 16,624	$ 3,257	$ 19,740	$ 95,005	**$ 183,058**
Bonds and debentures – face value	-	1,820	15,159	12,500	3,000	-	**32,479**
Operating land leases [(1)]	2,239	2,288	2,294	2,286	2,248	103,850	**115,205**
Development activities	8,610	-	-	-	-	-	**8,610**
Total contractual obligations	**$ 48,273**	**$ 15,116**	**$ 34,077**	**$ 18,043**	**$ 24,988**	**$ 198,855**	**$ 339,352**

(1) Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years

c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. The Company has recourse under these guarantees in the event of default by the purchaser, in which case the Company would have a claim against the underlying property. The estimated amount of the debt subject to such guarantees at September 30, 2007 is $15.9 million (December 31, 2006 – $8.1 million) with an estimated weighted average remaining term of 5.0 years (December 31, 2006 – 5.7 years).

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is $3.4 million (December 31, 2006 - $3.5 million). Plazacorp indemnifies its former co-venturer in respect of the cross-default.

The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan. As at September 30, 2007 the total exposure on this cross-guarantee is $774 thousand (December 31, 2006 - $799 thousand).

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

The Company assumed a guarantee for the completion of construction for a development line-of-credit held by the Village Shopping Centre Limited Partnership. As at September 30, 2007 the Village Shopping Centre Limited Partnership.has borrowed $15.8 million of the $24.0 million line-of-credit. The remaining budgeted development costs are $5.1 million and the Company's current exposure under their guarantee is estimated to be $nil (December 31, 2006 – nil).

The Company through its development line-of-credit facilities guaranteed on behalf of joint venturers $1.9 million (December 31, 2006 – nil) in mortgages in excess of the Company's proportionate interest.

d) Litigation

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

24. Risk Management

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

a) Interest Rate Risk

For every 100 basis points increase to interest rates if applied to all outstanding debt instruments would increase interest expense and decrease pre-tax earnings in the annual amount of $2.15 million.

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

b) Credit Risk

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

25. Subsequent Events

Between September 30, 2007 and November 26, 2007 the following material activities have taken place:

Leases

The Company entered into two 40 year ground leases with annual lease payments of $271 thousand with TC Land REIT, a related party.

Disposition

The Company sold surplus land in Sydney, NS, for gross proceeds of $90 thousand resulting in an accounting gain of nil.

Financing

The Company obtained long-term financing of $2.1 million with a 15 year term at 5.63% and $1.9 million was used to repay existing mortgages.

26. Comparative Figures

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