

THE ARCTIC GROUP INC.

Interim Consolidated Balance Sheets

October 31, 1997 and 1996

| | 1997 | 1996 |
|---------------------------------------|---------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| Assets | | |
| Current assets: | | |
| Cash and term deposits | \$ 941,626 | \$ 226,786 |
| Cash held in trust | 56,191 | - |
| Accounts receivable | 557,118 | 390,974 |
| Receivable from affiliated companies | 54,952 | - |
| Inventories | 198,227 | 161,433 |
| Prepaid expenses and deferred charges | 230,728 | 239,082 |
| | <u>2,038,842</u> | <u>1,018,275</u> |
| Capital assets: | | |
| Land, building and equipment | 8,196,937 | 7,367,304 |
| Accumulated amortization | 4,677,506 | 3,940,870 |
| | <u>3,519,431</u> | <u>3,426,434</u> |
| Other assets, net of amortization: | | |
| Deferred finance costs | 98,630 | 30,959 |
| Goodwill | 417,976 | 115,991 |
| | <u>516,606</u> | <u>146,950</u> |
| | <u>\$ 6,074,879</u> | <u>\$ 4,591,659</u> |

| | 1997 (Unaudited) | 1996 (Unaudited) |
|---|---------------------|---------------------|
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 395,313 | \$ 294,219 |
| Payable to affiliated companies | - | 125,288 |
| Income taxes payable | 371,152 | 257,405 |
| Current obligations under capital leases | 35,529 | 36,775 |
| Current portion of long-term debt | 121,160 | 112,000 |
| | <u>923,154</u> | <u>825,687</u> |
| Obligations under capital leases | 178,063 | 258,974 |
| Notes payable | 5,545 | 10,545 |
| Long-term debt | 1,411,200 | 1,804,598 |
| Deferred income taxes | 102,376 | 259,035 |
| Preferred shares of subsidiaries | 76,190 | 420,490 |
| Shareholders' equity: | | |
| Capital stock | 3,323,888 | 1,350,737 |
| Retained earnings (deficit) | 54,463 | (338,407) |
| | <u>3,378,351</u> | <u>1,012,330</u> |
| | <u>\$ 6,074,879</u> | <u>\$ 4,591,659</u> |

THE ARCTIC GROUP INC.

Interim Consolidated Statements of Earnings and Retained Earnings (Deficit)

Six months ended October 31, 1997 and 1996

| | 1997 (Unaudited) | 1996 (Unaudited) |
|--|---------------------|---------------------|
| Sales | \$ 4,784,009 | \$ 4,130,282 |
| Cost of sales | 2,460,002 | 2,163,622 |
| | 2,324,007 | 1,966,660 |
| Selling, general and administrative expenses | 749,206 | 608,260 |
| Earnings before the undernoted | 1,574,801 | 1,358,400 |
| Amortization expense | 235,140 | 269,073 |
| Interest expense | 71,784 | 95,477 |
| | 306,924 | 364,550 |
| Earnings before income taxes | 1,267,877 | 993,850 |
| Income tax expense (recovery): | | |
| Current | 374,070 | 273,500 |
| Benefit realized on application of prior years' losses | (30,000) | (93,100) |
| Deferred | 158,500 | 167,200 |
| | 502,570 | 347,600 |
| Net earnings | 765,307 | 646,250 |
| Deficit, beginning of period | (710,844) | (565,382) |
| Deficit on acquisition of Alberta Ice Co. Ltd. | — | (419,275) |
| Retained earnings (deficit), end of period | \$ 54,463 | \$ (338,407) |
| Earnings per share for the six month period | \$.059 | \$.067 |

THE ARCTIC GROUP INC.

Interim Consolidated Statements of Changes in Financial Position

Six months ended October 31, 1997 and 1996

| | 1997 (Unaudited) | 1996 (Unaudited) |
|--|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Net earnings | \$ 765,307 | \$ 646,250 |
| Items not involving cash: | | |
| Amortization on capital assets | 220,158 | 261,701 |
| Amortization on other assets | 14,982 | 7,372 |
| Deferred income taxes | 158,500 | 167,200 |
| Operating cash flow | 1,158,947 | 1,082,523 |
| Change in non-cash operating working capital | (179,976) | (577,132) |
| | 978,971 | 505,391 |
| Financing: | | |
| Change in the following: | | |
| Affiliated companies accounts | (174,753) | (147,872) |
| Obligations under capital leases | (37,730) | 138,405 |
| Notes payable to shareholders | — | (361,832) |
| Notes payable | (5,000) | (30,000) |
| Long-term debt | (260,511) | (8,498) |
| Issuance of common shares | 289,947 | 664,293 |
| Redemption of preferred shares of subsidiaries | (55,300) | (243,950) |
| | (243,347) | 10,546 |
| Investments: | | |
| Additions to capital and other assets | (229,361) | (351,260) |
| Proceeds from sale of capital assets | 16,500 | 1,500 |
| Acquisition of wholly-owned subsidiary, net of debt assumed | (463,444) | — |
| | (676,305) | (349,760) |
| Increase in cash | 59,319 | 166,177 |
| Cash and term deposits, beginning of period | 882,307 | 60,609 |
| Cash and term deposits, end of period | \$ 941,626 | \$ 226,786 |
| Operating cash flow per share for the six month period | \$.090 | \$.112 |