

# THE ARCTIC GROUP INC.

Interim Consolidated Balance Sheets

January 31, 1998 and 1997

	1998	1997
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Current assets:		
Cash and term deposits	\$ 3,558,352	\$ 60,790
Cash held in trust	87,948	-
Accounts receivable	992,380	191,114
Receivable from affiliated companies	73,488	-
Inventories	731,804	185,573
Prepaid expenses and deferred charges	270,259	274,902
	<u>5,714,231</u>	<u>712,379</u>
Capital assets:		
Land, building and equipment	14,899,991	7,406,545
Accumulated amortization	4,501,818	4,033,066
	<u>10,398,173</u>	<u>3,373,479</u>
Other assets, net of amortization:		
Deferred finance costs	704,257	29,836
Goodwill	9,005,457	114,304
	<u>9,709,714</u>	<u>144,140</u>
	<u>\$ 25,822,118</u>	<u>\$ 4,229,998</u>

	1998	1997
	(Unaudited)	(Unaudited)
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 680,047	\$ 339,225
Payable to affiliated companies	—	268,581
Income taxes payable	157,477	251,335
Current obligations under capital leases	17,760	18,388
Current portion of long-term debt	175,811	56,000
	<u>1,031,095</u>	<u>933,529</u>
Obligations under capital leases	176,968	258,864
Notes payable	5,545	10,545
Long-term debt	12,330,496	1,617,100
Deferred income taxes	494,958	160,235
Preferred shares of subsidiaries	76,190	356,490
Shareholders' equity:		
Equity component of convertible debentures	4,174,629	—
Capital stock	7,730,669	1,350,737
Deficit	(463,188)	(457,502)
Cumulative translation adjustment	264,756	—
	<u>11,706,866</u>	<u>893,235</u>
	<u>\$ 25,822,118</u>	<u>\$ 4,229,998</u>

# THE ARCTIC GROUP INC.

Interim Consolidated Statements of Earnings and Deficit

Nine months ended January 31, 1998 and 1997

	1998 (Unaudited)	1997 (Unaudited)
Sales	\$ 6,646,398	\$ 4,738,811
Cost of sales	3,499,568	2,634,481
	3,146,830	2,104,330
Selling, general and administrative expenses	1,806,774	850,658
Income before the undernoted	1,340,056	1,253,672
Amortization expense	607,103	364,081
Interest expense	236,778	119,706
	843,881	483,787
Earnings before income taxes	496,175	769,885
Income tax expense (recovery):		
Current	188,123	263,800
Benefit realized on application of prior years' losses	(29,000)	(89,470)
Deferred	74,000	68,400
	233,123	242,730
Net earnings	263,052	527,155
Deficit, beginning of period	(710,844)	(565,382)
Deficit on acquisition of Alberta Ice Co. Ltd.	—	(419,275)
Interest on equity component of convertible debentures, net of deferred income taxes of \$13,000	(15,396)	—
Deficit, end of period	\$ (463,188)	\$ (457,502)
Earnings per share for the nine month period	\$ .019	\$ .054

# THE ARCTIC GROUP INC.

Interim Consolidated Statements of Changes in Financial Position

Nine months ended January 31, 1998 and 1997

	1998 (Unaudited)	1997 (Unaudited)
Cash provided by (used in):		
Operations:		
Net earnings	\$ 263,052	\$ 527,155
Items not involving cash:		
Amortization on capital assets	475,516	353,899
Amortization on other assets	131,587	10,182
Deferred income taxes	74,000	68,400
Interest on equity component of convertible debentures (excluding deferred income taxes)	(28,396)	—
Operating cash flow	915,759	959,636
Change in non-cash operating working capital	(1,141,765)	(398,296)
	(226,006)	561,340
Financing:		
Change in the following:		
Affiliated companies accounts	(193,289)	(4,579)
Obligations under capital leases	(56,594)	119,908
Notes payable to shareholders	—	(361,832)
Notes payable	(5,000)	(30,000)
Long-term debt	12,650,064	(251,996)
Issuance of common shares	4,696,728	664,293
Redemption of preferred shares of subsidiaries	(55,300)	(307,950)
	17,036,609	(172,156)
Investments:		
Acquisition of wholly-owned subsidiaries, net of debt assumed	(13,493,131)	—
Additions to capital and other assets	(947,282)	(390,503)
Proceeds from sale of capital assets	41,099	1,500
Cumulative translation adjustment	264,756	—
	(14,134,558)	(389,003)
Increase in cash	2,676,045	181
Cash and term deposits, beginning of period	882,307	60,609
Cash and term deposits, end of period	\$ 3,558,352	\$ 60,790
Operating cash flow per share for the nine month period	\$ .066	\$ .098