



Canada Lands Company
Société immobilière du Canada

Quarterly Financial Statements



Canada Lands Company Limited
Q2 (1 July to 30 September 2020)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

This Management's Discussion and Analysis ("MD&A") provides important information about Canada Lands Company Limited's ("CLCL" or the "Company") business, its financial performance for the period ended September 30, 2020, and its assessment of factors that may affect future results. The MD&A should be read in conjunction with the Company's unaudited consolidated financial statements and notes (collectively "the consolidated financial statements"). The MD&A and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The following MD&A is the responsibility of management and is current as at November 17, 2020. The Board of Directors of CLCL has approved this disclosure.

All dollar amounts, unless otherwise stated, are in millions of Canadian dollars.

CLCL's financial reporting publications are available on the Company's website, www.clc.ca.

BUSINESS UPDATE

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of COVID-19 a global pandemic. Government agencies, health agencies, and others have taken efforts to contain COVID-19, which include a number of provincial and municipal governments declaring states of emergency and governments implementing restrictive measures such as travel bans, quarantine and self-isolation. The COVID-19 pandemic has caused significant economic and social disruption to many businesses. Some of these efforts to address and mitigate the impacts of COVID-19 have adversely affected the Company's business and the operations.

The CN Tower and Montreal Science Centre's operations were temporary suspended on March 14, 2020, and a number of the Company's tenants have been forced to close. In late June, some provincial restrictions were lifted which allowed operations to begin to resume, so long as appropriate health measures were in place. Modified and limited operations resumed in July 2020 at the CN Tower, MSC, OPM, and the education programs at Downsview Park.

After the period end, the Company temporarily suspended most of its Attractions operations. On October 3, the Company elected to close the CN Tower in response to rising COVID-19 cases in Toronto and Ontario, prior to or even in absence of public health and government restrictions forcing closures, with the goal of reducing the spread of COVID-19. On October 1, 2020, the MSC, along with many other businesses in Montreal and Quebec, were required to close to comply with provincial restrictions, again, with the goal to reducing the spread of COVID-19.

The Company's financial results for the period ended September 30, 2020 have been significantly impacted by COVID-19, particularly its Attractions operating division, as a result of the suspension of operations and closures from March to July, and the substantial restrictions in place when operations resumed from July to September.

As governments respond to rising COVID-19 cases across the country in what appears to be the second wave of COVID-19, the future continues to be unknown. The duration and intensity of the resulting business disruption and related financial and social impacts due to COVID-19 are unprecedented and remain uncertain. At this time, it is difficult to determine the impact on the financial performance of the Company for the fiscal year, and the longer-term impact on the Company.



In the Company's opinion, its financial position, liquidity and strong balance sheet position it well to weather the pandemic not only for the short-term, but also for the longer-term. The impacts on the Company's financial performance will be significant.

The risks and possible impacts of COVID-19 are discussed further throughout this MD&A.

ABOUT CLCL

CLCL is the parent of Canada Lands Company CLC Limited ("CLC"), Parc Downsview Park Inc. ("PDP") and the Old Port of Montréal Corporation Inc. ("OPMC"), collectively referred to as the "CLCL Subsidiaries."

CLCL has two operating divisions:

- Real Estate; and
- Attractions.

The Real Estate operating division primarily includes development lands held in CLC and PDP's development lands (the "Downsview Lands").

The Attractions operating division is comprised of: Old Port ("OPM"); Montréal Science Centre ("MSC"); Downsview Park; and the CN Tower.

CLCL carries out its policy mandate "to ensure the commercially oriented, orderly disposition of selected surplus federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties." This mandate was approved by the Government of Canada (the "Government") on reactivation of the Company in 1995. CLCL optimizes the financial and community value of strategic properties no longer required for program purposes by the Government. Through CLC, it works to purchase properties from the federal government at fair market value, then holds and manages or improves and sells them, in order to produce the best possible benefit, both for local communities and for the Company's sole shareholder, the Government.

CLC holds real estate across the country in various provinces and in various stages of development, with significant holdings in Vancouver, British Columbia; Calgary and Edmonton, Alberta; Ottawa and Toronto, Ontario; Montréal, Québec; Halifax, Nova Scotia; and St. John's, Newfoundland and Labrador.

PDP was originally comprised of 572 acres (231 hectares) of land at the former Canadian Forces Base in Toronto. The holdings at PDP are composed of active recreation, parkland and development real estate assets. PDP will be developed with a full range of uses in accordance with the approved City of Toronto Downsview Area secondary plan, which includes an area of 291 acres (118 hectares) permanently set aside as parkland.

The CN Tower is an iconic national landmark and tourist attraction located in downtown Toronto. The core business is managing the country's highest observation tower, restaurant operations and the EdgeWalk.

OPMC is located in the heart of historic Montréal along the St. Lawrence River. Its core business covers two main areas: OPM, which manages and hosts activities on the 2.5 kilometre (1.6 mile) long urban recreational, tourist and cultural site along the St. Lawrence River; and the MSC, which operates the Science Centre and IMAX theatre.

GOVERNANCE

CLCL's Board of Directors (the "Board") is composed of the Chair and six Directors. For more details on CLCL's governance, see the "Corporate Governance" section in the CLCL 2019/20 Annual Report.

The Board's total expenses for the period ended September 30, 2020, including meetings, travel expenses, conferences and seminars, liability insurance, and annual retainers and per diems, totalled \$0.1



(September 30, 2019 - \$0.3). The Board and senior management expenses are posted on CLC's website at www.clc.ca/expenses.

OBJECTIVES AND STRATEGIES

The Company's goal in all transactions is to produce the best possible benefit for its stakeholders, local communities, itself and, by extension, its sole shareholder.

Real Estate

The Company optimizes the financial and community value from strategic properties that are no longer required by the Government. It purchases these properties at fair market value, then holds and manages them or improves and sells them.

In its development properties, the Company follows a rigorous process to create strong, vibrant communities that add lasting value for future generations of Canadians. In all the work the Company undertakes, it strives to achieve its organizational goals to create value, legacy and innovation.

Attractions

Through the CN Tower, MSC, Downsview Park and OPM, the Company provides world-class entertainment and a wide range of unique attractions, exhibits, and food and beverage offerings. The Company also manages and hosts activities and events on urban recreational, tourism and cultural assets, and maintains the lands, buildings, equipment and facilities on those assets, including the MSC.

RESULTS OF OPERATIONS

A summary of the various components of the Company's Consolidated Statement of Comprehensive Income follows. Discussion of the significant changes in each of these components for the period end September 30, 2020 compared to the prior year's comparative period are provided on the following pages.

In mid-March 2020, the operations at the CN Tower and MSC were temporarily suspended as a result of the COVID-19 pandemic. Both remained closed until mid-July 2020, when operations were able to resume, although limited to adhere to provincial restrictions and public health agencies direction.

Subsequent to period end, the operations of the CN Tower and MSC were temporarily suspended for a second time, and remain closed, to comply with provincial restrictions or as a proactive action by the Company to help in the efforts to combat the spread of COVID-19. The suspension of operations will impact the future financial results of the Company, the magnitude of the impact is still unknown at this time.

In addition, COVID-19 has resulted in many businesses being forced to close due to provincial restrictions and public health agencies' direction. In April 2020, the federal government announced the Canada Emergency Commercial Rent Assistance ("CECRA") program. This program provides for federal rent subsidies to qualifying tenants of 50% of their rents for the period April – August 2020 and requires respective landlords to 'forgive' 25% of the rent otherwise payable for the subject months. The Company has mirrored what the CECRA program provides to qualifying tenants, essentially reducing commercial rent for eligible businesses by at least 75% for the period the CECRA program is in place.

Subsequent to period end, the federal government announced that the Canada Emergency Rent Subsidy ("CERS") program will replace the CECRA provide, retroactive to September 27, 2020. The CERS program is different in that it provides rent subsidies directly to tenants, rather than through the landlord. The program has no impact on the second quarter financial statements but could have an impact in future financial statements.

The financial results for the period ended September 30, 2020:

| SEPTEMBER 30 | FOR THREE MONTHS ENDED | | FOR SIX MONTHS ENDED | |
|--|------------------------|----------------|----------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Real estate sales | \$ 14.5 | \$ 1.8 | \$ 15.0 | \$ 2.2 |
| Attractions, food, beverage and other hospitality | 6.2 | 48.7 | 7.8 | 79.2 |
| Rental operations | 8.9 | 15.1 | 16.4 | 28.5 |
| Interest and other | 1.5 | 4.5 | 3.1 | 8.6 |
| Total Revenues | \$ 31.1 | \$ 70.1 | \$ 42.3 | \$ 118.5 |
| General and administrative expenses | 8.1 | 7.6 | 14.8 | 14.8 |
| Income (loss) before taxes | (10.3) | 27.1 | (27.7) | 37.6 |
| Net income (loss) and comprehensive income (after taxes) | (7.5) | 20.1 | (20.0) | 27.8 |

By entity:

| SEPTEMBER 30, 2020 | FOR THREE MONTHS ENDED | | | | FOR SIX MONTHS ENDED | | | |
|---|------------------------|----------------|----------------|----------------|----------------------|----------------|----------------|----------------|
| | Old Port | Downsview Park | Canada Lands | Total | Old Port | Downsview Park | Canada Lands | Total |
| Real estate sales | \$ - | \$ - | \$ 14.5 | \$ 14.5 | \$ - | \$ 0.5 | \$ 14.5 | \$ 15.0 |
| Attractions, food, beverage and other | 1.0 | - | 5.2 | 6.2 | 1.8 | - | 6.0 | 7.8 |
| Rental operations | 1.1 | 3.3 | 4.5 | 8.9 | 1.4 | 6.6 | 8.4 | 16.4 |
| Interest and other | 0.3 | - | 1.2 | 1.5 | 0.4 | 0.1 | 2.6 | 3.1 |
| Total Revenues | \$ 2.4 | \$ 3.3 | \$ 25.4 | \$ 31.1 | \$ 3.6 | \$ 7.2 | \$ 31.5 | \$ 42.3 |
| General and administrative expenses | 1.4 | 0.3 | 6.5 | 8.2 | 2.6 | 0.5 | 11.7 | 14.8 |
| Income (loss) before taxes | (6.4) | (0.4) | (3.5) | (10.3) | (12.2) | - | (15.5) | (27.7) |
| Comprehensive income (loss) after taxes | (4.5) | (0.2) | (2.8) | (7.5) | (8.1) | 0.1 | (12.0) | (20.0) |

| SEPTEMBER 30, 2019 | FOR THREE MONTHS ENDED | | | | FOR SIX MONTHS ENDED | | | |
|---|------------------------|----------------|----------------|----------------|----------------------|----------------|----------------|-----------------|
| | Old Port | Downsview Park | Canada Lands | Total | Old Port | Downsview Park | Canada Lands | Total |
| Real estate sales | \$ - | \$ - | \$ 1.8 | \$ 1.8 | \$ - | \$ - | \$ 2.2 | \$ 2.2 |
| Attractions, food, beverage and other | 3.6 | 0.6 | 44.5 | 48.7 | 6.2 | 0.7 | 72.3 | 79.2 |
| Rental operations | 4.2 | 3.4 | 7.6 | 15.1 | 7.2 | 6.8 | 14.5 | 28.5 |
| Interest and other | 1.2 | - | 3.2 | 4.5 | 2.0 | - | 6.6 | 8.6 |
| Total Revenues | \$ 9.0 | \$ 4.0 | \$ 57.1 | \$ 70.1 | \$ 15.4 | \$ 7.5 | \$ 95.6 | \$ 118.5 |
| General and administrative expenses | 0.9 | 0.2 | 6.5 | 7.6 | 2.2 | 0.3 | 12.3 | 14.8 |
| Income (loss) before taxes | 0.6 | 0.3 | 26.2 | 27.1 | (2.2) | 0.1 | 39.7 | 37.6 |
| Comprehensive income (loss) after taxes | 1.0 | 0.2 | 18.9 | 20.1 | (0.7) | 0.1 | 28.4 | 27.8 |



REVENUE

Total revenue generated for the period was \$42.3, comprised of four principal sources:

1) Real Estate Sales

Real estate sales of \$15.0 for year-to-date comprise sales of property developed as building lots and sold to builders of single-family homes, and developed land blocks. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

| SEPTEMBER 30 | FOR THREE MONTHS ENDED | | FOR SIX MONTHS ENDED | |
|--------------|------------------------|---------------|----------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| West | \$ 0.6 | \$ 1.8 | \$ 0.6 | \$ 2.2 |
| Ontario | 13.9 | - | 14.4 | - |
| Quebec | - | - | - | - |
| Atlantic | - | - | - | - |
| Total | \$ 14.5 | \$ 1.8 | \$ 15.0 | \$ 2.2 |

Real estate sales generated a gross profit of \$7.8 (or 54%) and \$8.0 (or 53%) for the second quarter and year to date, respectively. Gross profit excludes general and administrative expenses and income tax.

Real estate land sales are dependent on a number of factors, and the nature of the Company's business does not necessarily allow for a consistent period-over-period volume of sales or geographical distribution.

Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold, and as a result it is difficult to compare year-over-year results.

2) Attractions, Food, Beverage and Other Hospitality

Attractions, food, beverage and other hospitality represent revenue from the CN Tower operations including admissions, restaurants and related attractions, and OPM, MSC and Downsview Park operations including parking, concessions, programming, events, corporate rentals, and other hospitality revenues.

As mentioned, the CN Tower, the MSC, and other attraction operations of the Company's were temporarily suspended from March to mid-July, followed by limited reopening from mid-July to September, due to COVID-19.

CN Tower revenue was \$5.1 for the second quarter and \$5.9 year-to-date, respectively. Year-to-date, CN Tower revenue was \$67.4 lower than the comparable prior year period. The CN Tower's loss before interest, taxes, depreciation and amortization ("EBITDA") was \$4.9 for the second quarter and \$11.7 year-to-date, respectively. Year-to-date, CN Tower EBITDA was \$55.8 lower than the comparable prior year period. Due to closures and a limited reopening, the CN Tower's guest count was down 94% from the comparable prior year period.

OPMC generated revenue of \$1.8 from its parking and concessions for year-to-date. The revenues were \$4.4 lower than the comparable prior year period. Similar to the CN Tower, the MSC and IMAX theatre were closed, and events were greatly restricted year to date. As a result, due to closures and limited reopening, the combined guest count of the MSC and IMAX theatre was down 96% from the comparable prior year period.



Downsview Park did not generate revenue from its programs and events, due to temporary closure as a result of the COVID-19 pandemic.

3) Rental Operations

Rental operations comprise revenue from commercial, industrial and residential properties held as investments, as well as from properties located on lands under development and held for future development across the country.

Rental revenue of \$8.9 for the second quarter and \$16.4 year-to-date, respectively, was generated by investment properties, properties in inventory at various stages of development, and other properties across CLC, OPMC and PDP. The year-to-date rental revenue was \$12.1 lower than the comparable prior year period. The primary driver for the lower rental revenues was the rent relief that the Company which provided consistent with the federal CECRA program. In addition, variable or percentage rent from the Company's larger tenants was down against the comparable prior year period due to the lower business volumes and closures resulting from COVID-19.

Rental revenues by region were as follows:

| SEPTEMBER 30 | FOR THREE MONTHS ENDED | | FOR SIX MONTHS ENDED | |
|--------------|------------------------|----------------|----------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| West | \$ 3.0 | \$ 3.4 | \$ 5.7 | \$ 6.7 |
| Ontario | 4.6 | 7.2 | 9.1 | 14.0 |
| Québec | 1.3 | 4.6 | 1.7 | 7.8 |
| Total | \$ 8.9 | \$ 15.2 | \$ 16.5 | \$ 28.5 |

The Company had a loss from rental operations year to date of \$0.7 (4.1%). The rental gross profit in the comparable prior year period was \$8.5 (29.9%). The primary driver is the lower revenue as a result of the rent relief provided by the Company. Operating costs decreased in the period by \$2.8 year-to-date compared to the comparable prior year period. The Company focused on lowering variable rental costs to partially offset the revenue decrease, however a significant portion of rental costs are fixed and could not be avoided.

4) Interest and Other Revenues

Interest and other revenue of \$3.2 for the period is comprised principally of interest on short-term investments, cash and cash equivalents, long-term receivables, and donation and sponsorship revenues at OPMC. The primary drivers of the decrease in revenue in the period when compared to the prior year period were due to lower interest rates on the cash and cash equivalent balances and renegotiation of certain sponsorship contracts in light of the impact of COVID-19.

OTHER

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") expenses of expense of \$8.2 for the second quarter and \$14.8 year-to date, respectively, were consistent with the comparable prior periods.

TAXES

The Company had income tax recoveries for the second quarter and year to date as a result of the net loss before taxes. The effective tax rate for the period of 27.7% is consistent with statutory rates.



FINANCIAL POSITION

ASSETS

At September 30, 2020 and March 31, 2020, the total carrying value of assets was \$1,189.8 and \$1,221.9, respectively. The following is a summary of the Company's assets:

| | September 30, 2020 | March 31, 2020 |
|--------------------------------|--------------------|-------------------|
| Cash and cash equivalents | \$ 384.1 | 462.6 |
| Inventories | 411.3 | \$ 383.9 |
| Property, plant and equipment | 139.7 | 141.6 |
| Deferred tax asset recoverable | 105.7 | 101.8 |
| Long-term receivables | 60.8 | 59.9 |
| Investment properties | 28.9 | 28.5 |
| Trade and other assets | 59.3 | 43.6 |
| Total | \$ 1,189.8 | \$ 1,221.9 |

CASH AND CASH EQUIVALENTS

The Company continues to maintain high levels of liquidity, which will allow it to react to future potential opportunities and risks that may require significant amounts of cash immediately. At September 30, 2020, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were \$384.1, compared to \$462.6 at March 31, 2020. The Company paid a \$10.0 dividend to its shareholder during the second quarter.

The Company has current promissory notes of \$155.4, which are owing to the former property custodians and due on demand. The Company will use its cash and cash equivalents to discharge these obligations as required.

The Company's investment strategy is to optimize, not maximize, financial returns on its cash and cash equivalents. Given the nature of the Company's liabilities, particularly its current liabilities, it is important that the investments of the Company provide a high degree of liquidity and protect against principal erosion.

INVENTORIES

The Company's inventories comprise properties held for future development of \$111.6 (March 31, 2020 - \$105.6), properties under development of \$299.7 (March 31, 2020 - \$278.3) and properties held for sale of \$nil (March 31, 2020 - \$nil).

Inventory is recorded at the lower of cost and net realizable value. During the second quarter and year to date, there were no write-downs or reversals of write-downs recorded against inventories.

The Company incurred expenditures of \$18.7 during the second quarter and \$27.7 year-to-date as compared to \$17.1 in the comparable prior period second quarter and \$21.6 in the comparative prior year-to-date. Spending on inventories varies year over year based on required and planned expenditures on those properties to prepare them for sale.

The Company's investments in its real estate properties continue to be supported by profitable, forecasted returns, and driven by the Company's objective to create value for the local communities in which its developments are located.



PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist principally of the CN Tower, Downsview Park, the MSC and OPM. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure, maintain life safety systems and enhance asset life cycles. There were capital additions of \$4.6 for the second quarter, compared with \$2.8 during the comparable prior year second quarter. The Company has invested \$6.1 year to date compared to \$4.6 in the comparable prior year period. Capital expenditures vary period over period based on required and planned expenditures on the property, plant and equipment.

There were non-cash depreciation charges of \$3.5 during the second quarter and \$7.0 year-to-date compared to \$3.1 in the comparable prior period second quarter and \$6.2 during the comparable prior year-to-date. These expenditures exclude repairs and maintenance costs.

DEFERRED TAX ASSET

The deferred tax asset amount of \$105.7 principally relates to the temporary differences between the carrying values of assets and liabilities for financial reporting purposes, which are lower than the amounts used for taxation purposes for the Downsview Lands. The majority of the deferred tax assets is expected to be realized upon the sale of development lands in future years.

LONG-TERM RECEIVABLES

Long-term receivables of \$60.8 include amounts receivable from third-party joint venture partners. The long-term receivables primarily represent the third-party partners' proportionate share of the promissory note obligations for certain properties.

INVESTMENT PROPERTIES

Investment properties are principally comprised of land located in Toronto on which the Rogers Centre is built and surrounding the CN Tower Base, along with certain properties at PDP.

TRADE AND OTHER ASSETS

Trade and other assets include current income taxes recoverable, rent and other receivables, prepaid assets, and CN Tower inventory. The increase from March 31, 2020 is primarily due to income tax recoveries expected.



LIABILITIES AND SHAREHOLDER'S EQUITY

The Company's assets are financed with a combination of debt and equity.

The components of liabilities and shareholders equity are as follows:

| | September 30, 2020 | March 31, 2020 |
|---|--------------------|-------------------|
| Credit facilities | \$ 43.8 | \$ 37.5 |
| Notes payable | 416.8 | 406.0 |
| Trade and other payables | 23.3 | 31.9 |
| Provisions | 25.1 | 24.0 |
| Prepaid rents, deposits and others | 9.9 | 8.2 |
| Deferred revenue | 7.4 | 7.5 |
| Tax liabilities and other | 7.6 | 21.0 |
| Total liabilities | \$ 533.9 | \$ 536.1 |
| Contributed surplus | 181.2 | 181.2 |
| Retained earnings | 474.7 | 504.6 |
| | 655.9 | 685.8 |
| Total liabilities and shareholder's equity | \$ 1,189.8 | \$ 1,221.9 |

CREDIT FACILITIES

The Company has two credit facilities.

PDP has an unsecured demand revolving credit facility for \$100.0. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. PDP has utilized \$57.1 at September 30, 2020 (March 31, 2020 - \$50.9) of which \$13.3 (March 31, 2020 - \$13.4) has been used as collateral for letters of credit outstanding. The borrowings from the credit facility have been primarily used to finance the construction and development of the Downsview Lands but are also used to support investment in Downsview Park. The increase in borrowings against the credit facility resulted from continued investments in its real estate developments and capital investments in Downsview Park.

CLC has a senior, unsecured revolving credit facility in the amount of \$100.0. The credit facility can be used to secure outstanding letters of credit. CLC has utilized \$25.6 at September 30, 2020 (March 31, 2020 - \$24.9) as collateral for letters of credit outstanding.

The credit facilities contain certain financial covenants. As at September 30, 2020, the Company was in compliance with all its financial covenants for the credit facilities.

NOTES PAYABLE

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2020 to 2050 or the dates on which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows. For all notes, the government can elect to defer amounts that are due and repayable. All notes are non-interest bearing. For accounting purposes, they are required to be fair valued at acquisition, and as a result may be discounted, depending on the specific characteristics of the notes payable (see "Critical Accounting Estimates" section), which could result in non-cash interest charges.

Year to date, the Company did not make any repayment to former property custodians on current promissory notes payable.



Based on the anticipated timing of the sale of the real estate properties and the specific repayment requirements within the notes, principal repayments are estimated to be as follows:

| | | | |
|---|------------------|----|----------|
| YEARS ENDING MARCH 31 (REMAINDER OF YEAR) | 2021 | \$ | 154.5 |
| | 2022 | | 0.9 |
| | 2023 | | 1.0 |
| | 2024 | | 18.0 |
| | 2025 | | 25.8 |
| | Subsequent years | | 239.2 |
| Subtotal | | | 439.4 |
| Less: amounts representing imputed interest | | | 22.6 |
| | | | \$ 416.8 |

TRADE AND OTHER PAYABLES

Trade and other payables are lower than the balance at March 31, 2020, primarily as a result of timing. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

PROVISIONS

Provisions represent obligations of the Company where the amount or timing of payment is uncertain and are comprised largely of costs to complete sold real estate projects and payment in lieu of taxes being contested by the Company. During the period, the Company spent \$0.5 on completing its servicing obligations on previously sold real estate projects.

PREPAID RENTS, DEPOSITS AND OTHERS

Prepaid rents, deposits and others are largely comprised of real estate sales deposits by purchasers and builder deposits, which are part of the normal course of operations.

DEFERRED REVENUE

Deferred revenue represents revenue from rental/leasing, programs and events, and development and other income that has not yet been earned by the Company.

TAX LIABILITIES AND OTHER

Tax liabilities represent the current taxes payable and the future tax liabilities of the Company resulting from the temporary differences between the carrying values of assets and liabilities for financial reporting purposes that are higher than the amounts used for taxation purposes. The decrease during the period was primarily the result of the Company making its final income tax payment for the prior year.



RESOURCES, RISKS AND RELATIONSHIPS

CAPITAL RESOURCES AND LIQUIDITY

In addition to the items noted below, please see the “Risks and Uncertainties” section in this MD&A pertaining to the impact of the COVID-19 pandemic.

The capital resources available to the Company as at September 30, 2020 and March 31, 2020 are as follows:

| | September 30, 2020 | March 31, 2020 |
|-----------------------------|--------------------|-----------------|
| Cash and cash equivalents | \$ 384.1 | \$ 462.6 |
| Remaining credit facilities | 42.9 | 49.1 |
| Total | \$ 427.0 | \$ 511.7 |

The Company’s cash and cash equivalents decreased by \$78.5 year to date as a result of:

- The net loss of \$27.7 before tax;
- Investments of \$27.7 in real estate inventory and \$7.6 in property, plant and equipment and investment properties; and
- A dividend payment of \$10.0 to the Company’s shareholder.

The decrease was partially offset by:

- \$6.3 of cash borrowings against credit facilities.

The net working capital surplus of the Company as at September 30, 2020 and March 31, 2020 is as follows:

| | September 30, 2020 | March 31, 2020 |
|------------------------------------|--------------------|-----------------|
| Cash and cash equivalents | \$ 384.1 | \$ 462.6 |
| Other current assets | 74.2 | 94.5 |
| Total current assets | \$ 458.3 | \$ 557.1 |
| Current portion of notes payable | 155.4 | 161.0 |
| Other current liabilities | 99.5 | 112.1 |
| Total current liabilities | \$ 254.9 | \$ 273.1 |
| Net working capital surplus | \$ 203.4 | \$ 284.0 |

The Company believes that its capital resources and its net working capital surplus, along with cash flows to be generated from operating and financing activities, have positioned it to meet the following liquidity needs in the short term and the long term.

The Company has a credit facility that has been utilized to secure outstanding letters of credit of \$25.6 (March 31, 2020 - \$24.9) that matures within the next 12 months of the Consolidated Statement of Financial Position date. Given the Company’s capital position, it expects to be able to renew the credit facility at reasonable terms.

The Company’s principal liquidity needs over the next 12 months are to:

- fund the possible operating deficits at the Company’s attractions;
- fund recurring expenses, including possible rental operating deficits;



- manage current credit facilities;
- fund the continuing development of its inventory and investment properties;
- fund capital requirements to maintain and enhance its property, plant and equipment;
- fund investing activities, which may include:
 - property acquisitions;
 - note repayments;
 - discretionary capital expenditures;
- make distributions to its shareholder.

Beyond 12 months, the Company's principal liquidity needs are:

- credit facility repayments;
- note repayments;
- recurring and non-recurring capital expenditures;
- fund the operating deficit of OPMC, and possibly other attraction operating deficits;
- development costs; and
- potential property acquisitions.

RISK MANAGEMENT

The Company uses a practical approach to the management of risk. The objective of the Company's risk management approach is not to completely eliminate risk but rather to optimize the balance between risk and the best possible benefit to the Company, its shareholder and its local communities.

The Board of Directors has overall responsibility for risk governance and oversees management in identifying the key risks the Company faces, and in implementing appropriate risk assessment processes to manage these risks. Senior management is accountable for identifying and assessing key risks, and defining controls and actions to mitigate risks, while continuing to focus on the operational objectives of the Company.

The Company updates its enterprise risk assessment regularly to review, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, Internal Audit reports and industry information, and interviewing senior management across the Company.

The Company's Internal Audit assists in evaluating the design and operating effectiveness of internal controls and risk management. Through the annual Internal Audit plan, the risks and controls identified are considered and incorporated for review.

The Company's financial results are affected by the performance of its operations and various external factors influencing the specific sectors and geographic locations in which it operates, as well as macroeconomic factors such as economic growth, inflation, interest rates, foreign exchange, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

In addition to the items noted above, please see the "Risks and Uncertainties" section in this MD&A pertaining to the potential impact of the COVID-19 pandemic.



RISKS AND UNCERTAINTIES

The following section describes factors that in the Company's view are material and that could adversely affect the Company's business, financial condition and result of operations. The risks below are not the only risks that may impact the Company. Additional risks not currently known or considered immaterial by the Company at this time may also have a material adverse effect on the Company's future business and operations.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Since then, COVID-19 has caused significant economic and social disruptions to many businesses, including the Company. The absolute duration and final impact of the COVID-19 pandemic on the Company is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Company in the short-term, or whether COVID-19 will have significant longer-term impacts on the Company's operations.

The Company has taken and will continue to take actions to mitigate the effects of COVID-19, keeping in mind the interests of its employees, visitors, tenants, suppliers and other stakeholders.

The Company is continually reviewing all its business plans and budgets from both an operational and financial perspective to determine the appropriate measures to implement in response to the pandemic. These measures may include possible capital investment deferral and other prudent cost containment actions.

The Company's response to the COVID-19 pandemic is guided by public health authorities. The Company continues to act according to direction provided by the federal, provincial and municipal governments to control the spread of COVID-19. The Company continues to closely monitor business operations and may take further actions in response to directives of governments and public health authorities or that are in the best interests of employees, visitors, tenants, suppliers or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Company.

In the summer of 2020, a number of provincial governments began to ease restrictions imposed to contain COVID-19 allowing businesses to reopen and resume operations. In several cases, the Company included, business operations did not resume 'as normal', as public health authority restrictions and other government directives remained in place, such as physical distancing, customer limits and travel constraints.

In early October, a number of provincial governments responded to increasing COVID-19 cases by tightening restrictions again to help in reducing the spread of COVID-19.

The restrictions and directives implemented by governments and health agencies, along with additional protocols that the Company may put in place to further mitigate the health and safety risks for its employees, visitors, tenants, suppliers and other stakeholders, will continue to modify how the Company operates, which will impact its financial performance.

Federal, provincial and municipal governments have responded with monetary and fiscal interventions in attempts to mitigate the impact on the economy; however, the ultimate impact of COVID-19 on the economy and its duration remains unknown.

As a result of COVID-19, the Company faces possible significant risk and uncertainty around its:

- Attractions operations;
- Rental operations and real estate sales; and



- Real estate development project timing.

In addition, like many other businesses in Canada, the Company is ultimately operating in an unprecedented and unpredictable economy, which poses significant risk and uncertainty. These risks and uncertainties, along with others, may, in the short or long term, materially adversely impact operations and the financial performance of the Company.

COVID-19 may also exacerbate other risk factors described in this section.

GENERAL MACROECONOMIC RISKS

The Company's business segments, real estate and attractions are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates and foreign exchange rates.

As mentioned above, COVID-19 has had a pervasive impact on the economy. As the Bank of Canada ("BoC") mentioned in its Monetary Policy Reports throughout 2020, the COVID-19 pandemic is having a dramatic effect on economic activity and employment in Canada. COVID-19 has spread broadly and rapidly, and to contain it, governments introduced public health measures that curtailed economic activity. These public health measures, along with the actual virus itself, have brought about a steep and deep economic decline, which has impacted Canadian and global economies, causing widespread losses in jobs and business incomes. During the period from April to June, the period where the public health measures to contain the spread of COVID-19 were at their most restrictive, the BoC's MPR estimated that economic activity to fallen about 15 percent below its level at the end of 2019. Not surprising, Canada's unemployment rate rose to 13.7% in May 2020 the highest unemployment rate since 1982.

In its October 2020 Monetary Policy Report ("MPR"), the BoC mentioned that the Canadian economy has now entered the recuperation phase of the recovery. As anticipated, rapid economic growth from easing containment measures over the summer has transitioned to a more moderate growth rate. The recent reinstatement of some restrictions in response to rising numbers of COVID-19 cases is expected to have a negative impact on economic activity in the near term.

As a result of the easing of restrictions over the summer, the Canadian unemployment rate in September dropped to 9.0% from 10.2% in August. The September rate was close to five percent lower than the May rate, but still over three percent higher than the rate at the start of 2020. General forecasts have the Canadian unemployment rate at December 2020 around 8% to 9%, with the average unemployment rate for 2020 between 9% and 10%. In the longer term, the Canadian unemployment rate in 2021 is forecasted to decrease slightly to between 7% to 9% as economies continue to recover slowly and unevenly.

In the April MPR, the BoC departed from the usual structure for the Monetary Policy Report in April by not including a base-case projection. For October, the BoC returned to its more traditional format providing projections for economic growth and inflation in its MPR. Regardless of the format, the BoC continues to caution, as with many other institutions attempting to forecast future economic indicators, that given the unusual level of uncertainty, their information provided is less precise. In the MPR, the BoC did provide an outlook for Gross Domestic Product ("GDP"), which is a key performance indicator for the economy. The BoC predicted a 6% decrease for 2020 compared to 2019, followed by a 4% increase in 2021 against 2020. To help illustrate the challenges and volatility the BoC and other institutions are having in providing forecasts during the pandemic, these amounts were estimated to be an 8% decrease and 5% increase, respectively, in the July MPR.

The overall outlook for 2021, as difficult as it is to predict with all of the current uncertainty, is one of slow recovery and economic growth. Estimates of the amount of growth expected in the Canadian economy vary, with some estimates of GDP growth in 2021 as compared to 2020 around 2%, while others are more



bullish at 5%. The divergence in views on economic growth projections for 2021 are not surprising given the high degree of uncertainty at present.

The BoC supported the economy and financial system by taking the unprecedented step of lowering the overnight interest rate by a cumulative 150 basis points to 0.25% in March 2020, which the BoC considered its floor at the time. At its October 2020 policy meeting, the BoC announced that it does not expect to increase its overnight interest rate until at least 2023.

As a second wave of restrictions are imposed, the possible speed and strength of the recovery from COVID-19 outbreak remains as uncertain as ever before.

The Company mitigates the general macroeconomic risks through constant assessment and monitoring of the various risk drivers and the potential impact of those drivers on the Company's performance. The Company will then take the actions to appropriately mitigate the impact of the risks.

REAL ESTATE DIVISION RELATED RISKS

Real estate is generally subject to risk, given its nature, with each property being subject to risks depending on its specific nature, location and the development cycle timing. Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred.

As a result of the uncertainty facing the economy, consumer spending decisions, which include real estate purchases or investments, are being significantly impacted.

As a result of the uncertainty facing the economy, consumer spending decisions, which include real estate purchases or investments, are being significantly impacted. In its October 2020 news release, the Canadian Real Estate Association ("CREA") announced that homes sales activity in September in Canada was a record for the month of September and was 45% higher than September 2019. Year-over-year sales activity for the first nine months of the year is actually up by approximately 6%, despite the extremely slow start to the year to COVID-19.

CREA stated that housing prices are up approximately 17.5% from the same time a year ago. The primary drivers for the strong bounce back in home sales and prices is attributed to a number of factors including: the redirection of discretionary income to home purchasing; lower interest rates; unprecedented government income supports, and the low amounts on inventory on hand (in September 2020, the average national inventory on hand was 2.6 months, and in some markets the average is only weeks of inventory).

However, there continues to be significant longer-term risk given the economic and employment uncertainty. In its summer 2020 Housing Market Outlook ("HMO"), CMHC predicted that large employment and income declines, amongst other factors, would put downward pressures on housing demand and housing prices. In addition, in the CMHC's September 2020 Housing Market Assessment ("HMA"), it continued to raise concern that the unprecedented income supports that the federal government provided in response to the pandemic are temporary, and may aide in overstating the long-term household disposal income which is a key fundamental determinant in housing prices.

In its September HMA, the CMHC provided the Canadian housing market with a 'moderate degree of overall vulnerability' rating, citing that the imbalance between housing prices in some local markets and the general weakening of housing market fundamentals, which had narrowed prior to COVID-19, seemed to be on the rise again.

CMHC notes in the September 2020 HMA that regional disparities continue to remain. The Vancouver, Toronto, Ottawa and Halifax housing markets, all cities that the Company has real estate development projects in, were assessed as having a moderate degree of overall vulnerability. The reasons for each city receiving a moderate rating varied.



The Vancouver housing market did not have any single indicator (overheating, price acceleration, overvaluation, or overbuilding) that was assessed as moderate or higher, however the overall assessment was a moderate degree of vulnerability due to widening of the overvaluation gap between fundamentals and market prices after a several quarters of improvement. In Toronto, similar to Vancouver, there was not a single indicator assessed as moderate or higher, but emerging evidence of further imbalances, particularly in the overvaluation indicator, drove an overall moderate degree of vulnerability rating.

The Ottawa housing market's overall moderate rating was due to a moderate risk on overheating due to limited supply. This limited supply and strong demand, but pressure on prices signaling a moderate risk of price acceleration. For the Halifax housing market, the overall assessment of moderate was driven primarily by a sharp increase in prices due to pent-up demand indicating a moderate risk on overvaluation.

The housing markets in Edmonton, Calgary, Montréal, and St. John's are considered to have low vulnerability, although CMHC did identify concerns in Montréal in respect to overheating and overvaluation in the market, and in Calgary and Edmonton around overbuilding.

As noted above, interest rates are expected to remain low, and therefore mortgage rates also are expected to remain relatively low for the foreseeable future.

Overall, the outlook for the Canadian housing sector is one of variability across the country, and there are significant risks and uncertainties, particularly in certain local markets such as Toronto and Vancouver, where the Company currently has real estate holdings.

At the end of September 2020, Canada's office vacancy rate was approximately 12%, which was an increase from the 2019 vacancy rate. The increase is partially driven by subleases hitting the market as companies evaluate their office space needs in response to COVID-19 and the trend of more work from home arrangements.

In addition to the impact of COVID-19, oil prices can have a significant impact on the Canadian economy. Oil prices, particularly the discount on Canadian oil prices, are a major part of the Newfoundland, Saskatchewan and particularly the Alberta economy, including the housing demand through effects on employment and household income. Benchmark oil prices, currently trading around US\$42 per barrel, remain a significant risk and uncertainty, limiting growth, particularly in Alberta. Canadian oil prices have ranged from US\$26 per barrel to US\$32 per barrel within the last four months. Both benchmark and Canadian oil prices have been relatively stable past three months but have seen significant volatility in the past nine months, with benchmark oil prices and Canadian oil prices dropped as low as US\$12 and US\$4, respectively. Not only is the price per barrel important; so, too, is the difference between the benchmark oil prices and Canadian oil prices, and the demand. The recent plunge in oil prices and its demand have dealt a major setback to the oil and gas sector, forcing production and investment in the sector to decline sharply.

Like many industries, the outlooks for the housing and office real estate markets are uncertain in the short term and longer term.

It is difficult to predict demand for real estate. Changes in the real estate market, whether it be building type and form, demand or other changes, may significantly impact the Company's Real Estate division.

The Company mitigates its real estate sector risk through constant assessment and monitoring of local market conditions. The Company may adjust the amount and/or timing of expenditures on properties or sales as a response to the market conditions.

ATTRACTIONS DIVISION RELATED RISKS

The CN Tower's and OPMC's operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to the seasons and to daily weather conditions.



Efforts by governmental agencies, health agencies and others to contain COVID-19 or address its impacts will have a significant impact on the tourism industry. These efforts include restricting domestic and international non-essential travel to mitigate the impact of COVID-19, as well as physical distancing measures and limitations on group gatherings. The duration of these mitigation efforts and the plan for the gradual removal of the restrictions are uncertain and could have a material impact on the Company's attractions. As we have seen in some provinces, restrictions have been eased, only to have them return in response to spikes in COVID-19 cases.

As a result of COVID-19, tourism spending has been and continues to be significantly impacted in Canada.

In Destination Canada's ("DC") July 2020 "Visitor Demand Forecast" publication, it reported that travel spending in 2020 could drop between 54% and 61% compared to 2019. DC went on to say that in its July report that it does not expect a return to 2019 spending levels until 2023 or possibly not until 2024. DC's July 2020 report "Overnight arrivals at a glance" clearly illustrates the current impact that COVID-19 is having on tourism and international travel. The report showed that overnight arrivals in July 2020 in Canada were down 98% compared to July 2019 and 79% year to date for 2020 compared to the comparable prior year period, and specifically US overnight arrivals down 98.3% in July 2020 and 80% year to date for 2020.

Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A significant number of visitors to Old Port and the CN Tower travel from the United States ("U.S.").

In March 2020, Canada-U.S. border restrictions prohibiting all non-essential travel across the border were put in place. Those restrictions have remained in place with the latest announcement that the Canada-US border will not be reopening until at least November 21. Given the current conditions in the US, there seems a significant degree of sentiment to keep the border with the US closed until clear indication of improvement in the US condition is apparent. It is expected that these restrictions will loosen at some point, but when and by how much are unknown.

Foreign exchange rates may impact the number of international tourists that Canada, local markets and the Company's attractions can draw when restrictions are eased. The rate at November 11, 2020 was US\$1.00 = \$1.31, which is right around where it was at the same time last year. Analysts are mixed on whether they expect the Canadian dollar to strengthen or weaken against the US dollar in the next 12 months, but most are predicting that the foreign exchange rate will remain largely consistent during the time.

When travel restrictions are lifted, a devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower revenues favourably due to stronger consumer buying power for US travelers. A devalued Canadian dollar may also discourage local visitors from travelling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar is likely to have the opposite impact on the CN Tower results.

Old Port draws more than 80% of its customers from its local market. The MSC draws significantly from schools, which are currently restricted from travelling. To continue to draw visitors OPMC needs to continue to invest in its current attractions and exhibits at the Old Port and Montreal Science Centre, and partner with various with various organizations, while developing new exhibits and attractions, to refresh its offerings to visitors.

The local economy, particularly the decline in discretionary spending as a result of the impacts of COVID-19 on employment, could create challenges.

The Company continues to constantly review all aspects of its attractions operations potentially impacted by COVID-19, including its business plans and health and safety procedures and protocol. The Company continually updates its business resumption plans to adapt to new Governments' and health authorities'



direction, in many cases exceeding the minimum requirements, to ensure the safety of its employees, guests, suppliers, and contractors.

CYBERSECURITY RISKS

Cybersecurity has ceased to be an emerging risk and is now a strategic risk that needs to be actively managed by businesses in Canada and around the world. Cyberattacks, and the criminals that perpetrate them, are continually evolving the sophistication of how they target and who they target. It is critical that businesses protect against financial fraud, the loss of sensitive data, the disruption of business operations, and the protection, safety and security of its guests. Successful attacks could compromise the Company's confidential information as well as the trust that stakeholders have in the Company's ability to hold and secure sensitive data and information. Those attacks may result in negative consequences, including remediation costs, loss of revenue, litigation and reputational damage.

The Company invests in technologies, as well as the education and training of its staff, to safeguard its information, and continually reviews its mitigation strategies to align with industry best practices. As cyber risk and cybercrime continue to evolve, this may require shifts in strategies and investment. The Company will continue to invest in new technologies, reinvest in its education and training of staff, and review, with the assistance of third-party experts, its cybersecurity maturity, risk assessment, disaster recovery, and prevention and detection techniques.

The shift to working remotely being driven by COVID-19 is only increasing cybersecurity risks facing businesses. In addition to the mitigation efforts mentioned above, the Company has increased its communications to employees and the training provided to employees, re-emphasizing Company procedures and their importance.

INTEREST RATE AND FINANCING RISKS

The Company believes it has effectively managed its interest rate risk. The Company's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2020 and 2050 or the dates on which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and are not dependent on property cash flows.

The Company is exposed to interest rate risk on its two credit facilities and cash and cash equivalents. Cash and cash equivalents earn interest at the prevailing market interest rates and have limited exposure to interest rate risk due to their short-term nature. Credit facility borrowings bear interest at fixed and variable interest rates. Variable interest borrowings are exposed to interest rate risk. The impact of a change in the interest rate of +/- 0.5% would not be significant to the Company's earnings or cash flow.

The Company believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The Company believes that the repayment terms of its notes, in conjunction with management's estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates and repay outstanding credit facilities.

If the Company were not able to renew existing credit facilities at reasonable rates, then acquisition or development activities could be curtailed, or asset sales accelerated. However, the Company anticipates renewing existing credit facilities at reasonable rates based on the quality of its assets and strength of its financial position.

CREDIT RISK

Credit risk arises from the possibility that tenants and purchasers may experience financial difficulty and be unable to pay the amounts owing under their commitments.



The Company has attempted to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and performing credit assessments in respect of new leases and credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations. Credit risk on land sale transactions is mitigated by strong minimum deposit requirements, cash land sales, and recourse to the underlying property until the purchaser has satisfied all financial conditions of the sale agreement.

The Company's trade receivables are comprised almost exclusively of current balances owing. The Company continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At September 30, 2020, the balance of rent and other receivables was \$41.0 (March 31, 2020 - \$35.1), which have been substantially collected as they have become due.

As a result of COVID-19 and the resulting downturn in the economy, certain tenants may experience financial difficulty in meeting their lease obligations going forward. As a result, the Company has worked with certain tenants to provide various forms of rent relief, as applicable. Otherwise, the Company expects tenants to honour the terms of their respective leases. The Company is continuously monitoring its tenant and trade receivables to identify any arrears amounts and, where applicable, will take appropriate actions to collect past due amounts.

The Company has long-term, non-interest bearing receivables of \$59.9 due from third-party joint venture partners. In February 2020, the Company and its partners signed agreements which would see the Company's beneficial interest in the properties sold to its partners at future dates. The amounts will be collected at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the agreements. If the amounts were not collected upon the sale of the properties, the Company would retain its ownership interest. However, the Company anticipates the collection of the long-term receivables as they become due.

ENVIRONMENTAL RISKS

As the owner of real property, the Company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removing certain hazardous substances and remediating certain hazardous locations.

The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's ability to sell such real estate.

The Company is not aware of any material non-compliance with environmental laws at any of its properties, nor is it aware of any investigations or actions pending or anticipated by environmental regulatory authorities in connection with any of its properties or any pending or anticipated claims related to environmental conditions at its properties.

The Company will continue to make the capital and operating expenditures necessary to ensure that it is compliant with environmental laws and regulations.

OTHER KEY RISKS

Labour disruptions, particularly at the Company's key attractions, are a financial and reputational risk. The Company mitigates these risks through its labour relations strategies, which include active management and planning. During the year, the Company and a union group completed their collective bargaining negotiations with a new three-year collective agreement.

Physical security at the Company's properties, particularly its attraction sites, is extremely important, particularly given the current global climate and the visibility of the Company's sites. The Company mitigates the risk of business disruption and reputational risk by continually investing in its security technology and deterrents, engaging with third-party experts to perform security and safety reviews, and reviewing, updating and performing tests of its security protocols.

Real estate developments adjacent to the Company's projects may impact its financial results. The Company mitigates the financial risks through its product offerings and zoning approvals.

Other key risks, including litigation, communications, public relations, and fraud, are actively managed by the Company using a variety of mitigation strategies.

The overall nature of real estate development projects and the Company's attractions are that they are highly visible to the public. The Company's strategy to mitigate the risk of adverse media is to proactively engage with its stakeholders, be responsive, and follow established communications protocols.

GUARANTEES AND CONTINGENT LIABILITIES

The Company may be contingently liable with respect to litigation and claims that arise in the normal course of business. The Company's holdings and potential acquisition of properties from the government may be impacted by land claims. The Company continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the Company. Disclosure of commitments and contingencies can be found in Notes 12 and 13 of the consolidated financial statements for the period ended September 30, 2020.

RELATED PARTIES

The Company is wholly owned by the Government of Canada and is under common control with other government agencies and departments, and Crown corporations. The Company enters into transactions with these entities in the normal course of business.

Significant transactions with related parties during the period were as follows:

| SEPTEMBER 30 | FOR THREE MONTHS ENDED | | FOR SIX MONTHS ENDED | |
|---|------------------------|--------|----------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Rental, leasing and other revenues | \$ 0.2 | \$ 0.4 | \$ 0.5 | \$ 0.8 |
| Acquisition of property through non-interest bearing notes (principal amount) | 7.6 | 1.8 | 7.6 | 1.8 |
| Repayment of notes payable | - | - | - | 18.9 |
| Dividend declared and paid to shareholder | 10.0 | 30.0 | 10.0 | 30.0 |

The Company's Consolidated Statement of Financial Position includes the following balances with related parties:

The consolidated balance sheet include the following balances with related parties:

| AS AT | SEPTEMBER 30, 2020 | MARCH 31, 2020 |
|--|--------------------|----------------|
| Net trade receivable and other from federal agencies and departments, excluding Government funding payable | \$ 2.1 | \$ 2.3 |
| Notes payable | 416.8 | 406.0 |

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING PRONOUNCEMENTS

A) Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across



the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of the information.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after January 1, 2020. The amendments must be applied prospectively, and earlier application is permitted.

This amendment did not have an impact on the Company's consolidated financial statements.

B) Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements regarding classifications of liabilities as current or non-current, which provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and must be applied retrospectively. Earlier application is permitted.

This amendment did not have an impact on the Company's consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and financial performance of the Company is based on the consolidated financial statements, which are prepared in accordance with IFRS. The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses for the periods of the consolidated financial statements.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and the ensuing responses by governments including the closure of non-essential businesses and social distancing requirements has increased the level of uncertainty in the economy and caused significant disruptions to all businesses and daily life.

COVID-19 has created additional measurement uncertainty in determining recoverability, net realizable values, recoverable amounts and fair value due to the difficulty in forecasting future cash flows, a lack of market transactions, economic volatility, and other factors.

The Company assessed this impact on its business, recoverability of trade receivables, recovery of its long-term receivable, net realizable value of inventories, recoverable amounts of others assets, and the fair value of financial assets, investment properties and financial liabilities for disclosure in the notes to the consolidated financial statements.

Judgments, estimates and assumptions are evaluated on an ongoing basis. Estimates are based on independent third-party opinion, historical experience and other assumptions that management believes are reasonable and appropriate in the circumstances. The amounts recorded in the Company's consolidated financial statements are based on the best estimate at the reporting date. Actual results could differ materially from those assumptions and estimates.

Management believes the most critical accounting estimates are as follows:



I. INVENTORIES AND REAL ESTATE DEVELOPMENT COSTS

In determining estimates of net realizable values for its properties, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not result in a precise determination of asset value.

In arriving at such estimates of net realizable value of the properties, management is required to make assumptions and estimates as to future costs that could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property and as new information becomes available.

The Company produces a yearly corporate plan that includes a pro forma analysis of the projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales recorded and net realizable value. This pro forma analysis is reviewed periodically, and when events or circumstances change, and is updated to reflect current information.

The Company includes in its liabilities future servicing costs to complete a project based on management's best estimates.

II. MEASUREMENT OF FAIR VALUES

Where the fair values of financial assets, investment properties and financial liabilities as disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required to establish fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value. The Company's assessments of fair values of investment properties are regularly reviewed by management with the use of independent property appraisals and internal management information.

The fair values of all financial instruments and investment properties must be classified in fair value hierarchy levels, which are as follows:

Level 1 – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Financial instruments are considered Level 2 when valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable.

The critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 20.

III. USEFUL LIVES AND SIGNIFICANT COMPONENTS

The useful lives and residual values of the Company's PPE and investment properties are determined by management at the time the asset is acquired and are reviewed annually for appropriateness. The useful lives are based on historical experience with similar assets, as well as anticipation of future events.



Management also makes judgments in determining significant components. A component or part of an item of property, plant and equipment or an investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the Company identifies parts that have varying useful lives or consumption patterns.

IV. INTEREST RATE ON NOTES PAYABLE TO THE GOVERNMENT

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government. These notes are payable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For those notes that do not state when the issuer can demand payment, the repayment schedule is based on estimated time period and cash flows of the property. The notes are non-interest bearing. The non-interest bearing notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate.

V. IMPAIRMENTS AND WRITE-DOWNS

Management reviews assets annually, as part of the corporate planning process, and when events or circumstances change.

For inventories, a write-down is recorded when the net realizable value of anticipated net sales revenue is less than the sum of the carrying value of the property and its anticipated costs to complete. The net realizable value is based on projections of future cash flows, which take into account the specific development plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on an analysis of CGUs, as described in note 2.H)ii), and are recorded if the recoverable amount of the property is less than the carrying amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs of disposal and its value in use. The Company estimates the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the assets in an arm's-length transaction less the estimated cost of disposal. The Company estimates value in use by discounting estimated future cash flows to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset. Determination of the present value cash flows requires significant estimates, such as future cash flows and the discount rate applied.

VI. INCOME TAXES

The Company relies on estimates and assumptions when determining the amount of current and deferred taxes and takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

The Company makes significant estimates to evaluate whether it can recover deferred tax assets based on its assessment of estimates of future probability and legal amalgamation of its subsidiaries. The Company's current corporate plan and future profit forecasts are expected to generate sufficient taxable income to recover the deferred tax assets. Historically, the Company has been profitable and has consistently met its corporate plan profit objectives.



ACQUISITIONS AND PROSPECTS

During the second quarter, the Company acquired an 18-acre (7 hectare) property in Ottawa, Ontario.

The Company has a land bank of approximately 1,112 acres (450 hectares) at September 30, 2020.

The Company is currently in negotiations with government departments and agencies regarding a further acquisition of 5,209 acres (2,108 hectares). As many of the properties and portfolios potentially available for acquisition are substantial in size, planning, development and reintegration of these properties into local communities will take place over a number of years. Although the Company is vulnerable to adverse changes in local real estate market conditions, which can affect demand, the Company's geographic diversity mitigates the risk of an adverse impact of a downturn in a single market.

The Company's major residential developments are in St. John's, Halifax, Montréal, Toronto, Ottawa, Edmonton, Calgary and Vancouver. In most of these projects, the Company has interim rental operations that, between them, generate revenue in excess of any holding costs.

The Company's recent sales activities demonstrate that there is ongoing demand for its land holdings, and that it can continue to create significant benefits and/or value from its property portfolio, which is diverse as to location, value, size, and current or potential uses.

The Company has estimated net income before tax of \$393.9 for the five years ending March 31, 2025 based on the latest approved annual corporate plan. The Company expects to continue to be financially self-sufficient, while providing both financial benefits, in the form of a reliable dividend stream, and non-financial benefits to our stakeholders and the Government of Canada.



DECLARATION

We, John McBain, President and Chief Executive Officer, and Matthew Tapscott, Vice President Finance and Chief Financial Officer, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the period ended September 30, 2020.

Based on our knowledge, the consolidated financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the fiscal period covered by this report; and

Based on our knowledge, the consolidated financial statements together with the other financial information included in this report fairly present in all material respects the financial position, financial performance and cash flows of Canada Lands Company Limited, as of the date and for the periods presented in this report.

Original signed by:

John McBain
President and Chief Executive Officer
Toronto, Canada
November 25, 2020

Original signed by:

Matthew Tapscott
Vice President Finance and Chief
Financial Officer



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Canada Lands Company Limited (the "Company") have been prepared by management of the Company in accordance with International Financial Reporting Standards.

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the Company's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information, and to ensure that transactions are in accordance with Part X of the Financial Administration Act and regulations, the Canada Business Corporations Act, and the articles and by-laws of the Company.

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the Company's financial position as at September 30, 2020 and March 31, 2020 and its financial performance and cash flows for the periods ended September 30, 2020 and 2019.

Where necessary, management uses judgment to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors of Canada Lands Company Limited is composed of seven directors, none of whom are employees of the Company. The Board of Directors has the responsibility to review the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. An Audit and Risk Committee appointed by the Board of Directors of the Company has reviewed these consolidated financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

All other financial and operating data included in the report are consistent, where appropriate, with information contained in the consolidated financial statements.

Original signed by:

John McBain
President and Chief Executive Officer
Toronto, Canada
November 25, 2020

Original signed by:

Matthew Tapscott
Vice President Finance and Chief
Financial Officer

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

| For the | | Three months ended September 30 | | Six months ended September 30 | |
|---|------|------------------------------------|------------------|----------------------------------|------------------|
| Expressed in Thousands of Canadian Dollars | NOTE | 2020 | 2019 | 2020 | 2019 |
| REVENUES | | | | | |
| Real estate sales | | \$ 14,455 | \$ 1,755 | \$ 14,978 | \$ 2,173 |
| Attractions, food, beverage and other hospitality | | 6,205 | 48,657 | 7,756 | 79,171 |
| Rental operations | | 8,937 | 15,219 | 16,451 | 28,478 |
| Interest and other | | 1,487 | 4,493 | 3,153 | 8,634 |
| | | 31,084 | 70,124 | 42,338 | 118,456 |
| EXPENSES | | | | | |
| Real estate development costs | | 6,618 | 1,111 | 6,990 | 1,521 |
| Attractions, food, beverage and other hospitality costs | | 14,351 | 20,567 | 25,874 | 38,630 |
| Rental operating costs | | 8,885 | 10,107 | 17,121 | 19,957 |
| General and administrative | | 8,180 | 7,620 | 14,835 | 14,837 |
| Impairment, pre-acquisition costs and write-offs | 4,6 | 2,254 | 2,158 | 2,908 | 2,915 |
| Interest and other | | 1,113 | 1,416 | 2,284 | 3,002 |
| | 14 | 41,401 | 42,979 | 70,012 | 80,862 |
| INCOME (LOSS) BEFORE INCOME TAXES | | \$ (10,317) | \$ 27,145 | \$ (27,674) | \$ 37,594 |
| Deferred income tax recovery | 17 | (2,027) | (354) | (4,013) | (1,545) |
| Current income tax expense (recovery) | 17 | (766) | 7,432 | (3,652) | 11,382 |
| | | (2,793) | 7,078 | (7,665) | 9,837 |
| NET INCOME (LOSS) AND COMPREHENSIVE INCOME | | \$ (7,524) | \$ 20,067 | \$ (20,009) | \$ 27,757 |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CANADA LANDS COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at

| EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS | NOTE | September 30, 2020 | March 31, 2020 |
|---|------|--------------------|----------------|
| ASSETS | | | |
| Non-Current | | | |
| Investment properties | 5 | \$ 28,920 | \$ 28,459 |
| Inventories | 6 | 381,556 | 318,117 |
| Property, plant & equipment | 4 | 139,718 | 141,590 |
| Trade receivables and other | 9 | 14,785 | 18,082 |
| Long-term receivables | 7 | 60,765 | 56,772 |
| Deferred taxes | 17 | 105,713 | 101,775 |
| | | 731,457 | 664,795 |
| Current | | | |
| Inventories | 6 | 29,719 | 65,786 |
| Cash and cash equivalents | 8 | 384,083 | 462,589 |
| Trade receivables and other | 9 | 34,032 | 23,450 |
| Current portion of long-term receivables | 7 | - | 3,158 |
| Current income tax recoverable and other tax assets | | 10,477 | 2,134 |
| | | 458,311 | 557,117 |
| | | \$ 1,189,768 | \$ 1,221,912 |

CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at

| EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS | NOTE | September 30, 2020 | March 31, 2020 |
|---|--------|---------------------|---------------------|
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | |
| LIABILITIES | | | |
| Non-Current | | | |
| Notes payable | 11 | \$ 261,419 | \$ 245,060 |
| Deferred revenue | | 5,220 | 5,094 |
| Trade and other payables | 12 | 2,519 | 2,814 |
| Provisions | 13 | 451 | 466 |
| Prepaid rent, deposits and others | | 1,828 | 1,853 |
| Deferred taxes | | 7,602 | 7,678 |
| | | 279,039 | 262,965 |
| Current | | | |
| Credit facilities | 10 | 43,800 | 37,500 |
| Current portion of notes payable | 11 | 155,402 | 160,976 |
| Trade and other payables | 12 | 20,694 | 29,101 |
| Provisions | 13 | 24,681 | 23,490 |
| Deferred revenue | | 2,201 | 2,356 |
| Income taxes payable | | - | 13,378 |
| Prepaid rent, deposits and others | | 8,114 | 6,300 |
| | | 254,892 | 273,101 |
| Shareholder's Equity | | | |
| Contributed surplus | 15 | 181,170 | 181,170 |
| Retained earnings | 15 | 474,667 | 504,676 |
| | | 655,837 | 685,846 |
| | | \$ 1,189,768 | \$ 1,221,912 |
| Contingencies and Commitments | 12, 13 | | |
| Leases | 16 | | |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

On behalf of the Board

Original signed by:

Jocelyne Houle

Chairperson of the Board of Directors

Original signed by:

Victoria Bradbury

Chairperson of the Audit and Risk Committee



CANADA LANDS COMPANY LIMITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER’S EQUITY (UNAUDITED)

For the period ended September 30

| EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS | CONTRIBUTED SURPLUS | RETAINED EARNINGS | TOTAL SHAREHOLDER’S EQUITY |
|--|---------------------|-------------------|----------------------------|
| Beginning balance, April 1, 2019 | \$ 181,170 | \$ 457,458 | \$ 638,628 |
| Change during the year | | | |
| Dividend paid | | (30,000) | (30,000) |
| Net income for the year | - | 77,218 | 77,218 |
| Ending balance, March 31, 2020 | \$ 181,170 | \$ 504,676 | \$ 685,846 |
| Change during the period | | | |
| Dividend paid | | (10,000) | (10,000) |
| Net loss for the period | - | (20,009) | (20,009) |
| Ending balance, September 30, 2020 | \$ 181,170 | \$ 474,667 | \$ 655,837 |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CANADA LANDS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| For the | NOTE | Three months ended | | Six months ended | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | September 30 | | September 30 | |
| EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS | | 2020 | 2019 | 2020 | 2019 |
| OPERATING ACTIVITIES | | | | | |
| Net income (loss) | | \$ (7,524) | \$ 20,067 | \$ (20,009) | \$ 27,757 |
| Interest expense | | 1,115 | 1,406 | 2,245 | 2,961 |
| Interest paid | | (107) | (142) | (242) | (265) |
| Interest income | | (1,211) | (2,673) | (2,805) | (5,763) |
| Income tax (paid) received | | (18,071) | (5,534) | (18,071) | 1,709 |
| Recovery of costs on sales of real estate | | 6,618 | 1,111 | 6,990 | 1,521 |
| Expenditures on real estate properties | | (18,668) | (17,067) | (27,681) | (21,566) |
| Impairment, pre-acquisition costs and write-offs | | 2,254 | 2,158 | 2,908 | 2,915 |
| Provisions | | (107) | (4,283) | (600) | (4,860) |
| Income tax expense (recovery) | | (2,793) | 7,078 | (7,665) | 9,837 |
| Depreciation | | 3,527 | 3,105 | 6,999 | 6,225 |
| | | (34,967) | 5,226 | (57,931) | 20,471 |
| Net change in non-cash working capital and other | 18 | 721 | 2,976 | (10,659) | (735) |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | \$ (34,246) | \$ 8,202 | \$ (68,590) | \$ 19,736 |
| FINANCING ACTIVITIES | | | | | |
| Repayment of notes payable | | - | - | - | (18,920) |
| Dividend paid | | (10,000) | (30,000) | (10,000) | (30,000) |
| Proceeds from credit facilities | | 3,750 | 4,300 | 6,300 | 9,200 |
| Repayment of lease liabilities | | (142) | (114) | (281) | (226) |
| CASH USED IN FINANCING ACTIVITIES | | \$ (6,392) | \$ (25,814) | \$ (3,981) | \$ (39,946) |
| INVESTING ACTIVITIES | | | | | |
| Interest received | | 679 | 2,069 | 1,671 | 4,588 |
| Expenditures on investment properties | | (833) | (62) | (1,556) | (268) |
| Expenditures on property, plant & equipment | | (4,649) | (2,832) | (6,050) | (4,616) |
| CASH USED IN INVESTING ACTIVITIES | | \$ (4,803) | \$ (825) | \$ (5,935) | \$ (296) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (45,441) | (18,437) | (78,506) | (20,506) |
| Cash and cash equivalents, beginning of period | | 429,524 | 454,260 | 462,589 | 456,329 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | | \$ 384,083 | \$ 435,823 | \$ 384,083 | \$ 435,823 |
| Supplemental cash flows information | 18 | | | | |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED September 30, 2020

(Expressed in thousands of Canadian dollars)

1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited (“CLCL” or the “Company”) is an agent Crown corporation and its sole shareholder is the Government of Canada. Originally named Public Works Lands Company Limited, CLCL was incorporated under the Companies Act in 1956 and was continued under the Canada Business Corporations Act. It is listed as a parent Crown corporation in Part I of Schedule III to the Financial Administration Act (“FAA”).

CLCL is the parent company of Canada Lands Company CLC Limited (“CLC”), Parc Downsview Park Inc. (“PDP”) and the Old Port of Montréal Corporation Inc. (“OPMC”), collectively referred to as the CLCL Subsidiaries.

CLCL conducts its real estate business operations through CLC and PDP’s development lands (“Downsview Lands”), two of its wholly owned subsidiaries. CLCL’s objective is to carry out a commercially oriented and orderly disposal program of certain former real properties of the Government of Canada (“Government”) and the management of certain select properties. CLCL conducts its attractions business operations through Canada’s National Tower (“CN Tower”), the Montréal Science Centre (“MSC”), the park owned by PDP (“Downsview Park”) and OPMC.

In December 2014, CLCL was issued a directive (P.C. 2014-1379) pursuant to Section 89 of the FAA entitled “Order directing Canada Lands Company Limited to implement pension plan reforms.” This directive was intended to ensure that pension plans of Crown corporations that provide a 50:50 current service cost-sharing ratio between employees and employer for pension contributions had been phased in for all members by December 31, 2017. As at December 31, 2017, the Company had fully implemented the requirements of the directive and has remained in compliance with the directive since that date.

In July 2015, CLCL was issued a directive (P.C. 2015-1113) pursuant to Section 89 of the FAA.

This directive was to align CLCL’s travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that was consistent with the Company’s legal obligations and to report on the implementation of this directive in the Company’s next corporate plan. As at March 31, 2016, the Company had fully implemented the requirements of the directive and has remained in compliance with the directive since that date. The Company continues to report on the implementation of this directive in its corporate plan.

COVID-19

In March 2020, the Company temporarily suspended the operations at the CN Tower, the Montréal Science Centre, the Old Port of Montréal and the education programs at Downsview Park. In June 2020, federal, provincial and municipal governments started to ease restrictions allowing for portions of the temporarily suspended operations. Easing of restrictions has occurred allowing suspended operations



governments and health authorities and is react accordingly, prioritizing the safety of its employees, visitors, suppliers, tenants and other stakeholders. See note 25.

In April, the federal government announced the Canada Emergency Commercial Rent Assistance (“CECRA”), which is a financial assistance program which provides relief for small businesses experiencing financial hardship due to COVID 19. CECRA provides rent subsidies for tenants. The Company continues to provide rent relief to tenants consistent with the CECRA program offered by the Federal government, as well as the tenants practical ability to pay. The Company is not expecting to make applications for reimbursement available under CECRA for landlords. See note 25.

As a result, there was a reduction in revenue earned by the Company during the period, which significantly affected the financial performance of the Company.

The registered office of the Company is 1 University Avenue, Suite 1700, Toronto, Ontario, Canada.

The consolidated financial statements were approved by the Board of Directors of the Company on November 25, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

B) BASIS OF PRESENTATION

CLCL’s consolidated financial statements have been prepared on a historical cost basis, except where otherwise indicated. The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, the Company’s functional currency, rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects to all years presented in these consolidated financial statements, unless otherwise stated.

C) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists if the investor possesses power over the investee, has exposure to the variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The accounts of CLC, PDP and OPMC, wholly owned subsidiaries of CLCL, are consolidated with CLCL’s accounts.

The Montréal Science Centre Foundation (“MSCF”) is a structured entity that is consolidated as the Company has concluded that it controls it. The MSCF is a not-for-profit organization founded in 2000. It manages the funds and fundraising activities for the sole benefit of the MSC. The MSCF must remit all funds to OPMC to be used for activities of the MSC.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it controls the investee.



The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements that constitute control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to subsidiaries to bring their accounting policies in line with the Company's accounting policies.

All inter-company transactions, balances, unrealized losses and unrealized gains on transactions between CLCL, its subsidiaries and the foundation noted above have been eliminated.

D) REVENUE RECOGNITION

The Company recognizes revenue as follows:

I. Real estate sales

Real estate sales revenue is recognized at the point in time when control over the property has been transferred to the customer. Real estate sales typically only have a single performance obligation. Until this criterion is met, any proceeds received are accounted for as customer deposits. Revenue is measured based on the transaction price agreed to under the contract.

II. Rental

The Company has retained control of its investment properties and therefore accounts for leases with its tenants as operating leases. The Company also leases certain property classified as property, plant and equipment to tenants. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the Company is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. Tenant improvements provided in connection with a lease are recognized as an asset and expensed on a straight-line basis over the term of the lease. The total amount of contractual rent to be received from operating leases is recognized over time on a straight-line basis over the term of the non-cancellable portion of the leases and any further terms, at the lessee's option, that are reasonably certain to be exercised, for leases in place. A straight-line rent receivable, which is included in trade receivables and other, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental operating revenue also includes a percentage of participating rents and recoveries of operating expenses, including property taxes. Rental operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

III. Rental from incidental activities

In addition to earning rental revenues from leases associated with investment properties, the Company also earns rental revenues from lease arrangements with tenants on certain commercial and residential development properties in inventory. These lease arrangements are generally short-term and renewable on an annual basis and considered incidental to the related land development activities. As described in note 2.N)i), the Company has applied judgment in determining whether the



commercial and residential development properties from which rental from incidental activities is derived are classified and carried as inventory instead of investment property. The revenue recognition policy for the related lease arrangements is consistent with the policy applied in lease arrangements of investment properties, as described in note 2.D)II).

IV. Attractions, food, beverage and other hospitality

Revenues from programming and parking, ticket sales, food and beverage sales, event and concessions sales, hospitality revenues, sports facilities, retail store sales and other revenues are recognized at the point of sale or when services are provided, as appropriate.

V. Donations and sponsorships

The Company, through its subsidiaries, has signed agreements with a number of sponsors that provide cash, products, advertising and other services in exchange for various benefits, including exclusive marketing rights and visibility. Donations and sponsorships are recognized in the period to which they relate in interest and other revenues in the Consolidated Statement of Comprehensive Income. Non-monetary transactions are recorded at fair value.

Donations and sponsorships restricted by the donor or sponsor for specific uses are initially recorded under deferred revenue and recognized as revenue at the point in time when the performance obligation is satisfied, or over time depending on the nature of the performance obligation.

E) PRE-ACQUISITION COSTS

Costs incurred related to properties that the Company has no title to or early use agreement for are expensed to the Consolidated Statement of Comprehensive Income as incurred.

F) PROPERTIES

I. Property, plant and equipment

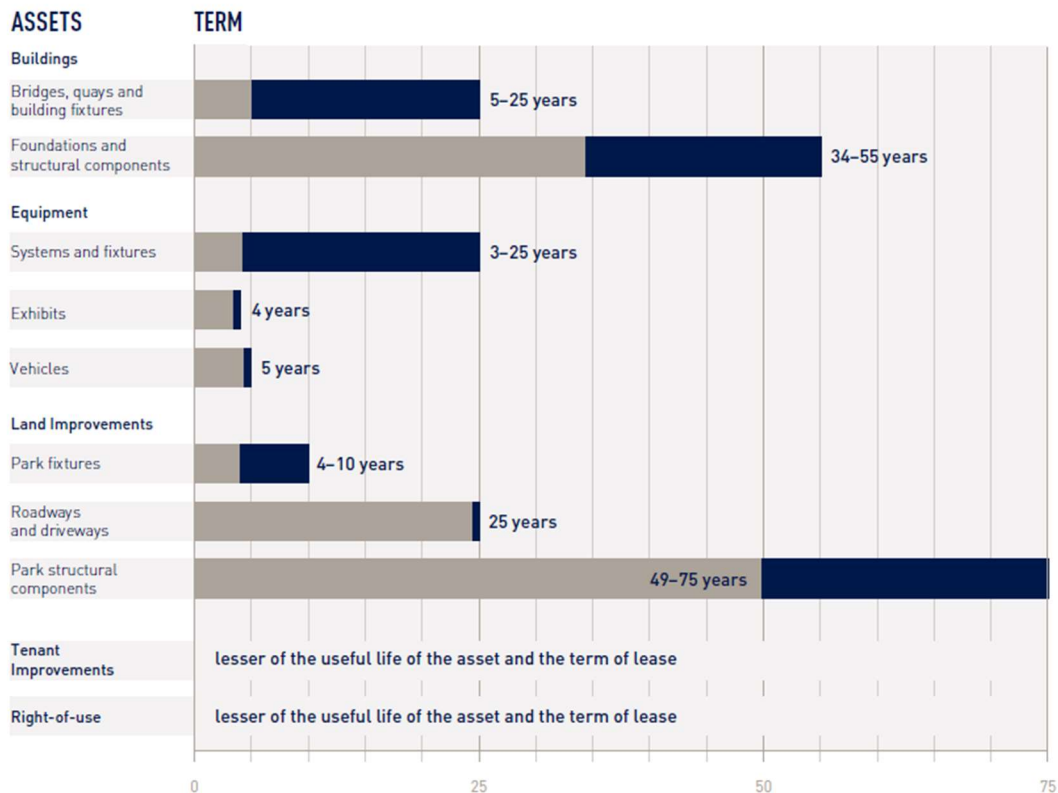
Property, plant and equipment (“PPE”) includes properties held for use in the supply of goods and services or for administrative purposes. All PPE is stated at historical cost less depreciation and any impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

The Company has lease obligations for various equipment and office space. The leases vary in length and range for periods of one year up to seven years. The lease contracts contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and corresponding lease liability at the date the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance costs. The right-of-use asset is depreciated over the lesser of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company’s incremental borrowing rate. The right-of-use assets are measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying PPE are capitalized. A qualifying PPE is an asset that necessarily takes a substantial period of time to get

ready for its intended use. Borrowing costs are capitalized while acquisition, construction or production is actively underway. The amount of borrowing costs capitalized during the period was immaterial.



Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred. Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, or the lesser of the useful life of the asset and the term of the lease as follows:

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on an annual basis.

The Company holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the Company for administrative purposes. When a significant portion is owner-occupied, the Company classifies the property as PPE.

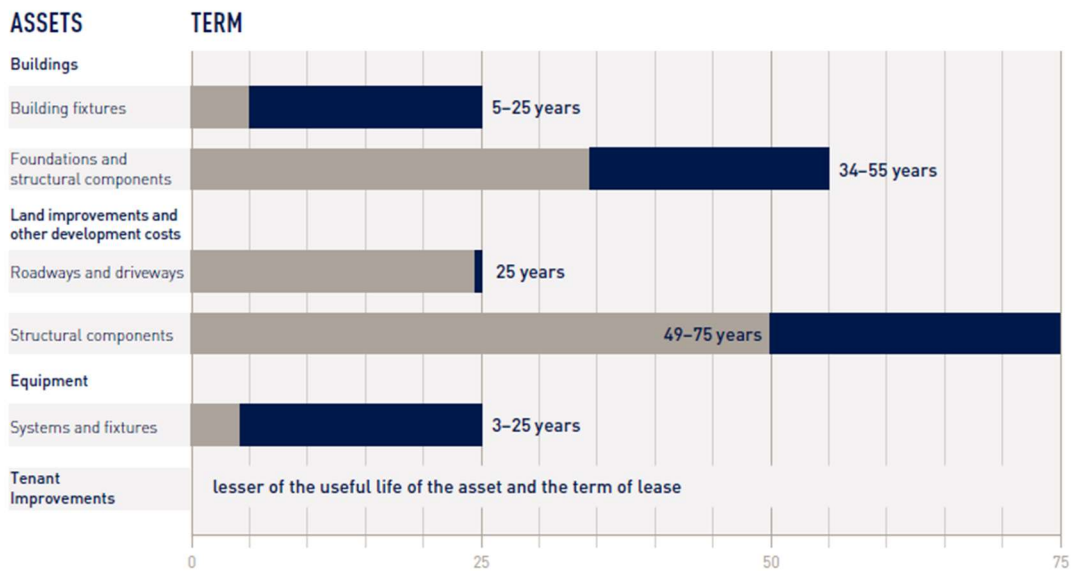
II. Investment properties

Investment properties are properties held by the Company for the purpose of obtaining rental income or capital appreciation, or both, but not for the ordinary course of business. Investment properties also include properties that are being constructed or developed for future use as investment properties.



The Company applies the cost model in which investment properties are valued under the same basis as property, plant and equipment (note 2.F)i), except where the asset meets the criteria to be classified as held for sale; then the asset is measured in accordance with *IFRS 5 Non-current assets held for sale and discontinued operations*.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, or the lesser of the useful life of the asset and the term of the lease as follows:



Other development costs include direct expenditures on investment properties. These could include amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property taxes, construction overhead and other related costs.

From commencement of commercial development until the date of completion, the Company capitalizes direct development costs, realty taxes and borrowing costs that are directly attributable to the project. Also, initial direct leasing costs incurred by the Company in negotiating and arranging tenant leases are added to the carrying amount of the investment property. In management's view, completion occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Depreciation commences upon completion of commercial development.

III. Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue or current average cost per acre. Inventories are written down to their net realizable value ("NRV") whenever events or changes in circumstances indicate that their carrying value exceeds their NRV. Write-downs are recognized in the Consolidated Statement of Comprehensive Income. NRV is based on projections of future cash flows, which take into account



the specific development plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

The Company capitalizes all direct expenditures incurred in connection with the acquisition, development and construction of inventory. These include freehold and leasehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, property taxes, construction overhead and other related costs. Selling costs such as commissions and marketing programs are expensed when incurred.

The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when the asset is ready for its intended use. During the development phase, any rental revenues and associated expenses related to the project are recognized in the Consolidated Statement of Comprehensive Income (note 2D)iii) during the period. Costs incurred on properties that the Company has no title to or an early use agreement for are expensed to the Consolidated Statement of Comprehensive Income.

The Company classifies its properties as properties under development, properties held for sale or properties held for future development. Properties undergoing active development are classified as "properties under development," whereas properties that have been serviced and are ready for sale, or that the Company intends to sell in their current state without any further significant costs to be incurred, are classified as "properties held for sale." Properties classified as "properties held for future development" are properties that active development is yet to commence on. Costs incurred on properties classified as "properties held for future development" and "properties held for sale" are expensed to the Consolidated Statement of Comprehensive Income as incurred.

Inventories, regardless of the properties' classification, are considered current when they are expected to be sold within the next 12 months and realized as real estate development costs. Inventories that are not expected to be sold in the next 12 months are categorized as non-current. Non-property (i.e., operating) inventories are entirely held by the CN Tower and OPMC, and are included in trade receivables and other in the Consolidated Statement of Financial Position.

G) INTEREST IN JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. When making this assessment, the Company considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. The Company evaluates its involvement in each of its joint arrangements individually to determine whether each should be accounted for using joint operation accounting or the equity method, depending on whether the investment is defined as a joint operation or a joint venture (note 21).

H) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

I. Impairment of financial assets

The Company applies an appropriate impairment model approach for financial assets depending on the category of the financial assets. The impairment models applicable to the Company under IFRS 9



Financial instruments (“IFRS 9”) include the general approach and the simplified approach. The Company uses the simplified approach, which recognizes expected credit losses (“ECLs”) based on the lifetime ECLs, for trade receivables and the general approach for other financial assets. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the Consolidated Statement of Comprehensive Income. If a significant increase in credit risk occurs, IFRS 9 would require the estimate of default to be considered over the entire remaining life of the asset under the general approach ECL model.

II. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset’s recoverable amount (note 2.F)). An asset’s recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. When the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For non-financial assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the recoverable amount of the asset (or CGU). A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in impairment, pre-acquisition costs and write-offs in the Consolidated Statement of Comprehensive Income.

I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term, highly liquid investments, such as money market funds and term deposits, with original maturities at the date of purchase of three months or less, and deposit certificates that are redeemable at any time and mature less than 12 months from the date of purchase.

J) INCOME TAXES

Income tax comprises current and deferred taxes. Income tax is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity.

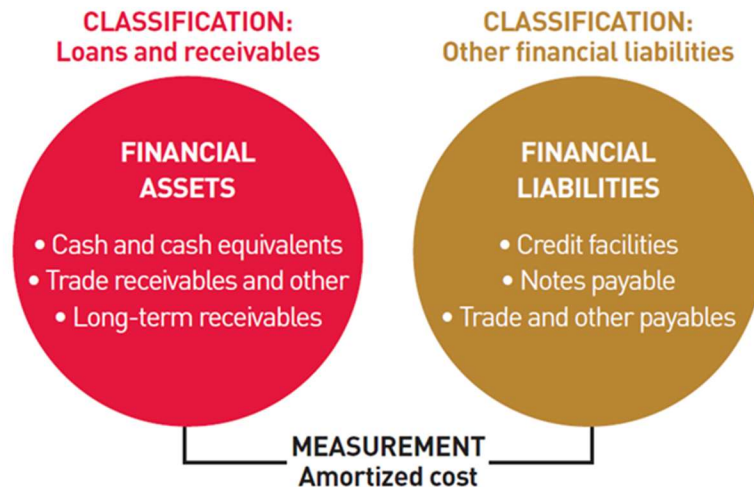
Current tax is the expected taxes payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are reported using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred taxes reported is based on the expected manner of realization or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is

recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

K) FINANCIAL INSTRUMENTS

The following summarizes the Company's measurement of financial assets and liabilities:



I. Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest and other revenue using the effective interest rate ("EIR") method. Any gain or loss arising on derecognition is recognized directly in the Consolidated Statement of Comprehensive Income. Impairment losses are recognized in impairment, pre-acquisition costs and write-offs in the Consolidated Statement of Comprehensive Income.

II. Financial liabilities

Financial liabilities are measured at amortized cost or at FVTPL, as appropriate.

The financial liabilities measured at amortized cost are initially measured at fair value and, after initial recognition, are subsequently measured at amortized cost using the EIR method.

L) PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. If the effect of the time value of money is material, the provisions are measured at the present value. The



provisions are determined by discounting the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as financing costs.

I. Decommissioning costs

A provision for decommissioning obligations in respect of buildings and land containing hazardous materials is recognized to the extent that the Company is obligated to remedy damage previously caused; it is more likely than not that the Company will be required to settle the obligation; an obligation is owed to another party; and a reasonable estimate of the future costs and discount rates can be made. These obligations are recognized in the period they are incurred at the present value of the best estimate of the expenditures required to settle the present obligation, discounted at a risk-free interest rate. Subsequently, at each reporting date, the obligation is adjusted through an unwinding of discount expense, and any changes in the estimated amounts required to settle the obligation and significant changes in the discount rate, inflation and risks. The associated costs are capitalized as part of the carrying value of the related assets.

The Company assesses all of its activities and all of its sites and facilities involving risks to determine potential environmental risks. Sites and facilities considered to represent an environmental risk are fully assessed and corrective measures have been or will be taken, as necessary, to eliminate or mitigate these risks. The ongoing risk management process currently in place enables the Company to examine its activities and properties under normal operating conditions and to follow up on accidents that may occur. Properties that may be contaminated, or any activities or property that may cause contamination, are taken charge as soon as contamination is noted, under an action plan developed to assess the nature and extent of the contamination as well as the applicable requirements for remediation.

II. Payment in lieu of taxes and legal claims

A provision for payment in lieu of taxes (“PILT”) and legal claims is recognized when management believes there is a present obligation as a result of a past event; it is more likely than not that the Company will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

M) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Company’s accounting policies, management has made the following critical judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

I. Investment properties

The Company’s accounting policies are described in note 2.F)ii). In applying these policies, judgments are made for investment properties under development in determining when the property development is completed.

II. Inventories

The Company’s policies related to property inventories are described in note 2.F)iii). In applying these policies, the Company makes judgments with respect to the classification of certain inventory properties.



III. Leases

The Company's accounting policy on revenue recognition is described in note 2.D)ii). With regards to this policy, the Company must consider whether a tenant improvement provided in connection with a lease enhances the value of the leased property in order to determine whether such amounts are treated as additions to investment property. Tenant improvements provided in connection with a lease are recognized as an asset and expensed on a straight-line basis over the term of the lease.

The Company also makes judgments in determining whether certain leases, especially long-term leases in which the tenant occupies all or a majority of the property, are operating or finance leases.

IV. Provisions

The Company's accounting policies related to provisions are described in note 2.L). In applying these policies, the Company makes judgments with respect to the best estimates of probability, timing and measurement of expected value of its outcome.

V. Income taxes

The Company is subject to income taxes in numerous Canadian jurisdictions and significant judgment is required in determining the provision for income taxes. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be assessed. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the Company's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made (note 17).

The Company makes significant judgments on the recoverability of deferred tax assets based on expectations of future profitability and tax planning strategies. Changes in the expectations or the inability to implement the tax planning strategies could result in derecognition of the deferred tax assets in future periods.

VI. Control over structured entities

The Company's accounting policy for consolidation is described in note 2.C). The Company assessed whether or not it controlled the MSCF based on whether the Company has the practical ability to direct the relevant activities of the MSCF. In making its judgment, the Company considered the composition of the MSCF Trustees and the power held by the primary Directors of the MSCF Trustees over the MSCF's relevant activities. After assessment, the Company concluded that, based on the power held by the primary Directors, who are officers or Directors of CLCL, over the relevant activities of the MSCF, the Company does have control over the MSCF.

VII. Joint arrangements

The Company's accounting policy for joint arrangements is described in note 2.G). In applying this policy, the Company makes judgments with respect to whether it has joint control and whether the arrangements are joint operations or joint ventures. In making its judgments, the Company considered the legal structure and whether joint control for decisions over relevant activities exists based on the contractual arrangements. Specifically for the Jericho Lands, the Heather Street Lands (formerly Fairmont) and 291 Carling Avenue (formerly LeBreton) joint arrangements, the Company considered that its third-party partners are only required to fund the projects' operations and note repayments from cash flows from the projects, and therefore any cash shortfalls are funded by the



Company. After assessment, the Company has determined that joint control exists, as all decisions over relevant activities require the unanimous consent of both parties, and that all of its joint arrangements are joint operations, as they were not structured through a separate vehicle.

N) SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

As described in note 1, the COVID-19 pandemic has led to higher levels of estimation uncertainty as a result of the availability of reliable market metrics and discounts rates, and forecasting future cash flows, which impact the following significant accounting estimates:

- inventories and real estate development costs,
- measurement of fair values, and
- impairments and write-downs.

The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

I. Inventories and real estate development costs

In determining estimates of net realizable values for its properties, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not result in a precise determination of asset value.

In arriving at such estimates of net realizable value of the properties, management is required to make assumptions and estimates as to future costs that could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property and as new information becomes available.

The Company produces a yearly corporate plan that includes a pro forma analysis of the projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales recorded and net realizable value. This pro forma analysis is reviewed periodically, and when events or circumstances change, and is updated to reflect current information.

The Company includes in its liabilities future servicing costs to complete a project based on management's best estimates.



II. Measurement of fair values

Where the fair values of financial assets, investment properties and financial liabilities as disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required to establish fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value. The Company's assessments of fair values of investment properties are regularly reviewed by management with the use of independent property appraisals and internal management information.

The fair values of all financial instruments and investment properties must be classified in fair value hierarchy levels, which are as follows:

Level 1 – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Financial instruments are considered Level 2 when valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable.

The critical estimates and assumptions underlying the valuation of financial assets, investment properties and financial liabilities are set out in notes 5 and 20.

III. Useful lives and significant components

The useful lives and residual values of the Company's PPE and investment properties are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The useful lives are based on historical experience with similar assets, as well as anticipation of future events. Management also makes judgments in determining significant components. A component or part of an item of property, plant and equipment or an investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the Company identifies parts that have varying useful lives or consumption patterns.

IV. Interest rate on notes payable to the Government

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government. These notes are payable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For those notes that do not state when the issuer can demand payment, the repayment schedule is based on estimated time period and cash flows of the property. The notes are non-interest bearing. The non-interest bearing notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate.

V. Impairments and write-downs



Management reviews assets annually, as part of the corporate planning process, and when events or circumstances change.

For inventories, a write-down is recorded when the net realizable value of anticipated net sales revenue is less than the sum of the carrying value of the property and its anticipated costs to complete. The net realizable value is based on projections of future cash flows, which take into account the specific development plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on an analysis of CGUs, as described in note 2.H)ii), and are recorded if the recoverable amount of the property is less than the carrying amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs of disposal and its value in use. The Company estimates the fair value less costs of disposal using the best information available to estimate the amount it could obtain from disposing of the assets in an arm's-length transaction less the estimated cost of disposal. The Company estimates value in use by discounting estimated future cash flows to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset. Determination of the present value cash flows requires significant estimates, such as future cash flows and the discount rate applied.

VI. Income taxes

The Company relies on estimates and assumptions when determining the amount of current and deferred taxes and takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

The Company makes significant estimates to evaluate whether it can recover deferred tax assets based on its assessment of estimates of future probability and legal amalgamation of its subsidiaries. The Company's current corporate plan and future profit forecasts are expected to generate sufficient taxable income to recover the deferred tax assets. Historically, the Company has been profitable and consistently met its corporate plan profit objectives.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

A) Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of the information.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after January 1, 2020. The amendments must be applied prospectively, and earlier application is permitted.

This amendment did not have an impact on the Company's consolidated financial statements.

B) Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements regarding classifications of liabilities as current or non-current, which provide a more general



approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and must be applied retrospectively. Earlier application is permitted.

This amendment did not have an impact on the Company's consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment consist mainly of the CN Tower, Downsview Park, the MSC, the OPMC quays, and bridges.

The Company has \$29.9 million (March 31, 2020 - \$29.7 million) of fully depreciated property, plant and equipment still in use.

The gross carrying amount of property, plant and equipment assets at September 30, 2020 includes \$2.9 million (March 31, 2020 - \$1.2 million) of property, plant and equipment under construction.

Cost or deemed cost

| | Land | Building | Equipment | Land Improvements | Leasehold Improvements | Building (Right-of-Use) | Equipment (Right-of-Use) | Total |
|------------------------------------|------------------|-------------------|------------------|-------------------|------------------------|-------------------------|--------------------------|-------------------|
| Balance, March 31, 2019 | \$ 28,030 | \$ 144,076 | \$ 32,653 | \$ 22,030 | \$ 2,089 | \$ 4,139 | \$ 239 | \$ 233,256 |
| Additions | - | 6,823 | 5,794 | 1,455 | 61 | - | 47 | 14,180 |
| Disposals | - | (549) | (1,214) | (125) | - | - | - | (1,888) |
| Balance, March 31, 2020 | \$ 28,030 | \$ 150,350 | \$ 37,233 | \$ 23,360 | \$ 2,150 | \$ 4,139 | \$ 286 | \$ 245,548 |
| Additions | - | 3,721 | 1,574 | 609 | 9 | - | 137 | 6,050 |
| Disposals | - | - | (6) | - | - | - | - | (6) |
| Balance, September 30, 2020 | \$ 28,030 | \$ 154,071 | \$ 38,801 | \$ 23,969 | \$ 2,159 | \$ 4,139 | \$ 423 | \$ 251,592 |

Depreciation and impairment

| | Land | Building | Equipment | Land Improvements | Leasehold Improvements | Building (Right-of-Use) | Equipment (Right-of-Use) | Total |
|------------------------------------|-------------|------------------|------------------|-------------------|------------------------|-------------------------|--------------------------|-------------------|
| Balance, March 31, 2019 | \$ - | \$ 60,260 | \$ 25,413 | \$ 4,326 | \$ 239 | \$ 511 | \$ 118 | \$ 90,867 |
| Depreciation | - | 6,752 | 2,698 | 679 | 265 | 517 | 143 | 11,054 |
| Disposals | - | (536) | (1,214) | (125) | - | - | - | (1,875) |
| Impairment | - | 980 | 2,932 | - | - | - | - | 3,912 |
| Balance, March 31, 2020 | \$ - | \$ 67,456 | \$ 29,829 | \$ 4,880 | \$ 504 | \$ 1,028 | \$ 261 | \$ 103,958 |
| Depreciation | - | 3,712 | 1,381 | 367 | 142 | 259 | 43 | 5,904 |
| Disposals | - | - | (6) | - | - | - | - | (6) |
| Impairment | - | 876 | 1,107 | - | - | - | 35 | 2,018 |
| Balance, September 30, 2020 | \$ - | \$ 72,044 | \$ 32,311 | \$ 5,247 | \$ 646 | \$ 1,287 | \$ 339 | \$ 111,874 |

Carrying amounts

| | | | | | | | | |
|------------------------------|------------------|------------------|-----------------|------------------|-----------------|-----------------|--------------|-------------------|
| At March 31, 2020 | \$ 28,030 | \$ 82,894 | \$ 7,404 | \$ 18,480 | \$ 1,646 | \$ 3,111 | \$ 25 | \$ 141,590 |
| At September 30, 2020 | \$ 28,030 | \$ 82,027 | \$ 6,490 | \$ 18,722 | \$ 1,513 | \$ 2,852 | \$ 84 | \$ 139,718 |

The Company assessed the carrying amount of its property, plant and equipment at September 30, 2020 to determine whether an impairment loss or a reversal should be recorded.

During the period ended September 30, 2020 OPMC recognized an impairment loss of \$2.0 million (March 31, 2020 - \$3.9 million). The impairment was assessed at the cash-generated unit (“CGU”) level and the impairment loss was calculated as the amount equal to the excess of the carrying amount over the recoverable amount.

The OPMC CGU, where the impairment is being recognized, is considered by management to be all of the OPMC assets, except for the Allan Building, as the cash flows of the OPMC assets or groups of assets are dependent on the OPMC assets and other groups of assets and cannot be individually identified. The OPMC CGU includes public spaces, various piers, parking facilities and the MSC. The



Allen Building has been excluded from the OPMC CGU as its cash flows are independent of the OPMC assets.

The recoverable amount of the OPMC CGU is considered to be nominal. The fair value hierarchy level is considered a Level 3. The Company has used the discounted cash flows from the OPMC CGU to determine that the fair value is nominal. The annual operating cash flows from the OPMC CGU assets are negative and are forecasted to be negative for the foreseeable future. In addition, capital investment, which further negatively impacts the cash flows, is required to support the operations and maintain the existing OPMC assets.

The key management assumption in the determination of the fair value is that the foreseeable projected cash flows from the OPMC CGU will continue to be nominal. That assumption is supported by prior year actual results and management’s current financial projections for the OPMC CGU into the future. These projected net cash flow assumptions are based on the current OPMC CGU asset uses which management does not expect to change in the foreseeable future.

5. INVESTMENT PROPERTIES

The Company’s investment properties consist primarily of the land at the Rogers Centre and the CN Tower Base, and rental properties at PDP.

Included within the Consolidated Statement of Comprehensive Income are the following:

| | FOR THREE MONTHS ENDED SEPTEMBER 30 | | FOR SIX MONTHS ENDED SEPTEMBER 30 | |
|---|--|----------|--------------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Rental income | \$ 2,864 | \$ 2,968 | \$ 5,512 | \$ 6,070 |
| Direct operating expenses from investment property that generated rental income during the year | 2,085 | 2,092 | 3,983 | 3,976 |



Cost or deemed cost

| | Land | Building | Tenant Improvements | Land Improvements and Other Development Costs | Equipment | Total |
|------------------------------------|-----------------|------------------|---------------------|---|-----------------|------------------|
| Balance, March 31, 2019 | \$ 5,413 | \$ 15,869 | \$ 9,414 | \$ 14,310 | \$ 3,041 | \$ 48,047 |
| Additions | - | - | 255 | 604 | 63 | 922 |
| Disposals | - | - | (241) | - | (74) | (315) |
| Balance, March 31, 2020 | \$ 5,413 | \$ 15,869 | \$ 9,428 | \$ 14,914 | \$ 3,030 | \$ 48,654 |
| Additions | - | 415 | 148 | 993 | - | 1,556 |
| Disposals | - | - | - | - | - | - |
| Balance, September 30, 2020 | \$ 5,413 | \$ 16,284 | \$ 9,576 | \$ 15,907 | \$ 3,030 | \$ 50,210 |

Depreciation and Impairment

| | Land | Building | Tenant Improvement | Land Improvements and Other Development Costs | Equipment | Total |
|------------------------------------|-------------|-----------------|--------------------|---|-----------------|------------------|
| Balance, March 31, 2019 | \$ - | \$ 7,695 | \$ 4,663 | \$ 3,471 | \$ 2,427 | \$ 18,256 |
| Depreciation | - | 972 | 679 | 421 | 180 | 2,252 |
| Disposals | - | - | (239) | - | (74) | (313) |
| Balance, March 31, 2020 | \$ - | \$ 8,667 | \$ 5,103 | \$ 3,892 | \$ 2,533 | \$ 20,195 |
| Depreciation | - | 485 | 314 | 207 | 89 | 1,095 |
| Disposals | - | - | - | - | - | - |
| Balance, September 30, 2020 | \$ - | \$ 9,152 | \$ 5,417 | \$ 4,099 | \$ 2,622 | \$ 21,290 |

Carrying amounts

| | | | | | | |
|------------------------------|-----------------|-----------------|-----------------|------------------|---------------|------------------|
| At March 31, 2020 | \$ 5,413 | \$ 7,202 | \$ 4,325 | \$ 11,022 | \$ 497 | \$ 28,459 |
| At September 30, 2020 | \$ 5,413 | \$ 7,132 | \$ 4,159 | \$ 11,808 | \$ 408 | \$ 28,920 |

During the period, there were no reversals of previously recognized impairment loss for investment properties (March 31, 2020 - \$nil).

The fair values of investment properties are classified in fair value hierarchy levels (Note 2.N)ii) as follows:

| | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|------------------------------|-------------------|---------|------------|
| INVESTMENT PROPERTIES | FAIR VALUE | | |
| September 30, 2020 | \$ - | \$ - | \$ 124,300 |
| March 31, 2020 | \$ - | \$ - | \$ 124,300 |

The fair value of the investment properties was estimated at March 31, 2020 using a combination of internal valuation techniques and external consultants. All material investment properties have been valued by independent valuers. The external consultants are accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

In determining fair value, the income and direct comparison approaches were used. The income approach capitalizes net annual revenues or discounts forecasted net revenues to their present



value after considering future rental income streams and anticipated operating costs, as well as appropriate capitalization and discount rates. The direct comparison approach references market evidence derived from transactions involving similar properties.

Investment properties valued using the income approach are considered Level 3 given the significance of the unobservable inputs.

The key inputs in the valuation of investment properties using the income approach are:

- Capitalization rate, which is based on the market conditions where the property is located;
- Net operating income, which is normalized and assumes rental income and rental costs using current market conditions;
- Discount rate, reflecting the current market assessment of the uncertainty in the amount and timing of cash flows; and
- Discounted cash flows, which consider the location, type and quality of the property and the current market conditions for similar properties.

The direct comparison approach uses observable inputs, and investment properties valued using this approach are considered Level 2, unless there are significant unobservable inputs, in which case they are considered Level 3.

6. INVENTORIES

The Company carries its inventories at the lower of cost and net realizable value, and they are classified as follows:

| | September 30, 2020 | March 31, 2020 |
|--------------------------------------|--------------------|-------------------|
| Property held for future development | \$ 111,595 | \$ 105,629 |
| Property under development | 299,680 | 278,274 |
| Properties held for sale | - | - |
| Total Property Inventories | \$ 411,275 | \$ 383,903 |
| Current | \$ 29,719 | \$ 65,786 |
| Non-current | 381,556 | 318,117 |
| Total Property Inventories | \$ 411,275 | \$ 383,903 |

There were no write-downs recorded against inventories during the period ended September 30, 2020 (March 31, 2020 - \$nil). There were no reversals of write-downs during the period ended September 30, 2020 (March 31, 2020 - \$nil).

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

| | September 30, 2020 | March 31, 2020 |
|---------------------------------|--------------------|------------------|
| Receivables from partners (a) | \$ 59,882 | \$ 59,078 |
| Other long term receivables (b) | 883 | 852 |
| | \$ 60,765 | \$ 59,930 |



(a) The long-term receivables from partners represent the partners' proportionate share of the notes payable, which is payable to the Company. The Company is obligated for the full amounts of the notes payable for Jericho Lands and Heather Street Lands properties (collectively, the Vancouver Lands) and the 291 Carling Avenue property in Ottawa, of which portions are receivable from its partners. The long-term receivables, similar to the notes payable they are related to, are non-interest bearing and have total principal amounts of \$65.3 million (March 31, 2020 - \$65.3 million), which have been discounted using a weighted average market interest rate of 2.88% (March 31, 2020 - 2.88%). The amounts will be repaid at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the joint venture agreements (see note 21).

(b) Other long-term receivable represents a non-interest bearing promissory note receivable for the remaining balance from a sale of a real estate property in a prior year.

| | September 30, 2020 | March 31, 2020 |
|-------------|--------------------|----------------|
| Current | \$ - | \$ 3,158 |
| Non-current | 60,765 | 56,772 |
| | \$ 60,765 | \$ 59,930 |

Based on the anticipated timing of sales of real estate properties or the terms of sale, principal repayments are estimated to be as follows:

| | | |
|---|------|--------|
| YEARS ENDING MARCH 31 (REMAINDER OF YEARS) | 2021 | \$ - |
| | 2022 | - |
| | 2023 | 3,158 |
| | 2024 | 5,748 |
| | 2025 | - |
| Subsequent years | | 57,433 |
| Subtotal | | 66,339 |
| Less: amounts representing imputed interest | | 5,574 |
| | | 60,765 |

8. CASH AND CASH EQUIVALENTS

| | September 30, 2020 | March 31, 2020 |
|----------------------|--------------------|----------------|
| Cash | \$ 380,583 | \$ 459,089 |
| Cash equivalents (a) | 3,500 | 3,500 |
| | \$ 384,083 | \$ 462,589 |

(a) Cash equivalents include a \$3.5 million term deposit at an interest rate of 1.75% maturing on March 5, 2023 and redeemable each anniversary date.

The Company has \$5.5 million (March 31, 2020 - \$5.5 million) in cash and cash equivalents that are restricted for the use as part of the MSC's long-term plan.

9. TRADE RECEIVABLES AND OTHER

Trade receivables and other are comprised of the following:

| | September 30, 2020 | March 31, 2020 |
|-----------------------------|--------------------|----------------|
| Prepays and others | \$ 7,804 | \$ 6,383 |
| Rents and other receivables | 41,013 | 35,149 |
| Total | \$ 48,817 | \$ 41,532 |
| Current | \$ 34,032 | \$ 23,450 |
| Non-current | 14,785 | 18,082 |
| | \$ 48,817 | \$ 41,532 |

10. CREDIT FACILITIES

| | September 30, 2020 | March 31, 2020 |
|---|--------------------|----------------|
| \$100 million, unsecured, demand revolving credit facility, bearing interest at rates between 50 basis points and variable banker's acceptance rates plus 45 basis points, maturing at March 31, 2024 (a) | \$ 43,800 | \$ 37,500 |
| \$100 million, senior, unsecured revolving credit facility, bearing interest at 40 basis points, maturing at March 31, 2021 (b) | - | - |
| Total | \$ 43,800 | \$ 37,500 |
| Current | \$ 43,800 | \$ 37,500 |
| Non-current | - | - |
| | \$ 43,800 | \$ 37,500 |

(a) The credit facility is available to finance the construction and development and secure letters of credit at PDP.

The borrowings are primarily used to finance the purchase of a portion of the Downsview Lands from the Government and subsequent construction and development. In addition to the borrowings, the Company has used credit facilities to secure outstanding letters of credit of \$13.3 million (March 31, 2020 - \$13.4 million). The remaining unused credit facility is \$42.9 million at September 30, 2020 (March 31, 2020 - \$49.1 million).

(b) The credit facility is available to secure letters of credit at CLC.

The Company has used this credit facility to secure outstanding letters of credit of \$25.6 million (March 31, 2020 - \$24.9 million). The remaining unused credit facility is \$74.4 million (March 31, 2020 - \$75.1 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance (note 23).

11. NOTES PAYABLE

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the Government. These notes are repayable on the earlier of their due dates (2020 to 2050) or six months after the fiscal year-end of the Company in which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued. In a limited

number of instances, the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows. For all notes, the Government may elect to defer repayment. The notes are non-interest bearing. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair value considering the estimated timing of note repayments, which are not fixed, as well as an imputed fixed interest rate determined when the notes are issued, with the exception of one note discussed below. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 1.93% (March 31, 2020 - 1.95%).

During the period, the interest capitalized was \$1.1 million (September 30, 2019 - \$0.8 million) and the interest expensed was \$2.1 million (September 30, 2019 - \$2.7 million). Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

| | | | |
|---|------|----|---------|
| YEARS ENDING MARCH 31 (REMAINDER OF YEAR) | 2021 | \$ | 154,522 |
| | 2022 | | 880 |
| | 2023 | | 1,043 |
| | 2024 | | 17,989 |
| | 2025 | | 25,790 |
| Subsequent years | | | 239,208 |
| Subtotal | | | 439,432 |
| Less: amounts representing imputed interest | | | 22,611 |
| | | \$ | 416,821 |
| Current | | \$ | 155,402 |
| Non-current | | | 261,419 |
| | | \$ | 416,821 |

Included in the \$416.8 million from the table above is a note payable of \$19.0 million, which has not been discounted, given the Company applied predecessor accounting values upon obtaining control of PDP in 2012. This note is due to the Government in 2050.

The following table presents the cash flows and non-cash changes for notes payable:

| | CASH FLOW | | NON-CASH CHANGES | | Total |
|--|-----------|------|------------------|-------------|----------------|
| | Repayment | | Additions | Accretion | |
| Notes payable balance, April 1, 2019 | \$ - | \$ - | \$ - | \$ - | 421,230 |
| Interest capitalized | - | - | - | 1,830 | 1,830 |
| Interest expensed | - | - | - | 5,142 | 5,142 |
| Additions (note 19) | - | - | 1,760 | - | 1,760 |
| Repayments (Cash flow - financing activities) | (23,927) | - | - | - | (23,927) |
| Notes payable balance, March 31, 2020 | - | - | - | \$ - | 406,035 |
| Interest capitalized | - | - | - | 1,129 | 1,129 |
| Interest expensed | - | - | - | 2,087 | 2,087 |
| Additions (note 19) | - | - | 7,570 | - | 7,570 |
| Repayments (Cash flow - financing activities) | - | - | - | - | - |
| Notes payable balance, September 30, 2020 | | | | \$ - | 416,821 |



12. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

| | September 30, 2020 | March 31, 2020 |
|---------------------------|--------------------|------------------|
| Trade Payables | \$ 20,026 | \$ 28,547 |
| Leases payable (note 2F)) | 3,187 | 3,368 |
| Total | \$ 23,213 | \$ 31,915 |
| Current | \$ 20,694 | \$ 29,101 |
| Non-current | 2,519 | 2,814 |
| | \$ 23,213 | \$ 31,915 |

CAPITAL AND OPERATING COMMITMENTS

I. Commitments related to properties for land servicing requirements and other development costs at September 30, 2020 totalled \$65.6 million (March 31, 2020 - \$62.5 million).

II. Capital commitments for property, plant and equipment at September 30, 2020 totalled \$2.0 million (March 31, 2020 - \$0.6 million).

III. Operating commitments for maintaining capital assets at September 30, 2020 totalled \$1.6 million (March 31, 2020 - \$1.9 million).

13. PROVISIONS AND CONTINGENT LIABILITIES

| | COST TO COMPLETE (a) | PILT (b) | OTHERS | TOTAL |
|---------------------------------------|----------------------|------------------|---------------|------------------|
| Balance, March 31, 2020 | \$ 3,519 | \$ 20,273 | \$ 164 | \$ 23,956 |
| Provisions added during the period | 149 | 1,627 | - | 1,776 |
| Provisions applied during the period | (600) | - | - | (600) |
| Provisions reversed during the period | - | - | - | - |
| Balance, September 30, 2020 | \$ 3,068 | \$ 21,900 | \$ 164 | \$ 25,132 |
| Current | | | \$ | 24,681 |
| Non-current | | | | 451 |
| | | | \$ | 25,132 |

(a) Land servicing costs relating to sold properties in the amount of \$3.1 million (March 31, 2020 - \$3.5 million). The costs are estimated to be spent over five years with the majority to be incurred in the next 12 months. The Company expects to be reimbursed \$0.2 million (March 31, 2020 - \$0.8 million) from local municipalities and regions. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, and market development and construction risks.

(b) PILT assessments since January 2014 of \$22.4 million (March 31, 2020 - \$20.3 million) that are being contested by the Company.



CONTINGENCIES

As at September 30, 2020, the Company was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, employment and environmental matters. Based on the information currently available to the Company, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

The Company's activities are governed by many federal, provincial and municipal laws and by-laws to ensure sound environmental practices, in particular for the management of emissions, sewage, hazardous materials, waste and soil contamination. Decisions relating to the ownership of real estate assets and any other activity carried on by the Company have an inherent risk relating to environmental responsibility.

The Company assesses all its activities and all of its sites and facilities involving risks to determine potential environmental risks. For the properties that may be significantly contaminated, the Company has assessed the likelihood of settlement as remote. However, the Company has no guarantee that material liabilities and costs relating to environmental issues will not be incurred in the future or that such liabilities and costs will not have significant negative impacts on the Company's financial situation.

14. EXPENSES BY NATURE

The nature of expenses in real estate development costs, attractions, food, beverage and other hospitality expenses, rental operating costs, general and administrative, impairment, pre-acquisition costs and write-offs, and interest and other expenses consisted of the following:

| | FOR THREE MONTHS ENDED SEPTEMBER 30 | | FOR SIX MONTHS ENDED SEPTEMBER 30 | |
|--|--|-----------|--------------------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Cost of inventory, raw material and consumables used | \$ 5,470 | \$ 825 | \$ 5,728 | \$ 1,062 |
| Payroll & benefits | 13,490 | 13,549 | 25,106 | 26,396 |
| Depreciation | 3,527 | 3,105 | 6,999 | 6,225 |
| Property taxes including PILT | 3,580 | 3,668 | 6,813 | 7,201 |
| Leasing expenses | 2,642 | 3,643 | 5,404 | 7,105 |
| Utilities | 1,947 | 1,828 | 3,499 | 3,753 |
| Professional fees | 2,287 | 2,034 | 3,090 | 2,682 |
| Interest | 1,107 | 1,457 | 2,340 | 3,090 |
| Impairment | 1,704 | 790 | 2,018 | 1,270 |
| Building cost | 508 | 1,637 | 1,619 | 3,318 |
| Food and beverage costs | 1,151 | 5,269 | 1,165 | 8,860 |
| Attraction costs | 713 | 1,846 | 1,150 | 3,251 |
| Marketing and public relations | 718 | 1,325 | 1,090 | 2,681 |
| Office | 598 | 778 | 961 | 1,387 |
| IT costs | 457 | 414 | 957 | 856 |
| Commission | 82 | - | 159 | 108 |
| Other | 1,420 | 811 | 1,914 | 1,617 |
| | \$ 41,401 | \$ 42,979 | \$ 70,012 | \$ 80,862 |

15. SHAREHOLDER'S EQUITY

A) CAPITAL STOCK

CLCL is authorized to issue three shares, which shall be transferred only to a person approved by the Minister designated as the appropriate Minister for CLCL ("Minister"). The current Minister is the Minister of Public Services and Procurement. The three authorized shares have been issued and are held in trust for Her Majesty in right of Canada by the Minister. Nominal value has been ascribed to the three issued shares of CLCL.

B) CONTRIBUTED SURPLUS

Contributed surplus is comprised of the net assets of \$249.6 million acquired from the Minister of Transport on August 31, 1995, plus the net assets of OPMC and PDP acquired on November 29, 2012 of \$36.1 million, less \$104.5 million transferred to capital stock. Subsequently, CLC's capital stock was reduced by this amount through payments to its shareholder in accordance with the Canada Business Corporations Act during the period 1996 to 2000.



16. LEASES

LEASES AS LESSEE

Non-cancellable lease rentals are payable as follows:

| | September 30, 2020 | March 31, 2020 |
|-----------------------|--------------------|----------------|
| Less than 1 year | \$ 706 | \$ 693 |
| Between 1 and 5 years | 2,308 | 2,389 |
| More than 5 years | 411 | 684 |
| Total | \$ 3,425 | \$ 3,766 |

The Company has lease obligations for various equipment and office space (note 4). The leases run for periods between one and seven years. During the period, \$0.3 million (September 30, 2019 - \$0.3 million) was recognized in the Consolidated Statement of Comprehensive Income with respect to leases.

LEASES AS LESSOR

The Company leases out its investment properties, certain inventories and property, plant and equipment under operating leases with initial lease terms between less than one year and 25 years. Some leases have renewal options, with one lease having nine 10-year renewal options. The renewal options of these leases have not been included in the table on the next page.

The future minimum lease payments under non-cancellable leases are as follows:

| | September 30, 2020 | March 31, 2020 |
|-----------------------|--------------------|----------------|
| Less than 1 year | \$ 15,634 | \$ 16,781 |
| Between 1 and 5 years | 26,235 | 23,547 |
| More than 5 years | 36,379 | 37,116 |
| Total | \$ 78,248 | \$ 77,444 |

As part of purchase and sale agreements with a related party, the Company is required to lease housing units at a discount compared to market rates. The leased units generated \$0.6 million of rental revenue during the period (September 30, 2019 - \$0.7 million). The individual leases are renewed monthly.

During the period, \$nil (September 30, 2019 - \$0.6 million) has been recognized in the Consolidated Statement of Comprehensive Income in rental operating revenue with respect to variable lease payments.

17. INCOME TAXES

| | FOR THREE MONTHS ENDED SEPTEMBER 30 | | FOR SIX MONTHS ENDED SEPTEMBER 30 | |
|---|--|-----------------|--------------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Income Tax Expense | | | | |
| Deferred tax (recovery) | \$ (2,027) | \$ (354) | \$ (4,013) | \$ (1,545) |
| Current income tax expense (recovery) | (766) | 7,432 | (3,652) | 11,382 |
| Total Tax Expense (Recovery) | (2,793) | 7,078 | (7,665) | 9,837 |
| Reconciliation of effective tax rate | | | | |
| Profit excluding tax | (10,317) | 27,145 | (27,674) | 37,594 |
| Domestic tax rate | 25.6% | 26.6% | 25.8% | 26.6% |
| Tax using the domestic tax rate | \$ (2,643) | \$ 7,223 | \$ (7,138) | \$ 10,004 |
| Non-deductible expenses | 5 | 9 | 15 | 20 |
| Temporary differences | (406) | (509) | (904) | (926) |
| Other adjustments | 251 | 355 | 362 | 739 |
| Total Tax Expense (Recovery) | \$ (2,793) | \$ 7,078 | \$ (7,665) | \$ 9,837 |

Management has recognized deferred tax assets for non-capital losses, and temporary differences to the extent that it is probable that these assets will be utilized in the future.

18. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

The components of the changes to non-cash working capital and other under operating activities include:

| INCREASE (DECREASE) IN | FOR THREE MONTHS ENDED SEPTEMBER 30 | | FOR SIX MONTHS ENDED SEPTEMBER 30 | |
|-----------------------------------|--|-----------------|--------------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Trade receivables and other | \$ (1,657) | \$ 3,690 | \$ (6,151) | \$ 6,756 |
| Long-term receivables | (403) | (423) | (835) | (876) |
| Trade and other payables | (11,226) | (727) | (8,181) | (8,996) |
| Provisions | 963 | 853 | 1,776 | 1,678 |
| Notes payable | 494 | 337 | 972 | 525 |
| Deferred revenue | 476 | (401) | (29) | (297) |
| Prepaid rent, deposits and others | 2,074 | (353) | 1,789 | 475 |
| Total | \$ 721 | \$ 2,976 | \$ (10,659) | \$ (735) |

There were non-cash increases in notes payable (see note 11), which have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

19. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is wholly owned by the Government and is under common control with other government departments and agencies, and Crown corporations. The Company enters into transactions with these entities in the normal course of business.

Significant balances with related parties are as follows:

I. The Company enters in agreements of purchase and sale with related parties to acquire real estate properties in exchange for notes payable. During the period, the corporation acquired real estate properties from related parties of \$7.6 million (September 30, 2019 – \$1.8 million) in exchange for notes payable.

Notes payable to the Government are non-interest bearing (note 11) and are repayable on the earlier of their due dates or six months after the fiscal year-end of the Company in which net proceeds become available from the sale by the Company of the properties in respect of which the notes were issued, except in a limited number of instances where the terms of the notes state when the issuer can demand payment and payment is not dependent on property cash flows. The Company did not make any payments on its notes payable to related parties during the period (September 30, 2019 - \$18.9 million).

II. The Company has \$2.1 million in receivables from federal departments and agencies (March 31, 2020 - \$2.3 million).

Significant transactions with related parties are as follows:

I. During the period, the Company paid a dividend of \$10.0 million (September 30, 2019 - \$30.0 million) to its shareholder, the Government.

II. During the period, the Company made \$7.4 million real estate sales to a related party (September 30, 2019 - \$nil).

III. During the period, the Company received various rental and other revenues from federal departments and agencies in the amount of \$0.5 million (September 30, 2019 - \$0.8 million), mainly from leases with the Department of National Defence and PSPC.

IV. Key management personnel compensation, which includes the Company's senior management team and the Board of Directors, are described in the following table:

| For the Period Ended September 30 | 2020 | 2019 |
|-----------------------------------|----------|----------|
| Short-term benefits (1) | \$ 2,904 | \$ 2,605 |
| Post-employment benefits (2) | 111 | 92 |
| | \$ 3,015 | \$ 2,697 |

1) Short-term benefits include salaries, incentive compensation, health benefits, and other benefits for current employees.

2) Post-employment benefits include contributions to pension plans.



20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, current trade receivables and other, current trade and other payables, deposits and others approximate their fair value due to the short-term maturities.

The Company has valued its long-term receivables by discounting the cash flows using the current market rate of borrowing plus a credit risk factor for its customers and partners, except for the long-term receivable from its third-party partners which, due to the nature of the joint arrangement, has been discounted at current yields on government bonds plus project risk.

The Company has valued its financial liabilities by discounting the cash flows at current yields on government bonds plus a discount factor for the Company's credit risk.

There has not been any change in the valuation technique for financial instruments during the period.

The carrying values and fair values of the Company's financial instruments are summarized using the fair value hierarchy (note 2) in the following table:

| As at September 30, 2020 | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|------------------------------|-----------------|------------|-----------|---------|
| Classification | Carrying Amount | Fair Value | | |
| Financial Assets | | | | |
| Long-term receivables | \$ 60,765 | \$ - | \$ 60,874 | \$ - |
| Financial Liabilities | | | | |
| Notes payable | 416,821 | - | 414,908 | - |
| Credit facilities | 43,800 | - | 43,800 | - |

| As at March 31, 2020 | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|------------------------------|-----------------|------------|-----------|---------|
| Classification | Carrying Amount | Fair Value | | |
| Financial Assets | | | | |
| Long-term receivables | \$ 59,930 | \$ - | \$ 59,768 | \$ - |
| Financial Liabilities | | | | |
| Notes payable | 406,036 | - | 402,849 | - |
| Credit facilities | 37,500 | - | 37,500 | - |

21. JOINT ARRANGEMENTS

The Company has entered into a number of joint arrangements for the land development of properties. The Company has assessed each joint arrangement individually and concluded that based on the terms and structure of the contractual arrangements, each joint arrangement is a joint operation. The Company recognizes its proportionate share of the assets, liabilities, revenues and expenses for these properties in the respective lines in the consolidated financial statements.

The following is a list of the Company's joint arrangements:

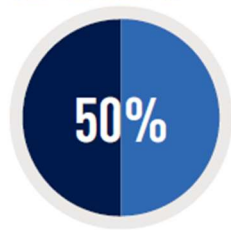


OWNERSHIP INTEREST

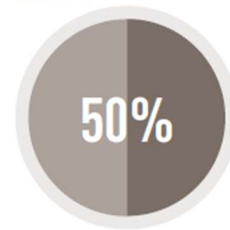
CLC BOSA

CALGARY, AB | LAND DEVELOPMENT

2020
SEPTEMBER 30



2020
MARCH 31



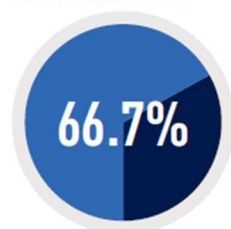
In May 2013, the Company entered into a land development agreement for property in Calgary that is jointly controlled. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual arrangement, which requires unanimous approval from the Company and the third party with regards to relevant activities of the property.

OWNERSHIP INTEREST

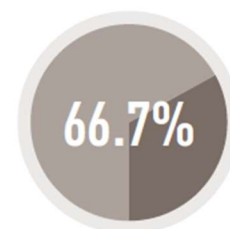
291 CARLING AVENUE

OTTAWA, ON | LAND DEVELOPMENT

2020
SEPTEMBER 30



2020
MARCH 31



In February 2017, the Company entered into a land development agreement for a property in Ottawa, with a third-party partner named the Algonquins of Ontario Opportunities (“AOO”). The land development agreement is jointly controlled by the Company and the third-party partner. The Company has determined that the joint arrangement is a joint operation based on the terms and structure of the contractual agreement, which requires unanimous approval from the Company and the third-party partners regarding decisions over all relevant activities of the property. The purchase of the Ottawa land was financed through a non-interest bearing promissory note issued by the Company. The Company is responsible for the full repayment of the promissory note on the earlier of its due date or six months after the fiscal year-end of the Company when net proceeds become available from the property. This promissory note will be partially funded by the third-party partner’s proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7).



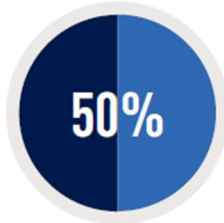
OWNERSHIP INTEREST

JERICHO LANDS

VANCOUVER, BC | LAND DEVELOPMENT

2020

SEPTEMBER 30



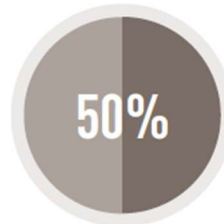
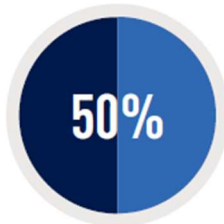
2020

MARCH 31



HEATHER STREET LANDS

VANCOUVER, BC | LAND DEVELOPMENT



In September 2014, the Company entered into three separate land development agreements (West Vancouver, Jericho Lands and Heather Street Lands, respectively) for properties in Vancouver, with the same third-party partners (the Musqueam Indian Band, Squamish Nation, and Tsleil-Waututh Nation).

On December 14, 2018, the Company sold its ownership interest in West Vancouver to its third-party partners.

The remaining two separate land development agreements are jointly controlled by the Company and the third-party partners. The Company has determined that each of the joint arrangements is a joint operation based on the terms and structure of the contractual arrangements, which require unanimous approval from the Company and the third-party partners regarding decisions over all relevant activities of the properties.

The purchase of the Vancouver Lands was financed through non-interest bearing promissory notes issued by the Company. The Company is responsible for the full repayment of the promissory notes on the earlier of their due dates or six months after the fiscal year-end

of the Company when net proceeds become available from the respective property. These promissory notes will be partially funded by the third-party partners' proportionate share of the notes payable, which is reflected as a long-term receivable (see note 7). Under the Vancouver land joint venture agreements, the third-party partners' long-term receivable amounts will be repaid at the earlier of the sale of properties tied to each long-term receivable or the sunset dates in the joint venture agreements, which are similar to the terms of the notes payable.

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of its joint arrangement interests as at September 30, 2020, and the results of operations and cash flows from April 1, 2020 to September 30, 2020:

| | Jericho | | Heather St. | | Bosa | | 291 Carling Ave. | | Total | |
|--------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
| As at | September 30, 2020 | March 31, 2020 | September 30, 2020 | March 31, 2020 | September 30, 2020 | March 31, 2020 | September 30, 2020 | March 31, 2020 | September 30, 2020 | March 31, 2020 |
| Assets | \$ 92,280 | \$ 92,253 | 25,032 | \$ 24,097 | \$ 17,015 | \$ 16,778 | \$ 6,238 | \$ 6,265 | \$ 140,565 | \$ 139,393 |
| Liabilities* | 106,443 | 105,061 | 24,801 | 24,540 | - | - | 6,214 | 6,236 | 137,458 | 135,837 |

| For three months ended September 30 | | | | | | | | | | |
|--|-------|------|---------|-------|------|------|------|------|---------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | 230 | 281 | 246 | 350 | - | - | - | 67 | 476 | 698 |
| Expenses | 423 | 216 | 488 | 560 | - | - | 89 | 74 | 1,000 | 850 |
| Net income (loss) | (193) | 65 | (242) | (210) | - | - | (89) | (7) | (524) | (152) |
| Cash flow provided by (used in) operating activities | (346) | 106 | (1,727) | (101) | - | (5) | 10 | (75) | (2,063) | (75) |

| For six months ended September 30 | | | | | | | | | | |
|--|-------|------|---------|---------|------|-------|-------|-------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | 454 | 499 | 389 | 594 | - | - | 38 | 137 | 881 | 1,230 |
| Expenses | 716 | 477 | 1,022 | 1,066 | - | - | 161 | 125 | 1,899 | 1,668 |
| Net income (loss) | (262) | 22 | (633) | (472) | - | - | (123) | 12 | (1,018) | (438) |
| Cash flow used in operating activities | (536) | (51) | (2,051) | (1,477) | - | (225) | (126) | (149) | (2,713) | (1,902) |

* Liabilities include the Company's obligation for the notes payable to finance the acquisition of inventory, net of the long-term receivable from its partners for their proportionate share of the notes payable funded through future project cash flows (note 7).

The Company is currently providing funding as the project manager to all joint arrangements.

For the Jericho Lands and Heather Street Lands, the repayment of the partner's share of project costs incurred up to March 31, 2020 are at the earlier of the sale of each of the properties that the project costs relate to or the sunset dates in the joint venture agreements. For project costs incurred after March 31, 2020, repayment of the partner's share will occur monthly.

For 291 Carling Avenue, the repayment of the partner's share of project costs is from joint arrangement cash flows.

The Company's proportionate share for commitments related to properties for land servicing requirements and other development costs for the joint arrangements at September 30, 2020 totalled \$2.2 million (March 31, 2020 - \$2.4 million) and are included in the commitments related to properties in note 12.



22. FINANCIAL RISK MANAGEMENT

A) LIQUIDITY RISK:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| AS AT SEPTEMBER 30, 2020 | Within next 12 months | Thereafter | Total |
|------------------------------------|-----------------------|------------|------------|
| Credit facilities (note 10) | \$ 43,800 | \$ - | \$ 43,800 |
| Notes payable (note 11) | 155,402 | 284,030 | 439,432 |
| Trade and other payables (note 12) | 20,694 | 2,519 | 23,213 |
| | \$ 219,896 | \$ 286,549 | \$ 506,445 |

| AS AT MARCH 31, 2020 | Due by March 31, 2021 | Thereafter | Total |
|------------------------------------|-----------------------|------------|------------|
| Credit facilities (note 10) | \$ 37,500 | \$ - | \$ 37,500 |
| Notes payable (note 11) | 160,976 | 270,894 | 431,870 |
| Trade and other payables (note 12) | 29,101 | 2,814 | 31,915 |
| | \$ 227,577 | \$ 273,708 | \$ 501,285 |

The Company manages its liquidity risk by forecasting and managing cash flows from operations and anticipating capital expenditures and financing activities. The Company also manages its cash flow by maintaining sufficient cash balances to meet current obligations and investing surplus cash in low-risk bank investments.

The Company has notes payable that are owed to its shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties by which they are secured, except in a limited number of instances where the terms of the note state when the issuer can demand payment and payment is not dependent on property cash flows (note 11).

The Company has borrowing authorities from the Minister of Finance of \$200 million (March 31, 2020 - \$200 million). CLC's borrowing authority of \$100 million expires on March 31, 2021. PDP's borrowing authority of \$100 million expires on December 31, 2020. The Company's borrowing authorities are reviewed annually as part of the corporate planning process. The Company has \$200 million of credit facilities available, of which \$117.3 million was unused at September 30, 2020 (March 31, 2020 - \$124.2 million). The credit facilities for CLC and PDP mature on March 31, 2021 and March 31, 2024, respectively.

Accounts payable are primarily due within 90 days. The repayment terms for credit facilities and notes payable are disclosed in notes 10 and 11, respectively.

B) MARKET RISK

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices and includes currency and interest rate risk.



Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Company has little exposure to currency risk.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its credit facilities and cash and cash equivalents, which are based on variable rates of interest. The credit facilities are used to finance the development of lands and guarantee the Company's letters of credit. A change in interest rates would not have had a significant impact on net earnings or comprehensive income in the current year. Cash and cash equivalents have limited exposure to interest rate risk due to their short-term nature. The impact of a change in interest rate of +/- 0.5% would not be significant to the Consolidated Statement of Comprehensive Income.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company measures these at amortized cost; therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments.

C) CREDIT RISK

The Company's credit risk arises from the possibility that tenants may experience financial difficulty and be unable to pay the amounts owing under their commitments. For long-term receivables from partners, payments are made from the cash flows of the joint arrangements. The projected cash flows from the joint arrangements to the partners are significantly higher than the amount of the long-term receivables at September 30, 2020 owed to the Company.

The Company attempts to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and performing credit assessments in respect of new leases or credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations and obtaining security deposits from tenants.

The Company's maximum exposure to credit risk is limited to the carrying value of trade receivables and other, long-term receivables and cash and cash equivalents.

The Company's receivables of \$41.0 million (March 31, 2020 - \$35.1 million) are comprised primarily of current balances owing. The Company performs monthly reviews of its receivables and establishes an appropriate provision using the expected credit loss model. As a result of the COVID-19 pandemic and the resulting downturn in the economy, certain tenants may experience financial difficulty which may have an impact on the tenant's ability to continue to pay rent as it becomes due.

The Company's long-term receivables of \$60.8 million (March 31, 2020 - \$59.9 million) are comprised of \$59.9 million (March 31, 2020 - \$59.1 million) of receivables from partners and \$0.9 million (March 31, 2020 - \$0.8 million) of long-term receivables from a sale of real estate property in prior years. The Company reviews the receivables from partners and other long-term receivables on a quarterly basis to determine if provisions are required.

The Company's cash, including bank deposits and term deposits, of \$384.1 million (March 31, 2020 - \$462.6 million) is held with major financial institutions that are rated AA by a recognized credit agency. The Company does not expect any related counterparties to fail to meet their obligations.

23. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding to support its activities.



| | September 30, 2020 | March 31, 2020 |
|---------------------------|--------------------|----------------|
| Shareholder's equity | \$ 655,837 | \$ 685,846 |
| Credit facilities | 43,800 | 37,500 |
| Notes payable | 416,821 | 406,036 |
| Cash and cash equivalents | 384,083 | 462,589 |
| Total | \$ 1,500,541 | \$ 1,591,971 |

The Company has notes payable that are owed to the shareholder and under the related agreements, the notes are not due until positive cash flows are achieved from the properties, except for i) four promissory notes for which the issuer can demand payments of \$15.9 million within the next 12 months and ii) a \$19.0 million note that is due in 2050.

All short-term and long-term borrowings are approved by the Minister of Finance with respect to the amount, interest rate and term, and are included in the Company's corporate plan, which must receive Treasury Board Secretariat approval.

In order to meet its objective, the Company invests all capital that is surplus to its immediate operational needs in highly liquid financial instruments with original maturities of up to one year, such as bank deposits, deposit certificates and money market funds. All these instruments are held with major financial institutions rated AA by a recognized credit agency.

On September 30, 2020, cash and cash equivalents totalled \$384.1 million.

The Company's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and cash flows provided by financing activities, as well as proceeds from asset sales. Rental revenues, recoveries from tenants, real estate land sales, attractions and hospitality revenues, interest and other incomes, available cash balances, draws on corporate credit facilities and refinancing of maturing indebtedness are the Company's principal sources of capital used to pay operating expenses, dividends, service debt and recurring capital and leasing costs in its rental operating costs, attractions and hospitality, and real estate development businesses. The Company plans to meet its short-term liquidity needs with revenue, along with proceeds from financing activities.

The principal liquidity needs for periods beyond the next 12 months are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. The Company's strategy is to meet these needs with one or more of the following:

- cash flows from operations;
- proceeds from sales of assets, and
- credit facilities and refinancing opportunities.

24. PENSION PLANS

The Company has two defined contribution pension plans covering eligible CLC full-time and certain part-time employees. In accordance with the terms of the plans, employees are eligible to join at the date of employment, after a year of employment, or upon working a certain number of hours in consecutive years. The amount of the current service cost charged to expense for these plans was \$0.8 million for the period ended September 30, 2020 (September 30, 2019 - \$0.7 million).



25. SUBSEQUENT EVENTS

Temporary suspension of operations

Since October 3, 2020, the CN Tower's operations have been temporarily suspended. On October 9, 2020, the Government of Ontario announced that certain municipalities, including Toronto, would have additional restrictions imposed, including prohibiting indoor dining, for 28 days.

On November 7, 2020, the Government of Ontario announced that it would shift to a five-tier system to determine restrictions and mitigations on a regional basis. On November 14, 2020, Under the new system, Toronto restaurants were again able to provide indoor dining, so long as they complied with public health authority guidance and followed capacity restrictions,

Since October 1, 2020, the Montreal Science Centre's operations have been temporarily suspended as a result of the Province of Quebec reinstating restrictions in multiple areas of the province, including Montreal.

The full impact of the temporary suspensions as not yet known but is expected to significantly impact the financial result of the Company.

Rent relief

On October 9, 2020, the federal government announced the Canada Emergency Rent Subsidy ("CERS") program. This program will replace the CECRA for small businesses. CERS will allow businesses to apply directly to the federal government for rent and mortgage support as opposed to landlords applying on behalf of businesses as was the case with CECRA. CERS will be offered until June 2021 and allows businesses to make claims retroactively to September 27, 2020. The full impact of CERS on the Company is not yet known.