Canada Lands Company Limited

Q1 (April 1, 2023 to June 30, 2023)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE PERIOD ENDED JUNE 30, 2023

This Management's Discussion and Analysis ("MD&A") provides important information about the business of Canada Lands Company Limited ("CLCL") and its subsidiaries (collectively, the "Company"), its financial performance for the period ended June 30, 2023 ("**Period**"), and its assessment of factors that may affect future results. The MD&A should be read in conjunction with CLCL'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 August 16, 2023, unless otherwise noted.

The Board of Directors ("Board") of CLCL has approved this disclosure.

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

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

HIGHLIGHTS FOR THE FIRST QUARTER OF FISCAL YEAR 2023/24

Financial, Operational and Other Significant Developments

- The Company was able to generate $62.0 in revenue which was an increase of 55% from the comparable prior year period on the strength of its Attractions division's performance and a significant land sale.
- The Company generated an operating profit[1] of $21.0, an increase of more than $8.1 from the comparable prior year period, as well as cash provided by operating activities of $9.2.
- The Company invested $10.8 primarily in its real estate development in communities across the country and in its attractions.
- The Company paid a $10.0 dividend to its shareholder, as well as income tax payments in excess of $3.7.
- The Company's attractions welcomed close to 0.6 million paid guests during the period, which was a 0.1 million (19%) increase from the comparable prior year period.
- The vacant President and Chief Executive Officer position was filled. Stéphan Déry was appointed by Order in Council ("OIC") to be President and Chief Executive Officer of CLCL for a term of four years effective April 12, 2023.
- Two current board of directors of CLCL were re-appointed by OIC for terms of two years and three years, respectively, effective June 2023.

[1]Operating profit = total net income before income taxes, interest and other expenses, impairment, pre-acquisition costs and write-offs and general and administrative costs.

BUSINESS UPDATE

The Company, particularly its Attractions, started FY2023/24 with a very strong financial first quarter. The Company is seeing strong demand for its product offering across its Attraction's portfolio. This positions the Company well for what should be a very busy summer.

The real estate markets across the country are in a challenging period for land developers, given the current economic environment.

Overall, the Canadian economic environment is currently seeing:

- The higher-than-forecasted economic growth for the first half of 2023, with short-term forecasts showing further declines in growth, for the remainder of the year;
- National unemployment rates started to rise slightly from record lows, but still significantly before historical averages, putting pressure on labour;
- Inflation has continued its steady decline since June 2022, and is now within the control range of the Bank of Canada, however still above its 2% inflation target rate.
- Interest rates continue to increase from the all-time lows experienced over the past two years to the highest rates in more than 20 years, rapidly increasing the cost of borrowing, and adding to the affordability challenges in many real estate markets; and
- Travel and tourism spending has significantly improved with tourism spending in Q1 2023 eclipsing that of Q1 2019 buoyed by domestic spending as international travel, particularly Asian markets, continues to lag behind pre-pandemic levels.

ABOUT CLCL

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

CLCL has two operating divisions:

- Real Estate; and
- Attractions.

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

The Attractions division is comprised of Old Port of Montréal ("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 provided to the Company 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 purchases properties from the 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 CLCL'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; Winnipeg, Manitoba; Ottawa and Toronto, Ontario; Montréal, Québec; Dartmouth, Nova Scotia; and St. John's, Newfoundland and Labrador.

PDP was originally comprised of 231 hectares (572 acres) of land at the former Canadian Forces Base in Toronto. The holdings at PDP are composed of active recreation, parkland and real estate development assets.

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 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-long (1.6 mile) 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 is composed of the Chair and six Directors. For more details on CLCL's governance, see the "Corporate Governance" section of the CLCL's 2022/23 Annual Report.

The Board's expenses for the Period, including meetings, travel expenses, conferences and seminars, liability insurance, and annual retainers and per diems, totalled $0.1 (June 30, 2022 – $0.1). The Board and senior management expenses are posted on CLC's website at www.clc-sic.ca/reports-and-expenses.

OBJECTIVES ANS STRATEGY

The Company creates financial and non-financial value for Canada by transforming unused and underutilized Government of Canada property.

The core values of financial resilience, environmental sustainability and social impact are the foundation of the Company and its work in communities.

Through all its operations, the Company strives to deliver the best value and financial return to Canadians.

Real Estate

The Company purchases strategic properties that are no longer required by the Government of Canada at fair market value. The Company transforms these properties and reintegrates them into local communities while ensuring their long-term sustainability and commercial viability.

In its development properties, the Company follows a rigorous process to create strong, vibrant communities that add lasting value for future generations of Canadians.

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.

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 ended June 30, 2023 compared to the prior year period are provided on the following pages.

During the Period, the Attractions division continued the strong financial performance that it had in the prior year, which followed two challenging years for tourism and hospitality in Canada as a result of COVID-19. The Real Estate division is facing more difficult headwinds, particularly on land sales, as a result of the interest rate environment and the overall economic outlook, which is impacting the overall demand for

development lands. Historically, the Company does not have significant sales activity in the first quarter of its fiscal year, so sales of $12.7 are considered part of a positive start to the fiscal year.

The Company's rental operations for the Period continued to show strong performance in both the Real Estate Division and the Attractions division, while the Company was able to leverage its cash and cash equivalents balance, and the increasing interest rates, to drive higher interest income.

The financial results for the period ended June 30, 2023:

PERIOD ENDED JUNE 30	2023		2022	
Real estate sales	$	12.7	$	0.1
Attractions, food, beverage and other hospitality		32.7		25.6
Rental operations		12.0		12.4
Interest and other		4.6		1.9
Total Revenues	$	62.0	$	40.0
General and administrative expenses		7.6		6.2
Income before taxes		9.5		4.9
Net income and comprehensive loss after taxes		5.6		3.5

By entity:

	PERIOD ENDED JUNE 30, 2023				PERIOD ENDED JUNE 30, 2022			
	OPMC	PDP	CLC	Total	OPMC	PDP	CLC	Total
Real estate sales	$ -	$ -	$ 12.7	$ 12.7	$ -	$ -	$ 0.1	$ 0.1
Attractions, food, beverage and other hospitality	2.7	0.3	29.7	32.7	2.1	0.1	23.4	25.6
Rental operations	3.3	3.2	5.5	12.0	3.2	3.5	5.7	12.4
Interest and other	0.6	0.1	3.9	4.6	0.3	-	1.6	1.9
Revenues	$ 6.6	$ 3.6	$ 51.8	$ 62.0	$ 5.6	$ 3.6	$ 30.8	$ 40.0
General and administrative expenses	0.1	0.2	7.3	7.6	0.5	0.2	5.5	6.2
Income (loss) before taxes	(4.7)	(0.4)	14.6	9.5	(2.5)	(0.1)	7.5	4.9
Comprehensive income (loss) after taxes	(4.7)	(0.3)	10.6	5.6	(1.7)	(0.1)	5.3	3.5

REVENUE

Total revenue generated was $62.0 for the Period, comprised of four principal sources:

1) Real Estate Sales

Real estate sales were $12.7 for the Period, comprising sales of property developed as building lots and sold to builders. Revenue comprises sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by region were as follows:

PERIOD ENDED JUNE 30	2023	2022
West	$ -	$ 0.1
Ontario	12.7	-
Atlantic	-	-
Total	$ 12.7	$ 0.1

The Company generated a gross profit of $3.3 (or 26.0%) on real estate sales for the Period. The Company did not generate any significant gross profit on its real estate sale in the comparable prior year period.

Real estate land sales depend on the nature and mix of the properties sold in any given period. Consequently, 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 products within the project, the cost of land and the length of time for a project to be sold.

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).

The CN Tower generated revenue of $30.4 for the Period, which was $6.6 higher than the comparable prior year period. The CN Tower's earnings before interest, taxes, depreciation and amortization ("EBITDA") was a profit of $14.7 for the Period, which was favourable to the comparable prior year period's EBITDA by $3.1. For the Period, the CN Tower welcomed close to 0.5 million guests, which was close to 0.1 million more than the comparable prior year period.

The increase in revenue and EBITDA, when compared to the comparable prior year period, is attributable primarily to the CN Tower's attendance.

OPMC revenues, which include the MSC, generated revenue of $2.7 for the Period, which was an increase of $0.6 from the comparable prior year period. The main driver for the increase was from parking revenues, as well as ticket sales. The MSC generated $1.5 in revenues from its ticket sales ($1.3 in the comparable prior year period), which was driven by hosting close to 120,000 visitors at its IMAX theatre and exhibits.

Downsview Park generated revenue of $0.3 for the Period from its programs and events, which was an increase of $0.2 from the comparable prior year period.

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 was $12.0 for the Period from properties in inventory at various stages of development, and other properties across CLC, OPMC and PDP. Rental revenues for the Period were $0.4 (3.2%) lower than the comparable prior year period. The slightly lower rental revenues in the current period as compared to the prior year period were driven primarily by tenant turnover at PDP and a lease amendment at CLC. Other than those two minor items, the rental revenues are consistent period-over-period.

Rental revenues by region were as follows:

PERIOD ENDED JUNE 30	2023	2022
West	$ 3.1	$ 3.2
Ontario	5.5	5.9
Québec	3.4	3.3
Total	$ 12.0	$ 12.4

The Company generated $0.4 (3.0%) for the Period from its rental operations. Rental profit for the Period was $2.8 lower than the comparable prior year period. The primary driver for the lower profit is the slightly lower revenues from CLC as mentioned above and the acquisition of a property later in the prior year that is currently incurring only carrying costs, along with higher operating expenses at OPMC for its rental operations.

4) Interest and Other Revenues

Interest and other revenue of $4.6 for the Period is higher by $2.8 than the comparable prior year period. Interest and other revenue are 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 increase in revenue in the Period compared to the comparable prior year period were higher interest rates on the Company's cash balances.

OTHER

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses ("G&A") of $7.6 for the Period were higher than the comparable prior year period by $1.4, primarily as a result of additional overhead expenses to support the additional revenue generated and major corporate initiatives.

TAXES

The Company had a net income tax expense of $4.0 during the Period, which is largely a current income tax expense only. The current income tax expense increased from the prior period because of higher taxable income in CLC. The Company's current position on the deferred tax assets ("**DTA**") at OPMC is consistent with its position at March 31, 2023. At March 31, 2023, the Company concluded that the benefits from the DTA at OPMC, which are primarily non-capital losses and temporary differences, could not be recognized, as it was not probable that they would be utilized in the future. The result is that for the current period, $1.3 in OPMC DTA benefits are not being recognized. Once adjusted for the OPMC DTA not recognized, the effective tax rate of 28.2% for the Period is similar to statutory rates.

FINANCIAL POSITION

ASSETS

The following is a summary of the Company's assets:

	JUNE 30, 2023		MARCH 31, 2023	
Cash and cash equivalents	$	244.2	$	245.5
Inventories		443.5		445.0
Property, plant and equipment		158.7		161.3
Deferred tax asset recoverable		69.2		69.1
Long-term receivables		64.2		63.9
Investment properties		28.1		28.5
Trade and other assets		64.2		67.5
Total	$	1,072.1	$	1,080.8

CASH AND CASH EQUIVALENTS

The Company continues to maintain high levels of liquidity, which will allow it to respond to future potential opportunities and risks that may require significant amounts of cash immediately. At June 30, 2023, cash and cash equivalents balances held in major Canadian chartered banks and financial institutions were $244.2.

During the Period, the Company also invested $10.8 in capital assets in both real estate and attractions, paid a dividend to its shareholder of $10.0, paid its income taxes owing from the prior year period, and funded working capital.

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 $110.1 (March 31, 2023 – $110.2), properties under development of $333.4 (March 31, 2023 – $334.8) and properties held for sale of $nil (March 31, 2023 – $nil).

Properties held for future development are at various stages of planning at June 30, 2023. The Company anticipates that more than $90.0 of that inventory will shift to being classified as property under development within the next 12 months as various planning approvals are received.

Inventory is recorded at the lower of cost and net realizable value. During the Period, there were no write-downs or reversal of write-downs included in the Consolidated Statement of Comprehensive Income (Loss).

The Company incurred expenditures on real estate inventories of $8.1 during the period as compared to $8.3 in the comparable prior year period. 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 forecast 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.

The Company actively reviews its property, plant and equipment investments budgets and forecasts to determine the appropriate allocations of resources and timing of expenditures.

There were capital additions of $2.6 for the Period, compared with $1.6 during the comparable prior year period. Currently, the Company is close to completion of its $21.0 project at the CN Tower to modernize its outdoor terrace level. This project, which started in FY2021/22, is expected to be substantially complete by the middle of FY2023/24. Capital expenditures vary period over period based on required and planned expenditures on property, plant and equipment.

There were non-cash depreciation charges of $3.1 during the Period compared to $3.4 in the comparable prior year period. These expenditures exclude repairs and maintenance costs.

DEFERRED TAX ASSET RECOVERABLE

The net deferred tax asset recoverable ("DTA") amount of $69.2 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 balance at June 30, 2023, is consistent with that at March 31, 2023.

Consistent with the Company's position at March 31, 2023, the Company is not recognizing the OPMC DTA's as it is not probable that they would be utilized in the future. The result is that gross temporary differences of close to $170.0, or approximately $44.0 of DTA, are not being recognized.

The majority of the DTAs are expected to be realized upon the sale of development lands in future years.

LONG-TERM RECEIVABLES

Long-term receivables of $64.2 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 and Ripley's Aquarium of Canada are built, 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, short-term investments and CN Tower inventory. The March 31, 2023, balance included $17.3 for a real estate property sold in previous years, where a receivable was triggered in March 2023 because of certain conditions being met. The receivable was collected early in April 2023. The collection of that receivable was partially offset by the funding of annual property tax payments in some municipalities, the timing of major invoices to partners and customers, and prepayments at the Attractions as operations

increase entering into the busy summer season. Thee all increase the trade receivables balance, and are typical for the Company to incur in June each year.

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:

	JUNE 30, 2023		MARCH 31, 2023	
Credit facilities	$	56.4	$	52.7
Notes payable		300.8		299.5
Trade and other payables		35.6		44.1
Provisions		34.6		35.6
Prepaid rents, deposits and others		8.4		8.5
Deferred revenue		7.9		8.0
Tax liabilities and other		10.1		9.7
Total liabilities	$	453.8	$	458.1
Contributed surplus		181.2		181.2
Retained earnings		437.1		441.5
		618.3		622.7
Total liabilities and shareholder's equity	$	1,072.1	$	1,080.8

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 ("LCs"). PDP has utilized $63.5 at June 30, 2023 (March 31, 2023 – $59.8), of which $7.1 (March 31, 2023 – $7.1) has been used as collateral for outstanding LCs. 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. During the period, the Company decreased available credit by $3.7, primarily as a result of cash advanced from the facility to fund those investments.

CLC has a senior, unsecured revolving credit facility in the amount of $100.0. The credit facility can be used to secure outstanding LCs. CLC has utilized $19.4 at June 30, 2023 (March 31, 2023 – $19.5) as collateral for outstanding LCs.

The credit facilities contain certain financial covenants. As at June 30, 2023, 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 in most instances on the earlier of their due dates from 2023 to 2050 and 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. Exceptions to the above approach are where, in a limited number of instances, 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 the Company's payment of amounts when due and repayable. All notes are non-interest bearing. For accounting purposes, the notes 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.

During the Period, the Company did not make any repayments to former property custodians.

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)			
	2024	$	20.8
	2025		43.9
	2026		24.0
	2027		59.0
	2028		11.0
	Subsequent years		153.9
Subtotal			312.6
Less: amounts representing imputed interest			11.8
		$	300.8

TRADE AND OTHER PAYABLES

Trade and other payables are lower than the balance at March 31, 2023, primarily as a result of timing. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations. The Company continues to pay its suppliers in accordance with the payment terms.

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 ("PILT") being contested by the Company. The Company spent $1.0 against its cost-to-complete provisions for real estate projects during the period.

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 income taxes payable or accrued by the Company. The decrease compared to the March 31, 2023 balance, was due to the amount of instalments for FY2023/24 being higher taxable income in CLC. The current balance largely represents the estimated amount of income taxes payable based on the FY2022/23 financial results.

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.

The capital resources available to the Company as at June 30, 2023 and March 31, 2023 are as follows:

	JUNE 30, 2023	MARCH 31, 2023
Cash and cash equivalents	$ 244.2	$ 245.5
Short-term Investments	4.5	-
Remaining credit facilities (a)	36.5	40.2

(a) Remaining credit facilities available for cash borrowings.

The Company's cash and cash equivalents decreased by $1.3 during the Period primarily as a result of:

- Investments in real estate inventory, property, plant and equipment and investment properties of $10.8;
- A dividend payment of $10.0 to the Company's shareholder;
- Increase of short-term investments of $4.5; and
- Tax payments of $3.7.

The decrease was partially offset because of:

- Cash inflows from operating activities, excluding expenditures on real estate properties and tax payments, of $21.0;
- Interest received of $3.1; and
- Net cash advanced from credit facilities of $3.7.

The net working capital surplus of the Company as at June 30, 2023 and March 31, 2023 is as follows:

	JUNE 30, 2023	MARCH 31, 2023
Cash and cash equivalents	$ 244.2	$ 245.5
Other current assets (excluding inventories)	49.2	53.2
Total current assets	$ 293.4	$ 298.7
Current portion of notes payable	20.8	20.8
Other current liabilities	142.9	147.9
Total current liabilities	$ 163.7	$ 168.7
Net working capital surplus	$ 129.7	$ 130.0

The total current assets (excluding inventories) at June 30, 2023, have decreased since March 31, 2023, by $5.3 primarily as a result of capital investments in the Company's attractions and real estate projects and the dividend payment to its shareholder, partially offset by cash inflows from operations. The total current liabilities have decreased from March 31, 2023, by $5.0 as a result of lower trade payable liabilities, partially offset by additional cash borrowings on the credit facilities.

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's principal liquidity needs over the next 12 months are to:

- fund the operating deficits of some of the Company's attractions and G&A overhead expenses;
- fund recurring expenses;
- 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;
- provide funding for provision amounts;
- fund investing activities, which may include:
  - property acquisitions;
  - note repayments; and
  - discretionary capital expenditures; and
- 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 has overall responsibility for risk governance and oversees management's identification of the key risks facing the Company, and the implementation of 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 function 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.

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.

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.

In its latest Monetary Policy Report ("MPR") in July 2023, the Bank of Canada ("BoC") noted that global inflation is coming down, but that core inflation remains elevated. These elevated of levels of core inflation are pushing central banks to raise, or continue to signal they will raise, their policy interest rates. Global economic growth in the first half of 2023 was stronger than expected, but it is expected that demand should moderate over the next year as a result of impact of monetary policy tightening.

In the Canadian economy, the inflation rate in June was 2.8%. This is the first time since mid-2021 that the Canadian inflation rate has been within the BoC control range of 1% - 3%. There is concern that further easing of inflation will take longer than expected, with inflation expected to hang around 3% for the next year, with some suggesting that inflation might tick up in the coming months back above 3%. The BoC is now projecting that the target inflation rate of 2% might not appear until the middle of 2025, which is half a year later than the BoC's April 2023 MPR forecast. Excess demand continues to put pressure on prices. It is important to note that not all price inflation is declining equally. Goods inflation has rapidly declined, in large part due to lower gasoline prices relative to the prior year, whereas shelter price inflation has remained relatively high.

The BoC has continued to raise its overnight lending rate ("Policy Rate"), to lower inflation. From March 2022 to July 2023, the BoC increased its Policy Rate by 475 basis points to 5.00%, its highest rate in more than 20 years. The impact of these changes seems to have had the desired effect on inflation. Some economists are arguing that the continued tightening that the BoC has done in the past quarter was too aggressive, as the economy has yet to feel the full impact of the BoC's increases since the start of 2022. Predictions for the average BoC Policy Rate for 2023 are generally in the range of 5.00% to 5.25%.

In the July 2023 MPR, the BoC reported economic growth in Canada in 2023 of 1.8%, which was higher than the BoC's April 2023 MPR forecast of 1.4% growth. The BoC is predicting growth in the Canadian economy in 2024 of 1.2%, which is lower than the 1.3% growth predicted in its previous report.

As mentioned, the Canadian rate of inflation was 2.8% in June 2023, which continued a year-long trend that has seen inflation drop 5.3% since its peak of 8.1% in June 2022. In its July 2023 MPR, the BoC forecast that the annual average rate of inflation in 2023 will be 3.7% and that, by the end of 2023, inflation will be below 2.9%. Predictions from economists for the average rate of inflation for 2023 are generally in the range of 3.3% to 3.8%, with most predicting that, by December 2023, inflation rates will be lower than the average rate for the year and in the range of 2.5% to 3.0%.

The Canadian unemployment rate in June of 2023 ticked up to 5.4%, the highest the rate has been in over a year, but still well below the historical average. Destination Canada ("DC") reported in its latest Quarterly Tourism Snapshot for Q1 2023 ("DC Q1 Snapshot") that the tourism unemployment rate was 6.0% at March 2023, which was 7.0% lower than March 2021, but 0.6% higher than March 2022. In the same report, DC reported that, at the end of December 2022, the active labour force in the tourism sector remained 4.2% below pre-pandemic levels, which is a sharp contrast to the overall Canadian labour force, which has expanded by 5.8% over pre-pandemic levels. DC reported that there are still 126,000 jobs in tourism that remain unfilled, which is approximately 6.8% of the total tourism workforce. Despite the labour challenges in the tourism industry in Canada, DC reported that the overall tourism spending for Q1 2023 was 106% of the Q1 2019 (last pre-pandemic year) driven by domestic demand (109% of Q1 2019 levels) with international demand slightly behind (95% of Q1 2019 levels). The Canadian unemployment rate is expected to rise in 2023 as the economy slows, with many predictions suggesting an average unemployment rate of around 5.5% in 2023, and the unemployment rate increasing to between 5.6% and 6.4% in 2024.

The Company mitigates 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 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.

Housing

Consumer spending decisions, which include real estate purchases or investments, are influenced by economic uncertainty.

The Canada Mortgage and Housing Corporation ("CMHC") published its Housing Market Outlook in late April 2023. In the report, CMHC stated that it expected national housing prices to continue to decline, as they have in recent months, but that overall affordability will continue to be a challenge as a result of higher interest costs and the still relatively higher housing prices. Weaker supply, including a significant decline in housing starts forecast for 2023 when compared with 2020 to 2022 levels, will continue to fuel the affordability challenge. The homeownership affordability challenge may push those looking to buy into the rental market, adding to the demand that higher immigration numbers may bring. This higher demand, as there continues to be limited supply, could push rents higher in already constrained rental markets.

After a period of two years of significant activity, the Canadian residential real estate market appears to have stabilized for the moment with listings starting to increase, helping to bring more balance to the market. The Canadian Real Estate Association ("CREA") stated in its July 2023 release that national home sales rose by 1.5% in June compared to May, and are up close to 5.0% compared to June 2022. The June 2023 monthly sales activity is trending closer to the 10-year monthly average. The Q2 2023 sales activity was the highest quarterly activity since Q2 2022. The BoC interest rate increases are moderating price growth, but there continues to be strong demand. Not surprisingly, CREA stated that the actual average house price in Canada in June 2023 was up almost 7% from the same time one year ago.

In June 2023, the average national inventory on hand was 3.1 months, which was down more than one full month from the most recent peak in January 2023 and is below the 10-year average of approximately 5 months. The sales-to-new-listings ratio in June 2023 of 64%, which was down from 68% in April 2023. The long-term average of around 55% typically indicates a more balanced market.

On the rental market front, the Canada Mortgage and Housing Corporation published its 2022 Rental Market Report ("RMR") in January 2023, which noted that demand was outpacing supply, creating availability and affordability issues for renters. The RMR stated that the supply of purpose-built rental apartments increased 2.6% between October 2021 and October 2022, which resulted in an additional 55,000 units into inventory, the largest increase in a year since 2013. However, demand eclipsed the additional supply added to inventory as a result of significantly higher net migration, stable employment for young households, and higher interest rates (which typically drive a higher propensity to rent). The national average vacancy rate for purpose-built rental was down to 1.9% in October 2022, the lowest level since 2021, and down from 3.1% in October 2021. For context, the 30-year national average is 3.2%. The RMR also reported that the average annual rent rose 5.6% over the year, compared to 3.0% in the prior year, and that the 2022 increase was a new annual high and well above the 2.8% annual average over the past 30-year period.

The availability of affordable housing continues to be a major concern for Canadians in many local markets. Provincial governments, such as Ontario, have unveiled measures aimed at tackling its housing supply shortage and affordability crisis. As levels of government continue to take steps, and perhaps start to take

more aggressive steps to address affordability, particularly in the current economic environment, it will be interesting to see the effects of these steps.

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 Vancouver, Edmonton, Calgary, Toronto, St. John's and Ottawa, where the Company currently has real estate holdings.

Office

At the end of June 2023, Colliers reported in its Q2 2023 National Market Snapshot ("NMS") that Canada's office vacancy rate was approximately 13.4%, which was a slight increase from the vacancy rate three months prior. The NMS reported that year-over-year vacancy rates have increased around 0.5%, but that average asking net rent is up around $1 per square foot at $20.79 compared to a year earlier. Office vacancy, particularly in major downtown markets, has continued to climb as urban cores have grappled with hybrid work and the return to office. Colliers reported that 93% of new office build is in downtown markets, which will only create more challenges for landlords and leasing, although landlords have been able to maintain asking rent despite the rising vacancies, additional supply, and higher subleasing.

CBRE noted in its Canada Office Figures ("COF") Q2 2023 report that office vacancy rate was 18.1% nationally, up from the 17.1% reported just three months earlier. In its COF, CBRE noted that the net absorption during the quarter was down by another 1.6 million square feet. Over the past three quarters, net absorption has decreased by close to 6.0 million square feet. The increase in sublet vacancies slowed during the quarter and is now at 3.4% of total inventory. As a result, CBRE noted that the pipeline for future office space is lightening, with developers largely placing future projects on hold, given the current environment. If the decline in construction continues, the delivery of new office inventory in the second half of 2023, could be the lowest since 2005. CBRE also noted that the downtown and suburban class A and B markets are not all behaving consistently, with downtown class B's vacancy rate growing more rapidly than the other markets, and the suburban class B's vacancy rate performing well compared to others.

Industrial

Colliers reported in the NMS that the Canadian industrial vacancy rate continues to be very low at 1.2% in June 2023, which is 0.2% higher than in March 2023. Colliers reported that prices continue to increase, with the average price per square foot for industrial space at $14.03, which is more than $3.0 higher than it was a year ago. The outlook for demand for industrial space continues to be very strong, and under-construction inventory levels remain historically high, but compared to the overall inventory, are not significant. CBRE reported in its Canadian Industrial Figures ("CIF") Q2 2023 that it saw vacancy tick up modestly during the quarter by 20 basis points compared to March 2023 to 2.1%. The historical 15-year average rate is 4.8%. Similar to Colliers' NMS, CBRE reported year-over-year square foot prices up nationally by about 20%. The CIF also reported the net absorption bounced back from its lowest amount in 11 quarters in Q1 2023, however, new supply again outpaced absorption for the third quarter in a row.

Other

Oil prices can have a significant impact on the Canadian economy, including inflation. Oil prices, particularly the discount on Canadian oil prices, are a major part of the Newfoundland, Saskatchewan and Alberta economies, affecting housing demand through effects on employment and household income. Benchmark oil prices, trading at around US$81 per barrel on August 1, 2023, remain a risk, opportunity and uncertainty for the Company, particularly in provinces and municipalities that are heavily dependent on the industry for employment. The spread between benchmark oil prices and Canadian oil prices has increased to around US$21 per barrel over the past quarter, which is consistent with the spread over the past year. The benchmark US and Canadian prices continue to show some pricing volatility as a result of a variety of factors, as indicated by US prices ranging from US$70 per barrel to US$81 per barrel over the past quarter, while Canadian prices have ranged from US$47 per barrel to US$60 per barrel within the quarter. Oil prices are up compared to the previous quarter and are down from the prior year, where they were around US$95 per barrel. Higher oil prices are generally seen as a positive for the Alberta, Saskatchewan and

Newfoundland economies; however, higher oil prices have also been attributed to the high inflation rates currently being experienced.

In conclusion, the outlook for housing seems to have moderated to the current environment with demand and supply generally more in balance and housing price growth on the rise again. The outlook for the office real estate market is more bearish than it was a year ago. Despite increased rates, supply is outpacing demand and vacancy rates continue to rise. For both, housing and office, there continues to be uncertainty in the short term and long term, and outlooks vary across the country, particularly as a result of the macroeconomic factors described above.

It is difficult to predict demand for real estate. Changes in the real estate market, whether in 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 operations of the CN Tower, OPM and the MSC are 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.

Local and domestic demand is a major driver for the strong performance at the CN Tower and MSC. In addition, the CN Tower relies on international visitors, particularly United States ("US") visitors. In DC's latest Overnight Arrivals at a Glance report for May 2023, it reported that for the month of May, international arrivals to Canada were about 81% of May 2019 levels, but up 55% from May 2022. In the same report, it showed some major international markets above 80% of May 2019 levels (US – 83%, Mexico – 110%,and France – 96%); however, the Asian markets continued to be well below May 2019 levels (China – 28%, Japan – 38%). That said, Japan and China's travel has increased since February 2023, and both countries are well above May 2022 levels (China – 253% and Japan - 144%). DC has predicted that it will take longer for the Asian markets to return. For context, DC reported approximately 1,000,000 international arrivals from China and Japan in 2019, whereas there were only approximately 125,000 in 2022. From January to May 2023, Canada has seen approximately 7.8 million international arrivals, which is 105% higher than the comparable period in 2022, and approximately 80% of the the comparable period in 2019.

One of the challenges that many companies in the tourism and hospitality industries are facing is the tightening labour market. DC highlighted in its DC Q1 Snapshot that there were 126,000 unfilled tourism jobs in the market. The shortage of labour is putting pressure on the ability of companies to meet the market demand for their products and services, while also putting upward pressure on wages and driving wage growth.

Visitors from outside of the local market have historically comprised a significant portion of CN Tower visitors.

Foreign exchange rates may impact the number of international tourists that Canada, local markets and the Company's attractions can draw. The rate on August 1, 2023, was US$1.00 = $1.33, which was down slightly from the rate three months ago, but higher than the rate at same time last year (US$1.00 = $1.28). There seems to be a consensus from analysts that the Canadian dollar exchange rate with the US dollar will increase slightly in 2023 and average between $1.32 and $1.38, and then decrease in 2024.

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 travellers. 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.

OPM historically draws more than 80% of its customers from its local market. MSC draws significantly from schools. To continue to draw visitors, OPMC needs to continue to invest in its current attractions and exhibits at OPM and MSC, and to partner with various organizations while developing new exhibits and attractions to refresh its offerings to visitors.

The Company continues to constantly review all aspects of its attractions operations, including its business plans and health and safety procedures and protocols. The Company continually updates its business resumption plans to adapt to new government and health authorities’ measures, in many cases exceeding the minimum requirements, to ensure the safety of its employees, guests, suppliers and contractors.

CYBERSECURITY RISKS

Cybersecurity is a key risk that needs to be actively managed by businesses in Canada and around the world. Cyberattacks, and the criminals who perpetrate them, are continually evolving the sophistication of how they target and who they target. The risk of cyberattacks, particularly state-sponsored attacks, have remained elevated as a result of conflict in Europe. It is critical that businesses protect against financial fraud, the loss of sensitive data and the disruption of business operations, and ensure the protection, safety and security of their guests. A successful attack against the Company’s critical network infrastructure and supporting system, or on that of the Company’s key suppliers, 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, along with creating physical safety risks. 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 has increased cybersecurity risks facing businesses. In addition to the mitigation efforts mentioned above, the Company has increased its communications to employees and the frequency of its cybersecurity training to employees, and re-emphasized Company procedures and their importance. The Company has also taken the opportunity to accelerate some of its key cybersecurity projects contained in its multi-year road map, where possible.

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 2023 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 +/-1.0% would not be significant to the Company’s earnings or cash flow.

One of the Company's credit facilities matures in March 2024. The inability of the Company to renew or replace the credit facility could pose significant liquidity risk to the Company. Management is actively mitigating this risk by actively sourcing sufficient credit facilities.

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.

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 by 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 June 30, 2023, the balance of rent and other receivables was $45.8 (March 31, 2023 – $57.2), which have been substantially collected as they have become due.

The Company continuously monitors 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 $63.2 due from third-party joint venture partners. In February 2020, the Company and its partners signed agreements that 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.

CLIMATE CHANGE

The current and future impacts of climate change present both risks and opportunities. Climate change and the risks associated with it are complicated and often interconnected. Although assessing the economic impacts of climate change is a complex undertaking, with considerable uncertainties surrounding the magnitude of future events and the financial value of those impacts, it is critical to evaluate.

The failure of the Company to effectively assess and manage climate-related risks, in the short term or long term, could have a material impact on the Company.

As a result, the Company is taking a number of actions to actively manage climate change within its attractions, in its real estate projects and corporately. The Company will continue to actively manage climate risk and take the appropriate steps to manage risks and take actions on opportunities, whether from a capital or operating perspective. See the "Task Force on Climate-related Financial Disclosures" section in this report for further information.

ENVIRONMENTAL LITIGATION AND REGULATORY 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 noncompliance 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

Sufficient staffing levels, particularly at the Company's attractions, is key to the Company's operations. Should the Company be unable to attract or retain sufficient staff to meet market demand, this may impact financial results and pose financial and reputational risk. The Company mitigates these risks through a variety of recruitment and retention strategies.

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.

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.

Environmental, social and governance ("ESG"), and being a good corporate citizen, is an emerging risk and something many stakeholders are expecting enhanced and improved reporting on. The failure to adopt an ESG program that is integrated into long-term plans and business operations and that is focused on material ESG factors management and performance monitoring, may result in the inability to meet the Company's stakeholders' expectations. To mitigate these risks, the Company is taking a number of actions, which includes engaging third-party consultants to assist the Company in improving its ESG strategy and program.

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. The Company mitigates these risks through its purchasing and procurement strategies, regular project and product costing reviews, and strategic capital investment decisions.

Inflation, particularly the higher input costs in the Company's real estate and attractions, could have a significant impact on project pro formas and product costing if these higher costs become entrenched.

Major suppliers, particularly those that are key to supporting significant elements of the operations, are crucial to running the business. Without those suppliers, operations could be disrupted, posting a variety of significant risks. The Company manages this risk by continuously engaging with these suppliers, ensuring sufficient, appropriate contracting terms in agreements and enforcing those terms, and proactive procurement planning to guarantee continuity of quality service.

Other key risks, including litigation, communications and public relations, 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 is 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 13 and 14 of the consolidated financial statements for the period ended June 30, 2023.

RELATED PARTIES

CLCL 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:

PERIOD ENDED JUNE 30	2023	2022
Real estate land sales	$ -	$ -
Rental, leasing and other revenues	0.3	0.2
Dividend paid to shareholder	10.0	10.0

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

AS AT	JUNE 30, 2023	MARCH 31, 2023
Net trade receivable and other from federal agencies and departments	$ 3.4	$ 2.9
Notes payable	300.8	299.5

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Company is a formal supporter of the Task Force on Climate-related Financial Disclosures ("TCFD"). In 2022, the Company began adopting the TCFD framework as part of its corporate reporting and planning processes, aligned with the Federal Budget 2021 requirement. In addition, the Company strives to support the Government of Canada's transition to net-zero carbon and climate-resilient operations by identifying areas of alignment with the Greening Government Strategy, a set of government-approved commitments that apply to all core government departments and agencies as part of the federal government's commitment to reducing absolute scope 1 and scope 2 greenhouse gas (GHG) emissions by 40% by 2025 and by at least 90% below 2005 levels by 2050.

As global GHG emissions continue to rise, the Company recognizes there will be increased physical risks posed to it, society and the communities in which the Company operates. The Company also understands that there are opportunities to mitigate the worst impacts of climate change by acting today. This includes taking action to reduce the Company's GHG emissions, planning and establishing targets, and enhancing the climate resiliency of its operations across divisions while contributing to the transition to a low-carbon economy.

In 2022, the Company began assessing and developing its environmental, social and governance (ESG) program, which includes adopting and implementing the TCFD recommendations. As part of its review of material ESG topics, decarbonization, energy management and climate resilience were identified as strategic priorities for the Company and are critical to formalizing its approach to responding to the TCFD recommendations. Key developments of 2022 are described below:

Governance:
As part of the ESG program development and implementation, CLCL is introducing an ESG governance structure in the coming months.

Strategy:
The Company recognizes that its failure to effectively assess and manage climate-related risks, in the short and long term, could have a material impact on the Company. In addition, the Company recognizes the larger opportunity to act as a leader in embodying the federal government's commitments and actions to mitigate the impacts of climate change and accelerate communities towards a low-carbon economy.

As a foundational part of TCFD implementation in FY2022/23, the Company completed a current state assessment to identify strengths, opportunities and gaps in its response to the TCFD recommendations and benchmark against leading peers. The initial work identified that, not surprisingly, while the Company is in the early stages of responding to the TCFD recommendations, select business units within the Company had already been actively exploring and addressing climate-related risks and opportunities. These existing efforts will be leveraged as the Company develops its climate strategy.

An essential component of this journey is the climate risk scenario analysis, which the Company is undertaking currently. This analysis will be used to help assess and evaluate climate-related risks and opportunities and potential impacts on the Company under multiple possible future states, including a 2°C or lower scenario. The exercise will focus on three scenarios:

PARIS ALIGNED	This scenario assumes Canada achieves net-zero emissions by 2050 and its target to reduce GHG emissions 40% below 2005 levels by 2030. Global commitments to decarbonization and mitigation of climate impacts are accelerated and global average temperature increase is limited to 1.5°C by 2100.
INSUFFICIENT GLOBAL ACTION	This scenario assumes Canada achieves net-zero emissions by 2060 and reduces GHG emissions 30% below 2005 levels by 2030. Beginning in 2020, countries act according to their pledges under the Paris Agreement, but efforts are not enough to limit warming to 2°C above pre-industrial levels by 2100. As a result, global average temperature increase is between 2.5°C and 2.9°C by 2100.
CLIMATE CRISIS	This scenario assumes Canada does not achieve its GHG emission reduction commitments and there are limited or no additional constraints on countries globally, aside from policies already in place. As a result, global average temperature increase is greater than 4°C by 2100.

Through climate scenario analysis, the Company will explore and evaluate potential physical risks and related climate hazards from climate change under each scenario across its divisions. In addition, the Company will be evaluating opportunities towards transitioning towards a low-carbon economy and potential roles for the Company in contributing towards the federal government's 2030 Emissions Reduction Plan and long-term net-zero commitment. Going forward, the Company plans to use insights from the climate scenario analysis to further define climate-related risks and opportunities for the Company

in the near and long term, integrating findings into its strategic planning processes and Enterprise Risk Management program.

Risk Management:

Climate change management is identified as a key standalone risk for the Company. This recognizes the potential failure of the Company to effectively manage and mitigate the impacts brought by rising stakeholder and disclosure expectations and changes in global temperatures, precipitation, extreme weather and other impacts of climate change on the Company's operations. Given its potential impact and significant implications on the Company, both in the short and long term, the Company recognized it as a key risk. More granular risks from climate hazards will be further analyzed through the planned scenario analysis, and recommendations and priority actions over managing these risks will be identified as part of the TCFD road map in progress.

Metrics and Targets:

The Company is preparing its inaugural company-wide GHG emissions inventory, prioritizing scope 1 and scope 2 emissions based on the GHG Protocol Corporate Standard. The goal of this assessment is to understand the Company's GHG emission footprint across Attractions, Real Estate and Corporate Shared Services, and to identify key sources of emissions across the organization. Findings will be used to support the Company's exploration of options to reduce GHG emissions and to evaluate potential GHG emission reduction target(s).

In addition, in early 2023, the Company is extending its assessment of emissions across its value chain, completing a screening-level assessment of scope 3 emissions. Scope 3 emissions include emissions from procurement of goods and services, capital goods, business travel, employee commuting and other sources across the Company. The scope 3 screening-level assessment, which will help the Company understand material sources of scope 3 emissions across the Company's value chain, is a first step towards quantifying scope 3 emissions, considering guidance from the federal government's Greening Government Strategy. Findings from the screening-level assessment will also be used to prioritize emission reduction of scope 3 emissions in the future.

Over the next year, the Company plans to finalize its inaugural company-wide GHG emissions inventory, develop targets to address corporate scope 1 and scope 2 emissions and develop a decarbonization plan to achieve those targets. The Company will also explore and evaluate opportunities to reduce scope 3 emissions across its value chain.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING PRONOUNCEMENTS

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

I. Disclosure of Accounting Policies

In February 2021, the IASB issued Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*. The amendments to IAS 1 require that an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments to IFRS *Practice Statement 2* provide guidance on how to apply the concept of materiality to an accounting policy disclosure.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

II. Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

III. Deferred Tax related to Assets and Liabilities arising from a single transaction

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

These amendments did not have a material impact on the consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

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, 2024 and must be applied retrospectively. Earlier application is permitted.

The company is evaluating the impact of these amendments on the 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.

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 that 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.

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 21.

III. USEFUL LIVES AND SIGNIFICANT COMPONENTS

The useful lives and residual values of the Company's property, plant and equipment 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 the 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 cash generating units ("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 a "CGUs") 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

The Company has a land bank of approximately 440 hectares (1,087 acres) at June 30, 2023.

The Company is pursuing with government departments and agencies further acquisitions of 1,818 hectares (4,492 acres). As many of the properties and portfolios potentially available for acquisition are substantial in size, the 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, Dartmouth, Montréal, Toronto, Ottawa, Winnipeg, 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 $703.1 for the five years ending March 31, 2028 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 to the Government of Canada.

DECLARATION

We, Stéphan Déry, President and Chief Executive Officer, and Matthew Tapscott, Executive 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 June 30, 2023.

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:

Stéphan Déry
President and Chief Executive Officer
Toronto, Canada
August 23, 2023

Original signed by:

Matthew Tapscott
Executive 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 that 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 June 30, 2023 and March 31, 2023 and its financial performance and cash flows for the periods ended June 30, 2023 and 2022.

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:

Stéphan Déry
President and Chief Executive Officer
Toronto, Canada
August 23, 2023

Original signed by:

Matthew Tapscott
Executive Vice President, Finance and
Chief Financial Officer

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30

EXPRESSED IN THOUSANDS OF CANADIAN DOLLAR	NOTE	2023	2022
REVENUES			
Real estate sales		$ 12,655	$ 144
Attractions, food, beverage and other hospitality		32,767	25,622
Rental operations		11,986	12,411
Interest and other		4,624	1,862
		62,032	40,039
EXPENSES			
Real estate development costs		9,298	119
Attractions, food, beverage and other hospitality costs		20,073	17,733
Rental operating costs		11,627	9,233
General and administrative		7,588	6,191
Impairment, pre-acquisition costs and write-offs	4,6	2,785	1,080
Interest and other		1,124	766
	15	52,495	35,122
INCOME BEFORE INCOME TAXES		$ 9,537	$ 4,917
Deferred income tax recovery	18	(35)	(852)
Current income tax expense	18	3,986	2,244
		3,951	1,392
NET INCOME AND COMPREHENSIVE INCOME		$ 5,586	$ 3,525

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

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	June 30, 2023	March 31, 2023
ASSETS			
Non-Current			
Investment properties	5	$ 28,091	$ 28,494
Inventories	6	363,860	375,516
Property, plant & equipment	4	158,714	161,339
Trade receivables and other	10	18,179	17,445
Long-term receivables	7	61,045	60,776
Deferred taxes	18	69,166	69,073
		699,055	712,643
Current			
Inventories	6	79,661	69,496
Cash and cash equivalents	8	244,226	245,518
Short-term investments	9	4,500	-
Trade receivables and other	10	40,849	49,398
Current portion of long-term receivables	7	3,158	3,158
Current income tax recoverable and other tax assets		690	630
		373,084	368,200
		$ 1,072,139	$ 1,080,843

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS	NOTE	June 30, 2023	March 31, 2023
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Notes payable	12	$ 280,003	$ 278,695
Deferred revenue		5,871	6,366
Trade and other payables	13	1,320	1,305
Provisions	14	1,243	1,294
Prepaid rent, deposits and others		1,727	1,727
		290,164	289,387
Current			
Credit facilities	11	56,400	52,700
Current portion of notes payable	12	20,776	20,776
Trade and other payables	13	34,330	42,747
Provisions	14	33,356	34,328
Deferred revenue		1,995	1,603
Income taxes payable		10,176	9,803
Prepaid rent, deposits and others		6,633	6,776
		163,666	168,733
Shareholder's Equity			
Contributed surplus	16	181,170	181,170
Retained earnings	16	437,139	441,553
		618,309	622,723
		$ 1,072,139	$ 1,080,843

Commitments and Contingencies	13, 14
Leases	17

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

On behalf of the Board

Original signed by:

Kaye Melliship

Chair of the Board of Directors

Original signed by:

Margaret MacDonald

Chair of the Audit and Risk Committee

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

For the Period ended June 30

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS		CONTRIBUTED SURPLUS		RETAINED EARNINGS		TOTAL SHAREHOLDER'S EQUITY
Beginning balance, April 1, 2022	$	181,170	$	461,858	$	643,028
Change during the year						
Dividend paid				(10,000)		(10,000)
Net loss for the year		-		(10,305)		(10,305)
Ending balance, March 31, 2023	$	181,170	$	441,553	$	622,723
Change during the period						
Dividend paid				(10,000)		(10,000)
Net income for the period		-		5,586		5,586
Ending balance, June 30, 2023	**$**	**181,170**	**$**	**437,139**	**$**	**618,309**

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

Canada Lands Company
Société immobilière du Canada

CANADA LANDS COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30

EXPRESSED IN THOUSANDS OF CANADIAN DOLLAR	NOTE	2023	2022
OPERATING ACTIVITIES			
Net Income		$ 5,586	$ 3,525
Loss on disposal of property, plant & equipment		168	-
Interest expense		1,111	765
Interest paid		(923)	(232)
Interest income		(3,654)	(1,125)
Income tax paid		(3,733)	(6,259)
Recovery of costs on sales of real estate		9,298	119
Expenditures on real estate properties		(8,107)	(8,255)
Impairment, pre-acquisition costs and write-offs		2,785	1,080
Provisions		(1,024)	(105)
Income tax expense		3,951	1,392
Depreciation		3,083	3,403
		8,541	(5,692)
Net change in non-cash working capital and other	19	699	298
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		$ 9,240	$ (5,394)
FINANCING ACTIVITIES			
Dividend paid		(10,000)	(10,000)
Proceeds from credit facilities		3,700	2,800
Repayment of lease liabilities		(160)	(161)
CASH USED IN FINANCING ACTIVITIES		$ (6,460)	$ (7,361)
INVESTING ACTIVITIES			
Interest received		3,135	700
Expenditures on investment properties		(126)	(100)
Expenditures on property, plant & equipment		(2,581)	(1,593)
Short-term investments		(4,500)	-
CASH USED IN INVESTING ACTIVITIES		$ (4,072)	$ (993)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,292)	(13,748)
Cash and cash equivalents, beginning of period		245,518	234,522
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 244,226	$ 220,774
Supplemental cash flows information	19		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2023

Expressed in thousands of Canadian dollars

1. AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited ("CLCL") 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 Old Port of Montreal Corporation Inc. ("OPMC"), collectively referred to as the CLCL subsidiaries.

CLCL conducts its real estate business operations through CLC and PDP's development lands, two of its wholly owned subsidiaries. CLCL's mission is to ensure innovative and commercially sound redevelopment and reintegration of surplus Government of Canada ("Government") properties into local communities while developing, retaining and managing certain real estate assets and uniquely Canadian attractions. 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 the Old Port of Montréal ("OPM").

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 CLCL's legal obligations and to report on the implementation of this directive in CLCL's next corporate plan. As at March 31, 2016, CLCL had fully implemented the requirements of the directive and has remained in compliance with the directive since that date.

The registered office of CLCL and the CLCL Subsidiaries (collectively, the "Company") is 1 University Avenue, Suite 1700, Toronto, Ontario, Canada.

The consolidated financial statements were approved by the Board of Directors of CLCL on August 23, 2023.

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 investee.

When necessary, adjustments are made to investees 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 properties classified as property, plant and equipment ("PPE") 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 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 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 interim 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 interim 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 interim 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.

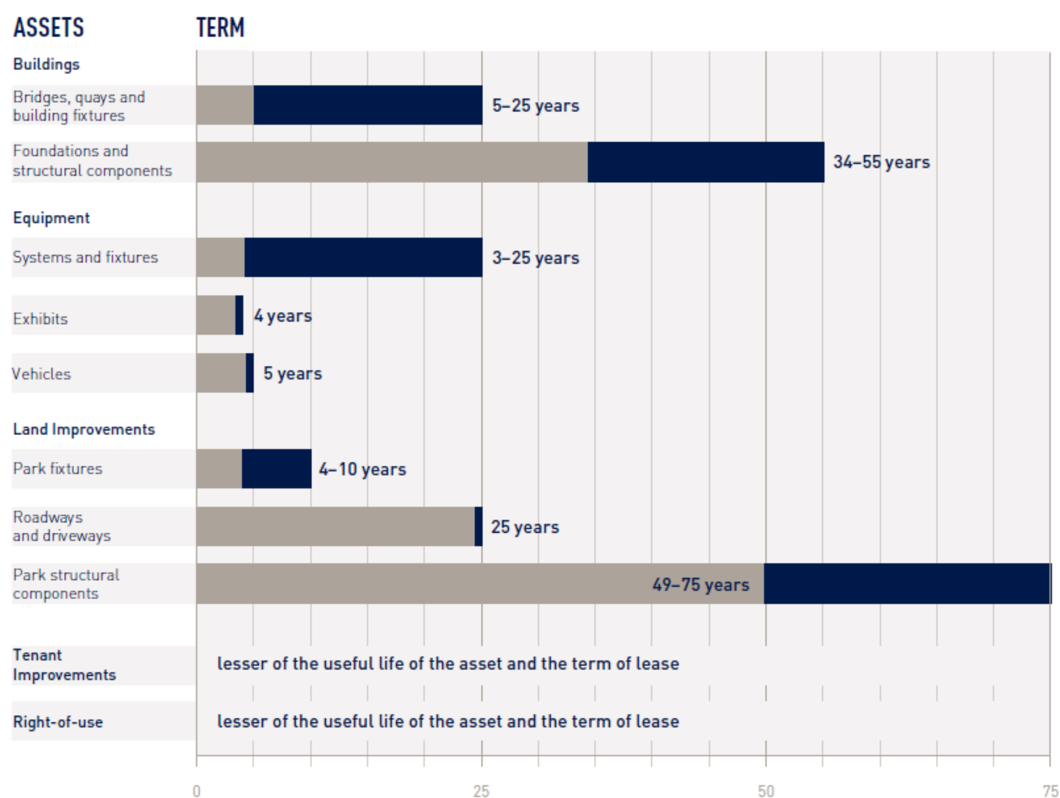
The Company has lease obligations for various equipment and office space. The leases vary in length and range for periods of one year up to five years. The lease contracts contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and a corresponding lease liability 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 become ready for its intended use. Borrowing costs are capitalized while acquisition, construction or production is actively underway.

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.

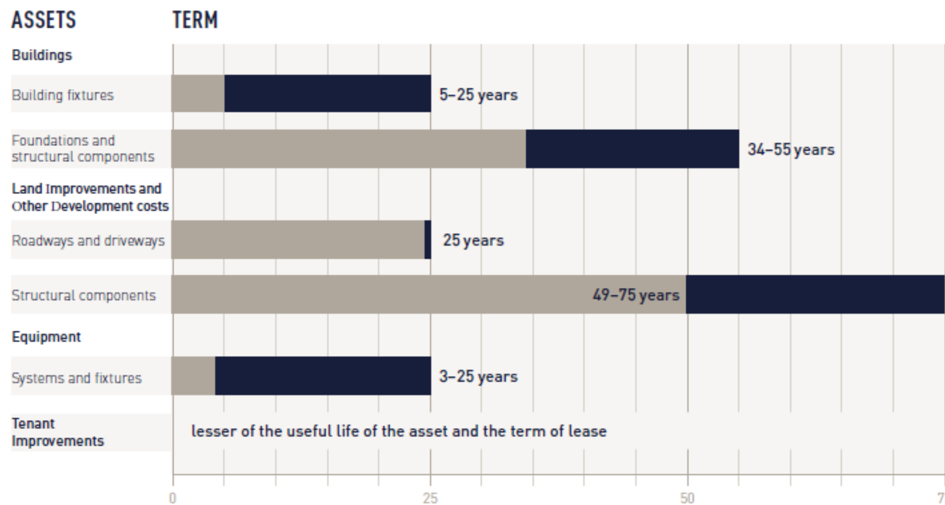
The Company holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the Company for administrative purposes. When a significant portion is owner-occupied, the Company classifies the property as PPE.

II. Investment properties

Investment properties are properties held by the Company for the primary 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 PPE (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 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 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 2.D)III)) during the year. 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 where active development has not yet commenced. 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.

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 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 requires 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 a 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 the 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 AND SHORT-TERM INVESTMENTS

Cash and cash equivalents and short-term investments may include cash and short-term, highly liquid investments such as money market funds and term deposits. Cash and cash equivalents have original maturities at the date of purchase of three months or less and are redeemable at any time. Short-term investments have original maturities at the date of purchase of greater than three months and are redeemable within the next 12 months.

J) INCOME TAXES

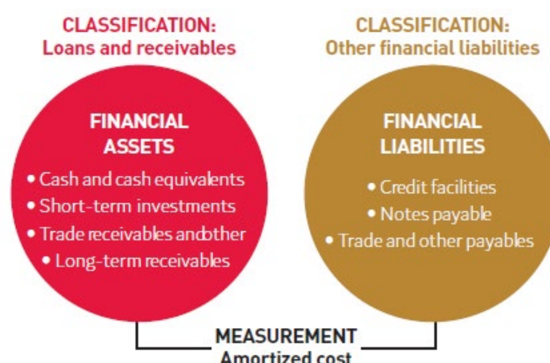
Income taxes comprises current and deferred taxes. Income taxes is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity.

Current tax is the expected taxes payable or receivable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable or receivable 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 pretax 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 remediate 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 assessed to determine the nature and extent of the possible contamination and an action plan is developed to comply with remediation requirements, where required.

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 the potential obligations.

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 18).

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

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 year. Actual results could differ

significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

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 that 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.

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 21.

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 PPE 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 cost 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 PPE, 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 a 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 AND FUTURE ACCOUNTING PRONOUNCEMENTS

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

I. Disclosure of Accounting Policies

In February 2021, the IASB issued Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*. The amendments to IAS 1 require that an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments to IFRS *Practice Statement 2* provide guidance on how to apply the concept of materiality to an accounting policy disclosure.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

II. Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

III. Deferred Tax related to Assets and Liabilities arising from a single transaction

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

These amendments did not have a material impact on the consolidated financial statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

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, 2024 and must be applied retrospectively. Earlier application is permitted.

The company is evaluating the impact of these amendments on the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

The Company's PPE consist mainly of the CN Tower, Downsview Park, the MSC and the OPMC quays.

The Company has $47.7 million (March 31, 2023 – $47.8 million) of fully depreciated PPE still in use.

The gross carrying amount of PPE assets at June 30, 2023 includes $26.9 million (March 31, 2023 – $30.0 million) of PPE 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, 2022	$ 28,242	$ 170,733	$ 46,897	$ 29,808	$ 2,404	$ 4,496	$ 415	$ 282,995
Additions	452	21,036	4,827	527	-	-	214	27,056
Disposals	-	(176)	(1,144)	-		-	-	(1,320)
Balance, March 31, 2023	$ 28,694	$ 191,593	$ 50,580	$ 30,335	$ 2,404	$ 4,496	$ 629	$ 308,731
Additions	-	1,682	345	459	-	-	95	2,581
Disposals	-	(306)	(565)	-	-	-	(45)	(916)
Balance, June 30, 2023	**$ 28,694**	**$ 192,969**	**$ 50,360**	**$ 30,794**	**$ 2,404**	**$ 4,496**	**$ 679**	**$ 310,396**

Depreciation and impairment

	Land	Building	Equipment	Land Improvements	Leasehold Improvements	Building (Right-of use)	Equipment (Right-of-use)	Total
Balance, March 31, 2022	$ -	$ 84,556	$ 36,517	$ 6,405	$ 1,068	$ 2,176	$ 368	$ 131,090
Depreciation	-	7,043	2,234	1,269	273	585	10	11,414
Disposals	-	(176)	(1,144)	-	-	-	-	(1,320)
Impairment	-	1,364	4,635	-	-	-	209	6,208
Balance, March 31, 2023	$ -	$ 92,787	$ 42,242	$ 7,674	$ 1,341	$ 2,761	$ 587	$ 147,392
Depreciation	-	1,498	476	364	68	143	5	2,554
Disposals	-	(306)	(397)	-	-	-	(45)	(748)
Impairment	-	1,323	1,088	-	-	-	73	2,484
Balance, June 30, 2023	**$ -**	**$ 95,302**	**$ 43,409**	**$ 8,038**	**$ 1,409**	**$ 2,904**	**$ 620**	**$ 151,682**
Carrying amounts								
At March 31, 2023	$ 28,694	$ 98,806	$ 8,338	$ 22,661	$ 1,063	$ 1,735	$ 42	$ 161,339
At June 30, 2023	**$ 28,694**	**$ 97,667**	**$ 6,951**	**$ 22,756**	**$ 995**	**$ 1,592**	**$ 59**	**$ 158,714**

The Company assessed the carrying amount of its PPE at June 30, 2023 to determine whether an impairment loss or a reversal should be recorded.

The impairment is assessed at the CGU level and the impairment loss is calculated as the amount equal to the excess of the carrying amount over the recoverable amount. During the period, OPMC recognized a $2.5 million impairment loss (March 31, 2023 – $6.2 million).

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 Allan 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.

The amount of borrowing costs capitalized during the period was immaterial.

5. INVESTMENT PROPERTIES

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

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

For the period ended June 30	2023	2022
Rental income	$ 3,174	$ 3,329
Direct operating expenses from investment property that generated rental income during the period	1,886	1,890
Direct operating expenses from investment property that did not generate rental income during the period	-	2

Cost or deemed cost

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2022	$ 5,413	$ 17,200	$ 10,199	$ 18,202	$ 3,067	$ 54,081
Additions	-	702	252	460	41	1,455
Disposals	-	-	(271)	-	(1,098)	(1,369)
Balance, March 31, 2023	$ 5,413	$ 17,902	$ 10,180	$ 18,662	$ 2,010	$ 54,167
Additions	-	96	7	-	23	126
Disposals	-	-	-	-	-	-
Balance, June 30, 2023	**$ 5,413**	**$ 17,998**	**$ 10,187**	**$ 18,662**	**$ 2,033**	**$ 54,293**

Depreciation and impairment

	Land	Building	Tenant Improvements	Land Improvements and Other Development Costs	Equipment	Total
Balance, March 31, 2022	$ -	$ 10,606	$ 6,389	$ 4,845	$ 2,809	$ 24,649
Depreciation	-	969	624	565	39	2,197
Disposals	-	-	(98)	-	(1,075)	(1,173)
Balance, March 31, 2023	$ -	$ 11,575	$ 6,915	$ 5,410	$ 1,773	$ 25,673
Depreciation	-	247	131	143	8	529
Disposals	-	-	-	-	-	-
Balance, June 30, 2023	**$ -**	**$ 11,822**	**$ 7,046**	**$ 5,553**	**$ 1,781**	**$ 26,202**
Carrying amounts						
At March 31, 2023	$ 5,413	$ 6,327	$ 3,265	$ 13,252	$ 237	$ 28,494
At June 30, 2023	**$ 5,413**	**$ 6,176**	**$ 3,141**	**$ 13,109**	**$ 252**	**$ 28,091**

During the period, there were no reversals of previously recognized impairment loss for investment properties (March 31, 2023 – $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	CARRYING AMOUNT		FAIR VALUE	
June 30, 2023	**$ 28,091**	**$ -**	**$ -**	**$ 137,230**
March 31, 2023	$ 28,494	$ -	$ -	$ 137,230

The fair value of the investment properties was estimated at March 31, 2023 using a combination of internal valuation techniques and external consultants. All material investment properties have been valued by independent valuators. The external consultants are accredited independent valuators with recognized and relevant professional qualifications 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:

	June 30, 2023		March 31, 2023	
Property held for future development	$	110,073	$	110,167
Property under development		333,448		334,845
Properties held for sale		-		-
Total Property Inventories	$	443,521	$	445,012
Current	$	79,661	$	69,496
Non-current		363,860		375,516
Total Property Inventories	$	443,521	$	445,012

During the period, there was no write-down recorded against inventories (March 31, 2023 – $nil). There were no reversals of write-downs during the period ended June 30, 2023 (March 31, 2023 – $nil).

7. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

	June 30, 2023		March 31, 2023	
Receivables from partners (a)	$	63,218	$	62,984
Other long-term receivables (b)		985		950
	$	64,203	$	63,934

(a) The long-term receivables from partners represent the partners' proportionate share of the notes payable, which are payable to the Company. The Company is obligated for the full amounts of the notes payable for the Jericho Lands and Heather Street Lands properties (collectively, the Vancouver Lands) and the 299 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, 2023 – $65.3 million), which have been discounted using a weighted average market interest rate of 2.88% (March 31, 2023 – 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 arrangement agreements (see note 22).

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

	June 30, 2023	March 31, 2023
Current	$ 3,158	$ 3,158
Non-current	61,045	60,776
	$ 64,203	$ 63,934

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 YEAR)		
	2024	$ 3,158
	2025	7,687
	2026	16,871
	2027	1,072
	2028	3,809
Subsequent years		33,742
Subtotal		66,339
Less: amounts representing imputed interest		2,136
		$ 64,203

8. CASH AND CASH EQUIVALENTS

The Company has $6.6 million (March 31, 2023 – $6.5 million) in cash and cash equivalents that are restricted for use as part of the MSC's long-term plan.

The Company has no term deposit as at June 30, 2023 (March 31, 2023 – $7.0 million).

9. SHORT-TERM INVESTMENTS

The Company has $4.5 million short-term investment as at June 30, 2023 (March 31, 2023 – $nil), at an interest rate of 5.15% maturing on May 31, 2025, The short-term investment is restricted for use as part of the MSC's long-term plan.

10. TRADE RECEIVABLES AND OTHER

Trade receivables and other consist of the following:

	June 30, 2023	March 31, 2023
Prepaids and others	$ 13,243	$ 9,659
Rents and other receivables (a)	45,785	57,184
Total	$ 59,028	$ 66,843
Current	$ 40,849	$ 49,398
Non-current	18,179	17,445
	$ 59,028	$ 66,843

11. CREDIT FACILITIES

	June 30, 2023	March 31, 2023
$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)	$ 56,400	$ 52,700
$100 million, senior, unsecured revolving credit facility, bearing interest at 45 basis points (b)	-	-
Total	$ 56,400	$ 52,700
Current	$ 56,400	$ 52,700
Non-current	-	-
	$ 56,400	$ 52,700

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

The Company has used credit facilities to secure outstanding letters of credit of $7.1 million (March 31, 2023 – $7.1 million). The remaining unused credit facility is $36.5 million at June 30, 2023 (March 31, 2023 – $40.2 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 $19.4 million (March 31, 2023 – $19.5 million). The remaining unused credit facility is $80.6 million (March 31, 2023 – $80.5 million).

The borrowing authority is reviewed in conjunction with the corporate planning process and requires annual approval by the Minister of Finance (note 24).

12. 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 (2023 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 2.77% (March 31, 2023 – 2.77%).

During the period, the interest capitalized was $0.5 million (June 30, 2022 – $0.5 million) and the interest expensed was $0.8 million (June 30, 2022 – $0.8 million). Based on the past and anticipated timing of property cash flows, principal repayments are estimated to be as follows:

YEARS ENDING MARCH 31 (REMAINDER OF YEAR)	2024	$	20,776
	2025		43,878
	2026		24,000
	2027		59,047
	2028		11,024
Subsequent years			153,883
Subtotal			312,608
Less: amounts representing imputed interest			11,829
		$	300,779
Current		$	20,776
Non-current			280,003
		$	300,779

Included in the $300.8 million in 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		
	Repayment	Additions	Accretion	Total
Notes payable balance, April 1, 2022	$ -	$ -	$ -	$ 271,565
Interest capitalized	-	-	2,309	2,309
Interest expensed	-	-	2,827	2,827
Additions (note 20)	-	22,770	-	22,770
Notes payable balance, March 31, 2023	-	-	-	$ 299,471
Interest capitalized	-	-	475	475
Interest expensed	-	-	833	833
Notes payable balance, June 30, 2023				**$ 300,779**

13. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	June 30, 2023		March 31, 2023	
Trade Payables	$	33,706	$	42,020
Leases payable (note 2F)I))		1,944		2,032
Total	$	35,650	$	44,052
Current	$	34,330	$	42,747
Non-current		1,320		1,305
	$	35,650	$	44,052

CAPITAL AND OPERATING COMMITMENTS

I. Commitments related to properties for land servicing requirements and other development costs at June 30, 2023 totalled $68.2 million (March 31, 2023 – $69.4 million).

II. Capital commitments for PPE at June 30, 2023 totalled $6.4 million (March 31, 2023 – $6.3 million).

14. PROVISIONS AND CONTINGENT LIABILITIES

	COST TO COMPLETE (a)		PILT (b)		ENVIRONMENTAL (c)		OTHERS		TOTAL
Balance, March 31, 2023	$	5,938	$	25,383	$	4,137	$	164	$	35,622
Provisions added during the period		1		-		-		-		1
Provisions applied during the period		(1,024)		-		-		-		(1,024)
Provisions reversed during the period		-		-		-		-		-
Balance, June 30, 2023	$	4,915	$	25,383	$	4,137	$	164	$	34,599
Current									$	33,356
Non-current										1,243
									$	34,599

(a) Land servicing cost obligations related to sold properties are in the amount of $4.9 million. The costs are estimated to be spent over five years with the majority to be incurred within the next 12 months. 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 $25.4 million (March 31, 2023 – $25.4 million) are being contested by the Company. In July 2021, the Federal Court released its decision with respect to the City of Montréal's applications for judicial review. The Company appealed the Federal Court's decision. On June 5, 2023, the Company's appeal was dismissed. The Company is currently assessing the impact of the Federal Court Appeal's decision and considering next steps.

(c) Environmental decommissioning obligations of $4.1 million (March 31, 2023 – $4.1 million) related to real estate projects.

CONTINGENCIES

As at June 30, 2023, 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.

15. 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 the Period Ended June 30	2023	2022
Cost of inventory, raw material and consumables used	$ 7,645	$ 93
Payroll and benefits	15,022	12,020
Food and beverage costs	4,468	3,407
Property taxes including PILT	3,391	3,525
Leasing expenses	3,272	2,762
Depreciation	3,083	3,402
Impairment	2,484	617
Professional fees	2,320	960
Utilities	2,126	1,749
Building costs	1,903	1,660
Attraction costs	1,651	1,153
Marketing and public relations	1,308	951
Interest	1,184	809
IT costs	732	546
Office	677	436
Commissions	158	-
Other	1,071	1,032
	$ 52,495	$ 35,122

16. 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 (the "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 His Majesty the King 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.

17. LEASES

LEASES AS LESSEE

Non-cancellable lease rentals are payable as follows:

	June 30, 2023		March 31, 2023	
Less than 1 year	$	774	$	732
Between 1 and 5 years		1,516		1,513
More than 5 years		-		-
Total	$	2,290	$	2,245

The Company has lease obligations for various equipment and office space (note 4). The leases run for periods between one and five years.

LEASES AS LESSOR

The Company leases out its investment properties, certain inventories and PPE 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 below.

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

	June 30, 2023		March 31, 2023	
Less than 1 year	$	16,056	$	15,377
Between 1 and 5 years		27,764		29,762
More than 5 years		48,413		44,190
Total	$	92,233	$	89,329

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 $0.2 million of rental revenue during the period (June 30, 2022 – $0.3 million). The individual leases are renewed monthly.

During the period, there has been $0.5 million recognized (June 30, 2022 – $0.4 million) in the Consolidated Statement of Comprehensive Income in rental operating revenue with respect to variable lease payments.

18. INCOME TAXES

JUNE 30		2023		2022
Income Tax Expense				
Deferred tax expense (recovery)	$	(34)	$	(852)
Current income tax expense		3,986		2,244
Total Tax Expense		3,952		1,392
Reconciliation of effective tax rate				
Profit excluding tax		9,540		4,917
Domestic tax rate		26.5%		27.4%
Tax expense using the domestic tax rate	$	2,491	$	1,345
Non-deductible expenses		18		10
Temporary differences		(16)		(221)
Benefit not recognized		1,258		-
Other adjustments		201		258
Total Tax Expense	$	3,952	$	1,392

Management continues to determine that it is not probable that the deferred tax assets of OPMC will be utilized in the foreseeable future. Therefore, the deferred tax balance has been reduced by the benefit not recognized.

The gross temporary differences for which no deferred tax asset is reported is $168.0 million (March 31, 2022 – $nil). Included in this amount is $93.1million related to unused tax losses that will start to expire in 2033.

19. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

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

FOR THE PERIOD ENDED JUNE 30 INCREASE (DECREASE) IN		2023		2022
Trade receivables and other	$	8,335	$	5,080
Long-term receivables		(269)		(297)
Trade and other payables		(7,319)		(6,474)
Provisions		1		0
Notes payable		197		465
Deferred revenue		(103)		30
Prepaid rent, deposits and others		(143)		1,494
Total	$	699	$	298

There were non-cash increases in notes payable (see note 12), which have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

20. RELATED PARTY TRANSACTIONS AND BALANCES

CLCL 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 Company did not acquire any real estate property from related parties (June 30, 2022 – $nil).

Notes payable to the Government are non-interest bearing (note 12) 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 payment on its notes payable to related parties during the period (June 30, 2022 – $nil).

II. The Company has $3.4 million in receivables from federal departments and agencies (March 31, 2023 – $2.9 million).

III. The Company has entered into various agreements with a federal department regarding the potential redevelopment of three properties in Ottawa (collectively the “Collaboration Properties”) that the federal department currently owns. As part of the agreements, the Company is funding certain costs for the Collaboration Properties that are recoverable from the federal department under certain circumstances. The Company has recorded these costs of $4.7 million (March 31, 2023 – $4.4 million) in Trade Receivables and Other assets on the Consolidated Statement of Financial Position.

Significant transactions with related parties are as follows:

I. During the period, the Company paid a dividend of $10.0 million (June 30, 2022 – $10.0 million) to its shareholder, the Government.

II. During the period, the Company did not make any real estate land sale to related parties (June 30, 2022 – $nil).

III. During the period, the Company received various rental and other revenues from federal departments and agencies in the amount of $0.3 million (June 30, 2022 – $0.2 million), mainly from leases with the Department of National Defence and Public Services and Procurement Canada.

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

For the Period Ended June 30	2023	2022
Short-term benefits (1)	$ 1,161	$ 836
Post-employment benefits (2)	63	47
	$ 1,224	$ 883

(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.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, short-term investments, 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 non-current 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 June 30, 2023		LEVEL 1	LEVEL 2	LEVEL 3
Classification	Carrying Amount		Fair Value	
Financial Assets				
Long-term receivables	$ 64,203	$ -	$ 54,997	$ -
Financial Liabilities				
Notes payable	300,779	-	256,203	-
Credit facilities	56,400	-	56,400	-

As at March 31, 2023		LEVEL 1	LEVEL 2	LEVEL 3
Classification	Carrying Amount		Fair Value	
Financial Assets				
Long-term receivables	$ 63,934	$ -	$ 55,809	$ -
Financial Liabilities				
Notes payable	299,471	-	261,132	-
Credit facilities	52,700	-	52,700	-

22. 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:

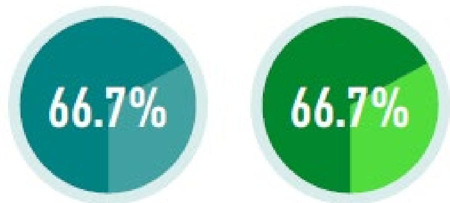
OWNERSHIP INTEREST
CLC BOSA
CALGARY, AB | LAND DEVELOPMENT

2023 JUNE 30	2023 MARCH 31

In May 2013, the Company entered into a land development agreement for a portion of CLC's Currie project in Calgary that is jointly controlled with a third party named Embassy Bosa Inc. 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
299 CARLING AVENUE
OTTAWA, ON | LAND DEVELOPMENT

2023 JUNE 30	2023 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. 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

2023 JUNE 30 | 2023 MARCH 31

HEATHER STREET LANDS

2023 JUNE 30 | 2023 MARCH 31

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

The 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 Lands' joint arrangement 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 arrangement 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 June 30, 2023, and the results of operations and cash flows from April 1, 2023 to June 30, 2023:

	Jericho		Heather Street		Bosa		299 Carling Avenue		Total	
As at	**June 30, 2023**	March 31, 2023	**June 30, 2023**	March 31, 2023	**June 30, 2023**	March 31, 2023	**June 30, 2023**	March 31, 2023	**June 30, 2023**	March 31, 2023
Assets	**$ 92,749**	$ 92,423	**$ 26,207**	$ 25,668	**$ 18,647**	$ 18,167	**$ 7,626**	$ 7,521	**$ 145,229**	$ 143,779
Liabilities*	**113,357**	112,695	**28,166**	27,744	**-**	-	**1,950**	1,947	**143,473**	142,386

For the Period ended June 30	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Revenues	**270**	274	**339**	320	**-**	-	**18**	5	**627**	599
Expenses	**386**	278	**614**	666	**-**	-	**26**	9	**1,026**	953
Net loss	**(116)**	(4)	**(275)**	(346)	**-**	-	**(8)**	(4)	**(399)**	(354)
Cash flow provided by (used in) operating activities	**(367)**	(279)	**(993)**	(560)	**(472)**	(377)	**(109)**	60	**(1,941)**	(1,156)

* 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 partners' 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 arrangement agreements. For project costs incurred after March 31, 2020, repayment of the partners' share will occur monthly.

For 299 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 June 30, 2023 totalled $2.9 million (March 31, 2023 – $2.7 million) and are included in the commitments related to properties in note 13.

23. 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 JUNE 30, 2023		Within 12 months		Thereafter		Total
Credit facilities (note 11)	$	56,400	$	-	$	56,400
Notes payable (note 12)		20,776		291,832		312,608
Trade and other payables (note 13)		34,330		1,320		35,650
	$	111,506	$	293,152	$	404,658

AS AT MARCH 31, 2023		Due by March 31, 2024		Thereafter		Total
Credit facilities (note 11)	$	52,700	$	-	$	52,700
Notes payable (note 12)		20,776		291,832		312,608
Trade and other payables (note 13)		42,747		1,305		44,052
	$	116,223	$	293,137	$	409,360

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 12).

The Company has borrowing authorities from the Minister of Finance of $200 million (March 31, 2023 – $200 million). CLC's borrowing authority of $100 million expires on March 31, 2024. PDP's borrowing authority of $100 million expires on March 31, 2024. 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 $117.1 million was unused at June 30, 2023 (March 31, 2023 – $120.7 million). CLC's credit facility does not have a maturity date, whereas the PDP credit facility matures on March 31, 2024.

Accounts payable are primarily due within 90 days. The repayment terms for credit facilities and notes payable are disclosed in notes 11 and 12, 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 period. 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 +/-1% 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 fair values of the partners' project assets are significantly higher than the amount of the long-term receivables at June 30, 2023 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, short-term investments, and cash and cash equivalents.

The Company's receivables of $45.8 million (March 31, 2023 – $57.2 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.

The Company's long-term receivables of $64.2 million (March 31, 2023 – $63.9 million) are comprised of $63.2 million (March 31, 2023 – $63.0 million) of receivables from partners and $1.0 million (March 31, 2023 – $0.9 million) of long-term receivables from a sale of real estate property in a prior year. 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 and cash equivalents and short-term investments, including deposits of $244.2 million (March 31, 2023 – $245.5 million), are 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.

24. CAPITAL MANAGEMENT

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

	June 30, 2023	March 31, 2023
Shareholder's equity	$ 618,309	$ 622,723
Credit facilities	56,400	52,700
Notes payable	300,779	299,471
Cash and cash equivalents	244,226	245,518
Short-term investments	4,500	-
Total	$ 1,224,214	$ 1,220,412

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) one promissory note for which the issuer can demand payment of $5.0 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 be approved by the Treasury Board.

In order to meet its objective, the Company invests the majority of its 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, term deposits and money market funds. All these instruments are held with major financial institutions rated AA by a recognized credit agency.

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. The Company's principal sources of capital are 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. These capital resources are used to pay operating expenses and dividends, and to 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 cash and cash equivalents on hand, 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.

25. 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 $0.4 million for the period ended June 30, 2023 (June 30, 2022– $0.3 million).