



Condensed Consolidated Interim Financial Statements

**CANLAN ICE SPORTS CORP.**

For period ended September 30, 2020

(Unaudited)

***Notice of no auditor review of condensed consolidated interim financial statements***

*The accompanying condensed consolidated interim financial statements of the Company, as at and for the period ended September 30, 2020 have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.*

# CANLAN ICE SPORTS CORP.

Condensed Consolidated Statements of Financial Positions  
(Expressed in thousands)

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 9,384	\$ 16,528
Accounts receivable	2,218	2,933
Note receivable (note 5)	-	69
Inventory	851	870
Prepaid and other expenses	1,335	1,962
Assets held-for-sale (note 8)	6,061	6,406
	19,849	28,768
Non-current assets:		
Property, plant and equipment – facilities (note 6)	101,198	105,209
Interest rate swap (note 15)	-	591
Note receivable (note 5)	-	2,423
Deferred tax assets (note 14)	4,700	3,139
Other assets	1,040	1,033
	106,938	112,395
	\$ 126,787	\$ 141,163
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,107	\$ 11,578
Deferred revenue and customer deposits	6,704	12,199
Interest rate swap (note 15)	579	-
Current portion of:		
Lease liabilities (note 7)	1,212	1,239
Debt (note 9)	4,188	3,864
	20,790	28,880
Non-current liabilities:		
Lease liabilities (note 7)	5,725	6,064
Debt (note 9)	52,204	54,407
Deferred tax liabilities (note 14)	3,374	3,428
	61,303	63,899
Total liabilities	82,093	92,779
Shareholders' equity:		
Share capital (note 10)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	3,392	2,270
Deficit	(22,350)	(17,538)
	44,694	48,384
	\$ 126,787	\$ 141,163

Nature of operations (note 1)

Commitments and contingencies (note 13)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board:

/s/ Victor D'Souza

Director

/s/ Joey St-Aubin

Director

# CANLAN ICE SPORTS CORP.

Condensed Consolidated Statements of Earnings and Comprehensive Income and Loss  
(Unaudited)

(Expressed in thousands, except for share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue - ice rink and recreational facilities (note 18)	\$ 9,365	\$ 18,600	\$ 31,015	\$ 64,384
Other income - government subsidy (note 1)	2,242	-	3,625	-
Total revenue and other income	11,607	18,600	34,640	64,384
Expenses (note 20):				
Ice rink and recreational facilities				
Salaries, wages and benefits	5,276	7,856	15,219	24,748
Selling and customer service	1,810	3,118	5,549	9,896
Utilities	1,094	1,709	3,028	5,090
Cost of goods sold	9	1,031	1,133	4,047
Repairs and maintenance	1,055	2,104	3,033	4,886
Property tax	757	916	2,582	2,839
	10,001	16,734	30,544	51,506
Earnings from ice rink and recreational facilities before the undernoted	1,606	1,866	4,096	12,878
General and administration expenses (notes 12 and 20)	1,344	1,183	3,958	4,134
Earnings before the undernoted	262	683	138	8,744
Other expenses (income) (note 20):				
Depreciation	1,919	1,942	5,990	5,966
Gain on sale of assets (notes 6 and 8)	(2,126)	(1,201)	(2,244)	(1,601)
Foreign exchange (gain) loss	10	(12)	(63)	30
	(197)	729	3,683	4,395
Finance income (costs):				
Finance income	41	64	186	230
Finance costs	(612)	(747)	(1,962)	(2,173)
Gain (loss) on interest rate swap (note 15a)	14	26	(1,170)	(680)
	(557)	(657)	(2,946)	(2,623)
Earnings (loss) before income taxes	(98)	(703)	(6,491)	1,726
Income tax expense (recovery) (note 14)				
Current	-	(377)	(64)	268
Deferred	(57)	(79)	(1,615)	(200)
	(57)	(456)	(1,679)	68
Net earnings (loss)	(41)	(247)	(4,812)	1,658
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation differences	(753)	422	1,122	(787)
Total comprehensive income (loss)	(794)	175	(3,690)	871
Basic and fully diluted earnings (loss) per share	\$ (0.003)	\$ (0.02)	\$ (0.36)	\$ 0.12
Weighted average common shares issued for basic and diluted earnings per share calculations	13,337,448	13,337,448	13,337,448	13,337,448

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# CANLAN ICE SPORTS CORP.

Condensed Consolidated Statements of Changes in Equity  
(Unaudited)

(Expressed in thousands)

	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance at January 1, 2019	\$ 63,109	\$ 543	\$ 3,775	\$ (18,586)	\$ 48,841
Net earnings	-	-	-	1,658	1,658
Other comprehensive loss	-	-	(787)	-	(787)
Dividends to common shareholders	-	-	-	(1,034)	(1,034)
Balance at September 30, 2019	\$ 63,109	\$ 543	\$ 2,988	\$ (17,962)	\$ 48,678
Net earnings	-	-	-	790	790
Other comprehensive loss	-	-	(718)	-	(718)
Dividends to common shareholders	-	-	-	(366)	(366)
Balance at December 31, 2019	\$ 63,109	\$ 543	\$ 2,270	\$ (17,538)	\$ 48,384
Net loss	-	-	-	(4,812)	(4,812)
Other comprehensive income	-	-	1,122	-	1,122
Balance at September 30, 2020	\$ 63,109	\$ 543	\$ 3,392	\$ (22,350)	\$ 44,694

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# CANLAN ICE SPORTS CORP.

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

(Expressed in thousands)

For the nine months ended September 30

	2020	2019
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ (4,812)	\$ 1,658
Adjustments for:		
Depreciation	5,990	5,966
Gain on sale of assets	(2,244)	(1,601)
Net finance costs	2,946	2,623
Deferred income taxes	(1,615)	(200)
Foreign exchange loss (gain)	329	(120)
Net change in non-cash working capital (note 19)	(7,039)	(3,755)
Interest paid	(2,008)	(2,111)
Interest received	186	230
	<u>(8,267)</u>	<u>2,690</u>
Financing:		
Principal repayments of debt	(1,834)	(2,678)
Increase in principal of debt	-	11,000
Increase in principal of obligations under lease liabilities	686	-
Principal repayments on obligations under lease liabilities	(1,052)	(1,234)
Payment of dividends on common shares	(367)	(1,000)
	<u>(2,567)</u>	<u>6,088</u>
Investments:		
Net proceeds on sale of assets	2,632	8,656
Increase in loan receivable on sale of assets (note 5)	-	(2,589)
Principal payments received on note receivable (note 5)	2,497	6
Purchase of ice rink property (note 6)	-	(13,302)
Expenditures on ice rink and recreational facilities	(1,027)	(6,089)
Expenditures on other assets	(213)	(504)
	<u>3,889</u>	<u>(13,822)</u>
Effect of changes in foreign currency rates on cash and cash equivalents	(199)	(120)
Decrease in cash and cash equivalents	(7,144)	(5,164)
Cash and cash equivalents, beginning of year	16,528	19,845
Cash and cash equivalents, end of period	<u>\$ 9,384</u>	<u>\$ 14,681</u>

Supplemental cash flow information (note 19)

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

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## 1. Nature of operations:

Canlan Ice Sports Corp. and its subsidiaries (collectively referred to as the “Company”) focus on the development, lease, acquisition and operation of multi-purpose recreation and entertainment facilities in North America. Canlan Ice Sports Corp. is a company incorporated in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The Company’s head office is located at 6501 Sprott Street, Burnaby, British Columbia, Canada.

### *COVID-19*

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and the Company had to temporarily suspend facility operations at the end of business day March 13, 2020. Since that date, the Company has been managing the business impact of facility closures. During the week of June 15, 2020, the Company resumed facility operations on a limited capacity basis. As at the date of issuance of these interim financial statements, approximately 50% of the Company’s sport surfaces have been made available for rental and in-house programs, and facilities are operating in accordance with local health and safety regulations. Restaurant and retail operations remain closed at the present time.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. Currently, Provincial and State governments may impose health and safety regulations that can contract or expand our operating capacity at any time. The financial impact could include the inability to obtain debt and equity financing, impairments in the value of our facilities, or potential future decreases in revenue or the profitability of our ongoing operations. However, the Company has established measures to preserve liquidity and to strengthen the Company’s resilience in managing the effects of a reduction in business activity. Measures taken to date include a reduction of labour and other operating costs, payment deferrals of trade accounts payables arranged with suppliers and lessors where possible, application for government subsidies, and collaboration with the Company’s banks to establish temporary revisions of credit terms (notes 9 and 16). The pace of recovery following the pandemic cannot be accurately predicted at this time but management will continue to adjust policies and procedures as appropriate to plan for and execute a return to full operations in accordance with government regulations.

## 2. Basis of preparation:

### (a) Statement of compliance:

The condensed consolidated interim financial statements of the Company were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”), Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The consolidated financial statements were authorized for issue by the Board of Directors on November 12, 2020.

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

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(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for interest rate swaps, which are measured at fair value.

(c) Basis of presentation:

The notes presented in these interim financial statements include only significant changes and transactions that have occurred since the last fiscal year end.

(d) Functional and presentation currency:

The Company's presentation currency is the Canadian dollar. The functional currency of the Company's Canadian entities is the Canadian dollar and for the United States (U.S.) subsidiaries is the U.S. dollar. Accordingly, the financial statements of the Company's U.S. subsidiaries have been translated into Canadian dollars as follows:

- i) Asset and liability amounts are translated at the exchange rate at the end of each reporting period;
- ii) Amounts included in the determination of earnings are translated at the respective monthly average exchange rates; and
- iii) Any gains or losses from the translation of amounts determined in (i) and (ii) above are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, which is a separate component of shareholders' equity.

Transactions in currencies other than the Company's functional currency, and not related to the Company's U.S. subsidiaries, are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the retranslation are recognized in net earnings.

(e) Use of estimates and judgments:

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty are the areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are:

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
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- *Accounts receivable* - in determining the valuation of accounts receivable and the allowance for doubtful accounts, the Company relies on current customer information, payment history, and trends.
- *Employee benefits* - the Company's long-term incentive program provides cash compensation to officers and directors based upon the future equity value of the Company as calculated by a specified formula. Compensation expense is recognized based upon the best estimate of the undiscounted amount that is expected to be paid pro-rated over the life of the vesting term.
- *Revenue recognition* - revenue from recreational facility operations is recognized as the Company's performance obligations are satisfied. Deferred revenue relates to amounts received in advance for the Company's sports leagues, programs, and rentals; revenue is recognized over time as games and lessons occur, and as ice or field times are used. A certain amount of judgment is required in the determination of revenue recognition based on the Company's estimates. Any differences are recognized upon completion of the season.
- *Deferred income tax* - deferred income tax assets and liabilities are calculated by assessing temporary differences resulting from differing treatment of items for tax and accounting purposes and net operating losses carried forward. The valuation of deferred tax assets are measured based on management's estimates of future taxable income and expected timing of reversals of temporary differences.

Critical judgments that have a higher degree of judgment and the most significant effect on the Company's financial reporting, apart from those involving estimates (discussed above), include:

- *Recoverability of property, plant, and equipment* - the recoverability of the Company's recreational properties is based on future discounted cash flows expected to be generated from such assets. These cash flows are based on management's approved budgets and projections. When appropriate, third-party appraisals will also be used to assess the recoverability of recreational properties. Due to the COVID-19 pandemic that curtailed business activity of the Company's recreation properties, management has reviewed the recoverability of property, plant, and equipment, and has concluded that there has been no impairment in the recoverability of the properties at September 30, 2020.
- *Useful lives of property, plant, and equipment* - property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life. Approximately 80% of the Company's total assets are comprised of recreational properties. The method of depreciation and length of the depreciation period could have a material impact on depreciation expense and the net book value of the Company's assets. Assets may become obsolete or require replacement before the end of their estimated useful lives, in which case any remaining unamortized costs would be written off.

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Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

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### 3. Significant accounting policies:

These condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the December 31, 2019 consolidated financial statements except for the following:

Government grant:

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. The grant is recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related wages expenses for which the grant is intended to compensate.

### 4. Restricted cash

Cash and cash equivalents include \$500,000 (2019 – \$880,000) of restricted cash representing funds held in trust in accordance with the terms of a lease agreement with a third party. These funds are maintained as operating reserves and the balance will change as reserve requirements are adjusted.

### 5. Note receivable:

On August 20, 2019, the Company completed the sale of a recreation facility in Fort Wayne, Indiana for proceeds of US\$5,950,000, which included a combination of cash and a promissory note of US\$1,950,000. The note receivable was amortized over 20 years, was to mature on August 20, 2024, bore interest at 5.97% per annum payable monthly, and was categorized as Level 2 within the fair value hierarchy (note 15). At issuance, the note receivable was measured at its fair value of \$2,589,000 (US\$1,950,000) at 5.97%. After receiving principal payments of \$29,000 during the period ended September 10, 2020, the receivable balance on this note of \$2,515,000 (US\$1,911,000) was discounted by the Company to \$2,468,000 (US\$1,875,000). The discounted amount was then fully repaid on September 10, 2020 by the debtor and security on the note was discharged.

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Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

## 6. Property, plant and equipment:

September 30, 2020	Cost	Accumulated amortization	Net book value
Land	\$ 16,541	\$ -	\$ 16,541
Buildings and building improvements	122,842	63,359	59,483
Leasehold improvements	2,501	1,613	888
Rink board systems	4,825	2,939	1,886
Refrigeration equipment	22,192	9,846	12,346
Machinery and equipment	18,738	11,491	7,247
Computers, furniture and fixtures	10,590	9,444	1,146
Ice resurfacing equipment	6,560	4,967	1,593
Work in progress	68	-	68
	<b>\$ 204,857</b>	<b>\$ 103,659</b>	<b>\$ 101,198</b>

December 31, 2019	Cost	Accumulated amortization	Net book value
Land	\$ 16,429	\$ -	\$ 16,429
Buildings and building improvements	115,733	53,675	62,058
Leasehold improvements	2,486	1,457	1,029
Rink board systems	4,811	2,790	2,021
Refrigeration equipment	21,873	9,228	12,645
Machinery and equipment	17,968	10,526	7,442
Computers, furniture and fixtures	10,618	8,987	1,631
Ice resurfacing equipment	6,173	4,778	1,395
Work in process	559	-	559
	<b>\$ 196,650</b>	<b>\$ 91,441</b>	<b>\$ 105,209</b>

Property, plant and equipment comprise owned and leased assets as follows:

	September 30, 2020
Property, plant and equipment owned	\$ 94,642
Right-of-use property, plant and equipment leased (note 7)	6,556
	<b>\$ 101,198</b>

On March 19, 2019, the Company completed the purchase of an ice rink facility in Chicago, Illinois for \$13,302,000 (US\$10,000,000). The purchase was financed with a combination of cash reserves and a capital expenditure credit facility.

During the nine months ended September 30, 2020, the Company recorded a gain on sale of equipment of \$121,000 and a gain on sale of a parcel of vacant land of \$2,123,000. The land was included in assets held-for-sale (note 8). The total gain of \$2,244,000 was recognized in the statement of earnings and comprehensive income and loss.

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

## 7. Right-of-use assets:

- (a) The Company has the following right-of-use assets which are included in property, plant and equipment on the balance sheet (see note 6):

	Equipment	Building and building improvements	Total
December 31, 2019	\$ 3,077	\$ 4,548	\$ 7,625
Additions	686	-	686
Depreciation	(316)	(454)	(770)
Buyout of assets	(985)	-	(985)
September 30, 2020	\$ 2,462	\$ 4,094	\$ 6,556

- (b) Right-of-use assets are financed with the following leases payable:

	September 30, 2020
Maturity analysis – contractual undiscounted cash flows	
Less than one year	\$ 1,608
One to five years	3,693
More than five years	5,680
<b>Total undiscounted lease liabilities</b>	<b>\$ 10,981</b>
Lease liabilities included in the statements of financial position:	
Current	\$ 1,212
Non-current	5,725
	<b>\$ 6,937</b>

During the period ended September 30, 2020, interest expense related to lease liabilities was \$315,000. Total lease expense related to leases of low-value items were \$94,000 during the period ended September 30, 2020.

## 8. Assets held-for-sale:

	Cost	Accumulated amortization	Carrying amount
December 31, 2019	\$ 14,792	\$ 8,386	\$ 6,406
Reclassified to property, plant and equipment - facilities	(93)	(58)	(35)
Assets sold	(310)	-	(310)
September 30, 2020	\$ 14,389	\$ 8,328	\$ 6,061

As at September 30, 2020 and December 31, 2019, assets held-for-sale consist of a recreation property that are expected to be sold within twelve months. The Company's assets held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell and are categorized as Level 2 within the fair value hierarchy.

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
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(Tabular amounts expressed in thousands, except share and per share amounts)

On July 3, 2020, the Company completed the sale of a parcel of vacant land that was included in assets held-for-sale to a third party. Net proceeds of disposition was \$2,434,000 with an accounting gain of \$2,123,000 recognized in the statement of earnings and comprehensive income and loss.

No impairment loss was recognized on the initial classifications as held-for-sale.

## 9. Debt:

	Maturity dates	Interest rates	September 30, 2020	December 31, 2019
Fixed rate	2023	3.52%	\$ 30,232	\$ 31,246
Variable rate	2023	Prime + 0.50%	17,988	8,286
	2023	Prime + 0.50%	2,267	12,552
	2023	CDOR + 2.10%	6,232	6,469
			56,719	58,553
Deferred financing costs			(327)	(282)
			56,392	58,271
Current portion			4,188	3,864
Non-current portion			\$ 52,204	\$ 54,407

As at September 30, 2020, debt consisted of five credit facilities, four of which have been drawn, as follows:

- \$38,500,000 loan amortized over 15 years, maturing on May 25, 2023, interest at BA rate plus 2.10% per annum payable monthly. The Company entered into an interest rate swap contract (note 15a), maturing on May 25, 2023, to fix the interest rate at 3.52% per annum payable monthly. At September 30, 2020, the balance outstanding was \$30,232,000. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remained unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of the Company's business operations (note 1);
- \$20,000,000 loan (with \$10,000,000 of this amount revolving) amortized over 15 years, maturing on May 25, 2023, interest at Prime rate plus 0.50% per annum payable monthly. At September 30, 2020, the balance outstanding was \$17,988,000. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remained unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of Company's business operations (note 1);

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Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

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- \$20,000,000 revolving capital expenditure loan amortized over 15 years, maturing on May 25, 2023, interest at Prime rate plus 0.50% per annum payable monthly. At September 30, 2020, the balance outstanding was \$2,267,000. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remains unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of the Company's business operations (note 1). In addition, \$10,000,000 of this revolving credit facility was made available for working capital purposes from April 23, 2020 until December 31, 2020. Amounts drawn on this working capital credit facility will accrue interest at Prime rate plus 0.50% and interest only shall be payable until December 31, 2020. On January 1, 2021, the amount drawn for working capital purposes will be transitioned to term debt and be amortized over 15 years and principal plus interest shall be repayable monthly. In addition, the revolving capital expenditure loan available will revert to \$20,000,000 less amounts drawn for capital expenditures. As at the date of reporting, no amounts have been drawn from this \$10,000,000 working capital credit facility;
- \$7,100,000 loan amortized over 15 years, maturing on September 30, 2023, interest at CDOR plus 2.1% per annum payable monthly. At September 30, 2020, the balance outstanding was \$6,232,000. On March 31, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from April 1, 2020 until June 30, 2020. The credit facility's maturity date of September 30, 2023 remained unchanged. In addition, the Bank provided a waiver on covenant compliance requirements for September 30, 2020 and December 31, 2020. These amendments were initiated in response to the COVID-19 outbreak that resulted in a temporary suspension and continued limitation of the Company's business operations (note 1); and
- \$745,000 demand revolving operating loan, interest at Prime rate plus 0.50% per annum. No amounts have been drawn on this loan to date.

On August 7, 2020, one covenant related to the Company's debt coverage ratio that is measured annually based on the Company's December 31, 2020 consolidated financial results has been waived by the Company's senior lenders in light of the unusual effects that the COVID-19 pandemic is anticipated to have on business operations during the 2020 fiscal year. In its place, a minimum liquidity covenant has been established that is based on the sum of the Company's cash-on-hand plus undrawn working capital credit facilities at each period end. This covenant waiver will be in effect for December 31, 2020 while the new minimum liquidity covenant will be in effect for each quarter end from September 2020 to September 2021.

These credit facilities are secured by first mortgages, demand debentures, general security agreements, general assignments of book debts, assignments of rents and insurance, and specific pledging of title to, and interest in the respective land and buildings.

Amortization of deferred financing costs related to these facilities totaling \$102,000 (2019 - \$62,000) was recorded in finance costs.

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Nine months ended September 30, 2020 and 2019

(Tabular amounts expressed in thousands, except share and per share amounts)

## 10. Share capital:

The common shares of the Company are listed on the Toronto Stock Exchange.

	Number of Shares	Amount
(a) Authorized: 500,000,000 common shares of no par value		
(b) Issued and outstanding: September 30, 2020 and December 31, 2019	13,337,448	\$ 63,109

On November 14, 2019, the Company declared a quarterly dividend of \$0.0275 per share which was paid on January 16, 2020. On March 24, 2020, the Company suspended its quarterly dividend policy to preserve liquidity in response to the COVID-19 pandemic (note 1).

## 11. Long-term incentive plan:

On January 1, 2020, a new long-term incentive plan, (the LTI Plan) commenced and units were granted to eligible directors and employees of the company. This plan replaced the Stock Appreciation Rights Plan (2016) that matured on November 29, 2019.

The LTI Plan granted rights on January 1, 2020 will vest and be exercisable at December 31, 2022. The amount compensated to these unit holders shall be equal to the increase in "enterprise value" per common share of the company from December 31, 2018 to December 31, 2022. The "enterprise value" per common share is calculated based on a formula set out in the LTI Plan.

The table below summarizes the LTI Plan units outstanding at September 30, 2020:

	Number of units	Base enterprise value
Number of units granted, January 1, 2020	1,013,600	\$ 5.17
Exercised	-	
Balance, September 30, 2020	1,013,600	\$ 5.17

During the nine months ended September 30, 2020, no compensation expense with respect to the LTI Plan was recorded (2019 - \$150,000).

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## 12. General and administration expenses:

General and administration expenses consist of the following:

	Nine months ended September 30,	
	2020	2019
Salaries, wages and benefits	\$ 2,907	\$ 2,911
Professional and regulatory fees	476	326
Office	450	444
Travel	33	192
Stock appreciation rights	-	150
Other	92	111
	<u>\$ 3,958</u>	<u>\$ 4,134</u>

## 13. Commitments and contingencies:

- (a) Due to the nature of the sports and recreation business, various lawsuits involving the Company are pending. The financial impact of these lawsuits is not determinable, but management believes, based on legal counsels' opinions, that the outcome will not materially affect the Company's financial position.
- (b) At September 30, 2020, the Company has letters of guarantee outstanding with various vendors in the amount of \$1,005,000 (2019 - \$1,105,000).

## 14. Income taxes:

The tax effects of timing differences that give rise to deferred tax assets and liabilities are presented below:

	September 30, 2020	December 31, 2019
Deferred income tax assets:		
Unused tax losses	\$ 957	\$ 831
Deferred revenue	1,697	-
Properties	1,777	1,970
Financing fees	-	86
Other	269	252
	<u>4,700</u>	<u>3,139</u>
Deferred income tax liability:		
Properties	(3,363)	(3,270)
Financing fees and Other	(11)	(158)
	<u>(3,374)</u>	<u>(3,428)</u>
Net deferred income tax assets (liabilities)	<u>\$ 1,326</u>	<u>\$ (289)</u>

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## 15. Financial instruments:

### (a) Fair value:

The Company has the following financial instruments:

	Accounting classification	Fair value level
Financial assets not measured at fair value:		
Cash and cash equivalents (i)	Amortized cost	2
Accounts and note receivable (i)	Amortized cost	2
Financial assets measured at fair value:		
Interest rate swap (iii)	FVTPL	2
Financial liabilities not measured at fair value:		
Accounts payable and accrued liabilities (i)	Amortized cost	2
Lease liabilities (ii)	Amortized cost	2
Debt	Amortized cost	2

(i) The carrying values of cash and cash equivalents, accounts and note receivable, and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their short-term nature.

(ii) The carrying values of lease liabilities are considered by management to approximate their fair values due to the lease rate at reporting date being consistent with the lease rate at inception date.

(iii) In June 2016, the Company entered into an interest rate swap agreement (seven-year term) to fix the interest rate on a portion of its debt (note 9). The fair value of this derivative instrument has been presented as interest rate swap on the statement of financial position. Changes in fair value of the instrument are recognized in net earnings. For the period ended September 30, 2020, a loss of \$1,170,000 (\$680,000 in 2019) was recognized.

### (b) Financial risk management:

#### (i) Interest rate risk:

The terms of the Company's outstanding debt are described in note 9. As certain of the Company's debt instruments bear interest at floating rates and are not economically hedged by interest rate swaps, fluctuations in these rates will impact the cost of financing incurred in future periods. A change in the base market rates upon which these loans accrue interest by 1% will increase or decrease interest expense by approximately \$265,000 (December 31, 2019 - \$273,000) per annum.

#### (ii) Liquidity risk:

Liquidity risk is the risk from the Company's potential inability to meet its financial obligations. The Company constantly monitors its cash flows and operations to ensure current and long-term obligations can be met. The Company's capital resources are comprised of cash and cash equivalents, cash flow from operating activities, and a revolving working capital credit facility. Cash and cash equivalents is comprised of cash balances and deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less when acquired, that are readily convertible to cash. Due to the seasonality of the business, the Company

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finances a portion of its assets through customer deposits received in advance of the services being provided. At September 30, 2020, the Company has a working capital deficiency of \$941,000 (December 31, 2019 – \$112,000). Throughout the year, the Company has access to a demand revolving operating loan to provide working capital, if necessary. Due to the effects of the COVID-19 pandemic on business operations, management has implemented measures to preserve liquidity (note 1) and continues to collaborate with its senior lenders to adjust credit terms and obtain covenant waivers as appropriate to mitigate the effects that the pandemic may have on cash flow (note 9).

(iii) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts and note receivable. Effective collection management procedures and monitoring of credit risk of amounts receivable are core control procedures of the Company. In addition, a subordinated charge on real property has been obtained as security related to a note receivable from a third party. Appropriate provisions, if required, are recorded for impaired accounts. Historically, the Company has not experienced significant losses related to trade accounts receivable from individual customers. The Company does not face any material concentrations of credit risk. The Company's credit risk on cash and cash equivalents is limited as it maintains its holdings with large highly rated financial institutions.

(iv) Currency risk:

The Company is exposed to currency risk on sales, purchases, and amounts receivable that are denominated in a currency other than the respective functional currency of the Company, the Canadian dollar. The currency in which these transactions primarily are denominated is the U.S. dollar. The Company is exposed to the risk of loss depending on the relative movement of this currency against the Canadian dollar. The Company has not entered into forward contracts to mitigate this risk; however, cash generated from U.S. business activities is used to service working capital needs of U.S. operations.

## 16. Capital risk management:

The Company defines capital that it manages as the sum of cash and cash equivalents, long-term borrowings, and shareholders' equity.

The Company's objectives when managing its capital are:

- (a) To safeguard the Company's ability to continue as a going concern so that it can provide services to its customers and continue to reduce debt;
- (b) To comply with debt covenants;
- (c) To maintain a financial position suitable for supporting the Company's growth strategies and provide an adequate return to shareholders; and
- (d) To return excess cash to shareholders through payment of dividends.

The Company executes a planning and budgeting process to determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. The Company ensures there are sufficient credit facilities to meet its current and future business requirements, taking into account its

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anticipated cash flows from operations and its holding of cash and cash equivalents. The Company is required to comply with covenant criteria established by its lenders. These include tangible net worth and debt coverage ratio measurements. As at September 30, 2020 and December 31, 2019, the Company was in compliance with these covenants.

The Company is not subject to any statutory capital requirements but has adjusted its overall capital management strategy during the nine months ended September 30, 2020 in response to the effects that the COVID-19 pandemic has had on business operations (note 1).

## 17. Related party transactions:

- (a) During the nine months ended September 30, 2020, the Company expensed \$122,000 (2019 - \$169,000) in directors' fees.
- (b) A Director of the Company is the Chairman of the Board of Directors of a vendor from which the Company purchases services in the normal course of business. Purchases from this vendor for the nine months ended September 30, 2020 was \$15,000 (2019 - nil).
- (c) The Company's majority shareholder is Bartrac Investments Ltd. ("Bartrac"). One of the Company's Directors is also a Director of Bartrac. During the nine months ended September 30, 2020 and 2019, there were no related party transactions between the Company and Bartrac.
- (d) The Company's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including Directors and executive officers of the Company. Key management personnel compensation comprised the following:

	Nine months ended September 30,	
	2020	2019
Short-term employee benefits	\$ 1,490	\$ 1,422
Stock appreciation rights	-	150
Post employment benefits	45	50
	<u>\$ 1,535</u>	<u>\$ 1,622</u>

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## 18. Segmented information:

The Company's operations consist of full service ice rink and recreational facilities which constitute a single operating segment.

### (a) Ice rink and recreational facilities revenue:

	Nine months ended September 30,	
	2020	2019
Ice and field sales	\$ 25,979	\$ 51,062
Food and beverage	2,600	9,315
Space rental	1,114	1,170
Sponsorship	619	1,083
Sports store	322	1,106
Management and consulting fees	194	199
Other	187	449
	<u>\$ 31,015</u>	<u>\$ 64,384</u>

There is no single customer who accounts for 10% or more of the Company's revenue.

### (b) Geographic

	Nine months ended September 30, 2020			2019		
	Canada	USA	Total	Canada	USA	Total
Revenue	\$ 26,545	\$ 4,470	\$ 31,015	\$ 55,485	\$ 8,899	\$ 64,384

	September 30, 2020			December 31, 2019		
	Canada	USA	Total	Canada	USA	Total
Non-current assets	\$ 78,712	\$ 28,226	\$ 106,938	\$ 83,903	\$ 28,492	\$ 112,395
Total assets	\$ 93,301	\$ 33,486	\$ 126,787	\$ 101,907	\$ 39,256	\$ 141,163

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## 19. Supplemental cash flow information:

	Nine months ended September 30,	
	2020	2019
(a) Net changes in non-cash working capital:		
Accounts receivable	\$ 715	\$ 641
Inventory	19	137
Prepaid and other expenses	627	(992)
Accounts payable and accrued liabilities	(3,104)	(2,495)
Deferred revenue and customer deposits	(5,495)	(1,166)
Effect of change in foreign currency	199	120
	<u>\$ (7,039)</u>	<u>\$ (3,755)</u>

(b) Non-cash transactions:		
Lease obligations	\$ 686	\$ 291

(c) Changes in liabilities arising from financing activities:

	December 31, 2019	Cash flow changes	Non-cash changes	September 30, 2020
Debt (note 9)	\$ 58,271	\$ (1,834)	\$ (45)	\$ 56,392
Lease liabilities (note 7)	7,303	(366)	-	6,937
Dividends payable	367	(367)	-	-
	<u>\$ 65,941</u>	<u>\$ (2,567)</u>	<u>\$ (45)</u>	<u>\$ 63,329</u>

## 20. Expenses by function:

The Company's consolidated statement of earnings and comprehensive income presents expenses on a mixed basis. IFRS requires a Company to present expenses according to its nature or function. The following information has been provided to disclose the Company's expenses by function:

	Nine months ended September 30,	
	2020	2019
Ice rink and recreational facilities expense	\$ 36,327	\$ 57,373
General and administrative expenses	4,165	4,233
Other income	(2,307)	(1,571)

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation of \$5,990,000 (2019 - \$5,966,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$5,783,000 (2019 - \$5,867,000), and to general and administrative expenses in the amount of \$207,000 (2019 - \$99,000).