



Condensed Consolidated Interim Financial Statements

**CANLAN ICE SPORTS CORP.**

For the period ended September 30, 2021

(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, 2021 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 CPA Canada for a review of interim financial statements by the entity's auditor.*

# CANLAN ICE SPORTS CORP.

Condensed Consolidated Statements of Financial Position  
(Expressed in thousands)

	September 30, 2021 (unaudited)	December 31, 2020 (audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 17,175	\$ 7,480
Accounts receivable	1,095	2,434
Inventory	609	662
Prepaid and other expenses	1,416	894
Assets held-for-sale (note 7)	-	6,053
	20,295	17,523
Non-current assets:		
Property, plant and equipment – facilities (note 5)	99,179	98,771
Deferred tax assets (note 14)	4,422	3,829
Investment (note 8)	350	350
Other assets	866	1,011
	104,817	103,961
	\$ 125,112	\$ 121,484
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,387	\$ 7,683
Deferred revenue and customer deposits	10,950	6,159
Interest rate swap (note 15a)	231	541
Current portion of:		
Lease liabilities (note 6)	1,199	1,198
Debt (note 9)	4,732	4,440
	24,499	20,021
Non-current liabilities:		
Lease liabilities (note 6)	10,301	5,735
Debt (note 9)	50,444	51,728
Deferred tax liabilities (note 14)	1,929	2,292
	62,674	59,755
Total liabilities	87,173	79,776
Shareholders' equity:		
Share capital (note 10)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	1,880	1,957
Deficit	(27,593)	(23,901)
	37,939	41,708
	\$ 125,112	\$ 121,484

Nature of operations (note 1)

Commitments and contingencies (note 13)

Subsequent event (note 9(ii))

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 (Unaudited)

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

	Three months ended September 30, 2021		Nine months ended September 30, 2020	
	2021	2020	2021	2020
<b>Revenue:</b>				
Ice rink and recreational facilities (note 18)	\$ 12,629	\$ 9,365	\$ 21,289	\$ 31,015
Other income - government subsidy (note 21)	1,707	2,242	6,408	3,625
<b>Expenses (note 20):</b>				
Ice rink and recreational facilities				
Salaries, wages and benefits	5,614	5,276	11,837	15,219
Selling and customer service	1,479	1,810	3,433	5,549
Utilities	1,296	1,094	3,015	3,028
Cost of goods sold	256	9	277	1,133
Repairs and maintenance	652	1,055	1,610	3,033
Property tax	710	757	2,213	2,582
	10,007	10,001	22,385	30,544
Earnings from ice rink and recreational facilities before the undernoted	4,329	1,606	5,312	4,096
General and administration expenses (notes 12 and 20)	1,253	1,344	3,966	3,958
Earnings before the undernoted	3,076	262	1,346	138
<b>Other gains (expenses) (note 20):</b>				
Depreciation	(1,980)	(1,919)	(5,838)	(5,990)
Gain on sale of assets (note 7)	1,455	2,126	1,500	2,244
Foreign exchange gain (loss)	3	(10)	21	63
	(522)	197	(4,317)	(3,683)
<b>Finance income (expenses):</b>				
Finance income	6	41	14	186
Finance expense	(739)	(612)	(2,001)	(1,962)
Gain (loss) on interest rate swap (note 15a)	67	14	310	(1,170)
	(666)	(557)	(1,677)	(2,946)
Earnings (loss) before income taxes	1,888	(98)	(4,648)	(6,491)
<b>Income tax expense (recovery) (note 14)</b>				
Current	-	-	-	(64)
Deferred	843	(57)	(956)	(1,615)
	843	(57)	(956)	(1,679)
Net income (loss)	1,045	(41)	(3,692)	(4,812)
<b>Other comprehensive income (loss):</b>				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation differences	735	(753)	(77)	1,122
Total comprehensive income (loss)	1,780	(794)	(3,769)	(3,690)
Basic and fully diluted earnings (loss) per share	\$ 0.08	\$ (0.00)	\$ (0.28)	\$ (0.36)
<b>Weighted average common shares issued for basic and diluted earnings per share calculations</b>				
	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)

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	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
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
Net loss	-	-	-	(1,551)	(1,551)
Other comprehensive loss	-	-	(1,435)	-	(1,435)
Balance at December 31, 2020	\$ 63,109	\$ 543	\$ 1,957	\$ (23,901)	\$ 41,708
Net loss	-	-	-	(3,692)	(3,692)
Other comprehensive loss	-	-	(77)	-	(77)
Balance at September 30, 2021	\$ 63,109	\$ 543	\$ 1,880	\$ (27,593)	\$ 37,939

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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

	2021	2020
Cash provided by (used in):		
Operations:		
Net loss	\$ (3,692)	\$ (4,812)
Adjustments for:		
Depreciation	5,838	5,990
Gain on sale of assets	(1,500)	(2,244)
Net finance expense	1,677	2,946
Deferred income taxes	(956)	(1,615)
Foreign exchange loss (gain)	(80)	329
Net change in non-cash working capital (note 19)	5,361	(7,039)
Interest paid	(1,906)	(2,008)
Interest received	14	186
	4,756	(8,267)
Financing:		
Principal repayments of debt	(3,087)	(1,834)
Increase in principal of debt	2,000	-
Principal repayments on obligations under lease liabilities	(935)	(1,052)
Proceeds from sale and leaseback of equipment	-	686
Payment of dividends on common shares	-	(367)
	(2,022)	(2,567)
Investing:		
Net proceeds on sale of assets	7,224	2,632
Principal payments received on note receivable	-	2,497
Expenditures on ice rink and recreational facilities	(225)	(1,027)
Expenditures on other assets	(41)	(213)
	6,958	3,889
Effect of changes in foreign currency rates on cash and cash equivalents	3	(199)
Increase (decrease) in cash and cash equivalents	9,695	(7,144)
Cash and cash equivalents, beginning of year	7,480	16,528
Cash and cash equivalents, end of period	\$ 17,175	\$ 9,384

Supplemental cash flow information (note 19)

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

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2021 and 2020

(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 temporarily suspended facility operations at the end of business day March 13, 2020. Since that date, the Company has been managing the business impact of temporary facility closures and business interruptions. 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 condensed consolidated financial statements, all of the Company's sport surfaces have been made available for normal operations and facilities are operating in accordance with local health and safety regulations. Food & beverage and retail operations have also resumed operations in all locations beginning in September 2021.

With immunization requirements still varying depending on location, the COVID-19 situation remains dynamic and the ultimate impact on the economy and our business is not certain at this time. Provincial and State governments may impose health and safety regulations that can contract 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 and receipt of government subsidies, and collaboration with the Company's lenders 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 execute a gradual 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, 2020. 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 10, 2021.

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2021 and 2020

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

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(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis with the exception of derivative financial instruments, which are measured at fair value.

(c) Basis of presentation:

The notes presented in these interim financial statements include only 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) Significant judgments, estimates and assumptions:

The preparation of the consolidated 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, and the disclosure of contingent liabilities. Key sources of uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

In the process of applying the Company's accounting policies, management has made judgments, estimates and assumptions. Significant judgments, estimates and assumptions 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. Significant judgments, estimates and assumption that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2021 and 2020

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

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(i) Recoverability of property, plant and equipment - facilities

At each reporting date, the Company performs an assessment for indicators of impairment for each cash-generating unit. If any such indication exists, the Company estimates the cash-generating unit's recoverable amount based on the greater of its value in use and its fair value less costs to sell. When the carrying amount exceeds the recoverable amount, an impairment loss is recognized in an amount equal to the excess. In determining the recoverable amount of the cash-generating units under the value in use method, significant assumptions include estimated revenue and expense growth rates, pre-tax discount rates, and useful lives of property, plant and equipment. In determining the recoverable amount of the cash-generating units under the fair value less costs to sell method, significant assumptions include the capitalization rate and the estimated value per square feet of the recreational property.

(ii) COVID-19

Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Company's business, operations and financial performance both in the short-term and long-term. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to future revenues and profitability, impairment of assets, and liquidity. The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, given the level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Refer to notes 1, 9, 16 and 21 for the effects that the COVID-19 pandemic has had on the Company's business operations.

(iii) Useful lives of property, plant, and equipment

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life and residual values which are determined through exercise of judgment. Approximately 79% 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 expensed.

# 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)

(iv) Deferred income tax

Deferred income tax assets and liabilities require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize or recognize net deferred tax assets, if any, at the reporting date could be impacted.

### 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, 2020 consolidated financial statements.

### 4. Restricted cash

Cash and cash equivalents include \$500,000 (December 31, 2020 – \$500,000) of restricted cash representing funds held in trust in accordance with the terms of a facility lease agreement with a third party. These funds are maintained as operating reserves.

### 5. Property, plant and equipment - facilities:

September 30, 2021	Cost	Accumulated amortization	Net book value
Land	\$ 16,349	\$ -	\$ 16,349
Buildings and building improvements	120,314	60,397	59,917
Leasehold improvements	2,491	1,778	713
Rink board systems	4,802	3,125	1,677
Refrigeration equipment	22,232	10,625	11,607
Machinery and equipment	18,607	12,360	6,247
Computers, furniture and fixtures	11,144	9,836	1,308
Ice resurfacing equipment	6,630	5,311	1,319
Work in progress	42	-	42
\$ 202,611	\$ 103,432	\$ 99,179	

December 31, 2020	Cost	Accumulated amortization	Net book value
Land	\$ 16,346	\$ -	\$ 16,346
Buildings and building improvements	115,381	57,700	57,681
Leasehold improvements	2,528	1,664	864
Rink board systems	4,802	2,981	1,821
Refrigeration equipment	22,230	10,023	12,207
Machinery and equipment	18,776	11,746	7,030
Computers, furniture and fixtures	11,177	9,557	1,620
Ice resurfacing equipment	6,170	4,973	1,197
Work in process	5	-	5
\$ 197,415	\$ 98,644	\$ 98,771	

# 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 April 30, 2021, the Company entered into an agreement to lease a sports complex facility in Libertyville, Illinois commencing on July 1, 2021. The two-year lease agreement contains an option to purchase the facility that will expire on June 30, 2023. Management estimates that it is more likely than not that this option will be exercised prior to expiry. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus a purchase option price and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company recognized a right-of-use asset and right-of-use liability of \$4,936,000 at the lease commencement date (note 6).

This sports complex contains two boarded turf- fields, nine sport courts, a rock-climbing wall, a fully equipped fitness center, concession, and an outdoor baseball diamond.

For the nine months ended September 30, 2021 and 2020, no impairment losses were recognized in property, plant and equipment.

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

	September 30, 2021
Property, plant and equipment owned	\$ 88,371
Right-of-use property, plant and equipment leased (note 6)	10,808
	\$ 99,179

## 6. 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 (note 5):

	Equipment	Building and building improvements	Total
December 31, 2020	\$ 2,658	\$ 3,961	\$ 6,619
Additions	566	4,936	5,502
Depreciation	(323)	(458)	(781)
Purchase options exercised	(532)	-	(532)
September 30, 2021	\$2,369	\$ 8,439	\$10,808

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2021 and 2020

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

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

	September 30, 2021
Maturity analysis – contractual undiscounted cash flows	
Less than one year	\$ 1,705
One to five years	8,362
More than five years	5,382
<b>Total undiscounted lease liabilities</b>	<b>\$ 15,449</b>
Lease liabilities included in the statements of financial position:	
Current	\$ 1,199
Non-current	10,301
	<b>\$ 11,500</b>

During the period ended September 30, 2021, interest expense related to lease liabilities was \$339,000 (2020 - \$315,000). Total lease expense related to leases of low-value items were \$88,000 during the period ended September 30, 2021 (2020 - \$94,000).

## 7. Assets held-for-sale:

	Cost	Accumulated amortization	Carrying amount
December 31, 2020	\$ 14,182	\$ 8,129	\$ 6,053
Assets sold	(14,182)	(8,129)	(6,053)
September 30, 2021	\$ -	\$ -	\$ -

On September 23, 2021, the Company completed the sale of the recreational property in Quebec and realized a gain of \$1,450,000. The recreational property was previously included in assets-held-for sale.

## 8. Investment:

On September 30, 2020, the Company acquired 22.69 shares, representing a 14.25% equity interest in a start-up technology company (investee). This investment is initially accounted for on a cost basis. The investee is a privately held software development company and the shares have an intrinsic value of \$350,000. As consideration for the equity interest, the Company will be providing marketing services to the investee. Accordingly, a current liability of \$350,000 has been included in accounts payable and accrued liabilities.

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2021 and 2020

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

## 9. Debt:

	Maturity dates	Interest rates		September 30, 2021	December 31, 2020
Fixed rate	2023	3.52%	(i) \$	28,023	\$ 29,756
Variable rate	2023	Prime + 0.50%	(ii)	16,754	17,577
	2023	Prime + 0.50%	(iii)	2,107	2,225
	2023	Prime + 1.00%	(iii)	1,982	-
	2023	BA + 2.10%	(iii)	756	796
	2023	CDOR + 2.10%	(iv)	5,759	6,114
				55,381	56,468
Deferred financing costs				(205)	(300)
				55,176	56,168
Current portion				4,732	4,440
Non-current portion				\$ 50,444	\$ 51,728

As at September 30, 2021, debt consists of five credit facilities, four of which have been drawn, as follows:

- (i) \$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, 2021, the balance outstanding was \$28,023,000;
- (ii) \$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, 2021, the balance outstanding was \$16,754,000. On October 13, 2021, the Company repaid \$5,000,000 of the revolving portion of the loan facility;
- (iii) \$20,000,000 revolving capital expenditure loan amortized over 15 years, maturing on May 25, 2023. To strengthen the Company's liquidity position during the pandemic, \$10,000,000 of this revolving credit facility was made available for working capital purposes until December 31, 2021 and the rate of interest accrued on amounts drawn on this working capital credit facility was set at Prime rate plus 1.00% per annum payable monthly. On July 8, 2021, \$2,000,000 was drawn from this \$10,000,000 working capital credit facility. At September 30, 2021, the balance outstanding of the \$20,000,000 credit facility was \$4,845,000. Of this amount, \$756,000 accrues interest at BA rate plus 2.10% per annum payable monthly, \$2,107,000 accrues interest at Prime rate plus 0.50% per annum payable monthly, and \$1,982,000 accrues interest at Prime rate plus 1.00% per annum payable monthly. The revolving capital expenditure loan will revert to \$20,000,000 less amounts drawn for capital expenditures and will be available until May 2023;
- (iv) \$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, 2021, the balance outstanding was \$5,759,000; and
- (v) \$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.

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
 Nine months ended September 30, 2021 and 2020

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

The Company's credit facilities reference financial covenants, some of which have been waived by the Company's senior lenders in light of the effects that the COVID-19 pandemic has had on business operations. The following table summarizes the status of the covenants related to agreements reached between the Company and its senior lenders as at September 30, 2021:

Debt Covenant	Test Frequency	Status as at September 30, 2021
Consolidated debt service coverage ratio	Annually at December 31	Waived by lenders for December 31, 2021.
Consolidated debt to tangible net worth ratio	Quarterly at March 31, June 30, September 30, and December 31	Waived by lender for all quarters ending in fiscal 2021.
Debt service coverage ratio calculated on combined trailing-12-month operating earnings of two facilities operating in United States	Quarterly at March 31, June 30, September 30, and December 31	Waived by lender for quarter ended September 30, 2021. For the quarter ending December 31, 2021, covenant amended such that the debt service coverage ratio shall be calculated for the fiscal quarter ending December 31, 2021 rather than on a trailing-12-month basis.
Minimum liquidity of cash-on-hand combined with available operating credit facilities	Quarterly at March 31, June 30, September 30, and December 31	In compliance at September 30, 2021. Temporary covenant added during fiscal 2020 in light of waivers of other covenants. Covenant to be removed when covenant waivers are removed on December 31, 2021.

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 \$95,000 (2020 - \$102,000) was recorded in finance costs.

## 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, 2021 and December 31, 2020	13,337,448	\$ 63,109

# CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements  
Nine months ended September 30, 2021 and 2020

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

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## 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 that 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.

During the nine months ended September 30, 2021 and 2020, no compensation expense with respect to the LTI Plan was recorded and no liability was included within accounts payable and accrued liabilities at September 30, 2021 and December 31, 2020.

The Company’s Board of Directors are currently reviewing the terms of this incentive plan to determine what changes, if any, may be required in light of the effects that the COVID-19 pandemic has had on the Company’s business.

## 12. General and administration expenses:

General and administration expenses consist of the following:

	Nine months ended September 30,	
	2021	2020
Salaries, wages and benefits	\$ 3,185	\$ 2,907
Professional and regulatory fees	359	476
Office	365	450
Travel	3	33
Other	54	92
	<u>\$ 3,966</u>	<u>\$ 3,958</u>

## 13. Commitments and contingencies:

- 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.
- At September 30, 2021, the Company has letters of guarantee outstanding with various vendors in the amount of \$5,000 (2020 - \$1,005,000).

# CANLAN ICE SPORTS CORP.

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## 14. Income taxes:

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

	September 30, 2021	December 31, 2020
Deferred income tax assets:		
Unused tax losses	\$ 1,257	\$ 1,257
Deferred revenue	1,964	1,532
Properties	947	710
Other	254	330
	4,422	3,829
Deferred income tax liability:		
Properties	(1,822)	(1,744)
Financing fees and Other	(107)	(548)
	(1,929)	(2,292)
<b>Net deferred income tax assets</b>	<b>\$ 2,493</b>	<b>\$ 1,537</b>

## 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 receivable (i)	Amortized cost	2
Financial assets measured at fair value:		
Investment (iv)	FVOCI	3
Financial liabilities measured at fair value:		
Interest rate swap (iii)	Financial liabilities at 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 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.

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- (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, 2021, a gain of \$310,000 (loss of \$1,170,000 in 2020) was recognized.
  - (iv) The carrying value of the investment is considered by management to approximate its fair value as the entity in which the Company has invested is a start-up entity.
- (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 \$274,000 (December 31, 2020 - \$267,000) 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, long-term debt, 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 finances a portion of its assets through customer deposits received in advance of the services being provided. At September 30, 2021, the Company has a working capital deficiency of \$4,204,000 (December 31, 2020 – \$2,498,000). Throughout the period, the Company has access to a demand revolving operating loan to provide working capital, if necessary. Due to the financial effects of the COVID-19 pandemic, management has implemented measures to preserve liquidity (note 1), closely monitor working capital, and continues to collaborate with its senior lenders to mitigate the effects that the pandemic may have on business activity (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.

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(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 anticipated cash flows from operations and its holding of cash and cash equivalents. In addition, the Company has a capital expenditure facility available of \$15,155,000 as at September 30, 2021 (note 9(iii)). 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, 2021 and December 31, 2020, the Company was either in compliance with these covenants or has received covenant waivers from its lenders.

The Company is not subject to any statutory capital requirements but has adjusted its overall capital management strategy during the year ended December 31, 2020 and period ended September 30, 2021 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, 2021, the Company expensed \$141,000 (2020 - \$122,000) in directors' fees.
- (b) A Director of the Company is the Chairman of a vendor from which the Company purchases services in the normal course of business. There were no purchases from this vendor for the nine months ended September 30, 2021 (2020 - \$15,000).
- (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, 2021 and 2020, there were no related party transactions between the Company and Bartrac.

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- (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,	
	2021	2020
Short-term employee benefits	\$ 1,445	\$ 1,490
Post employment benefits	35	45
	<u>\$ 1,480</u>	<u>\$ 1,535</u>

## 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,	
	2021	2020
Ice and field sales	\$ 19,319	\$ 25,979
Food and beverage	316	2,600
Sports store	172	322
Sponsorship	286	619
Space rental	930	1,114
Management and consulting fees	201	194
Other	65	187
	<u>\$ 21,289</u>	<u>\$ 31,015</u>

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

- (b) Geographic

	Nine months ended September 30, 2021			2020		
	Canada	USA	Total	Canada	USA	Total
Revenue	\$ 16,508	\$ 4,781	\$ 21,289	\$ 26,545	\$ 4,470	\$ 31,015

	September 30, 2021			December 31, 2020		
	Canada	USA	Total	Canada	USA	Total
Non-current assets	\$ 74,162	\$ 30,655	\$ 104,817	\$ 77,227	\$ 26,734	\$ 103,961
Total assets	\$ 91,761	\$ 33,351	\$ 125,112	\$ 90,127	\$ 31,357	\$ 121,484

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## 19. Supplemental cash flow information:

	Nine months ended September 30,	
	2021	2020
(a) Net changes in non-cash working capital:		
Accounts receivable	\$ 1,339	\$ 715
Inventory	53	19
Prepaid and other expenses	(522)	627
Accounts payable and accrued liabilities	(297)	(3,104)
Deferred revenue and customer deposits	4,791	(5,495)
Effect of change in foreign currency	(3)	199
	\$ 5,361	\$ (7,039)

(b) Non-cash transactions:		
Lease obligations	\$ 5,502	\$ -
	\$ 5,502	\$ -

### (c) Changes in liabilities arising from financing activities:

	December 31, 2020	Cash flow changes	Non-cash changes	September 30, 2021
Debt (note 9)	\$ 56,168	\$ (1,087)	\$ 95	\$ 55,176
Lease liabilities	6,933	4,567	-	11,500
	\$ 63,101	\$ 3,480	\$ 95	\$ 66,676

## 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,	
	2021	2020
Ice rink and recreational facilities expense	\$ 28,007	\$ 36,327
General and administrative expenses	4,182	4,165
Other income	(1,521)	(2,307)

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation of \$5,838,000 (2020 - \$5,990,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$5,622,000 (2020 - \$5,783,000), and to general and administrative expenses in the amount of \$216,000 (2020 - \$207,000).

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## **21. Government subsidy:**

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS) program and Canada Emergency Rent Subsidy (CERS) program in April 2020. CEWS and CERS provide subsidies on eligible wages, rent and property tax expense based on certain criteria.

The Company determined it was eligible for CEWS and CERS and accordingly applied for and recorded other income of \$6,408,000 for the nine months ended September 30, 2021 (2020 – \$3,625,000), of which \$297,000 was receivable at September 30, 2021 (December 31, 2020 – \$1,902,000).