



Condensed Consolidated Interim Financial Statements

CANLAN ICE SPORTS CORP.

For the period ended September 30, 2023

(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, 2023 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 Interim Statements of Financial Position
(Expressed in thousands)

	September 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,179	\$ 18,532
Accounts receivable	2,735	2,184
Inventory	620	607
Prepaid and other expenses	2,235	1,062
Interest rate swap (note 6(b) and 11(a))	-	411
	18,769	22,796
Non-current assets:		
Property, plant and equipment – facilities (note 4)	94,157	95,523
Deferred tax assets (note 10)	2,833	2,282
Investment	350	350
Other assets	611	556
Interest rate swap (note 6(b) and 11(a))	1,845	206
	99,796	98,917
	\$ 118,565	\$ 121,713
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,784	\$ 9,693
Deferred revenue and customer deposits	13,870	14,081
Current portion of:		
Lease liabilities (note 5)	782	5,515
Debt (note 6(a))	2,009	1,745
	27,445	31,034
Non-current liabilities:		
Lease liabilities (note 5)	4,248	4,816
Debt (note 6(a))	39,445	38,067
Deferred tax liabilities (note 10)	1,657	1,145
	45,350	44,028
Total liabilities	72,795	75,062
Shareholders' equity:		
Share capital (note 7)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	3,586	3,662
Deficit	(21,468)	(20,663)
	45,770	46,651
	\$ 118,565	\$ 121,713

Nature of operations (note 1)

Commitments and contingencies (note 9)

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 Interim Statements of Earnings (Loss) and Comprehensive Income
(Unaudited)

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

	Three months ended September 30, 2023		Nine months ended September 30, 2022	
	2023	2022	2023	2022
Revenue:				
Ice rink and recreational facilities (note 14)	\$ 17,246	\$ 15,564	\$ 61,534	\$ 51,585
Expenses (note 16):				
Ice rink and recreational facilities				
Salaries, wages and benefits	7,619	7,027	23,633	21,244
Selling and customer service	2,630	2,424	7,720	6,457
Utilities	1,586	1,457	4,742	4,063
Cost of goods sold	969	644	3,752	2,410
Repairs and maintenance	4,755	2,480	6,849	4,320
Property tax	771	747	2,157	2,132
	18,330	14,779	48,853	40,626
Earnings (loss) from ice rink and recreational facilities before the undernoted	(1,084)	785	12,681	10,959
General and administration expenses (notes 8 and 16)	2,197	1,644	6,283	5,015
Earnings (loss) before the undernoted	(3,281)	(859)	6,398	5,944
Other gains (expenses) (note 16):				
Depreciation	(1,908)	(2,479)	(5,750)	(6,432)
Gain (loss) on sale of assets	-	(27)	10	79
Gain on early lease termination (note 5)	-	4,530	-	4,530
Foreign exchange gain	6	12	5	13
	(1,902)	2,036	(5,735)	(1,810)
Finance income (expenses):				
Finance income	129	45	442	84
Finance expense	(741)	(674)	(1,972)	(1,887)
Gain on interest rate swaps (note 11(a))	700	34	1,227	541
	88	(595)	(303)	(1,262)
Earnings (loss) before income taxes	(5,095)	582	360	2,872
Income tax expenses (recovery) (note 10)				
Current	(1,089)	-	4	-
Deferred	(154)	218	(39)	634
	(1,243)	218	(35)	634
Net earnings (loss) for the period	(3,852)	364	395	2,238
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation differences	716	1,777	(76)	2,241
Total comprehensive income (loss)	(3,136)	2,141	319	4,479
Basic and fully diluted earnings (loss) per share	\$ (0.29)	\$ 0.03	\$ 0.03	\$ 0.17
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 interim consolidated financial statements.

CANLAN ICE SPORTS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

(Expressed in thousands)

	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance at December 31, 2021	\$ 63,109	\$ 543	\$ 1,757	\$ (24,993)	\$ 40,416
Net earnings	-	-	-	2,238	2,238
Other comprehensive income	-	-	2,241	-	2,241
Balance at September 30, 2022	\$ 63,109	\$ 543	\$ 3,998	\$ (22,755)	\$ 44,895
Net earnings	-	-	-	2,492	2,492
Other comprehensive loss	-	-	(336)	-	(336)
Dividends to common shareholders	-	-	-	(400)	(400)
Balance at December 31, 2022	\$ 63,109	\$ 543	\$ 3,662	\$ (20,663)	\$ 46,651
Net earnings	-	-	-	395	395
Other comprehensive loss	-	-	(76)	-	(76)
Dividends to common shareholders	-	-	-	(1,200)	(1,200)
Balance at September 30, 2023	\$ 63,109	\$ 543	\$ 3,586	\$ (21,468)	\$ 45,770

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

CANLAN ICE SPORTS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

(Expressed in thousands)

For the nine months ended September 30

	2023	2022
Cash provided by (used in):		
Operations:		
Net earnings for the period	\$ 395	\$ 2,238
Adjustments for:		
Depreciation	5,750	6,432
Gain on sale of assets	(10)	(79)
Gain on early lease termination	-	(4,530)
Net finance expense	303	1,262
Deferred income taxes	(39)	634
Foreign exchange gain	(18)	(186)
Reduction on obligations under lease liabilities	-	306
Net change in non-cash working capital (note 15)	(847)	824
Interest paid	(2,143)	(1,794)
Interest received	442	84
	<u>3,833</u>	<u>5,191</u>
Financing:		
Principal repayments of debt	(1,387)	(3,181)
Increase in principal of debt	3,200	-
Principal repayments on obligations under lease liabilities	(728)	(902)
Repayment of lease liability upon exercise of purchase option (note 4)	(4,572)	-
Net proceeds on early lease termination (note 5)	-	4,448
Payment of dividends on common shares	(1,200)	-
	<u>(4,687)</u>	<u>365</u>
Investing:		
Net proceeds on sale of assets	10	270
Expenditures on ice rink and recreational facilities	(4,203)	(2,717)
Expenditures on other assets	(296)	(29)
	<u>(4,489)</u>	<u>(2,476)</u>
Effect of changes in foreign currency rates on cash and cash equivalents	(10)	323
Increase (decrease) in cash and cash equivalents	(5,353)	3,403
Cash and cash equivalents, beginning of year	18,532	12,530
Cash and cash equivalents, end of period	<u>\$ 13,179</u>	<u>\$ 15,933</u>

Supplemental cash flow information (note 15)

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, 2023 and 2022

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

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.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”), Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the notes to the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2022 (“Annual Audited Financial Statements”) which were prepared in accordance with IFRS, since these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2023.

(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) 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.

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Nine months ended September 30, 2023 and 2022

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

(d) 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 assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are the same as those described in the December 31, 2022 consolidated financial statements.

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, 2022 consolidated financial statements.

CANLAN ICE SPORTS CORP.

Notes to Condensed Consolidated Interim Financial Statements
 Nine months ended September 30, 2023 and 2022

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

4. Property, plant and equipment - facilities:

September 30, 2023	Cost	Accumulated amortization	Net book value
Land	\$ 19,861	\$ -	\$ 19,861
Buildings and building improvements	118,356	68,149	50,207
Leasehold improvements	593	520	73
Rink board systems	4,635	3,355	1,280
Refrigeration equipment	25,094	12,383	12,711
Machinery and equipment	20,182	14,496	5,686
Computers, furniture and fixtures	13,028	10,976	2,052
Ice resurfacing equipment	6,825	5,273	1,552
Work in progress	735	-	735
\$ 209,309	\$ 115,152	\$ 94,157	\$ 94,157

December 31, 2022	Cost	Accumulated amortization	Net book value
Land	\$ 16,606	\$ -	\$ 16,606
Buildings and building improvements	121,796	65,180	56,616
Leasehold improvements	577	484	93
Rink board systems	4,636	3,268	1,368
Refrigeration equipment	22,451	11,714	10,737
Machinery and equipment	19,640	13,661	5,979
Computers, furniture and fixtures	12,266	10,475	1,791
Ice resurfacing equipment	6,840	4,956	1,884
Work in progress	449	-	449
\$ 205,261	\$ 109,738	\$ 95,523	\$ 95,523

On February 28, 2023, the Company exercised its option to purchase a sports complex in Libertyville, Illinois, for \$5,103,000 (\$3,750,000 USD). The property was previously leased and recorded as a right-of-use asset within property, plant and equipment on the statement of financial position. The purchase was financed by cash and bank financing of \$3,200,000 (note 6 (a)(v)).

For the nine months ended September 30, 2023 and 2022, no impairment losses were recognized in property, plant and equipment.

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

	September 30, 2023	December 31, 2022
Property, plant and equipment owned	\$ 89,856	\$ 85,733
Right-of-use property, plant and equipment leased (note 5(a))	4,301	9,790
\$ 94,157	\$ 95,523	\$ 95,523

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

5. Right-of-use assets:

- (a) The Company has the following right-of-use assets which are included in property, plant and equipment on the statement of financial position (note 4):

	Equipment	Building and building improvements	Total
December 31, 2022	\$ 2,180	\$ 7,610	\$ 9,790
Depreciation	(363)	(293)	(656)
Purchase options exercised	-	(4,823)	(4,823)
Foreign exchange	-	(10)	(10)
September 30, 2023	\$ 1,817	\$ 2,484	\$ 4,301

	Equipment	Building and building improvements	Total
December 31, 2021	\$ 2,263	\$ 8,223	\$ 10,486
Additions	886	-	886
Depreciation	(336)	(562)	(898)
Disposal	-	(223)	(223)
Purchase options exercised	(500)	-	(500)
Foreign exchange	-	377	377
September 30, 2022	\$ 2,313	\$ 7,815	\$ 10,128

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

	September 30, 2023	December 31, 2022
Maturity analysis – contractual undiscounted cash flows		
Less than one year	\$ 1,098	\$ 5,766
One to five years	2,118	2,623
More than five years	5,119	5,413
Total undiscounted lease liabilities	\$ 8,335	\$ 13,802
Lease liabilities included in the statements of financial position:		
Current	\$ 782	\$ 5,515
Non-current	4,248	4,816
	\$ 5,030	\$ 10,331

During the nine months ended September 30, 2023, interest expense related to lease liabilities was \$278,000 (2022 - \$373,000). Total lease expense related to leases of low-value items was \$100,000 during the nine months ended September 30, 2023 (2022 - \$84,000).

In August 2022, the Company agreed to early-terminate a lease of a sports complex for consideration of \$4,450,000. On September 1, 2022, the carrying amount of the right-of-use assets of \$223,000 and liability of \$306,000 were removed from the statement of financial position and a gain of \$4,530,000 was recognized in other income in the statement of earnings (loss).

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

6. Debt:

(a) Credit Facilities:

	Maturity dates	Interest rates		September 30, 2023	December 31, 2022
Variable rate -	2027	BA + 1.85% (i)	\$	24,199	\$ 24,949
fixed with interest rate	2027	BA + 1.85% (ii)		5,056	5,213
swap contracts	2027	BA + 1.85% (iii)		2,099	2,164
(note 6 (b))	2027	BA + 1.85% (iv)		2,265	2,335
	2027	CDOR + 2.10% (v)		8,042	5,187
				41,661	39,848
Deferred financing costs				(207)	(36)
				41,454	39,812
Current portion				2,009	1,745
Non-current portion			\$	39,445	\$ 38,067

As at September 30, 2023, total bank debt consists of the following:

- (i) \$25,337,000 non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at BA rate plus 1.85% payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(i) and 11(a)) with a term from June 21, 2023 to November 21, 2027, to fix the interest rate at 5.34% per annum payable monthly. At September 30, 2023, the balance outstanding was \$24,199,000;
- (ii) \$5,213,000 non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at BA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(ii) and 11(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At September 30, 2023, the balance outstanding was \$5,056,000;
- (iii) \$10,000,000 revolving loan amortized over 25 years, maturing on November 30, 2027, interest at BA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(ii) and 11(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At September 30, 2023, the balance outstanding was \$2,099,000;
- (iv) \$20,000,000 revolving capital expenditure loan amortized over 25 years, maturing on November 30, 2027, interest at BA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(ii) and 11(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At September 30, 2023, the balance outstanding was \$2,265,000;
- (v) \$8,525,000 loan amortized over 15 years, maturing on September 30, 2027, interest at CDOR plus 2.1% per annum payable monthly. In February 2023, this loan facility was increased by \$3,200,000 to finance the purchase of a sports complex (note 4). During the nine months ended September 30, 2023, the Company entered into an interest rate swap contract (note 6 (b)(iii) and 11(a)), maturing on September 29, 2027 to fix the interest rate at 5.70% per annum payable monthly. At September 30, 2023, the balance outstanding was \$8,042,000; and

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(vi) \$745,000 demand revolving operating loan, interest at Prime rate plus 0.25% per annum. No amounts have been drawn on this loan to date.

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 \$19,000 (2022 - \$93,000) was recorded in finance costs.

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, 2023, the Company was in compliance with these covenants.

(b) Derivative instruments:

The Company uses derivative instruments in accordance with its overall risk management policies. The Company enters into interest rate swap agreements which exchange a receipt of floating interest for a payment of fixed interest to reduce the Company's exposure to interest rate variability on its outstanding floating-rate debt. The Company has not designated, for accounting purposes, its interest rate swaps as a cash flow hedge of its debt.

As of September 30, 2023, the Company has the following interest rate swap contracts:

Note Reference	Interest rate Index	Term	Swap rate	Notional amount		Fair value		
				September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	
(i)	6 (a)(i)	BA	2023-2027	5.34%	24,199	24,449	1,137	146
(ii)	6 (a)(ii)(iii)(iv)	BA	2022-2027	5.50%	9,420	9,712	389	60
(iii)	6 (a)(v)	CDOR	2023-2027	5.70%	8,042	-	319	-

7. 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, 2023 and December 31, 2022	13,337,448	\$ 63,109

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

8. General and administration expenses:

General and administration expenses consist of the following:

	Nine months ended September 30,	
	2023	2022
Salaries, wages and benefits	\$ 4,832	\$ 3,871
Professional and regulatory fees	431	420
Office	562	437
Travel	212	171
Other	246	116
	<u>\$ 6,283</u>	<u>\$ 5,015</u>

9. 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, 2023, the Company has letters of guarantee outstanding with various vendors in the amount of \$5,000 (2022 - \$5,000).

10. Income taxes:

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

	September 30,	December 31,
	2023	2022
Deferred income tax assets:		
Unused tax losses	\$ 1,287	\$ 1,287
Deferred revenue	179	-
Properties	1,221	917
Other	146	78
	<u>2,833</u>	<u>2,282</u>
Deferred income tax liability:		
Properties	(1,164)	(980)
Other	(493)	(165)
	<u>(1,657)</u>	<u>(1,145)</u>
Net deferred income tax assets	<u>\$ 1,176</u>	<u>\$ 1,137</u>

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

11. 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	1
Accounts receivable (i)	Amortized cost	2
Financial assets measured at fair value:		
Investment (iv)	FVOCI	3
Interest rate swaps (iii)	Financial assets 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.

(iii) In November 2022 and January 2023, respectively, the Company entered into interest rate swap agreements (five-year terms) to fix the interest rate on certain of its debt (note 6). The fair value of this derivative instrument has been presented as an interest rate swap on the statement of financial position. Changes in fair value of the instrument are recognized in net earnings for the period. For the nine months ended September 30, 2023, a gain of \$1,227,000 (2022 - \$541,000) was recognized.

(iv) The carrying value of the investment is considered by management to approximate its fair value.

(b) Financial risk management:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company monitors its interest rate exposure on an ongoing basis.

As described in note 6(b), as at September 30, 2023, the Company has interest rate swap agreements that effectively fix interest rates on all of its term debt outstanding. Therefore, the Company is not subject to significant interest rate risk in the near term.

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(ii) Liquidity risk:

Liquidity risk is the risk from the Company's potential inability to meet its financial obligations. To mitigate this risk, 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, cash flow from operating activities, and a long-term debt arrangement that includes revolving credit lines that can be utilized for working capital and capital expenditures (note 6). Cash is comprised of cash balances and deposits with financial institutions. 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, 2023, the Company has a working capital deficiency of \$8,676,000 (December 31, 2022 – \$8,238,000. Excluding the effect of the purchase option attached to the right-of-use lease liability, the Company's working capital deficiency was \$3,703,000). The Company anticipates that sufficient cash flows will be generated from operations to meet its current liabilities as they become due.

(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 receivable. Effective collection management procedures and monitoring of credit risk of amounts receivable are core control procedures of the Company. 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 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.

12. Capital risk management:

The Company defines capital that it manages as the sum of cash, 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

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

- (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 cash balance on-hand. In addition, the Company has a capital expenditure facility available of \$17,735,000 as at September 30, 2023 (note 6(iv)). The Company is required to comply with covenant criteria established by its lenders (see note 6). These include tangible net worth and debt coverage ratio measurements. As at September 30, 2023, the Company was in compliance with its debt covenants.

13. Related party transactions:

- (a) During the nine months ended September 30, 2023, the Company expensed \$207,000 (2022 - \$219,000) in directors' fees.
- (b) 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,	
	2023	2022
Short-term employee benefits	\$ 1,623	\$ 1,559
Post employment benefits	342	86
	<u>\$ 1,965</u>	<u>\$ 1,645</u>

14. 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,	
	2023	2022
Ice and field sales	\$ 48,999	\$ 42,859
Food and beverage	8,886	5,583
Sports store	726	556
Sponsorship	912	697
Space rental	1,433	1,364
Management and consulting fees	249	201
Other	329	325
	<u>\$ 61,534</u>	<u>\$ 51,585</u>

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

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

(b) Geographic

	Nine months ended September 30, 2023			2022		
	Canada	USA	Total	Canada	USA	Total
Revenue	\$ 52,068	\$ 9,466	\$ 61,534	\$ 43,388	\$ 8,197	\$ 51,585

	September 30, 2023			December 31, 2022		
	Canada	USA	Total	Canada	USA	Total
Non-current assets	\$ 68,027	\$ 31,769	\$ 99,796	\$ 66,838	\$ 32,079	\$ 98,917
Total assets	\$ 82,660	\$ 35,905	\$ 118,565	\$ 83,517	\$ 38,196	\$ 121,713

15. Supplemental cash flow information:

	Nine months ended September 30,	
	2023	2022
(a) Net changes in non-cash working capital:		
Accounts receivable	\$ (551)	\$ 439
Inventory	(13)	(38)
Prepaid and other expenses	(1,173)	(1,036)
Accounts payable and accrued liabilities	1,091	469
Deferred revenue and customer deposits	(211)	1,313
Effect of change in foreign currency	10	(323)
	\$ (847)	\$ 824
(b) Non-cash transactions:		
Lease obligations	\$ -	\$ 886
	\$ -	\$ 886

	December 31, 2022	Cash flow changes	Non-cash changes	September 30, 2023
Debt (note 6)	\$ 39,812	\$ 1,813	\$ (171)	\$ 41,454
Lease liabilities	10,331	(5,301)	-	5,030
Dividends payable	400	-	-	400
	\$ 50,543	\$ (3,488)	\$ (171)	\$ 46,884

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Notes to Condensed Consolidated Interim Financial Statements
Nine months ended September 30, 2023 and 2022

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

16. 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,	
	2023	2022
Ice rink and recreational facilities expense	\$ 54,363	\$ 46,838
General and administrative expenses	6,523	5,235
Other income	(15)	(4,622)

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation of \$5,750,000 (2022 - \$6,432,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$5,510,000 (2022 - \$6,212,000), and to general and administrative expenses in the amount of \$240,000 (2022 - \$220,000).