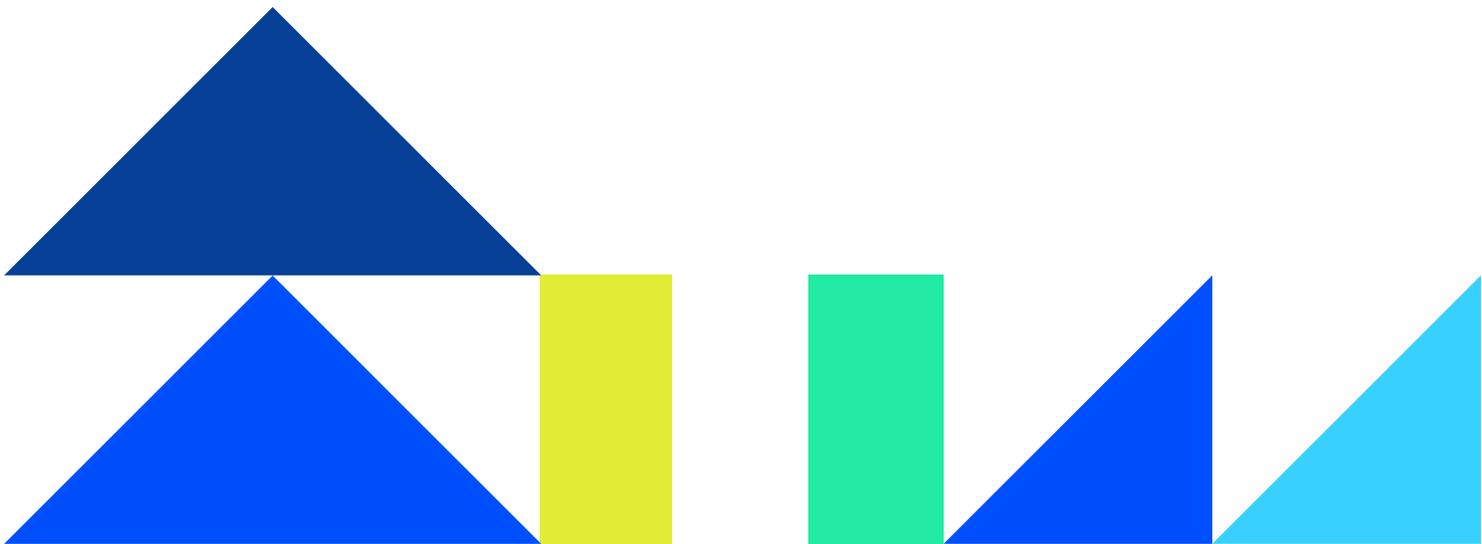


# Annual Report

2022



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# LETTER TO SHAREHOLDERS

Fiscal 2022 was a successful year for Canlan despite some of the lingering effects of COVID-19 that we continued to face throughout much of the year. We were successful in re-establishing and solidifying our growth footing with strong operational performance, renewed lending facilities, and U.S. expansion.

We achieved total operating revenue of \$73.7 million, which represented an increase of \$33.3 million compared to the previous year. Same-facility ice, field, and court revenue reached approximately 93% pre-pandemic levels of fiscal 2019, with Q4 2022 reaching 100% of Q4 2019. Our operating earnings of \$10.6 million increased by \$4.8 million and net earnings were \$4.7 million compared to a net loss of \$1.1 million in 2021.

We completed another significant phase of our roof remediation program with an expense of \$2.3 million. This was achieved after pausing the projects temporarily during the pandemic. We also refinanced our bank credit facilities with a package that reduces cash requirements on annual debt service by approximately 37% and we've now fixed our borrowing costs until 2027 at 5.50% or lower on substantially all of our term debt to reduce interest rate risk. Additionally, while we had to unfortunately sunset a leased sportsplex operation earlier than anticipated due to the burgeoning real estate market in southern Ontario, we did receive cash consideration of \$4.5 million to compensate for the early-surrender our lessee position of the sports complex in September 2022.

One of our green initiatives includes the electrification program of our ice-resurfacers. By the end of 2022, we had transitioned 80% of our fleet to electrified models and we are committed to completing this program in the next two years. This is also consistent with our other initiatives related to roof renovations and enhanced building automation systems. These investments will help reduce carbon emissions, improve air quality and decrease operating costs. During the year, we also reviewed our dividend policy in November 2022 and resumed a quarterly dividend distribution of \$0.03 a share.

In early 2023, we exercised our option to purchase Canlan Sports Libertyville in Libertyville, Illinois, which further affirms our long-term commitment to our U.S. expansion strategy. This acquisition enables us to grow our footprint in the U.S. market and paves a path for more expansion opportunities.

Clearly, it was a busy year and our team at all levels rose up to overcome the challenges of labour supply shortages and the need to constantly adjust product offerings and schedules to adapt to changing customer needs and supply chain issues of our vendors. I am extremely grateful for the hard work, loyalty and dedication of our team members.

Looking forward, we have identified several key strategic initiatives aimed at significantly enhancing the customer experience in the coming years. We believe these initiatives will enable us to remain competitive in the market and provide our customers with the best possible experience. We will continue to invest in our facilities, infrastructure, and technology to improve operations and provide customers with world-class services.

Thank you also to our customers and shareholders for their continued support. We are committed to driving growth and creating long-term value for our shareholders. We remain optimistic about the future and are extremely excited with the innovation that we are getting back to embedding into Canlan's culture and in the overall customer experience.

Joey St-Aubin  
President and Chief Executive Officer

# FACILITY LOCATIONS

PROVINCE /STATE	METROPOLITAN AREA	FACILITY NAME		FEATURES
British Columbia	Greater Vancouver Area	Scotia Barn	(1)	7 ice rinks & 1 indoor soccer field
		Canlan Sports North Shore	(4)	3 ice rinks
		Canlan Sports Langley Twin Rinks	(2)	2 ice rinks
	Interior British Columbia	South Cariboo Recreation Centre	(3)	1 ice rink
		Armstrong/Spallumcheen Parks & Recreation	(3)	1 ice rink & 1 outdoor pool
Saskatchewan	Saskatoon	Canlan Sports Jemini	(1)	4 ice rinks
		Canlan Sports Agriplace	(1)	2 ice rinks
Manitoba	Winnipeg	Canlan Sports Winnipeg	(1)	3 ice rinks & 1 indoor soccer field
Ontario	Greater Toronto Area	Canlan Sports Etobicoke	(1)	4 ice rinks
		Canlan Sports Oakville	(1)	4 ice rinks
		Canlan Sports Scarborough	(1)	4 ice rinks & 1 sport court
		Canlan Sports York	(2)	6 ice rinks
		Canlan Sports Oshawa	(1)	2 ice rinks & 6 beach volleyball courts
Illinois	Chicago	Canlan Sports Romeoville	(1)	3 ice rinks
		Canlan Sports Lake Barrington	(1)	1 soccer field (FIFA size) 2 baseball diamonds 2 multi-sport gymnasiums & 1 fitness gym
		Canlan Sports West Dundee	(1)	3 ice rinks
		Canlan Sports Libertyville	(1)	2 soccer fields 1 baseball diamond 9 multi-sport courts & 1 fitness gym

(1) Owned Property

(2) Leased Property

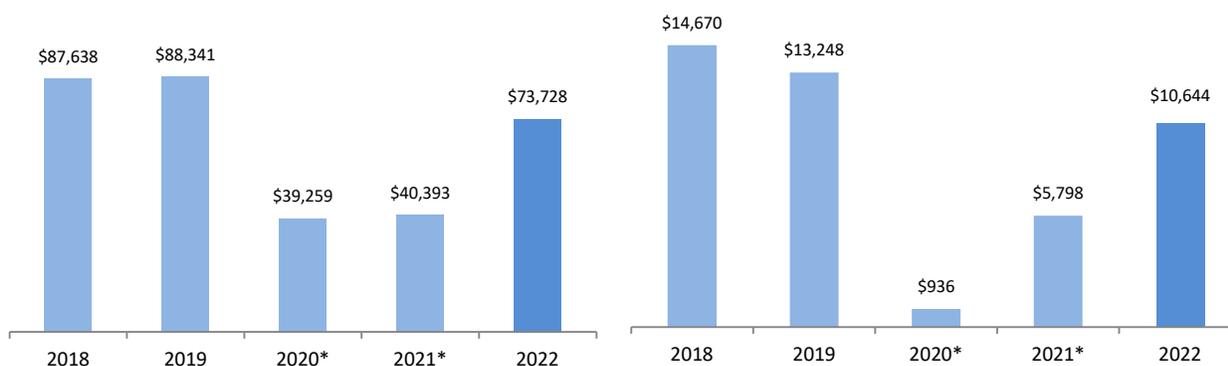
(3) Managed Property

(4) Operating Agreement

# FINANCIAL HIGHLIGHTS

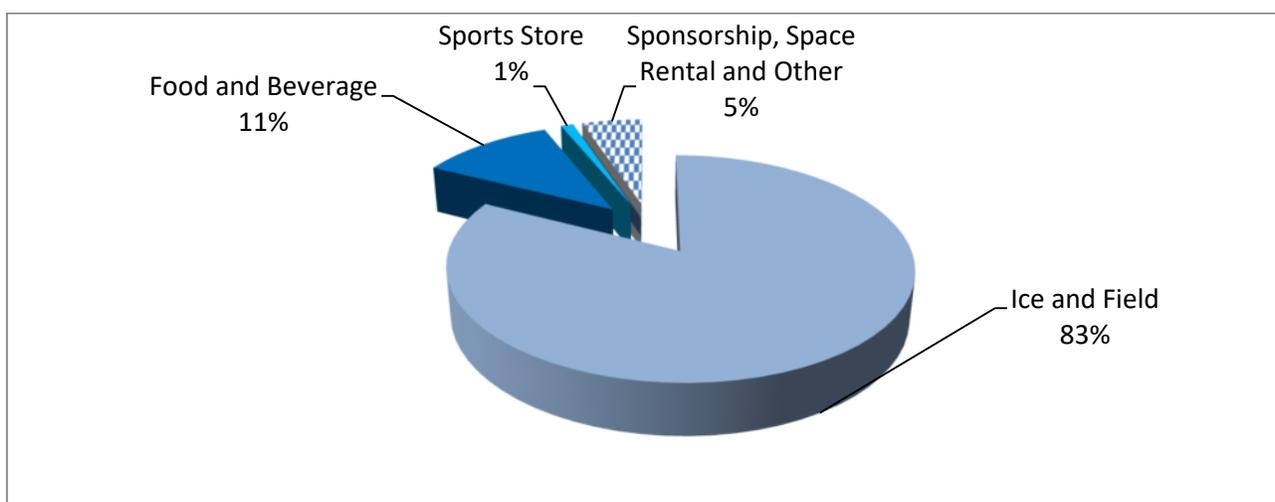
<i>in thousands, except per share information</i>	2022	2021*	2020*
Revenue	\$73,728	\$40,393	\$39,259
Government subsidy	-	\$6,537	\$6,371
Operating earnings	\$10,644	\$5,798	\$936
Net earnings (loss) before taxes	\$5,129	(\$2,546)	(\$8,253)
Net earnings (loss)	\$4,730	(\$1,092)	(\$6,363)
Total assets	\$121,713	\$116,612	\$121,484
Shareholders' equity	\$46,651	\$40,416	\$41,708
Earnings (loss) per common share	\$0.35	(\$0.08)	(\$0.48)
Shareholders' equity per share	\$3.50	\$3.03	\$3.13
Weighted average common shares	13,337,448	13,337,448	13,337,448

\* Operations affected by COVID-19 pandemic



**Revenue (in thousands)**

**EBITDA (in thousands)**



**2022 Sources of Revenue**

# **Canlan Ice Sports Corp.**

## **Management's Discussion and Analysis**

The following management's discussion and analysis (MD&A) summarizes significant factors affecting the consolidated operating results and financial condition of Canlan Ice Sports Corp. ("Canlan", the "Company", "we" "our" or "us") for the years ended December 31, 2022 and 2021. This document should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2022 and 2021 and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are presented in Canadian dollars.

### **Non-IFRS Financial Measure**

In the following discussion, we define operating earnings (loss) as earnings (loss) after general and administrative expenses and before interest, depreciation, foreign currency exchange, gain (loss) on assets sold, early lease termination and interest rate swap, and income tax. Operating earnings (loss) is not a term that has specific meaning in accordance with IFRS, and may be calculated differently by other companies. The Company discloses operating earnings (loss) because it is a useful indicator of operating performance.

Additional information relating to our Company, including quarterly reports and our annual information form, is filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) and our website [www.canlansports.com](http://www.canlansports.com).

The date of this MD&A is March 23, 2023.

### **Forward Looking Statements**

Certain statements in this MD&A may constitute "forward looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements may use words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties. Some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward looking statements are the effects of, as well as changes in: international, national and local business and economic conditions; political or economic instability in the Company's markets; competition; legislation and governmental regulation; and accounting policies and practices. The foregoing list of factors is not exhaustive. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements.

## Overview – Year Ended December 31, 2022

- Total operating revenue of \$73.7 million increased by \$33.3 million compared to a year ago;
- Same-facility ice and field revenue reached approximately 93% of pre-pandemic levels;
- Operating earnings of \$10.6 million increased by \$4.8 million compared to a year ago;
- Net earnings for the year was \$4.7 million compared to a net loss of \$1.1 million in 2021;
- The Company refinanced its bank debt credit facilities with a package that reduces cash requirements on annual debt service by approximately 37% and fixes interest rates at 5.50% or lower on 87% of its debt to reduce interest rate risk;
- Canlan received cash consideration of \$4.5 million in September 2022 to surrender its lessee position of a sports complex lease prior to the maturity date of the lease agreement;
- The Company continued to make important progress in reducing its carbon footprint while also improving facility indoor air quality by investing in new electric ice re-surfacers, roof replacement initiatives, and enhanced plant automation systems; and
- The Company reviewed its dividend policy in November 2022 and resumed a quarterly dividend distribution of \$0.03 a share.

## Overview of the Company

Canlan Ice Sports Corp. is a leading operator of ice rink and multi-purpose recreational facilities. The Company's head office is located in its Burnaby, B.C. sports complex and it maintains a second corporate office at its Ice Sports York location in Toronto, Ontario.

As at the date of this MD&A, the Company owns, leases or manages a network of 17 facilities in Canada and the United States containing playing surfaces as outlined below. The Company owns 12 of these facilities containing 1.4 million square feet of space situated on 170 acres of land. Of the five facilities not owned fee-simple, one facility is operated under a long-term land lease arrangement, one facility under an operating agreement with a municipality and a further one facility under lease agreements. We also manage two facilities on behalf of municipalities.

We operate primarily in the sports and recreation industry, with a focus on ice, turf and court sports. In typical years, our largest revenue source within this segment is adult hockey, catering to both men and women operating under the Adult Safe Hockey League (ASHL) brand.

## Facility Portfolio:

	<b>Facilities</b>	<b>Ice Surfaces</b>	<b>Indoor Turf Fields</b>	<b>Courts<sup>a</sup></b>	<b>Total Playing surfaces</b>
<b>Canada:</b>					
British Columbia	5	14	1	-	15
Saskatchewan	2	6	-	-	6
Manitoba	1	3	1	-	4
Ontario	5	20	-	7	27
	<b>13</b>	<b>43</b>	<b>2</b>	<b>7</b>	<b>52</b>
<b>USA:</b>					
Illinois	4	6	3 <sup>b</sup>	13	22
	<b>17</b>	<b>49</b>	<b>5</b>	<b>20</b>	<b>74</b>

### Note

- a) Includes indoor multi-sport hard courts and outdoor beach volleyball courts
- b) This includes one FIFA regulation field (divisible into multiple fields)

Canlan is a publicly traded Canadian Company with shares listed on the Toronto Stock Exchange (TSX) under the trading symbol **ICE**. Canlan's shares were first listed for trading on March 1, 1990.

There are approximately 13.3 million shares outstanding and these have traded in the \$3.20 to \$4.35 range during 2022. The Company has not issued any shares from treasury since November 2004.

The Company derives revenue from six primary sources:

- 1. Ice and field**  
Revenue from ice, field, court rentals, and internal programming.
- 2. Food and beverage**  
Sales from our licensed restaurants and concession operations within our facilities.
- 3. Sports stores**  
Sales and rental of sports equipment, apparel, and skate sharpening services.
- 4. Management and consulting**  
Fees from managing facilities owned by third parties and consulting engagements.
- 5. Sponsorship**  
Revenue from sponsorship and advertising sales.
- 6. Space rental**  
Rental of space within our facilities.

## Selected Financial Information

The following selected consolidated financial information as at December 31, 2022, 2021, and 2020 and each of the quarters and years then ended has been derived from our 2022 and 2021 annual and interim consolidated financial statements. This data should be read together with those financial statements.

	<i>(unaudited)</i>		<i>(audited)</i>		
	Quarter ended December 31		Year ended		
<i>in thousands, except earnings per share</i>	2022	2021	2022	2021	2020
<b>Statement of Operations Data:</b>					
Revenue	\$ 22,143	\$ 19,104	\$ 73,728	\$ 40,393	\$ 39,259
Other income - Government subsidy	-	129	-	6,537	6,371
Expenses <sup>(1)</sup>	(15,103)	(12,968)	(55,729)	(35,353)	(39,420)
General & administration expenses	(2,340)	(1,813)	(7,355)	(5,779)	(5,274)
<b>Earnings before the undernoted (Operating earnings)</b>	<b>4,700</b>	<b>4,452</b>	<b>10,644</b>	<b>5,798</b>	<b>936</b>
<b>Other expenses:</b>					
Depreciation	(1,947)	(1,963)	(8,379)	(7,801)	(7,951)
Finance expenses	(625)	(598)	(2,428)	(2,585)	(2,447)
Foreign exchange gain (loss)	(2)	(2)	11	19	45
Gain (loss) on interest rate swap	104	203	645	513	(1,133)
Gain on early lease termination	-	-	4,530	-	-
Gain on sale of assets	27	10	106	1,510	2,297
Tax recovery (expense)	235	498	(399)	1,454	1,890
<b>Net earnings (loss)</b>	<b>\$ 2,492</b>	<b>\$ 2,600</b>	<b>\$ 4,730</b>	<b>\$ (1,092)</b>	<b>\$ (6,363)</b>
<b>Other comprehensive income (loss)</b>	<b>(336)</b>	<b>(123)</b>	<b>1,905</b>	<b>(200)</b>	<b>(313)</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 2,156</b>	<b>\$ 2,477</b>	<b>\$ 6,635</b>	<b>\$ (1,292)</b>	<b>\$ (6,676)</b>
Basic and fully diluted earnings (loss) per share	\$ 0.19	\$ 0.19	\$ 0.35	\$ (0.08)	\$ (0.48)
<b>Balance Sheet Data:</b>					
Cash			\$ 18,532	\$ 12,530	\$ 7,480
Current assets (excluding cash, and assets held-for-sale)			4,264	3,576	3,990
Capital assets			95,523	97,432	98,771
Investment			350	350	350
Other assets			2,838	2,724	4,840
Non-current interest rate swap			206	-	-
Assets held-for-sale			-	-	6,053
<b>Total assets</b>			<b>\$ 121,713</b>	<b>\$ 116,612</b>	<b>\$ 121,484</b>
Current liabilities, excluding debt			\$ 23,774	\$ 20,181	\$ 13,842
Mortgage debt			39,812	43,796	56,168
Lease liabilities			10,331	11,221	6,933
Deferred tax liabilities			1,145	970	2,292
Interest rate swap			-	28	541
<b>Total liabilities</b>			<b>75,062</b>	<b>76,196</b>	<b>79,776</b>
<b>Shareholders' equity</b>			<b>46,651</b>	<b>40,416</b>	<b>41,708</b>
			<b>\$ 121,713</b>	<b>\$ 116,612</b>	<b>\$ 121,484</b>
<b>Dividends declared</b>			<b>\$ 400</b>	<b>\$ -</b>	<b>\$ -</b>

(1) Expenses include all operating costs related to the operation of our facilities.

## Competitive Strengths

The Company believes that it has the following competitive strengths:

- **Our Team.** Canlan typically employs approximately 1,000 full and part-time employees in Canada and the USA. Through training and internal communications, we have established Canlan as the place to work in our industry. Our employees have industry-specific knowledge and are focused on providing quality customer service within a safe environment. In addition, Canlan's executive team plans and monitors operations in all departments, sets policies, and continually assesses future growth strategies. These individuals have extensive expertise in facility operations, sales, marketing, customer service, finance and human resources.
- **Adult Safe Hockey League (ASHL).** The Company operates the largest adult recreational hockey league in North America. The ASHL offers superior services and competition in a fun environment. In a typical year, the league operates in all seasons, and has approximately 60,000 players in various divisions based on skill and age.
- **Diversified Recreation.** In addition to ice surfaces, the Company also operates multi-sport complexes containing turf fields and sport courts on which many other sports can be played such as soccer, volleyball, basketball, and ball hockey. This enables the Company to diversify its product offerings and expand its market reach to various demographic groups.
- **Geographic Coverage.** Canlan currently owns and operates facilities in four provinces in Canada plus one U.S. state giving us broad geographic coverage. Our geographic diversity and wide customer base help to mitigate the effects of economic cycles.
- **Buying Power.** As a result of being geographically diversified, and having significant product volumes, we are able to negotiate national supply agreements with preferred pricing.

## Review of Fiscal 2022 Operations

### Revenue

Total operating revenue of \$73.7 million increased by \$33.3 million compared to 2021 as facilities resumed full operations and COVID-19 health restrictions were lifted. With the exception of Ontario during January 2022, all facilities were opened for full activities. Of total operating revenue, \$60.8 million related to surface revenue, \$8.3 related to food & beverage sales and the remainder related to sports stores, space rental, sponsorship and management fees.

Despite Ontario facilities having to suspend operations in January 2022, the full ASHL fall/winter and spring/summer seasons were completed in all regions. Revenue from contract surface rentals and the ASHL substantially returned to levels comparable to 2019 on a same-facility basis. However, same-facility revenue from youth hockey leagues and instructional programs were approximately 22% behind 2019 volume as post-pandemic demand for youth hockey leagues and summer camps has returned more gradually given hybrid home-office arrangements for parents, and strong competition from alternative sports and leisure activities that experienced growth during

the pandemic. Our operations teams have continued to enhance program and league offerings to create flexibility and adapt to consumer needs in each of the different markets.

Total revenue from food and beverage was \$8.3 million compared to \$1.9 million in 2021 and \$12.7 million in 2019. While surface bookings, leagues and programs were completely unrestricted from February 2022 onwards, restaurants and concessions were still not operating with normal hours or menu selections throughout the year due to labour supply shortages persistent in the hospitality industry. However, adequate staffing has been recruited in the fall/winter season enabling restaurants and concessions to operate at near-normal capacity during Q4 2022 and into the early months of 2023.

Revenue from sports stores, sponsorship, space rental, vending, and facility management fees totaled \$4.6 million compared to \$2.8 million in 2021 and \$5.4 million in 2019.

The Company recorded the following revenue by quarter:

<i>in thousands</i>	<b>2022</b>		<b>2021</b>	
	<b>Revenue</b>	<b>% of total</b>	<b>Revenue</b>	<b>% of total</b>
Q1	\$ 18,948	26	\$ 5,050	13
Q2	17,073	23	3,610	9
Q3	15,564	21	12,629	31
Q4	22,143	30	19,104	47
	<b>\$ 73,728</b>	<b>100</b>	<b>\$ 40,393</b>	<b>100</b>

As reported revenue, by business segment and geographic region are as follows:

<i>in thousands</i>	2022		2021	
	Sales	% of total	Sales	% of total
Ice and Field Sales	\$ 60,819	83	\$ 35,690	88
Food and Beverage	8,342	11	1,930	5
Sports Store	783	1	406	1
Sponsorship	1,201	2	551	1
Space Rental	1,796	2	1,339	3
Management & Consulting Fees	268	-	270	1
Other	519	1	207	1
	<b>\$ 73,728</b>	<b>100</b>	<b>\$ 40,393</b>	<b>100</b>

<i>in thousands</i>	2022		2021	
	Sales	% of total	Sales	% of total
<b>Canada:</b>				
British Columbia	\$ 17,448	24	\$ 10,648	27
Saskatchewan	6,710	9	4,116	10
Manitoba	4,153	5	1,553	4
Ontario	33,607	46	16,307	40
	<b>61,918</b>	<b>84</b>	<b>32,624</b>	<b>81</b>
<b>USA</b>	<b>11,810</b>	<b>16</b>	<b>7,769</b>	<b>19</b>
	<b>\$ 73,728</b>	<b>100</b>	<b>\$ 40,393</b>	<b>100</b>

Revenue generated from ice and field activities are broken down as follows:

<i>in thousands</i>	2022		2021	
	Revenue	% of total	Revenue	% of total
Adult hockey leagues	\$ 24,122	40	\$ 11,262	32
3rd party contract users	18,532	30	13,462	38
Camps, hockey & skating schools	5,552	9	3,949	11
Youth hockey leagues	2,369	4	1,837	5
Public programs & spot rentals	3,449	6	2,283	6
Tournaments	3,191	5	824	2
Soccer field rentals and leagues	2,871	5	1,569	5
Other	733	1	504	1
	<b>\$ 60,819</b>	<b>100</b>	<b>\$ 35,690</b>	<b>100</b>

### Operating Expenses

Facility operating expenses of \$55.7 million increased by \$20.4 million or 57.6% compared to 2021 due to the return to full operations in 2022 and the completion of significant maintenance projects, some of which were deferred from the previous two years. In particular, the Company's roof remediation program was restarted with \$2.3 million incurred during the year. Company's roof remediation program that began in 2018, is a proactive six-year plan to renew roof structures of specific sports complexes to enhance weather resistance, structural protection, and energy conservation.

All other increases in operating expenses with respect to wages, utilities, customer service, and cost of goods sold were commensurate with the resumption and increase of business activity. While inflationary pressures were evident in many of the Company's expense categories, the increase in commodity pricing of energy would have potentially had the most significant increase from a percentage standpoint as a result of inflation in energy prices. However, the effect of pricing was moderated as Canlan entered into energy contracts at the end of 2021 to mitigate this risk. In addition, investments in new equipment and building automation technology also helped to reduce energy consumption and minimize the impact of pricing on utilities expenses.

Facility operating expenses by quarter were as follows:

<i>in thousands</i>	2022		2021	
	Costs	% of total	Costs	% of total
Q1	\$ 12,485	22	\$ 6,487	18
Q2	13,362	24	5,891	17
Q3	14,779	27	10,007	28
Q4	15,103	27	12,968	37
	<b>\$ 55,729</b>	<b>100</b>	<b>\$ 35,353</b>	<b>100</b>

Total G&A expenses of \$7.4 million increased by \$1.6 million or 27.3% mainly due provisions for performance-based compensation, higher general office and travel expenses as regular corporate activities resumed, and the centralization of certain staff positions resulting in a shift of wage expense to corporate G&A from the facility level. The intent of the centralization model is to provide more stream-lined processes in servicing customers and more consistency in the marketing and delivery of programs, while achieving efficiencies that help mitigate the labour supply shortages being experienced in the service sector.

After G&A, operating earnings were \$10.6 million compared to \$5.8 million in 2021. Excluding \$6.5 million of government subsidies in 2021, 2021 had an operating loss of \$0.7 million.

### **Non-Operating Gains and Expenses**

During the year, a gain on early lease termination of \$4.5 million was recognized in the statement of earnings (loss). Canlan received cash consideration of \$4.5 million in September 2022 to surrender its lessee position of a sports-complex-lease prior to the maturity date of the lease and extension-option of the lease agreement.

Total depreciation expense was \$8.4 million compared to \$7.8 million in 2021 and finance costs of \$1.8 million decreased by \$0.3 million due to higher interest income in 2022.

The Company's depreciation policy was unchanged during the year. The policy calls for straight-line depreciation of facility assets over periods ranging from five to forty years.

Finance income and expenses mainly consist of interest income earned on cash on hand, interest expense on mortgage debt and lease liabilities, amortization of deferred financing costs, and unrealized mark-to-market gains or losses on an interest rate swap contract (see "**Financial Instruments**" below for further details).

A breakdown of net finance expense is as follows:

<i>in thousands</i>	<b>2022</b>	<b>2021</b>
Mortgage interest	\$ 1,647	\$ 1,723
Interest income	(208)	(40)
Lease liabilities interest	507	475
Mark-to-market gain on interest rate swap	(645)	(513)
Amortization of deferred financing costs and other	482	427
	<u>\$ 1,783</u>	<u>\$ 2,072</u>

## Net Earnings

After recording income tax expense of \$0.4 million (2021 – recovery of \$1.5 million), net earnings were \$4.7 million or \$0.35 per share compared to a net loss of \$1.1 million or \$0.08 per share in the prior year.

## Foreign Currency Translation and Other Comprehensive loss

Other comprehensive income (OCI) was \$1.9 million in 2022 compared to other comprehensive loss (OCL) of \$0.2 million in 2021. OCI or OCL comprises foreign currency translation adjustments related to the Company's U.S. subsidiaries.

Transactions in U.S. dollars that are not part of the Company's U.S. subsidiaries, are recognized at the rates of exchange prevailing at the date of the transaction. In addition, monetary items denominated in foreign currencies not part of the Company's U.S. subsidiaries are retranslated at the rates prevailing at the period end date. As a result, foreign currency differences arising on the retranslation are recognized in net earnings (loss).

## Review of Fourth Quarter 2022

Total operating revenue of \$22.1 million increased by \$3.0 million or 15.9% compared to 2021 as operations returned to 100% capacity in 2022 whereas in Q4 2021, operations were still starting to resume in certain regions when health restrictions were first lifted.

Revenue from contract surface rentals, instructional programs, soccer leagues, and the ASHL substantially returned to levels comparable to 2019 on a same-facility basis in Q4 2022.

In Q4, food and beverage (F&B) revenue was \$2.8 million compared to \$1.6 million in 2021 and \$3.4 million in 2019. F&B revenue has started to gain momentum during the fall/winter season with adequate staffing being recruited in all locations enabling restaurant and concession service during most available hours of the week, and the return of approximately 98% of business from ASHL and contract users.

Operating expenses of \$15.1 million increased by \$2.1 million or 16.5% from the prior year which was consistent with the increase in revenue. The increase was also due to the return to full F&B operations in Q4 2022 and the completion of significant maintenance projects including \$0.7 million of roof remediation expenses. Company's roof remediation program that began in 2018, is a proactive six-year plan to renew roof structures of specific sports complexes to enhance weather resistance, structural protection, and energy conservation.

Total G&A expenses of \$2.3 million increased by \$0.5 million or 29.1% mainly due to staff centralization at the corporate level and the provision for performance-based compensation as discussed above (see “**Review of Fiscal 2022 Operations**”). In addition, expenses related to general office, travel, and staff development & recognition returned to normal levels as management continues to transition operations back to normal levels.

After G&A expenses, operating earnings of \$4.7 million increased by \$0.2 million or 5.6% for the quarter compared to 2021. Operating margin was 21.2% in 2022 compared 23.3% in 2021 and 18.8% in 2019.

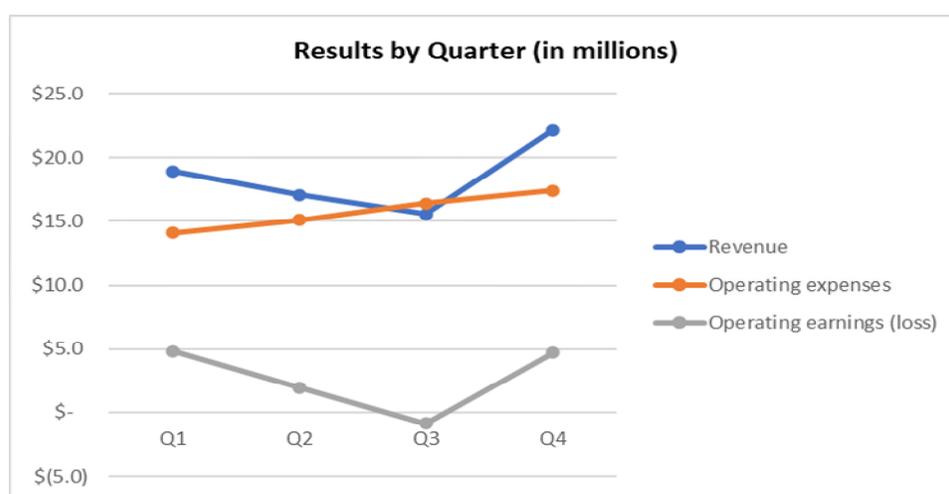
Total depreciation expense, finance expense, foreign exchange loss, gain on sale of assets, and gain on interest rate swap was \$2.4 million, consistent with 2021. After recording an income tax recovery of \$0.2 million (2021 – \$0.5 million), net earnings for the quarter were \$2.5 million or \$0.19 a share compared to \$2.6 million or \$0.19 a share a year ago.

### Operating Earnings

The Company’s annual operating earnings are predominantly earned in the first and fourth fiscal quarters due to the seasonal nature of ice sports and indoor soccer, plus maintenance projects are usually completed during the slower months. In 2021, the pandemic presented extenuating circumstances that altered this pattern.

As-reported operating earnings by quarter for 2022 and 2021 are as follows:

<i>in thousands</i>		<b>2022</b>		2021
Q1	\$	<b>4,854</b>	\$	(378)
Q2		<b>1,949</b>		(1,352)
Q3		<b>(859)</b>		3,076
Q4		<b>4,700</b>		4,452
	\$	<b>10,644</b>	\$	5,798



**Summary of Operations**  
**For the years ended December 31**

<i>in thousands</i>	2022	2021	2020
Revenue			
Ice rink and recreational facilities	\$ 73,728	\$ 40,393	\$ 39,259
Other income - government subsidy	-	6,537	6,371
Operating expenses	55,729	35,353	39,420
	17,999	11,577	6,210
General & administration	7,355	5,779	5,274
Operating earnings	10,644	5,798	936
Other gains (expenses)			
Depreciation	(8,379)	(7,801)	(7,951)
Gain on early lease termination	4,530	-	-
Gain on sale of assets	106	1,510	2,297
Foreign exchange gain	11	19	45
	(3,732)	(6,272)	(5,609)
Finance income (expenses)			
Finance costs	(2,636)	(2,625)	(2,638)
Finance income	208	40	191
Gain (loss) on interest rate swap	645	513	(1,133)
	(1,783)	(2,072)	(3,580)
Net earnings (loss) before taxes	5,129	(2,546)	(8,253)
Income tax expense (recovery)			
Current	595	(2,050)	(64)
Deferred	(196)	596	(1,826)
	399	(1,454)	(1,890)
Net earnings (loss)	4,730	(1,092)	(6,363)
Other comprehensive income (loss):			
<i>Items that may be reclassified subsequently to net earnings (loss):</i>			
Foreign currency translation differences	1,905	(200)	(313)
Total comprehensive income (loss)	\$ 6,635	\$ (1,292)	\$ (6,676)

## Summary of Quarterly Results

The following tables present our unaudited consolidated quarterly results of operations for each of the last eight fiscal quarters. This data has been derived from our unaudited quarterly consolidated financial statements which are prepared on the same basis as our annual audited financial statements. Results of the last eight quarters have fluctuated mainly due to business activity interruptions resulting from the pandemic.

<i>in thousands</i>	2022				Total
	Q1	Q2	Q3	Q4	
Gross revenue	\$ 18,948	\$ 17,073	\$ 15,564	\$ 22,143	\$ 73,728
Government subsidy	-	-	-	-	-
Operating expenses	(12,485)	(13,362)	(14,779)	(15,103)	(55,729)
	6,463	3,711	785	7,040	17,999
General & administration	(1,609)	(1,762)	(1,644)	(2,340)	(7,355)
<b>Operating earnings (loss)</b>	<b>4,854</b>	<b>1,949</b>	<b>(859)</b>	<b>4,700</b>	<b>10,644</b>
Depreciation	(1,975)	(1,978)	(2,479)	(1,947)	(8,379)
Finance expense	(527)	(647)	(629)	(625)	(2,428)
Foreign exchange gain (loss)	(3)	4	12	(2)	11
Gain on interest rate swap	315	192	34	104	645
Gain on early lease termination	-	-	4,530	-	4,530
Gain (loss) on sale of assets	-	106	(27)	27	106
<b>Net earnings (loss) before taxes</b>	<b>2,664</b>	<b>(374)</b>	<b>582</b>	<b>2,257</b>	<b>5,129</b>
Income taxes	(547)	131	(218)	235	(399)
<b>Net earnings (loss)</b>	<b>\$ 2,117</b>	<b>\$ (243)</b>	<b>\$ 364</b>	<b>\$ 2,492</b>	<b>\$ 4,730</b>
<b>Earnings (loss) per share</b>	<b>\$ 0.16</b>	<b>\$ (0.02)</b>	<b>\$ 0.03</b>	<b>\$ 0.19</b>	<b>\$ 0.35</b>

<i>in thousands</i>	2021				Total
	Q1	Q2	Q3	Q4	
Gross revenue	\$ 5,050	\$ 3,610	\$ 12,629	\$ 19,104	\$ 40,393
Government subsidy	2,439	2,262	1,707	129	6,537
Operating expenses	(6,487)	(5,891)	(10,007)	(12,968)	(35,353)
	1,002	(19)	4,329	6,265	11,577
General & administration	(1,380)	(1,333)	(1,253)	(1,813)	(5,779)
<b>Operating earnings (loss)</b>	<b>(378)</b>	<b>(1,352)</b>	<b>3,076</b>	<b>4,452</b>	<b>5,798</b>
Depreciation	(1,945)	(1,913)	(1,980)	(1,963)	(7,801)
Finance expense	(611)	(643)	(733)	(598)	(2,585)
Foreign exchange gain (loss)	25	(7)	3	(2)	19
Gain on interest rate swap	131	112	67	203	513
Gain on sale of assets	23	22	1,455	10	1,510
<b>Net earnings (loss) before taxes</b>	<b>(2,755)</b>	<b>(3,781)</b>	<b>1,888</b>	<b>2,102</b>	<b>(2,546)</b>
Income taxes	625	1,174	(843)	498	1,454
<b>Net earnings (loss)</b>	<b>\$ (2,130)</b>	<b>\$ (2,607)</b>	<b>\$ 1,045</b>	<b>\$ 2,600</b>	<b>\$ (1,092)</b>
<b>Earnings (loss) per share</b>	<b>\$ (0.16)</b>	<b>\$ (0.20)</b>	<b>\$ 0.08</b>	<b>\$ 0.19</b>	<b>\$ (0.08)</b>

## Liquidity and Capital Resources

Canlan's cash balance as at December 31, 2022 was \$18.5 million compared to \$12.5 million at year-end 2021. In addition to cash-on-hand, the Company also has access to a \$10.0 million revolving credit facility that forms part of its bank term debt package (see "**Review of Liabilities and Shareholders' Equity**"). As at December 31, 2022, the balance outstanding was \$2.2 million (2021 - \$2.3 million).

Cash provided by operations, less interest paid on debt and leases was \$10.6 million compared to \$12.1 million a year ago. Cash inflow from operations in 2021 includes approximately \$8.4 million of government wage and rent subsidies that were received during 2021 (of which \$1.9 million were accrued in 2020) that offset a portion of operating expense.

In terms of finance activities, net cash of \$5.9 million was used to reduce term debt and lease liabilities while \$4.5 million cash was received as consideration for Canlan's agreement to surrender its lease position of a sports complex before the maturity and lease option dates. In the prior year, cash used for principal repayments totaled \$15.7 million while cash provided by draws on our operating credit line totaled \$2.0 million.

In addition to the \$10.0 million revolving credit facility, the Company also continues to have available a \$20.0 million committed line of credit that can be utilized for sustaining or expansion capital expenditures. As at December 31, 2022 approximately \$2.3 million (2021 - \$2.5 million) of the line has been drawn for refrigeration and building equipment so \$17.7 million remains available for investment in capital expenditures.

In terms of investing activities, cash of \$3.7 million was used for capital expenditures and \$0.3 million was received for sale of used equipment. During the year, capital expenditures comprised of new LED light fixtures, two artificial field turf replacements, refrigeration equipment and eight new electric ice re-surfacers (six of which were lease-financed). In 2021, \$0.6 million of cash was used for capital expenditures while \$7.2 million was received for the sale of an inactive ice-rink property in Q3 2021.

### Summarized Statement of Cash Flows:

<i>in thousands</i>	2022	2021
<b>Cash inflows and (outflows) by activity</b>		
Operating activities	\$ 10,849	\$ 12,116
Financing activities	(1,450)	(13,715)
Investing activities	(3,397)	6,649
	<b>6,002</b>	5,050
<b>Cash position, beginning of year</b>	<b>12,530</b>	7,480
<b>Cash position, end of year</b>	<b>\$ 18,532</b>	\$ 12,530

The following table provides a reconciliation of operating earnings to the change in cash position for the last two years:

<i>in thousands</i>	2022	2021
Operating earnings	\$ 10,644	\$ 5,798
Changes in working capital items	2,644	6,773
Net finance expense	(2,290)	(2,459)
Income tax (expense) recovery	(595)	2,050
Foreign exchange	(132)	(26)
Reduction on obligations under lease liabilities	306	-
Cash flow from operations	10,577	12,136
<b>Add (deduct):</b>		
Mortgage principal reduction	(4,121)	(14,499)
New debt	-	2,000
Capital expenditures	(3,696)	(584)
Lease payments	(1,777)	(1,216)
Net proceeds on early lease termination	4,448	-
Proceeds on sale of assets	299	7,233
Effect of changes in foreign currency rates	272	(20)
Change in cash position for the year	\$ 6,002	\$ 5,050

### Contractual Obligations

The following table presents the aggregate amount of future cash outflows for contractual obligations in each of the next five years and thereafter.

<i>in thousands</i>	2023	2024	2025	2026	2027	Thereafter	Total
Accounts payable and accrued liabilities	\$ 9,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,693
Debt:							
Mortgage principal and interest	\$ 3,633	\$ 3,777	\$ 3,671	\$ 3,573	\$ 37,965	\$ -	\$ 52,619
Lease liabilities, including interest	5,766	1,030	649	550	394	5,413	13,802
	9,399	4,807	4,320	4,123	38,359	5,413	66,421
	\$ 19,092	\$ 4,807	\$ 4,320	\$ 4,123	\$ 38,359	\$ 5,413	\$ 76,114

## Review of Assets

The table below summarizes the Company's asset base:

<i>in thousands</i>	2022	2021
Properties	\$ 95,523	\$ 97,432
Cash	18,532	12,530
Accounts receivable	2,184	2,298
Inventory	607	490
Prepaid expenses and other assets	1,618	1,601
Investment	350	350
Deferred income taxes	2,282	1,911
Interest rate swap	617	-
	<b>\$ 121,713</b>	<b>\$ 116,612</b>

At December 31, 2022, total properties of \$95.5 million decreased by \$1.9 million mainly due to scheduled depreciation offset by \$4.5 million of capital expenditures during the year.

Subsequent to December 31, 2022, the Company exercised a purchase option it had on a non-ice sportsplex facility in Libertyville, Illinois. On February 28, 2023, the complex was purchased by the Company for US\$3.75 million. The purchase was financed using available cash on hand and additional bank financing of \$3.2 million (see "**See Review of Liabilities and Shareholders' Equity**"). Previous to the purchase, the Company was operating the facility under a lease agreement that would have expired in June 2023.

Cash on hand at December 31, 2022 was \$18.5 million compared to \$12.5 million a year ago. See "**Liquidity and Capital Resources**" for sources and uses of cash.

Disclosures in the consolidated financial statements for the year ended December 31, 2022 note that cash included \$0.5 million of restricted cash representing funds held in trust in accordance with the terms of a lease agreement, consistent with 2021.

Prepaid expenses consist of amounts paid in advance that will be expensed in the subsequent 12 months, such as insurance and property taxes.

## Review of Liabilities and Shareholders' Equity

The table below summarizes the Company's capital structure:

<i>in thousands</i>	2022	2021
Debt	\$ 39,812	\$ 43,796
Deferred revenue and customer deposits	14,081	12,029
Accounts payable	9,693	8,152
Lease payable - right-of-use assets	10,331	11,221
Deferred income taxes	1,145	970
Financial liability held for trading	-	28
	<b>75,062</b>	<b>76,196</b>
Shareholders' equity	<b>46,651</b>	<b>40,416</b>
	<b>\$ 121,713</b>	<b>\$ 116,612</b>

At December 31, 2022 total debt and lease liabilities outstanding was \$50.1 million compared to \$55.0 million at the end of the prior year. The decrease was mainly due to scheduled principal repayments on debt and leases.

Deferred revenue and customer deposits represent customer registration and rental fees received in advance of when ice and field times are used. At December 31, 2022, customer deposits totaled \$14.1 million compared to \$12.0 million at the end of 2021 and represented amounts paid in advance for surface rentals, sports leagues, and instructional programs.

## Debt

During the year ended December 31, 2022, the Company refinanced its bank debt and as at December 31, 2022, total bank debt consists of the following:

- 1) \$25.3 million non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at BA rate plus 1.85% payable monthly. Previously, the Company had entered into an interest rate swap contract to fix the interest rate at 3.52% per annum, payable monthly, on this credit facility, which will mature on June 21, 2023. The Company has also entered into a new forward interest rate swap contract with a term from June 21, 2023 to November 21, 2027, to fix the interest rate at 5.34% per annum payable monthly once the previous interest rate contract matures. At December 31, 2022, the balance outstanding was \$24.9 million;
- 2) \$5.2 million 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, maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At December 31, 2022, the balance outstanding was \$5.2 million;
- 3) \$10.0 million 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, maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At December 31, 2022, the balance outstanding was \$2.2 million;
- 4) \$20.0 million 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, maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At December 31, 2022, the balance outstanding was \$2.3 million;
- 5) \$5.3 million loan amortized over 15 years, maturing on September 30, 2027, interest at CDOR plus 2.1% per annum payable monthly. At December 31, 2022, the balance outstanding was \$5.2 million. Subsequent to December 31, 2022, the Company entered into an interest rate swap contract in January 2023 to fix the interest rate at 5.70%. On February 27, 2023, this loan facility was increased by \$3.2 million to help finance the purchase of a sports complex in Libertyville, Illinois as discussed above (see “**See Review of Assets**”); and
- 6) \$0.7 million demand revolving operating loan, interest at Prime rate plus 0.25% per annum. No amounts have been drawn on this loan to date.

## Share Capital

The total and weighted average number of shares issued and outstanding at December 31, 2022 and December 31, 2021 was 13,337,448.

No new shares have been issued from treasury since November 2004, and the Company does not have a stock option plan.

## Transactions with Related Parties

Canlan's controlling shareholder, Bartrac Investments Ltd., owns approximately 10.1 million shares of the Company, or 75.5% of the outstanding shares. Bartrac's ownership position in TSX: ICE has remained unchanged since November 2004.

The Company did not record any related party transactions with Bartrac during the period. 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 year ended December 31, 2021 and 2022. The Company paid \$0.3 million (2021 - \$0.2 million) in directors' fees during 2022.

## Financial Instruments

The Company has the following financial instruments:

			2022	
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash (i)	Amortized cost	2	\$18,532	\$18,532
Accounts receivable (i)	Amortized cost	2	2,184	2,184
Financial assets measured at fair value:				
Investment (iv)	FVOCI <sup>(1)</sup>	3	350	350
Interest rate swap (iii)	Financial assets at FVTPL <sup>(2)</sup>	2	617	617
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (i)	Amortized cost	2	9,693	9,693
Lease liabilities (ii)	Amortized cost	2	10,331	10,331
Debt	Amortized cost	2	39,812	39,848

			2021	
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash (i)	Amortized cost	2	\$12,530	\$12,530
Accounts receivable (i)	Amortized cost	2	2,298	2,298
Financial assets measured at fair value:				
Investment (iv)	FVOCI <sup>(1)</sup>	3	350	350
Financial liabilities measured at fair value:				
Interest rate swap (iii)	Financial liabilities at FVTPL <sup>(2)</sup>	2	28	28
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (i)	Amortized cost	2	8,152	8,152
Lease liabilities (ii)	Amortized cost	2	11,221	11,221
Debt	Amortized cost	2	43,796	43,693

<sup>(1)</sup> FVOCI - fair value through other comprehensive income

<sup>(2)</sup> FVTPL - fair value through profit or loss

- (i) The carrying values of cash, 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 June 2016 and November 2022, respectively, the Company entered into interest rate swap agreements (seven-year and five-year term) to fix the interest rate on certain of its debt. 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 earnings for the year. For the year ended December 31, 2022, a gain of \$0.6 million (2021 - \$0.5 million) was recognized.
- (iv) The carrying value of the investment is considered by management to approximate its fair value.

The Company does not have held-to-maturity investments at December 31, 2022. The Company had no “other comprehensive income or loss” transactions related to financial instruments during the year ended December 31, 2022 and no opening or closing balances for accumulated other comprehensive income or loss related to financial instruments.

## Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures designed to provide reasonable assurance that material information relating to the Company is made known to the appropriate level of management in a timely manner.

Based on current securities legislation in Canada, our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to certify that they have assessed the effectiveness of our disclosure controls and procedures as at December 31, 2022.

Our management has evaluated, under the supervision and with the participation of our CEO and CFO, the design and effectiveness of the Company's disclosure controls and procedures as at the year ended December 31, 2022. Management has concluded that these disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings (NI 52-109), are adequate and effective and that material information relating to the Company was made known to them and reported within the time periods specified under applicable securities legislation.

Our management, under the supervision of our CEO and CFO, has also designed and evaluated the effectiveness of the Company's internal controls over financial reporting (ICFR) using the Internal Control – Integrated Framework as published by the Committee of Sponsoring Organization of the Treadway Commission (2013 Framework) (COSO) Framework. Based on our evaluation, management has concluded that ICFR, as defined in NI 52-109 and using the COSO integrated framework are effective as of December 31, 2022.

## **Risk Factors**

Canlan is engaged primarily in the operation of multi-pad recreation facilities throughout North America, and is exposed to a number of risks and uncertainties that can affect operating performance and profitability. Our past performance is no guarantee of our performance in future periods.

Some of the risks and uncertainties we are exposed to during normal operations, and the addition of risk factors arising from the COVID-19 pandemic that originated in 2020, are summarized below.

### **COVID-19 and other Pandemic or Epidemic Diseases**

Outbreaks or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the COVID-19 outbreak of 2020, may lead to voluntary or mandatory building closures, government restrictions on travel, or gatherings, which may lead to a general slowdown of economic activity and disrupt our workforce and business operations. Such occurrences, could have a material adverse effect on the demand for recreation services. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's cash flows, results of operations (that are sensitive to seasonality), and the Company's ability to obtain additional financing, or re-financing. Due to the COVID-19 pandemic the Company created an exposure control program that would be put into effect, when required, to prevent or limit the spread of disease.

Mitigating factors and strategies:

- Management establishes control measures and enhanced standard operating procedures to help protect the health and safety of employees' and guests.
- During periods of reduced business activity, management establishes cost management measures with the objective of preserving cash and mitigating the effects of a reduction in business activity.
- Through collaboration with senior lenders, the Company arranges, where possible, debt covenant waivers, deferrals of principal repayments and/or additional credit facilities that can be accessed if necessary.
- During such occurrences, financial support for businesses and individuals may be made available by various levels of government that the Company will access where appropriate.

## **Leverage and Ability to Service Indebtedness**

The Company's level of debt and the limitations imposed on it by its debt agreements could have important consequences, including the following:

- the Company may have to use a significant portion of its cash flow from operations for debt service, rather than for operations.
- the Company may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes.
- the Company could be more vulnerable to economic downturns and less able to take advantage of significant business opportunities or to react to changes in market or industry conditions.
- the Company's less leveraged competitors could have a competitive advantage.

The Company's ability to pay the principal and interest on debt obligations will depend on its future performance. To a significant extent, our performance will be subject to general economic, financial and competitive factors. We can provide no assurances that our business will generate cash flow from operations sufficient to pay the Company's indebtedness, fund other liquidity needs or permit the Company to refinance its indebtedness. The Company can provide no assurances that it can secure any further credit facilities or that the terms of any such credit facilities will be favourable.

If the Company has difficulty servicing its debt, the Company may be forced to adjust capital expenditures, seek additional financing, sell assets, restructure or refinance the Company's debt, adjust dividends, or seek equity capital. The Company might not be able to implement any of these strategies on satisfactory terms, if at all. The Company's inability to generate sufficient cash flow or refinance its indebtedness would have a material adverse effect on the Company's financial condition, results of operations and ability to satisfy the Company's obligations.

Mitigating factors and strategies:

- The Company manages its capital with the objectives of maintaining a financial position suitable for servicing debt in accordance with repayment schedules, complying with debt covenants, and supporting our growth strategies.
- The Company maintains good relationships with its lenders through regular communications and reporting.
- The Company continuously evaluates asset profitability and cost of capital to optimize return on capital.
- During the period where business operations were impacted by the COVID-19 pandemic, the Company had arranged for debt covenant waivers and/or amendments.

## **Infrastructure Expenditures**

The Company's recreation facilities consist of property, plant and equipment that have useful lives estimated by management. Assets may become obsolete and may require replacement before the end of their estimated useful lives, which will necessitate significant capital expenditure.

Mitigating factors and strategies:

- The Company has implemented formal standard operating procedures and operational support visits to help protect our assets.
- The Company has a stringent asset repair and maintenance program.
- The Company has a long-term capital project program that plans capital expenditures in accordance with priorities and estimated useful lives.

### **Incurrence of Debt and the Granting of Security Interests**

From time to time, the Company may enter into transactions and these transactions may be financed partially or wholly with short or long-term debt, which may increase the Company's debt levels above industry standards and may require the Company to grant security interests in favour of third parties. Neither the Company's articles nor notice of articles limit the amount of indebtedness that the Company may incur or its ability to grant security interests. Should the Company default on any of its obligations under any secured credit facility, this could result in seizure of the Company's assets. The level of the Company's indebtedness from time to time could impair our ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Mitigating factors and strategies:

- The Company manages its capital with the objectives of maintaining a financial position suitable for servicing debt in accordance with repayment schedules, complying with debt covenants, and supporting our growth strategies.

### **Insurance**

The Company develops and organizes sports leagues to play at the facilities it owns and operates. Due to the nature of the sports we host, incidents can occur. We purchase liability and accident insurance, the cost of which is dependent upon the history of the number of injury claims and the quantum of such claims. There is always a risk that the cost of acquiring sufficient insurance to cover any such injury claims will become prohibitive or that such insurance will become unavailable. The Company has obtained insurance coverage that it believes would ordinarily be maintained by an operator of facilities similar to that of the Company. The Company's insurance is subject to various limits and exclusions. Damage or destruction to any of our facilities or lawsuits arising from use of such facilities could result in claims that are excluded by, or exceed the limits of, the Company's insurance coverage.

Mitigating factors and strategies:

- The Company maintains its facilities to high standards and continually monitors league activities and enforces a strict set of rules.
- The Company has developed risk management procedures and emergency preparedness guides at all of its locations.
- Management works closely with insurance providers.

### **Expansion and U.S. Operations**

The Company's expansion strategies may include start-up of operations in new markets or the creation of new product offerings. Should market conditions of new locations or consumer preferences surrounding new products vary significantly from what was anticipated, the Company's financial results could be adversely affected.

Specifically, expansion strategies include certain markets in the U.S. As such, the Company faces the risks of operating in new markets where the demographics,

consumer preferences, and economic conditions can be very different from Canadian markets in which the Company primarily operates.

Operating in the U.S. also creates foreign currency risk on sales and purchases that are denominated in U.S. dollars. Should the financial results of the Company's U.S. subsidiaries significantly fall short of targets, the Company could be exposed to the risk of loss depending on the relative movement of this currency against the Canadian dollar. The Company does not currently enter into forward contracts to mitigate this risk. However, management anticipates that earnings from U.S. business activities are adequate to service the working capital needs of U.S. operations.

Mitigating factors and strategies:

- The Company performs due diligence to evaluate the structural condition of facilities, and conditions that support supply and demand in the marketplace of target investments.
- The Company performs extensive research and due diligence to evaluate and test new product offerings to ensure consumer demand matches the product offering prior to a full product launch.
- Management closely monitors the Canadian-U.S. foreign exchange rate and could utilize hedging instruments if necessary. In addition, a reasonable amount of U.S. currency is maintained on hand to meet operating needs.

### **Seasonality of Operations**

The Company's business cycle is highly seasonal and under normal business conditions, approximately 57% of total revenues and virtually all of the operating profit are generated in the first and fourth quarters. This seasonality of operations impacts reported quarterly earnings. The operating results for any particular quarter is not necessarily a good indicator of operating results for the other fiscal quarters or the entire fiscal year. As a result of the seasonality, the highest cash flow period for the Company is in the fourth quarter when customer deposits for future ice contracts are received, and the lowest cash flow is in the summer months, when traffic is reduced.

Mitigating factors and strategies:

- Various programs are developed to increase traffic during the traditionally slower summer period.
- Variable operating costs are reduced during the summer period.
- Management ensures cash reserves are adequate to finance working capital throughout the off-peak seasons.

### **Competition**

The recreation industry is highly competitive and Canlan competes with other private and municipal operators in various major markets. Other private operators may have more resources and less debt than Canlan, and municipal operators can operate at a loss for an indefinite period without the same negative consequences such losses would have on private companies.

Mitigating factors and strategies:

- Canlan has developed customer loyalty by providing superior customer service and facilities.
- The ice rink industry is capital intensive with high start-up expenses; therefore barriers to enter the business exist.
- We have developed expertise in all aspects of the ice rink development and multi-sport complex operations.

## **Climate Change**

Canlan, like many other companies, is subject to climate change-related risks. Government regulations and public perception may adversely impact Canlan's operations. Climate change may also increase the frequency and intensity of severe weather events, which may negatively impact our facilities, such as cause property damage or other disruption to the Company's operations. Natural disasters, climate change impacts and disruptive events may impact our operations, customer satisfaction and client experience, and may result in increased insurance premiums or deductibles, and the decrease in the availability of, or loss of, coverage. To reduce the potential impact that business operations may pose on the environment, the Company has already implemented and will continue to implement the following:

- Invest in energy efficient equipment and fixtures to cool, heat and light Canlan Sports facilities and closely monitor and maintain the energy efficiency of the equipment throughout its life-cycle.
- Gradually transition its fleet of gas powered ice re-surfacers to electric technology.
- Continuously monitor utility usage, research, and develop new processes and technologies to reduce energy, water and paper consumption.

## **Employee and Union Relations**

The Company has unionized employees at four of its facilities. The Company may not be able to negotiate a new contract on favourable terms, which could result in increased operating costs as a result of higher wages or benefits paid to its unionized workers. If unionized workers engage in a strike or other work stoppage, the Company could experience a significant disruption in its operations or higher ongoing labour costs, which could have material adverse effects on the business, financial condition, results of operations and cash flows.

Mitigating factors and strategies:

- The Company maintains positive relationships with the unions and management and union representatives have bargained in good faith.
- The Company garners assistance and guidance from professional labour consultants where needed.

## **Key Personnel**

The Company's future success depends, to a large extent, on the efforts and abilities of its executive officers and other key personnel. As the Company's ability to retain these key personnel and executive officers is important to its success and growth, the loss of such personnel could adversely affect the Company's business, financial condition, cash flows and results of operations.

Mitigating factors and strategies:

- The Company has established short-term and long-term compensation and incentive programs for its executive officers that are commensurate with their responsibilities and with market conditions.
- The Company maintains an open and candid working environment where executive officers can offer input into business strategies and decisions.

### **Utility Costs**

Electricity, natural gas and water are significant components of operating costs of our facilities and the Company is susceptible to fluctuations in the market price of energy and related regulatory charges. In addition, the Company may experience power fluctuations or outages or cannot maintain adequate sources of natural gas and water. These factors may have a material adverse effect on the Company's business, financial conditions, results of operations and cash flows.

Mitigating factors and strategies:

- Where considered appropriate, the Company enters into medium-term energy contracts to mitigate the price fluctuations of gas and electricity.
- The Company carefully manages utility consumption through standard operating procedures and capital asset program.
- The Company has implemented an equipment replacement program, which utilizes newer technology and reduces energy consumption.
- The Company employs a full-time subject matter expert in energy management.

### **Privacy and Security of Information**

In the ordinary course of our business we receive, process and store information from our guests and others, including personal information of our guests and employees often through online operations that depend upon the secure communication of information over public networks and in reliance on third party service providers. The secure operation of the networks and systems on which this information is stored, processed and maintained is critical to our business operations and strategy. Although we maintain systems to protect this information and rely on systems security of third-party software service providers, these systems must be continuously monitored and updated and could be compromised, in which case our guest information could become subject to intrusion, tampering or theft. Any compromise of our data security systems or the security systems of our third-party service providers could have an adverse impact on our reputation, be costly to remediate and could have a material adverse effect on our business.

Mitigating factors and strategies:

- The Company has deployed network security measures and performs periodic security compliance audits.
- Information security has been made a part of the Company's Enterprise Risk Management Strategy to provide oversight over this particular risk.

### **Interest Rate Risk**

Debt of \$5.2 million, is subject to variable interest rates. For every 1% change in base market rates, interest expense will change by \$52,000 per annum.

Mitigating factors and strategies:

- The Company has fixed the interest rate on \$34.7 million or 87% of its loans.
- Management closely monitors market conditions and works with its senior lenders to mitigate interest rate risk where possible in periods of rising borrowing costs.

### **Control by Principal Shareholder and Liquidity of Common Shares**

The principal shareholder, Bartrac Investments Ltd. holds 10,075,947 Common Shares and controls approximately 75.5% of the aggregate voting shares of the Corporation, which will allow it to control substantially all the actions taken by the shareholders of the Company, including the election of the directors. In addition, at the date of this MD&A, a Trust in the U.S. holds 2,297,000 Common Shares, which represents 17.2% of total outstanding Common Shares. Such concentration of ownership could also have the effect of delaying, deterring, or preventing a change of control of the Company that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Company and limit the amount certain investors may be willing to pay for the Common Shares.

### **Critical Accounting Policies and Estimates**

Canlan's significant accounting policies are described in Note 3 to the audited consolidated financial statements. The preparation of the consolidated financial statements in conformity with IFRS requires us 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:

#### **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.

#### **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 78% 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.

### **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.

**Ivan Wu**  
**Chief Financial Officer**



**CANLAN ICE SPORTS CORP.**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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Canada  
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Fax (604) 691-3031

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canlan Ice Sports Corp.

### **Opinion**

We have audited the consolidated financial statements of Canlan Ice Sports Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021;
- the consolidated statements of earnings (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### ***Assessment of Property, plant and equipment – facilities for indicators of impairment***

#### ***Description of the matter***

We draw attention to Notes 2(d), 3(o) and 6 to the financial statements. The Entity measures property, plant and equipment – facilities, consisting of 15 recreational properties, at cost less accumulated depreciation and impairment losses. The Entity defines each recreational property as a separate cash-generating unit for purposes of assessing indicators of impairment. Each cash-generating unit is comprised of property, plant and equipment which were recorded at a carrying amount of \$95,523 thousand in aggregate. At each reporting date, the Entity performs an assessment for indicators of impairment for each cash-generating unit. At December 31, 2022, the Entity identified no indicators of impairment for each of its cash-generating units. Accordingly, no quantitative impairment tests were performed.

#### ***Why the matter is a key audit matter***

We identified the assessment of property, plant and equipment- facilities for indicators of impairment as a key audit matter. This matter represented an area of significant risk of material misstatement, and evaluation of this matter required significant auditor judgement.

#### ***How the matter was addressed in the audit***

The primary procedures we performed to address the key audit matter included the following:

We evaluated the Entity's identification and assessment for indicators of impairment, including comparing the current year performance of the cash-generating units against historical results. We also performed an independent assessment of impairment indicators taking into account current market conditions, as well as the economic and legal environment.

#### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Lorna Nimmons.

Chartered Professional Accountants

Vancouver, Canada  
March 24, 2023

# CANLAN ICE SPORTS CORP.

Consolidated Statements of Financial Position  
(Expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash (note 4)	\$ 18,532	\$ 12,530
Accounts receivable	2,184	2,298
Inventory (note 5)	607	490
Prepaid and other expenses	1,062	788
Interest rate swap (note 11(b) and note 17(a))	411	-
	<u>22,796</u>	<u>16,106</u>
Non-current assets:		
Property, plant and equipment – facilities (note 6)	95,523	97,432
Deferred tax assets (note 16(b))	2,282	1,911
Investment (notes 9 and 10)	350	350
Other assets	556	813
Interest rate swap (note 11(b) and note 17(a))	206	-
	<u>98,917</u>	<u>100,506</u>
	<u>\$ 121,713</u>	<u>\$ 116,612</u>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 10 and 17(b))	\$ 9,693	\$ 8,152
Deferred revenue and customer deposits	14,081	12,029
Interest rate swap (note 11 (b) and note 17(a))	-	28
Current portion of:		
Lease liabilities (note 7)	5,515	1,251
Debt (note 11)	1,745	4,436
	<u>31,034</u>	<u>25,896</u>
Non-current liabilities:		
Lease liabilities (note 7)	4,816	9,970
Debt (note 11)	38,067	39,360
Deferred tax liabilities (note 16(b))	1,145	970
	<u>44,028</u>	<u>50,300</u>
Total liabilities	75,062	76,196
Shareholders' equity:		
Share capital (note 12)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	3,662	1,757
Deficit	(20,663)	(24,993)
	<u>46,651</u>	<u>40,416</u>
	<u>\$ 121,713</u>	<u>\$ 116,612</u>

Commitments and contingencies (note 15)  
Subsequent event (notes 6 and 11)

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

Approved on behalf of the Board:

/s/ Victor D'Souza Director /s/ Joey St-Aubin Director

# CANLAN ICE SPORTS CORP.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)  
(Expressed in thousands of dollars, except for share and per share amounts)

Years ended December 31, 2022 and 2021

	2022	2021
Revenue:		
Ice rink and recreational facilities (note 20)	\$ 73,728	\$ 40,393
Other income – government subsidy (note 3(h) and 23)	-	6,537
Expenses (note 22):		
Ice rink and recreational facilities:		
Salaries, wages and benefits (note 13)	29,044	19,022
Selling and customer service	8,772	5,288
Utilities	5,366	4,486
Cost of goods sold	3,611	1,063
Repairs and maintenance	6,127	2,596
Property tax	2,809	2,898
	<u>55,729</u>	<u>35,353</u>
Earnings from ice rink and recreational facilities before the undernoted	17,999	11,577
General and administration expenses (notes 13, 14 and 22)	7,355	5,779
Earnings before the undernoted	10,644	5,798
Other income (expenses) (note 22):		
Depreciation	(8,379)	(7,801)
Gain on early lease termination (note 7)	4,530	-
Gain on sale of assets (note 8)	106	1,510
Foreign exchange gain	11	19
	<u>(3,732)</u>	<u>(6,272)</u>
Finance income (expenses):		
Finance income	208	40
Finance expense	(2,636)	(2,625)
Gain on interest rate swap (note 17(a))	645	513
	<u>(1,783)</u>	<u>(2,072)</u>
Earnings (loss) before income taxes	5,129	(2,546)
Income tax expense (recovery) (note 16):		
Current	595	(2,050)
Deferred	(196)	596
	<u>399</u>	<u>(1,454)</u>
Net earnings (loss) for the year	4,730	(1,092)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net earnings (loss):		
Foreign currency translation differences	1,905	(200)
Total comprehensive income (loss)	<u>\$ 6,635</u>	<u>\$ (1,292)</u>
Basic and fully diluted earnings (loss) per share	<u>\$ 0.35</u>	<u>\$ (0.08)</u>
Weighted average common shares issued for basic and diluted earnings per share calculations	13,337,448	13,337,448

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

# CANLAN ICE SPORTS CORP.

Consolidated Statements of Changes in Equity  
(Expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance at January 1, 2021	\$ 63,109	\$ 543	\$ 1,957	\$ (23,901)	\$ 41,708
Loss for the year	-	-	-	(1,092)	(1,092)
Other comprehensive loss	-	-	(200)	-	(200)
Balance at December 31, 2021	63,109	543	1,757	(24,993)	40,416
Net earnings for the year	-	-	-	4,730	4,730
Other comprehensive income	-	-	1,905	-	1,905
Dividends to common shareholders	-	-	-	(400)	(400)
Balance at December 31, 2022	\$ 63,109	\$ 543	\$ 3,662	\$ (20,663)	\$ 46,651

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

# CANLAN ICE SPORTS CORP.

Consolidated Statements of Cash Flows  
(Expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net earnings (loss) for the year	\$ 4,730	\$ (1,092)
Adjustments for:		
Depreciation	8,379	7,801
Gain on early lease termination	(4,530)	-
Gain on sale of assets	(106)	(1,510)
Net finance expense	1,783	2,072
Deferred income taxes	(196)	596
Foreign exchange gain	(143)	(45)
Reduction on obligations under lease liabilities	306	-
Net change in non-cash working capital (note 21)	2,644	6,773
Interest paid (note 11)	(2,500)	(2,499)
Interest received	210	40
	10,577	12,136
Financing:		
Principal repayments of debt	(4,121)	(14,499)
Increase in principal of debt	-	2,000
Principal repayments on obligations under lease liabilities	(1,777)	(1,216)
Net proceeds on early lease termination (note 7)	4,448	-
	(1,450)	(13,715)
Investments:		
Net proceeds on sale of assets	299	7,233
Expenditures on ice rink and recreational facilities	(3,660)	(525)
Expenditures on other assets	(36)	(59)
	(3,397)	6,649
Effect of changes in foreign currency rates on cash	272	(20)
Increase in cash	6,002	5,050
Cash, beginning of year	12,530	7,480
Cash, end of year	\$ 18,532	\$ 12,530

Supplemental cash flow information (note 21)

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

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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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.

### *Effects of COVID-19 Pandemic*

Since March 2020 when the COVID-19 outbreak was declared a pandemic, the Company’s business operations have been impacted by business interruptions. Most recently, with the exception of the Ontario facilities, for which public health orders required the Company to suspend its operations in January 2022, all facilities were able to operate at normal capacities during the year ended December 31, 2022. As at the date of issuance of these consolidated financial statements, all of the Company’s facilities are in full operation and the Company’s liquidity position has returned to pre-pandemic levels.

## 2. Basis of preparation:

### (a) Statement of compliance:

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 23, 2023.

### (b) Basis of measurement:

The consolidated 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 (loss) 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 (loss) and accumulated in the foreign currency translation reserve, which is a separate component of shareholders’ equity.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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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 (loss).

(d) Significant judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IFRS 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 as follows:

(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 foot of the recreational property.

(ii) 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 78% 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 Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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### *(iii)* 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:**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### **(a) Basis of consolidation:**

##### *(i)* Subsidiaries:

These consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

- Canlan Ventures Ltd.
- Canlan Ice Sports (USA) Corp.
- P.C. Development Inc.

Subsidiaries are entities controlled by the Company. The statements of financial position of the subsidiaries are included in the consolidated financial statements from the date that control commences. They are de-consolidated from the date that control ceases. The accounting policies of subsidiaries are aligned with those adopted by the Company.

##### *(ii)* Transactions eliminated on consolidation:

Intra-Company balances are eliminated in preparing the consolidated financial statements.

#### **(b) Inventory:**

Inventory consists of hockey equipment, supplies and sportswear held for sale, and food and beverage supplies. Inventory is recorded at the lower of cost and estimated net realizable value and is based on the first-in, first-out principle. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

# CANLAN ICE SPORTS CORP.

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(c) Property, plant, and equipment:

(i) Recognition and measurement:

Items of property, plant, and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

Gains and losses recognized in the statement of earnings (loss) and comprehensive income (loss) on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within gain or loss on sale of assets.

(ii) Subsequent costs:

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings (loss) as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in net earnings (loss) on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

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Asset	
Buildings	40 years
Rink board systems	25 years
Refrigeration equipment	20 years
Building improvements	10 years
Leasehold improvements	Shorter of useful life or remaining lease term
Machinery and equipment	10 years
Computers, furniture and fixtures	5 years
Ice resurfacing equipment	5 years

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Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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(d) Assets held-for-sale:

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Assets held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held-for-sale are no longer amortized or depreciated. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

(e) Other assets:

Included in other assets are fixed assets located in the Company's corporate offices.

(f) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. 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 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset may be periodically adjusted by impairment losses.

The lease liability is initially measured at the present value of future lease payments discounted using an implicit interest rate or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

If the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases in net earnings (loss) on a straight-line basis over the lease term.

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(g) Revenue recognition:

The Company evaluates all contractual arrangements, the nature of the promises it makes, and its rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are determined to be distinct from each other, the consideration is allocated to each performance obligation based on its relative estimated stand-alone selling price. Performance obligations that are concluded not to be distinct are combined together into a single unit of account. Revenue is recognized at an amount equal to the transaction price allocated to the specific performance obligation as it is satisfied.

Ice and field sales:

- Sports league - Customers obtain the benefits of sport leagues service as league games are played (which are scheduled and provided by the Company) over the course of a league season. Revenue is recognized over time as games are played. Invoices are payable during each league season in accordance with a payment schedule with non-refundable deposits paid in advance.
- Instructional sports programs - Customers obtain the benefits of programs service as they attend each session of the instructional programs provided by the Company. Revenue is recognized over time as program sessions are completed. Invoices are payable at the time of program registration.

Food and beverage:

Customers obtain the benefits of the food and beverage as they receive their orders. Revenue is recognized and amounts are payable at the point when the customers' orders are delivered.

Sports store:

Customers obtain control of the product at the time of purchase. Revenue is recognized at the point when the customers purchase the product in-store. Customers pay at the time of purchase.

Sponsorship:

Customers obtain the benefits of sponsorship and advertising services as sponsorship and advertising material are displayed on and in the Company's digital and physical assets and as promotional events occur. Advertisements are displayed or presented during the contractual period through the duration of the sponsorship campaign and revenue is recognized over time during the contractual period. Invoices are payable during each sponsorship campaign in accordance with contractual payment terms.

Space rental:

Tenants obtain the benefits as they use the space provided by the Company. Revenue is recognized over time as the space is being used by the tenants. Invoices are payable at the beginning of each month.

Management and consulting fees:

Customers obtain the benefits as the Company provides management/consulting services. Revenue is recognized over time as the management/consulting services are provided. Invoices are payable at the beginning of each month.

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(h) Government grant:

A 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 other income on a systematic basis.

(i) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures financial instruments at fair value at the end of each reporting period.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement or disclosure:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for assets or liability.

(j) Financial instruments:

Recognition and initial measurement:

At initial recognition, a financial asset not at fair value through profit or loss (FVTPL) is measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial liabilities are recognized initially at fair value and are classified as amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition.

Classification and subsequent measurement:

The Company classifies its financial assets between those to be measured subsequently at fair value (either through other comprehensive income (loss), or through profit or loss), and those to be measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment is measured at fair value through other comprehensive income (FVOCI) if it meets the following conditions and is not designated as at FVTPL:

- the investment is held mainly to execute the Company's strategic objectives.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company's financial instruments measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, and debt.

Derivative instruments are financial contracts whose values are derived from interest rates, foreign exchange rates or other financial or commodity indices. The Company holds interest rate swap contracts at December 31, 2022 and 2021. These contracts have not been designated as a hedge and are measured at FVTPL. The resulting unrealized gains and losses during the year on the interest rate swap contracts are recorded in net earnings (loss) with a corresponding asset or liability recorded on the consolidated statement of financial position. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense which are recognized within finance costs.

Impairment of financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes obtaining evidence of significant financial difficulty of the customer or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

Loss allowances for trade and note receivables are measured at an amount equal to lifetime expected credit losses ("ECLs"). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. ECLs are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

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(k) Earnings (loss) per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, if any.

(l) Employee benefits:

(i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net earnings (loss) in the period in which services are rendered by employees.

(ii) Long-term incentive plan:

The Company's long-term incentive plan provides cash compensation to officers and directors based upon the future enterprise value of the Company as calculated by a specified formula. Compensation expense is recognized based upon the best estimate of future calculated enterprise value.

(m) Finance income and finance expenses:

Finance income comprises bank interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss. Interest income is recognized in net earnings (loss) as it accrues.

Finance expenses comprise interest expense on borrowings and obligations under finance leases, bank charges and changes in the fair value of financial assets and liabilities at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings (loss) using the effective interest method.

(n) Income tax:

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net earnings (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

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

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Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are increased or reduced dependent on the probability that the related tax benefit will be realized.

(o) Impairment of properties, plant and equipment - facilities:

The Company's property, plant, and equipment – facilities is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell.

A CGU is defined under IAS 36 as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. The Company generates cash inflows from its recreational properties and each recreational property is a CGU. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its estimated recoverable amount. Impairment losses are recognised in net earnings (loss) in the consolidated statements of earnings (loss) and comprehensive income (loss).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell is based on valuations performed by independent external appraisers accredited by professional institutes with experience in the location of the property being valued and reviewed by management. In determining fair value less costs to sell, recent market transactions are taken into account as well as stabilized net income and relevant capitalization rates.

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The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGU's to which individual assets are allocated.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance. Segment results include items directly attributable to a segment.

#### 4. Restricted cash

Cash includes \$500,000 (2021 – \$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. Inventory:

	2022	2021
Sports store	\$ 256	\$ 277
Food and beverage	351	213
	\$ 607	\$ 490

The amount of inventory expensed during the year is equal to the amount of cost of goods sold presented in the consolidated statement of earnings (loss) and comprehensive income (loss).

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

	Land	Buildings and building improvements	Leasehold improvements	Rink board systems	Refrigeration equipment	Machinery and equipment	Computers, furniture and fixtures	Ice resurfacing equipment	Work in process	Total
<b>Cost</b>										
Balance at January 1, 2021	\$ 16,346	\$ 115,381	\$ 2,528	\$ 4,802	\$ 22,230	\$ 18,776	\$ 11,177	\$ 6,170	\$ 5	\$ 197,415
Reclassification	-	329	-	-	-	(21)	26	-	(5)	329
Additions	-	4,938	-	-	(25)	151	352	556	27	5,999
Disposals	-	(349)	(37)	-	(16)	(217)	(147)	(181)	-	(947)
Effect of movements in exchange rates	(17)	(107)	-	(2)	(12)	(12)	(6)	(3)	-	(159)
Balance at December 31, 2021	\$ 16,329	\$ 120,192	\$ 2,491	\$ 4,800	\$ 22,177	\$ 18,677	\$ 11,402	\$ 6,542	\$ 27	\$ 202,637
Reclassification	-	-	-	-	27	-	-	-	(27)	-
Additions	-	859	-	-	51	943	974	1,276	443	4,546
Disposals	-	(952)	(1,914)	(197)	-	(186)	(236)	(1,042)	-	(4,527)
Effect of movements in exchange rates	277	1,697	-	33	196	206	126	64	6	2,605
Balance at December 31, 2022	\$ 16,606	\$ 121,796	\$ 577	\$ 4,636	\$ 22,451	\$ 19,640	\$ 12,266	\$ 6,840	\$ 449	\$ 205,261
<b>Accumulated depreciation</b>										
Balance at January 1, 2021	\$ -	\$ (57,700)	\$ (1,664)	\$ (2,981)	\$ (10,023)	\$ (11,746)	\$ (9,557)	\$ (4,973)	\$ -	\$ (98,644)
Depreciation for the year	-	(4,087)	(202)	(192)	(819)	(1,101)	(557)	(556)	-	(7,514)
Disposals	-	349	37	-	16	217	147	181	-	947
Effect of movements in exchange rates	-	4	-	-	1	-	1	-	-	6
Balance at December 31, 2021	\$ -	\$ (61,434)	\$ (1,829)	\$ (3,173)	\$ (10,825)	\$ (12,630)	\$ (9,966)	\$ (5,348)	\$ -	\$ (105,205)
Depreciation for the year	-	(4,202)	(570)	(200)	(829)	(1,134)	(657)	(493)	-	(8,085)
Disposals	-	728	1,915	117	-	186	236	924	-	4,106
Effect of movements in exchange rates	-	(272)	-	(12)	(60)	(83)	(88)	(39)	-	(554)
Balance at December 31, 2022	\$ -	\$ (65,180)	\$ (484)	\$ (3,268)	\$ (11,714)	\$ (13,661)	\$ (10,475)	\$ (4,956)	\$ -	\$ (109,738)
Carrying amounts:										
Balance at December 31, 2021	\$ 16,329	\$ 58,758	\$ 662	\$ 1,627	\$ 11,352	\$ 6,047	\$ 1,436	\$ 1,194	\$ 27	\$ 97,432
Balance at December 31, 2022	16,606	56,616	93	1,368	10,737	5,979	1,791	1,884	449	95,523

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

	2022	2021
Property, plant and equipment owned	\$ 85,733	\$ 86,946
Right-of-use-property, plant and equipment leased (note 7 (a))	9,790	10,486
	<b>\$ 95,523</b>	<b>\$ 97,432</b>

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 (option is at the Company's discretion) that would expire on June 30, 2023. On February 28, 2023, the Company exercised its option to purchase the sports complex facility in Libertyville, Illinois for \$5,103,000 (\$3,750,000 USD). The purchase was financed using available cash on hand and additional bank financing of \$3,200,000.

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 \$4,938,000 at the lease commencement date (note 7).

For the year ended December 31, 2022 and 2021, no impairment losses were recognized in relation to property, plant and equipment – facilities.

## 7. Right-of-use assets:

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

	Equipment	Building and building improvements	Total
December 31, 2020	\$ 2,658	\$ 3,961	\$ 6,619
Additions	566	4,938	5,504
Depreciation	(429)	(650)	(1,079)
Buyout of assets	(532)	-	(532)
Foreign exchange	-	(26)	(26)
December 31, 2021	2,263	8,223	10,486
Additions	886	-	886
Depreciation	(469)	(708)	(1,177)
Disposal	-	(223)	(223)
Buyout of assets	(500)	-	(500)
Foreign exchange	-	318	318
December 31, 2022	<b>\$ 2,180</b>	<b>\$ 7,610</b>	<b>\$ 9,790</b>

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The 2021 addition of \$4,938,000 in right-of-use assets relates to a lease agreement of a sports complex that the Company entered into, in April 2021, and subsequently purchased in February 2023 (see note 6).

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

	2022	2021
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	\$ 5,766	\$ 1,745
One to five years	2,623	8,007
More than five years	5,413	5,308
<b>Total undiscounted lease liabilities</b>	<b>\$ 13,802</b>	<b>\$ 15,060</b>
Lease liabilities included in the statements of financial position:		
Current	\$ 5,515	\$ 1,251
Non-current	4,816	9,970
	<b>\$ 10,331</b>	<b>\$ 11,221</b>

During the year ended December 31, 2022, interest expense related to lease liabilities was \$507,000 (2021 - \$474,000). Total lease payments made during 2022 were \$1,756,000 (2021 - \$1,661,000). Total lease expense related to leases of low-value items were \$121,000 during the year ended December 31, 2022 (2021 - \$117,000).

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).

## 8. Assets held-for-sale:

In September 2021, the Company completed the sale of the recreational property in Quebec for net proceeds of \$7,174,000 and realized a gain on sale of \$1,450,000. The recreational property was previously included in assets-held-for sale.

## 9. Investment:

In September 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 and subsequently measured at FVOCI. The investee is a private company that develops software to facilitate sport surface rentals in recreation facilities in large metropolitan centers and in July 2021, the Company implemented the use of this software to sell spot ice rentals. The shares owned by the Company have an intrinsic value of \$350,000 and as at December 31, 2022, the Company's investment was diluted to a 10.25% (2021 – 11.73%) equity interest in the investee as the start-up technology company continued to raise capital. As consideration for the equity interest, the Company is obligated to provide marketing services to the investee to help promote its software application. Accordingly, a current liability of \$350,000 (2021 - \$350,000) has been included in accounts payable and accrued liabilities in the consolidated statements of financial position (note 10).

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## 10. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	2022	2021
Trade payables	\$ 2,239	\$ 1,709
Wages payable	3,307	2,914
Other accrued liabilities	2,500	2,677
Marketing services (note 9)	350	350
Dividends payable	400	-
Indirect tax payables	617	502
Income tax payable	280	-
	<b>\$ 9,693</b>	<b>\$ 8,152</b>

All current trade and accrued liabilities are payable within 12 months and bear no interest.

## 11. Debt:

(a) Credit facilities:

	Maturity dates	Interest rates		2022	2021
Variable rate - fixed with interest rate swap contracts (note 11(b))	2027	BA + 1.85%	(i)	\$ 24,949	\$ 27,235
	2027	BA + 1.85%	(ii)	5,213	-
	2027	BA + 1.85%	(iii)	2,164	-
	2027	BA + 1.85%	(iv)	2,335	-
Variable rate	2027	CDOR + 2.10%	(v)	5,187	5,641
	2023	Prime + 0.50%		-	6,343
	2023	Prime + 0.50%		-	2,065
	2023	Prime + 1.00%		-	1,947
	2023	BA + 2.10%		-	738
				<b>39,848</b>	<b>43,969</b>
Deferred financing costs				<b>(36)</b>	<b>(173)</b>
				<b>39,812</b>	<b>43,796</b>
Current portion				1,745	4,436
Non-current portion				<b>\$ 38,067</b>	<b>\$ 39,360</b>

During the year ended December 31, 2022, the Company refinanced its bank debt and as at December 31, 2022, 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. Previously, the Company had entered into an interest rate swap contract (note 11(b)(i) and 17(a)) to fix the interest rate at 3.52% per annum, payable monthly, on this credit facility, which will mature on June 21, 2023. The Company has also entered into a new forward interest rate swap contract (note 11(b)(iii) and 17(a)) with a term from June 21, 2023 to November 21, 2027, to fix the interest rate at 5.34% per annum payable monthly once the

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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previous interest rate contract matures. At December 31, 2022, the balance outstanding was \$24,949,000;

- (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 11(b)(ii) and 17(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At December 31, 2022, the balance outstanding was \$5,213,000;
- (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 11(b)(ii) and 17(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At December 31, 2022, the balance outstanding was \$2,164,000;
- (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 11(b)(ii) and 17(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At December 31, 2022, the balance outstanding was \$2,335,000;
- (v) \$5,325,000 loan amortized over 15 years, maturing on September 30, 2027, interest at CDOR plus 2.1% per annum payable monthly. At December 31, 2022, the balance outstanding was \$5,187,000. Subsequent to December 31, 2022, the Company entered into an interest rate swap contract in January 2023 to fix the interest rate at 5.70%; and
- (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.

In 2020, the Company's senior lenders amended the debt covenants for the 2020 and 2021 fiscal years due to potential impacts of the COVID-19 pandemic on business operations. The Company was in compliance with these amended covenants in 2021. Commencing on January 1, 2022, the debt covenants reverted back to their original terms and the Company was also in compliance with its covenants in 2022.

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 \$175,000 (2021 - \$127,000) was recorded in finance costs.

(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 swap as a cash flow hedge of its debt.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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As of December 31, 2022, the Company has the following interest rate swap contracts:

Note Reference	Interest rate Index	Term	Swap rate	Notional amount		Fair value		
				2022	2021	2022	2021	
(i)	11 (a)(i)	BA	2016-2023	3.52%	\$ 24,267	\$ 26,675	\$ 411	\$ (28)
(ii)	11 (a)(ii)(iii)(iv)	BA	2022-2027	5.50%	9,712	-	60	-
(iii)	11 (a)(i)	BA	2023-2027	5.34%	24,449	-	146	-

## 12. 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: December 31, 2022 and 2021	13,337,448	\$ 63,109

On March 24, 2020, the Company suspended its quarterly dividend policy to preserve liquidity in response to the COVID-19 pandemic. No distributions were declared or paid in 2021.

On November 11, 2022, the Company declared a quarterly dividend of \$0.03 per share, which was paid on January 16, 2023.

## 13. Employee benefits:

### (a) Defined contribution plans:

The Company has a defined contribution plan for its employees whereby the Company matches contributions to a maximum of 4% of salaries. Included in included in salaries, wages and benefits within ice rink and recreational facilities was \$162,000 (2021 - \$ 161,000) and included in general and administrative expenses was \$115,000 (2021 - \$116,000).

### (b) 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. The LTI Plan granted rights on January 1, 2020 that would vest and be exercisable at December 31, 2022. The amount compensated to rights holders would 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 year ended December 31, 2022, no compensation expense with respect to the LTI Plan was recorded and no liability was included within accounts payable and accrued liabilities at December 31, 2022 as the calculated enterprise value at the exercise date was below the value as at December 31, 2018.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

## 14. General and administration expenses:

General and administration expenses consist of the following:

	2022	2021
Salaries, wages and benefits	\$ 5,719	\$ 4,608
Professional and regulatory fees	543	510
Office	651	530
Travel	254	44
Other	188	87
	\$ 7,355	\$ 5,779

## 15. Commitments and contingencies:

- (a) Due to the nature of the sports and recreation business, various physical injury lawsuits involving the Company are pending. Management believes, based on legal counsels' opinions, that the outcome will not materially affect the Company's financial position.
- (b) At December 31, 2022, the Company has letters of guarantee outstanding with various vendors in the amount of \$5,000 (2021 - \$5,000).

## 16. Income taxes:

- (a) The major factors which caused variations from the Company's expected combined Canadian and U.S. income tax rate of 24% for 2022 (2021 - 22%) were as follows:

	2022	2021
Statutory rate applied to earnings (loss) before income taxes	\$ 1,250	\$ (554)
Change in deferred tax assets not recognized	(1,174)	(741)
Substantively enacted tax rate change	130	177
Foreign currency translation differences	15	(178)
Permanent differences and other	178	(158)
Income tax expense (recovery)	\$ 399	\$ (1,454)

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

- (b) The tax effects of timing differences that give rise to deferred tax assets and liabilities are presented below.

	2022	2021
Deferred income tax assets:		
Unused tax losses	\$ 1,287	\$ 1,065
Properties	917	671
Other	78	175
	<u>2,282</u>	<u>1,911</u>
Deferred income tax liability:		
Properties	(980)	(934)
Other	(165)	(36)
	<u>(1,145)</u>	<u>(970)</u>
Net deferred income tax assets	<u>\$ 1,137</u>	<u>\$ 941</u>

The following deferred tax assets have not been recognized as at December 31, 2022 and December 31, 2021:

	2022	2021
U.S. tax losses set to expire between 2023 and 2037	\$ 35	\$ 847
Tax losses that do not expire	1,144	1,355
	<u>\$ 1,179</u>	<u>\$ 2,202</u>

## 17. Financial instruments:

- (a) Fair value:

The Company has the following financial instruments:

			<b>2022</b>	
	Accounting classification	Fair value level	Carrying amount	Fair value
Financial assets not measured at fair value:				
Cash (i)	Amortized cost	2	\$ 18,532	\$ 18,532
Accounts receivable (i)	Amortized cost	2	2,184	2,184
Financial assets measured at fair value:				
Investment (iv)	FVOCI	3	350	350
Interest rate swap (iii)	Financial assets at FVTPL	2	617	617
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (i)	Amortized cost	2	9,693	9,693
Lease liabilities (ii)	Amortized cost	2	10,331	10,331
Debt	Amortized cost	2	39,812	39,848

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

			<b>2021</b>	
	Accounting classification	Fair value level	Carrying amount	Fair value
Financial assets not measured at fair value:				
Cash (i)	Amortized cost	2	\$ 12,530	\$ 12,530
Accounts receivable (i)	Amortized cost	2	2,298	2,298
Financial assets measured at fair value:				
Investment (iv)	FVOCI	3	350	350
Financial liabilities measured at fair value:				
Interest rate swap (iii)	Financial liabilities at FVTPL	2	28	28
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (i)	Amortized cost	2	8,152	8,152
Lease liabilities (ii)	Amortized cost	2	11,221	11,221
Debt	Amortized cost	2	43,796	43,693

- (i) The carrying values of cash, 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 June 2016 and November 2022, respectively, the Company entered into interest rate swap agreements (seven-year and five-year term) to fix the interest rate on certain of its debt (note 11). 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 earnings for the year. For the year ended December 31, 2022, a gain of \$645,000 (2021 - \$513,000) 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:
- The terms of the Company's outstanding debt are described in note 11. 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 \$52,000 (2021 - \$167,000) per annum.
- (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 11). Cash is comprised

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

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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 December 31, 2022, the Company has a working capital deficiency of \$8,238,000 (2021 – \$9,790,000). Excluding the effect of the purchase option attached to the right-of-use lease liability (note 6), the Company's working capital deficiency was \$3,703,000 at December 31, 2022. The Company anticipates that sufficient cash flows will be generated from operations to meet its current liabilities as they become due.

The following table presents the aggregate amount of future cash outflows for contractual obligations in each of the next five years and thereafter.

in thousands	2023	2024	2025	2026	2027	Thereafter	Total
Accounts payable and accrued liabilities	\$ 9,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,693
Debt:							
Mortgage principal and interest	3,633	3,777	3,671	3,573	37,965	-	52,619
Lease liabilities, including interest	5,766	1,030	649	550	394	5,413	13,802
	9,399	4,807	4,320	4,123	38,359	5,413	66,421
	\$19,092	\$ 4,807	\$ 4,320	\$ 4,123	\$38,359	\$ 5,413	\$ 76,114

(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.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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## 18. 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
- (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 \$17,665,000 as at December 31, 2022 (note 11(iv)). The Company is required to comply with covenant criteria established by its lenders (see note 11). These include tangible net worth and debt coverage ratio measurements. As at December 31, 2021 and 2022, the Company was in compliance with its debt covenants.

## 19. Related party transactions:

- (a) During the year ended December 31, 2022, the Company expensed \$298,000 (2021 - \$199,000) 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 year ended December 31, 2022 and 2021.
- (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 years ended December 31, 2022 and 2021, 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:

	2022	2021
Short-term employee benefits	\$ 2,364	\$ 2,328
Post-employment benefits	99	47
	<u>\$ 2,463</u>	<u>\$ 2,375</u>

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

## 20. 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:

	2022		2021	
Ice and field sales	\$	60,819	\$	35,690
Food and beverage		8,342		1,930
Sports store		783		406
Sponsorship		1,201		551
Space rental		1,796		1,339
Management and consulting fees		268		270
Other		519		207
	\$	73,728	\$	40,393

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

### (b) Geographic:

	2022			2021		
	Canada	USA	Total	Canada	USA	Total
Revenue	\$ 61,918	\$ 11,810	\$ 73,728	\$ 32,624	\$ 7,769	\$ 40,393
Non-current assets	66,838	32,079	98,917	70,438	30,068	100,506
Total assets	83,517	38,196	121,713	82,126	34,486	116,612

## 21. Supplemental cash flow information:

### (a) Net changes in non-cash working capital:

	2022		2021	
Accounts receivable	\$	114	\$	136
Inventory		(117)		172
Prepaid and other expenses		(274)		106
Accounts payable and accrued liabilities		1,141		469
Deferred revenue and customer deposits		2,052		5,870
Effect of change in foreign currency		(272)		20
	\$	2,644	\$	6,773

### (b) Non-cash transactions:

	2022		2021	
Lease obligations	\$	886	\$	5,504
	\$	886	\$	5,504

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

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(c) Changes in liabilities arising from financing activities:

	December 31, 2021	Cash flow changes	Non-cash changes	December 31, 2022
Debt (note 11)	\$ 43,796	\$ (4,121)	\$ 137	\$ 39,812
Lease liabilities (note 7)	11,221	(890)	-	10,331
Dividends payable	-	400	-	400
	\$ 55,017	\$ (4,611)	\$ 137	\$ 50,543

## 22. Expenses by function:

The Company's consolidated statement of earnings (loss) and comprehensive income (loss) 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:

	2022	2021
Ice rink and recreational facilities expense	\$ 63,814	\$ 42,867
General and administrative expenses	7,649	6,066
Other gains	(4,647)	(1,529)

The changes in the above table, as compared to the consolidated statement of earnings (loss) and comprehensive income (loss), relate to depreciation of \$8,379,000 (2021 - \$7,801,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$8,085,000 (2021 - \$7,514,000), and to general and administrative expenses in the amount of \$294,000 (2021 - \$287,000).

## 23. 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 during 2020 and 2021 and accordingly applied for these subsidies. During 2021, the Company recorded \$6,537,000 of subsidies in other income. No amounts were recorded in 2022.

# FIVE YEAR REVIEW

## Statements of Financial Position

<i>in thousands, except statistics</i>	2022	2021	2020	2019	2018
<b>Assets:</b>					
Property, plant and equipment - facilities	\$ 95,523	\$ 97,432	\$ 98,771	\$ 105,209	\$ 99,582
Other	23,908	17,269	18,884	32,815	27,659
Deferred tax assets	2,282	1,911	3,829	3,139	1,694
	<b>\$ 121,713</b>	<b>\$ 116,612</b>	<b>\$ 121,484</b>	<b>\$ 141,163</b>	<b>\$ 128,935</b>
<b>Liabilities:</b>					
Debt	\$ 39,812	\$ 43,796	\$ 56,168	\$ 58,271	\$ 50,811
Other	34,105	31,430	21,316	31,080	27,162
Deferred tax liabilities	1,145	970	2,292	3,428	1,138
	<b>\$ 75,062</b>	<b>\$ 76,196</b>	<b>\$ 79,776</b>	<b>\$ 92,779</b>	<b>\$ 79,111</b>
<b>Shareholders' Equity:</b>					
Share capital	\$ 63,109	\$ 63,109	\$ 63,109	\$ 63,109	\$ 63,109
Contributed surplus	543	543	543	543	543
Foreign currency translation reserve	3,662	1,757	1,957	2,270	3,775
Deficit	(20,663)	(24,993)	(23,901)	(17,538)	(17,603)
	<b>\$ 46,651</b>	<b>\$ 40,416</b>	<b>\$ 41,708</b>	<b>\$ 48,384</b>	<b>\$ 49,824</b>
<b>Statistics:</b>					
Debt to equity ratio	1.07:1	1.36:1	1.51:1	1.36:1	1.05:1
Share price range	\$3.20-4.35	\$2.63-4.81	\$2.43-5.58	\$4.32-5.34	\$3.83-5.94

## Statements of Earnings (loss) and Comprehensive Income (loss)

<i>in thousands, except share and per share amounts</i>	2022	2021	2020	2019	2018
Facility revenue	\$ 73,728	\$ 40,393	\$ 39,259	\$ 88,341	\$ 87,638
Other income - government subsidy	-	6,537	6,371	-	-
Total revenue and other income	<b>\$ 73,728</b>	<b>\$ 46,930</b>	<b>\$ 45,630</b>	<b>\$ 88,341</b>	<b>\$ 87,638</b>
Facility operating expenses	55,729	35,353	39,420	69,247	67,201
General and administrative	7,355	5,779	5,274	5,846	5,767
Total operating and G&A expenses	<b>\$ 63,084</b>	<b>\$ 41,132</b>	<b>\$ 44,694</b>	<b>\$ 75,093</b>	<b>\$ 72,968</b>
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>10,644</b>	<b>5,798</b>	<b>936</b>	<b>13,248</b>	<b>14,670</b>
<b>Other expenses (gains):</b>					
Depreciation	8,379	7,801	7,951	7,946	6,929
Net finance cost	1,783	2,072	3,580	3,080	2,248
Gain on early lease termination	(4,530)	-	-	-	-
Gain on sale of assets	(106)	(1,510)	(2,297)	(1,614)	(10)
Other	(11)	(19)	(45)	44	(91)
Income tax expense (recovery)	399	(1,454)	(1,890)	1,344	1,111
	<b>5,914</b>	<b>6,890</b>	<b>7,299</b>	<b>10,800</b>	<b>10,187</b>
<b>Net earnings (loss)</b>	<b>\$4,730</b>	<b>(\$1,092)</b>	<b>(\$6,363)</b>	<b>\$ 2,448</b>	<b>\$ 4,483</b>
Other comprehensive income (loss) related to foreign currency translation differences	1,905	(200)	(313)	(1,505)	1,410
<b>Total comprehensive income (loss)</b>	<b>\$6,635</b>	<b>(\$1,292)</b>	<b>(\$6,676)</b>	<b>\$ 943</b>	<b>\$ 5,893</b>
<b>Earnings (loss) per common share</b>	<b>\$0.35</b>	<b>(\$0.08)</b>	<b>(\$0.48)</b>	<b>\$0.18</b>	<b>\$0.34</b>
Issued and average shares outstanding at year end	13,337,448	13,337,448	13,337,448	13,337,448	13,337,448

# CORPORATE INFORMATION

## Directors

**Victor D'Souza**  
Chairman  
Ontario

**Frank D. Barker**  
Director  
British Columbia

**Geoffrey J. Barker**  
Director  
British Columbia

**Connie Carras**  
Director  
Ontario

**Doug Brownridge**  
Director  
British Columbia

**Chris McMullen**  
Director  
Ontario

**Don Crowe**  
Director  
Washington State

**Joey St-Aubin**  
President & CEO  
Ontario

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## Officers

**Victor D'Souza**  
Chairman

**Joey St-Aubin**  
President & CEO

**Michael F. Gellard**  
Executive Vice President

**Mark Faubert**  
COO

**Ivan Wu**  
CFO

**Rita Price**  
Vice-President People  
& Culture

**Chad Mahabir**  
Vice-President  
Technology

**S. Liana Guiry**  
Vice-President  
Sales, Marketing & Customer Experience

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**Shares Listed**  
Toronto Stock Exchange, Symbol ICE

**Corporate Website**  
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