



Management's Discussion and Analysis of Financial Condition and Results of Operations

**For the Years Ended December 31, 2024 and 2023
As of March 21, 2025**

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, 2024 and 2023. This document should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2024 and 2023 and accompanying notes. The results reported herein have been prepared in accordance with IFRS Accounting Standards ('IFRS'), as issued by the International Accounting Standards Board, and are presented in Canadian dollars.

Non-IFRS Financial Measure ("Operating Earnings")

In the following discussion, we define operating earnings as earnings after general and administrative expenses and before interest, depreciation, foreign currency exchange, gain on assets sold, early lease termination and interest rate swap, and income tax. Operating earnings 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 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.sedarplus.ca and our website www.canlansports.com.

The date of this MD&A is March 21, 2025.

Forward Looking Information

This MD&A may contain information that constitutes "forward-looking" information within the meaning of applicable securities laws. Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budgets", "scheduled", "estimates", "forecasts", "predicts", "projects", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information in this MD&A includes, but is not limited to, anticipated benefits of capital and operating expenditures (including energy efficiencies) and expectations of business growth. Forward-looking information is based on the reasonable assumptions, estimates, analyses, beliefs and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such information is disclosed. Forward-looking information is subject to various known and unknown risks and uncertainties, many of which are beyond the ability of Canlan to control or predict, that may cause Canlan's actual results, performance or achievements to be materially different from those expressed or implied thereby. Material risk factors that could cause actual results to differ materially from the forward-looking information provided herein include those factors identified in Canlan's public disclosure file available at www.sedarplus.ca and, in particular, the risk factors set out under the heading "Risk Factors" in the Company's MD&A available for review on the Company's profile at www.sedarplus.ca. Such forward-looking information represents management's best judgment based on information currently available. Accordingly, readers are advised not to place undue reliance on forward-looking information. The

forward-looking information herein is made as of the date of this MD&A only, and the Company does not assume any obligation to update or revise them to reflect new information, estimates or opinions, future events or results or otherwise, except as required by applicable securities law.

Overview – Year Ended December 31, 2024

- Total operating revenue of \$94.0 million increased by \$7.9 million or 9.2% compared to a year ago;
- Food and beverage revenue increased by \$1.2 million or 9.8% compared to 2023;
- Total operating earnings (see “**Non-IFRS Financial Measure**” above) of \$13.7 million increased by \$4.3 million or 45.4% compared to 2023;
- Net earnings were \$2.8 million or \$0.21 per share compared to \$0.4 million or \$0.03 per share in 2023; and
- Aside from sustaining capital expenditures, approximately \$3.4 million of capital projects to enhance customer experience and to expand the Company’s activity offerings were completed during the year. These include the construction of new golf/sports simulators at the Scotia Barn and Canlan Sports York facilities, the renovation of the Canlan Sports York sports bar, and the addition of new soccer pitches at Canlan Sports Libertyville.

Overview of the Company

Canlan 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 Canlan Sports York location in Toronto, Ontario.

As at the date of this MD&A, the Company owns, leases or manages a network of 15 facilities in Canada and the United States containing playing surfaces as outlined below. The Company owns 12 of these facilities and associated land, containing 1.4 million square feet of space situated on 170 acres of land. Of the three facilities not situated on land owned by Canlan, one facility is owned and operated by Canlan on land that has been leased under a long-term land lease arrangement, one facility is operated under an operating agreement with a municipality that consists of a long-term land lease arrangement, and the third facility is operated under a sub-lease agreement of both land and building.

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

Facility Portfolio:

	Facilities	Ice Surfaces	Indoor Turf Fields	Courts	Total Playing Surfaces
British Columbia	3	12	1	-	13
Saskatchewan	2	6	-	-	6
Manitoba	1	3	1	-	4
Ontario	5	20	-	7	27
	<u>11</u>	<u>41</u>	<u>2</u>	<u>7</u>	<u>50</u>
USA:					
Illinois	4	6	8	11	25
	<u>15</u>	<u>47</u>	<u>10</u>	<u>18</u>	<u>75</u>

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 \$3.60 to \$4.40 range during 2024. The Company has not issued any shares from treasury since November 2004.

In 2024, Company continues to derive revenue from five primary sources:

- 1. Ice and field sales**
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. Sponsorship**
Revenue from sponsorship and advertising sales.
- 5. Space rental**
Rental of space within our facilities.

Selected Financial Information

The following selected consolidated financial information as at December 31, 2024, 2023, and 2022 and each of the quarters and years then ended has been derived from our 2024 and 2023 annual and interim consolidated financial statements. This data should be read together with those financial statements.

<i>in thousands, except earnings per share</i>	<i>(unaudited)</i>		<i>(audited)</i>		
	Quarter ended December 31		Year ended		
	2024	2023	2024	2023	2022
Statement of Operations Data:					
Revenue	\$ 26,043	\$ 24,617	\$ 94,035	\$ 86,151	\$ 73,728
Expenses ⁽¹⁾	(17,612)	(17,918)	(69,391)	(66,771)	(55,729)
Earnings from ice rink & recreational facilities before the undernote	8,431	6,699	24,644	19,380	17,999
General & administration expenses	(3,249)	(3,680)	(10,954)	(9,963)	(7,355)
Earnings before the undernoted	5,182	3,019	13,690	9,417	10,644
Other gains (expenses):					
Depreciation	(1,964)	(1,763)	(7,558)	(7,513)	(8,379)
Finance expenses	(672)	(665)	(2,424)	(2,195)	(2,428)
Foreign exchange gain	31	-	34	5	11
Gain (loss) on interest rate swap	61	(1,682)	(712)	(455)	645
Gain on early lease termination	-	-	-	-	4,530
Gain on sale of assets	-	5	9	15	106
Income tax recovery (expense)	(278)	1,126	(239)	1,161	(399)
Net earnings for the year	\$ 2,360	\$ 40	\$ 2,800	\$ 435	\$ 4,730
Other comprehensive income (loss)	2,273	(754)	2,962	(830)	1,905
Total comprehensive income (loss)	\$ 4,633	\$ (714)	\$ 5,762	\$ (395)	\$ 6,635
Basic and fully diluted earnings per share	\$ 0.18	\$ 0.00	\$ 0.21	\$ 0.03	\$ 0.35
Balance Sheet Data:					
Cash and cash equivalents			\$ 21,677	\$ 19,029	\$ 18,532
Current assets (excluding cash and cash equivalents)			5,573	4,871	4,264
Property, plant and equipment – facilities			97,679	93,328	95,523
Other assets			5,573	4,609	3,188
Non-current interest rate swap			-	162	206
Total assets			\$130,502	\$121,999	\$121,713
Current liabilities, excluding debt			\$ 29,704	\$ 26,167	\$ 23,774
Debt			40,995	42,948	39,812
Lease liabilities			7,478	6,327	10,331
Deferred tax liabilities			942	955	1,145
Other long-term liabilities			2,015	946	-
Interest rate swap			550	-	-
Total liabilities			81,684	77,343	75,062
Shareholders' equity			48,818	44,656	46,651
Total liabilities and shareholders' equity			\$130,502	\$121,999	\$121,713
Dividends declared			\$ 1,600	\$ 1,600	\$ 400

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

Competitive Strengths

The Company believes that it has the following competitive strengths:

- **The Team.** Canlan typically employs approximately 1,000 full and part-time employees in Canada and the USA. Through training and internal communications, Canlan's 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 assesses future growth strategies. These individuals have extensive expertise in facility operations, sales, marketing, customer service, finance and human resources.
- **Leagues and Tournaments.** In addition to renting ice, turf and court times to third-party user groups, Canlan operates in-house branded sports leagues, instructional camps and classes, and tournaments. The Company operates the largest adult recreational hockey league in North America called the Adult Safe Hockey League (ASHL), that offers superior services and competition in a fun environment for over 60,000 players. Canlan also operates its own branded adult and youth soccer leagues, youth hockey leagues and a tournament division called Canlan Classic Tournaments (CCT). CCT hosts hockey tournaments in which more than 2,000 teams participate on an annual basis.
- **Real Estate.** 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 2024 Operations

Revenue

Total operating revenue of \$94.0 million increased by \$7.9 million or 9.2% compared to 2023. Price and volume growth in third-party surface rentals, tournament registrations, ASHL and food and beverage sales were the key drivers for the increase in revenue.

Revenue from sponsorship, space rental, vending, and facility management fees of \$4.5 million also increased by \$0.5 million or 11.4% compared to 2023.

The Company recorded the following revenue by quarter:

<i>in thousands</i>	2024		2023	
	Revenue	% of total	Revenue	% of total
Q1	\$ 26,186	28	\$ 24,477	28
Q2	21,848	23	19,811	23
Q3	19,958	21	17,246	20
Q4	26,043	28	24,617	29
	<u>\$ 94,035</u>	<u>100</u>	<u>\$ 86,151</u>	<u>100</u>

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:

<i>in thousands</i>	2024		2023	
	Revenue	% of total	Revenue	% of total
Ice and Field Sales	\$ 74,936	80	\$ 68,704	80
Food and Beverage	13,598	14	12,385	14
Sports Store	1,001	1	1,022	1
Sponsorship	1,503	2	1,222	2
Space Rental	2,149	2	1,942	2
Management & Consulting Fees	254	-	318	-
Other	594	1	558	1
	\$ 94,035	100	\$ 86,151	100

<i>in thousands</i>	2024		2023	
	Revenue	% of total	Revenue	% of total
Canada:				
British Columbia	\$ 22,549	24	\$ 20,403	24
Saskatchewan	8,020	9	7,525	9
Manitoba	5,080	5	4,795	5
Ontario	43,438	46	40,299	47
	79,087	84	73,022	85
USA (Illinois)	14,948	16	13,129	15
	\$ 94,035	100	\$ 86,151	100

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

<i>in thousands</i>	2024		2023	
	Revenue	% of total	Revenue	% of total
Adult hockey leagues	\$ 27,934	37	\$ 26,391	38
3rd party contract users	24,401	33	21,427	31
Camps, hockey & skating schools	6,067	8	6,249	9
Youth hockey leagues	2,860	4	2,588	4
Public programs & spot rentals	4,344	6	4,018	6
Tournaments	4,842	6	4,156	6
Soccer field rentals and leagues	3,627	5	3,055	5
Other	861	1	820	1
	\$ 74,936	100	\$ 68,704	100

Operating Expenses

Facility operating expenses of \$69.4 million increased by \$2.6 million or 3.9% compared to 2023 due to increased property taxes, utilities expense, labour and other variable expenses to service increased business volumes.

Utilities expense increased mainly due to higher rates and increased energy consumption with higher ice activity levels. Rates and energy usage are continuously managed with energy contracts when appropriate and investments in new equipment and automation

systems that help reduce consumption. Property tax expense increased mainly due the commencement of property tax accruals in Canlan Sports Libertyville, a facility purchased in 2023. Property tax expense was not required while this facility was leased in the prior year.

Operating expenses also included roof remediation costs of \$4.5 million, which decreased from \$5.3 million incurred in 2023.

Facility operating expenses by quarter were as follows:

<i>in thousands</i>	2024		2023	
	Expenses	% of total	Expenses	% of total
Q1	\$ 16,336	24	\$ 15,018	23
Q2	17,556	25	15,505	23
Q3	17,887	26	18,330	27
Q4	17,612	25	17,918	27
	\$ 69,391	100	\$ 66,771	100

Before G&A expenses, earnings from facility operations of \$24.6 million increased by \$5.3 million or 27.2% compared to 2023.

Total G&A expenses of \$11.0 million increased by \$1.0 million or 9.9% from 2023 mainly due to increased post-employment benefits and the Company's long-term incentive plan (LTIP).

After G&A, operating earnings¹ of \$13.7 million increased by \$4.3 million or 45.4% compared 2023.

Other Gains and Expenses

Total depreciation expense of \$7.6 million increased by \$0.1 million compared to 2023.

Net finance costs of \$3.1 million increased by \$0.5 million mainly due to valuation fluctuations in accounting for interest rate swap contracts that are used to fix the Company's interest rate on bank debt and interest recognized from the accounting of the Company's LTIP. Finance income and expenses consist of interest income earned on cash deposits, interest expense on bank debt and lease liabilities, implicit interest on other long-term liabilities (see "**Review of Liabilities and Shareholders' Equity**"), amortization of deferred financing costs, and mark-to-market gains or losses on interest rate swap contracts (see "**Financial Instruments**" below for further details).

A breakdown of net finance expense is as follows:

<i>in thousands</i>	2024	2023
Mortgage interest	\$ 2,320	\$ 2,039
Interest income	(640)	(593)
Lease liabilities interest	448	373
Mark-to-market loss on interest rate swap	712	455
Amortization of deferred financing costs and other	296	376
	\$ 3,136	\$ 2,650

¹ Non-IFRS Financial Measure ("Operating Earnings") – see explanation on page 1.

Net Earnings

For the year ended December 31, 2024, the Company recorded net income tax expense of \$0.2 million (2023 – tax recovery of \$1.2 million). This net expense includes a deferred income tax recovery of \$1.0 million mainly related to capital losses carried forward that can be used to offset capital gains in future years and compensation expenditures deductible in the future for tax purposes. Net earnings for the year were \$2.8 million or \$0.21 per share compared to \$0.4 million or \$0.03 per share in the prior year.

Foreign Currency Translation and Other Comprehensive loss

Other comprehensive income (OCI) was \$3.0 million in 2024 compared to other comprehensive loss (OCL) of \$0.8 million in 2023. 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.

Review of Fourth Quarter 2024

Total operating revenue of \$26.0 million increased by \$1.4 million or 5.8% compared to 2023 mainly due to increased revenue from third-party field contracts, ASHL and F&B operations.

Facility operating expenses of \$17.6 million decreased by \$0.3 million or 1.7% from the prior year mainly due to lower repairs and maintenance expenses compared to 2023. Total G&A expenses of \$3.2 million decreased by \$0.4 million or 11.7% mainly due to reduced accruals required for LTIP compensation, wages, travel expense and professional fees compared to Q4 2023 (see ***“Review of Fiscal 2024 Operations”***).

After G&A expenses, operating earnings¹ of \$5.2 million increased by \$2.2 million or 71.6% for the quarter compared to 2023.

Total depreciation expense, net finance expenses, foreign exchange gain, and gain on interest rate swap contracts was \$2.5 million compared to \$4.1 million in 2023 mainly due to a \$1.7 million accounting charge recognized on the change in valuation of interest rate swap contracts during the fourth quarter in 2023 compared to a nominal gain in 2024.

After recording an income tax expense of \$0.3 million (2023 – recovery of \$1.1 million), net earnings for the quarter were \$2.4 million or \$0.18 per share compared to \$40,000 (< \$0.01 per share) a year ago.

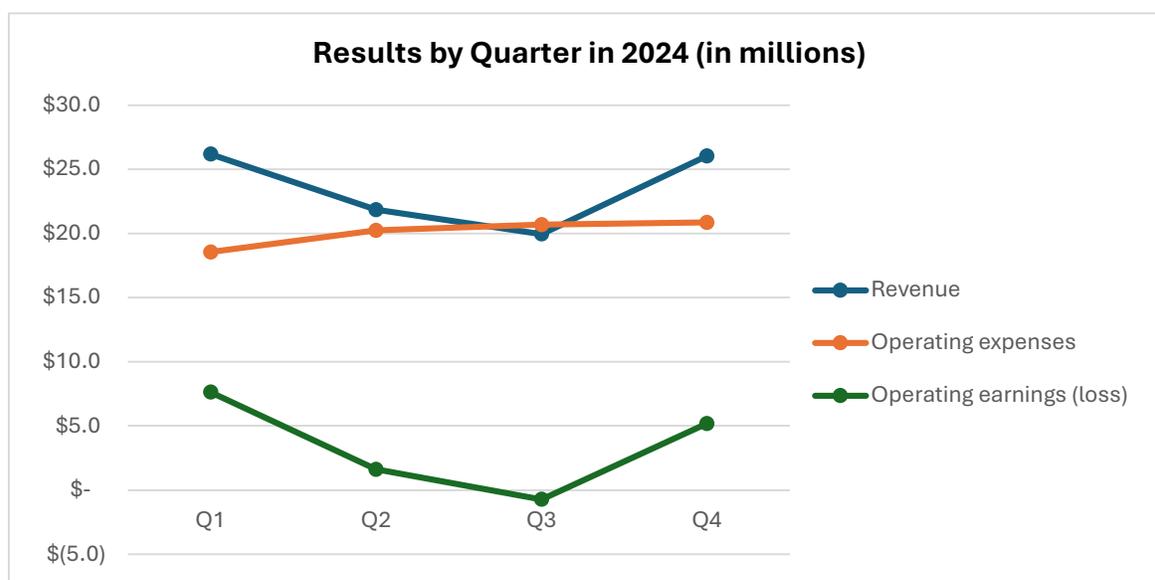
¹ Non-IFRS Financial Measure (“Operating Earnings”) – see explanation on page 1.

Operating Earnings¹

The Company's annual operating earnings¹ are predominantly earned in the first and fourth fiscal quarters due to the seasonal nature of ice sports and indoor soccer, plus major maintenance projects are usually completed during the slower spring and summer months.

Operating earnings¹ by quarter for 2024 and 2023 are as follows:

<i>in thousands</i>		2024		2023	
Q1	\$	7,630	\$	7,428	
Q2		1,608		2,251	
Q3		(730)		(3,281)	
Q4		5,182		3,019	
	\$	13,690	\$	9,417	



¹Non-IFRS Financial Measure (“Operating Earnings”) – see explanation on page 1. See reconciliation to net earnings on page 11, and to cash flow from operations on page 14.

The following table is a summary of operations that reconciles operating earnings¹ to net earnings:

Summary of Operations

For the years ended December 31

in thousands

	2024	2023	2022
Revenue	\$ 94,035	\$ 86,151	\$ 73,728
Expenses	(69,391)	(66,771)	(55,729)
	24,644	19,380	17,999
General & administration expenses	(10,954)	(9,963)	(7,355)
Earnings before the undernoted (Operating earnings ¹)	13,690	9,417	10,644
Other gains (expenses):			
Depreciation	(7,558)	(7,513)	(8,379)
Gain on sale of assets	9	15	106
Foreign exchange gain	34	5	11
Gain on early lease termination	-	-	4,530
	(7,515)	(7,493)	(3,732)
Finance income (expenses)			
Finance expense	(3,064)	(2,788)	(2,636)
Finance income	640	593	208
Gain (loss) on interest rate swap	(712)	(455)	645
	(3,136)	(2,650)	(1,783)
Earnings (loss) before income taxes	3,039	(726)	5,129
Income tax expense (recovery) (note 15)			
Current	1,273	334	595
Deferred	(1,034)	(1,495)	(196)
	239	(1,161)	399
Net earnings for the year	2,800	435	4,730
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss):			
Foreign currency translation differences	2,962	(830)	1,905
Total comprehensive income (loss)	\$ 5,762	\$ (395)	\$ 6,635

¹ Non-IFRS Financial Measure ("Operating Earnings") – see explanation on page 1.

Liquidity and Capital Resources

Canlan's cash and cash equivalents balance as at December 31, 2024 was \$21.7 million compared to \$19.0 million at the end of the prior year. In addition to cash-on-hand, the Company also has access to \$8.0 million of a \$10.0 million revolving credit facility (operating credit facility) that forms part of its bank term debt package (see "Review of Liabilities and Shareholders' Equity").

Cash provided by operations, less interest paid on debt and leases was \$13.8 million compared to \$9.3 million a year ago.

In terms of finance activities, net cash of \$2.9 million was used to reduce term debt and lease liabilities. The Company also continued its dividend policy in 2024 and \$1.6 million was used to pay dividends on common shares. During 2023, \$4.6 million was used to repay a lease liability upon exercise of an option to purchase a sports complex in Libertyville, Illinois. In addition, \$5.2 million of debt was drawn in 2023 to finance capital expenditures and to exercise the purchase option.

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, 2024 approximately \$4.1 million (2023 - \$4.2 million) of the line has been drawn for refrigeration and building equipment so \$15.9 million is available for future capital expenditures.

In terms of investing activities, cash of \$6.9 million was used for capital expenditures. Capital investments during the year mainly consisted of new dehumidification systems focused on improving ice and air quality, new golf/sports simulator amenities to expand our recreation and entertainment product offerings, renovation of the Libertyville sportsplex to add indoor soccer pitches, new audio/video equipment for dining areas, and a complete refresh of the sports bar at Canlan Sports York to further enhance customer experience.

Summarized Statements of Cash Flows:

<i>in thousands</i>	2024	2023
Cash inflows and (outflows) by activity		
Operating activities	\$ 14,209	\$ 9,182
Financing activities	(4,459)	(4,063)
Investing activities	(7,102)	(4,622)
	<u>2,648</u>	<u>497</u>
Cash position, beginning of year	19,029	18,532
Cash position, end of year	\$ 21,677	\$ 19,029

The following table provides a reconciliation of operating earnings¹ to cash flow from operations and the change in cash and cash equivalents position for the last two years:

<i>in thousands</i>	2024	2023
Operating earnings ¹	\$ 13,690	\$ 9,417
Net change in non-cash working capital	2,835	1,375
Net interest paid	(2,383)	(2,145)
Other long-term liabilities	1,069	946
Income tax expense - current	(1,273)	(334)
Foreign exchange	(126)	50
Cash flow from operations	13,812	9,309
Add (deduct):		
Principal repayments of debt	(1,993)	(1,925)
Increase in principal of debt	-	5,200
Expenditures on recreational facilities and other assets	(7,111)	(4,637)
Principal repayments on obligations under lease liabilities	(866)	(976)
Financing fee	-	(190)
Repayment of lease liability upon exercise of purchase option	-	(4,572)
Payment of dividends on common shares	(1,600)	(1,600)
Net proceeds on sale of assets	9	15
Effect of changes in foreign currency rates on cash and cash equivalents	397	(127)
Increase in cash and cash equivalents	\$ 2,648	\$ 497

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.

In thousands	2025	2026	2027	2028	2029	Thereafter	Total
Accounts payable and accrued liabilities	\$ 15,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,249
Other liabilities	-	2,171	2,200	-	-	-	4,371
Debt:							
Mortgage principal and interest	4,253	4,129	38,765	-	-	-	47,147
Lease liabilities, including interest	1,225	1,126	969	969	1,182	5,845	11,316
	5,478	5,255	39,734	969	1,182	5,845	58,463
	\$ 20,727	\$ 7,426	\$ 41,934	\$ 969	\$ 1,182	\$ 5,845	\$ 78,083

¹ Non-IFRS Financial Measure ("Operating Earnings") – see explanation on page 1.

Review of Assets

The table below summarizes the Company's asset base:

<i>in thousands</i>	2024		2023	
Property, plant and equipment – facilities	\$	97,679	\$	93,328
Cash and cash equivalents		21,677		19,029
Accounts receivable		3,300		2,991
Inventory		637		624
Prepaid and other expenses		1,636		1,256
Other assets		965		1,022
Deferred income taxes		4,608		3,587
Interest rate swap		-		162
	\$	130,502	\$	121,999

At December 31, 2024, total property, plant and equipment (PP&E) of \$97.7 million increased by \$4.4 million mainly due to capital expenditures of \$6.9 million and foreign currency translation differences on the Company's US-based PP&E, offset by scheduled depreciation during the year. In addition, the Company completed a four-year lease renewal with a five-year extension option, of its ice-rink facility in Langley, B.C, which resulted in an addition of \$2.0 million in PP&E, in accordance with IFRS 16.

On February 28, 2023, the Company exercised its option to purchase a sports complex in Libertyville, Illinois for \$4.6 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, this asset was already included in PP&E as the Company was operating the facility under a lease agreement that would have expired in June 2023.

Cash-on-hand at December 31, 2024 was \$21.7 million compared to \$19.0 million a year ago. See “**Liquidity and Capital Resources**” for sources and uses of cash.

Deferred income tax assets of \$4.6 million increased by \$1.0 million mainly due to capital losses that can be used to offset future capital gains and compensation expenditures deductible in the future for tax purposes.

Disclosures in the consolidated financial statements for the year ended December 31, 2024 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 2023.

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>	2024	2023
Debt	\$ 40,995	\$ 42,948
Deferred revenue and customer deposits	14,455	14,425
Accounts payable and accrued liabilities	15,249	11,742
Lease liabilities	7,478	6,327
Deferred tax liabilities	942	955
Other long-term liabilities	2,015	946
Interest rate swap	550	-
	81,684	77,343
Shareholders' equity	48,818	44,656
	\$ 130,502	\$ 121,999

At December 31, 2024, bank debt of \$41.0 million decreased by \$2.0 million mainly due to scheduled principal repayments.

Total lease liabilities of \$7.5 million increased by \$1.2 million mainly due to the renewal of the lease of Canlan Sports Langley (see "**Review of Assets**"), offset by scheduled lease payments.

Deferred revenue and customer deposits represent customer registration and rental fees received in advance of when surface times are used. At December 31, 2024, customer deposits totaled \$14.5 million compared to \$14.4 million at the end of 2023 and represented amounts paid in advance for surface rentals, sports leagues, and instructional programs.

Other long-term liabilities represents a provision for the Company's long-term incentive compensation plan for eligible directors and employees.

Debt

As at December 31, 2024, 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 Canadian Overnight Repo Rate Average (CORRA) rate plus 1.85% payable monthly. The Company has entered into an interest rate swap contract, maturing on November 21, 2027, to fix the interest rate at 5.04% per annum payable monthly. At December 31, 2024, the balance outstanding was \$22.9 million;
- 2) \$5.2 million non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at CORRA 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 5.20% per annum payable monthly. At December 31, 2024, the balance outstanding was \$4.8 million;

- 3) \$10.0 million revolving loan amortized over 25 years, maturing on November 30, 2027, interest at CORRA 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 5.20% per annum payable monthly. At December 31, 2024, the balance outstanding was \$2.0 million;
- 4) \$20.0 million revolving capital expenditure loan amortized over 25 years, maturing on November 30, 2027. At December 31, 2024, the balance outstanding on this credit facility was \$4.1 million. Of this total, \$2.1 million accrues interest at CORRA 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 5.20% per annum payable monthly. The remaining \$1.9 million outstanding at December 31, 2024, accrues interest at Prime plus 0.25% per annum payable monthly;
- 5) \$8.5 million loan amortized over 15 years, maturing on September 30, 2027, interest at CORRA plus 2.39% per annum payable monthly. The Company entered into an interest rate swap contract, maturing on September 29, 2027 to fix the interest rate at 5.70% per annum payable monthly. At December 31, 2024, the balance outstanding was \$7.3 million; 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, 2024 and December 31, 2023 was 13,336,999 ⁽¹⁾.

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.

An independent director of the Company is the board-chair of a vendor from which the Company purchases services in the normal course of business. There were \$7,000 in purchases from this vendor for the year ended December 31, 2024 (2023 – \$7,000).

⁽¹⁾ Corrected from 13,337,448 common shares previously reported in error.

Financial Instruments

The Company has the following financial instruments:

				2024
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash and cash equivalents <i>(i)</i>	Amortized cost	1	\$21,677	\$21,677
Accounts receivable <i>(i)</i>	Amortized cost	2	3,300	3,300
Financial assets measured at fair value:				
Investment <i>(ii)</i>	FVOCI ⁽¹⁾	3	350	350
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities <i>(i)</i>	Amortized cost	2	15,249	15,249
Debt	Amortized cost	2	40,995	41,130
Financial liabilities measured at fair value:				
Interest rate swap <i>(iii)</i>	Financial liability at FVTPL ⁽²⁾	2	550	550
				2023
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash and cash equivalents <i>(i)</i>	Amortized cost	1	\$19,029	\$19,029
Accounts receivable <i>(i)</i>	Amortized cost	2	2,991	2,991
Financial assets measured at fair value:				
Investment <i>(ii)</i>	FVOCI ⁽¹⁾	3	350	350
Interest rate swap <i>(iii)</i>	Financial assets at FVTPL ⁽²⁾	2	162	162
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities <i>(i)</i>	Amortized cost	2	11,742	11,742
Debt	Amortized cost	2	42,948	43,123

⁽¹⁾ FVOCI - fair value through other comprehensive income

⁽²⁾ FVTPL - fair value through profit or loss

- (i)* The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their short-term nature.
- (ii)* The carrying value of the investment is considered by management to approximate its fair value.
- (iii)* In November 2022 and January 2023, respectively, the Company entered into interest rate swap agreements (five-year terms) to fix the interest rate on certain of its debt. The fair value of these derivative instruments have been presented as an

interest rate swap on the statements of financial position. Changes in fair value of the instruments are recognized in net earnings for the period. For the year ended December 31, 2024, a loss of \$0.7 million (2023 – \$0.5 million) was recognized.

The Company does not have held-to-maturity investments at December 31, 2024. The Company had no “other comprehensive income or loss” transactions related to financial instruments during the year ended December 31, 2024 and no opening or closing balances for accumulated other comprehensive income or loss related to financial instruments.

Disclosure Controls and Procedures

The Company has 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, the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to certify that they have assessed the effectiveness of the Company's disclosure controls and procedures as at December 31, 2024.

The Company's 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 and for the year ended December 31, 2024. 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.

The Company's 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 the Company's evaluation, management has concluded that ICFR, as defined in NI 52-109 and using the COSO integrated framework are effective as of December 31, 2024.

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. The Company's past performance is no guarantee of our performance in future periods.

Economic Conditions

The Company's results from operations are sensitive to and may be significantly impacted by general economic conditions, which may also impact overall demand for recreation and entertainment, operating costs, energy cost and availability, foreign exchange costs, tax costs and the costs and availability of capital and supplies.

Statements or actions by governments relating to the imposition of (or threats to impose) tariffs or trade restrictions on exports or imports, as well as reactions from customers may pose significant risks to Canlan's business activity levels, adversely affect input costs, or disrupt supply chains.

Market inflation and increases in interest rates decrease consumers' discretionary spending and increase the difficulty for the Company to operate profitably due to increased input and debt service costs while balancing the need to maintain competitive pricing.

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 2,308,500 Common Shares, which represents 17.3% 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.

Pandemic or Epidemic Diseases

Outbreaks or the threat of outbreaks of viruses or other contagions such as 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 Company has 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 established control measures and enhanced standard operating procedures to help protect the health and safety of employees and guests, when required.
- 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, the Company's performance will be subject to general economic, financial and competitive factors. The Company can provide no assurances that business activity 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.

Term debt may also 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.

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 periods where business operations are widely impacted by pandemics or other isolated incidences, the Company has arranged for debt covenant waivers and/or amendments.

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 purchase of facilities 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.
- Equipment and supplies required for facility operations are mostly sourced from the local region to minimize the need for importing supplies and equipment.

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.

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.

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, cause property damage or other disruption to the Company's operations. Natural disasters resulting from climate change may also result in disruptive events that can impact 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 insurance coverage. To reduce the potential impact that business operations may pose on the environment, the Company continuously invests in cooling, heating and lighting equipment that is energy-efficient and implements technologies or processes to reduce energy, water and paper consumption where appropriate. In addition, the Company follows guidance provided by its insurers on policies and procedures that can help mitigate property damage that may be caused by severe climate such as sudden heavy precipitation or wind storms.

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.

Critical Accounting Policies and Estimates

Canlan's material 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 foot 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 76% 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