1999 ANNUAL REPORT

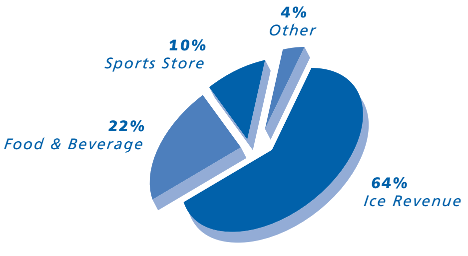
Canlan Ice Sports Corp.

1999 continued to be a time of change for Canlan Ice Sports

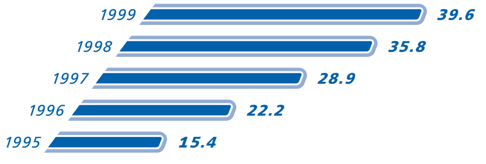
FINANCIAL HIGHLIGHTS

Revenue from continuing operations	**$ 39,939,000**	$ 36,298,000
Earnings before interest, taxes, depreciation and amortization	**$ 4,809,000**	$ 4,757,000
Net loss from continuing operations	**$ (6,192,000)**	$ (5,674,000)
Net loss	**$ (7,260,000)**	$ (27,421,000)
Total Assets, continuing operations	**$ 117,151,000**	$ 120,626,000
Total Assets, discontinued operations	**$ 9,451,000**	$ 44,633,000
Total Assets	**$ 126,602,000**	$ 165,259,000
Shareholders' and debenture holders' equity	**$ 28,035,000**	$ 35,295,000
Loss per common share, continuing operations	**$ (0.55)**	$ (0.50)
Loss per common share (basic)	**$ (0.63)**	$ (2.18)
Cash flow per common share (basic)	**$ (0.31)**	$ (0.56)
Shareholders' and debenture holders' equity per share	**$ 0.50**	$ 1.33
Number of common shares outstanding	**12,957,476**	12,957,476

Canlan is the largest private sector operator of ice rinks in the world, with 51 ice surfaces at 18 facilities in North America. The Company's success in the recreation industry can be attributed to a combination of innovative, location-specific programming and world class facilities. Shares of Canlan trade on the Toronto Stock Exchange under the symbol ISE.



1999 ICE SPORTS REVENUE



GROSS REVENUE ICE RINKS

(IN MILLIONS OF DOLLARS)

MESSAGE TO SHAREHOLDERS

Our intent from the outset of the transition program initiated in 1997 was to liquidate the Company's real estate, reduce the level of general corporate debt and build a reserve of capital to fund continued expansion into ice rink ownership and management. Since employing this mandate, Canlan has sold or written off $84 million of the $93 million of real estate on the books at that time and reduced our indebtedness from $54 million in mid 1997 to $7 million at the year ending Dec. 31, 1999. Despite impressive volumes of real estate sales, the declining real estate market in B.C. has resulted in sales proceeds totalling only $58 million, roughly $26 million short of our original expectations.

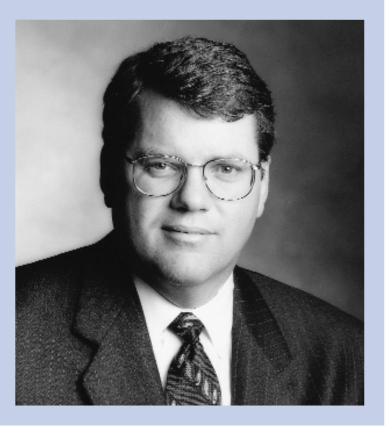
Although Canlan posted record revenue in 1999 we have remained unprofitable due primarily to a high degree of leverage. While we have made progress in building operating revenues they have remained short of our expectations. Our inability to "ramp-up" the new ice sports facilities as quickly as originally anticipated has led to a continued reliance by these rinks on the real estate division to subsidize operations. The $12 million working capital infusion over the past three years is roughly $6 million more than originally forecasted. The real estate write-downs combined with the operating deficiencies in our rinks have not only prevented us from funding the proposed ice rink expansion program but have left the Company carrying an unsustainable level of debt.

Canlan continues to dispose of non-core assets. The company sold nearly $36 million in real estate assets over fiscal 1999. The proceeds of these dispositions went towards reducing corporate debt by $26 million and covering ice rink working capital deficiency of $10 million. The sale of the remaining non-core assets is expected to net a further $5 million. Unfortunately, this only suffices to cover the operating needs of our ice rinks through the slower summer months and will not permit further debt reduction. It has become apparent that we will need to restructure the finances of this company.

Notwithstanding these difficulties, Canlan achieved a number of noteworthy successes in 1999. Despite growing competition in our major markets of Toronto, Montreal and Vancouver, we achieved 11% growth in revenue from $35.8 million in 1998 to $39.6 million in 1999. As our competition has limited our ability to raise our prime-time ice rates, we achieved this through the continued development and delivery of quality programs and services. We will continue this

Frank D. Barker

CHAIRMAN & CHIEF EXECUTIVE OFFICER



growth by focussing our efforts on the sale of non-prime time ice. As the cost of our ice operations is relatively fixed, a significant component of incremental revenue will flow to the bottom line.

Another notable success this past year has been in the development of our people. In addition to our expanded sales and marketing group, we have invested in our human resource function. We believe that the key to our success in the future is to differentiate our products from those of our competitors and we can only accomplish this by developing the people delivering this service. From expanding training to establishing performance standards, regular reviews and creative incentive pay programs, we are beginning to provide our people with the necessary support to attain higher goals.

While we did not develop any new rinks this past year, we did exercise our option to purchase the Kansas City facility on favourable terms and add another management contract in Tulsa, Oklahoma. This brings to 4, the number of rinks Canlan now operates on behalf of others. With the anticipated increase in the popularity of hockey and other ice sports in the USA, leading to the development of additional ice rinks, we expect the provision of contract services for both the development and management of these facilities to be a significant area of growth over the next few years. To meet this growing segment we have dedicated a Development Division to spearhead our growth through contract service for development and operating management. We expect this division to contribute significantly to future earnings.

We are disappointed with our operating performance and we are dedicated to reversing these fortunes. We will accomplish this by building our revenue and earnings through the sale of our off hours and by continuing to improve the margins of our ancillary services. We are also expecting a meaningful contribution from our Development Division as we meet the growing need for contract services.

Improved operating performance is not all that is required to put this company back on its feet. It has become abundantly clear that we will also have to deal with the present debt burden and will be turning our attention to this problem in the next few months.

Frank D. Barker, April 14, 2000

Canlan has experienced a

61%

increase in Adult Safe

Canlan Ice Sports is uniquely positioned to take advantage of the increase in ice sports popularity due to our state of the art multipurpose recreational facilities and our operating experience.

Grant Ballantyne

PRESIDENT

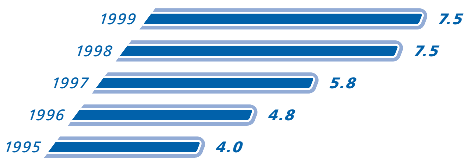
Hockey League memberships since 1995

OVERVIEW OF OPERATIONS

Canlan Ice Sports is the largest developer and operator of recreational ice sports facilities in North America. It is committed to providing its customers with a high quality entertainment experience in premier ice facilities designed with their comfort and enjoyment as the focus. In order to meet this commitment Canlan Ice Sports is dedicated to continually improving its people, its programs and its methods.

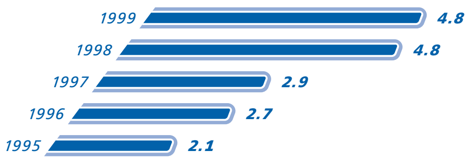
To this end, during 1999 the Company established a formal human resources function. The initial focus was an analysis of current people resources to ensure the organization is structured to meet its objectives and prepared for growth. The ongoing objective is to ensure that an infrastructure appropriate to our operations is in place and adequately supported by management including; policies and procedures, employee training and continual evaluation of personnel and methods. As a result Canlan Ice Sports will have employees who understand and deliver quality service to our customers and participate in the resulting growth.

Competition from both the public and private sectors has increased substantially in each of Canlan Ice Sport's markets over the last four years. The easy availability of ice time has created downward pressure on prices and increased the difficulty of improving ice utilization, particularly in non-prime time during the day and in the summer months.



EARNINGS FROM OPERATIONS ICE RINKS

(IN MILLIONS OF DOLLARS)



EBITDA ICE RINKS

(IN MILLIONS OF DOLLARS)

We believe that the way to effectively increase revenues is to develop a variety of quality, branded recreation based leagues, schools and other programs targeted at various user groups and then market and sell these programs in each of our communities. A significant difference between Canlan Ice Sports and its public and private sector competitors is the quality and quantity of its program offerings. We have developed an inventory of recreational programs and corporate events targeted at diverse users complete with implementation plans and pricing. Each individual facility can select from this inventory those programs that suit its market and develop or customize its own.

During 1999, in order to continue to grow and expand our program capability, we established a formal sales and marketing group to work with our facilities. All our facilities are supported by a centralized marketing group who assist in developing national and local programs, sales support materials and marketing initiatives. In our principal markets the facilities now have dedicated sales professionals who are targeted at specific user groups such as corporations and schools.

To better serve the operating group, accounting and information services were centralized at our Vancouver head office during the year. This ensures more effective management and better quality and more timely information for operations.

Canlan Ice Sports owns or manages eighteen facilities with fifty-one sheets of ice, a growth of one, single rink facility in Tulsa Oklahoma under a management contract.

Revenues from ice rink operations grew

11%

to over 39 million dollars in 1999

The Kansas City rink previously managed under contract was purchased during 1999. Record revenue from ice rink operations of $39.6 million grew 11% over the prior year.

The initiatives completed in 1999 to convert all food and beverage operations to in-house management have shown considerable success. Revenues and operating income from food & beverage operations grew $1.0 million (12.5%) and $0.3 million (25.1%) respectively due to better marketing and operating control. We anticipate continued growth in both sales and profits in this area during 2000.

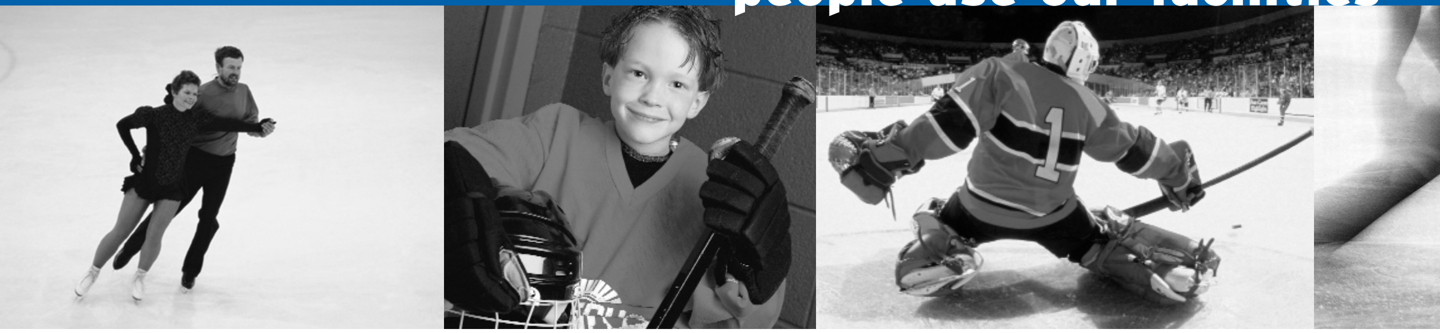
A separate Canlan Ice Sports Development Division was established during the year to seek opportunities in the design and management of new or existing rinks for third party owners and opportunities for the acquisition or construction of new rinks in key North American markets.

The Company will continue its focus, during 2000, on revenue growth from existing facilities, particularly in the areas of non-prime time and summer ice. This will result in increased profitability. The Development division will concentrate on acquiring management contracts for existing and new rinks in target markets in Canada and the U.S. which makes use of our management resources without further leveraging our financial capacity.

The Company continues to focus on revenue growth through the development of a strategic mix of activities such as youth camps, hockey and skating schools and dry floor activities.

20538

people use our facilities



OUR NEW MARKETING APPROACH

The 1999 fiscal year has been a very eventful period for the Canlan Ice Sports sales and marketing department. The year began with the development of a strategic sales and marketing plan that brought a very different approach to the marketplace for Canlan Ice Sports. Competition has meant that we can no longer be narrowly focused on our traditional customer base to provide required revenue. Our strategy demands a more creative and aggressive approach to the expansion of that audience resulting in a significant philosophical shift that will position the Ice Sports facilities as multi-purpose, entertainment and recreational complexes. This shift, along with minor modifications to our product offerings will enable Canlan to compete for non-traditional revenue sources and maximize the profitability of each facility across the country. The key to the success of this strategy will be our ability to communicate the unique qualities of our products.

During the second and third quarters of 1999, Canlan Ice Sports established a dedicated sales organization. Once the sales strategy was developed, it became critical

Duke Dickson

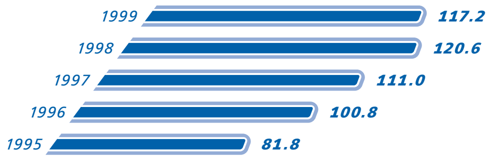
VICE PRESIDENT SALES & MARKETING

each day through a wide variety of programs

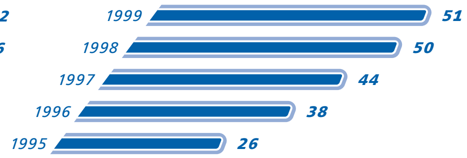
that the right people were appropriately positioned to execute the plan and insure its success. With sales and marketing professionals placed in each region of the country, Canlan Ice Sports will establish a level of professionalism in the way that it approaches the market that will provide a distinct competitive advantage over our traditional industry rivals. This will also enable Canlan to compete for non-traditional revenue in industries such as entertainment, hosting and hospitality.

The year 2000 is expected to show considerable improvement due to the groundwork laid in 1999. Many of the sales and marketing initiatives that have been started in the areas of non-traditional facility uses, will be successfully completed.

In addition to these new initiatives, a comprehensive strategy is being implemented to maximize our revenue opportunities with existing customers on a day-to-day basis and a comprehensive sponsorship strategy and sales initiative has been developed that will contribute significantly to profitability.



GROWTH IN ICE RINK ASSETS
NET OF DEPRECIATION
(IN MILLIONS OF DOLLARS)



GROWTH IN ICE PADS
(AS AT DECEMBER 31ST)

ice pads make

ICE RINK DEVELOPMENT

Canlan Ice Sports is seeking growth opportunities in both the ownership and management of ice rink facilities that expands our established base in Canada and the United States. In 1999 the Company acquired a facility in Kansas City, which it had managed under option, and the management of a facility in Tulsa, Oklahoma. This provides Canlan Ice Sports with a base of three facilities in the mid-western United States – two in Kansas and one in Oklahoma. Overall, it brings the number of ice rinks operated by the Company to 18 facilities, consisting of 51 ice sheets. Fourteen of these facilities, consisting of 46 ice sheets, are owned and 4 facilities, consisting of 5 ice sheets, are managed on behalf of others.

In implementing this strategy, Canlan's challenge will be to grow the ice rink portfolio without adversely affecting the company's financial ratios or its capital resources. The Company's experience and reputation in the development and management of ice rink facilities has served to establish our credibility industry wide and enable us to become involved in outside facilities on the basis of our expertise as opposed to our financial assets.

The growth of ice sports in Canada and, more particularly, the United States will lead to the development of a number of new facilities. There is a distinct shortage of

Pat Doyle

VICE PRESIDENT, ICE SPORTS DEVELOPMENT

SI

us a world leader in the ice sports industry

people with credible track records in the business and a vital need for both development and operating management services. Canlan Ice Sports established contract operating management services a number of years ago and recently formed a Development Division with this in mind. We will offer development services to third parties on a fee for service basis. This makes Canlan Ice Sports' experience in the ice rink development field available to others.

The Development Division is also responsible for disposing of non-strategic assets. Two such properties were sold in 1999 yielding net proceeds of $2.8 million. We are anticipating further sales of between $3 million and $4 million in surplus properties during 2000.

The Development Division will be established as an independent profit centre. Its creation will compliment Canlan's operating capabilities and enables the Company to offer the complete range of its expertise to outside parties. It is expected to become an important source of referral business to the operating division and a significant contributor to the overall profitability of the Company in the future.

Profits from ice pads are complemented by food and beverage management, full-service lounge facilities, well stocked sports stores and community services.

of the Company's

OUR HUMAN RESOURCES DEPARTMENT

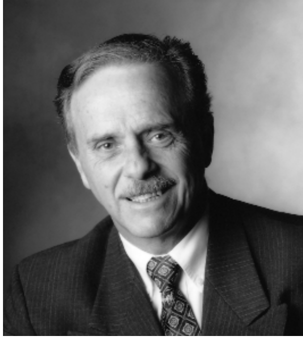
Canlan Ice Sports believes that its ability to deliver quality recreational experiences for its customers is directly tied to the quality, understanding and skill level of all its employees. In June of 1999 the Company introduced a Human Resource function to provide a planned approach to the development of all our employees.

The first step was to evaluate our key management and operating positions and implement a comprehensive Performance Management System that establishes performance standards and regular reviews of employees at all levels. The program links individual performance to the Company's annual operating plans. It requires regular measurement of results and individual growth and provides guidance for additional development opportunities. The Performance Management System was introduced in early 2000 and continues to be developed within the organization.

To ensure that our employees are fairly and appropriately remunerated, the human resource area has undertaken a continuing review of pay levels in each of our markets. As

Brian King

VICE-PRESIDENT, HUMAN RESOURCES



36%

revenue is generated by non-ice activities

part of this effort the company has developed creative bonus and incentive pay programs that reward above average performance and ensure that we are competitive and offer growth and development opportunities to all employees.

A key priority in 1999 was the formalization of policies and procedures throughout the company and ensuring they conform to Provincial, State and Federal legislation. Key areas of focus included health and safety, harassment and policies dealing with the protection of our business activities.

In order to develop and grow our employees an important focus of the human resource function is the development and regular presentation of in-house training programs targeted at key operating areas. This training will ensure that we develop the skills in our employees necessary to grow the company and to provide the required level and quality of service to our customers.

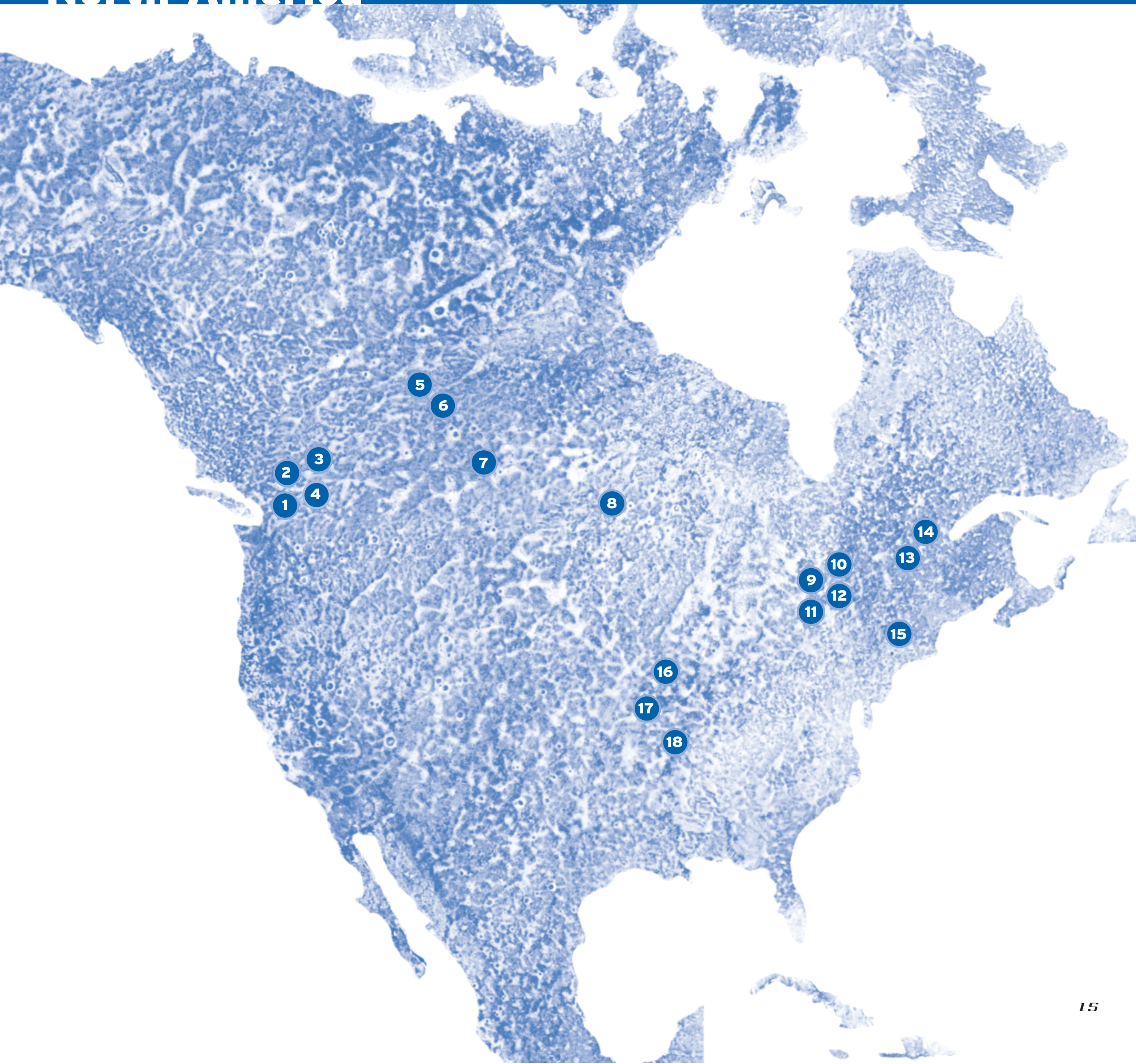
Canlan Ice Sports has expanded to

18

facilities in 13 cities across

PROJECT			
1. Ice Sports 8-Rinks	Burnaby, B.C.	8-Rink Complex	100%
2. Ice Sports North Shore	North Vancouver, B.C.	3-Rink Complex	50 year management contract
3. Ice Sports Langley	Langley, B.C.	1 Spectator Rink	5 year management contract
4. Ice Sports Aldergrove	Aldergrove, B.C.	1 Spectator Rink	5 year management contract
5. Ice Sports Jemini	Saskatoon, Sask.	4-Rink Complex	100%
6. Ice Sports Agriplace	Saskatoon, Sask.	2-Rink Complex	100%
7. Ice Sports Sherwood	Regina, Sask.	2-Rink Complex	100%
8. Ice Sports Highlander	Winnipeg, Man.	4-Rink Complex	100%
9. Ice Sports Oakville	Toronto, Ont.	4-Rink Complex	56.25%
10. Ice Sports Etobicoke	Toronto, Ont.	4-Rink Complex	60.1%
11. Ice Sports Scarborough	Toronto, Ont.	4-Rink Complex	75%
12. Ice Sports Oshawa	Toronto, Ont.	2-Rink Complex	56.25%
13. Les 4 Glaces	Montreal, Que.	4-Rink Complex	100%
14. Ice Sports Candiac	Montreal, Que.	2-Rink Complex	100%
15. Ice Sports Stamford	Stamford, Conn.	2-Rink Complex	50%
16. Ice Sports Kansas City	Kansas City, Kansas	1 Spectator Rink	100%
17. Ice Sports Wichita	Wichita, Kansas	2-Rink Complex	15 year contract; option to acquire a 99 year lease
18. Ice Sports Tulsa	Tulsa, Oklahoma	1-Rink Complex	1 year management contract

North America



The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

INTRODUCTION

Canlan Ice Sports Corp. (Canlan) is a publicly owned Canadian Company with shares listed on the Toronto Stock Exchange using ISE as its trading symbol. The Company is the largest developer and operator of ice rinks in North America, the Company currently operates 18 facilities containing 51 full sized ice sheets both in Canada and the U.S.A.

	NUMBER OF FACILITIES	NUMBER OF ICE SHEETS
1999	18	51
1998	17	50
1997	13	44
1996	11	38
1995	8	26

	NUMBER OF FACILITIES	NUMBER OF ICE SHEETS
British Columbia	4	13
Saskatchewan	3	8
Manitoba	1	4
Ontario	4	14
Quebec	2	6
U.S.A.	4	6
	18	51

REVIEW OF OPERATIONS

The growth in revenue experienced by the Company over the past five years continued in 1999 with gross revenue from ice rink operations exceeding $39.6 million, an increase of $3.8 million or 11% over 1998 and a $24.2 million increase or 157% increase over 1995.

On a same store basis, revenues increased $.8 million over 1998 or 2%. The addition of a single pad facility in Kansas City and the inclusion of full years revenue from Ice Sports North Shore, Aldergrove and Langley, which were acquired in 1998, resulted in $3 million of revenue from newly acquired facilities.

The facilities generate revenue from four segments within each operation,

($000s)	**1999 SALES**	**%**	1998 SALES	%
Ice Sales	**$ 25,375**	**64%**	$ 22,962	64%
Restaurant and lounge	**8,883**	**22%**	7,751	22%
Sports store	**3,633**	**10%**	3,541	10%
Advertising and other	**1,730**	**4%**	1,571	4%
	$ 39,621	**100%**	$ 35,825	100%

Mike Gellard

VICE PRESIDENT & CONTROLLER

Earnings before interest, taxes, depreciation and amortization (EBITDA) from rink operations was $4.8 million for the year, $0.37 per share, unchanged from the previous year but an $2.7 million increase or 131% increase over 1995. EBITDA includes all operating expenses of the facilities as well as the cost of maintaining the Company's head office and complying with regulatory authorities as a result of being a public company. The Company's employees were disappointed with the operating results in 1999, which fell short of expectations as a result of not meeting pre determined revenue targets.

For the year ended December 31, 1999 the Company incurred a net loss of $6.2 million, $0.55 loss per share, from its continuing ice rink business compared to a net loss of $5.7 million in 1998, $0.50 per share. As a percentage of revenue, this represents (15 %) in both years.

The shortfall in EBITDA and net earnings was a direct result of certain facilities falling short of its revenue targets; the shortfall experienced in total revenue was felt at both the EBITDA and net loss line. The Company's management is focusing efforts on facilities which are under performing.

INTEREST EXPENSE

The Company incurred total interest on continuing operations of $ 7.9 million in 1999, an increase of $0.4 million over 1998. This total includes $0.9 million that was related to the capital portion of the convertible debenture that is not recorded as expense in accordance with generally accepted accounting principles. No interest was capitalized during the year.

Interest related to specific debt attributable to ice rink operations increased slightly to $5.3 million from $5.2 million in 1998.

The Company's weighted average interest rate on fixed rate ice rink debt, which totals $40.8 million, increased slightly from 8.23% to 8.25%, the average interest on its variable rate ice rink debt, which totals $18.2 million, decreased slightly from prime plus 1.38% to prime plus 1.19%.

Interest on the Company's non-specific debt including debentures, lines of credit and shareholders loans totalling $31 million increased to $2.6 from $2.4 in 1998 including the interest related to the capital portion of the convertible debenture as previously described.

DEPRECIATION & AMORTIZATION

Depreciation and amortization increased to $3.8 million from $3.6 million in 1998. The increase is attributable to recognition of a full years depreciation on the new properties acquired in the fourth quarter of 1998 as well as the addition of Kansas City Ice Sports in 1999. Depreciation also includes $.25 million of amortization of financing costs not related to specific ice rink facilities.

GENERAL AND ADMINISTRATIVE

All general and administrative expenses incurred by ice rink facilities are included in ice rink operating expenses, in 1999 this totalled $3.2 million compared to $3.0 million in 1998. Ice rink administration expense has decreased as a percentage of revenue to 8.1% in 1999 from 8.4% in 1998.

Corporate general and administrative costs decreased slightly from $2.8 million to $2.7 million. Included in corporate administration expenses are costs related to supplying management support services to all Ice Sports facilities as well as costs associated with complying with regulatory authorities as a public company. The Company continues to monitor its overhead costs and has instituted initiatives to reduce costs, including centralizing accounting to its head office in Vancouver, B.C.

TAXES

The Company pays substantial amounts of property tax to municipal governments in jurisdictions in which its ice rinks are located. In 1999 the company paid $1.83 million in property taxes compared to $1.88 million in 1998.

As a result of the availability of tax losses the Company was not liable for income taxes in 1999 or 1998 however the Company did incur federal and provincial capital taxes totalling $0.7 in 1999 compared to $0.8 in 1998. Provincial capital taxes are treated as a rink operating expense.

SUMMARY OF OPERATIONS

The following table summarizes the activity from ice rink operations of the Company for the year ended December 31, 1999 compared to 1998.

($000s)	1999	1998	GROWTH
Revenue			
Ice Rinks	**$ 39,621**	$ 35,825	11%
Other	**318**	473	(33%)
	39,939	36,298	10%
Expenses			
Ice rinks	**32,256**	28,633	13%
Other	**199**	132	51%
Corporate general and administrative expenses	**2,675**	2,776	(4%)
	35,130	31,541	11%
EBITDA	**4,809**	4,757	1%
Interest	**7,020**	6,665	5%
Depreciation	**3,838**	3,593	7%
Taxes	**400**	386	4%
Other	**(257)**	(213)	21%
	11,001	10,431	5%
Net Loss	**$ (6,192)**	$ (5,674)	9%

REVIEW OF ASSETS

Total assets decreased to $126.6 million as at December 31, 1999 from $165.3 as at December 31, 1998, a decrease of $38.7. The reduction in the Company's asset base is a result of the continued divestiture of the real estate portfolio, the company disposed of real estate assets totalling $35.2 million in 1999.

In July 1999 the Company exercised its option to acquire a single pad ice rink in Kansas City for a total cost of $1.9 million, in addition, the Company spent $1.1 million on other capital improvements for ice rinks. The net book value of ice rink lands, building and equipment decreased by $0.7 million to $106.7 million as a result of recording $3.5 million in ice rink related depreciation.

Inventory consists of stock held for resale in the sports stores totalling $1.6 million in 1999 compared to $1.2 million in 1998, the remainder consists of food and beverage inventory required to operate the Company's restaurant and lounge operations.

Prepaid expenses consist of expenses paid in advance which are expected to be matched against related revenue in 1999.

Deferred financing and other charges consist primarily of financing costs, which are amortized over the term of the related debt.

REVIEW OF LIABILITIES

As at December 31, 1999 total debt related to ice rink properties, including capital leases, totalled $59 million a net reduction of $3.3 million from 1998. The Company obtained $1.4 million in new financing related to the acquisition of the Kansas City facility. Excluding new financing, total ice rink debt was reduced by $4.7 million, which included a $2 million balloon payment during the year.

70% of total ice rink debt is at fixed rates bearing interest at an average rate of 8.25%, the remaining 30% is at variable rates bearing interest at prime plus 0.5% to 2%.

In addition to ice rink debt, the Company has $7.4 million in debt relating to the remaining real estate assets, which will be retired on the sale related assets.

The Company is not in compliance with certain financial covenants under various loan agreements with senior lenders. Without prejudicing their rights the lenders have indicated that they do not intend to demand repayment of the outstanding obligation as a result of non compliance with the respective covenants, as a result these debts continue to be classified in accordance with their scheduled repayment.

As at December 31, 1999 the Company had a working capital deficiency of $18.3 million compared to $6.8 million deficiency as at December 31, 1998. Debt that is due in 1999 has been classified as current, including ice rink debt totalling $7 million and a note payable totalling $3 million.

CAPITAL STRUCTURE AND LIQUIDITY

The Company finances its operations and ice rink development projects with various forms of capital, which include the issuance of common shares, long term mortgage financing, joint venture arrangements and short term bank operating lines of credit.

The Company did not issue any shares during the year, therefore 12,957,476 shares remain outstanding. The most recent share issuance occurred in 1997 when the Company issued 2,325,000 shares for net proceeds of $8 million.

The Company has incurred significant losses over the past three years, as a result shareholders' equity has been reduced to $28 million including $13.1 which is classified as convertible debenture capital and included in equity.

As a result of continued losses the debt to equity ratio remains high at 3.46 to 1, a slight improvement from the previous years ratio of 3.63 to 1.

Based on a formula for converting the debentures to equity as described in note 10 to the consolidated financial statements the book value per share as at December 31, 1999 was $0.50 per share compared to $1.33 per share for the previous year.

In order to meet its working capital requirements and to fulfill its debt obligations the Company is exploring its options with various lenders and financial advisors to ensure adequate financing is available during the final liquidation of its real estate assets.

There can be no assurances that the Company will be successful in raising additional funds to meet its liquidity needs or that creditors will not pursue remedies before additional funds can be raised. The Company maybe required to consider alternative courses of action including seeking to reorganize its finances.

RISK MANAGEMENT

In its normal course of business Canlan can be exposed to a number of risks that can affect operating performance that are common to most companies. These risks and action taken to minimize them are summarized below.

Seasonality:

The Company's business cycle is highly seasonal with 63% of the ice rink revenue being generated in the first and last quarters, these are the periods in which the Company's hockey leagues and special programs are most active. The Company has formed a sales and marketing group which has been given the mandate to seek ways to sell non prime time ice, summer time ice as well as developing alternate uses of the Company's facilities.

League Operations:

As part of its business strategy the Company develops and organizes adult hockey leagues to play in the facilities, due to the nature of the sport, injuries occur. To reduce the risk to our customers the Company continually monitors league activities and enforces a strict set of pre-established rules, which are strictly enforced. In addition the Company maintains its facilities to high standard.

Competition:

The ice rink industry is highly competitive throughout Canada, the Company finds itself competing with other private operators in all three major areas (B.C., Ontario & Quebec) as well as municipal governments who continue to build and refurbish existing facilities. Canlan's strategy to compete in the market is to focus our customers on service and the quality of our facilities.

Environmental:

Environmental risks associated with the operation of ice rinks are primarily a function of freezing equipment located within each building in order to operate refrigeration equipment lawful hazardous substances are required. The Company has qualified staff in each location and uses state of the art refrigeration technology which is maintained to a high standard.

OUTLOOK FOR 2000

The up coming year will be a challenge for the Company's management team, the main focus will to be to reestablish a solid financial foundation to enable the Company to take advantage of opportunities that will arise. We are confident that the financial problems facing the Company will be dealt with in the coming months to enable the Company to resume its expansion program.

The Company will continue to take advantage of operating efficiencies among facilities currently owned and look for construction project management and facility management opportunities to compliment its core business of owning and operating ice rinks through out North America.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canlan Investment Corporation have been prepared by management in accordance with generally accepted accounting principles.

Canlan's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these consolidated financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the consolidated financial statements.

KPMG have been appointed by the shareholders of Canlan and serve as the Company's external auditors. They have examined the consolidated financial statements of the Company for the year ended December 31, 1999.

The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the consolidated financial statements of Canlan which are contained in this annual report.

Frank D. Barker, (signed) Chairman & Chief Executive Officer
Vancouver, British Columbia, April 14, 2000

Michael F. Gellard, (signed)
Vice President & Controller

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Canlan Ice Sports Corp. as at December 31, 1999 and 1998 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied on a consistent basis.

KPMG (signed) Chartered Accountants

KPMG LLP

Vancouver, Canada
March 3, 2000

CONSOLIDATED STATEMENTS OF OPERATIONS & DEFICIT

CANLAN ICE SPORTS CORP.

YEARS ENDED DECEMBER 31, 1999 & 1998 (IN THOUSANDS OF DOLLARS)

	1999	1998
Revenue		
Ice rinks	**$ 39,621**	$ 35,825
Other	**318**	473
	39,939	36,298
Expenses		
Ice rinks	**32,256**	28,633
Other	**199**	132
	32,455	28,765
Earnings from operations	**7,484**	7,533
General and administration expenses	**2,675**	2,776
Earnings before the undernoted	**4,809**	4,757
Other expenses:		
Interest on debt on ice rinks	**5,336**	5,152
Other interest	**1,684**	1,513
Depreciation and amortization	**3,838**	3,593
Non-controlling interest	**(257)**	(344)
Write-down of marketable securities	**–**	131
	10,601	10,045
Loss from continuing operations before income taxes	**(5,792)**	(5,288)
Income taxes *[note 13]*	**400**	386
Loss from continuing operations	**(6,192)**	(5,674)
Loss from discontinued operations *[note 18]*	**(1,068)**	(21,747)
Net loss	**(7,260)**	(27,421)
Interest on convertible debenture capital	**(940)**	(864)
Retained earnings (deficit), beginning of year	**(21,456)**	6,829
Deficit, end of year	**$ (29,656)**	$ (21,456)
Loss per common share:		
Loss from continuing operations	**$ 0.55**	$ 0.50
Net loss	**0.63**	2.18

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

CANLAN ICE SPORTS CORP.

DECEMBER 31, 1999 & 1998 (IN THOUSANDS OF DOLLARS)

	1999	1998
Assets		
Current Assets		
Cash *[note 5]*	**$ 2,253**	$ 4,714
Accounts receivable	**1,767**	2,418
Inventory	**1,941**	1,318
Prepaid expenses	**1,242**	1,352
Discontinued operations assets *[note 18]*	**9,451**	44,633
	16,654	54,435
Properties		
Ice rinks *[note 3]*	**106,669**	107,343
Other revenue *[note 4]*	**1,593**	1,627
Held for ice rink development	**449**	515
	108,711	109,485
Deferred financing and other charges	**1,237**	1,339
	$ 126,602	$ 165,259
Liabilities, Shareholders' & Debenture holders' equity		
Current liabilities		
Bank indebtedness *[note 9]*	**$ 5,409**	$ 3,650
Accounts payable and accrued liabilities	**6,622**	7,912
Deferred revenue and customer deposits	**4,572**	4,726
Current portion of		
Obligations under capital lease *[note 7]*	**1,044**	1,145
Debt on ice rinks *[note 6]*	**6,964**	9,283
Debt on other revenue property	**–**	128
Notes and agreements payable *[note 8]*	**3,000**	–
Discontinued operations liabilities *[note 18]*	**7,394**	34,405
	35,005	61,249
Long-term liabilities		
Notes and agreements payable *[note 8]*	**2,750**	5,750
Obligations under capital lease *[note 7]*	**1,101**	1,912
Due to joint venture partners	**1,296**	1,413
Convertible debenture liability *[note 10]*	**6,901**	7.841
Debt on ice rinks *[note 6]*	**49,922**	49,951
	61,970	66,867
Non-controlling interest *[note 11]*	**1,592**	1,848
	98,567	129,964
Shareholders' and debenture holders' equity		
Convertible debenture capital *[note 10]*	**13,099**	12,159
Share capital *[note 12]*	**44,592**	44,592
Deficit	**(29,656)**	(21,456)
	28,035	35,295
Future operations *[note 1]*		
Commitments and contingencies *[note 14]*		
	$ 126,602	$ 165,259

On behalf of the Board:

See accompanying notes to consolidated financial statements

Frank D. Barker, (signed) Director

W.G. Ballantyne, C.A., (signed) Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

CANLAN ICE SPORTS CORP.

YEARS ENDED DECEMBER 31, 1999 AND 1998 (IN THOUSANDS OF DOLLARS)

CASH PROVIDED BY (USED IN)	1999	1998
Operations		
Loss from continuing operations	**$ (6,192)**	$ (5,674)
Items not involving cash		
Depreciation and amortization	**3,838**	3,593
Write-down of		
Property held for ice rink development	**–**	306
Marketable securities	**–**	131
Non-controlling interest	**(257)**	(344)
Changes in non-cash working capital		
Accounts receivable and due to joint venture partners	**534**	(1,291)
Accounts payable and accrued liabilities	**(1,290)**	1,962
Deferred revenue and customer deposits	**(154)**	1,177
Inventory	**(623)**	(192)
Other assets	**212**	1,664
	(3,932)	1,332
Financing activities		
Increase in lines of credit	**1,759**	1
Increase (decrease) in		
Debt on ice rinks, net of principal repayments	**(2,348)**	5,937
Obligations under capital lease, net of principal repayments	**(912)**	221
Principal repayment on debt on other revenue property	**(128)**	(309)
Interest on convertible debenture capital	**(940)**	(864)
	(2,569)	4,986
Investing activities		
Expenditures on properties		
Ice rinks	**(3,064)**	(13,349)
Held for ice rink development	**–**	(140)
Insurance proceeds	**–**	340
	(3,064)	(13,149)
Decrease in cash position from continuing operations	**(9,565)**	(6,831)
Increase in cash position from discontinued operations *[note 18]*	**7,104**	7,460
Cash position, beginning of year	**4,714**	4,085
Cash position, end of year	**$ 2,253**	$ 4,714

See accompanying notes to consolidated financial statements

DECEMBER 31, 1999 & 1998 (IN THOUSANDS OF DOLLARS)

Since July of 1997, Canlan Ice Sports Corp. (formerly Canlan Investment Corporation) (the "Company") has focused on its Ice Sports Division involving the acquisition, development and operation of full service ice rink facilities across North America. Prior to that time, the Company also acquired, developed and operated real estate and other revenue property. Effective December 31, 1998, the Company adopted formal plans to discontinue its real estate activities.

1) FUTURE OPERATIONS

The Company has incurred losses from continuing operations for the years ended December 31, 1999 and 1998, has a working capital deficiency and is in default of certain debt covenants at December 31, 1999 (note 6). As a result, the Company is dependent on the continued support of its lenders and its controlling shareholder, its ability to obtain long term financing for certain rinks and ultimately its ability to generate future profitable operations.

These financial statements are prepared on the basis that the Company will continue to operate throughout its next fiscal period subsequent to December 31, 1999 as a going concern.

2) SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Principles of consolidation:

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

P.C. Development Inc.	100%
Ormskirk Investments Ltd.	100%
Adult "Safe Hockey" Leagues Ltd.	75%
Les Quatre Glaces (1994) Inc.	100%
Iceplex 2000 Ltd.	100%
Candev Inc.	100%
O&O Development Corporation	56%
Rivcan LLC	50%
Canlan Ice Sports (USA) Corp.	100% (1998 - 0%)

The accounts of all incorporated and unincorporated joint ventures and partnerships are included in these consolidated financial statements to the extent of the Company's proportionate interest in their respective assets, liabilities, revenues and expenses.

(b) Revenue recognition:

Costs incurred on ice rinks and other revenue properties under development are capitalized net of related revenue until the facility is ready to commence operations. For ice rink properties, this occurs when the facility is ready to commence operations for its first hockey league season, after which revenue is recorded as earned.

(c) Inventories:

Inventories consist of hockey equipment, supplies and sportswear held for sale and food and beverage supplies. Inventories are recorded at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

(d) Properties:

Ice rinks and other revenue properties are stated at cost less accumulated depreciation. Cost includes interest, property taxes, other carrying charges, and applicable general and administrative expenses incurred during the development and pre-operating periods.

Ice rinks properties are depreciated and amortized on a straight-line basis over the estimated useful lives of the respective assets, which are as follows:

Buildings	40 years
Machinery and equipment	10 years
Computers, furniture and fixtures	5 years
Ice resurfacing equipment	5 years

(e) Deferred financing and other charges:

Deferred financing charges are amortized over the minimum term of the related debt.

(f) Foreign currency:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(g) Earnings per share:

Earnings per share has been calculated using the weighted average number of common shares outstanding, which for 1999 was 12,957,476 shares (1998 - 12,957,476 shares).

Fully diluted and supplementary fully diluted earnings per share are not dilutive and, accordingly, have not been provided.

(h) Measurement uncertainty:

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions which can affect the reported balances. In determining estimates of net recoverable amounts for its ice rinks and other revenue properties and net realizable values for accounts receivable, inventory and other assets, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amounts and net realizable values may change, and the amount of the change may be material.

(i) Cash flow statements:

In 1999, the Company adopted The Canadian Institute of Chartered Accountants Section 1540 "Cash Flow Statements" which requires the elimination of non-cash investing and financing activities from the cash flow statement.

3) PROPERTIES

($000s)	COST	ACCUMULATED DEPRECIATION	1999 NET BOOK VALUE
Ice rinks			
Land	$ 15,373	$ –	$ 15,373
Buildings	94,185	7,223	86,962
Machinery and equipment	3,439	981	2,458
Computers, furniture and fixtures	1,830	818	1,012
Ice resurfacing equipment	1,506	642	864
	$ 116,333	$ 9,664	$ 106,669

($000s)	COST	ACCUMULATED DEPRECIATION	1998 NET BOOK VALUE
Ice rinks			
Land	$ 14,896	$ –	$ 14,896
Buildings	93,526	5,004	88,522
Machinery and equipment	2,878	705	2,173
Computers, furniture and fixtures	1,376	360	1,016
Ice resurfacing equipment	1,162	426	736
	$ 113,838	$ 6,495	$ 107,343

Included in properties are assets under capital leases with a cost of $4,133,000 (1998 - $4,530,000) and accumulated depreciation of $1,188,000 (1998 - $684,000).

Interest, during construction, of $Nil (1998 - $40,000) has been capitalized during the year in building costs.

4) OTHER REVENUE PROPERTY

($000s)	**1999**	1998
Land	**$ 257**	$ 257
Buildings, equipment and other	**1,757**	1,757
	2,014	2,014
Accumulated depreciation	**421**	387
	$ 1,593	$ 1,627

5) CASH

Cash includes amounts totalling $249,000 (1998 - $802,000) which are either to be applied to specific liabilities or which are held as collateral.

6) DEBT ON ICE RINKS

($000s)	MATURITY DATES	WEIGHTED AVERAGE INTEREST RATES	**1999**	1998
Fixed rate	2000 - 2003	1999 - 8.25% (1998 - 8.23%)	**$ 38,675**	$ 45,547
Variable rate	2000 - 2001	1999 - prime plus 1.19% (1998 - prime plus 1.38%)	**18,211**	13,687
			56,886	59,234
Less current portion			**6,964**	9,283
Long-term portion			**$ 49,922**	$ 49,951

Debt on ice rinks properties at December 31, 1999 includes $4,083,000 (1998 - $2,980,000) of debt repayable in U.S. dollars.

Debt on ice rinks and other revenue properties is secured by first mortgages, demand debentures, general security agreements, general assignments of book debts, assignments of rents and insurance, specific pledging of title to and interest in the respective land and buildings.

The Company has entered into swap agreements to fix the interest rate on a portion of its variable rate debt. The Company has $4,880,000 of variable rate debt swapped into a fixed interest rate of 5.54% per annum, plus applicable stamping fees, under an agreement expiring in 2004, and $2,476,000 of variable rate debt swapped into a fixed interest rate of 9.56% per annum under an agreement expiring in 2008. This debt is presented above as fixed rate.

The Company's borrowings under various debt agreements contain financial covenants relating to, amongst other things, interest coverage, debt to equity, equity (as defined) and working capital. At December 31, 1999, the Company did not meet certain of the covenants specified in its borrowing agreements. Without prejudicing their rights under the various agreements, the Company's lenders have indicated that, barring unforeseen circumstances, they do not intend to demand payment of the outstanding obligations as a result of non-compliance with the respective covenants. Accordingly, these debts continue to be presented in accordance with their scheduled maturities.

In the event that any of the lenders were to take action in respect of a covenant violation, the Company's other lenders may also be entitled to accelerate the repayment of their outstanding obligations.

Based on terms and conditions in existence at December 31, 1999, principal repayments for the next five years and in aggregate of amounts outstanding are as follows:

($000s)

2000	$ 6,964
2001	29,683
2002	1,248
2003	11,767
2004	5,055
Thereafter	2,169
	$ 56,886

7) OBLIGATIONS UNDER CAPITAL LEASE

Total minimum lease payments are as follows:

($000s)

2000	$ 1,044
2001	856
2002	488
2003	146
2004	41
	$ 2,575
Less interest (rates vary from 8.25% to 12%)	430
Present value of minimum capital lease payments	2,145
Less current portion	1,044
Long-term portion	$ 1,101

Lease obligations are secured directly by the leased assets.

Interest of $333,000 (1998 - $303,000) relating to capital lease obligations has been included in other interest expense.

8) NOTES & AGREEMENTS PAYABLE

($000s)	1999	1998
Note payable	**$ 3,000**	$ 3,000
O&O Development Corporation ("O&O") subordinated debentures:		
8%	**2,500**	2,500
16%	**250**	250
	5,750	5,750
Less current portion	**3,000**	–
	$ 2,750	$ 5,750

The note payable bears interest at prime plus 1.75% (1998 - 1.75%) per annum and matures March 31, 2000. The note is secured by a fixed and floating charge on Company assets.

Interest on the O&O subordinated debentures is payable on a date and for a period to be specified by the parties, provided that O&O will not be under any obligation to make such payment if it would cause O&O to be in default on any of its covenants. No interest has been paid or accrued in 1999 or 1998. The debentures mature in September 2002 at which time the debt can be extended for three additional one-year terms if insufficient cash exists for repayment. Upon the expiration of the third extension, should O&O be unable to retire the debentures, the debenture holder is entitled to receive common shares of the Company in settlement. The weighted average trading price of the Company's shares on the TSE at that time will be used to determine the number of shares to be issued in order to satisfy the debt. The debentures are secured by a charge against the ice rink properties of O&O.

9) BANK INDEBTEDNESS

The Company has operating lines of credit which bear interest at rates varying from prime to prime plus 1% (1998 - prime plus 1/2% to prime plus 1%) These operating lines of credit are secured by general security agreements. $5,212,000 of the operating lines of credit are guaranteed by a controlling shareholder.

10) CONVERTIBLE DEBENTURES

($000s)	1999	1998
8% convertible debentures due 2005:		
Debenture liability	**$ 6,901**	$ 7,841
Debenture capital	**13,099**	12,159
	$ 20,000	$ 20,000

The convertible debentures maturing in 2005 are convertible into common shares of the Company at $7.40 per share subject to certain anti-dilution provisions. Subsequent to May 1, 1998, the Company is entitled, at its option, to call for redemption of the debentures if the weighted average trading price of the Company's common shares is not less than 125% of the conversion price of the debentures for a period of 20 consecutive trading days. The debenture holder may convert to shares at any time up to the day prior to the date fixed for redemption of the debentures. Upon redemption or maturity of the debentures, Canlan may, at its option and subject to all applicable regulatory approvals, elect to satisfy its obligation to pay principal then due by issuing and delivering to each holder of debentures being redeemed or which have matured that number of common shares obtained by dividing $1,000 by 95% of the weighted average trading price of the common shares on the TSE for the 20 consecutive trading days ending on the fifth trading day preceding the redemption or maturity date, as the case may be.

The fair value of the 2005 convertible debenture liability was determined by discounting the fixed interest payments at a discount rate of 9.5%. The discount rate was representative of interest rates for comparable securities without a conversion option, at the date of the offering. The convertible debenture capital represents the balance of the $20,000,000 debenture.

11) NON-CONTROLLING INTEREST

Included in non-controlling interest are $812,500 of subordinated debentures issued to non-controlling shareholders and bearing interest at 8% per annum, due quarterly. Interest is payable on a date and for a period to be specified by the parties provided that O&O will not be under any obligation to make such payment if it would cause O&O to be in default on any of its covenants. The debentures mature on September 30, 2002 at which time the debt may be extended until such time as the subsidiary has sufficient cash to repay the debentures.

12) SHARE CAPITAL

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

(a) Authorized:

50,000,000 Common shares of no par value

(b) Issued and outstanding:

($000s)		**1999**		1998
	SHARES	**AMOUNT**	SHARES	AMOUNT
Balance, end of year	**12,957,476**	**$ 44,592**	12,957,476	$ 44,592

(c) Stock options:

Options to purchase 859,000 common shares of the Company have been granted by the Board of Directors to Directors and certain full-time employees of the Company. During 1999, options to purchase 105,000 common shares were cancelled.

Options remain outstanding for the issue of 754,000 common shares (1998 - 859,000 common shares) at an exercise price of $1.75 per share (1998 - $1.75 per share) which expire on September 2001.

13) INCOME TAXES

The major factors which caused variations from the Company's expected federal and provincial income tax rate of 45% for 1999 and 1998 were as follows:

($000s)	**1999**	1998
Statutory rate applied to loss from continuing operations before income taxes	**$ (2,606)**	$ (2,078)
Large corporations tax	**195**	222
Deductible interest on convertible debenture capital	**(423)**	(389)
Non-controlling interest	**(116)**	(155)
Benefit related to current year's losses not recognized	**3,350**	2,786
	$ 400	$ 386

Potential future income tax benefits have not been recognized in the accounts for non-capital tax losses which expire as follows:

($000s)

2000	$ 1,382
2001	231
2002	1,830
2003	204
2004	4,800
2005	23,028
2006	15,692
	47,167
Less net book value of properties in excess of tax values	(13,282)
	$ 33,885

Included in total non-capital losses is $20,538,000 of losses which are of restricted use.

14) COMMITMENTS & CONTINGENCIES

(i) The Company is contingently liable for debts of joint ventures and partnerships applicable to co-venturers and partners. However, the assets of the joint ventures and partnerships, which exceed their liabilities, are available to satisfy these debts.

(ii) The Company is contingently liable for letters of credit in the amount of $235,000 (1998 - $2,432,000), which have been issued to various municipalities, primarily to collateralize servicing work relating to development property.

(iii) The Company is committed to leasing equipment and office space pursuant to leases expiring at dates up to November 2001. Payments over the next five years, including the Company's estimated operating expenses and property taxes in respect of office space leases, are as follows:

($000s)

2000	$ 215
2001	125

(iv) The Company has guaranteed one-half of the principal and interest payments on bonds in the amount of $5,810,000, used to finance a project for which the Company acts as project manager.

(v) The Company is one of several defendants in a lawsuit, relating to a development project, in which the plaintiffs are claiming damages of $3,000,000. The Company has filed a statement of defense denying liability. The Company and its counsel expect that the Company will be seeking indemnification from other defendants or other persons if the Company is found to be liable. This litigation is in its preliminary stages and neither the outcome nor the potential liability is determinable at this time.

(vi) A legal proceeding has been commenced against the Company, one of its subsidiaries and a joint venture in which the subsidiary has an interest. The plaintiff, which is the minority joint venturer, is claiming damages of $5,000,000. This litigation is in its preliminary stages and neither the outcome nor the potential liability is determinable at this time.

(vii) Various other lawsuits are pending against or by the Company. Actual liabilities or recoveries of deposits with respect to these lawsuits are not determinable, but management believes, based on counsels' opinions, that any potential liabilities or shortfall on recoveries of deposits will not materially affect the Company's financial position.

(viii) The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those relating to customers, suppliers, or other third parties, have been fully resolved.

15) JOINT VENTURES

The following amounts representing the Company's proportionate interest in joint ventures and partnerships are recorded in these financial statements:

($000s)	1999	1998
Assets	**$ 16,624**	$ 17,050
Liabilities	**12,810**	13,727
Revenues	**6,124**	5,825
Expenses	**6,229**	6,020
Net loss	**(105)**	(195)
Cash flows from:		
Operating activities	**575**	8
Investing activities	**(426)**	(565)
Financing activities	**917**	511

Certain assets of the joint ventures are pledged as collateral to support liabilities.

16) FINANCIAL INSTRUMENTS

The Company has the following financial instruments: accounts and mortgages receivable, bank indebtedness, accounts payable and accrued liabilities, obligations under capital lease, debt on properties, notes and agreements payable, convertible debentures liability and interest rate swaps. The carrying values of accounts and mortgages receivable, bank indebtedness and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities. Other financial instruments of a longer term nature may be impacted by changes in market yields which can result in differences between their carrying value and their market value. Management estimates that these differences are not material to the financial statements. Due to the size of the underlying notional value and the time to termination of the interest rate swap agreements, fair values do not materially differ from book values.

17) RELATED PARTY TRANSACTIONS

The Company participates in a joint venture with a significant shareholder to complete the development of a residential property, which is owned on an equal basis with the shareholder. In addition, the Company participated in joint ventures with a significant shareholder to complete the development of a residential property and to operate a golf course, each of which was owned on an equal basis with the shareholder. Included in payables and accruals is $nil (1998 - $97,000) which relates to advances to the joint ventures by the shareholder which are in excess of its 50% interest. Included in accounts receivable is $nil (1998 - $39,000) which relates to advances to the joint venture in excess of Canlan's 50% interest.

During 1999, the Company sold its interest in a significant development property and a golf course net of related debt thereon, to affiliates of a significant shareholder of the Company. The Company received cash proceeds of $6,000,000, which represented the carrying value of those properties, net of related debt thereon. The sales agreements provide that should the purchasers sell all or a significant portion of the acquired properties, at an amount in excess of a specified threshold prior to February 28, 2001, the Company will participate in such excess. The value of the transaction was substantiated by a third party appraisal commissioned by an Independent Committee of the Board of Directors struck to review the transaction, which was approved by the shareholders of the Company at a special general meeting held on April 28, 1999 for that purpose.

During 1999, the Company received a loan from the shareholder, bearing interest at 10%

(1998 - 10.35%) per annum. This loan of $2,450,000 (1998 - $2,676,000) is included in debt on development properties as at December 31, 1999. The Company incurred $276,000 (1998 - $121,000) in interest expense related to this loan and fees of $73,000 (1998 - $Nil) related to loan guarantees.

18) DISCONTINUED OPERATIONS

Effective December 31, 1998, the Company adopted formal plans to discontinue its real estate activities. The real estate activities have been reflected in the consolidated financial statements and notes thereto on a discontinued basis.

The results of discontinued operations are as follows:

($000s)	1999	1998
Revenue		
Development	**$ 11,600**	$ 19,819
Other revenue properties	**247**	4,181
	11,847	24,000
Expenses		
Development	**12,622**	24,028
Other revenue properties	**233**	4,388
	12,855	28,416
Loss from discontinued operations before the undernoted	**1,008**	4,416
Estimated loss from disposal of discontinued operations	**–**	17,571
Loss from discontinued operations before income taxes	**1,008**	21,987
Income taxes (recovery)	**60**	(240)
Loss from discontinued operations	**$ 1,068**	$ 21,747

The remaining assets and liabilities of discontinued operations are as follows:

($000s)	1999	1998
Accounts and mortgages receivable	**$ 2,371**	$ 4,467
Development properties	**7,080**	29,915
Other revenue properties	**–**	10,251
	$ 9,451	$ 44,633
Bank indebtedness	**$ –**	$ 2,838
Accounts payable and agreements payable	**4,150**	8,789
Debt on development properties	**3,244**	17,536
Mortgages on other revenue properties	**–**	5,242
	$ 7,394	$ 34,405

Development and other revenue properties are recorded at estimated net realizable values. During the year, interest of $664,000 (1998 - $759,000) has been capitalized to such properties.

Debt on development properties is secured by demand debentures, a general security agreement, and specific pledging of title to and the Company's interest in the respective properties.

The cash flows from discontinued operations are as follows:

($000s)	**1999**	1998
Operations	**$ (1,067)**	$ (5,545)
Financing	**(27,011)**	(18,517)
Investing	**35,182**	31,522
	$ 7,104	$ 7,460

19) SEGMENTED INFORMATION

The Company's continuing operations consist of the operation of full service ice rink facilities primarily in Canada, which constitute a single operating segment.

Ice rinks revenue by services provided are as follows:

($000s)	**1999**	1998
Ice sales	**$ 25,375**	$ 22,962
Restaurant and lounge	**8,883**	7,751
Sports store	**3,633**	3,541
Other	**2,048**	2,044
	$ 39,939	$ 36,298

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

FIVE YEAR REVIEW: EARNINGS STATEMENTS

CANLAN ICE SPORTS CORP.

($000s)	1999	1998	1997	1996	1995
Revenue					
Ice rinks	**$ 39,621**	$ 35,825	$ 28,931	$ 22,198	$ 15,356
Other	**318**	473	512	332	324
Total revenue	**39,939**	36,298	29,443	22,530	15,680
Operating expenses					
Ice rinks	**32,256**	28,633	23,529	17,565	11,526
Other	**199**	132	117	132	136
General and administrative	**2,675**	2,776	2,863	2,175	1,942
	35,130	31,541	26,509	19,872	13,604
Earnings before interest, taxes, depreciation and amortization	**4,809**	4,757	2,934	2,658	2,076
Other expenses					
Interest	**7,020**	6,665	5,123	4,677	2,072
Depreciation and amortization	**3,838**	3,593	2,444	979	478
Other	**143**	173	648	223	118
	11,001	10,431	8,215	5,879	2,668
Loss from continuing operations	**(6,192)**	(5,674)	(5,281)	(3,221)	(592)
Results of discontinued operations	**(1,068)**	(21,747)	(4,662)	5,010	3,090
Net income (loss)	**$ (7,260)**	$ (27,421)	$ (9,943)	$ 1,789	$ 2,498
Interest on convertible debenture capital	**$ (940)**	$ (864)	$ (792)	$ (726)	$ (218)

FIVE YEAR REVIEW: BALANCE SHEET

CANLAN ICE SPORTS CORP.

($000s)	**1999**	1998	1997	1996	1995
Assets					
Ice rink properties	**$ 107,118**	$ 107,858	$ 97,992	$ 83,669	$ 64,231
Other revenue property	**1,593**	1,627	1,849	1,803	1,816
Other	**8,440**	11,141	11,169	20,369	15,723
Discontinued operations	**9,451**	44,633	93,586	103,649	90,531
Total assets	**$ 126,602**	$ 165,259	$ 204,596	$ 209,490	$ 172,301
Liabilities					
Ice rink properties debt	**$ 59,031**	$ 62,291	$ 56,133	$ 46,810	$ 34,481
Other revenue property debt	**–**	128	437	498	471
Convertible debentures	**6,901**	7,841	8,704	9,496	10,222
Other	**25,241**	25,299	22,534	33,536	18,394
Discontinued operations	**7,394**	34,405	54,071	54,482	45,911
Total liabilities	**$ 98,567**	$ 129,964	$ 141,879	$ 144,822	$ 109,479
Shareholders' and debenture holders' equity					
Convertible debentures	**$ 13,099**	$ 12,159	$ 11,296	$ 10,504	$ 9,778
Share capital	**44,592**	44,592	44,592	36,600	36,543
Retained earnings (deficit)	**(29,656)**	(21,456)	6,829	17,564	16,501
Total	**$ 28,035**	$ 35,295	$ 62,717	$ 64,668	$ 62,822
Statistics					
Debt to equity ratio	**3.46**	3.63	2.23	2.18	1.99
Issued shares at year end	**12,957**	12,957	12,957	10,632	10,614
Average shares outstanding	**12,957**	12,957	12,193	10,616	10,478
Earnings (loss) per common share					
Loss per common share from continuing operations					
Basic	**$ (0.55)**	$ (0.50)	$ (0.50)	$ (0.37)	$ (0.08)
Fully diluted	**n.a.**	n.a.	n.a.	n.a.	n.a.
Net earnings (loss) per common share					
Basic	**$ (0.63)**	$ (2.18)	$ (0.88)	$ 0.10	$ 0.22
Fully diluted	**n.a.**	n.a.	n.a.	n.a.	$ 0.17
Cash flow per common share	**$ (0.31)**	$ (0.56)	$ (0.33)	0.12	$ 0.30
Share price range	**$0.99-0.31**	$ 2.74-0.99	$ 4.24-2.75	$ 4.95-3.05	$ 7.00-4.25

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