CANLAN sports™

Annual Report

2020

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LETTER TO SHAREHOLDERS

What a year! 2020 was my 24th year as a leader in this industry and I've seen, and have experienced a lot during that time, but nothing quite like a global pandemic. Due to the effects of COVID-19, activity in the sports and recreation industry was abruptly reduced; we saw our revenue drop by 55%. We applied our industry experience to preserve liquidity and turned our attention to ensuring that we could capitalize on the opportunities that would present themselves from this socioeconomic event. Compared to past economic downturns, the difference this time was that government was restricting how we operated, putting an extra layer of importance on the health and safety of our employees and customers which has always been our primary focus.

We quickly developed an industry leading Exposure Control Plan and re-engineered the game of hockey with new rules and other innovative alterations that allowed us to play over 12,000 games without incident between wave 1 and wave 2 of the pandemic.

We have an extraordinary team, but this pandemic has reinforced that for me. Our incredible team sprang into action and committed itself to protecting the health of customers, employees and the company. For some, this meant being furloughed for the better part of the year. For others it meant wearing several hats and working long hours. We quickly removed ice in all of our arenas in mid-March to significantly reduce energy consumption. This decision not only achieved significant cash savings, but it also enabled our crews to perform critical maintenance projects that can only be completed during summer ice-out schedules. This in turn, allowed us to restore ice in June and offer various on-ice activities at the end of wave 1 when demand for resumption of sports peaked during the summer. In addition, since we completed maintenance projects well in advance of our original plans, we will be able to maximize ice-surface capacity year-round in 2021 and 2022 to maximize revenue. I am truly grateful to each and everyone on the team for their commitment and support throughout the year.

Also, our vendors and financial partners have been open to new ideas and provided support however they could. We could not be more appreciative for their collaborative approach in assisting Canlan through these tough days and months.

Throughout the year we completed large portions of important technology projects such as the transition to a new Customer Relationship Management platform, and the development of enhanced user experiences on our new website that we have since launched in conjunction with Canlan's refreshed branding. During this pandemic and beyond, staying engaged with our communities through social media, direct communication, and branding continues to be one of our key focus areas. Even prior to 2020, we observed many external factors that were beginning to reshape the recreation services industry. The events of the past year have solidified that sentiment and may have long-lasting impact on altering consumer habits and preferences, so adapting to this change with a business model that is reflective of the demands of this new environment will be key. Our management team will be working hard on achieving this going forward.

While we've had to pivot several times due to changes in public health regulations, we've learned to adjust, survive and thrive in our new reality. We know there are still turbulent times ahead but we have the team, the partners and the plan in place to execute and become better and stronger than ever before. Thank you to all our stakeholders for your ongoing support and continued belief in the Canlan story. The industry is changing, the world is changing, but the great thing is, we were already well on our way to changing before this ever happened.

Stay safe,

Joey St-Aubin
President and Chief Executive Officer

FACILITY LOCATIONS

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

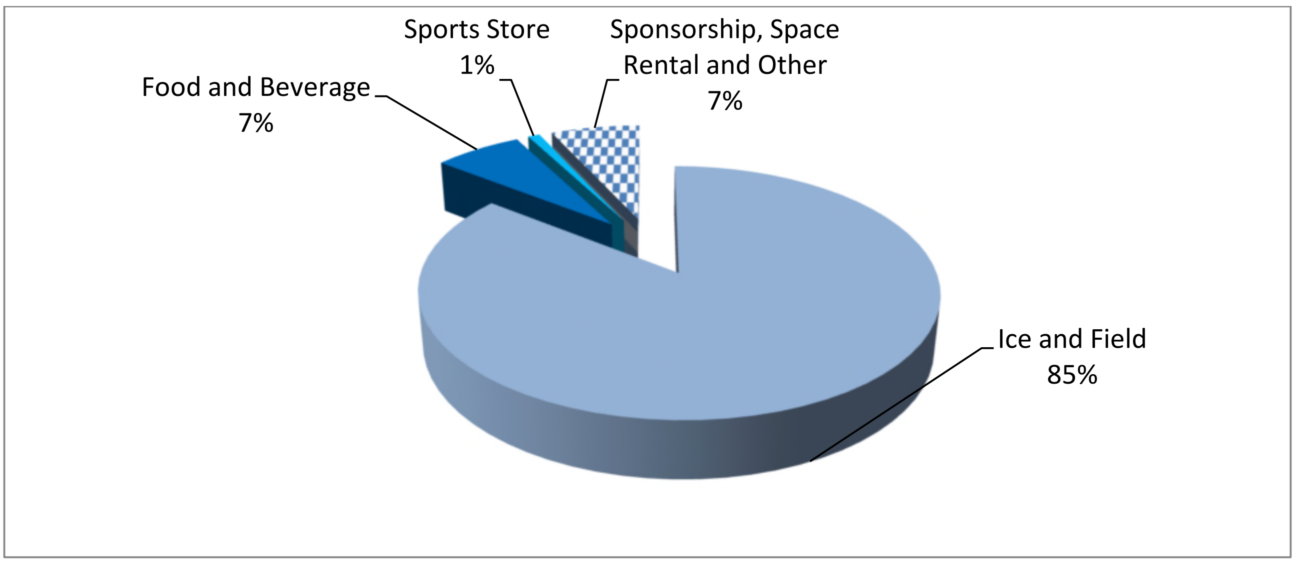
(1) Owned Property (2) Leased Property (3) Managed Property (4) Operating Agreement

❖ Ice rink operations closed and property listed for sale

FINANCIAL HIGHLIGHTS

in thousands, except per share information	**2020***	**2019**	**2018**
Revenue	$39,259	$88,341	$87,638
Government subsidy	$6,371	-	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$936	$13,248	$14,670
Net earnings (loss) before taxes	($8,253)	$3,792	$5,594
Net earnings (loss)	($6,363)	$2,448	$4,483
Total assets	$121,484	$141,163	$128,935
Shareholders' equity	$41,708	$48,384	$49,824
Earnings (loss) per common share	($0.48)	$0.18	$0.34
Shareholders' equity per share	$3.13	$3.63	$3.74
Weighted average common shares	13,337,448	13,337,448	13,337,448

** Operations affected by COVID-19 pandemic*



2020 Sources of Revenue

Canlan Ice Sports Corp.
Management’s Discussion and Analysis

The following management’s discussion and analysis (MD&A) summarizes significant factors affecting the consolidated operating results and financial condition of Canlan Ice Sports Corp. (“Canlan”, the “Company”, “we” “our” or “us”) for the years ended December 31, 2020 and 2019. This document should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2020 and 2019 and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and are presented in Canadian dollars.

In the following discussion, we define EBITDA as earnings before interest, taxes, depreciation and amortization. In addition, the term free cash flow is used, which we calculate as cash flow from operations less capital expenditures net of any proceeds from the disposition of capital assets. However, EBITDA and free cash flow are not terms that have specific meaning in accordance with IFRS, and may be calculated differently by other companies. The Company discloses EBITDA and free cash flow because these are useful indicators of operating performance and liquidity.

Additional information relating to our Company, including quarterly reports and our annual information form, is filed on SEDAR and can be viewed at www.sedar.com and our website www.icesports.com.

The date of this MD&A is March 24, 2021.

Forward Looking Statements

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

Operations Affected By Coronavirus (COVID-19)

As previously reported, the Company is presently managing repercussions from the outbreak of the Coronavirus (COVID-19) that resulted in temporary closures of the Company's recreation facilities in Canada and the United States from March 13, 2020 until June 15, 2020. During the week of June 15, 2020, the Company resumed facility operations on a limited capacity and since that time, has been operating at levels in accordance with Provincial and State health orders. As at the date of this report, the operations status of the Company's facilities are as follows:

Province/State:	**Status**
B.C. Saskatchewan & Manitoba	Facilities are open for surface rentals and limited instructional programs. League play has not yet been permitted.
Ontario – Ice Sports Etobicoke Ice Sports Scarborough Ice Sports York Canlan Sportsplex	Facilities are closed in accordance with Provincial health orders.
Ontario – Ice Sports Oakville Ice Sports Oshawa	Facilities are open for surface rentals and limited instructional programs. League play has not yet been permitted.
Illinois	Facilities are open for surface rentals, instructional programs and league play on a limited basis.

Restaurants, concessions, and sports stores currently remain closed. Management reviews the conditions affecting these business areas on a monthly basis.

As a result of the pandemic, the Company has established measures to preserve liquidity and to strengthen the Company's resilience in managing the effects of a reduction in business activity. Measures taken to date include a reduction of labour and other operating costs, cash payment deferrals arranged with various creditors, application for government subsidies, and collaboration with the Company's senior lenders to arrange for additional credit facilities and covenant waivers if required (See "***Review of Liabilities and Shareholders' Equity***" below). The extent of the impact of the pandemic will vary depending on government regulations and the general economic activity in Canada and the United States. The pace of recovery following the pandemic cannot be accurately predicted at this time but management will continue to adjust policies and procedures as appropriate. See "**Risk Factors - *COVID-19 and other Pandemic or Epidemic Diseases***".

Overview – Year Ended December 31, 2020

- Cash on-hand at December 31, 2020 was $7.5 million with additional access to a working capital credit line of $10.0 million;

- As a result of the COVID-19 pandemic that forced facility closures and continue to limit the Company's operations, revenue reached $39.3 million, approximately 44% of prior year's total revenue;

- Since facilities resumed partial operations beginning the week of June 15, 2020, the Company has implemented a comprehensive exposure control plan that has helped to prevent COVID-19 outbreaks from occurring within our facilities; and

- The sale of a parcel of surplus land was completed and a note receivable related to the sale of an ice rink facility that closed in 2019 was collected. These transactions resulted in cash inflows of $4.9 million.

Overview of the Company

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

As at the date of this MD&A the Company owns, leases or manages a network of 18 facilities in Canada and the United States containing playing surfaces as outlined below. The Company owns 12 of these facilities containing 1.4 million square feet of space situated on 159 acres of land. One facility is operated under a long-term land lease arrangement, one facility under an operating agreement with a municipality and a further two facilities under operating leases. We also manage two facilities on behalf of municipalities.

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

Facility Portfolio:

Canada:	**Facilities**	**Ice Surfaces**	**Indoor Turf Fields**	**Courts** [a]	**Total Playing surfaces**
British Columbia	5	14	1	-	15
Saskatchewan	2	6	-	-	6
Manitoba	1	3	1	-	4
Ontario	6	20	2	11	33
Quebec	1 [c]	-	-	-	-
	15	**43**	**4**	**11**	**58**
USA:					
Illinois	3	6	1 [b]	4	11
	18	**49**	**5**	**15**	**69**

Note

a) Includes 3 indoor volleyball courts, 6 outdoor beach volleyball courts, 4 basketball courts and 2 sport courts
b) This is a FIFA regulation field (divisible into multiple fields)
c) Our facility in Quebec was closed as of May 2019 in preparation for an intended sale. Assets related to this facility were reclassified to asset held-for-sale in the consolidated statements of financial position.

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 have traded in the $2.43 to $5.58 range during 2020. The Company has not issued any shares from treasury since November 2004.

The Company derives revenue from six primary sources:

1. **Ice and field sales**
   Revenue from ice and field rentals, and internal programming.

2. **Food and beverage**
   Sales from our licensed restaurants and concession operations within our facilities.

3. **Sports stores**
   Sales and rental of sports equipment, apparel, and skate sharpening services.

4. **Management and consulting**
   Fees from managing facilities owned by third parties and consulting engagements.

5. **Sponsorship**
   Revenue from sponsorship and advertising sales.

6. **Space rental**
   Rental of space within our facilities.

Selected Financial Information

The following selected consolidated financial information as at December 31, 2020, 2019, and 2018 and each of the quarters and years then ended has been derived from our 2020 and 2019 annual and interim consolidated financial statements. This data should be read together with those financial statements.

	(unaudited) Quarter ended December 31		*(audited)* Year ended		
in thousands, except earnings per share	**2020**	2019	**2020**	2019	2018
Statement of Operations Data:					
Total revenue	**$ 8,244**	$ 23,957	**$ 39,259**	$ 88,341	$ 87,638
Government subsidy	**2,746**	-	**6,371**	-	-
Direct expenses [(1)]	**(8,876)**	(17,741)	**(39,420)**	(69,247)	(67,201)
General & administration expenses	**(1,316)**	(1,712)	**(5,274)**	(5,846)	(5,767)
EBITDA	**798**	4,504	**936**	13,248	14,670
Other expenses:					
Depreciation	**(1,961)**	(1,980)	**(7,951)**	(7,946)	(6,929)
Finance expenses	**(671)**	(652)	**(2,447)**	(2,595)	(2,039)
Foreign exchange gain (loss)	**(18)**	(14)	**45**	(44)	91
Gain (loss) on interest rate swap	**37**	195	**(1,133)**	(485)	(209)
Gain on sale of assets	**53**	13	**2,297**	1,614	10
Tax recovery (expense)	**211**	(1,276)	**1,890**	(1,344)	(1,111)
Net earnings (loss)	**$ (1,551)**	$ 790	**$ (6,363)**	$ 2,448	$ 4,483
Other comprehensive income (loss)	**(1,435)**	(718)	**(313)**	(1,505)	1,410
Total comprehensive income (loss)	**$ (2,986)**	$ 72	**$ (6,676)**	$ 943	$ 5,893
Basic and fully diluted earnings (loss) per share	**$ (0.12)**	$ 0.06	**$ (0.48)**	$ 0.18	$ 0.34
Balance Sheet Data:					
Cash and cash equivalents			**$ 7,480**	$ 16,528	$ 19,845
Current assets (excluding cash, note receivable and assets held-for-sale)			**3,990**	5,765	5,561
Assets held-for-sale			**6,053**	6,406	596
Capital assets			**98,771**	105,209	99,582
Investment			**350**	-	-
Other assets			**4,840**	4,172	2,274
Note receivable			**-**	2,492	-
Interest rate swap			**-**	591	1,077
Total assets			**$ 121,484**	$ 141,163	$ 128,935
Current liabilities, excluding debt			**$ 13,842**	$ 23,777	$ 25,448
Mortgage debt			**56,168**	58,271	50,811
Lease liabilities			**6,933**	7,303	1,714
Interest rate swap			**541**	-	-
Deferred tax liabilities			**2,292**	3,428	1,138
Total liabilities			**79,776**	92,779	79,111
Shareholders's equity			**41,708**	48,384	49,824
			$ 121,484	$ 141,163	$ 128,935
Dividends declared			**$ -**	$ 1,400	$ 1,267

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

Competitive Strengths

During 2020, the recreation industry was significantly impacted by the COVID-19 pandemic. However, under normal operations, the Company believes that it has the following competitive strengths:

- ***Our Team***. Canlan typically employs approximately 1,000 full and part-time employees in Canada and the USA. Through training and internal communications, we have established Canlan as the place to work in our industry. Our employees have industry-specific knowledge and are focused on providing quality customer service within a safe environment. In addition, Canlan's executive team plans and monitors operations in all departments, set policies, and continually assess future growth strategies. These individuals have extensive expertise in facility operations, sales, marketing, customer service, finance and human resources.

  During 2020, Canlan created industry-leading health and safety protocols that were implemented at facilities by a well-trained team to mitigate the risk of coronavirus outbreaks during the periods in which facilities were permitted to operate.

- ***Adult Safe Hockey League (ASHL)***. The Company operates the largest adult recreational hockey league in North America. The ASHL offers superior services and competition in a fun environment. In a typical year, the league operates in all seasons, and has approximately 64,000 players in various divisions based on skill and age.

  In June 2020, after our facilities resumed limited operations, Canlan created an ASHL season with reduced player counts and revised formats and game rules to enable physical distancing but still create an enjoyable experience for the players. Amidst the environment created by the pandemic, approximately 9,000 players still participated in this league during the summer in a safe manner.

- ***Diversified Recreation***. In addition to ice surfaces, the Company also operates turf fields and sport courts on which many other sports can be played such as soccer, volleyball, basketball, and ball hockey. This enables the Company to diversify its product offerings and expand its market reach to various demographic groups.

- ***Geographic Coverage***. Canlan currently owns and operates facilities in four provinces in Canada plus one U.S. state giving us broad geographic coverage. Our geographic diversity and wide customer base help to mitigate the effects of economic cycles.

- ***Buying Power***. As a result of being geographically diversified, and having significant product volumes, we are able to negotiate national supply agreements with preferred pricing.

Review of Fiscal 2020 Operations

Revenue

Due to the pandemic, the Company only experienced normal business operations during January and February of 2020 and sporadic business activities from June to December 2020. All facility operations were suspended from mid-March until mid-June. Total revenue reached $39.3 million, which represents approximately 44% of total 2019 revenue, of $88.3 million.

Approximately $33.6 million of the total revenue was generated from ice and field activities (2019 - $70.2 million), $2.6 million was generated from food and beverage operations (2019 - $12.7 million), and $1.3 million related to tenant space rentals (2019 - $1.6 million). The remaining revenue of $1.8 million related to sports store sales, sponsorship, vending and facility management fees (2019 - $3.8 million).

From June 2020, when limited operations were resumed, until December 2020, surface operations were at 20% to 50% of normal operating capacity as public health orders fluctuated in the various markets in which Canlan operates. Ice and field activities consisted mainly of surface rentals to small groups, condensed youth and adult hockey leagues during the summer, and limited instructional programs mainly focused on youth skating and hockey clinics.

To ensure physical distancing, the Company created revised rules of play for its youth and adult hockey leagues for the summer and was able to complete a condensed summer season of hockey play at most ice rink locations. The Fall 2020 adult recreation hockey league, ASHL, began in September 2020 but was completely suspended by November 2020 due to new health orders that were initiated due to “wave 2” of the pandemic.

To help prevent the spread of the coronavirus, the facilities’ restaurants and sports stores were closed and they remain closed as at the date of this analysis.

The Company recorded the following revenue by quarter:

		2020			2019	
in thousands		**Revenue**	**% of total**		Revenue	% of total
Q1	**$**	**20,883**	**53**	$	25,986	30
Q2		**767**	**2**		19,798	22
Q3		**9,365**	**24**		18,600	21
Q4		**8,244**	**21**		23,957	27
	$	**39,259**	**100**	$	88,341	100

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

	2020		2019	
in thousands	**Sales**	**% of total**	Sales	% of total
Ice and Field Sales	**$ 33,614**	**86**	$ 70,226	79
Food and Beverage	**2,624**	**7**	12,717	14
Sports Store	**357**	**1**	1,503	2
Sponsorship	**848**	**2**	1,394	2
Space Rental	**1,332**	**3**	1,591	2
Management & Consulting Fees	**257**	**1**	249	-
Other	**227**	**-**	661	1
	$ 39,259	**100**	$ 88,341	100

	2020		2019	
in thousands	**Sales**	**% of total**	Sales	% of total
Canada:				
British Columbia	**$ 10,447**	**27**	$ 19,054	22
Alberta	**520**	**1**	1,992	2
Saskatchewan	**3,646**	**9**	7,421	8
Manitoba	**1,838**	**5**	4,837	5
Ontario	**17,426**	**44**	41,441	47
Quebec	**-**	**-**	1,509	2
	33,877	**86**	76,254	86
USA	**5,382**	**14**	12,087	14
	$ 39,259	**100**	$ 88,341	100

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

	2020		2019	
in thousands	**Revenue**	**% of total**	Revenue	% of total
Adult hockey leagues	**$ 11,838**	**35**	$ 27,203	39
3rd party contract users	**12,353**	**37**	20,785	30
Camps, hockey & skating schools	**2,895**	**9**	7,572	11
Youth hockey leagues	**1,548**	**5**	3,320	5
Public programs & spot rentals	**2,273**	**7**	3,216	4
Tournaments	**623**	**2**	3,917	6
Soccer field rentals and leagues	**1,649**	**5**	3,259	4
Other	**435**	**-**	954	1
	$ 33,614	**100**	$ 70,226	100

Operating Expenses

Facility operating expenses of $39.4 million decreased by 43.1% compared to $69.2 million in 2019. The most significant expense reductions were related to labour ($12.9 million), selling & customer service costs ($5.5 million), and cost of goods sold ($4.4 million). The Company initiated a workforce reduction plan soon after facilities were closed in March 2020 with a wage top-up program for staff to ensure most employees garnered some earnings above the minimum statutory government assistance programs. The Company did apply for and was approved $6.4 million of Canadian Emergency Wage and Rental Subsidies. The Company expects to qualify for this government assistance program until June 2021.

While focus was placed on cash preservation and cost reductions throughout the year, $3.8 million was still incurred on repair and maintenance expenses in 2020 (2019 - $7.6 million) as management focused on completing the most critical maintenance tasks and projects. Priority was placed on projects that maintain or improve the working order of plant equipment to ensure energy efficiencies, health and safety, and to eliminate the need for maintenance downtimes after full operations resume.

Facility operating costs by quarter were as follows:

		2020			2019	
in thousands		**Costs**	**% of total**		Costs	% of total
Q1	**$**	**14,774**	**37**	$	16,981	24
Q2		**5,769**	**15**		17,791	26
Q3		**10,001**	**25**		16,734	24
Q4		**8,876**	**23**		17,741	26
	$	**39,420**	**100**	$	69,247	100

Total G&A expenses of $5.3 million decreased by $0.6 million or 9.8% as certain corporate staff members were furloughed as part of the Company's liquidity preservation measures. A portion of the G&A expense savings were offset with costs incurred related to the execution of the Company's exposure control plan to protect the health and safety of employees and guests. Added costs included items such as signage, sanitizing agents, and personal protective equipment.

After including $6.4 million of government subsidies that helped offset labour and property tax costs, earnings from operations totaled $0.9 million compared to $13.2 million a year ago.

Non-Operating Gains and Expenses

Depreciation and finance expense totaled $11.5 million compared to $11.0 million in prior year and in 2020, the Company also recorded a gain on the sale of certain assets of $2.3 million. The most significant asset sold during 2020 was a parcel of surplus land in Ontario that was not planned for facility development. The sale completed in July 2020 and yielded net proceeds of approximately $2.4 million. In 2019, gains on asset sales totaled $1.6 million.

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

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

A breakdown of net finance expense is as follows:

in thousands		**2020**		2019
Mortgage interest	**$**	**1,916**	$	2,265
Interest income		**(191)**		(323)
Lease liabilities interest		**421**		448
Mark-to-market loss on interest rate swap		**1,133**		485
Amortization of deferred financing costs and other		**301**		205
	$	**3,580**	$	3,080

Net Earnings (Loss)

After recording an income tax recovery of $1.9 million, compared to an income tax expense of $1.3 million in 2019, net loss for the year was $6.4 million or $0.48 a share compared to net income of $2.4 million or $0.18 a share in 2019.

Foreign Currency Translation and Other Comprehensive Income

Other comprehensive loss (OCL) was $0.3 million in 2020 compared to $1.5 million in 2019. 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 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 2020

During Q4, operating revenue was $8.2 million compared to $24.0 million in 2019 as facilities operated at approximately 20% to 30% of total capacity due to varying public health restrictions. In addition, subsidies from the Canadian government's Emergency Wage and Rent Subsidy programs totaled $2.7 million for the quarter.

Food and beverage and sports store operations were closed for the quarter.

Since the reopening of facilities in June 2020 for rentals and modified hockey league play, the Company initiated a number of health and safety measures that continued to be enforced during the last fiscal quarter and remain in place currently.

These include:

1) Deployment of entrance attendants to screen and check-in facility guests;
2) Adjustment of schedules to maximize physical distancing inside and outside of dressing rooms;
3) Limitation of the number of participants allowed on each sport surface;
4) When league and tournament play is allowed, rink-side bench areas have been modified and league rules and play-format to maximize physical distancing have been implemented; and
5) Requirement of employees and guests to wear personal protective equipment.

Operating expenses of $8.9 million decreased by 50% from $17.7 million in 2019 as operating activities were limited in Q4. Management continued to focus on strong cost management by reducing labour costs where possible while still maintaining rigid exposure control procedures, reducing energy consumption through continuous adjustments of refrigeration plant controls, and eliminating virtually all discretionary operating costs.

G&A expenses of $1.3 million decreased by $0.4 million or 23.1% mainly due to reduced labour through temporary staff layoffs and elimination of travel. After G&A expenses, EBITDA was $0.8 million for the quarter compared to $4.5 million a year ago.

After recording depreciation and finance expense of $2.6 million (2019 - $2.4 million), and an income tax recovery of $0.2 million, net loss for the quarter was $1.6 million or $0.12 a share compared to net income of $0.8 million or $0.06 a share a year ago.

A summary of Q4 results is as follows:

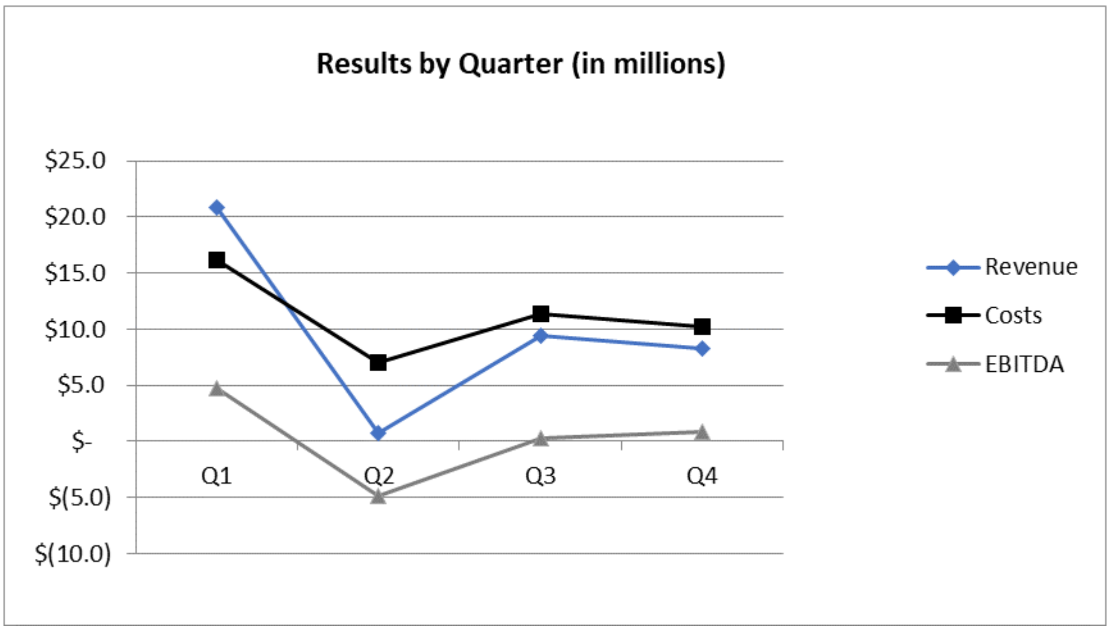
in thousands		**2020**		2019
Gross revenue	**$**	**8,244**	$	23,957
Government subsidy		**2,746**		-
Operating costs		**(8,876)**		(17,741)
		2,114		6,216
General & administration		**(1,316)**		(1,712)
EBITDA		**798**		4,504
Depreciation		**(1,961)**		(1,980)
Finance expense		**(671)**		(652)
Gain on interest rate swap		**37**		195
Other		**35**		(1)
Net earnings (loss) before taxes and other		**(1,762)**		2,066
Income taxes		**211**		(1,276)
Net earnings (loss)		**(1,551)**		790
Other comprehensive loss		**(1,435)**		(718)
Total comprehensive income (loss)	**$**	**(2,986)**	$	72
Earnings (loss) per share	**$**	**(0.12)**	$	0.06

EBITDA

The Company's annual EBITDA is typically earned in the first and fourth fiscal quarters with second and third quarters yielding much less EBITDA due to the seasonal nature of hockey play and maintenance projects that are usually completed during the slower months. In 2020, the pandemic presented extenuating circumstances that altered this pattern.

As-reported EBITDA by quarter for 2020 and 2019 are as follows:

		2020			2019	
in thousands		**EBITDA**	**% of total**		EBITDA	% of total
Q1	**$**	**4,757**	N/A	$	7,618	58
Q2		**(4,881)**	N/A		443	3
Q3		**262**	N/A		683	5
Q4		**798**	N/A		4,504	34
	$	**936**	**-**	$	13,248	100



Summary of Operations
For the years ended December 31

in thousands	**2020**	2019	2018
Revenue			
Ice rink and recreational facilities	**$ 39,259**	$ 88,341	$ 87,638
Other income - government subsidy	**6,371**	-	-
Expenses	**39,420**	69,247	67,201
Earnings from operations	**6,210**	**19,094**	**20,437**
General & administration	**5,274**	5,846	5,767
EBITDA	**936**	13,248	14,670
Other gains (expenses)			
Depreciation	**(7,951)**	(7,946)	(6,929)
Gain on sale of assets	**2,297**	1,614	10
Foreign exchange gain (loss)	**45**	(44)	91
	(5,609)	(6,376)	(6,828)
Finance income (expenses)			
Finance costs	**(2,638)**	(2,918)	(2,289)
Finance income	**191**	323	250
Loss on interest rate swap	**(1,133)**	(485)	(209)
	(3,580)	(3,080)	(2,248)
Net earnings (loss) before taxes	**(8,253)**	**3,792**	**5,594**
Income tax expense (recovery)			
Current	**(64)**	140	1,194
Deferred	**(1,826)**	1,204	(83)
	(1,890)	1,344	1,111
Net earnings (loss)	**(6,363)**	2,448	4,483
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings:			
Foreign currency translation differences	**(313)**	(1,505)	1,410
Total comprehensive income (loss)	**$ (6,676)**	$ 943	$ 5,893
Operating margin before general & administration	**13.6%**	21.6%	23.3%
EBITDA as a percentage of revenue	**2.1%**	15.0%	16.7%

Summary of Quarterly Results

The following tables present our unaudited consolidated quarterly results of operations for each of the last eight fiscal quarters. This data has been derived from our unaudited quarterly consolidated financial statements which are prepared on the same basis as our annual audited financial statements.

			2020		
in thousands	Q1	Q2	Q3	Q4	Total
Gross revenue	$ 20,883	$ 767	$ 9,365	$ 8,244	$ 39,259
Government subsidy	-	$ 1,383	$ 2,242	$ 2,746	6,371
Operating costs	(14,774)	(5,769)	(10,001)	(8,876)	(39,420)
	6,109	(3,619)	1,606	2,114	6,210
General & administration	(1,352)	(1,262)	(1,344)	(1,316)	(5,274)
EBITDA	**4,757**	**(4,881)**	**262**	**798**	**936**
Depreciation	(2,117)	(1,954)	(1,919)	(1,961)	(7,951)
Finance expense	(631)	(574)	(571)	(671)	(2,447)
Foreign exchange gain (loss)	116	(43)	(10)	(18)	45
Gain (loss) on interest rate swap	(1,056)	(128)	14	37	(1,133)
Gain on sale of assets	-	118	2,126	53	2,297
Net earnings (loss) before taxes	**1,069**	**(7,462)**	**(98)**	**(1,762)**	**(8,253)**
Income taxes	(24)	1,646	57	211	1,890
Net earnings (loss)	**$ 1,045**	**$ (5,816)**	**$ (41)**	**$ (1,551)**	**$ (6,363)**
Earnings (loss) per share	**$ 0.08**	**$ (0.44)**	**$ (0.003)**	**$ (0.12)**	**$ (0.48)**

			2019		
in thousands	Q1	Q2	Q3	Q4	Total
Gross revenue	$ 25,986	$ 19,798	$ 18,600	$ 23,957	$ 88,341
Operating costs	(16,981)	(17,791)	(16,734)	(17,741)	(69,247)
	9,005	2,007	1,866	6,216	19,094
General & administration	(1,387)	(1,564)	(1,183)	(1,712)	(5,846)
EBITDA	**7,618**	**443**	**683**	**4,504**	**13,248**
Depreciation	(1,991)	(2,033)	(1,942)	(1,980)	(7,946)
Finance expense	(583)	(677)	(683)	(652)	(2,595)
Foreign exchange gain (loss)	(21)	(21)	12	(14)	(44)
Gain (loss) on interest rate swap	(487)	(219)	26	195	(485)
Gain (loss) on sale of assets	408	(8)	1,201	13	1,614
Net earnings (loss) before taxes	**4,944**	**(2,515)**	**(703)**	**2,066**	**3,792**
Income taxes	(1,181)	657	456	(1,276)	(1,344)
Net earnings (loss)	**$ 3,763**	**$ (1,858)**	**$ (247)**	**$ 790**	**$ 2,448**
Earnings (loss) per share	**$ 0.28**	**$ (0.14)**	**$ (0.02)**	**$ 0.06**	**$ 0.18**

Liquidity and Capital Resources

Canlan's cash balance as at December 31, 2020 was $7.5 million compared to $16.5 million from December 31, 2019. The reduction of cash resources resulted from the negative impact that the COVID-19 pandemic had on operations throughout 2020 as facilities were closed from March 2020 until June 2020 and since that time, public health orders and coronavirus concerns have significantly reduced and/or stalled activities in all facilities.

Cash used for operations, including financing expense was $8.8 million compared to an inflow of cash from operations of $8.9 million a year ago. Net use of cash from operations not only included the use of cash for operating expenses, but also for return of payments received from customers the Company received in advance. In certain cases, some customers chose to have their deposits returned rather than to hold them on account. Approximately $4.5 million of government wage and rent subsidies were received during 2020 that offset a portion of operating expense. Another $1.9 million that was recorded as amounts receivable at December 31, 2020 was received in the first quarter of 2021.

With respect to financing activities, during 2020, we utilized $4.3 million to reduce principal on debt and lease liabilities compared to $5.3 million in 2019, and $0.4 million to pay dividends on common shares (that were declared in November 2019) compared to $1.4 million paid in 2019. Debt repayments decreased from prior year because the Company's senior lenders and equipment lessors provided a three-month principal holiday on debt repayments in light of the impact of the pandemic on Canlan's business operations. In addition, after facility operations were suspended in March 2020, the Company suspended dividend distributions.

With respect to investing activities, $1.7 million was incurred on capital expenditures, mostly related to renewing HVAC and refrigeration equipment in certain facilities. Many other capital projects that were originally planned for 2020, which did not require immediate attention, were deferred in order to preserve liquidity. In addition, $2.7 million of cash was realized from the completion of the sale of equipment and a parcel of surplus land and $2.5 million was received in repayment of a note receivable that the Company accepted as consideration upon sale of an ice rink facility in 2019 (see ***Review of Assets***).

Summarized Statement of Cash Flows:

in thousands		**2020**		2019
Cash inflows and (outflows) by activity				
Operating activities	**$**	**(9,388)**	$	8,703
Financing activities		**(3,140)**		4,335
Investing activities		**3,480**		(16,355)
		(9,048)		(3,317)
Cash position, beginning of year		**16,528**		19,845
Cash position, end of year	**$**	**7,480**	$	16,528
Key ratios				
Working capital deficiency	**$**	**(2,498)**	$	(112)
Debt to equity ratio		**1.51:1**		1.36:1

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

in thousands		**2020**		2019
EBITDA	**$**	**936**	$	13,248
Changes in working capital items		**(7,546)**		(1,713)
Net finance expense		**(2,465)**		(2,513)
Income tax recovery (expense)		**64**		(140)
Foreign exchange		**220**		(278)
Expense of project investigation costs (non-cash charge)		**-**		295
Cash flow from operations		**(8,791)**		8,899
Add (deduct):				
Mortgage principal reduction		**(2,885)**		(3,621)
New debt		**800**		11,000
Capital expenditures		**(1,702)**		(9,176)
Lease payments		**(1,374)**		(1,677)
Proceeds from sale and leaseback of equipment		**686**		-
Dividends paid		**(367)**		(1,367)
Proceeds on sale of assets		**2,685**		8,671
Note receivable (issued) payment		**2,497**		(2,548)
Effect of changes in foreign currency rates		**(597)**		(196)
Purchase of ice rink property		**-**		(13,302)
Change in cash position for the year	**$**	**(9,048)**	$	(3,317)

As at the date of this Analysis, the Company has available, a $17.0 million committed revolving credit line. Approximately $7.0 million of this facility is available for capital expenditures and $10.0 million is available to finance operations should financing be required (see ***Review of Review of Liabilities and Shareholders' Equity***).

As at the date of this MD&A, management remains focused on liquidity preservation and maintaining the Company's resilience during this period of reduced business operations. This involves close management and monitoring of cash flows, forecasting cash requirements, and continued management of all the measures discussed above that have been taken to mitigate the challenges posed by the COVID-19 pandemic. Management is also focused on being prepared to respond appropriately to a dynamic situation either by expanding, contracting or adjusting operations in accordance with government regulations and the status of the pandemic.

Given the measures taken to preserve cash, the Company's ability to access additional credit facilities (See "**Review of Liabilities and Shareholders Equity – *Mortgages")***, and the Company's cash position at December 31, 2020, management believes the Company is financially well-positioned to address the adverse effects of reduced business activity to date. However, the duration of the COVID-19 pandemic, the full negative impact on the Company's financial performance, or the pace of recovery following the pandemic cannot be accurately predicted at this time. See "**Risk Factors - *COVID-19 and other Pandemic or Epidemic Diseases***" below.

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	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 7,683	$ -	$ -	$ -	$ -	$ -	$ 7,683
Long-term debt:							
Mortgage principal and interest	$ 6,166	$ 5,914	$ 48,309	$ -	$ -	$ -	$ 60,389
Lease liabilities, including interest	1,578	1,324	1,231	775	405	5,605	10,918
	7,744	7,238	49,540	775	405	5,605	71,307
	$ 15,427	**$ 7,238**	**$ 49,540**	**$ 775**	**$ 405**	**$ 5,605**	**$ 78,990**

Review of Assets

The table below summarizes the Company's asset base:

in thousands	**2020**	2019
Properties	**$ 98,771**	$ 105,209
Cash	**7,480**	16,528
Accounts receivable	**2,434**	2,933
Inventory	**662**	870
Prepaid expenses and other assets	**1,905**	2,995
Assets held-for-sale	**6,053**	6,406
Investment	**350**	-
Deferred income taxes	**3,829**	3,139
Note receivable	**-**	2,492
Financial asset held for trading	**-**	591
	$ 121,484	$ 141,163

At December 31, 2020, total properties of $98.8 million decreased by $6.4 million mainly due to scheduled depreciation. Despite reduced business activities of the Company's recreation facilities caused by the pandemic, management's review of the recoverability of property, plant, and equipment continues to indicate that there has been no impairment in the recoverability of properties at December 31, 2020.

During the year, the Company invested $1.5 million (2019 - $8.6 million) on capital expenditures related to equipment and plant renewals at various facilities. A relatively low amount was incurred on capital projects in 2020 to preserve cash.

In 2019, the Company issued a five-year promissory note as partial consideration for proceeds on disposal of a three-pad ice arena in Indiana. During Q3 2020, the debtor repaid the note early, which provided a cash inflow of $2.5 million.

The interest rate swap contract relates to a financial instrument used to fix the interest rate on $29.8 million of long-term debt. Due to the continued downward pressures on market interest rates, quarterly mark-to-market adjustments for accounting purposes have reduced the value of the financial asset and as at December 31, 2020, the swap contract was presented as a financial liability on the balance sheet. See "***Review of Liabilities and Shareholders' Equity***" below.

In September 2020, the Company acquired an investment of approximately 14.25% equity interest of a start-up technology company (investee). The investee is a privately held software development company that is anticipated to provide future strategic value. The shares have an intrinsic value of $0.4 million and the investment has been recorded in the statement of financial position at its initial cost. As consideration for the equity interest, the Company will be providing marketing services to the investee.

Cash on hand at December 31, 2020 was $7.5 million compared to $16.5 million a year ago. See "***Liquidity and Capital Resources"*** for sources and uses of cash.

Disclosures in the consolidated financial statements for the year ended December 31, 2020 note that cash and cash equivalents include $0.5 million (2019 – $0.9 million) of restricted cash representing funds held in trust in accordance with the terms of a lease agreement.

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:

in thousands	**2020**	2019
Debt	**$ 56,168**	$ 58,271
Deferred revenue and customer deposits	**6,159**	12,199
Accounts payable	**7,683**	11,578
Lease payable - right-of-use assets	**6,933**	7,303
Deferred income taxes	**2,292**	3,428
Financial liability held for trading	**541**	-
	79,776	92,779
Shareholders' equity	**41,708**	48,384
	$ 121,484	$ 141,163

At December 31, 2020 total debt and lease liabilities outstanding was $63.1 million as at compared to $65.6 million at the end of the prior year. The decrease is mainly due to scheduled debt and lease repayments net of new equipment lease financing.

Deferred revenue and customer deposits represent customer registration and rental fees received in advance of when ice and field times are used. At December 31, 2020, customer deposits totaled $6.2 million compared to $12.2 million at the end of 2019. Subsequent to facility closures, credits were provided to many customers for programs, league play, or surface rentals that had to be revised, cancelled or postponed. These credits were maintained for customers' use as credits for future registrations. In situations where customers could not utilize credits for future offerings, their payments were refunded to them.

Long-Term Debt

As at December 31, 2020, debt consists of five credit facilities, four of which have been drawn, as follows:

1) $38.5 million loan amortized over 15 years, maturing on May 25, 2023, interest at BA rate plus 2.10% per annum payable monthly. The Company entered into an interest rate swap contract, maturing on May 25, 2023, to fix the interest rate at 3.52% per annum payable monthly. At December 31, 2020, the balance outstanding was $29.8 million. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remained unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of the Company's business operations;

2) $20.0 million loan (with $10.0 million of this amount revolving) amortized over 15 years, maturing on May 25, 2023, interest at Prime rate plus 0.50% per annum payable monthly. At December 31, 2020, the balance outstanding was $17.6 million. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remained unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of Company's business operations;

3) $20.0 million revolving capital expenditure loan amortized over 15 years, maturing on May 25, 2023. At December 31, 2020, the balance outstanding was $3.0 million. Of this amount, $0.8 million accrues interest at BA rate plus 2.10% per annum payable monthly and $2.2 million accrues interest at Prime rate plus 0.50% per annum payable monthly. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remains unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of the Company's business operations. In addition, $10.0 million of this revolving credit facility was made available for working capital purposes from April 23, 2020 until December 31, 2020. Subsequent to year-end, on March 2, 2021, the availability of this working capital revolving credit facility was extended to December 31, 2021 and the rate of interest accrued on amounts drawn on this working capital credit facility was set at Prime rate plus 1.00% and interest only shall be payable until December 31, 2021. On January 1, 2022, amounts drawn for working capital purposes will be transitioned to term debt and be amortized over 15 years and principal plus interest shall be repayable monthly. In addition, the revolving capital expenditure loan will revert to $20.0 million less amounts drawn for capital expenditures and will be available until May 2023. At December 31, 2020, no amounts have been drawn from this $10.0 million working capital credit facility;

4) $7.1 million loan amortized over 15 years, maturing on September 30, 2023, interest at CDOR plus 2.1% per annum payable monthly. At December 31, 2020, the balance outstanding was $6.1 million. On March 31, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from April 1, 2020 until June 30, 2020. The credit facility's maturity date of September 30, 2023 remained unchanged. In addition, the Bank provided a waiver on covenant compliance requirements for September 30, 2020 and December 31, 2020. These amendments were initiated in response to the COVID-19 outbreak that resulted in a temporary suspension and continued limitation of the Company's business operations; and

5) $0.7 million demand revolving operating loan, interest at Prime rate plus 0.50% per annum. No amounts have been drawn on this loan to date.

The Company's credit facilities carry financial covenants, some of which have been waived by the Company's senior lenders in light of the effects that the COVID-19 pandemic is anticipated to have on business operations. The following table summarizes the status of the covenants related to agreements reached between the Company and its senior lenders during fiscal 2020 and subsequent to December 31, 2020:

Debt Covenant	**Test Frequency**	**Status for year ended December 31, 2020**	**Subsequent Event - March 2, 2021**
Consolidated debt service coverage ratio	Annually at December 31	Waived by lenders for December 31, 2020	Waiver extended by lenders to December 31, 2021
Consolidated debt to tangible net worth ratio	Quarterly at March 31, June 30, September 30, and December 31	In compliance at all quarters ended in fiscal 2020	Waived by lender for all quarters ending in fiscal 2021
Debt service coverage ratio calculated on combined trailing-12-month operating earnings of two facilities operating in United States	Quarterly at March 31, June 30, September 30, and December 31	In compliance at March 31, 2020 and June 30, 2020. Covenant waived by lender for quarters ended September 30, 2020 until quarter ending September 30, 2021	For the quarter ending December 31, 2021, covenant amended such that the debt service coverage ratio shall be calculated for the fiscal quarter ending December 31, 2021 rather than on a trailing-12-month basis
Minimum liquidity of cash-on-hand combined with available operating credit facilities	Quarterly at March 31, June 30, September 30, and December 31	In compliance at December 31, 2020. Temporary covenant added during fiscal 2020 in light of waivers of other covenants. Covenant to be removed when covenant waivers are removed.	Covenant confirmed to be in place until December 31, 2021

Share Capital

The total and weighted average number of shares issued and outstanding at December 31, 2020 and December 31, 2019 was 13,337,448.

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

Transactions with Related Parties

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

The Company did not record any related party transactions with Bartrac during the period. A Director of the Company is the Chairman of the Board of Directors of a vendor from which the Company purchases services in the normal course of business. Purchases from this vendor for the year ended December 31, 2020 was $20,000 (2019 - nil). The Company paid $0.2 million (2019 - $0.2 million) in directors' fees during 2020.

Financial Instruments

The Company has the following financial instruments:

				2020
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash and cash equivalents *(i)*	Amortized cost	2	$7,480	$7,480
Accounts receivable *(i)*	Amortized cost	2	2,434	2,434
Financial assets measured at fair value:				
Investment *(iv)*	FVOCI	3	350	350
Financial liabilities measured at fair value:				
Interest rate swap *(iii)*	Financial liabilities at FVTPL	2	541	541
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities *(i)*	Amortized cost	2	7,683	7,683
Lease liabilities *(ii)*	Amortized cost	2	6,933	6,933
Debt	Amortized cost	2	56,168	56,131

				2019
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash and cash equivalents *(i)*	Amortized cost	2	$16,528	$16,528
Accounts and note receivable *(i)*	Amortized cost	2	5,425	5,425
Financial assets measured at fair value:				
Interest rate swap *(iii)*	Financial assets at FVTPL	2	591	591
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities *(i)*	Amortized cost	2	11,578	11,578
Lease liabilities *(ii)*	Amortized cost	2	7,303	7,303
Debt	Amortized cost	2	58,271	57,913

(i) The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their short-term nature.

(ii) The carrying values of lease liabilities are considered by management to approximate their fair values due to the lease rate at reporting date being consistent with the lease rate at inception date.

(iii) In June 2016, the Company entered into an interest rate swap agreement (seven-year term) to fix the interest rate on a portion of its debt. The fair value of this derivative instrument has been presented as an interest rate swap on the statement of financial position. Changes in fair value of the instrument are recognized in net earnings. For the year ended December 31, 2020, a loss of $1.1 million ($0.5 million in 2019) was recognized.

(iv) The carrying value of the investment is considered by management to approximate its fair value as the entity in which the Company has invested is a start-up entity.

The Company does not have held-to-maturity investments at December 31, 2020. The Company had no “other comprehensive income or loss” transactions related to financial instruments during the year ended December 31, 2020 and no opening or closing balances for accumulated other comprehensive income or loss related to financial instruments.

Disclosure Controls and Procedures

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

Based on current securities legislation in Canada, our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to certify that they have assessed the effectiveness of our disclosure controls and procedures as at December 31, 2020.

Our management has evaluated, under the supervision and with the participation of our CEO and CFO, the design and effectiveness of the Company’s disclosure controls and procedures as at the year ended December 31, 2020. Management has concluded that these disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings (NI 52-109), are adequate and effective and that material information relating to the Company was made known to them and reported within the time periods specified under applicable securities legislation.

Our management, under the supervision of our CEO and CFO, has also designed and evaluated the effectiveness of the Company’s internal controls over financial reporting (ICFR) using the Internal Control – Integrated Framework as published by the Committee of Sponsoring Organization of the Treadway Commission (2013 Framework) (COSO) Framework. Based on our evaluation, management has concluded that ICFR, as defined in NI 52-109 and using the COSO integrated framework are effective as of December 31, 2020.

Risk Factors

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

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

COVID-19 and other Pandemic or Epidemic Diseases

Outbreaks or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 outbreak, 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, including the outbreak of COVID-19, could have a material adverse effect on the demand for recreation services. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's cash flows, results of operations (that are sensitive to seasonality), and the Company's ability to obtain additional financing, or re-financing. During fiscal 2020, the COVID-19 pandemic resulted in temporary suspensions and resumptions of facility operations, public health orders that limited business activity, and presented the need for the Company to create an exposure control program to help prevent or limit the spread of disease.

Mitigating factors and strategies:

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

Leverage and Ability to Service Indebtedness

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

- the Company may have to use a significant portion of its cash flow from operations for debt service, rather than for operations.

- the Company may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes.

- the Company could be more vulnerable to economic downturns and less able to take advantage of significant business opportunities or to react to changes in market or industry conditions.

- the Company's less leveraged competitors could have a competitive advantage.

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

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

Mitigating factors and strategies:

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

Infrastructure Expenditures

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

Mitigating factors and strategies:

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

Incurrence of Debt and the Granting of Security Interests

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

Mitigating factors and strategies:

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

Insurance

The Company develops and organizes sports leagues to play at the facilities it owns and operates. Due to the nature of the sport, 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:

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

U.S. Operations

The Company's 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. Should market conditions of new U.S. locations vary significantly from what was anticipated, the Company's financial results could be adversely affected.

In addition, the Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the Canadian dollar. The currency in which these transactions are denominated is the U.S. dollar. 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 currently expects 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.
- Management closely monitors the Canadian-U.S. foreign exchange rate and could utilize hedging instruments if necessary. In addition, a reasonable amount of U.S. currency is maintained on hand to meet operating needs.

Seasonality of Operations

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

Mitigating factors and strategies:

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

Competition

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

Mitigating factors and strategies:

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

Climate Change

Canlan, like many other businesses, is subject to climate change-related risks. Government regulations and public perception may adversely impact Canlan's operations. Climate change may also increase the frequency and intensity of severe weather events, which may negatively impact our facilities, such as cause property damage or other disruption to the Company's operations. Natural disasters, climate change impacts and disruptive events may impact our operations, customer satisfaction and client experience, and may result in increased insurance premiums or deductibles, and the decrease in the availability of, or loss of, coverage.

Employee and Union Relations

The Company has unionized employees at four of its facilities. The presence of a unionized work force increases the possibility that a labour dispute will affect operations at a facility. The Company may not be able to negotiate a new contract on favorable 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 compensation policies 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:

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

Privacy and Security of Information

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

Mitigating factors and strategies:

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

Interest Rate Risk

Long-term debt of $26.7 million, is subject to variable interest rates. For every 1% change in base market rates, interest expense will change by $0.3 million per annum.

Mitigating factors and strategies:

- The Company has fixed the interest rate on $29.8 million or 53% of its loans.

Control by Principal Shareholder and Liquidity of Common Shares

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

Critical Accounting Policies and Estimates

Canlan's significant accounting policies are described in Note 3 to the audited consolidated financial statements. The preparation of the consolidated financial statements in conformity with IFRS requires us to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty are the areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are:

Recoverability of Property, Plant and Equipment - Facilities

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

COVID-19

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

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 81% of the Company's total assets are comprised of recreational properties. The method of depreciation and length of the depreciation period could have a material impact on depreciation expense and the net book value of the Company's assets. Assets may become obsolete or require replacement before the end of their estimated useful lives, in which case any remaining unamortized costs would be expensed.

Deferred Income Tax

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

Ivan Wu
Chief Financial Officer

CANLAN ICE SPORTS CORP.

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canlan Ice Sports Corp.

Opinion

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

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of earnings and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of impairment of cash-generating units

Description of the matter

We draw attention to Notes 2(d), 3(o) and 7 to the financial statements. The Entity measures property, plant and equipment - facilities at cost less accumulated depreciation and impairment losses. The Entity defines each recreational property as a separate cash-generating unit for purposes of assessing impairment indicators. Each cash-generating unit is comprised of property, plant and equipment which was recorded at a carrying amount of $98,771 thousand in aggregate. At each reporting date, the Entity performs an assessment for indicators of impairment for each cash-generating unit. This assessment requires the Entity to exercise significant judgment over identifying indicators of impairment. During the current period, the Entity identified an indicator of impairment for one cash-generating unit, for which the Entity then estimated the recoverable amount. The recoverable amount is equal to 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 fair value less costs to sell method, significant assumptions include the capitalization rate and the estimated value per square feet of the recreational property.

Why the matter is a key audit matter

We identified the evaluation of impairment of cash-generating units as a key audit matter. This matter represented an area of significant risk of material misstatement, given the high degree of estimation uncertainty in determining the recoverable amount of cash-generating units. In addition, specialized skills and knowledge and significant auditor judgment were required to evaluate the results of our audit procedures due to the sensitivity of the Entity's determination of the recoverable amount of cash-generating units to minor changes to significant assumptions.

How the matter was addressed in the audit

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

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

For the cash-generating unit where the Entity identified an indicator of impairment and the recoverable amount was determined using the fair value less costs to sell method, we assessed the independent external appraisal obtained by the Entity and involved our valuations professionals with specialized skills and knowledge to assist in evaluating the appropriateness of the capitalization rate and the estimated value per square feet of the recreational property used in determining the recoverable amount.

To perform this evaluation, our valuations professionals compared the capitalization rate used in the appraisals to published reports of real estate industry commentators and considered features and risks specific to the cash-generating unit.

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 25, 2021

CANLAN ICE SPORTS CORP.

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

Years ended December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 7,480	$ 16,528
Accounts receivable (note 24)	2,434	2,933
Inventory (note 6)	662	870
Prepaid and other expenses	894	1,962
Assets held-for-sale (note 9)	6,053	6,406
Note receivable (note 5)	-	69
	17,523	28,768
Non-currrent assets:		
Property, plant and equipment – facilities (note 7)	98,771	105,209
Deferred tax assets (note 17(b))	3,829	3,139
Other assets	1,011	1,033
Investment (notes 10 and 11)	350	-
Interest rate swap	-	591
Note receivable (note 5)	-	2,423
	103,961	112,395
	$ 121,484	$ 141,163
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 7,683	$ 11,578
Deferred revenue and customer deposits	6,159	12,199
Interest rate swap	541	-
Current portion of:		
Lease liabilities (note 8)	1,198	1,239
Debt (note 12)	4,440	3,864
	20,021	28,880
Non-current liabilities:		
Lease liabilities (note 8)	5,735	6,064
Debt (note 12)	51,728	54,407
Deferred tax liabilities (note 17(b))	2,292	3,428
	59,755	63,899
Total liabilities	79,776	92,779
Shareholders' equity:		
Share capital (note 13)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	1,957	2,270
Deficit	(23,901)	(17,538)
	41,708	48,384
	$ 121,484	$ 141,163

Nature of operations (note 1)
Commitments and contingencies (note 16)
Subsequent event (note 12)

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

Approved on behalf of the Board:

/s/ Victor D'Souza
Director

/s/ Joey St-Aubin
Director

CANLAN ICE SPORTS CORP.

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

Years ended December 31, 2020 and 2019

		2020		2019
Revenue:				
Ice rink and recreational facilities (note 21)	$	39,259	$	88,341
Other income – government subsidy (notes 3(h) and 24)		6,371		-
Expenses: (note 23)				
Ice rink and recreational facilities:				
Salaries, wages and benefits		19,762		32,659
Selling and customer service		7,241		12,692
Utilities		4,126		6,727
Cost of goods sold		1,208		5,569
Repairs and maintenance		3,812		7,589
Property tax		3,271		3,716
Other		-		295
		39,420		69,247
Earnings from ice rink and recreational facilities before the undernoted		6,210		19,094
General and administration expenses (notes 15 and 23)		5,274		5,846
Earnings before the undernoted		936		13,248
Other gains (expenses): (note 23)				
Depreciation		(7,951)		(7,946)
Gain on sale of assets		2,297		1,614
Foreign exchange gain (loss)		45		(44)
		(5,609)		(6,376)
Finance income (expenses):				
Finance income		191		323
Finance expense		(2,638)		(2,918)
Loss on interest rate swap (note 18(a))		(1,133)		(485)
		(3,580)		(3,080)
Earnings (loss) before income taxes		(8,253)		3,792
Income tax expense (recovery): (note 17)				
Current		(64)		140
Deferred		(1,826)		1,204
		(1,890)		1,344
Net earnings (loss)		(6,363)		2,448
Other comprehensive loss:				
Items that may be reclassified subsequently to net earnings:				
Foreign currency translation differences		(313)		(1,505)
Total comprehensive income (loss)	$	(6,676)	$	943
Basic and fully diluted earnings (loss) per share	$	(0.48)	$	0.18
Weighted average common shares:				
Issued for basic:				
Diluted earnings per share calculations		13,337,448		13,337,448

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

CANLAN ICE SPORTS CORP.

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

Years ended December 31, 2020 and 2019

	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance, January 1, 2019	$ 63,109	$ 543	$ 3,775	$ (18,586)	$ 48,841
Net earnings	-	-	-	2,448	2,448
Other comprehensive loss	-	-	(1,505)	-	(1,505)
Dividends to common shareholders	-	-	-	(1,400)	(1,400)
Balance, December 31, 2019	63,109	543	2,270	(17,538)	48,384
Loss for the year	-	-	-	(6,363)	(6,363)
Other comprehensive loss	-	-	(313)	-	(313)
Balance, December 31, 2020	$ 63,109	$ 543	$ 1,957	$ (23,901)	$ 41,708

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

CANLAN ICE SPORTS CORP.

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

Years ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Net earnings (loss)	$ (6,363)	$ 2,448
Adjustments for:		
Depreciation	7,951	7,946
Gain on sale of assets	(2,297)	(1,614)
Net finance expense	3,580	3,080
Deferred income taxes	(1,826)	1,204
Foreign exchange loss (gain)	175	(234)
Other	-	295
Net change in non-cash working capital (note 22)	(7,546)	(1,713)
Interest paid (note 12)	(2,656)	(2,836)
Interest received	191	323
	(8,791)	8,899
Financing:		
Principal repayments of debt	(2,885)	(3,621)
Increase in principal of debt	800	11,000
Proceeds from sale and leaseback of equipment	686	-
Principal repayments on obligations under lease liabilities	(1,374)	(1,677)
Payment of dividends on common shares	(367)	(1,367)
	(3,140)	4,335
Investments:		
Net proceeds on sale of assets	2,685	8,671
Principal payments received on note receivable	2,497	23
Expenditures on ice rink and recreational facilities	(1,453)	(8,576)
Expenditures on other assets	(249)	(600)
Net increase in note receivable on sale of assets (note 5)	-	(2,571)
Purchase of ice rink property (note 7)	-	(13,302)
	3,480	(16,355)
Effect of changes in foreign currency rates on cash and cash equivalents	(597)	(196)
Decrease in cash and cash equivalents	(9,048)	(3,317)
Cash and cash equivalents, beginning of year	16,528	19,845
Cash and cash equivalents, end of year	$ 7,480	$ 16,528

Supplemental cash flow information (note 22)

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

1. Nature of operations:

Canlan Ice Sports Corp. and its subsidiaries (collectively referred to as the “Company”) focus on the development, lease, acquisition and operation of multi-purpose recreation and entertainment facilities in North America. Canlan Ice Sports Corp. is a company incorporated in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The Company’s head office is located at 6501 Sprott Street, Burnaby, British Columbia, Canada.

COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and the Company temporarily suspended facility operations at the end of business day March 13, 2020. Since that date, the Company has been managing the business impact of facility closures. During the week of June 15, 2020, the Company resumed facility operations on a limited capacity basis. As at the date of issuance of these consolidated financial statements, approximately 70% of the Company’s sport surfaces have been made available for limited rental and instructional programs, and facilities are operating in accordance with local health and safety regulations. Limited league play has only been permitted in facilities operating in Illinois, USA. All restaurant and retail operations remain closed at the present time.

The COVID-19 situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. Provincial and State governments may impose health and safety regulations that can contract or expand our operating capacity at any time. The financial impact could include the inability to obtain debt and equity financing, impairments in the value of our facilities, or potential future decreases in revenue or the profitability of our ongoing operations. However, the Company has established measures to preserve liquidity and to strengthen the Company’s resilience in managing the effects of a reduction in business activity. Measures taken to date include a reduction of labour and other operating costs, payment deferrals of trade accounts payables arranged with suppliers and lessors where possible, application for and receipt of government subsidies, and collaboration with the Company’s lenders to establish temporary revisions of credit terms (notes 12 and 19). The pace of recovery following the pandemic cannot be accurately predicted at this time but management will continue to adjust policies and procedures as appropriate to plan for and execute a return to full operations in accordance with government regulations.

2. Basis of preparation:

(a) Statement of compliance:

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 24, 2021.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis and derivative financial instruments which are measured at fair value.

(c) Functional and presentation currency:

The Company's presentation currency is the Canadian dollar. The functional currency of the Company's Canadian entities is the Canadian dollar and for the United States (U.S.) subsidiaries is the U.S. dollar. Accordingly, the financial statements of the Company's U.S. subsidiaries have been translated into Canadian dollars as follows:

(*i*) Asset and liability amounts are translated at the exchange rate at the end of each reporting period;

(*ii*) Amounts included in the determination of earnings are translated at the respective monthly average exchange rates; and

(*iii*) Any gains or losses from the translation of amounts determined in (*i*) and (*ii*) above are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, which is a separate component of shareholders' equity.

Transactions in currencies other than the Company's functional currency, and not related to the Company's U.S. subsidiaries, are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the retranslation are recognized in net earnings.

(d) Significant judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses, and the disclosure of contingent liabilities. Key sources of uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions. Significant judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments, estimates and assumption that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(*i*) Recoverability of property, plant and equipment – facilities:

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

(*ii*) COVID-19:

Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Company's business, operations and financial performance both in the short-term and long-term.

Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to future revenues and profitability, impairment of assets, and liquidity. The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, given the heightened level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Refer to notes 1, 12, 19 and 24 for the effects that the COVID-19 pandemic has had on the Company's business operations.

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

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life and residual values which are determined through exercise of judgment. Approximately 81% 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.

(*iv*) Deferred income tax:

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

3. Significant accounting policies:

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

(a) Basis of consolidation:

(*i*) Subsidiaries:

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

- Canlan Ice Sports (USA) Corp.; and
- P.C. Development Inc.

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

(*ii*) Transactions eliminated on consolidation:

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

(b) Inventory:

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

(c) Property, plant, and equipment:

(*i*) Recognition and measurement:

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

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

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

(*ii*) Subsequent costs:

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

(*iii*) Depreciation:

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

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

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

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

(d) Assets held-for-sale:

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

(e) Other assets:

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

(f) Leases:

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

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

Short-term leases and leases of low-value assets:

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

(g) Revenue recognition:

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

(*i*) Ice and field sales:

Sports league - Customers obtain the benefits of sport leagues service as league games are played (which are scheduled and provided by the Company) over the course of a league season. Revenue is recognized over time as games are played. Invoices are payable during each league season in accordance with a payment schedule with non-refundable deposits paid in advance.

Instructional sports programs - Customers obtain the benefits of programs service as they attend each session of the instructional programs provided by the Company. Revenue is recognized over time as program sessions are completed. Invoices are payable at the time of program registration.

(*ii*) Food and beverage:

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

(*iii*) Sports store:

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

(iv) Sponsorship:

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

(*v*) Space rental:

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

(*vi*) Management and consulting fees:

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

(h) Government grant:

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. The grant is recognized in other income on a systematic basis over the periods in which the Company recognizes the related wages expenses for which the grant is intended to compensate.

(i) Fair value measurement:

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

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

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

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

(j) Financial instruments:

(*i*) Recognition and initial measurement:

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

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

(*ii*) Classification and subsequent measurement:

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

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

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

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

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

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

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

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

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

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

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

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

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates or other financial or commodity indices. This instrument has not been designated as a hedge and is measured at FVTPL. The resulting unrealized gains and losses during the period are recorded in net earnings with a corresponding asset or liability recorded on the consolidated statement of financial position. Payments and receipts under the interest rate swap contract are recognized as adjustments to interest expense which are recognized within finance costs.

(*iii*) Impairment of financial assets:

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

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

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

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

(k) Earnings per share:

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

(l) Employee benefits:

(*i*) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net earnings in the period in which services are rendered by employees. The Company has a defined contribution plan for its employees whereby the Company matches contributions to a maximum of 4% of salaries. Included in salaries, wages and benefits within ice rink and recreational facilities and general and administrative expenses is $321,000 (2019 - $369,000) in respect of the Company’s contributions.

(*ii*) Equity-based:

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

(m) Finance income and finance expenses:

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

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

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

(n) Income tax:

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

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

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

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

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

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

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

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

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

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

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

(p) Segment reporting:

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

(q) New standards and interpretations adopted:

(*i*) The Company adopted IFRS 3 amendments - *Clarifying What is a Business*, which was issued in October 2018 and effective as of January 1, 2020. The Company has early adopted these amendments on January 1, 2019 and applied these amendments on the purchase of an ice rink facility in March 2019. This amendment provides guidance to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments include an election to use a concentration test which is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

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

(*ii*) On January 1, 2020, the Company adopted amendments to IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies*, *Changes in Accounting Estimates and Errors*, which were issued on October 31, 2018 and effective as of January 1, 2020. The amendments refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments has no material impact to the consolidation financial statements of the Company.

4. Restricted cash:

Cash and cash equivalents include $500,000 (2019 - $880,000) of restricted cash representing funds held in trust in accordance with the terms of a facility lease agreement with a third party. These funds are maintained as operating reserves.

5. Note receivable:

On August 20, 2019, the Company completed the sale of a recreation facility in Fort Wayne, Indiana for proceeds of US$5,950,000, which included a combination of cash and a promissory note of US$1,950,000. The note receivable was amortized over 20-years, was to mature on August 20, 2024, bore interest at 5.97% per annum payable monthly, and was categorized as Level 2 within the fair value hierarchy (note 18). At issuance, the note receivable was measured at its fair value of $2,589,000 (US$1,950,000) at 5.97%. The note receivable was fully repaid on September 10, 2020 by the debtor and security on the note was discharged.

6. Inventory:

		2020		2019
Sports store	$	542	$	501
Food and beverage		120		369
	$	662	$	870

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

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

7. Property, plant and equipment - facilities:

	Land	Buildings and building improvements	Leasehold improvements	Rink board systems	Refrigeration equipment	Machinery and equipment	Computers, furniture and fixtures	Ice resurfacing equipment	Work in process	Total
Cost										
Balance at January 1, 2019	$ 16,898	$ 124,769	$ 2,274	$ 5,424	$ 21,261	$ 16,226	$ 11,357	$ 5,656	$ 430	$ 204,295
Reclassification to assets held-for-sale	(2,524)	(17,995)	-	(785)	(2,537)	(2,015)	(1,660)	(568)	-	(28,084)
Reclassification	-	86	-	-	39	2	-	-	(127)	-
Additions	2,260	9,967	212	203	3,285	3,880	1,006	1,120	554	22,487
Project costs expensed	-	-	-	-	-	-	-	-	(295)	(295)
Effect of movements in exchange rates	(205)	(1,094)	-	(31)	(175)	(125)	(85)	(35)	(3)	(1,753)
Balance at December 31, 2019	16,429	115,733	2,486	4,811	21,873	17,968	10,618	6,173	559	196,650
Reclassification to assets held-for-sale	-	-	-	-	-	-	-	105	-	105
Reclassification	-	-	-	-	(80)	417	222	-	(559)	-
Additions	-	41	42	-	497	443	415	328	5	1,771
Disposals	-	-	-	-	-	-	(34)	(422)	-	(456)
Effect of movements in exchange rates	(83)	(393)	-	(9)	(60)	(52)	(44)	(14)	-	(655)
Balance at December 31, 2020	$ 16,346	$ 115,381	$ 2,528	$ 4,802	$ 22,230	$ 18,776	$ 11,177	$ 6,170	$ 5	$ 197,415

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

	Land	Buildings and building improvements	Leasehold improvements	Rink board systems	Refrigeration equipment	Machinery and equipment	Computers, furniture and fixtures	Ice resurfacing equipment	Work in process	Total
Accumulated depreciation and impairment losses										
Balance at January 1, 2019	$ -	(59,619)	$ (1,263)	$ (2,844)	$ (9,309)	$ (11,478)	$ (10,125)	$ (4,780)	$ -	$ (99,418)
Reclassification to assets held-for-sale	-	10,321	-	253	794	1,954	1,600	402	-	15,324
Depreciation for the year	-	(4,658)	(194)	(206)	(744)	(1,070)	(524)	(420)	-	(7,816)
Effect of movements in exchange rates	-	281	-	7	31	68	62	20	-	469
Balance at December 31, 2019	-	(53,675)	(1,457)	(2,790)	(9,228)	(10,526)	(8,987)	(4,778)	-	(91,441)
Reclassification to assets held-for-sale	-	-	-	-	-	-	-	(62)	-	(62)
Depreciation for the year	-	(4,100)	(207)	(194)	(814)	(1,244)	(632)	(489)	-	(7,680)
Disposals	-	-	-	-	-	-	34	345	-	379
Effect of movements in exchange rates	-	75	-	3	19	24	28	11	-	160
Balance at December 31, 2020	$ -	$ (57,700)	$ (1,664)	$ (2,981)	$ (10,023)	$ (11,746)	$ (9,557)	$ (4,973)	$ -	$ (98,644)
Carrying amounts										
Balance at December 31, 2019	$ 16,429	$ 62,058	$ 1,029	$ 2,021	$ 12,645	$ 7,442	$ 1,631	$ 1,395	$ 559	$ 105,209
Balance at December 31, 2020	$ 16,346	$ 57,681	$ 864	$ 1,821	$ 12,207	$ 7,030	$ 1,620	$ 1,197	$ 5	$ 98,771

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

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

	December 31, 2020
Property, plant and equipment owned	$ 92,152
Right-of-use-property, plant and equipment leased (note 8)	6,619
	$ 98,771

On March 19, 2019, the Company completed the purchase of an ice rink facility in Chicago, Illinois for $13,302,000 (US$10,000,000). The purchase was financed with a combination of cash reserves and a capital expenditure credit facility.

During the year ended December 31, 2020, a total gain of $2,297,000 was recognized in the statement of earnings and comprehensive income and loss from the sale of land and equipment. Approximately $139,000 of the gain was from the sale of equipment included in property, plant and equipment, $35,000 of the gain was from the sale of equipment included in assets held-for-sale, and $2,123,000 of the gain was from the sale of a parcel of vacant land included in assets held-for-sale (note 9).

For the year ended December 31, 2020 and 2019, no impairment losses were recognized.

8. Right-of-use assets:

(a) The Company has the following right-of-use assets which are included in property, plant and equipment on the balance sheet (note 7):

	Equipment	Building and building improvements	Total
December 31, 2019	$ 3,077	$ 4,548	$ 7,625
Additions	1,005	-	1,005
Depreciation	(439)	(587)	(1,026)
Buyout of assets	(985)	-	(985)
December 31, 2020	$ 2,658	$ 3,961	$ 6,619

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

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

		December 31, 2020
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	$	1,578
One to five year		3,735
More than five years		5,605
Total undiscounted lease liabilities	$	10,918
Lease liabilities included in the statements of financial:		
Current	$	1,198
Non-current		5,735
	$	6,933

During the year ended December 31, 2020, interest expense related to lease liabilities was $421,000 (2019 - $448,000). Total lease expense related to leases of low-value items were $124,000 during the year ended December 31, 2020 (2019 - $142,000).

9. Assets held-for-sale:

		Cost		Accumulated amortization		Carrying amount
December 31, 2019	$	14,792	$	8,386	$	6,406
Reclassified from property, plant and equipment - facilities		(105)		(62)		(43)
Assets sold		(505)		(195)		(310)
December 31, 2020	$	14,182	$	8,129	$	6,053

As at December 31, 2020, assets held-for-sale consist of a recreational property that is expected to be sold within twelve months. The Company's assets held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell and are categorized as Level 2 within the fair value hierarchy.

On July 3, 2020, the Company completed the sale of a parcel of vacant land that was included in assets held-for-sale to a third-party. Net proceeds of disposition was $2,433,000 with an accounting gain of $2,123,000 recognized in the statement of earnings and comprehensive income and loss (note 7).

In addition, during 2020, the Company completed the sale of fully depreciated equipment that was classified as assets held-for-sale with a gain of $35,000 recognized in the statement of earnings and comprehensive income and loss (note 7).

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

10. Investment:

On September 30, 2020, the Company acquired 22.69 shares, representing a 14.25% equity interest in a start-up technology company (investee). This investment is initially accounted for on a cost basis. The investee is a privately held software development company and the shares have an intrinsic value of $350,000. As consideration for the equity interest, the Company will be providing marketing services to the investee. Accordingly, a current liability of $350,000 has been included in accounts payable and accrued liabilities in the consolidated statements of financial position (note 11).

11. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	2020	2019
Trade payables	$ 1,518	$ 3,736
Wages payable	2,380	2,734
Other accrued liabilities	3,296	4,280
Marketing services (note 10)	350	-
Dividends payable	-	367
Indirect tax payables	139	461
	$ 7,683	$ 11,578

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

12. Debt:

	Maturity dates	Interest rates		2020	2019
Fixed rate	2023	3.52%	(i)	$ 29,756	$ 31,246
Variable rate	2023	Prime + 0.50%	(ii)	17,577	8,286
	2023	Prime + 0.50%	(iii)	2,225	12,552
	2023	BA + 2.10%	(iii)	796	-
	2023	CDOR + 2.10%	(iv)	6,114	6,469
				56,468	58,553
Deferred financing costs				(300)	(282)
				56,168	58,271
Current portion				4,440	3,864
Non-current portion				$ 51,728	$ 54,407

As at December 31, 2020, debt consists of five credit facilities, four of which have been drawn, as follows:

(*i*) $38,500,000 loan amortized over 15 years, maturing on May 25, 2023, interest at BA rate plus 2.10% per annum payable monthly. The Company entered into an interest rate swap contract (note 18(a)), maturing on May 25, 2023, to fix the interest rate at 3.52% per annum payable monthly. At December 31, 2020, the balance outstanding was $29,756,000. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remained unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of the Company's business operations (note 1);

(*ii*) $20,000,000 loan (with $10,000,000 of this amount revolving) amortized over 15 years, maturing on May 25, 2023, interest at Prime rate plus 0.50% per annum payable monthly. At December 31, 2020, the balance outstanding was $17,577,000. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remained unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of Company's business operations (note 1);

(*iii*) $20,000,000 revolving capital expenditure loan amortized over 15 years, maturing on May 25, 2023. At December 31, 2020, the balance outstanding was $3,021,000. Of this amount, $796,000 accrues interest at BA rate plus 2.10% per annum payable monthly and $2,225,000 accrues interest at Prime rate plus 0.50% per annum payable monthly. On April 23, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from May 1, 2020 until July 31, 2020. The credit facility's maturity date of May 25, 2023 remains unchanged. This amendment was initiated in response to the COVID-19 outbreak that resulted in a temporary suspension of the Company's business operations (note 1). In addition, $10,000,000 of this revolving credit facility was made available for working capital purposes from April 23, 2020 until December 31, 2020. Subsequent to year-end, on March 2, 2021, the availability of this working capital revolving credit facility was extended to December 31, 2021 and the rate of interest accrued on amounts drawn on this working capital credit facility was set at Prime rate plus 1.00% and interest only shall be payable until December 31, 2021. On January 1, 2022, amounts drawn for working capital purposes will be transitioned to term debt and be amortized over 15-years and principal plus interest shall be repayable monthly. In addition, the revolving capital expenditure loan will revert to $20,000,000 less amounts drawn for capital expenditures and will be available until May 2023. At December 31, 2020, no amounts have been drawn from this $10,000,000 working capital credit facility;

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

(iv) $7,100,000 loan amortized over 15 years, maturing on September 30, 2023, interest at CDOR plus 2.1% per annum payable monthly. At December 31, 2020, the balance outstanding was $6,114,000. On March 31, 2020, the Bank provided a temporary amendment to the repayment terms, such that interest only payments were required from April 1, 2020 until June 30, 2020. The credit facility's maturity date of September 30, 2023 remained unchanged. In addition, the Bank provided a waiver on covenant compliance requirements for September 30, 2020 and December 31, 2020. These amendments were initiated in response to the COVID-19 outbreak that resulted in a temporary suspension and continued limitation of the Company's business operations (note 1); and

(v) $745,000 demand revolving operating loan, interest at Prime rate plus 0.50% per annum. No amounts have been drawn on this loan to date.

The Company's credit facilities carry financial covenants, some of which have been waived by the Company's senior lenders in light of the effects that the COVID-19 pandemic is anticipated to have on business operations. The following table summarizes the status of the covenants related to agreements reached between the Company and its senior lenders during fiscal 2020 and subsequent to December 31, 2020:

Debt covenant	Test frequency	Status for year ended December 31, 2020	Subsequent event - March 2, 2021
Consolidated debt service coverage ratio	Annually at December 31	Waived by lenders for December 31, 2020	Waiver extended by lenders to December 31, 2021
Consolidated debt to tangible net worth ratio	Quarterly at March 31, June 30, September 30, and December 31	In compliance at all quarters ended in fiscal 2020	Waived by lenders for all quarters ending in fiscal 2021
Debt service coverage ratio calculated on combined trailing-12-month operating earnings of two facilities operating in United States	Quarterly at March 31, June 30, September 30, and December 31	In compliance at March 31, 2020 and June 30, 2020. Covenant waived by lender for quarters ended September 30, 2020 until quarter ending September 30, 2021	For the quarter ending December 31, 2021, covenant amended such that the debt service coverage ratio shall be calculated for the fiscal quarter ending December 31, 2021 rather than on a trailing-12-month basis
Minimum liquidity of cash-on-hand combined with available operating credit facilities	Quarterly at March 31, June 30, September 30, and December 31	In compliance at December 31, 2020. Temporary covenant added during fiscal 2020 in light of waivers of other covenants. Covenant to be removed when covenant waivers are removed.	Covenant confirmed to be in place until December 31, 2021

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

Credit facilities are secured by first mortgages, demand debentures, general security agreements, general assignments of book debts, assignments of rents and insurance, and specific pledging of title to, and interest in the respective land and buildings.

Amortization of deferred financing costs related to these facilities totaling $129,000 (2019 - $81,000) was recorded in finance costs.

13. Share capital:

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

	Number of shares		Amount
(a) Authorized: 500,000,000 common shares of no-par value			
(b) Issued and outstanding: December 31, 2020 and 2019	13,337,448	$	63,109

On November 14, 2019, the Company declared a quarterly dividend of $0.0275 per share which was paid on January 16, 2020. On March 24, 2020, the Company suspended its quarterly dividend policy to preserve liquidity in response to the COVID-19 pandemic (note 1).

14. Long-term incentive plan:

On January 1, 2020, a new long-term incentive plan, (the LTI Plan) commenced and units were granted to eligible directors and employees of the company. This plan replaced the Stock Appreciation Rights Plan (2016) that matured on November 29, 2019.

The LTI Plan granted rights on January 1, 2020 that will vest and be exercisable at December 31, 2022. The amount compensated to these unit holders shall be equal to the increase in “enterprise value” per common share of the company from December 31, 2018 to December 31, 2022. The “enterprise value” per common share is calculated based on a formula set out in the LTI Plan.
During the year ended December 31, 2020, no compensation expense with respect to the LTI Plan was recorded and no liability was included within accounts payable and accrued liabilities at December 31, 2020.

During the year ended December 31, 2019, compensation expense of $223,000 was recorded with respect to the former Stock Appreciation Rights plan (2016), that matured on November 29, 2019.

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

15. General and administration expenses:

General and administration expenses consist of the following:

	2020	2019
Salaries, wages and benefits	$ 3,917	$ 4,163
Professional and regulatory fees	654	455
Office	537	519
Travel	41	302
Stock appreciation rights	-	223
Other	125	184
	$ 5,274	$ 5,846

16. Commitments and contingencies:

(a) Due to the nature of the sports and recreation business, various lawsuits involving the Company are pending. The financial impact of these lawsuits is not determinable, but management believes, based on legal counsels' opinions, that the outcome will not materially affect the Company's financial position.

(b) At December 31, 2020, the Company has letters of guarantee outstanding with various vendors in the amount of $1,005,000 (2019 - $1,105,000).

17. Income taxes:

(a) The major factors which caused variations from the Company's expected combined Canadian and U.S. income tax rate of 26% for 2020 (2019 - 23%) were as follows:

	2020	2019
Statutory rate applied to earnings (loss) before income taxes	$ (2,120)	$ 857
Change in deferred tax assets not recognized	584	76
Substantively enacted tax rate change	(125)	44
Foreign currency translation differences	130	183
Permanent differences and other	(359)	184
Income tax expense (recovery)	$ (1,890)	$ 1,344

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

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

		2020		2019
Deferred income tax assets:				
Unused tax losses	$	1,257	$	831
Deferred revenue		1,532		-
Properties		710		1,970
Financing fees		-		86
Other		330		252
		3,829		3,139
Deferred income tax liability:				
Properties		(1,744)		(3,270)
Financing fees and other		(548)		(158)
		(2,292)		(3,428)
Net deferred income tax assets (liabilities)	$	1,537	$	(289)

The following deferred tax assets have not been recognized as at December 31, 2020 and December 31, 2019:

		2020		2019
U.S. tax losses set to expire between 2021 and 2037	$	1,514	$	1,285
Tax losses that do not expire		1,368		811
Deductible temporary differences		61		61
	$	2,943	$	2,157

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

18. Financial instruments:

(a) Fair value:

The Company has the following financial instruments:

				2020
	Accounting classification	Fair value level	Carrying amount	Fair value
Financial assets not measured at fair value:				
Cash and cash equivalents (*i*)	Amortized cost	2	$ 7,480	$ 7,480
Accounts receivable (*i*)	Amortized cost	2	2,434	2,434
Financial assets measured at fair value:				
Investment (*iv*)	FVOCI	3	350	350
Financial liabilities measured at fair value:				
Interest rate swap (*iii*)	Financial liabilities at FVTPL	2	541	541
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (*i*)	Amortized cost	2	7,683	7,683
Lease liabilities (*ii*)	Amortized cost	2	6,933	6,933
Debt	Amortized cost	2	56,168	56,131

				2019
	Accounting classification	Fair value level	Carrying amount	Fair value
Financial assets not measured at fair value:				
Cash and cash equivalents (*i*)	Amortized cost	2	$ 16,528	$ 16,528
Accounts and note receivable (*i*)	Amortized cost	2	5,425	5,425
Financial assets measured at fair value:				
Interest rate swap (*iii*)	Financial assets at FVTPL	2	591	591
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (*i*)	Amortized cost	2	11,578	11,578
Lease liabilities (*ii*)	Amortized cost	2	7,303	7,303
Debt	Amortized cost	2	58,271	57,913

(*i*) The carrying values of cash and cash equivalents, accounts and note receivable, and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their short-term nature.

(*ii*) The carrying values of lease liabilities are considered by management to approximate their fair values due to the lease rate at reporting date being consistent with the lease rate at inception date.

(*iii*) In June 2016, the Company entered into an interest rate swap agreement (seven-year term) to fix the interest rate on a portion of its debt (note 12). The fair value of this derivative instrument has been presented as interest rate swap on the statement of financial position. Changes in fair value of the instrument are recognized in net earnings. For the year ended December 31, 2020, a loss of $1,133,000 (2019 - loss of $485,000) was recognized.

(*iv*) The carrying value of the investment is considered by management to approximate its fair value as the entity in which the Company has invested is a start-up entity.

(b) Financial risk management:

(*i*) Interest rate risk:

The terms of the Company's outstanding debt are described in note 12. As certain of the Company's debt instruments bear interest at floating rates and are not economically hedged by interest rate swaps, fluctuations in these rates will impact the cost of financing incurred in future periods. A change in the base market rates upon which these loans accrue interest by 1% will increase or decrease interest expense by approximately $267,000 (2019 - $273,000) per annum.

(*ii*) Liquidity risk:

Liquidity risk is the risk from the Company's potential inability to meet its financial obligations. The Company constantly monitors its cash flows and operations to ensure current and long-term obligations can be met. The Company's capital resources are comprised of cash and cash equivalents, cash flow from operating activities, and a revolving working capital credit facility. Cash and cash equivalents is comprised of cash balances and deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less when acquired, that are readily convertible to cash. Due to the seasonality of the business, the Company finances a portion of its assets through customer deposits received in advance of the services being provided. At December 31, 2020, the Company has a working capital deficiency of $2,498,000 (2019 - $112,000). Throughout the year, the Company has access to a demand revolving operating loan to provide working capital, if necessary. Due to the effects of the COVID-19 pandemic on business operations, management has implemented measures to preserve liquidity (note 1) and continues to collaborate with its senior lenders to adjust credit terms and obtain covenant waivers as appropriate to mitigate the effects that the pandemic may have on cash flow (note 12).

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	2021	2022	2023	2024	2025	Thereafter	Total
Accounts payable and accrued liabilities	$ 7,683	$ -	$	$ -	$ -	$ -	$ 7,683
Long-term debt:							
Mortgage principal and interest	6,166	5,914	48,309	-	-	-	60,389
Lease liabilities, including interest	1,578	1,324	1,231	775	405	5,605	10,918
	7,744	7,238	49,540	775	405	5,605	71,307
	$ 15,427	$ 7,238	$ 49,540	$ 775	$ 405	$ 5,605	$ 78,990

(iii) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts and note receivable. Effective collection management procedures and monitoring of credit risk of amounts receivable are core control procedures of the Company. In addition, a subordinated charge on real property has been obtained as security related to a note receivable from a third party. Appropriate provisions, if required, are recorded for impaired accounts. Historically, the Company has not experienced significant losses related to trade accounts receivable from individual customers. The Company does not face any material concentrations of credit risk. The Company's credit risk on cash and cash equivalents is limited as it maintains its holdings with large highly rated financial institutions.

(*iv*) Currency risk:

The Company is exposed to currency risk on sales, purchases, and amounts receivable that are denominated in a currency other than the respective functional currency of the Company, the Canadian dollar. The currency in which these transactions primarily are denominated is the U.S. dollar. The Company is exposed to the risk of loss depending on the relative movement of this currency against the Canadian dollar. The Company has not entered into forward contracts to mitigate this risk; however, cash generated from U.S. business activities is used to service working capital needs of U.S. operations.

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

19. Capital risk management:

The Company defines capital that it manages as the sum of cash and cash equivalents, long-term borrowings, and shareholders' equity.

The Company's objectives when managing its capital are:

(a) To safeguard the Company's ability to continue as a going concern so that it can provide services to its customers and continue to reduce debt;

(b) To comply with debt covenants;

(c) To maintain a financial position suitable for supporting the Company's growth strategies and provide an adequate return to shareholders; and

(d) To return excess cash to shareholders through payment of dividends.

The Company executes a planning and budgeting process to determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. The Company ensures there are sufficient credit facilities to meet its current and future business requirements, taking into account its anticipated cash flows from operations and its holding of cash and cash equivalents. In addition, the Company has a capital expenditure facility available of $16,979,000 as at December 31, 2020 (see note 12(iii)). The Company is required to comply with covenant criteria established by its lenders. These include tangible net worth and debt coverage ratio measurements. As at December 31, 2020 and 2019, the Company was either in compliance with these covenants or had received a waiver from its lenders.

The Company is not subject to any statutory capital requirements but has adjusted its overall capital management strategy during the year ended December 31, 2020 in response to the effects that the COVID-19 pandemic has had on business operations (note 1).

20. Related party transactions:

(a) During the year ended December 31, 2020, the Company expensed $174,000 (2019 - $229,000) in directors' fees.

(b) A Director of the Company is the Chairman of the Board of Directors of a vendor from which the Company purchases services in the normal course of business. Purchases from this vendor for the year ended December 31, 2020 were $20,000 (2019 - nil).

(c) The Company's majority shareholder is Bartrac Investments Ltd. ("Bartrac"). One of the Company's Directors is also a Director of Bartrac. During the years ended December 31, 2020 and 2019, there were no related party transactions between the Company and Bartrac.

(d) The Company's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including Directors and executive officers of the Company. Key management personnel compensation comprised the following:

	2020	2019
Short-term employee benefits	$ 2,033	$ 1,968
Stock appreciation rights	-	223
Post-employment benefits	64	64
	$ 2,097	$ 2,255

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

21. Segmented information:

The Company's operations consist of full service ice rink and recreational facilities which constitute a single operating segment.

(a) Ice rink and recreational facilities revenue:

	2020	2019
Ice and field sales	$ 33,614	$ 70,226
Food and beverage	2,624	12,717
Sports store	357	1,503
Sponsorship	848	1,394
Space rental	1,332	1,591
Management and consulting fees	257	249
Other	227	661
	$ 39,259	$ 88,341

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

(b) Geographic

	2020			2019		
	Canada	USA	Total	Canada	USA	Total
Revenue	$ 33,877	$ 5,382	$ 39,259	$ 76,254	$ 12,087	$ 88,341
Non-current assets	77,227	26,734	103,961	83,903	28,492	112,395
Total assets	90,127	31,357	121,484	101,907	39,256	141,163

22. Supplemental cash flow information:

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

	2020	2019
Accounts receivable	$ 499	$ 428
Inventory	208	229
Prepaid and other expenses	1,068	(861)
Accounts payable and accrued liabilities	(3,878)	(1,023)
Deferred revenue and customer deposits	(6,040)	(682)
Effect of change in foreign currency	597	196
	$ (7,546)	$ (1,713)

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

(b) Non-cash transactions:

	2020	2019
Lease obligations	$ 318	$ 609
Purchase of investments (note 10)	350	-
	$ 668	$ 609

(c) Changes in liabilities arising from financing activities:

	December 31, 2019	Cash flow changes	Non-cash changes	December 31, 2020
Debt (note 12)	$ 58,271	$ (2,085)	$ (18)	$ 56,168
Lease liabilities (note 8)	7,303	(370)	-	6,933
Dividends payable	367	(367)	-	-
	$ 65,941	$ (2,822)	$ (18)	$ 63,101

23. Expenses by function:

The Company's consolidated statement of earnings and comprehensive income presents expenses on a mixed basis. IFRS requires a Company to present expenses according to its nature or function. The following information has been provided to disclose the Company's expenses by function:

	2020	2019
Ice rink and recreational facilities expense	$ 47,101	$ 77,063
General and administrative expenses	5,544	5,976
Other gains	(2,342)	(1,570)

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation of $7,951,000 (2019 - $7,946,000) being allocated from other expenses to ice rink and recreational facilities in the amount of $7,680,000 (2019 - $7,816,000), and to general and administrative expenses in the amount of $271,000 (2019 - $130,000).

24. Government subsidy:

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

The Company determined it was eligible for CEWS and CERS and accordingly applied for and recorded other income of $6,371,000 in 2020, of which $1,902,000 was receivable at December 31, 2020. The Entity intends to apply for the CEWS and CERS in subsequent periods, subject to continuing to meet the applicable qualification criteria.

FIVE YEAR REVIEW

Statements of Financial Position

in thousands, except statistics	2020	2019	2018	2017	2016
Assets:					
Property, plant and equipment - facilities	**$ 98,771**	$ 105,209	$ 99,582	$ 98,596	$ 101,934
Other	**18,884**	32,815	27,659	25,463	21,857
Deferred tax assets	**3,829**	3,139	1,694	1,661	1,768
	$ 121,484	$ 141,163	$ 128,935	$ 125,720	$ 125,559
Liabilities:					
Debt	**$ 56,168**	$ 58,271	$ 50,811	$ 53,679	$ 55,593
Other	**21,316**	31,080	27,162	25,655	25,503
Deferred tax liabilities	**2,292**	3,428	1,138	1,188	898
	$ 79,776	$ 92,779	$ 79,111	$ 80,522	$ 81,994
Shareholders' Equity:					
Share capital	**$ 63,109**	$ 63,109	$ 63,109	$ 63,109	$ 63,109
Contributed surplus	**543**	543	543	543	543
Foreign currency translation reserve	**1,957**	2,270	3,775	2,365	3,222
Deficit	**(23,901)**	(17,538)	(17,603)	(20,819)	(23,309)
	$ 41,708	$ 48,384	$ 49,824	$ 45,198	$ 43,565
Statistics:					
Debt to equity ratio	**1.51:1**	1.36:1	1.05:1	1.24:1	1.35:1
Share price range	**$2.43-5.58**	$4.32-5.34	$3.83-5.94	$3.20-3.98	$3.15-4.00

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

in thousands, except share and per share amounts	2020	2019	2018	2017	2016
Facility revenue	**$ 39,259**	$ 88,341	$ 87,638	$ 85,411	$ 83,079
Other income - government subsidy	**6,371**	-	-	-	-
Total revenue and other income	**$ 45,630**	$ 88,341	$ 87,638	$ 85,411	$ 83,079
Facility operating expenses	**39,420**	69,247	67,201	66,701	65,717
General and administrative	**5,274**	5,846	5,767	5,919	5,194
Total operating and G&A expenses	**$ 44,694**	$ 75,093	$ 72,968	$ 72,620	$ 70,911
Earnings before interest, taxes, depreciation and amortization	**936**	13,248	14,670	12,791	12,168
Other expenses (gains):					
Depreciation	**7,951**	7,946	6,929	6,951	7,017
Net finance cost	**3,580**	3,080	2,248	1,090	2,311
Fee on settlement of debt	**-**	-	-	-	2,318
Gain on sale of assets	**(2,297)**	(1,614)	(10)	(7)	(21)
Other	**(45)**	44	(91)	24	(474)
Income tax expense (recovery)	**(1,890)**	1,344	1,111	1,176	(277)
	7,299	10,800	10,187	9,234	10,874
Net earnings (loss)	**($6,363)**	$ 2,448	$ 4,483	$ 3,557	$ 1,294
Other comprehensive income (loss) related to foreign currency translation differences	**(313)**	(1,505)	1,410	(857)	(390)
Total comprehensive income (loss)	**($6,676)**	$ 943	$ 5,893	$ 2,700	$ 904
Earnings (loss) per common share	**($0.48)**	$0.18	$0.34	$0.27	$0.10
Issued and average shares outstanding at year end	**13,337,448**	13,337,448	13,337,448	13,337,448	13,337,448

CORPORATE INFORMATION

Directors

Victor D'Souza
Chairman
Ontario

Frank D. Barker
Director
British Columbia

Geoffrey J. Barker
Director
British Columbia

Charles Allen
Director
Ontario

William G. Bullis
Director
British Columbia

Doug Brownridge
Director
British Columbia

Joey St-Aubin
President & CEO
Ontario

Officers

Victor D'Souza
Chairman

Joey St-Aubin
President & CEO

Michael F. Gellard
Executive Vice President

Mark Faubert
COO

Ivan Wu
CFO

Rita Price
Vice-President
Human Resources
& Chief Privacy Officer

Costa Klandianos
Vice-President
Technology & Innovation

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

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Canlan Ice Sports Corp.