

Annual Report

2021

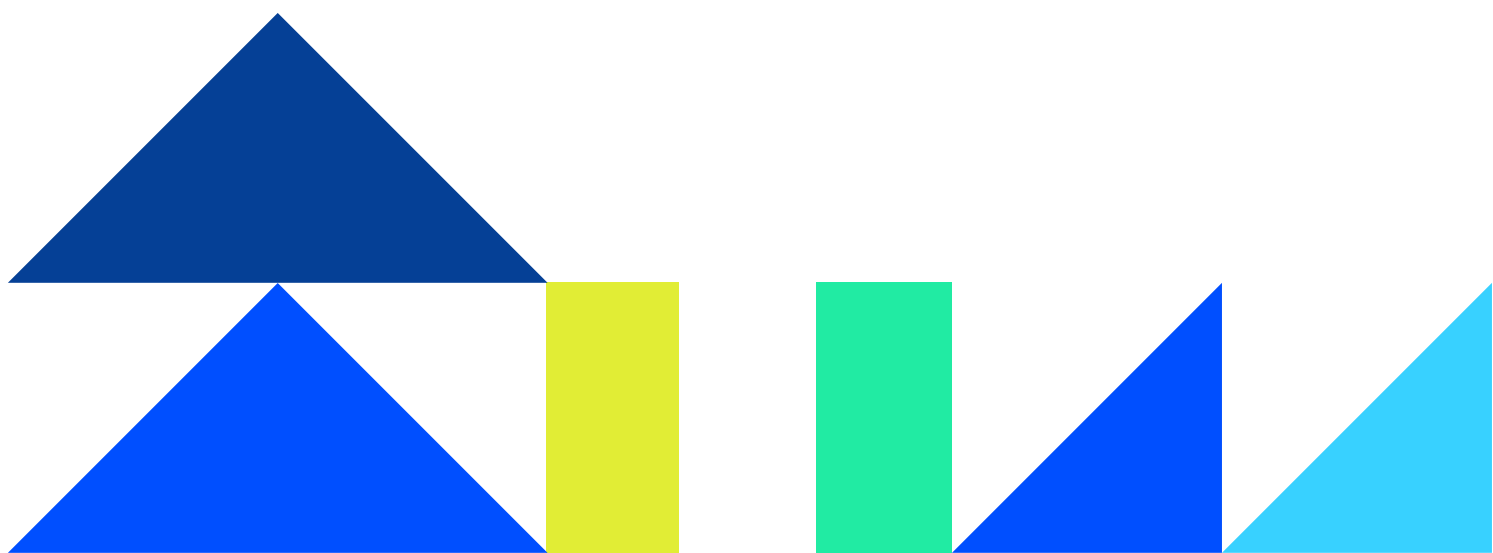


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LETTER TO SHAREHOLDERS

During 2021, I think it was remarkable what our organization was able to accomplish. As I reflect back on the year, a number of highlights come to mind as we continued to navigate through the challenges of the pandemic, all the while welcoming back our communities to play, and at the same time, taking significant strides towards achieving certain strategic objectives.

First and foremost, I want to thank Canlan's team members across the entire organization for their commitment and tireless efforts. Seamlessly adapting to changing health-check protocols, successfully restarting programs, league and tournament play, and opening up our newest sports complex in Illinois were only some of the team's outstanding accomplishments this past year. It was only the team's continued dedication that these successes were made possible. Secondly, to all our customers and visitors, our team's spirits were lifted with the return to play. I cannot adequately express our appreciation to all our user groups not only for the patronage but for the cooperation and patience in complying with procedures that enabled us to produce the safest environment possible. Thirdly, we are grateful to our shareholders and lenders for the continued support throughout the past two years. By being flexible when needed and by having confidence in our ability to manage the operations through challenging times, we were able to prepare and execute our business plans and react to a very challenging and dynamic situation.

From a financial perspective, I think all that was achieved largely contributed to our ability to strengthen the Company's resilience. While most of our sports complexes were required to be closed until Q2 2021, and allowable sports and gathering activities stopped and started with changing public health orders, operating revenue reached \$40.4 million, which represented a 3% increase over 2020. Consistent with the prior year, we sought appropriate government assistance when needed. With these assistance programs, combined with our ability to operate when permitted and preserve liquidity as much as possible, we achieved \$5.8 million in operating earnings compared to just under \$1.0 million in 2020. In addition, we completed significant asset divestitures that were initiated well before the start of the pandemic to optimize our portfolio of facilities, which helped replenish our cash reserves. Together, these operating and capital activities enabled us to finish fiscal 2021 with a much stronger balance sheet than that of the previous year with improved liquidity and reduced debt levels; a team effort that we are particularly proud of.

Above, I alluded to the opening of our newest sports complex in Illinois. We are very excited about Canlan Sports Libertyville, a 169,000 sq ft sportsplex that we are leasing from the Village of Libertyville, with an option to purchase over the next 14 months. It contains two boarded turf fields, multiple hard courts for volleyball and basketball, rock-climbing, a fully equipped fitness center, and significant space available for other activities and third-party tenants. We are thankful for the opportunity to work with the Village and we anticipate this sports complex will provide long term benefits for both Canlan and the community.

For 2022, clearly, we continue to live and operate in unique circumstances and headwinds from the pandemic may persist a while longer. However, we have set our sights on three main areas of focus to ensure we're not only sustaining operations, but thriving as we get through 2022 and beyond. Most importantly, our target is to render business activity to pre-pandemic levels by the second half of the year. Through our customer interactions so far, we know there is strong demand to return to social interaction through sports and recreation. Whether it be youth or adult, court, turf or ice sports, grass roots or elite levels, our communities want to get playing again in a safe and trusted environment. We have established plans and protocols to service this demand and our teams are all focused on customer communications, registrations and execution. If we get back to the basics as it pertains to customer service and experience, we are confident we can bring all of our previous customers back and more to re-engage at all our Canlan Sports complexes.

The past 28 months of business interruptions included the need to sideline some staff members, which obviously has had effects on overall morale and team cohesion. In addition, the re-opening of businesses in the hospitality sector in general has created a labour supply issue faced by all organizations. Therefore, a second key area of focus is human resources. Our mandate is not only to fill vacancies so we can service our customers, but we have objectives to also restore our team's energy, morale and culture that will define what Canlan represents to the communities in which we serve and ensure it's a team culture that is appropriate to attract and retain the talent we need. As we saw in the past two years, the talents our people bring to the table are the key ingredients to accomplishing complex tasks; therefore, this focus on our team members is vital.

Canlan has never been a company that has been satisfied with the status quo, and even during these challenging times, this is no different. For 2022 and beyond, we will continue to attack a set of strategic initiatives that have been established with the support of our board of directors. These initiatives are designed to elevate our level of innovation to stimulate new areas of growth, drive operational efficiency, and create new or enhanced customer experiences. We are fully aware this is not an easy task given the existing burden of returning to normal operations; however, this is a critical task that must be tackled if we are to grow and progress in an impactful way in the long term to benefit all of Canlan's stakeholders.

In closing, I want to once again express my appreciation to all our teammates, customers, shareholders and lenders for your ongoing support and continued belief in the Canlan story.

Learning from yesterday, rebuilding today, with a solid focus on tomorrow,

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
Illinois	Chicago	Canlan Sports Romeoville	(1)	3 ice rinks
		Canlan Sports Lake Barrington	(1)	1 soccer field (FIFA size) 2 baseball diamonds 2 multi-sport gymnasiums & 1 fitness gym
		Canlan Sports West Dundee	(1)	3 ice rinks
		Canlan Sports Libertyville	(2)	2 soccer fields 1 baseball diamond 9 multi-sport courts & 1 fitness gym

(1) Owned Property

(2) Leased Property

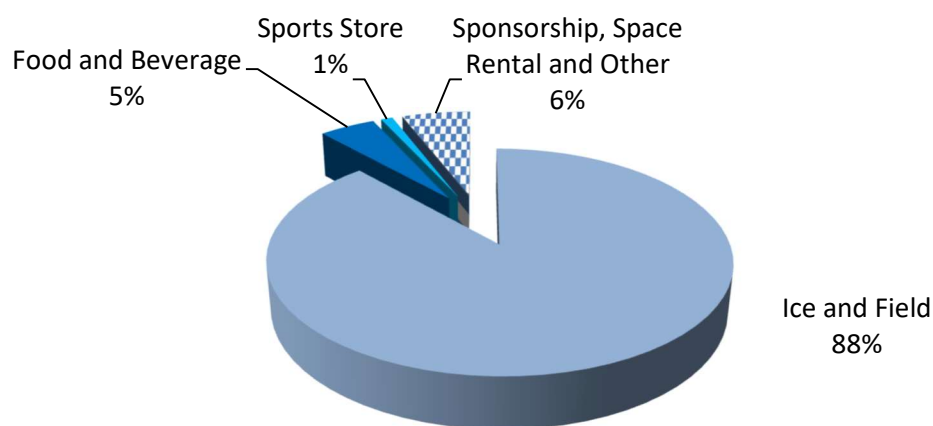
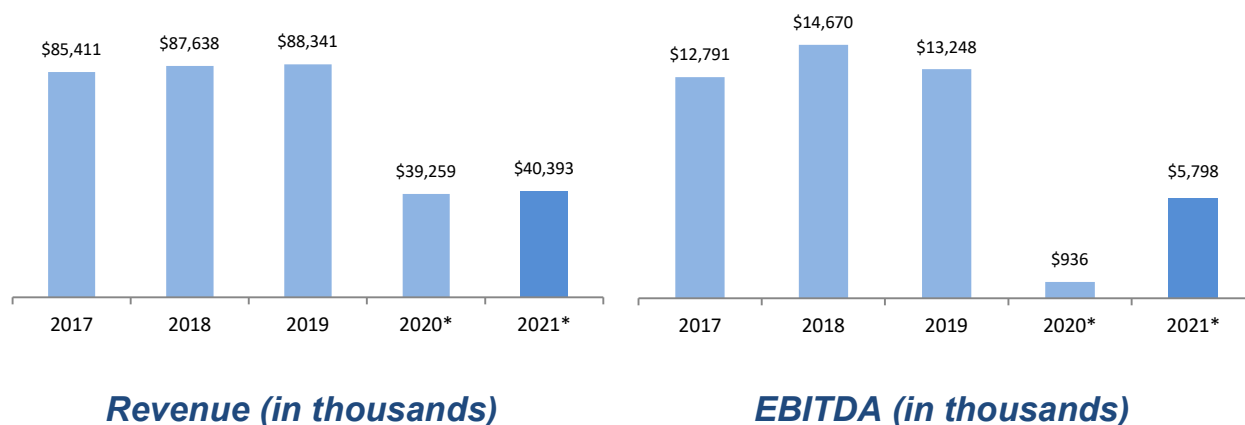
(3) Managed Property

(4) Operating Agreement

FINANCIAL HIGHLIGHTS

<i>in thousands, except per share information</i>	2021*	2020*	2019
Revenue	\$40,393	\$39,259	\$88,341
Government subsidy	\$6,537	\$6,371	-
Operating earnings	\$5,798	\$936	\$13,248
Net earnings (loss) before taxes	(\$2,546)	(\$8,253)	\$3,792
Net earnings (loss)	(\$1,092)	(\$6,363)	\$2,448
Total assets	\$116,612	\$121,484	\$141,163
Shareholders' equity	\$40,416	\$41,708	\$48,384
Earnings (loss) per common share	(\$0.08)	(\$0.48)	\$0.18
Shareholders' equity per share	\$3.03	\$3.13	\$3.63
Weighted average common shares	13,337,448	13,337,448	13,337,448

* Operations affected by COVID-19 pandemic



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, 2021 and 2020. This document should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2021 and 2020 and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are presented in Canadian dollars.

Non-IFRS Financial Measure

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

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

The date of this MD&A is March 23, 2022.

Forward Looking Statements

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

Operations Affected By Coronavirus (COVID-19)

As at the date of this analysis the Company has returned to full operations of its recreation facilities and are operating in accordance with COVID-19 public health guidelines, if any, in each jurisdiction. Overall business volumes are gradually returning to pre-pandemic levels due to improving customer sentiment regarding COVID-19 protocols. Our facilities are now able to operate all surfaces for rentals, leagues, instructional programs, and tournaments and food & beverage and sports store services have also resumed.

During this period of transition, the effects of COVID-19 will continue to cause business fluctuations, management is aware that public health orders may include operating restrictions if legislated by health authorities. As a result, the Company has established measures to preserve the Company's resilience in managing the effects of a reduction in business activity. Measures taken to date include process changes to streamline labour and other operating costs, application for government subsidies, and collaboration with the Company's senior lenders to arrange additional credit facilities and covenant waivers. (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 full 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, 2021

- Completed sale of an inactive ice rink property and realized a gain of \$1.4 million and net proceeds of \$7.2 million to help replenish the Company's cash reserves;
- Total revenue was \$40.4 million compared to \$39.3 million a year ago. The pandemic forced wide-spread facility closures during quarters one and two in 2021;
- Net loss for the year was \$1.1 million compared to \$6.4 million and operating earnings (see "**Operating Earnings**") was \$5.8 million compared to \$0.9 million in 2020;
- In addition to scheduled principal repayments, \$10.0 million in debt principal was repaid prior to year-end. This additional repayment relates to a revolving credit facility that can be paid down when surplus cash is available or drawn upon when working capital is required. As a result, at year end, cash-on-hand totaled \$12.5 million with an additional \$10.0 million available by way of the revolving credit facility; a much stronger liquidity position when compared to the year ended 2020;
- Total debt at year end 2021 was \$43.8 million compared to \$56.2 million a year ago; and
- On July 1, 2021, Canlan Sports Libertyville, a newly acquired sportsplex in Illinois, commenced operations (see "**Review of Fiscal 2021 Operations**").

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 11 of these facilities containing 1.3 million square feet of space situated on 153 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 three facilities under lease agreements. We also manage two facilities on behalf of municipalities.

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

Facility Portfolio:

		Ice	Indoor		Total
<u>Canada:</u>	Facilities	Surfaces	Turf Fields	Courts ^a	Playing surfaces
British Columbia	5	14	1	-	15
Saskatchewan	2	6	-	-	6
Manitoba	1	3	1	-	4
Ontario	6	20	2	11	33
	14	43	4	11	58
<u>USA:</u>					
Illinois	4	6	3 ^b	13	22
	18	49	7	24	80

Note

a) Includes indoor multi-sport hard courts and outdoor beach volleyball courts

b) This includes one FIFA regulation field (divisible into multiple fields)

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

There are approximately 13.3 million shares outstanding and have traded in the \$2.63 to \$4.81 range during 2021. 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, 2021, 2020, and 2019 and each of the quarters and years then ended has been derived from our 2021 and 2020 annual and interim consolidated financial statements. This data should be read together with those financial statements.

	<i>(unaudited)</i> Quarter ended December 31		<i>(audited)</i> Year ended		
<i>in thousands, except earnings per share</i>	2021	2020	2021	2020	2019
Statement of Operations Data:					
Total revenue	\$ 19,104	\$ 8,244	\$ 40,393	\$ 39,259	\$ 88,341
Government subsidy	129	2,746	6,537	6,371	-
Operating expenses ⁽¹⁾	(12,968)	(8,876)	(35,353)	(39,420)	(69,247)
General & administration expenses	(1,813)	(1,316)	(5,779)	(5,274)	(5,846)
Operating earnings	4,452	798	5,798	936	13,248
Other expenses:					
Depreciation	(1,963)	(1,961)	(7,801)	(7,951)	(7,946)
Finance expenses	(598)	(671)	(2,585)	(2,447)	(2,595)
Foreign exchange gain (loss)	(2)	(18)	19	45	(44)
Gain (loss) on interest rate swap	203	37	513	(1,133)	(485)
Gain on sale of assets	10	53	1,510	2,297	1,614
Tax recovery (expense)	498	211	1,454	1,890	(1,344)
Net earnings (loss)	\$ 2,600	\$ (1,551)	\$ (1,092)	\$ (6,363)	\$ 2,448
Other comprehensive loss	(123)	(1,435)	(200)	(313)	(1,505)
Total comprehensive income (loss)	\$ 2,477	\$ (2,986)	\$ (1,292)	\$ (6,676)	\$ 943
Basic and fully diluted earnings (loss) per share	\$ 0.19	\$ (0.12)	\$ (0.08)	\$ (0.48)	\$ 0.18
Balance Sheet Data:					
Cash		\$ 12,530	\$ 7,480	\$ 16,528	
Current assets (excluding cash, note receivable and assets held-for-sale)		3,576	3,990	5,765	
Capital assets		97,432	98,771	105,209	
Investment		350	350	-	
Other assets		2,724	4,840	4,172	
Assets held-for-sale		-	6,053	6,406	
Note receivable		-	-	2,492	
Interest rate swap		-	-	591	
Total assets		\$ 116,612	\$ 121,484	\$ 141,163	
Current liabilities, excluding debt		\$ 20,181	\$ 13,842	\$ 23,777	
Mortgage debt		43,796	56,168	58,271	
Lease liabilities		11,221	6,933	7,303	
Interest rate swap		28	541	-	
Deferred tax liabilities		970	2,292	3,428	
Total liabilities		76,196	79,776	92,779	
Shareholders' equity		40,416	41,708	48,384	
		\$ 116,612	\$ 121,484	\$ 141,163	
Dividends declared		\$ -	\$ -	\$ 1,400	

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

Competitive Strengths

During 2021, the recreation industry was still 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, sets policies, and continually assess future growth strategies. These individuals have extensive expertise in facility operations, sales, marketing, customer service, finance and human resources.

During 2021, Canlan continued to implement industry-leading health and safety protocols 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.
- **Diversified Recreation.** In addition to ice surfaces, the Company also operates multi-sport complexes containing turf fields and sport courts on which many other sports can be played such as soccer, volleyball, basketball, and ball hockey. This enables the Company to diversify its product offerings and expand its market reach to various demographic groups.
- **Geographic Coverage.** Canlan currently owns and operates facilities in four provinces in Canada plus one U.S. state giving us broad geographic coverage. Our geographic diversity and wide customer base help to mitigate the effects of economic cycles.
- **Buying Power.** As a result of being geographically diversified, and having significant product volumes, we are able to negotiate national supply agreements with preferred pricing.

Review of Fiscal 2021 Operations

Revenue

For the year, total operating revenue of \$40.4 million increased by \$1.1 million or 2.9%. Similar to 2020, the pandemic disrupted business operations in varying degrees depending on location but in general, public health orders resulted in limited operations in U.S. facilities in Q1 while all Canadian facilities were closed in Q1 and most of Q2. Towards the end of the second quarter, Canadian facilities slowly resumed operations with various restrictions based on region and by the end of Q3, all Canadian facilities were fully opened for sports activities. U.S. facilities all resumed full operations by the

middle of Q2 and were not subject to any further operating restrictions for the remainder of the year.

Registrations for the fall/winter season of the ASHL (Adult Safe Hockey League) filled to approximately 90% of pre-pandemic levels demonstrating the continued strength of Canlan's adult hockey league. In addition, the Company added a satellite adult league in a Mississauga municipal facility where ice bookings were secured to operate Canlan's league to service the local demand for the ASHL.

Other significant revenue sources for the year were surface rentals and instructional programs as participants were looking to re-engage in physical activity as soon as health restrictions began to ease.

In total, approximately \$35.7 million of the total revenue was generated from ice and field activities (2020 - \$33.6 million), \$1.9 million was generated from food and beverage operations (2020 - \$2.6 million), and \$1.3 million was related to tenant space rentals (2020 - \$1.3 million). The remaining revenue of \$1.4 million related to sports store sales, sponsorship, vending and facility management fees (2020 - \$1.7 million).

In July 2021, the Company also opened Canlan Sports Libertyville, a sportsplex located in Libertyville, Illinois that contains two boarded soccer pitches, a fitness centre, rock-climbing, nine sport courts and an outdoor baseball diamond. This facility is being leased from the Village of Libertyville as part of a two-year lease agreement that contains an option to purchase the complex that can be exercised during the lease term. The discounted value of future lease payments plus the option price has been recorded in the consolidated statement of financial position in accordance with accounting guidance, IFRS 16 – *Leases*. To date, the ramp-up of operations has progressed as planned and a menu of new programs and sports leagues have been added to this facility's product offerings.

In addition to facility operating revenue, the Company continued to qualify for the Canada Emergency Wage (CEWS) and Canada Emergency Rent (CERS) subsidies that began in March 2020. In 2021, income from subsidies of \$6.5 million were \$0.2 million higher than 2020. The federal emergency subsidy program ended in October 2021. Government subsidies have been recorded as Other Income in the December 31, 2021 consolidated financial statements.

The Company recorded the following revenue by quarter:

<i>in thousands</i>	2021		2020	
	Revenue	% of total	Revenue	% of total
Q1	\$ 5,050	13	\$ 20,883	53
Q2	3,610	9	767	2
Q3	12,629	31	9,365	24
Q4	19,104	47	8,244	21
	\$ 40,393	100	\$ 39,259	100

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

<i>in thousands</i>	2021		2020	
	Sales	% of total	Sales	% of total
Ice and Field Sales	\$ 35,690	88	\$ 33,614	86
Food and Beverage	1,930	5	2,624	7
Sports Store	406	1	357	1
Sponsorship	551	1	848	2
Space Rental	1,339	3	1,332	3
Management & Consulting Fees	270	1	257	1
Other	207	1	227	-
	\$ 40,393	100	\$ 39,259	100

<i>in thousands</i>	2021		2020	
	Sales	% of total	Sales	% of total
Canada:				
British Columbia	\$ 10,648	27	\$ 10,447	27
Alberta	-	-	520	1
Saskatchewan	4,116	10	3,646	9
Manitoba	1,553	4	1,838	5
Ontario	16,307	40	17,426	44
	32,624	81	33,877	86
USA	7,769	19	5,382	14
	\$ 40,393	100	\$ 39,259	100

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

<i>in thousands</i>	2021		2020	
	Revenue	% of total	Revenue	% of total
Adult hockey leagues	\$ 11,262	32	\$ 11,838	35
3rd party contract users	13,462	38	12,353	37
Camps, hockey & skating schools	3,949	11	2,895	9
Youth hockey leagues	1,837	5	1,548	5
Public programs & spot rentals	2,283	6	2,273	7
Tournaments	824	2	623	2
Soccer field rentals and leagues	1,569	5	1,649	5
Other	504	1	435	-
	\$ 35,690	100	\$ 33,614	100

Operating Expenses

Facility operating expenses of \$35.4 million decreased by 10.3% compared to \$39.4 million in 2020. Other than lower selling costs in proportion to reduced activity level due to facility closures, the most significant expense reductions were related to repairs and maintenance (R&M) and COVID-related health & safety expenses. In 2020, a large supply of personal protective equipment was procured reducing this expense for 2021.

In addition, the Company took advantage of the downtime in 2020 to complete many R&M projects that were not required this year.

Facility operating expenses by quarter were as follows:

<i>in thousands</i>	2021		2020	
	Costs	% of total	Costs	% of total
Q1	\$ 6,487	18	\$ 14,774	37
Q2	5,891	17	5,769	15
Q3	10,007	28	10,001	25
Q4	12,968	37	8,876	23
	\$ 35,353	100	\$ 39,420	100

Total G&A expenses of \$5.8 million increased by \$0.5 million or 9.6%. The increase was principally due to the centralization of certain staff positions resulting in a shift of wage expense to corporate from the facility level, and a provision made for short-term incentive compensation. Centralization has helped to overcome some of the labour supply issues as business activity ramped back up and short-term incentive compensation (STIP) expense was recognized as certain key performance indicators were reached by team members in protecting the Company through the pandemic, achieving specific targets in the resumption of operations, and at the same time, expanding the Company through the addition of Canlan Sports Libertyville.

After including \$6.5 million of government subsidies (2020 - \$6.4 million) that helped offset labour and property tax costs, operating earnings totaled \$5.8 million compared to \$0.9 million a year ago.

Non-Operating Gains and Expenses

Depreciation and finance expense totaled \$9.9 million compared to \$11.5 million a year ago. In 2021, the Company also recorded a gain on the sale of assets of \$1.5 million mainly from the completion of the sale of an inactive ice rink property in Brossard, Quebec. Net proceeds from the sale were approximately \$7.2 million, which replenished the Company's cash reserves. In 2020, gains on asset sales totaled \$2.3 million and mainly derived from the sale of a parcel of surplus land in Toronto, Ontario.

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

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

A breakdown of net finance expense is as follows:

<i>in thousands</i>		2021		2020
Mortgage interest	\$	1,723	\$	1,916
Interest income		(40)		(191)
Lease liabilities interest		475		421
Mark-to-market (gain) loss on interest rate swap		(513)		1,133
Amortization of deferred financing costs and other		427		301
	\$	2,072	\$	3,580

Net Loss

After recording an income tax recovery of \$1.5 million, compared to \$1.9 million in 2020, net loss for the year was \$1.1 million or \$0.08 a share compared to a loss of \$6.4 million or \$0.48 a share in 2020.

Foreign Currency Translation and Other Comprehensive loss

Other comprehensive loss (OCL) was \$0.2 million in 2021 compared to \$0.3 million in 2020. 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 (loss).

Review of Fourth Quarter 2021

The fourth quarter marked the first full reporting period in which the Company was able to operate without limits due to facility closures or restrictions on activities since Q1 2020. Operating revenue was \$19.1 million compared to \$8.2 million in 2020. All facilities were opened in 2021 while capacity in 2020 was at approximately 20% to 30% due to varying public health restrictions. The major sources of revenue for the quarter were surface rentals, instructional programs and the ASHL.

In Q4, food and beverage operations also resumed in most locations and generated revenue of \$1.6 million and while our sports stores generated revenue of \$0.2 million. During the same period in 2020, restaurants and sports stores were closed.

Operating expenses of \$13.0 million increased by \$4.1 million or 46.1% from the prior year as operating activities were limited in Q4 2020. During this period, management focused on servicing customers, while at the same time, exercising diligence over the Company's COVID-19 health and safety protocols and adjusting to changing requirements from government health authorities.

G&A expenses of \$1.8 million increased by \$0.5 million or 37.8% mainly due to staff centralization at the corporate level and the provision for STIP compensation as discussed above (see ***“Review of Fiscal 2021 Operations”***)

After G&A expenses, operating earnings was \$4.5 million for the quarter compared to \$0.8 million a year ago. Prior to the onset of the pandemic, operating earnings for Q4 2019 was also \$4.5 million.

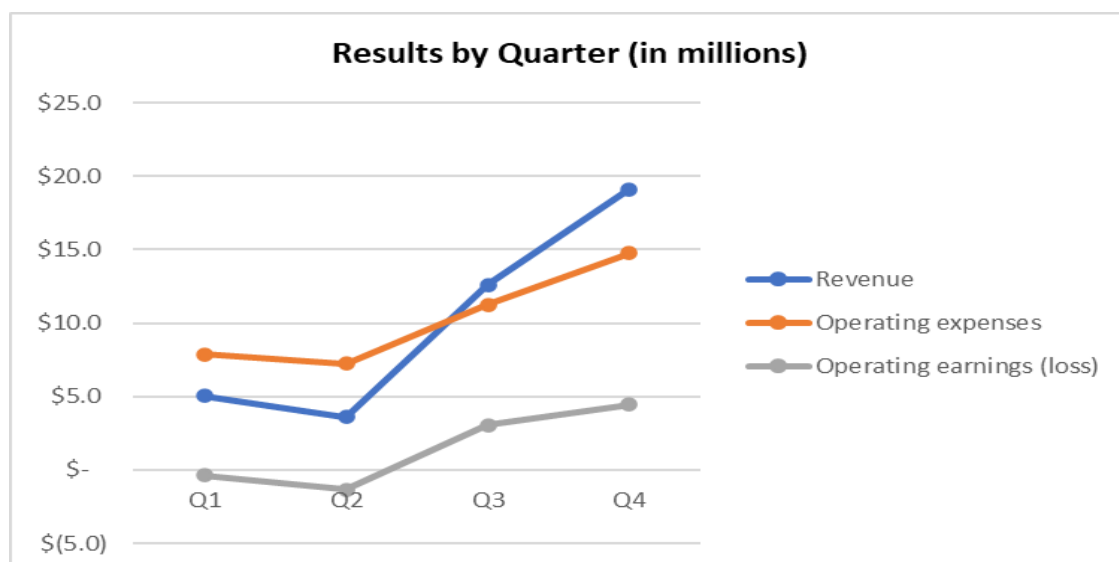
After recording depreciation and finance expense of \$2.6 million (2020 - \$2.6 million), and an income tax recovery of \$0.5 million, net earnings for the quarter was \$2.6 million or \$0.19 a share compared to net loss of \$1.6 million or \$0.12 a share a year ago.

Operating Earnings

The Company's annual operating earnings are typically earned in the first and fourth fiscal quarters with second and third quarters yielding much less operating earnings due to the seasonal nature of hockey play and maintenance projects that are usually completed during the slower months. In 2021 and 2020, the pandemic presented extenuating circumstances that altered this pattern.

As-reported operating earnings by quarter for 2021 and 2020 are as follows:

<i>in thousands</i>		2021		2020
Q1	\$	(378)	\$	4,757
Q2		(1,352)		(4,881)
Q3		3,076		262
Q4		4,452		798
	\$	5,798	\$	936



Summary of Operations
For the years ended December 31
in thousands

	2021	2020	2019
Revenue			
Ice rink and recreational facilities	\$ 40,393	\$ 39,259	\$ 88,341
Other income - government subsidy	6,537	6,371	-
Operating expenses	35,353	39,420	69,247
	11,577	6,210	19,094
General & administration	5,779	5,274	5,846
Operating earnings	5,798	936	13,248
Other gains (expenses)			
Depreciation	(7,801)	(7,951)	(7,946)
Gain on sale of assets	1,510	2,297	1,614
Foreign exchange gain (loss)	19	45	(44)
	(6,272)	(5,609)	(6,376)
Finance income (expenses)			
Finance costs	(2,625)	(2,638)	(2,918)
Finance income	40	191	323
Gain (loss) on interest rate swap	513	(1,133)	(485)
	(2,072)	(3,580)	(3,080)
Net earnings (loss) before taxes	(2,546)	(8,253)	3,792
Income tax expense (recovery)			
Current	(2,050)	(64)	140
Deferred	596	(1,826)	1,204
	(1,454)	(1,890)	1,344
Net earnings (loss)	(1,092)	(6,363)	2,448
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to net earnings (loss):</i>			
Foreign currency translation differences	(200)	(313)	(1,505)
Total comprehensive income (loss)	\$ (1,292)	\$ (6,676)	\$ 943

Summary of Quarterly Results

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

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

<i>in thousands</i>	2020				Total
	Q1	Q2	Q3	Q4	
Gross revenue	\$ 20,883	\$ 767	\$ 9,365	\$ 8,244	\$ 39,259
Government subsidy	-	\$ 1,383	\$ 2,242	\$ 2,746	6,371
Operating expenses	(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)
Operating earnings (loss)	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)	\$ (0.00)	\$ (0.12)	\$ (0.48)

Liquidity and Capital Resources

Canlan's cash balance as at December 31, 2021 was \$12.5 million compared to \$7.5 million from December 31, 2020. The increase of cash was mainly due to improved operating results with reduced health restrictions, the receipt of government subsidies, and net proceeds realized on the sale of Les 4 Glaces, an inactive ice rink property in Brossard, Quebec that had been held for sale since 2019.

Cash provided by operations and government subsidies, less interest paid on debt and leases was \$12.1 million compared to cash usage of \$8.8 million a year ago. Cash inflow from operations includes approximately \$8.4 million of government wage and rent subsidies that were received during 2021 (of which \$1.9 million were accrued in 2020) that offset a portion of operating expense.

With respect to financing activities, in July 2021, \$2.0 million was drawn from available credit facilities (see "**Review of Review of Liabilities and Shareholders' Equity - Debt (3)**") to assist in getting all property tax payments current. Subsequent to the sale completion of Les 4 Glaces (see below) in September 2021, the Company repaid a \$10 million revolving tranche of its long-term debt package to make use of cash reserves and reduce interest cost. This \$10 million tranche is available for the Company to draw upon and repay as appropriate depending on the need for cash (see "**Review of Review of Liabilities and Shareholders' Equity - Debt (2)**"). Therefore, at December 31, 2021, the Company's total liquidity position included both the cash-on-hand of \$12.5 million, and the \$10 million available revolving credit facility. In total, during 2021, the Company used \$15.7 million to reduce principal on debt and lease liabilities compared to \$4.3 million in 2020.

In addition to the \$10 million revolving credit facility, the Company also continues to have available a \$20 million committed line of credit that can be utilized for sustaining or expansion capital expenditures. As at December 31, 2021 approximately \$2.8 million of the line has been utilized for capital expenditures so \$17.2 million remains available for capital expenditures.

Note that during 2020, a portion of the \$20 million capital expenditure credit line was made available by a senior lender for working capital purposes, if needed, to assist with operations during the pandemic. This concession ended after December 31, 2021 as it is no longer required and the amount available reverts back to be intended for fixed asset purchases.

Investing activities generated \$6.6 million of cash principally due to proceeds received from the completion of the sale of an inactive ice-rink property ("Les 4 Glaces") in Quebec, an asset that had been classified as an asset-held-for-sale in the consolidated statement of financial position. The sale was completed on September 23, 2021 and yielded \$7.2 million in net proceeds that helped to replenish the Company's cash reserves.

In line with measures taken to preserve liquidity, discretionary capital projects continued to be put on hold; therefore, only \$0.5 million of cash was spent on capital assets in 2021.

Summarized Statement of Cash Flows:

<i>in thousands</i>	2021	2020
Cash inflows and (outflows) by activity		
Operating activities	\$ 12,116	\$ (9,388)
Financing activities	(13,715)	(3,140)
Investing activities	6,649	3,480
	<u>5,050</u>	<u>(9,048)</u>
Cash position, beginning of year	7,480	16,528
Cash position, end of year	\$ 12,530	\$ 7,480

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

<i>in thousands</i>	2021	2020
Operating earnings	\$ 5,798	\$ 936
Changes in working capital items	6,773	(7,546)
Net finance expense	(2,459)	(2,465)
Income tax recovery	2,050	64
Foreign exchange	(26)	220
Cash flow from operations	<u>12,136</u>	<u>(8,791)</u>
Add (deduct):		
Mortgage principal reduction	(14,499)	(2,885)
New debt	2,000	800
Capital expenditures	(584)	(1,702)
Lease payments	(1,216)	(1,374)
Proceeds on sale of assets	7,233	2,685
Effect of changes in foreign currency rates	(20)	(597)
Proceeds from sale and leaseback of equipment	-	686
Dividends paid	-	(367)
Note receivable (issued) payment	-	2,497
Change in cash position for the year	<u>\$ 5,050</u>	<u>\$ (9,048)</u>

Given the Company's improved liquidity position at year end and the experience management has gained to-date in applying mitigating measures to operate during the pandemic, management believes the Company is well-positioned to address further adverse effects of the pandemic. However, the full duration of the COVID-19 pandemic, the impact on the Company's future 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.

<i>in thousands</i>	2022	2023	2024	2025	2026	Thereafter	Total
Accounts payable and accrued liabilities	\$ 8,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,152
Debt:							
Mortgage principal and interest	\$ 5,785	\$ 40,095	\$ -	\$ -	\$ -	\$ -	\$ 45,880
Lease liabilities, including interest	1,745	6,190	890	513	414	5,308	15,060
	7,530	46,285	890	513	414	5,308	60,940
	\$ 15,682	\$ 46,285	\$ 890	\$ 513	\$ 414	\$ 5,308	\$ 69,092

Review of Assets

The table below summarizes the Company's asset base:

<i>in thousands</i>	2021	2020
Properties	\$ 97,432	\$ 98,771
Cash	12,530	7,480
Accounts receivable	2,298	2,434
Inventory	490	662
Prepaid expenses and other assets	1,601	1,905
Investment	350	350
Deferred income taxes	1,911	3,829
Assets held-for-sale	-	6,053
	<u>\$ 116,612</u>	<u>\$ 121,484</u>

At December 31, 2021, total properties of \$97.4 million decreased by \$1.3 million mainly due to scheduled depreciation; however, this was offset by the increase to properties resulting from the lease of Canlan Sports Libertyville (see "**Review of Fiscal 2021 Operations**").

The sale of an inactive ice-rink property ("Les 4 Glaces") in Quebec, an asset that had been classified as an asset-held-for-sale in the consolidated statement of financial position, was completed on September 23, 2021 and yielded \$7.2 million in net proceeds and a gain of \$1.4 million.

During the year, the Company invested \$0.5 million (2020 - \$1.5 million) in capital expenditures related to equipment renewals at various facilities. Only critical capital projects were completed in 2021 to preserve cash.

Cash on hand at December 31, 2021 was \$12.5 million compared to \$7.5 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, 2021 note that cash included \$0.5 million of restricted cash representing funds held in trust in accordance with the terms of a lease agreement, consistent with 2020.

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

Review of Liabilities and Shareholders' Equity

The table below summarizes the Company's capital structure:

<i>in thousands</i>	2021	2020
Debt	\$ 43,796	\$ 56,168
Deferred revenue and customer deposits	12,029	6,159
Accounts payable	8,152	7,683
Lease payable - right-of-use assets	11,221	6,933
Deferred income taxes	970	2,292
Financial liability held for trading	28	541
	76,196	79,776
Shareholders' equity	40,416	41,708
	\$ 116,612	\$ 121,484

At December 31, 2021 total debt and lease liabilities outstanding was \$55.0 million compared to \$63.1 million at the end of the prior year. Principal repayments on debt and leases were made as scheduled and in addition, during Q4, subsequent to the receipt of sale proceeds from the sale of Les 4 Glaces, the Company repaid a total of \$10.0 million of a revolving portion of its long-term debt (see "**Debt (2)**" below). Leases payable increased mainly due to the newly leased sportsplex located in Libertyville, Illinois. The discounted value of future lease payments plus the option exercise cost has been recorded in the consolidated statement of financial position in accordance with accounting guidance, IFRS 16 – *Leases* (see "**Review of Fiscal 2021 Operations**").

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, 2021, customer deposits totaled \$12.0 million compared to \$6.2 million at the end of 2020 and represented amounts paid in advance for surface rentals, sports leagues, and instructional programs.

Debt

As at December 31, 2021, 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, 2021, the balance outstanding was \$27.2 million;
- 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, 2021, the balance outstanding was \$6.3 million;
- 3) \$20.0 million revolving capital expenditure loan amortized over 15 years, maturing on May 25, 2023. To strengthen the Company's liquidity position during

the pandemic, \$10.0 million of this revolving credit facility was made available for working capital purposes until 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% per annum payable monthly. On July 8, 2021, \$2.0 million was drawn from this \$10.0 million working capital credit facility. On January 1, 2022, this measure to support the company through the pandemic ended and the draws from this \$20.0 million credit facility are to be used for acquisitions and capital expenditures only. At December 31, 2021, the balance outstanding of the \$20.0 million credit facility was \$4.8 million. Of this amount, \$0.8 million accrues interest at BA rate plus 2.10% per annum payable monthly, \$2.1 million accrues interest at Prime rate plus 0.50% per annum payable monthly, and \$1.9 million accrued interest at Prime rate plus 1.00% per annum payable monthly. On January 1, 2022, the \$1.9 million outstanding was converted to a term loan that accrues interest at Prime rate plus 0.50% per annum payable monthly;

- 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, 2021, the balance outstanding was \$5.6 million; 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 were waived by the Company's senior lenders during fiscal year 2020 in light of COVID-19's adverse effect on business operations. The following table summarizes the status of the covenants related to agreements reached between the Company and its senior lenders as at December 31, 2021:

Debt Covenant	Test Frequency	Status for year ended December 31, 2021	Status as at January 1, 2022
Consolidated debt service coverage ratio	Annually at December 31	Waived by lenders for December 31, 2021	Waiver ends and covenant to be tested next at December 31, 2022
Consolidated debt to tangible net worth ratio	Quarterly at March 31, June 30, September 30, and December 31	Waived by lenders for December 31, 2021	Waiver ends and covenant to be tested next at March 31, 2022
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	For the quarter ended December 31, 2021, covenant amended such that the debt service coverage ratio shall be calculated for the fiscal quarter ended December 31, 2021 rather than on a trailing-12-month basis. In compliance at December 31, 2021.	Covenant amendment ends and covenant to be tested next at March 31, 2022 for the trailing-12-months ending March 31, 2022.
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, 2021. Temporary covenant added during fiscal 2021 in light of waivers of other covenants.	Temporary covenant removed on January 1, 2022

Share Capital

The total and weighted average number of shares issued and outstanding at December 31, 2021 and December 31, 2020 was 13,337,448.

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

Transactions with Related Parties

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

The Company did not record any related party transactions with Bartrac during the period. A Director of the Company is the Chairman of a vendor from which the Company purchases services in the normal course of business. There were no purchases from this vendor for the year ended December 31, 2021 (2020 - \$20,000). The Company paid \$0.2 million (2020 - \$0.2 million) in directors' fees during 2021.

Financial Instruments

The Company has the following financial instruments:

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

				2020
	Accounting classification	Fair value level	Carrying Amount	Fair value
Financial assets not measured at fair value:				
Cash (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

- (i) The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their short-term nature.
- (ii) The carrying values of lease liabilities are considered by management to approximate their fair values due to the lease rate at reporting date being consistent with the lease rate at inception date.
- (iii) In June 2016, 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 loss for the year. For the year ended December 31, 2021, a gain of \$0.5 million (a loss of \$1.1 million in 2020) 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, 2021. The Company had no “other comprehensive income or loss” transactions related to financial instruments during the year ended December 31, 2021 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, 2021.

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, 2021. 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, 2021.

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 and the year ended December 31, 2021, 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 sports we host, incidents can occur. We purchase liability and accident insurance, the cost of which is dependent upon the history of the number of injury claims and the quantum of such claims. There is always a risk that the cost of acquiring sufficient insurance to cover any such injury claims will become prohibitive or that such insurance will become unavailable. The Company has obtained insurance coverage that it believes would ordinarily be maintained by an operator of facilities similar to that of the Company. The Company's insurance is subject to various limits and exclusions. Damage or destruction to any of our facilities or lawsuits arising from use of such facilities could result in claims that are excluded by, or exceed the limits of, the Company's insurance coverage.

Mitigating factors and strategies:

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

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

Mitigating factors and strategies:

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

Competition

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

Mitigating factors and strategies:

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

Climate Change

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

Employee and Union Relations

The Company has unionized employees at four of its facilities. The Company may not be able to negotiate a new contract on 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 short-term and long-term compensation and incentive programs for its executive officers that are commensurate with their responsibilities and with market conditions.
- The Company maintains an open and candid working environment where executive officers can offer input into business strategies and decisions.

Utility Costs

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

Mitigating factors and strategies:

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

Privacy and Security of Information

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

Mitigating factors and strategies:

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

Interest Rate Risk

Debt of \$16.7 million, is subject to variable interest rates. For every 1% change in base market rates, interest expense will change by \$0.2 million per annum.

Mitigating factors and strategies:

- The Company has fixed the interest rate on \$27.2 million or 61.9% 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.

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, 2021 AND 2020



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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, 2021 and December 31, 2020
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, 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, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Description of the matter

We draw attention to Notes 2(d), 3(o) and 6 to the financial statements. The Entity measures property, plant and equipment – facilities, consisting of 16 recreational properties, at cost less accumulated depreciation and impairment losses. The Entity defines each recreational property as a separate cash-generating unit for purposes of assessing indicators of impairment. Each cash-generating unit is comprised of property, plant and equipment which were recorded at a carrying amount of \$97,432 thousand in aggregate. At each reporting date, the Entity performs an assessment for indicators of impairment for each cash-generating unit. At December 31, 2021, the Entity identified no indicators of impairment for each of its cash-generating units. Accordingly, no quantitative impairment tests were performed.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the 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.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG LLP

Vancouver, Canada

March 24, 2022

CANLAN ICE SPORTS CORP.

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

Years ended December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash (note 4)	\$ 12,530	\$ 7,480
Accounts receivable	2,298	2,434
Inventory (note 5)	490	662
Prepaid and other expenses	788	894
Assets held-for-sale (note 8)	-	6,053
	16,106	17,523
Non-current assets:		
Property, plant and equipment – facilities (note 6)	97,432	98,771
Deferred tax assets (note 16(b))	1,911	3,829
Investment (notes 9 and 10)	350	350
Other assets	813	1,011
	100,506	103,961
	\$ 116,612	\$ 121,484
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 8,152	\$ 7,683
Deferred revenue and customer deposits	12,029	6,159
Interest rate swap (note 17(a))	28	541
Current portion of:		
Lease liabilities (note 7)	1,251	1,198
Debt (note 11)	4,436	4,440
	25,896	20,021
Non-current liabilities:		
Lease liabilities (note 7)	9,970	5,735
Debt (note 11)	39,360	51,728
Deferred tax liabilities (note 16(b))	970	2,292
	50,300	59,755
Total liabilities	76,196	79,776
Shareholders' equity:		
Share capital (note 12)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	1,757	1,957
Deficit	(24,993)	(23,901)
	40,416	41,708
	\$ 116,612	\$ 121,484

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

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

Approved on behalf of the Board:

/s/ Victor D'Souza
Director

/s/ Joey St-Aubin
Director

CANLAN ICE SPORTS CORP.

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

Years ended December 31, 2021 and 2020

	2021	2020
Revenue:		
Ice rink and recreational facilities (note 20)	\$ 40,393	\$ 39,259
Other income – government subsidy (notes 3(h) and 23)	6,537	6,371
Expenses (note 22):		
Ice rink and recreational facilities:		
Salaries, wages and benefits	19,022	19,762
Selling and customer service	5,288	7,241
Utilities	4,486	4,126
Cost of goods sold	1,063	1,208
Repairs and maintenance	2,596	3,812
Property tax	2,898	3,271
	35,353	39,420
Earnings from ice rink and recreational facilities before the undernoted	11,577	6,210
General and administration expenses (notes 14 and 22)	5,779	5,274
Earnings before the undernoted	5,798	936
Other gains (expenses) (note 22):		
Depreciation	(7,801)	(7,951)
Gain on sale of assets	1,510	2,297
Foreign exchange gain	19	45
	(6,272)	(5,609)
Finance income (expenses):		
Finance income	40	191
Finance expense	(2,625)	(2,638)
Gain (loss) on interest rate swap (note 17(a))	513	(1,133)
	(2,072)	(3,580)
Loss before income taxes	(2,546)	(8,253)
Income tax expense (recovery) (note 16):		
Current	(2,050)	(64)
Deferred	596	(1,826)
	(1,454)	(1,890)
Loss for the year	(1,092)	(6,363)
Other comprehensive loss:		
Items that may be reclassified subsequently to net earnings (loss):		
Foreign currency translation differences	(200)	(313)
Total comprehensive loss	\$ (1,292)	\$ (6,676)
Basic and fully diluted loss per share	\$ (0.08)	\$ (0.48)
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, 2021 and 2020

	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance at January 1, 2020	\$ 63,109	\$ 543	\$ 2,270	\$ (17,538)	\$ 48,384
Loss for the year	-	-	-	(6,363)	(6,363)
Other comprehensive loss	-	-	(313)	-	(313)
Balance at December 31, 2020	63,109	543	1,957	(23,901)	41,708
Loss for the year	-	-	-	(1,092)	(1,092)
Other comprehensive loss	-	-	(200)	-	(200)
Balance at December 31, 2021	\$ 63,109	\$ 543	\$ 1,757	\$ (24,993)	\$ 40,416

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, 2021 and 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (1,092)	\$ (6,363)
Adjustments for:		
Depreciation	7,801	7,951
Gain on sale of assets	(1,510)	(2,297)
Net finance expense	2,072	3,580
Deferred income taxes	596	(1,826)
Foreign exchange loss (gain)	(45)	175
Net change in non-cash working capital (note 21)	6,773	(7,546)
Interest paid (note 11)	(2,499)	(2,656)
Interest received	40	191
	12,136	(8,791)
Financing:		
Principal repayments of debt	(14,499)	(2,885)
Increase in principal of debt	2,000	800
Principal repayments on obligations under lease liabilities	(1,216)	(1,374)
Proceeds from sale and leaseback of equipment	-	686
Payment of dividends on common shares	-	(367)
	(13,715)	(3,140)
Investments:		
Net proceeds on sale of assets	7,233	2,685
Expenditures on ice rink and recreational facilities	(525)	(1,453)
Expenditures on other assets	(59)	(249)
Principal payments received on note receivable	-	2,497
	6,649	3,480
Effect of changes in foreign currency rates on cash and cash equivalents	(20)	(597)
Increase (decrease) in cash and cash equivalents	5,050	(9,048)
Cash and cash equivalents, beginning of year	7,480	16,528
Cash and cash equivalents, end of year	\$ 12,530	\$ 7,480

Supplemental cash flow information (note 21)

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

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

1. Nature of operations:

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

Effects of COVID-19 Pandemic

During the first two quarters of fiscal 2021, significant transmission rates of COVID-19 resulted in varying levels of public health orders that resulted in significant business disruption to most of the Company’s recreation facilities. Facilities were either closed or opened only for very limited activity during the first two quarters of fiscal 2021. From June 2021 onwards, facilities began to gradually resume operations at a rate that was dependent on health regulations by jurisdiction. By the fourth quarter, all facilities had resumed normal operations but continued to comply with provincial and state protocols related to vaccination requirements.

During this period of fluctuating levels of operations, the Company continued to manage the business with a focus on liquidity preservation through close controls over discretionary operating and capital expenditures, and working with customer groups to continuously reschedule surface bookings and league play in order to gain rentals and registrations whenever government regulations were lifted. In addition, the receipt of government subsidies and the completion of a sale transaction of an inactive ice rink property enhanced the Company’s resilience to counter the impact of COVID-19 on its earnings and cash flows.

During 2020, the Company collaborated with its lenders to establish temporary revisions of credit terms (notes 11 and 18), which continue to the end of fiscal 2021 and have helped the Company with capital management throughout the pandemic.

As at the date of issuance of these consolidated financial statements, all of the Company’s facilities are in full operation and the Company’s liquidity position has returned to pre-pandemic levels; however, given the continued dynamics surrounding COVID-19, and the extent of its impact on future business activity and on future economic, social or public health concerns, the pace of recovery cannot be determined at this time.

2. Basis of preparation:

(a) Statement of compliance:

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 23, 2022.

(b) Basis of measurement:

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

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

(c) Functional and presentation currency:

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

- (i) Asset and liability amounts are translated at the exchange rate at the end of each reporting period;
- (ii) Amounts included in the determination of earnings (loss) are translated at the respective monthly average exchange rates; and
- (iii) Any gains or losses from the translation of amounts determined in (i) and (ii) above are recognized in other comprehensive income (loss) and accumulated in the foreign currency translation reserve, which is a separate component of shareholders' equity.

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

(d) Significant judgments, estimates and assumptions:

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

In the process of applying the Company's accounting policies, management has made judgments, estimates and assumptions. Significant judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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

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

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements

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

Years ended December 31, 2021 and 2020

(ii) Useful lives of property, plant, and equipment:

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life and residual values which are determined through exercise of judgment. Approximately 84% 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.

(iii) Deferred income tax:

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

3. Significant accounting policies:

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

(a) Basis of consolidation:

(i) Subsidiaries:

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

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

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

(ii) Transactions eliminated on consolidation:

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

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

(ii) Subsequent costs:

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

(iii) Depreciation:

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

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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.

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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 (loss) 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.

Ice and field sales:

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

Food and beverage:

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

Sports store:

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

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Sponsorship:

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

Space rental:

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

Management and consulting fees:

Customers obtain the benefits as the Company provides management/consulting 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:

A government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. The grant is recognized in other income on a systematic basis 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 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.

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(j) Financial instruments:

Recognition and initial measurement:

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

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

Classification and subsequent measurement:

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

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

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

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

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

Derivative instruments are financial contracts whose values are derived from interest rates, foreign exchange rates or other financial or commodity indices. The Company held an interest rate swap contract at December 31, 2021 and 2020. 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 (loss) 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.

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 (loss) per share:

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

(l) Employee benefits:

(i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net earnings (loss) in the period in which services are rendered by employees. 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 \$276,000 (2020 - \$321,000) in respect of the Company's contributions.

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(ii) Long-term incentive plan:

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

(m) Finance income and finance expenses:

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

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

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

(n) Income tax:

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

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

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.

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(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 recognised in net earnings (loss) in the consolidated statements of earnings (loss) and comprehensive income (loss).

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

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.

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4. Restricted cash:

Cash includes \$500,000 (2020 – \$500,000) of restricted cash representing funds held in trust in accordance with the terms of a facility lease agreement with a third party. These funds are maintained as operating reserves.

5. Inventory:

	2021		2020	
Sports store	\$	277	\$	542
Food and beverage		213		120
	\$	490	\$	662

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

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6. Property, plant and equipment - facilities:

	Land	Buildings and building improvements	Leasehold improvements	Rink board systems	Refrigeration equipment	Machinery and equipment	Computers, furniture and fixtures	Ice resurfacing equipment	Work in process	Total
Cost										
Balance at January 1, 2020	\$ 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
Reclassification	-	329	-	-	-	(21)	26	-	(5)	329
Additions	-	4,938	-	-	(25)	151	352	556	27	5,999
Disposals	-	(349)	(37)	-	(16)	(217)	(147)	(181)	-	(947)
Effect of movements in exchange rates	(17)	(107)	-	(2)	(12)	(12)	(6)	(3)	-	(159)
Balance at December 31, 2021	\$ 16,329	\$ 120,192	\$ 2,491	\$ 4,800	\$ 22,177	\$ 18,677	\$ 11,402	\$ 6,542	\$ 27	\$ 202,637

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	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, 2020	\$ -	\$ (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)
Disposal	-	-	-	-	-	-	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)
Depreciation for the year	-	(4,087)	(202)	(192)	(819)	(1,101)	(557)	(556)	-	(7,514)
Disposals	-	349	37	-	16	217	147	181	-	947
Effect of movements in exchange rates	-	4	-	-	1	-	1	-	-	6
Balance at December 31, 2021	\$ -	\$ (61,434)	\$ (1,829)	\$ (3,173)	\$ (10,825)	\$ (12,630)	\$ (9,966)	\$ (5,348)	\$ -	\$ (105,205)
Carrying amounts										
Balance at December 31, 2020	\$ 16,346	\$ 57,681	\$ 864	\$ 1,821	\$ 12,207	\$ 7,030	\$ 1,620	\$ 1,197	\$ 5	\$ 98,771
Balance at December 31, 2021	16,329	58,758	662	1,627	11,352	6,047	1,436	1,194	27	97,432

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

	2021	2020
Property, plant and equipment owned	\$ 86,946	\$ 92,152
Right-of-use-property, plant and equipment leased (note 7 (a))	10,486	6,619
	\$ 97,432	\$ 98,771

On April 30, 2021, the Company entered into an agreement to lease a sports complex facility in Libertyville, Illinois commencing on July 1, 2021. The two-year lease agreement contains an option to purchase the facility at a fixed price that will expire on June 30, 2023. Management estimates that it is more likely than not that this option will be exercised prior to expiry. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus a purchase option price and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company recognized a right-of-use asset and right-of-use liability of \$4,938,000 at the lease commencement date (note 7).

For the year ended December 31, 2021 and 2020, no impairment losses were recognized in relation to property, plant and equipment – facilities.

7. Right-of-use assets:

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

	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
Additions	566	4,938	5,504
Depreciation	(429)	(650)	(1,079)
Buyout of assets	(532)	-	(532)
Foreign exchange	-	(26)	(26)
December 31, 2021	\$ 2,263	\$ 8,223	\$ 10,486

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

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

	2021	2020
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	\$ 1,745	\$ 1,578
One to five years	8,007	3,735
More than five years	5,308	5,605
Total undiscounted lease liabilities	15,060	\$ 10,918
Lease liabilities included in the statements of financial position:		
Current	\$ 1,251	\$ 1,198
Non-current	9,970	5,735
	\$ 11,221	\$ 6,933

During the year ended December 31, 2021, interest expense related to lease liabilities was \$474,000 (2020 - \$421,000). Total lease payments made during 2021 were \$1,661,000 (2020 - \$1,813,000). Total lease expense related to leases of low-value items were \$117,000 during the year ended December 31, 2021 (2020 - \$124,000).

8. Assets held-for-sale:

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

9. Investment:

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

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10. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	2021	2020
Trade payables	\$ 1,709	\$ 1,518
Wages payable	2,914	2,380
Other accrued liabilities	2,677	3,296
Marketing services (note 9)	350	350
Indirect tax payables	502	139
	\$ 8,152	\$ 7,683

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

11. Debt:

	Maturity dates	Interest rates		2021	2020
Fixed rate	2023	3.52%	(i) \$	27,235	\$ 29,756
Variable rate	2023	Prime + 0.50%	(ii)	6,343	17,577
	2023	Prime + 0.50%	(iii)	2,065	2,225
	2023	Prime + 1.00%	(iii)	1,947	-
	2023	BA + 2.10%	(iii)	738	796
	2023	CDOR + 2.10%	(iv)	5,641	6,114
				43,969	56,468
Deferred financing costs				(173)	(300)
				43,796	56,168
Current portion				4,436	4,440
Non-current portion			\$	39,360	\$ 51,728

As at December 31, 2021, 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 17a), maturing on May 25, 2023, to fix the interest rate at 3.52% per annum payable monthly. At December 31, 2021, the balance outstanding was \$27,235,000;
- (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, 2021, the balance outstanding was \$6,343,000;

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- (iii) \$20,000,000 revolving capital expenditure loan amortized over 15 years, maturing on May 25, 2023. To strengthen the Company's liquidity position during the pandemic, \$10,000,000 of this revolving credit facility was made available for working capital purposes until 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% per annum payable monthly. On July 8, 2021, \$2,000,000 was drawn from this \$10,000,000 working capital credit facility. On January 1, 2022, this measure to support the company through the pandemic ended and the draws from this \$20,000,000 credit facility are to be used for acquisition and capital expenditures only. At December 31, 2021, the balance outstanding of the \$20,000,000 credit facility was \$4,750,000. Of this amount, \$738,000 accrues interest at BA rate plus 2.10% per annum payable monthly, \$2,065,000 accrues interest at Prime rate plus 0.50% per annum payable monthly, and \$1,947,000 accrued interest at Prime rate plus 1.00% per annum payable monthly. On January 1, 2022, the \$1,947,000 outstanding was converted to a term loan that accrues interest at Prime rate plus 0.50% per annum payable monthly;
- (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, 2021, the balance outstanding was \$5,641,000; 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 were waived by the Company's senior lenders during fiscal year 2020 in light of COVID-19's adverse effect on business operations. The following table summarizes the status of the covenants related to agreements reached between the Company and its senior lenders as at December 31, 2021:

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Debt covenant	Test frequency	Status for year ended December 31, 2021	Status as at January 1, 2022
Consolidated debt service coverage ratio	Annually at December 31	Waived by lenders for December 31, 2021	Waiver ends and covenant to be tested next at December 31, 2022
Consolidated debt to tangible net worth ratio	Quarterly at March 31, June 30, September 30, and December 31	Waived by lenders for December 31, 2021	Waiver ends and covenant to be tested next at March 31, 2022
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	For the quarter ended December 31, 2021, covenant amended such that the debt service coverage ratio shall be calculated for the fiscal quarter ended December 31, 2021 rather than on a trailing 12 month basis in compliance at December 31, 2021	Covenant amendment ends and covenant to be tested next at March 31, 2022 for the trailing 12 months ending March 31, 2022
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, 2021 Temporary covenant added during fiscal 2021 in light of waivers of other covenants	Temporary covenant removed on January 1, 2022

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

Amortization of deferred financing costs related to these facilities totaling \$127,000 (2020 - \$129,000) was recorded in finance costs.

12. Share capital:

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

	Number of shares	Amount
(a) Authorized: 500,000,000 common shares of no par value		
(b) Issued and outstanding: December 31, 2021 and 2020	13,337,448	\$ 63,109

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On March 24, 2020, the Company suspended its quarterly dividend policy to preserve liquidity in response to the COVID-19 pandemic (note 1).

13. 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, 2021, 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, 2021 as the calculated enterprise value at the exercise date is expected to be below the value as at December 31, 2018.

14. General and administration expenses:

General and administration expenses consist of the following:

	2021	2020
Salaries, wages and benefits	\$ 4,608	\$ 3,917
Professional and regulatory fees	510	654
Office	530	537
Travel	44	41
Other	87	125
	<u>\$ 5,779</u>	<u>\$ 5,274</u>

15. 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, 2021, the Company has letters of guarantee outstanding with various vendors in the amount of \$5,000 (2020 - \$1,005,000).

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16. Income taxes:

- (a) The major factors which caused variations from the Company's expected combined Canadian and U.S. income tax rate of 22% for 2021 (2020 - 26%) were as follows:

	2021	2020
Statutory rate applied to loss before income taxes	\$ (554)	\$ (2,120)
Change in deferred tax assets not recognized	(741)	584
Substantively enacted tax rate change	177	(125)
Foreign currency translation differences	(178)	130
Permanent differences and other	(158)	(359)
Income tax recovery	\$ (1,454)	\$ (1,890)

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

	2021	2020
Deferred income tax assets:		
Unused tax losses	\$ 1,065	\$ 1,257
Deferred revenue	-	1,532
Properties	671	710
Other	175	330
	1,911	3,829
Deferred income tax liability:		
Properties	(934)	(1,744)
Financing fees and other	(36)	(548)
	(970)	(2,292)
Net deferred income tax assets	\$ 941	\$ 1,537

The following deferred tax assets have not been recognized as at December 31, 2021 and December 31, 2020:

	2021	2020
U.S. tax losses set to expire between 2022 and 2037	\$ 847	\$ 1,514
Tax losses that do not expire	1,355	1,368
Deductible temporary differences	-	61
	\$ 2,202	\$ 2,943

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17. Financial instruments:

(a) Fair value:

The Company has the following financial instruments:

				2021
	Accounting classification	Fair value level	Carrying amount	Fair value
Financial assets not measured at fair value:				
Cash (i)	Amortized cost	2	\$ 12,530	\$ 12,530
Accounts receivable (i)	Amortized cost	2	2,298	2,298
Financial assets measured at fair value:				
Investment (iv)	FVOCI	3	350	350
Financial liabilities measured at fair value:				
Interest rate swap (iii)	Financial liabilities at FVTPL	2	28	28
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities (i)	Amortized cost	2	8,152	8,152
Lease liabilities (ii)	Amortized cost	2	11,221	11,221
Debt	Amortized cost	2	43,796	43,693
				2020
	Accounting classification	Fair value level	Carrying amount	Fair value
Financial assets not measured at fair value:				
Cash (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

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

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- (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 11). 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 loss for the year. For the year ended December 31, 2021, a gain of \$513,000 (a loss of \$1,133,000 in 2020) 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 11. As certain of the Company's debt instruments bear interest at floating rates and are not economically hedged by interest rate swaps, fluctuations in these rates will impact the cost of financing incurred in future periods. A change in the base market rates upon which these loans accrue interest by 1% will increase or decrease interest expense by approximately \$167,000 (2020 - \$267,000) per annum.

(ii) Liquidity risk:

Liquidity risk is the risk from the Company's potential inability to meet its financial obligations. To mitigate this risk, the Company constantly monitors its cash flows and operations to ensure current and long-term obligations can be met. The Company's capital resources are comprised of cash, cash flow from operating activities, and a long-term debt arrangement that includes revolving credit lines that can be utilized for working capital and capital expenditures (note 11). The current long-term debt arrangement is scheduled to mature in 2023 but the Company is working with its senior lenders to extend the term by at least 12 months and ensure the credit facilities are refinanced well in advance of the extended maturity date. Cash is comprised of cash balances and deposits with financial institutions. Due to the seasonality of the business, the Company finances a portion of its assets through customer deposits received in advance of the services being provided.

At December 31, 2021, the Company has a working capital deficiency of \$9,790,000 (2020 - \$2,498,000).

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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	2022	2023	2024	2025	2026	Thereafter	Total
Accounts payable and accrued liabilities	\$ 8,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,152
Debt:							
Mortgage principal and interest	5,785	40,095	-	-	-	-	45,880
Lease liabilities, including interest	1,745	6,190	890	513	414	5,308	15,060
	7,530	46,285	890	513	414	5,308	60,940
	\$15,682	\$46,285	\$ 890	\$ 513	\$ 414	\$ 5,308	\$69,092

(iii) Credit risk:

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

(iv) Currency risk:

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

18. Capital risk management:

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

The Company's objectives when managing its capital are:

- (a) To safeguard the Company's ability to continue as a going concern so that it can provide services to its customers and continue to reduce debt;
- (b) To comply with debt covenants;
- (c) To maintain a financial position suitable for supporting the Company's growth strategies and provide an adequate return to shareholders; and

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- (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. In addition, the Company has a capital expenditure facility available of \$15,250,000 as at December 31, 2021 (note 11(iii)). The Company is required to comply with covenant criteria established by its lenders (see note 11). These include tangible net worth and debt coverage ratio measurements.

The Company is not subject to any statutory capital requirements but has adjusted its overall capital management strategy during the year ended December 31, 2021 in response to the effects that the COVID-19 pandemic has had on business operations (note 1).

19. Related party transactions:

- (a) During the year ended December 31, 2021, the Company expensed \$199,000 (2020 - \$174,000) in directors' fees, of which \$23,000 (2020 - \$33,000) were included in accounts payable and accrued liabilities as at December 31, 2021.
- (b) A Director of the Company is the Chairman of a vendor from which the Company purchases services in the normal course of business. There were no purchases from this vendor for the year ended December 31, 2021 (2020 - \$20,000).
- (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, 2021 and 2020, 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:

	2021	2020
Short-term employee benefits	\$ 2,328	\$ 2,033
Post-employment benefits	47	64
	<u>\$ 2,375</u>	<u>\$ 2,097</u>

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20. Segmented information:

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

(a) Ice rink and recreational facilities revenue:

	2021	2020
Ice and field sales	\$ 35,690	\$ 33,614
Food and beverage	1,930	2,624
Sports store	406	357
Sponsorship	551	848
Space rental	1,339	1,332
Management and consulting fees	270	257
Other	207	227
	\$ 40,393	\$ 39,259

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

(b) Geographic:

	2021			2020		
	Canada	USA	Total	Canada	USA	Total
Revenue	\$ 32,624	\$ 7,769	\$ 40,393	\$ 33,877	\$ 5,382	\$ 39,259
Non-current assets	70,438	30,068	100,506	77,227	26,734	103,961
Total assets	82,126	34,486	116,612	90,127	31,357	121,484

21. Supplemental cash flow information:

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

	2021	2020
Accounts receivable	\$ 136	\$ 499
Inventory	172	208
Prepaid and other expenses	106	1,068
Accounts payable and accrued liabilities	469	(3,878)
Deferred revenue and customer deposits	5,870	(6,040)
Effect of change in foreign currency	20	597
	\$ 6,773	\$ (7,546)

(b) Non-cash transactions:

	2021	2020
Lease obligations	\$ 5,504	\$ 318
Purchase of investment (note 9)	-	350
	\$ 5,504	\$ 668

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(c) Changes in liabilities arising from financing activities:

	December 31, 2020	Cash flow changes	Non-cash changes	December 31, 2021
Debt (note 11)	\$ 56,168	\$ (12,499)	\$ 127	\$ 43,796
Lease liabilities (note 7)	6,933	(1,216)	5,504	11,221
	\$ 63,101	\$ (13,715)	\$ 5,631	\$ 55,017

22. Expenses by function:

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

	2021	2020
Ice rink and recreational facilities expense	\$ 42,867	\$ 47,101
General and administrative expenses	6,066	5,544
Other gains	(1,529)	(2,342)

The changes in the above table, as compared to the consolidated statement of loss and comprehensive loss, relate to depreciation of \$7,801,000 (2020 - \$7,951,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$7,514,000 (2020 - \$7,680,000), and to general and administrative expenses in the amount of \$287,000 (2020 - \$271,000).

23. Government subsidy:

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

The Company determined it was eligible for CEWS and CERS and accordingly applied for and recorded other income of \$6,537,000 in 2021 (2020 - \$6,371,000), of which \$52,000 was receivable at December 31, 2021 (2020 - \$1,902,000).

FIVE YEAR REVIEW

Statements of Financial Position

<i>in thousands, except statistics</i>	2021	2020	2019	2018	2017
Assets:					
Property, plant and equipment - facilities	\$ 97,432	\$ 98,771	\$ 105,209	\$ 99,582	\$ 98,596
Other	17,269	18,884	32,815	27,659	25,463
Deferred tax assets	1,911	3,829	3,139	1,694	1,661
	\$ 116,612	\$ 121,484	\$ 141,163	\$ 128,935	\$ 125,720
Liabilities:					
Debt	\$ 43,796	\$ 56,168	\$ 58,271	\$ 50,811	\$ 53,679
Other	31,430	21,316	31,080	27,162	25,655
Deferred tax liabilities	970	2,292	3,428	1,138	1,188
	\$ 76,196	\$ 79,776	\$ 92,779	\$ 79,111	\$ 80,522
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	1,757	1,957	2,270	3,775	2,365
Deficit	(24,993)	(23,901)	(17,538)	(17,603)	(20,819)
	\$ 40,416	\$ 41,708	\$ 48,384	\$ 49,824	\$ 45,198
Statistics:					
Debt to equity ratio	1.36:1	1.51:1	1.36:1	1.05:1	1.24:1
Share price range	\$2.63-4.81	\$2.43-5.58	\$4.32-5.34	\$3.83-5.94	\$3.20-3.98

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

<i>in thousands, except share and per share amounts</i>	2021	2020	2019	2018	2017
Facility revenue	\$ 40,393	\$ 39,259	\$ 88,341	\$ 87,638	\$ 85,411
Other income - government subsidy	6,537	6,371	-	-	-
Total revenue and other income	\$ 46,930	\$ 45,630	\$ 88,341	\$ 87,638	\$ 85,411
Facility operating expenses	35,353	39,420	69,247	67,201	66,701
General and administrative	5,779	5,274	5,846	5,767	5,919
Total operating and G&A expenses	\$ 41,132	\$ 44,694	\$ 75,093	\$ 72,968	\$ 72,620
Earnings before interest, taxes, depreciation and amortization	5,798	936	13,248	14,670	12,791
Other expenses (gains):					
Depreciation	7,801	7,951	7,946	6,929	6,951
Net finance cost	2,072	3,580	3,080	2,248	1,090
Gain on sale of assets	(1,510)	(2,297)	(1,614)	(10)	(7)
Other	(19)	(45)	44	(91)	24
Income tax expense (recovery)	(1,454)	(1,890)	1,344	1,111	1,176
	6,890	7,299	10,800	10,187	9,234
Net earnings (loss)	(\$1,092)	(\$6,363)	\$ 2,448	\$ 4,483	\$ 3,557
Other comprehensive income (loss) related to foreign currency translation differences	(200)	(313)	(1,505)	1,410	(857)
Total comprehensive income (loss)	(\$1,292)	(\$6,676)	\$ 943	\$ 5,893	\$ 2,700
Earnings (loss) per common share	(\$0.08)	(\$0.48)	\$0.18	\$0.34	\$0.27
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

Doug Brownridge
Director
British Columbia

Chris McMullen
Director
Ontario

Don Crowe
Director
Washington State

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 People
& Chief Privacy Officer

Costa Klandianos
Vice-President
Technology & Innovation

S. Liana Guiry
Vice-President
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