Quarterly Report

Q2 2024

Condensed Consolidated Interim Financial Statements

CANLAN ICE SPORTS CORP.

For the period ended June 30, 2024

(Unaudited)

Notice of no auditor review of condensed consolidated interim financial statements

The accompanying condensed consolidated interim financial statements of the Company, as at and for the period ended June 30, 2024 have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by the entity's auditor.

CANLAN ICE SPORTS CORP.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands)

	June 30, 2024 (unaudited)	December 31, 2023 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 16,446	$ 19,029
Accounts receivable	2,297	2,991
Inventory	533	624
Prepaid and other expenses	1,916	1,256
	21,192	23,900
Non-current assets:		
Property, plant and equipment – facilities (note 4)	92,780	93,328
Deferred tax assets (note 10)	3,476	3,587
Other assets	877	1,022
Interest rate swap (note 6(b) and 11(a))	464	162
	97,597	98,099
	$ 118,789	$ 121,999
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 11,958	$ 11,742
Deferred revenue and customer deposits	8,345	14,425
Current portion of:		
Lease liabilities (note 5)	795	951
Debt (note 6(a))	2,095	2,041
	23,193	29,159
Non-current liabilities:		
Lease liabilities (note 5)	5,071	5,376
Debt (note 6(a))	39,906	40,907
Other long-term liabilities (note 8)	1,440	946
Deferred tax liabilities (note 10)	1,090	955
	47,507	48,184
Total liabilities	70,700	77,343
Shareholders' equity:		
Share capital (note 7)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	4,005	2,832
Deficit	(19,568)	(21,828)
	48,089	44,656
	$ 118,789	$ 121,999

Nature of operations (note 1)
Commitments and contingencies (note 9)

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

Approved on behalf of the Board:

/s/ Victor D'Souza
Director

/s/ Joey St-Aubin
Director

CANLAN ICE SPORTS CORP.

Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss)
(Unaudited)

(Expressed in thousands, except for share and per share amounts)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenue:				
Ice rink and recreational facilities (note 14)	$ 21,848	$ 19,811	$ 48,034	$ 44,288
Expenses (note 16):				
Ice rink and recreational facilities				
Salaries, wages and benefits	8,471	8,065	16,760	16,014
Selling and customer service	2,895	2,755	5,605	5,090
Utilities	1,671	1,496	3,498	3,156
Cost of goods sold	1,522	1,384	3,019	2,783
Repairs and maintenance	2,021	1,143	3,260	2,094
Property tax	976	662	1,750	1,386
	17,556	15,505	33,892	30,523
Earnings from ice rink and recreational facilities before the undernoted	4,292	4,306	14,142	13,765
General and administration expenses (notes 8 and 16)	2,684	2,055	4,904	4,086
Earnings before the undernoted	1,608	2,251	9,238	9,679
Other gains (expenses) (note 16):				
Depreciation	(1,878)	(1,912)	(3,736)	(3,842)
Gain on sale of assets	-	-	-	10
Foreign exchange gain (loss)	2	(1)	4	(1)
	(1,876)	(1,913)	(3,732)	(3,833)
Finance income (expenses):				
Finance income	180	151	367	313
Finance expense	(787)	(620)	(1,609)	(1,231)
Gain (loss) on interest rate swaps (note 11(a))	(212)	1,107	302	527
	(819)	638	(940)	(391)
Earnings (loss) before income taxes	(1,087)	976	4,566	5,455
Income tax expenses (recovery)				
Current	145	54	1,260	1,093
Deferred	(54)	120	246	115
	91	174	1,506	1,208
Net earnings (loss) for the period	(1,178)	802	3,060	4,247
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings:				
Foreign currency translation differences	345	(751)	1,173	(792)
Total comprehensive income (loss)	(833)	51	4,233	3,455
Basic and fully diluted earnings (loss) per share	$ (0.09)	$ 0.06	$ 0.23	$ 0.32
Weighted average common shares issued for basic and diluted earnings per share calculations	13,336,999	13,336,999	13,336,999	13,336,999

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

CANLAN ICE SPORTS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

(Expressed in thousands)

		Share capital		Contributed surplus		Foreign currency translation reserve		Deficit		Total
Balance at December 31, 2022	$	63,109	$	543	$	3,662	$	(20,663)	$	46,651
Net earnings		-		-		-		4,247		4,247
Other comprehensive loss		-		-		(792)		-		(792)
Dividends to common shareholders		-		-		-		(800)		(800)
Balance at June 30, 2023	$	63,109	$	543	$	2,870	$	(17,216)	$	49,306
Net loss		-		-		-		(3,812)		(3,812)
Other comprehensive loss		-		-		(38)		-		(38)
Dividends to common shareholders		-		-		-		(800)		(800)
Balance at December 31, 2023	$	63,109	$	543	$	2,832	$	(21,828)	$	44,656
Net earnings		-		-		-		3,060		3,060
Other comprehensive income		-		-		1,173		-		1,173
Dividends to common shareholders		-		-				(800)		(800)
Balance at June 30, 2024	$	63,109	$	543	$	4,005	$	(19,568)	$	48,089

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

CANLAN ICE SPORTS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

(Expressed in thousands)
For the six months ended June 30

	2024	2023
Cash provided by (used in):		
Operations:		
Net earnings for the period	$ 3,060	$ 4,247
Adjustments for:		
Depreciation	3,736	3,842
Other long-term liabilities	493	-
Gain on sale of assets	-	(10)
Net finance expense	940	391
Deferred income taxes	246	115
Foreign exchange gain	96	(71)
Net change in non-cash working capital (note 15)	(5,896)	(5,479)
Interest paid (note 17)	(1,588)	(1,219)
Interest received	367	313
	1,454	2,129
Financing:		
Principal repayments of debt	(965)	(944)
Principal repayments on obligations under lease liabilities	(461)	(503)
Payment of dividends on common shares	(800)	(800)
Increase in principal of debt	-	3,200
Repayment of lease liability upon exercise of purchase option (note 4)	-	(4,572)
Financing fee (note 17)		(190)
	(2,226)	(3,809)
Investing:		
Expenditures on ice rink and recreational facilities	(1,959)	(3,040)
Expenditures on other assets	(9)	(228)
Net proceeds on sale of assets	-	10
	(1,968)	(3,258)
Effect of changes in foreign currency rates on cash and cash equivalents	157	(121)
Decrease in cash and cash equivalents	(2,583)	(5,059)
Cash and cash equivalents, beginning of year	19,029	18,532
Cash and cash equivalents, end of period	$ 16,446	$ 13,473

Supplemental cash flow information (note 15)

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

1. Nature of operations:

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

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the notes to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2023 ("Annual Audited Financial Statements") which were prepared in accordance with IFRS Accounting Standards, since these interim financial statements do not contain all the disclosures required by IFRS Accounting Standards for annual financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on August 13, 2024.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

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

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

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

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

(d) Significant judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IAS 34 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 the same as those described in the December 31, 2023 consolidated financial statements.

3. Significant accounting policies:

These condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the December 31, 2023 consolidated financial statements except for the following two amendments to IAS 1, Presentation of Financial Statements that are effective for January 1, 2024:

(a) The first amendment clarifies that the classification between current and non-current liabilities is based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations of whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of "settlement" as the transfer of cash, equity instruments, other assets or services to the counterparty.

(b) The second amendment introduces Non-Current Liabilities with Covenants. It specifies that the classification of debt as current or non-current at the reporting date is not affected by the entity's compliance to the covenants after the reporting date.

The Company has adopted the above amendments from January 1, 2024. The adoption of these amendments does not have any material impact on the Company's financial disclosures.

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

4. Property, plant and equipment - facilities:

June 30, 2024		Cost		Accumulated amortization		Net book value
Land	$	19,955	$	-	$	19,955
Buildings and building improvements		118,650		70,832		47,818
Leasehold improvements		593		557		36
Rink board systems		4,643		3,441		1,202
Refrigeration equipment		25,830		13,109		12,721
Machinery and equipment		21,714		15,371		6,343
Computers, furniture and fixtures		14,128		11,648		2,480
Ice resurfacing equipment		6,745		5,549		1,196
Work in progress		1,029		-		1,029
	$	213,287	$	120,507	$	92,780

December 31, 2023		Cost		Accumulated amortization		Net book value
Land	$	19,696	$	-	$	19,696
Buildings and building improvements		117,852		68,905		48,947
Leasehold improvements		594		533		61
Rink board systems		4,626		3,377		1,249
Refrigeration equipment		25,607		12,567		13,040
Machinery and equipment		20,974		14,733		6,241
Computers, furniture and fixtures		13,532		11,135		2,397
Ice resurfacing equipment		6,715		5,299		1,416
Work in progress		281		-		281
	$	209,877	$	116,549	$	93,328

On February 28, 2023, the Company exercised its option to purchase a sports complex in Libertyville, Illinois, for $4,572,000. The property was previously leased and recorded as a right-of-use asset within property, plant and equipment on the statement of financial position. The purchase was financed by cash and bank financing of $3,200,000.

For the three and six months ended June 30, 2024 and 2023, no impairment losses were recognized in property, plant and equipment.

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

		June 30, 2024		December 31, 2023
Property, plant and equipment owned	$	88,108	$	87,690
Right-of-use property, plant and equipment leased (note 5(a))		4,672		5,638
	$	92,780	$	93,328

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

5. Right-of-use assets:

(a) The Company has the following right-of-use assets which are included in property, plant and equipment on the statement of financial position (note 4):

	Equipment	Building and building improvements	Total
December 31, 2023	$ 3,238	$ 2,400	$ 5,638
Depreciation	(260)	(168)	(428)
Purchase options exercised	(538)	-	(538)
June 30, 2024	$2,440	$ 2,232	$ 4,672

	Equipment	Building and building improvements	Total
December 31, 2022	$ 2,180	$ 7,610	$ 9,790
Depreciation	(245)	(209)	(454)
Purchase options exercised	-	(4,823)	(4,823)
Foreign exchange	-	(10)	(10)
June 30, 2023	$ 1,935	$ 2,568	$ 4,503

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

	June 30, 2024	December 31, 2023
Maturity analysis – contractual undiscounted cash flows		
Less than one year	$ 1,133	$ 1,306
One to five years	2,927	3,090
More than five years	5,191	5,525
Total undiscounted lease liabilities	$ 9,251	$ 9,921
Lease liabilities included in the statements of financial position:		
Current	$ 795	$ 951
Non-current	5,071	5,376
	$ 5,866	$ 6,327

During the three and six months ended June 30, 2024, interest expense related to lease liabilities were $104,000 and $210,000 respectively (2023 - $89,000 and $194,000 respectively). During the three and six months ended June 30, 2024, total lease expense related to leases of low-value items were $30,000 and $58,000 respectively (2023 - $33,000 and $64,000 respectively).

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

6. Debt:

(a) Credit Facilities:

	Maturity dates	Interest rates		June 30, 2024	December 31, 2023
Variable rate -	2027	CORRA + 1.85%	(i)	$ 23,447	$ 23,948
fixed with interest rate	2027	CORRA + 1.85%	(ii)	4,900	5,004
swap contracts	2027	CORRA + 1.85%	(iii)	2,034	2,077
(note 11 (a))	2027	CORRA + 1.85%	(iv)	2,195	2,242
	2027	CORRA + 2.10%	(v)	7,614	7,852
Variable rate	2027	Prime + 0.25%	(iv)	1,967	2,000
				42,157	43,123
Deferred financing costs				(156)	(175)
				42,001	42,948
Current portion				2,095	2,041
Non-current portion				$ 39,906	$ 40,907

As at June 30, 2024, total bank debt consists of the following:

(i) $25,337,000 non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at Canadian Overnight Repo Rate Average (CORRA) rate plus 1.85% per annum payable monthly. The Company has entered into an interest rate swap contract (note 6 (b)(i) and 11(a)), maturing on November 21, 2027, to fix the interest rate at 5.34% per annum payable monthly. At June 30, 2024, the balance outstanding was $23,447,000;

(ii) $5,213,000 non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at CORRA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(ii) and 11(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At June 30, 2024, the balance outstanding was $4,900,000;

(iii) $10,000,000 revolving loan amortized over 25 years, maturing on November 30, 2027, interest at CORRA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(ii) and 11(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At June 30, 2024, the balance outstanding was $2,034,000;

(iv) $20,000,000 revolving capital expenditure loan amortized over 25 years, maturing on November 30, 2027. At June 30, 2024, the balance outstanding on this credit facility was $4,162,000. Of this total, $2,195,000 accrues interest at CORRA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(ii) and 11(a)), maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. The remaining $1,967,000 outstanding at June 30, 2024, accrues interest at Prime plus 0.25% per annum payable monthly;

(v) $8,525,000 loan amortized over 15 years, maturing on September 30, 2027, interest at CORRA plus 2.1% per annum payable monthly. The Company entered into an interest rate swap contract (note 6 (b)(iii) and 11(a)), maturing on September 29, 2027 to fix the interest rate at 5.70% per annum payable monthly. At June 30, 2024, the balance outstanding was $7,614,000; and

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

(vi) $745,000 demand revolving operating loan, interest at Prime rate plus 0.25% per annum. No amounts have been drawn on this loan to date.

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.

For the three and six months ended June 30, 2024, amortization of deferred financing costs related to these facilities totaling $10,000 and $19,000 respectively (2023 - $6,000 and $12,000 respectively) was recorded in finance costs.

The Company is required to comply with covenant criteria established by its lenders. These include tangible net worth and debt coverage ratio measurements. As at June 30, 2024, the Company was in compliance with these covenants.

(b) Derivative instruments:

The Company uses derivative instruments in accordance with its overall risk management policies. The Company enters into interest rate swap agreements which exchange a receipt of floating interest for a payment of fixed interest to reduce the Company's exposure to interest rate variability on its outstanding floating-rate debt. The Company has not designated, for accounting purposes, its interest rate swaps as a cash flow hedge of its debt.

As of June 30, 2024, the Company has the following interest rate swap contracts:

Note Reference		Interest rate Index	Term	Swap rate	Notional amount June 30, 2024	Notional amount December 31, 2023	Fair value June 30, 2024	Fair value December 31, 2023
(i)	6 (a)(i)	CORRA	2023-2027	5.34%	$ 23,448	$ 23,948	$ 308	$ 139
(ii)	6 (a)(ii)(iii)(iv)	CORRA	2022-2027	5.50%	9,129	9,323	74	-
(iii)	6 (a)(v)	CORRA	2023-2027	5.70%	5,563	7,899	82	23
					$ 38,140	$ 41,170	$ 464	$ 162

7. 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:		
June 30, 2024 and December 31, 2023	13,336,999	$ 63,109

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

8. General and administration expenses:

General and administration expenses consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Salaries, wages and benefits	$ 1,828	$ 1,586	$ 3,496	$ 3,203
LTI Plan	261	-	337	-
Professional and regulatory fees	152	94	300	207
Office	253	174	484	360
Travel	90	142	148	163
Other	100	59	139	153
	$ 2,684	$ 2,055	$ 4,904	$ 4,086

Compensation expense related to the LTI Plan for the three and six months ended June 30, 2024 has been included in other long-term liabilities as at June 30, 2024.

9. Commitments and contingencies:

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

(b) At June 30, 2024, the Company has letters of guarantee outstanding with various vendors in the amount of $5,000 (2023 - $5,000).

10. Income taxes:

The tax effects of timing differences that give rise to deferred tax assets and liabilities are presented below:

	June 30, 2024	December 31, 2023
Deferred income tax assets:		
Unused tax losses	$ 1,761	$ 2,158
Properties	1,138	1,012
Other	577	417
Total deferred income tax assets	$ 3,476	$ 3,587
Deferred income tax liabilities:		
Properties	$ (964)	$ (911)
Other	(126)	(44)
Total deferred income tax liabilities	$ (1,090)	$ (955)

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

11. Financial instruments:

(a) Fair value:

The Company has the following financial instruments:

	Accounting classification	Fair value level
Financial assets not measured at fair value:		
Cash and cash equivalents *(i)*	Amortized cost	1
Accounts receivable *(i)*	Amortized cost	2
Financial assets measured at fair value:		
Investment (included in other assets) *(iv)*	FVOCI	3
Interest rate swaps *(iii)*	Financial assets at FVTPL	2
Financial liabilities not measured at fair value:		
Accounts payable and accrued liabilities *(i)*	Amortized cost	2
Debt	Amortized cost	2
Financial liabilities measured at fair value:		
Other long-term liabilities *(ii)*	Financial liability at FVTPL	2

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

(ii) The carrying values of other long-term liabilities is considered by management to approximate their fair values.

(iii) In November 2022 and January 2023, respectively, the Company entered into interest rate swap agreements (five-year term) to fix the interest rate on certain of its debt (note 6). The fair value of this derivative instrument has been presented as an interest rate swap on the statement of financial position. Changes in fair value of the instrument are recognized in net earnings (loss) for the period. For the three and six months ended June 30, 2024, a loss of $212,000 and a gain of $302,000 respectively (2023 – a gain of $1,107,000 and $527,000 respectively) was recognized.

(iv) The carrying value of the investment is considered by management to approximate its fair value.

(b) Financial risk management:

(*i*) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company monitors its interest rate exposure on an ongoing basis.

The terms of the Company's outstanding debt are described in note 6. As $1,967,000 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 $20,000 (2023 - $20,000) 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 and cash equivalents, 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 6). Cash and cash equivalents are 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 June 30, 2024, the Company has a working capital deficiency of $2,001,000 (December 31, 2023 – $5,259,000). The Company anticipates that sufficient cash flows will be generated from operations to meet its current liabilities as they become due.

(*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.

12. Capital risk management:

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

The Company's objectives when managing its capital are:

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

(b) To comply with debt covenants;

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

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

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

The Company executes a planning and budgeting process to determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. The Company ensures there are sufficient credit facilities to meet its current and future business requirements, taking into account its anticipated cash flows from operations and its cash balance on-hand. In addition, the Company has a capital expenditure facility available of $15,838,000 as at June 30, 2024 (note 6(iv)). The Company is required to comply with covenant criteria established by its lenders (see note 6). These include tangible net worth and debt coverage ratio measurements. As at June 30, 2024, the Company was in compliance with its debt covenants.

13. Related party transactions:

(a) During the three and six months ended June 30, 2024, the Company expensed $64,000 and $122,000 respectively (2023 - $56,000 and $121,000 respectively) in directors' fees.

(b) A director of the Company is the chairman of a vendor from which the Company purchases services in the normal course of business. There were $2,000 and $4,000 in purchases from this vendor for the three and six months ended June 30, 2024 respectively (2023 - $nil and $7,000 respectively).

(c) 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:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Short-term employee benefits	$ 598	$ 537	$ 1,138	$ 1,072
LTI Plan	261	-	337	-
Post employment benefits	251	113	263	228
	$ 1,110	$ 650	$ 1,738	$ 1,300

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

14. 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:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Ice and field sales	$ 16,805	$ 15,239	$ 38,098	$ 35,118
Food and beverage	3,785	3,370	7,434	6,687
Sports store	255	272	542	545
Sponsorship	289	334	501	611
Space rental	537	429	1,036	937
Management and consulting fees	54	69	147	138
Other	123	98	276	252
	$ 21,848	$ 19,811	$ 48,034	$ 44,288

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

(b) Geographic:

Revenue	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Canada	$ 18,721	$ 17,250	$ 39,987	$ 36,948
USA	3,127	2,561	8,047	7,340
	$ 21,848	$ 19,811	$ 48,034	$ 44,288

Assets	June 30, 2024 Canada	June 30, 2024 USA	June 30, 2024 Total	December 31, 2023 Canada	December 31, 2023 USA	December 31, 2023 Total
Non-current assets	$ 66,224	$ 31,373	$ 97,597	$ 67,084	$ 31,015	$ 98,099
Total assets	$ 81,005	$ 37,784	$ 118,789	$ 85,348	$ 36,651	$ 121,999

15. Supplemental cash flow information:

	Six months ended June 30, 2024	Six months ended June 30, 2023
(a) Net changes in non-cash working capital:		
Accounts receivable	$ 694	$ 506
Inventory	91	32
Prepaid and other expenses	(660)	(827)
Accounts payable and accrued liabilities	216	680
Deferred revenue and customer deposits	(6,080)	(5,991)
Effect of change in foreign currency	(157)	121
	$ (5,896)	$ (5,479)

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

(b) Changes in liabilities arising from financing activities:

	December 31, 2023	Cash flow changes	Non-cash changes	June 30, 2024
Debt (note 6)	$ 42,948	$ (966)	$ 19	$ 42,001
Lease liabilities	6,327	(461)	-	5,866
Dividends payable	400	-	-	400
	$ 49,675	$ (1,427)	$ 19	$ 48,267

16. Expenses by function:

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

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Ice rink and recreational facilities expense	$ 19,358	$ 17,339	$ 37,474	$ 34,205
General and administrative expenses	2,760	2,133	5,058	4,246
Other income	(2)	1	(4)	(9)

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation expense being allocated from other expenses to ice rink and recreational facilities and to general and administrative expenses. Total depreciation expenses for the three and six months ended June 30, 2024 of $1,878,000 and $3,736,000, respectively, (2023 - $1,912,000 and $3,842,000 respectively) were reallocated. For the three and six months ended June 30, 2024, $1,802,000 and $3,582,000, respectively, (2023 - $1,834,000 and $3,682,000 respectively) were allocated to ice rink and recreational facilities and $76,000 and $154,000, respectively, (2023 - $78,000 and $160,000 respectively) were allocated to general and administrative expenses.

17. Comparative Figures:

On the condensed consolidated statement of cash flows, financing fee of $190,000 for the six months ended June 30, 2023 has been reclassified from cash used in operations to cash used in financing activities.

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

For the Six Months Ended June 30, 2024
As of August 13, 2024

Canlan Ice Sports Corp.
Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) summarizes significant factors affecting the financial condition of Canlan Ice Sports Corp. ("Canlan", the "Company", "we" "our" or "us") as at June 30, 2024 and the consolidated operating results for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. This document should be read in conjunction with our unaudited condensed consolidated interim financial statements for the period ended June 30, 2024, the accompanying notes, and our audited consolidated financial statements for the years ended December 31, 2023 and December 31, 2022. All dollar amounts included in this MD&A are in Canadian dollars.

We have prepared these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS").

Non-IFRS Financial Measure ("Operating Earnings")

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

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

The date of this MD&A is August 13, 2024.

Forward Looking Statements

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

Overview – Three Months ended June 30, 2024

- Total operating revenue of $21.8 million increased by $2.0 million or 10.3% compared to a year ago;

- Total operating earnings (see "**Non-IFRS Financial Measure**" above) was $1.6 million compared to $2.3 million in 2023 as the Company incurred increased expenses related to its roof remediation program and other major maintenance projects to improve dressing rooms, rink floors and parking lots compared to 2023; and

- Food and beverage revenue was up 12.3% due to increased tournament business and additional promotional programs that drove increased traffic into the Company's restaurants.

Overview of the Company

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

As at the date of this MD&A, the Company owns, leases or manages a network of 16 facilities in Canada and the United States containing playing surfaces as outlined below. The Company owns 12 of these facilities, freehold, containing 1.4 million square feet of space situated on 170 acres of land. Of the four facilities not owned on a freehold basis, one building is situated on land that is leased under a long-term lease arrangement, one building is operated under an operating agreement with a municipality, one facility (land and building) is operated under a lease agreement, and one facility is managed on behalf of a municipality for a management fee.

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:

Canada:	**Facilities**	**Ice Surfaces**	**Indoor Turf Fields**	**Courts** [a]	**Total Playing surfaces**
British Columbia	4	13	1	-	14
Saskatchewan	2	6	-	-	6
Manitoba	1	3	1	-	4
Ontario	5	20	-	7	27
	12	**42**	**2**	**7**	**51**
USA:					
Illinois	4	6	3 [b]	13	22
	16	**48**	**5**	**20**	**73**

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 $3.63 to $4.40 range during the six-month period ended June 30, 2024. 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, field, court rentals, and internal programming.

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

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

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

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

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

Selected Financial Information

The following selected consolidated financial information is for the six months ended and as at June 30, 2024, 2023 and 2022. This data should be read together with the unaudited condensed consolidated interim financial statements for the periods ended June 30, 2024, 2023 and 2022.

Our condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and are stated in Canadian dollars.

in thousands, except earnings per share (unaudited)

As at and for the six months ended June 30,	2024	2023	2022
Statement of Operations Data:			
Revenue	**$ 48,034**	$ 44,288	$ 36,021
Expenses [1]	**(33,892)**	(30,523)	(25,847)
Earnings from ice rink & recreational facilities before the undernoted	**14,142**	**13,765**	**10,174**
General & administration expenses	**(4,904)**	(4,086)	(3,371)
Earnings before the undernoted	**9,238**	**9,679**	**6,803**
Other gains (expenses):			
Depreciation	**(3,736)**	(3,842)	(3,953)
Finance expenses	**(1,242)**	(918)	(1,174)
Foreign exchange gain (loss)	**4**	(1)	1
Gain on interest rate swaps	**302**	527	507
Gain on sale of assets	**-**	10	106
Income tax expense	**(1,506)**	(1,208)	(416)
Net earnings	**$ 3,060**	$ 4,247	$ 1,874
Other comprehensive income (loss)	**1,173**	(792)	464
Total comprehensive income	**$ 4,233**	$ 3,455	$ 2,338
Basic and fully diluted earnings per share	**$ 0.23**	$ 0.32	$ 0.14
Balance Sheet Data:			
Cash and cash equivalents	**$ 16,446**	$ 13,473	$ 9,643
Current assets (excluding cash and cash equivalents)	**4,746**	4,142	3,998
Property, plant and equipment - facilities	**92,780**	94,161	96,076
Other assets	**4,817**	4,553	2,641
Total assets	**$ 118,789**	$ 116,329	$ 112,358
Current liabilities, excluding debt	**$ 20,303**	$ 18,463	$ 15,944
Debt	**42,001**	41,891	41,771
Lease liabilities	**5,866**	5,255	10,806
Other long-term liabilities	**1,440**	-	-
Deferred tax liabilities	**1,090**	1,414	1,083
Total liabilities	**70,700**	67,023	69,604
Shareholders' equity	**48,089**	49,306	42,754
Total liabilities and shareholders' equity	**$ 118,789**	$ 116,329	$ 112,358
Dividends declared	**$ 800**	$ 800	$ -

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

Review of Operations

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Total operating revenue of $21.8 million increased by $2.0 million or 10.3% compared to 2023. Higher tournament registrations, third-party contract rentals, and youth hockey league registrations were the key drivers of the increase. The higher volumes also resulted in increased food and beverage revenue, which, on its own, increased by 12.3%.

Operating expenses include all costs directly related to the operations of our recreation properties. Total operating expenses of $17.6 million increased by $2.1 million or 13.2% mainly due to increased repairs and maintenance, labour, utilities and property taxes. Maintenance costs incurred related to the Company's roof remediation program and projects to improve dressing rooms, rink floors and parking lots. Labour costs increased in line with annual increments and increased labour hours to service customer volumes. Utilities expense increased principally due to higher rates, and property taxes increased as Canlan Sports Libertyville transitioned from being a leased facility to an owned facility.

Total G&A expenses of $2.7 million increased by $0.6 million or 30.6% mainly due to increased wages and IT costs. During the second half of 2023, the Company recruited additional talent and implemented technology at the central office to strengthen operations support to sports complexes and provide enhanced KPI reporting. In addition, the Company recorded compensation expense in Q2 2024 (no expense required during the same period of 2023) related to a new long-term incentive compensation plan that commenced in fiscal 2023.

After G&A, operating earnings were $1.6 million compared to $2.3 million in 2023.

Total depreciation expense was $1.9 million consistent with 2023. Finance costs of $0.6 million increased by $0.1 million. During the three months ended June 30, 2024, the Company recorded a mark-to-market loss of $0.2 million from a change in the value of interest rate swap contracts (2023 – a gain of $1.1 million). After recording income tax expense of $0.1 million (2023 – $0.2 million), net loss was $1.2 million or $0.09 loss per share compared to an earnings of $0.8 million or $0.06 earnings per share in the prior year.

In addition, foreign exchange (FX) translation gain related to U.S. subsidiaries was $0.3 million compared to a loss of $0.8 million in 2023. Period end FX adjustments of U.S. assets and liabilities are accounted for as other comprehensive income or loss.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenue by business segment:

in thousands **Six months ended June 30**		**2024**		**2023**
Ice and field sales	$	**38,098**	**$**	35,118
Food and beverage (F&B)		**7,434**		6,687
Sports store		**542**		545
Sponsorship		**501**		611
Space rental		**1,036**		937
Management and consulting fees		**147**		138
Other		**276**		252
Total revenue	**$**	**48,034**	**$**	44,288

Total operating revenue of $48.0 million increased by $3.7 million or 8.5% principally due to higher third-party contract ice rentals, tournament registrations and food and beverage revenue. Demand for Canlan-operated youth hockey tournaments remained strong in the BC and Ontario regions. The increased traffic, along with successful promotion programs also helped drive incremental concession and restaurant sales during the first half of 2024.

Operating expenses include all costs directly related to the operations of our recreation properties. Total operating expenses of $33.9 million increased by $3.4 million or 11.0% mainly due to increased labour and other expenses to service higher customer volumes, increased maintenance expenses related to rink and dressing room improvements, and roof remediation projects.

Total G&A expenses of $4.9 million increased by $0.8 million or 20.0%. During the second half of the prior year, the Company recruited additional talent and implemented technology at the central office to strengthen operations support to sports complexes, provide enhanced KPI reporting and develop new products/programs to diversify the Company's revenue streams. In addition, the Company recorded compensation expense of $0.3 million during the first six months of 2024 (no expense required during the same period of 2023) related to a new long-term incentive compensation plan that commenced in fiscal 2023.

After G&A, operating earnings were $9.2 million compared to $9.7 million in 2023.

Total depreciation expense was $3.7 million compared to $3.8 million in 2023. Net finance costs of $0.9 million increased by $0.5 million from last year mainly due to term debt and leases drawn during the latter half of 2023 to finance capital expenditures and reduced mark-to-market gains on interest rate swap contracts. After recording income tax expense of $1.5 million (2023 – $1.2 million), net earnings was $3.1 million or $0.23 per share compared to $4.2 million or $0.32 per share in the prior year.

In addition, an FX translation gain of $1.2 million related to U.S. subsidiaries was recorded compared to an FX loss of $0.8 million in 2023. Period end FX adjustments related to U.S. assets and liabilities are accounted for as other comprehensive income or loss.

Earnings by Quarter

The Company's quarterly results for the last 8 quarters are as follows:

in thousands, except net earnings (loss) per share (unaudited)

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	$ 21,848	$ 26,186	$ 24,617	$ 17,246	$ 19,811	$ 24,477	$ 22,143	$ 15,564
Expenses	(17,556)	(16,336)	(17,918)	(18,330)	(15,505)	(15,018)	(15,103)	(14,779)
	4,292	9,850	6,699	(1,084)	4,306	9,459	7,040	785
General & administration expenses	(2,684)	(2,220)	(3,680)	(2,197)	(2,055)	(2,031)	(2,340)	(1,644)
Earnings (loss) before the undernoted	**1,608**	**7,630**	**3,019**	**(3,281)**	**2,251**	**7,428**	**4,700**	**(859)**
Depreciation	(1,878)	(1,858)	(1,763)	(1,908)	(1,912)	(1,930)	(1,947)	(2,479)
Finance expense	(607)	(635)	(665)	(612)	(469)	(449)	(625)	(629)
Foreign exchange gain (loss)	2	2	-	6	(1)	-	(2)	12
Gain (loss) on interest rate swaps	(212)	514	(1,682)	700	1,107	(580)	104	34
Gain (loss) on sale of assets	-	-	5	-	-	10	27	(27)
Gain on early lease termination	-	-	-	-	-	-	-	4,530
Earnings (loss) before taxes	**(1,087)**	**5,653**	**(1,086)**	**(5,095)**	**976**	**4,479**	**2,257**	**582**
Income tax recovery (expense)	(91)	(1,415)	1,126	1,243	(174)	(1,034)	235	(218)
Net earnings (loss)	**$ (1,178)**	**$ 4,238**	**$ 40**	**$ (3,852)**	**$ 802**	**$ 3,445**	**$ 2,492**	**$ 364**
Basic and fully diluted earnings (loss) per share	**$ (0.09)**	**$ 0.32**	**$ 0.00**	**$ (0.29)**	**$ 0.06**	**$ 0.26**	**$ 0.19**	**$ 0.03**

Liquidity and Capital Resources

Canlan's cash balance as at June 30, 2024 was $16.4 million compared to $19.0 million from December 31, 2023. In addition to cash-on-hand, the Company also has access to $8.0 million of a $10.0 million revolving credit facility (operating credit facility) and access to $15.8 million of a $20.0 million revolving acquisition facility (capital credit facility) (see "**Review of Liabilities and Shareholders' Equity**"). This revolving facility can be drawn upon at any time to fund working capital if required.

For the six months ended June 30, 2024, cash from operations, less interest paid on debt and leases was $1.5 million compared to $2.1 million a year ago.

In terms of finance activities, $1.0 million was used for scheduled principal repayments of term debt and $0.5 million was used for scheduled repayment of equipment and property lease obligations. In addition, $0.8 million was used to distribute dividends declared during Q4 of 2023 and Q1 of 2024.

Investing activities principally related to $2.0 million invested in capital expenditures during the six months ended June 30, 2024. Capital projects during the six months ended June 30, 2024 mainly consisted of new audio/video equipment for dining areas, new refrigeration and dehumidification systems focused on improving ice and air quality plus energy conservation, and construction of new sports simulators to expand our recreation and entertainment product offerings. This new product is being piloted at two locations, Scotia Barn and Canlan Sports York, in 2024.

The following table provides a summary of cashflows for the six months ended June 30:

in thousands

Six months ended June 30	**2024**	**2023**
Cash provided by (used in):		
Operations	**$ 1,454**	$ 2,129
Financing	**(2,226)**	(3,809)
Investing	**(1,968)**	(3,258)
Foreign currency change	**157**	(121)
Net cash flow	**$ (2,583)**	$ (5,059)

The following table provides a reconciliation of operating earnings to cash flow from operations:

in thousands

Six months ended June 30	**2024**	**2023**
Operating earnings[1]	**$ 9,238**	$ 9,679
Net changes in non-cash working capital	**(5,896)**	(5,479)
Net interest paid	**(1,221)**	(906)
Increase in other long-term liabilities	**493**	-
Income tax expense - current	**(1,260)**	(1,093)
Foreign currency	**100**	(72)
Cash flow from operations	**$ 1,454**	$ 2,129

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

Review of Assets

The table below summarizes the Company's asset base:

in thousands	**June 30, 2024**	December 31, 2023
Property, plant and equipment - facilities	**$ 92,780**	$ 93,328
Cash and cash equivalents	**16,446**	19,029
Accounts receivable	**2,297**	2,991
Inventory	**533**	624
Prepaid and other expenses and other assets	**2,793**	2,278
Deferred income taxes	**3,476**	3,587
Interest rate swaps	**464**	162
	$ 118,789	$ 121,999

At June 30, 2024, total properties of $92.8 million decreased by $0.5 million mainly due to scheduled depreciation offset by $2.0 million of capital expenditures during the six months ended June 30, 2024.

Cash on hand at June 30, 2024 was $16.4 million compared to $19.0 million at December 31, 2023. See "***Liquidity and Capital Resources"*** for sources and uses of cash.

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

Review of Liabilities and Shareholders' Equity

The table below summarizes the Company's capital structure:

in thousands	**June 30, 2024**	December 31, 2023
Debt	**$ 42,001**	$ 42,948
Deferred revenue and customer deposits	**8,345**	14,425
Accounts payable and accrued liabilities	**11,958**	11,742
Lease liabilities	**5,866**	6,327
Other long-term liabilities	**1,440**	946
Deferred tax liabilities	**1,090**	955
	70,700	77,343
Shareholders' equity	**48,089**	44,656
	$ 118,789	$ 121,999

At June 30, 2024, total debt of $42.0 million decreased by $0.9 million mainly due to scheduled principal repayments. Total lease liabilities outstanding of $5.9 million decreased by $0.5 million mainly due to scheduled lease payments.

Deferred revenue and customer deposits represent customer registration and rental fees received in advance of when ice and field times are used. At June 30, 2024, customer deposits totaled $8.3 million compared to $14.4 million at the end of 2023.

Debt

As at June 30, 2024, bank debt and related terms consist of the following:

1) $25.3 million non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at Canadian Overnight Repo Rate Average (CORRA) rate plus 1.85% payable monthly. The Company has entered into an interest rate swap contract, maturing on November 21, 2027, to fix the interest rate at 5.34% per annum payable monthly. At June 30, 2024, the balance outstanding was $23.4 million;

2) $5.2 million non-revolving loan amortized over 25 years, maturing on November 30, 2027, interest at CORRA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract, maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At June 30, 2024, the balance outstanding was $4.9 million;

3) $10.0 million revolving loan amortized over 25 years, maturing on November 30, 2027, interest at CORRA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract, maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. At June 30, 2024, the balance outstanding was $2.0 million;

4) $20.0 million revolving capital expenditure loan amortized over 25 years, maturing on November 30, 2027. At June 30, 2024, the balance outstanding on this credit facility was $4.2 million. Of this total, $2.2 million accrues interest at CORRA rate plus 1.85% per annum payable monthly. The Company entered into an interest rate swap contract, maturing on November 30, 2027, to fix the interest rate at 5.50% per annum payable monthly. The remaining $2.0 million outstanding at June 30, 2024, accrues interest at Prime plus 0.25% per annum payable monthly;

5) $8.5 million loan amortized over 15 years, maturing on September 30, 2027, interest at CORRA plus 2.1% per annum payable monthly. The Company entered into an interest rate swap contract, maturing on September 29, 2027 to fix the interest rate at 5.70% per annum payable monthly. At June 30, 2024, the balance outstanding was $7.6 million; and

6) $0.7 million demand revolving operating loan, interest at Prime rate plus 0.25% per annum. No amounts have been drawn on this loan to date.

The Company was in compliance with all debt covenants as at June 30, 2024.

Share Capital

The total and weighted average number of shares issued and outstanding at June 30, 2024 and December 31, 2023 was 13,336,999 [(1)].

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

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

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 $4,000 in purchases from this vendor for the six months ended June 30, 2024 (2023 – $7,000).

During the six months ended June 30, 2024 and 2023, there were no transactions with key management personnel other than in the ordinary course of their employment or directorship agreements.

Financial Instruments

The Company has the following financial instruments:

	Accounting classification	Fair value level
Financial assets not measured at fair value:		
Cash and cash equivalents *(i)*	Amortized cost	1
Accounts receivable *(i)*	Amortized cost	2
Financial assets measured at fair value:		
Investment (included in other assets) *(iv)*	FVOCI(1)	3
Interest rate swaps *(iii)*	Financial assets at FVTPL	2
Financial liabilities not measured at fair value:		
Accounts payable and accrued liabilities *(i)*	Amortized cost	2
Debt	Amortized cost	2
Financial liabilities measured at fair value:		
Other long-term liabilities *(ii)*	Financial liability at FVTPL(2)	2

(1) FVOCI - fair value through other comprehensive income
(2) FVTPL - fair value through profit or loss

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

(ii) The carrying values of other long-term liabilities is considered by management to approximate their fair values.

(iii) In November 2022 and January 2023, respectively, the Company entered into interest rate swap agreements (five-year term) to fix the interest rate on certain of its debt. The fair value of this derivative instrument has been presented as an interest rate swap on the statement of financial position. Changes in fair value of the instrument are recognized in net earnings (loss) for the period. For the six months ended June 30, 2024, a gain of $0.3 million (2023 –$0.5 million) was recognized.

(iv) The carrying value of the investment is considered by management to approximate its fair value.

The Company had no "other comprehensive income or loss" transactions related to financial instruments during the six months ended June 30, 2024 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 June 30, 2024.

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 period ended June 30, 2024. Management has concluded that these disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings (NI 52-109), are adequate and effective and that material information relating to the Company was made known to them and reported within the time periods specified under applicable securities legislation.

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 June 30, 2024.

Risk Factors

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

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

COVID-19 and other Pandemic or Epidemic Diseases

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

Mitigating factors and strategies:

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

Leverage and Ability to Service Indebtedness

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

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

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

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

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

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

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

Mitigating factors and strategies:

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

Infrastructure Expenditures

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

Mitigating factors and strategies:

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

Incurrence of Debt and the Granting of Security Interests

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

Mitigating factors and strategies:

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

Insurance

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

Mitigating factors and strategies:

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

Expansion and U.S. Operations

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

Specifically, expansion strategies include certain markets in the U.S. As such, the Company faces the risks of operating in new markets where the demographics, consumer preferences, and economic conditions can be very different from Canadian markets in which the Company primarily operates.

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

Mitigating factors and strategies:

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

Seasonality of Operations

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

Mitigating factors and strategies:

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

Competition

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

Mitigating factors and strategies:

- Canlan has developed customer loyalty by providing superior customer service and facilities.
- The ice rink industry is capital intensive with high start-up expenses; therefore, barriers to enter the business exist.
- We have developed expertise in all aspects of 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, cause property damage or other disruption to the Company’s operations. Natural disasters, climate change impacts and disruptive events may impact our operations, customer satisfaction and client experience, and may result in increased insurance premiums or deductibles, and the decrease in the availability of, or loss of, coverage. To reduce the potential impact that business operations may pose on the environment and to increase its buildings’ resilience against wind and wet climate conditions, the Company has already implemented and will continue to implement the following:

- Invest in energy efficient equipment and fixtures to cool, heat and light sports facilities and closely monitor and maintain the energy efficiency of the equipment throughout its life-cycle.
- Proactively refurbish roof structures.
- Transition its fleet primary ice re-surfacers from gas powered to electric vehicles.
- Continuously monitor utility usage, research, and develop new processes and technologies to reduce energy, water and paper consumption.

Employee and Union Relations

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

Mitigating factors and strategies:

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

Key Personnel

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

Mitigating factors and strategies:

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

Utility Costs

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

Mitigating factors and strategies:

- Where considered appropriate, the Company enters into medium-term energy contracts to mitigate 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 and continued monitoring of this particular risk.

Interest Rate Risk

Debt of $2.0 million is subject to variable interest rates. For every 1% change in base market rates, interest expense will change by $20,000 per annum.

Mitigating factors and strategies:

- The Company has fixed the interest rate on $40.2 million or 95% of its loans.
- Management closely monitors market conditions and works with its senior lenders to mitigate interest rate risk where possible in periods of rising borrowing costs.

Control by Principal Shareholder and Liquidity of Common Shares

The principal shareholder, Bartrac Investments Ltd. holds 10,075,947 Common Shares and controls approximately 75.5% of the aggregate voting shares of the Corporation, which will allow it to control substantially all the actions taken by the shareholders of the Company, including the election of the directors. In addition, at the date of this MD&A, a Trust in the U.S. holds 2,308,500 Common Shares, which represents 17.3% of total outstanding Common Shares. Such concentration of ownership could also have the effect of delaying, deterring, or preventing a change of control of the Company that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Company and limit the amount certain investors may be willing to pay for the Common Shares.

Critical Accounting Policies and Estimates

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

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

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

Recoverability of Property, Plant and Equipment - Facilities

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

Useful Lives of Property, Plant and Equipment

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life and residual values which are determined through exercise of judgment. Approximately 76% of the Company's total assets are comprised of recreational properties. The method of depreciation and length of the depreciation period could have a material impact on depreciation expense and the net book value of the Company's assets. Assets may become obsolete or require replacement before the end of their estimated useful lives, in which case any remaining unamortized costs would be expensed.

Deferred Income Tax

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

Ivan Wu
Chief Financial Officer