

**CANLAN
ICE
SPORTS**



CANLAN ICE SPORTS CORP.

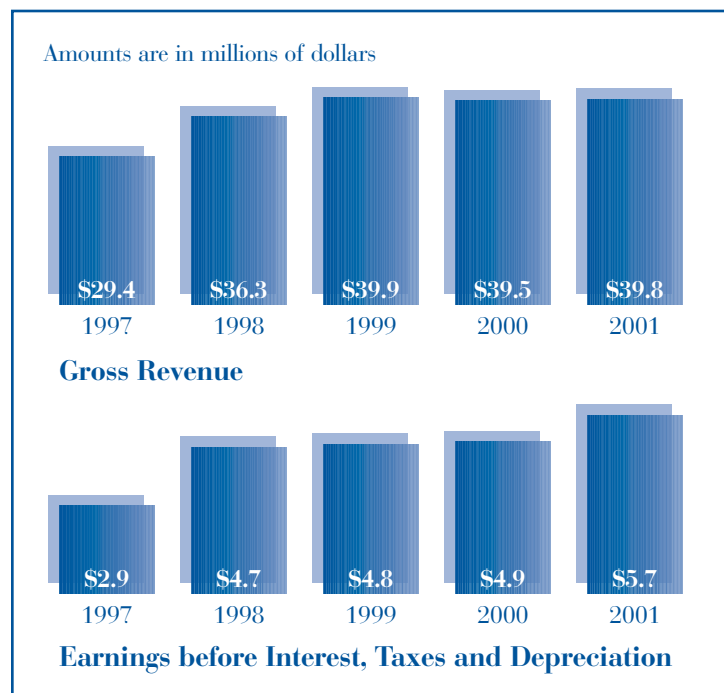
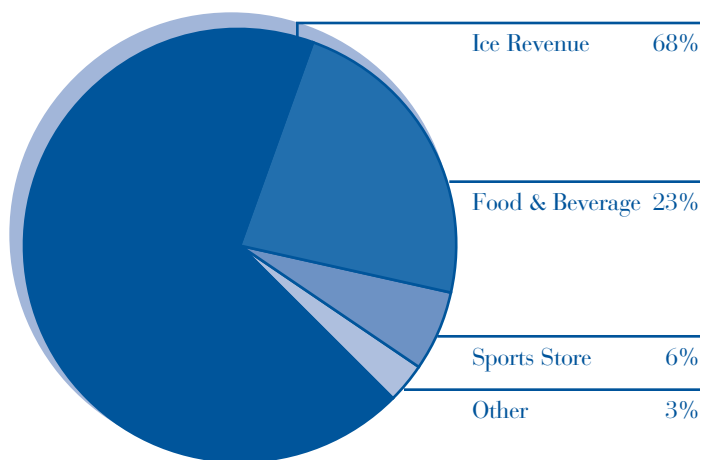
2001 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	2001	2000
Revenue from continuing operations	\$ 39,773,000	\$ 39,528,000
Earnings before interest, taxes, depreciation and amortization	5,712,000	4,922,000
Net loss from continuing operations	(3,557,000)	(3,749,000)
Net loss	(4,369,000)	(4,726,000)
Total Assets, continuing operations	105,342,000	105,655,000
Total Assets, discontinued operations	1,446,000	5,697,000
Total Assets	106,788,000	111,352,000
Shareholders' equity	29,329,000	33,698,000
Loss per common share, continuing operations	(.04)	(.14)
Loss per common share (basic)	(.05)	(.18)
Cash flow per common share (basic)	.01	(.03)
Shareholders' equity per share	.31	.36
Number of common shares outstanding	93,325,920	93,325,920

Canlan is the largest private sector operator of ice rinks in the world, with 56 ice surfaces at 20 facilities in North America. The Company's success in the recreation industry can be attributed to a combination of innovative, location-specific programming and world class facilities. Shares of Canlan trade on the Toronto Stock Exchange under the symbol ISE.

2001 ICE SPORTS REVENUE



MESSAGE TO SHAREHOLDERS

Our focus during fiscal 2001 was on increasing revenue and profitability through the growth of in-house programs in our existing facilities and the expansion of management contracts in both Canada and the U.S. I am pleased to report that we made progress in both areas.

Revenue from continuing operations of \$39.8 million increased by \$1.7 million or 4.7% on a same store basis. As a result of this improvement and a continued focus on cost controls, operating earnings of \$5.7 million increased \$1.2 million or 26% over the prior year, also on a same store basis.

We also expanded the number of facilities under management to 20 locations with 56 pads of ice, from 18 and 53 a year ago, through the acquisition of four new management contracts and the termination of two others.

In 1999 and 2000 the Company established formal marketing and human resource groups to support and develop our people and their programs. Fiscal 2001 was the first full year we could measure the benefits of these changes to structure and operating philosophy. Year over year improvements, particularly to our core ice revenues, provide confirmation that our commitment to training and our focus on developing quality, branded, in-house programs and leagues will drive earnings in the future.

We will continue to concentrate on action plans to maximize registrations and revenue and additional emphasis will be placed on the development of the spring and summer programs to address the challenges posed by the seasonal nature of our business

The Adult Safe Hockey League (“ASHL”) is the largest adult recreational league in North America and our most successful program. Last year the league grew 4% in our own facilities and our satelliting initiatives has allowed us to establish operations in three communities where we do not own or operate arenas. We attribute this growth to our continued diligence in developing the best possible product with more tangible benefits than offered elsewhere. The introduction of this years “Overtime Points Club” membership loyalty program will provide a further link between our facilities and the participating ASHL members while generating additional revenues in the Food & Beverage operations.

Our youth programs represented by the Powerade sponsored Youth Hockey League (“YHL”), extensive learn to skate and hockey schools and youth tournaments provided growth in the “non-prime” time slots and summer market. This growth was greatest in our core markets in the Toronto and Vancouver areas.

To support the continued expansion and development of our programs initiative across all of our facilities we have appointed a National Director of Programs to work with the individual Programs Managers. This increased focus supports our commitment to drive substantial revenue increases in non-prime time and the summer season through quality Canlan branded programs, marketed effectively in all our communities.

MESSAGE TO SHAREHOLDERS

We will continue expand the revenue base in our existing twenty facilities in 2002. We will also remain committed to growth through the continued acquisition of management contracts, with a bias towards developing our presence in the U.S. market. The Development Division will emphasize the early identification of new business opportunities and take a structured and pro-active approach to expansion in the U.S. and Canadian markets.

We wish to thank our employees for their dedication and their commitment to achieving these goals and our shareholders and financial partners for their continued patience and support through difficult times. We remain confident that the platform built over the past few years and our agenda for the future will demonstrate its rewards in the year ahead.

[signed] W. Grant Ballantyne
President & C.E.O.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the operating results and financial position of Canlan Ice Sports Corp. should be read in conjunction with the December 31, 2001 consolidated financial statements and notes which are contained in this Annual Report.

INTRODUCTION

Canlan Ice Sports Corp ("Canlan" or "the Company") is a publicly traded Canadian Company with its shares currently listed on the Toronto Stock Exchange using ISE as its trading symbol.

2001 was the Company's first annual reporting period after the financial restructuring, which was completed in the fall of 2000. The restructuring was difficult, but necessary for the Company to move towards achieving a self-sustaining financial structure. The principal holiday and debt extensions granted by secured lenders have given the Company time to evaluate the way it does business and improve results. With the cooperation of the debentureholders, the Company converted debt it could not service into common shares of Canlan, a critical element in the financial recovery process.

Presently, Canlan operates 20 facilities containing 56 full sized ice sheets throughout North America. Of these facilities, the Company owns 13 and manages 7 on behalf of their investors. Canlan's facilities serve a number of markets that are geographically and demographically diverse. The province of Ontario is the single largest market in terms of gross sales and contributes 41% of total revenue.

	<i>Number of Facilities</i>	<i>Number of Ice sheets</i>		<i>Number of Facilities</i>	<i>Number of Ice sheets</i>
2001	20	56	Canada:		
2000	18	53	British Columbia	5	15
1999	18	51	Saskatchewan	3	8
1998	17	50	Manitoba	1	4
1997	13	44	Ontario	4	14
			Quebec	2	6
				15	47
			U.S.A.:		
			Kansas	2	3
			Michigan	1	2
			Virginia	1	2
			California	1	2
				5	9
				20	56

The Company's ice rink portfolio increased to 20 facilities as a result of acquiring four new management contracts and the termination of two others. One of the four new contracts is located in British Columbia while the remaining three are located in the U.S. The Company did not sell any of its facilities during the year and in fact acquired the remaining 18.75% joint venture interest in its Etobicoke facility that was owned by a third party. The purchase was recorded on September 1, 2001. Prior to the purchase, the asset was included in the Company's financial statements on a proportionate consolidation basis. The details of the acquisition are set out in note 4 of the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The net loss from continuing operations in 2001 was \$3.5 million (\$0.04 per share) compared to \$3.7 million (\$0.14 per share) in 2000. Included in 2000 were one time gains from property disposals totaling \$1.8 million. Without these gains, the loss in 2000 would have reached \$5.5 million; therefore a year over year improvement of \$2.0 million was achieved in the Company's core business. Earnings before interest, taxes and depreciation ("EBITDA") was \$5.7 million in 2001 compared to \$4.9 million in 2000, an improvement of \$0.8 million. During 2000 the Company disposed of its interest in a facility in Stamford, Connecticut; therefore on a same store basis, EBITDA improved by \$1.2 million or 26%. Earnings from operations include all operating revenue, management fees, operating expenses and corporate administration costs. As a percentage of revenue, EBITDA represents 14% in 2001 compared to 12% in 2000. Through further cost reductions and the acquisition of additional management contracts, management believes this gross margin ratio will continue to improve.

Total revenue from continuing operations reached \$39.8 million compared to \$39.5 million in 2000. On a same store basis revenue increased by \$1.7 million or 4.7%. Our core business of selling ice and in house programs contribute 68% of the Company's revenue stream. While revenues from ice sales showed steady improvement, sales from the restaurant and lounge operations were flat as a result of reduced traffic due to smoking by-laws being implemented in numerous jurisdictions. Reduced revenue in our sports stores is attributable to a change in product mix as the Company is focusing on lowering inventory levels and carrying only high turn over/ high margin products, effectively reducing volume but improving profitability.

A summary of the business segments is summarized as follows:

<i>in thousands</i>	<i>2001</i>		<i>2000</i>	
	<i>Sales</i>	<i>%</i>	<i>Sales</i>	<i>%</i>
Ice Sales	\$26,901	68%	\$25,758	65%
Restaurant and lounge	9,162	23%	9,166	23%
Sports Store	2,529	6%	3,337	8%
Advertising and other	1,181	3%	1,267	3%
	\$39,773	100%	\$39,528	100%

<i>in thousands</i>	<i>2001</i>		<i>2000</i>	
	<i>Sales</i>	<i>%</i>	<i>Sales</i>	<i>%</i>
Canada:				
British Columbia	\$ 9,264	23%	\$8,980	23%
Saskatchewan	4,647	12%	4,340	11%
Manitoba	2,508	6%	2,443	6%
Ontario	16,336	41%	15,259	39%
Quebec	5,060	13%	5,174	13%
	37,815	95%	36,196	92%
U.S.A.	1,958	5%	3,332	8%
	\$39,773	100%	\$39,528	100%

Operating results from the British Columbia and Ontario regions showed significant improvement and the prairie region showed steady gains.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The operating results from facilities in Quebec and Kansas City were disappointing as revenues decreased from the prior year as result of competition and reduced demand in Quebec and competitive forces in Kansas City. The Company is focused on regaining market share in both locations by improving customer service and developing custom programs for those markets.

Revenues in the fourth quarter of 2001 were \$0.5 million higher than the same quarter in 2000. Similarly, EBITDA improved by \$0.6 million over the prior year's fourth quarter. The strong finish to the year is expected to continue into 2002.

The Company incurred a loss from discontinued operations totaling \$0.8 million compared to \$1 million in 2000. All but \$0.2 million of the losses related to the winding down of real estate activity. No further losses are expected in the liquidation of the remaining \$1.4 million worth of discontinued assets.

The total net loss for the year ended December 31, 2001 was \$4.4 million compared to a loss of \$4.7 million in 2000.

Interest Expense

The Company incurred total interest costs on debt related to ice rinks of \$4.6 million (2000 – \$5.1 million) plus \$0.6 of interest was paid to service the Company's credit lines for a total interest cost of \$5.2 million (2000 – \$6.4 million). At year-end, the Company had interest bearing debt totaling \$63.5 million of which \$44.3 million was at variable rates. The Company benefited by the significant drop in prime interest rates during the course of 2001, 7.5% to 4%, which on an annualized basis, saved the Company \$1.5 million. With general economic recovery gaining strength, pressure may be put on the Central Bank to increase short-term rates. The Company intends to secure long term fixed rate financing in 2002.

Depreciation and Amortization

The Company's depreciation policy was unchanged during the year, which calls for straight-line depreciation of its ice rink assets over periods ranging from 5 years to 40 years. Depreciation expense for the year of \$3.6 million was relatively unchanged from the prior year. The Company spends \$1.7 million annually on repairs and maintenance costs, which are expensed when incurred.

General and Administration

All administrative expenses incurred by the ice rink facilities are included in ice rink operating costs. In 2001, this totaled \$2.3 million, which was relatively unchanged from the prior year. General and administrative expenses represent less than 6% of revenue and will continue to decrease as revenues increase.

Corporate general and administration expenses were \$2.5 million, a decrease of \$0.2 million or 7.5%, from the prior year. The primary contributor to the reduction in G & A was the head office relocation to our Burnaby 8 Rinks facility on April 1, 2001. The Company also maintains a satellite office in Toronto at its Etobicoke facility. Included in corporate overhead are costs related to management support services to all Ice Sports facilities including accounting, marketing and payroll services. Costs related to maintaining Canlan's public listing and provincial capital taxes (\$0.4 million) are also included in general and administration expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Taxes

The Company pays property taxes to various cities and towns in which its ice rinks are situated and are a significant expense to the Company. In 2001, the Company paid \$1.5 million (2000 - \$1.8 million) in property taxes, which was a 16% reduction from 2000. The reductions were a result of continued monitoring and, when necessary, appealing to municipal authorities for assessment reviews. The Company was successful in reducing property taxes in three locations. Property taxes are included in ice rink operating expenses.

Canlan was not subject to income taxes in 2001 or 2000 as the Company incurred losses for tax purposes.

CONTRACT MANAGEMENT AND CONSULTING & DEVELOPMENT SERVICES

In 2000, the Company established a Development Division to capitalize on our industry expertise and operational knowledge. The Division offers various products, from one time consulting engagements to establishing long-term management contracts. During 2001 and the first quarter of 2002, the Division was successful in establishing four new management contracts, one construction management contract and numerous consulting engagements. It is expected that the Division will continue to provide the Company with growth opportunities.

SUMMARY OF OPERATIONS

<i>in thousands</i>	<i>2001</i>	<i>2000</i>
Revenue		
Ice Rinks	\$39,753	\$39,080
Other	20	448
	<u>39,773</u>	<u>39,528</u>
Expenses		
Ice Rinks	31,563	31,721
Other	–	186
General & Administration	2,498	2,699
	<u>34,061</u>	<u>34,606</u>
EBITDA	5,712	4,922
Interest	5,201	6,381
Depreciation	3,638	3,765
Taxes	270	376
Gain (loss) on sale of properties	46	(1,467)
Other	114	(384)
	<u>9,269</u>	<u>8,671</u>
Net Loss from Continuing Operations	(\$3,557)	(\$3,749)
EBITDA as a percentage of revenue	14.4%	12.5%
General & Administration as a percentage of revenue	6.3%	6.8%

REVIEW OF ASSETS

During the year, the Company purchased the remaining 18.75% joint venture interest in its Etobicoke ice rink facility that was owned by a third party for cash consideration of \$0.7 million. Together with the assumption of \$1.6 million of liabilities, the Company acquired assets valued at \$2.3 million. Prior to September 1, 2001 the financial statements of Canlan included the assets, liabilities, revenue and expenses of Etobicoke on a proportionate consolidation basis. The assets and liabilities of Etobicoke are now consolidated at 100% and the operating results have been consolidated at 100% since September 1, 2001.

Total book value of the Company's assets decreased to \$106.8 million, a reduction of \$4.6 million (net) from the prior year. The decrease in the asset base is attributable to a \$4.2 million reduction in discontinued assets as a result of disposals, write-downs and scheduled depreciation totaling \$3.6 million. The Company spent \$1.3 million on capital expenditures on its owned facilities throughout the organization. The only significant asset acquired during the year was the joint venture interest in Etobicoke, as discussed above.

REVIEW OF LIABILITIES

Total interest bearing debt, which includes notes payable, mortgage debt, capital leases and credit lines totaled \$63.5 million as at December 31, 2001, an increase of \$4.0 million from 2000. Outstanding balances relating to capital leases were reduced by \$0.7 million, and mortgage principal of \$0.5 million was repaid.

As at December 31, 2001, the Company had a working capital deficiency of \$8.6 million compared to \$7.4 million in the prior year. The deficiency increased as a result of discontinued assets not being disposed at their carrying cost and \$1.4 million of the borrowings from a major shareholder being classified as a current liability. The liquidation of the remaining discontinued assets is expected to continue in 2002, with all surplus cash from the sale to be applied towards non-specific debt.

The Company is currently benefiting from a principal holiday on all but two of its ice rink mortgages. The principal deferment was for 24 months and resumption of principal payments on most loans is scheduled for November 2002. Resumption of principal payments for the Scarborough and Etobicoke facilities are scheduled for January and September 2003, respectively. The normalized principal payments for the Company on an annual basis is expected to be \$2.6 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's debt to equity ratio has increased slightly to 2.59:1 from 2.26:1 in 2000. The Company generated cash flow from operations before interest, principal and capital taxes totaling \$5.7 million. After providing for interest and capital taxes of \$5.5 million, a \$0.2 million positive cash flow resulted before principal repayment. Principal repayments for the mortgages and capital leases totaled \$1.1 million. Therefore the Company was still cash flow negative in 2001 but much improved over 2000, which was \$3.0 million negative.

Pursuant to a loan agreement the Company borrowed \$3 million from its major shareholder during the year to fund the shortfall. The loan agreement calls for a specific repayment schedule over the next five years.

The Company is preparing for the resumption of principal repayments, which will total \$2.6 million annually, by preparing forecasts and analyzing cash flow per facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RISK MANAGEMENT

The Company is engaged primarily in the operation of multi pad ice rink facilities throughout North America and is exposed to a number of risks that can affect operating performance. These risks and management's action taken to minimize its exposure are summarized below.

Seasonality

The Company's business cycle is highly seasonal with 64% of the revenue being generated in the first and last quarters; these are the periods in which the Company's hockey leagues and special programs are most active. The Company has been cash flow negative in the spring and summer months. The Company continues to develop summer time programming and has developed a cost reduction program for the second and third quarters to help reduce the amount of cash consumed during this period.

Competition

The ice rink industry is highly competitive, as Canlan finds itself competing with other private operators in its three major markets, B.C., Ontario and Quebec, as well as Municipal Governments. Canlan's strategy to compete in the market place is to focus our customers on service, our innovative sports programs and the quality of our facilities.

League Operations

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

Financial

The Company has loans subject to variable rates totaling \$44.3 million, which represents 70% of total interest bearing debt. The Company is therefore susceptible to interest rate fluctuations.

OUTLOOK FOR 2002 AND BEYOND

Management continues to focus on moving towards a self-sustaining business model and is aware of the challenges ahead in achieving that objective. With the addition of management contracts together with the growth of the Adult Safe-Hockey League, Canlan's management team is confident that the objective is achievable. We will continue to analyze the business units we own and manage to ensure that revenues are maximized and costs are controlled. We have seen some of our markets exceed expectations while others have struggled. We will continue to develop programs in our strong markets while focusing our management team on those under achieving markets. 2002 will be an important year towards achieving our goal of self-sustained growth.

CANLAN ICE SPORTS FACILITIES



Project	Location	Description	Ownership
1. Ice Sports 8-Rinks	Burnaby, BC	8-Rink Complex	100%
2. Ice Sports North Shore	North Vancouver, BC	3-Rink Complex	50 year management contract
3. Ice Sports Langley	Langley, BC	1 Spectator Rink	5 year management contract
4. Ice Sports Aldergrove	Aldergrove, BC	1 Spectator Rink	5 year management contract
5. Ice Sports Jemini	Saskatoon, SK	4-Rink Complex	100%
6. Ice Sports Agriplace	Saskatoon, SK	2-Rink Complex	100%
7. Ice Sports Sherwood	Regina, SK	2-Rink Complex	100%
8. Ice Sports Highlander	Winnipeg, MB	4-Rink Complex	100%
9. Ice Sports Oakville	Toronto, ON	4-Rink Complex	56.25%
10. Ice Sports Etobicoke	Toronto, ON	4-Rink Complex	75%
11. Ice Sports Scarborough	Toronto, ON	4-Rink Complex	75%
12. Ice Sports Oshawa	Toronto, ON	2-Rink Complex	56.25%
13. Les 4 Glaces	Montreal, QC	4-Rink Complex	100%
14. Ice Sports Candiac	Montreal, QC	2-Rink Complex	100%
15. Ice Sports Kansas City	Kansas City, KS	1 Spectator Rink	100%
16. Ice Sports Wichita	Wichita, KS	2-Rink Complex	15 year contract; option to acquire a 99 year lease
17. Ice Sports East Lansing	East Lansing, MI	2-Rink Complex	2 year management contract
18. Ice Sports Chesapeake	Chesapeake, VA	2-Rink Complex	2 year management contract
19. Ice Sports Vacaville	Vacaville, CA	2-Rink Complex	Management contract
20. Ice Sports Langley Twin Rinks	Langley, BC	2-Rink Complex	Management contract

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canlan Ice Sports Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles.

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

KPMG LLP have been appointed by the shareholders of the Company and serve as the Company's external auditors. They have examined the consolidated financial statements of the Company for the year ended December 31, 2001.

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

[signed] W. Grant Ballantyne
President & Chief Executive Officer
Vancouver, BC

[signed] Michael F. Gellard
Vice President, Finance
Vancouver, BC

April 16, 2002

AUDITOR'S REPORT

We have audited the consolidated balance sheets of Canlan Ice Sports Corp. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied on a consistent basis.

[signed] KPMG LLP
Chartered Accountants

Vancouver, Canada
March 1, 2002

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000 (Expressed in thousands of dollars)

	2001	2000
ASSETS		
Current assets		
Cash	\$ 2,539	\$ 1,563
Accounts receivable	1,795	2,572
Inventory	1,174	1,284
Prepaid expenses	511	630
Discontinued operations assets (note 17)	1,446	5,697
	7,465	11,746
Properties:		
Ice rinks (note 6)	98,266	98,446
Held for ice rink development	451	451
	98,717	98,897
Deferred financing and other charges	606	709
	\$106,788	\$111,352
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 7)	\$ 4,308	\$ 5,016
Accounts payable and accrued liabilities	4,122	5,297
Deferred revenue and customer deposits	5,238	5,355
Current portion of:		
Obligations under capital leases (note 8)	498	870
Debt on ice rinks (note 9)	436	338
Notes and agreements payable (note 10)	1,400	–
Discontinued operations liabilities (note 17)	35	2,307
	16,037	19,183
Long-term liabilities:		
Obligations under capital leases (note 8)	309	597
Debt on ice rinks (note 9)	54,296	53,372
Notes and agreements payable (note 10)	5,260	2,920
Due to joint venture partners	–	110
	59,865	56,999
Non-controlling interest (note 11)	1,557	1,472
	77,459	77,654
Shareholders' equity:		
Share capital (note 12)	54,981	54,981
Deficit	(25,652)	(21,283)
	29,329	33,698
	\$106,788	\$111,352

Future operations (note 2)

Commitments and contingencies (note 13)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

[signed] W. Grant Ballantyne
Director

[signed] Frank D. Barker
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

<i>Years ended December 31, 2001 and 2000 (Expressed in thousands of dollars)</i>	<i>2001</i>	<i>2000</i>
Revenue:		
Ice rinks	\$ 39,753	\$ 39,080
Other	20	448
	39,773	39,528
Expenses:		
Ice rinks	31,563	31,721
Other	–	186
	31,563	31,907
Earnings from operations	8,210	7,621
General and administration expenses	2,498	2,699
Earnings before the undernoted	5,712	4,922
Other expenses (income):		
Interest on debt on ice rinks	4,572	5,105
Other interest (note 8)	629	1,276
Depreciation and amortization	3,638	3,765
(Gain) loss on sale of properties	46	(1,467)
Gain on conversion of debentures (note 5)	–	(327)
Non-controlling interest	85	(120)
Write-down of marketable securities	29	63
	8,999	8,295
Loss from continuing operations before taxes	(3,287)	(3,373)
Taxes (note 14)	(270)	(376)
Loss from continuing operations	(3,557)	(3,749)
Loss from discontinued operations (note 17)	(812)	(977)
Loss for the year	(4,369)	(4,726)
Interest on convertible debenture capital	–	(341)
Convertible debenture capital on conversion (note 5)	–	13,440
Deficit, beginning of year	(21,283)	(29,656)
Deficit, end of year	\$ (25,652)	\$ (21,283)
Basic and diluted loss per common share:		
Loss from continuing operations	\$0.04	\$0.14
Loss for the year	0.05	0.18

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years ended December 31, 2001 and 2000 (Expressed in thousands of dollars)</i>	<i>2001</i>	<i>2000</i>
Cash provided by (used in):		
Operations:		
Loss from continuing operations	\$(3,557)	\$(3,749)
Items not involving cash:		
Depreciation and amortization	3,638	3,765
Loss (gain) on sale of properties	46	(1,467)
Gain on conversion of debentures (note 5)	–	(327)
Non-controlling interest	85	(120)
Write-down of marketable securities	29	63
Changes in non-cash working capital:		
Accounts receivable	777	(1,821)
Accounts payable and accrued liabilities	(1,220)	(1,059)
Deferred revenue and customer deposits	(117)	783
Inventory	110	657
Other assets	222	651
	13	(2,624)
Investments:		
Proceeds on sale of properties	130	6,359
Investment in joint venture less cash acquired	(686)	–
Expenditures on properties:		
Ice rinks	(1,306)	(1,100)
Held for ice rink development	–	(2)
	(1,862)	5,257
Financing:		
Decrease in lines of credit	(708)	(393)
Principal repayments on debt on ice rinks	(463)	(528)
Principal repayments on obligations under capital lease	(672)	(678)
Increase (decrease) in notes payable	3,675	(3,000)
Issuance of common shares net of related costs	–	3,356
Interest on convertible debenture capital	–	(341)
	1,832	(1,584)
Increase (decrease) in cash position from continuing operations	(17)	1,049
Increase (decrease) in cash from discontinued operations (note 17)	993	(1,739)
Cash position, beginning of year	1,563	2,253
Cash position, end of year	\$ 2,539	\$ 1,563
Supplementary information:		
Taxes paid	\$ 428	\$ 529
Interest paid	5,201	6,456
Debt assumed by purchaser of joint venture interest	–	2,648
Convertible debentures converted to common shares (note 5)	–	20,000

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

1. General:

Since July of 1997, Canlan Ice Sports Corp. (the "Company") has focused on its Ice Sports Division involving the acquisition, development and operation of full service ice rink facilities across North America. Prior to that time, the Company also acquired, developed and operated real estate and other revenue property.

2. Future operations:

These financial statements are prepared on the basis that the Company will continue to operate throughout its next fiscal period subsequent to December 31, 2001 as a going concern.

The Company has incurred losses from continuing operations for the years ended December 31, 2001 and 2000 and has a significant working capital deficiency, and is in violation of a covenant related to its bank indebtedness, which has been waived by the bank on an exception basis (note 7). Accordingly, the Company is dependent upon the continued support of its bankers, other lenders and its controlling shareholder, its ability to obtain long term financing for certain rinks and, ultimately, its ability to generate future profitable operations.

Management continues to review the Company's revenue generating activities and its expenditure levels to increase net cash flows. In addition, management will seek various financing alternatives if considered necessary. Management believes that these actions, in conjunction with the expected sales growth and continued expansion of ice rink management and consulting activities, make the use of the going concern basis appropriate; however, it is not possible at this time to predict the outcome of these matters. If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts and/or classification of assets, liabilities and expenses in these consolidated financial statements, and the adjustments could be material.

3. Significant accounting policies:

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

(a) Principles of consolidation:

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

P.C. Development Inc.
Ormskirk Investments Ltd.
Adult "Safe Hockey" Leagues Ltd.
Les Quatre Glaces (1994) Inc.
Iceplex 2000 Ltd.
O&O Development Corporation
Canlan Ice Sports (USA) Corp.

3. Significant accounting policies (cont'd)

The accounts of all unincorporated joint ventures and partnerships are included in these consolidated financial statements to the extent of the Company's proportionate interest in their respective assets, liabilities, revenues and expenses (note 4).

(b) Inventories:

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

(c) Properties:

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

At least annually, management review the net carrying amount of individual properties in relation to the estimated future net cash flows from use, including residual value, to determine whether a write-down is required.

Costs incurred on ice rinks are capitalized net of related revenue until the facility is ready to commence operations, for its first hockey league season.

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

<i>Assets</i>	<i>Rate</i>
Buildings	40 years
Machinery and equipment	10 years
Computers, furniture and fixtures	5 years
Ice resurfacing equipment	5 years

(d) Deferred financing and other charges:

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

(e) Foreign currency:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

3. Significant accounting policies (cont'd)

(f) Earnings per share:

Effective January 1, 2001, the Company adopted the CICA's recommendations related to the calculation of earnings per share. These recommendations require the application of the treasury stock method for the computation of the dilutive effects of stock options and other dilutive securities. The application of these new recommendations had no significant impact on the fully diluted earnings per share for the years ended December 31, 2001 and 2000.

Earnings per share has been calculated using the weighted average number of common shares outstanding, which for 2001 was 93,325,920 shares (2000 – 26,609,102 shares).

Fully diluted and supplementary fully diluted earnings per share have not been provided because they are anti-dilutive.

(g) Stock-based compensation plan:

The Company had a stock-based compensation plan, which is described in note 12. No compensation is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

(h) Measurement uncertainty:

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

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

(i) Income taxes:

Incomes taxes are accounted for by the asset and liability method. Under this standard, future income tax assets and future income tax liabilities are determined on temporary differences (differences between the tax

3. Significant accounting policies (cont'd)

basis and accounting basis of assets and liabilities) and are measured using the enacted, or substantively enacted, tax rates expected to apply when the asset is realized or the liability is settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(j) Comparative figures:

Certain comparative figures for 2000 have been reclassified to conform with the basis of presentation adopted for 2001.

4. Acquisition:

On September 1, 2001, the Company purchased the remaining 18.75% joint venture interest in its Etobicoke Ice Rink facility (the "Rink") that was owned by a third party. Cash consideration of \$675,000 was paid to complete the acquisition and allocated to the acquired portion of the Rink's net assets follows:

Current assets	\$ 114,860
Capital assets	2,149,997
	<hr/> 2,264,857
Current liabilities	(123,676)
Mortgage and lease obligations	(1,466,181)
	<hr/> (1,589,857)
Cash consideration	\$ 675,000

For the year ended December 31, 2001, revenue includes \$2,036,000 (2000 – \$4,326,000) and expenses include \$2,309,000 (2000 – \$2,838,000) in respect of the Company's joint venture interest prior to the acquisition. As of December 31, 2000, assets included \$10,641,000 and liabilities included \$9,043,000 in respect of the Company's joint venture interest.

5. Company restructuring:

Effective October 30, 2000, the Company reached agreement with its major secured lenders and principal shareholder on a consensual restructuring of the Company's debt. The restructuring comprised the following elements:

(a) Secured debt extension:

Secured lenders representing approximately \$55,000,000 of the Company's indebtedness, secured by charges over ice rinks, agreed to amend their agreements with the Company to defer principal payments and debt covenants for two years and to extend debt maturities for five years. As of December 31, 2000,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

5. Company restructuring (cont'd)

one debt amending agreement, of which the Company's proportionate share is \$6,431,000 remained unsigned by a co-venturer. On September 1, 2001, that debt amending agreement became effective upon the Company's purchase of the remaining interest of the joint venture from the co-venturer (note 4).

(b) Debenture conversion to equity:

Holders of \$20,000,000 8% convertible, subordinated, unsecured debentures, originally maturing in 2005 and convertible into common shares of the Company, agreed to a mandatory conversion of the debentures, which resulted in the issuance of 35,924,000 common shares on October 30, 2000. The debentures, together with \$800,000 of unpaid interest, were converted into common shares at a notional conversion rate of \$0.579 per share. The share issuance was recorded at the quoted market value (\$0.15) of the shares.

As a consequence of the conversion, a gain in the amount of \$327,000 was recognized representing the excess of the carrying value of the debenture liability, net of applicable deferred financing charges, over the quoted market value of the shares issued and less restructuring costs. Concurrently, the remaining debenture capital balance was transferred to deficit.

(c) Private placement:

Shareholders approved a \$5,000,000 private placement of 44,444,444 common shares to Bartrac Holdings Ltd. ("Bartrac"), the Company's controlling shareholder, at \$0.1125 per share.

The changes in relative shareholdings as a result of the restructuring were as follows:

Shareholder	Before		After	
	Shares	%	Shares	%
(in thousands of shares)				
Bartrac	7,074	54.6%	51,518	55.2%
Debenture holders	-	-	35,924	38.5%
Other shareholders	5,883	45.4%	5,884	6.3%
	12,957	100.0%	93,326	100.0%

6. Properties:

(in thousands of dollars)	2001		Net book value
	Cost	Accumulated depreciation	
Ice rinks:			
Land	\$ 15,144	\$ -	\$15,144
Buildings	91,590	11,708	79,882
Machinery and equipment	3,296	1,392	1,904
Computers, furniture and fixtures	2,227	1,552	675
Ice resurfacing equipment	1,651	990	661
	\$113,908	\$15,642	\$98,266
2000			
(in thousands of dollars)	Cost	Accumulated depreciation	Net book value
Ice rinks:			
Land	\$ 14,883	\$ -	\$14,883
Buildings	88,866	9,213	79,653
Machinery and equipment	3,286	1,144	2,142
Computers, furniture and fixtures	2,030	1,121	909
Ice resurfacing equipment	1,615	756	859
	\$110,680	\$12,234	\$98,446

Included in properties are assets under capital leases with a cost of \$3,061,000 (2000 - \$4,070,000) and accumulated depreciation of \$1,097,000 (2000 - \$1,428,000).

7. Bank indebtedness:

The Company has an operating line of credit which bears interest at prime plus 1% (2000 - prime plus 1%). This operating line of credit is secured by general security agreements. The \$4,500,000 operating line of credit is guaranteed by the Company's controlling shareholder.

At December 31, 2001, the Company was not in compliance with a covenant related to its bank on the operating line of credit. The bank has waived this covenant violation on an exception basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

8. Obligations under capital leases:

Total minimum lease payments are as follows:

<i>(in thousands of dollars)</i>	
2002	\$ 564
2003	247
2004	134
2005	116
2006	12
	1,073
Interest (rates vary from 8.25% to 12%)	(266)
Present value of minimum capital lease payments	807
Current portion	(498)
Long-term portion	\$ 309

Lease obligations are secured directly by the leased assets. Interest of \$153,000 (2000 – \$247,000) relating to capital lease obligations has been included in other interest expense.

9. Debt on ice rinks:

	<i>Maturity dates</i>	<i>Weighted average interest rates</i>	<i>2001</i>	<i>2000</i>
<i>(in thousands of dollars)</i>				
Fixed rate	2005–2009	2001–7.63% (2000–7.74%)	\$18,438	\$24,766
Variable rate	2005	2001–prime plus 1.21% (2000–prime plus 1.27%)	36,294	28,944
			54,732	53,710
Current portion			(436)	(338)
Long-term portion			\$54,296	\$53,372

Debt on ice rink properties at December 31, 2001 includes \$1,416,000 (2000 – \$1,395,000) of debt repayable in U.S. dollars.

Debt on ice rinks is 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.

The Company has entered into swap agreements to fix the interest rate on a portion of its variable rate debt. The Company has \$4,650,000 of variable rate debt swapped into a fixed interest rate of 5.54% per annum, plus applicable stamping fees at 220 bps, under an agreement expiring in 2004.

9. Debt on ice rinks (cont'd)

Pursuant to the Company's restructuring (note 5), secured lenders, representing substantially all debt on ice rinks, agreed to suspend for a period of two years principal repayments and their requirements for the Company to comply with specified debt covenants as well as extending the terms of the debts to mature in 2005. Based on terms and conditions in existence at December 31, 2001, principal repayments for the next five years and in aggregate of amounts outstanding are as follows:

<i>(in thousands of dollars)</i>	
<i>Year ending December 31:</i>	
2002	\$ 436
2003	2,386
2004	15,703
2005	34,974
2006	115
Thereafter	1,118
	\$54,732

10. Notes and agreements payable:

	<i>2001</i>	<i>2000</i>
<i>(in thousands of dollars)</i>		
Notes payable to controlling shareholder	\$3,675	\$ –
Amount due to minority interest of subsidiary company	235	235
O&O Development Corporation ("O&O") subordinated debentures:		
8%	2,500	2,500
16%	250	250
	6,660	2,985
Current portion	1,400	–
	\$5,260	\$2,985

The notes payable to the controlling shareholder bear interest at prime plus 2%, payable monthly in arrears. \$675,000 is due two years from the date of the advance and was used to fund the acquisition of the remaining 18.75% joint venture interest in its Etobicoke rink (note 4). The remaining \$3,000,000 is part of a non-revolving loan facility. At December 31, 2001, the Company is in violation of repayment terms on the non-revolving loan facility, however, subsequent to year-end, new terms were negotiated and the Company is in compliance with these terms. The notes payable have been classified on the balance sheet according to these new terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

10. Notes and agreements payable (cont'd)

Interest on the O&O subordinated debentures is payable on a date and for a period to be specified by the parties, provided that O&O will not be under any obligation to make such payment if it would cause O&O to be in default on any of its covenants. No interest has been paid or accrued in 2001 or 2000. The debentures mature in September 2002 at which time the debt can be extended for three additional one-year terms if insufficient cash exists for repayment. Upon the expiration of the third extension, should O&O be unable to retire the debentures, the debenture holder is entitled to receive common shares of the Company in settlement or, if the Company is unable to obtain all necessary regulatory approval for the share issuance, cash. The weighted average trading price of the Company's shares on the TSE at that time will be used to determine the number of shares to be issued in order to satisfy the debt. The debentures are secured by a charge against the ice rink properties of O&O.

11. Non-controlling interest:

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

12. Share capital:

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

(a) Authorized:

500,000,000 common shares of no par value

12. Share capital (cont'd)

(b) Issued and outstanding:

	2001		2000	
	Shares	Amount	Shares	Amount
<i>(in thousands of dollars)</i>				
Balance, beginning of year	93,325,920	\$54,981	12,957,476	\$44,592
Shares issued during year (note 5):				
Conversion of debenture	-	-	35,924,000	5,389
Private placement	-	-	44,444,444	5,000
	-	-	80,368,444	10,389
Balance, end of year	93,325,920	\$54,981	93,325,920	\$54,981

(c) Stock options:

The following table summarizes the continuity of options to purchase common shares of the Company granted by the Board of Directors to directors and certain full-time employees of the Company at an exercise price of \$1.75 per share, which options expired in September 2001.

	2001	2000
Outstanding at beginning of year	754,000	754,000
Expired	(754,000)	-
Outstanding and exercisable at end of year	-	754,000

13. Commitments and contingencies:

(a) During the period from May 24, 2001 to May 23, 2008, the owner of a non-controlling 25% interest in one of the Company's subsidiaries has the right to require the subsidiary or the Company to, no more frequently than annually, purchase 20% of its interest, for either cash or shares of the Company. The transaction price is to be based on the greater of fair market value and a multiple of the subsidiary's earnings before interest, tax, depreciation and amortization ("EBITDA"). If the consideration paid is shares of the Company, they are to be valued based on the weighted average trading price over a specified 10 day period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

13. Commitments and contingencies (cont'd)

- (b) An assessment notice in the amount of \$193,000 excluding interest and penalties, has been issued by Revenue Quebec, in respect of a payroll audit. This claim is in its preliminary stages and neither the outcome nor the potential liability is determinable at this time.
- (c) The Company is a defendant in a lawsuit relating to a development project where the damages claimed by the plaintiffs are still unknown. The litigation is in its preliminary stages and neither the outcome nor the potential liability, if any, is determinable at this time.
- (d) Various other lawsuits involving the Company are pending. Actual liabilities or recoveries of deposits with respect to these lawsuits are not determinable, but management believes, based on counsels' opinions, that any potential liabilities or shortfall on recoveries of deposits will not materially affect the Company's financial position.

14. Income taxes:

- (a) The major factors which caused variations from the Company's expected federal and provincial income tax rate of 45% for 2001 and 2000 were as follows:

<i>(in thousands of dollars)</i>	<i>2001</i>	<i>2000</i>
Statutory rate applied to loss from continuing operations before income taxes	\$(1,479)	\$(1,518)
Large corporations tax	270	376
Deductible interest on convertible debenture capital	-	(153)
Non-controlling interest	38	(54)
Benefit related to current year's losses not recognized	1,206	1,725
Other	235	-
	<u>\$270</u>	<u>\$ 376</u>

14. Income taxes:

- (b) The tax effects of temporary differences that give rise to future tax assets and future tax liabilities at December 31, 2001 are presented below:

<i>(in thousands of dollars)</i>	<i>2001</i>	<i>2000</i>
Future tax assets:		
Non-capital loss carry forwards	\$12,525	\$14,556
Write-down of marketable securities for accounting	96	223
Financing fee included in share capital account	456	651
	<u>13,077</u>	<u>15,430</u>
Valuation allowance	11,523	12,810
	<u>1,554</u>	<u>2,620</u>
Net future tax assets	1,554	2,620
Future tax liabilities:		
Properties	1,554	2,620
	<u>\$ -</u>	<u>\$ -</u>
Net future tax asset / (liability)	\$ -	\$ -

- (c) At December 31, 2001 the Company has non-capital loss carry forwards for income tax purposes of approximately \$36,627,000 (2000 - \$33,948,000), of which approximately \$8,482,000 (2000 - \$8,482,000) are of restricted use. These losses are available to offset future taxable income through 2008.

15. Financial instruments:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

16. Related party transactions:

During 2000, the Company sold its interest in a revenue property located in Portland, Oregon to an affiliate of a significant shareholder of the Company for cash proceeds of \$1,862,000 (U.S. \$1,250,000), which represented estimated fair market value as agreed by the parties.

During 2001, the Company received various loans from the controlling shareholder, bearing interest at prime + 2% (2000 – prime + 1.75% and prime + 2.0%) per annum. The outstanding balance as at December 31, 2001 was \$3,675,000 (nil outstanding at December 31, 2000). The Company incurred \$161,000 (2000 – \$396,000) in interest expense related to these loans and fees of \$205,000 (2000 – \$156,000) related to loan guarantees provided by the shareholder.

17. Discontinued operations:

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

The results of discontinued operations are as follows:

<i>(in thousands of dollars)</i>	2001	2000
Revenue:		
Development	\$2,521	\$2,568
Expenses:		
Development	3,333	3,545
Loss from discontinued operations before income taxes	(812)	(977)
Income taxes	–	–
Loss from discontinued operations	\$ (812)	\$ (977)

The remaining assets and liabilities related to discontinued operations are as follows:

<i>(in thousands of dollars)</i>	2001	2000
Accounts and mortgages receivable	\$ 411	\$1,321
Development properties	1,035	4,376
	\$1,446	\$5,697
Accounts payable and agreements payable	\$ 35	\$ 168
Debt on development properties	–	2,139
	\$ 35	\$2,307

17. Discontinued operations (cont'd)

Development properties are recorded at estimated net realizable values. During the year, interest of nil (2000 – \$541,000) has been capitalized to such properties.

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

The cash flows from discontinued operations are as follows:

<i>(in thousands of dollars)</i>	2001	2000
Operations	\$3,131	\$ (268)
Financing	(2,138)	(5,087)
Investing	–	3,616
	\$ 993	\$(1,739)

18. Segmented information:

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

Ice rinks revenue by services provided are as follows:

<i>(in thousands of dollars)</i>	2001	2000
Facility operations	\$26,901	\$25,758
Restaurant and lounge	9,162	9,166
Sports store	2,529	3,337
Other	1,181	1,267
	\$39,773	\$39,528

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

FIVE YEAR REVIEW 2001: BALANCE SHEET

<i>(in thousands of dollars)</i>	2001	2000	1999	1998	1997
ASSETS					
Ice rink properties	\$ 98,717	\$ 98,897	\$107,118	\$107,858	\$ 97,992
Other revenue property	–	–	1,593	1,627	1,849
Other	6,625	6,758	8,440	11,141	11,169
Discontinued operations	1,446	5,697	9,451	44,633	93,586
Total assets	\$106,788	\$111,352	\$126,602	\$165,259	\$204,596
LIABILITIES					
Ice rink properties	\$ 55,539	\$ 55,177	\$ 59,031	\$ 62,291	\$ 56,133
Other revenue property	–	–	–	128	64
Convertible debentures	–	–	6,901	7,841	8,704
Other	21,885	20,170	25,241	25,299	22,907
Discontinued operations	35	2,307	7,394	34,405	54,071
Total liabilities	\$ 77,459	\$ 77,654	\$ 98,567	\$129,964	\$141,879
CONVERTIBLE DEBENTURES AND SHAREHOLDERS' EQUITY					
Convertible debentures	\$ –	\$ –	\$ 13,099	\$ 12,159	\$ 11,296
Share capital	54,981	54,981	44,592	44,592	44,592
Retained earnings (deficit)	(25,652)	(21,283)	(29,656)	(21,456)	6,829
Total equity	\$ 29,329	\$ 33,698	\$ 28,035	\$ 35,295	\$ 62,717
STATISTICS					
Debt to equity ratio	2.59	2.26	3.46	3.63	2.23
Issued shares at end of year	93,326	93,326	12,957	12,957	12,957
Average shares outstanding	93,326	26,609	12,957	12,957	12,193
Earnings (loss) per common share:					
Earnings (loss) from continuing operations:					
Basic	(\$0.04)	(\$0.14)	(\$0.55)	(\$0.50)	(\$0.50)
Fully diluted	n.a.	n.a.	n.a.	n.a.	n.a.
Net earnings (loss):					
Basic	(\$0.05)	(\$0.18)	(\$0.63)	(\$2.18)	(\$0.88)
Fully diluted	n.a.	n.a.	n.a.	n.a.	n.a.
Cash flow per common share	\$0.01	(\$0.03)	(\$0.19)	(\$0.56)	n.a.
Share price range	\$0.09-0.01	\$0.50-0.09	\$0.99-0.31	\$2.74-0.99	\$4.24-2.75

FIVE YEAR REVIEW 2001: EARNINGS STATEMENT

<i>(in thousands of dollars)</i>	2001	2000	1999	1998	1997
Revenue					
Ice rinks	\$ 39,753	\$ 39,080	\$ 39,621	\$ 35,825	\$ 28,931
Other	20	448	318	473	512
Total revenue	39,773	39,528	39,939	36,298	29,443
Operating expenses					
Ice rinks	31,563	31,721	32,256	28,633	23,529
Other	–	186	199	132	117
General and administrative	2,498	2,699	2,675	2,776	2,863
	34,061	34,606	35,130	31,541	26,509
Earnings before interest, depreciation and taxes	5,712	4,922	4,809	4,757	2,934
Other expenses					
Interest	5,201	6,381	7,020	6,665	5,123
Depreciation and amortization	3,638	3,765	3,838	3,593	2,444
Other	430	(1,475)	143	173	648
	9,269	8,671	11,001	10,431	8,215
Loss from continuing operations	(3,557)	(3,749)	(6,192)	(5,674)	(5,281)
Results of discontinued operations	(812)	(977)	(1,068)	(21,747)	(4,662)
Net loss	\$ (4,369)	\$ (4,726)	\$ (7,260)	\$ (27,421)	\$ (9,943)
Interest on convertible debentures	\$ –	\$ (341)	\$ (940)	\$ (864)	\$ (792)

CORPORATE INFORMATION

DIRECTORS

D.C. Andrews

President

D.C. Andrews Corporation, Vancouver, BC

W. Grant Ballantyne

President & C.E.O.

Canlan Ice Sports Corp., Vancouver, BC

Frank D. Barker

Chairman

Canlan Ice Sports Corp., Vancouver, BC

Geoffrey J. Barker

Vice-President, Properties & Development

Bartrac Holdings Ltd., Vancouver, BC

Edwin Cohen

Private Investor

Toronto, ON

William B. Pattison

Faculty of Business

University of Victoria, Victoria, BC

Sam Magid

Head of Institutional Equity

Salman Partners Inc., Vancouver, BC

OFFICERS

Frank D. Barker

Chairman

W. Grant Ballantyne

President & C.E.O.

Patrick J. Doyle

Vice-President, Development

Michael F. Gellard

Vice-President, Finance

Corporate Secretary

Arthur Dickson

Vice-President, Sales & Marketing

Joey St. Aubin

Vice-President, Eastern Operations

Ivan Wu

Controller

HEAD OFFICE

6501 Sprott Street, Burnaby, B.C. V5B 3B8

Tel. (604) 736-9152 Fax (604) 736-9170

REGISTERED OFFICE

19th Floor, 1040 West Georgia Street, Vancouver, BC V6E 4H3

TORONTO OFFICE

1120 Martin Grove Road, Etobicoke, ON M9W 4W1

Tel. (416) 247-5742 Fax (416) 247-9650

SOLICITORS

Edwards, Kenny & Bray, 19th Floor, 1040 West Georgia Street, Vancouver, BC V6E 4H3

AUDITORS

KPMG, 777 Dunsmuir Street, Vancouver, BC V7Y 1K3

REGISTRAR & TRANSFER AGENT

Computershare Investor Services, 8th Floor, 151 Front Street, Toronto, ON M5J 2N1 and
510 Burrard Street, Vancouver, BC V6C 3B9

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