



Canlan Ice Sports Corp.

where the experience is everything

FIRST QUARTER REPORT

Three Months Ended March 31, 2006



CANLAN ICE SPORTS CORP.

Management's Discussion and Analysis of Financial Position and Operating Results

The following management's discussion and analysis ("MD&A") should be read in conjunction with our unaudited consolidated financial statements for the three months ended March 31, 2006 and accompanying notes and our audited consolidated financial statements for the years ended December 31, 2005 and December 31, 2004. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars.

In the following discussion, EBITA (earnings before interest, taxes and amortization) is often used as a measure of financial performance. However, EBITA is not a term that has specific meaning in accordance with GAAP, and may be calculated differently by other companies.

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

The date of this MD&A is May 10, 2006

OVERVIEW

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. Canlan is a leading operator of ice rink facilities throughout North America and currently operates 20 facilities containing 54 full sized ice sheets, 1 indoor soccer field and 3 curling surfaces. The Company did not acquire any new properties or management contracts during the quarter.

The Company's head office is located in Burnaby, B.C. at Burnaby 8 Rinks, the Company's largest facility. There are 267 million shares outstanding that have recently traded in the \$0.05 to \$0.06 range.

REVIEW OF OPERATIONS – Three months ended March 31, 2006

During the first quarter, the Company experienced strong revenue growth as total revenues reached \$15.1 million; an increase over the prior year of 5.7% or \$814,000.

Ice sales increased because the Adult Safe Hockey League (ASHL) continued to grow through increased registrations and pricing, sales of hockey and skating instructional programs and multi-sport camps for youth improved, and drop-in and spot ice rentals increased compared to 2005. The total increase of sales from ice rentals and recreation programs was \$555,000. On a same store basis, the increase in sales from ice rentals and programs was \$410,000 as Canlan began leasing one of its facilities in February 2005.

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Revenues from our food and beverage operations grew by \$141,000 or 4.0%. The Company's restaurant and lounge promotions along with the return of televised NHL hockey helped increase this revenue stream.

Sports store sales, advertising and sponsorship revenues, and management and consulting fees provided the balance of the year over year revenue growth.

At March 31, 2006, of the 20 facilities that the Company operates, 13 are directly owned by Canlan, 2 are leased from third party owners under long term leases, and 5 are managed by the Company on behalf of third parties. The Company earns a fee for managing these 5 facilities. Currently, the Company manages three facilities in B.C., one in Ontario, and one in Michigan State. In addition to management fees, the Company also provides consulting services. Management and consulting fees earned during the first quarter totaled \$117,000, compared to \$73,000 in the same period in 2005.

Ice rink operating costs of \$10.3 million increased by \$673,000 or 7.0% from the prior year, as a result of expenses incurred to meet the higher demand of Canlan's sports programs and increased utility costs resulting from higher market prices for electricity and gas. Corporate general and administration expense of \$673,000 was slightly lower than 2005.

EBITA was \$4.0 million, compared to \$3.9 million in the prior year, leaving the gross margin steady at 27% in both periods.

Interest expense of \$839,000 (2005 - \$781,000) relates to the Company's debt on ice rink properties, capital leases, and advances received from an affiliate of the Company's majority shareholder used to fund seasonal cash requirements. Total interest bearing debt as at March 31, 2006 was \$50.6 million (2005 - \$51.7 million). After interest, amortization and tax expense, net earnings were \$1.7 million, relatively unchanged from 2005. Consistent with the prior year, basic and fully diluted earnings per share were \$0.01

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QUARTERLY RESULTS – April 1, 2004 to March 31, 2006

The Company's quarterly results for the last 8 quarters are as follows (in \$000's):

	2006	2005			2004			
	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>
Gross revenue	\$15,054	\$14,611	\$9,248	\$10,671	\$14,238	\$13,372	\$8,767	\$10,015
Operating costs	10,333	(9,922)	(8,659)	(9,366)	(9,660)	9,007	7,956	8,889
	4,721	4,689	589	1,305	4,578	4,365	811	1,126
General & administration	(673)	(632)	(629)	(819)	(684)	(585)	(612)	(741)
EBITA	4,048	4,057	(40)	486	3,894	3,780	199	385
Interest	(839)	(1,003)	(894)	(799)	(781)	928	925	906
Amortization	(927)	(1,002)	(889)	(883)	(913)	908	879	901
Other	-	(3)	31	(8)	(6)	42	70	4
Net earnings (loss) before taxes and other	2,282	2,049	(1,792)	(1,204)	2,194	1,986	(1,535)	(1,418)
Income taxes and other	(614)	(349)	471	221	(550)	1,484	(54)	(76)
Net earnings (loss)	\$1,668	\$1,700	(\$1,321)	(\$983)	\$1,644	\$3,470	(\$1,589)	(\$1,494)
Earnings (loss) per share	\$0.01	\$0.01	(\$0.01)	(\$0.01)	\$0.01	\$0.03	(\$0.01)	(\$0.01)

The quarterly earnings schedule shows the seasonal nature of the business and the positive trend of quarterly results on a year over year basis. The keys to the spring and summer months will be successful marketing of our Canlan branded recreation programs for youths during their summer vacations, and carefully monitoring operating costs throughout the organization.

REVIEW OF ASSETS

The table below summarizes the Company's asset base:

<i>in thousands</i>	March 31 2006	December 31 2005	March 31 2005
Ice rink facilities	\$91,601	\$92,215	\$94,087
Accounts receivable	1,620	1,424	1,756
Cash	1,252	1,172	688
Inventory	1,137	1,051	1,026
Prepaid expenses and other assets	1,714	1,124	1,323
Land held for ice rink development	856	856	856
Future income taxes	1,388	1,950	1,275
	\$99,568	\$99,792	\$101,011

Total book value of the Company's assets decreased slightly to \$99.6 million at March 31, 2006, from December 31, 2005 due to the scheduled amortization of capital assets and amortization of the future tax asset that was recorded at December 31, 2005. Capital

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expenditures of \$252,000 were incurred for the period and consists mainly of new ice equipment and furniture and fixtures.

Inventory consists of stock held for resale in the sports stores and food and beverage inventory required to operate the restaurants.

Prepaid expenses consist of costs paid in advance that will be expensed in the subsequent 12 months, such as insurance and property taxes. Other assets include deferred financing charges that are being amortized over the term of the related debt, and corporate office furniture and equipment

REVIEW OF LIABILITIES AND SHAREHOLDERS' EQUITY

The table below summarizes the Company's capital structure:

<i>in thousands</i>	March 31 2006	December 31 2005	March 31 2005
Mortgages payable	\$48,534	\$49,144	\$46,332
Bank indebtedness	-	-	2,346
Deferred revenue and customer deposits	4,615	7,806	3,857
Accounts payable	5,188	4,215	5,108
Notes payable	1,750	750	4,783
Capital leases	361	427	537
	60,488	62,342	62,963
Shareholders' equity	39,120	37,450	38,048
	\$99,568	\$99,792	\$101,011

During the quarter, \$610,000 of mortgage principal was repaid, \$1.75 million was drawn from a credit facility provided by an affiliate of the Company's majority shareholder, and \$66,000 of capital lease repayments were made as scheduled. Amounts drawn from the credit facility during the year are repayable in full by December 31, 2006.

At March 31, 2006, the Company had a working capital deficiency of \$7.8 million compared to \$9.2 million at December 31, 2005. The improvement is mainly due to the decrease of customer deposits and deferred revenue as services related to league games and programs for which funds were collected from customers at year end were earned during the first quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's debt to equity ratio decreased to 1.55:1 as at March 31, 2006 from 1.66:1 as at December 31, 2005 due to the reduction in deferred revenues and customer deposits, and income earned during the first quarter. Net sources of cash in operations after changes in working capital items amounted to \$15,000 compared to a net use of cash of \$731,000 in the same period of 2005. After capital expenditures of \$252,000, repayment of debt and capital leases of \$676,000, and net borrowings of \$1,000,000, the net increase in cash during the first quarter was \$80,000 compared to a decrease in cash of \$487,000 in the prior year. The Company did not generate any cash during the quarter from the sale of surplus assets.

The ice recreation business is seasonal in nature and as the Company has not yet accumulated sufficient cash reserves to fund the seasonal shortfall, management has established a \$4.7 million non-revolving credit facility with an affiliate of the Company's controlling shareholder. This credit facility will be drawn as needed during the year and fully repaid in the fourth quarter. At March 31, 2006, \$1.75 million was drawn on this credit facility.

The following table provides a reconciliation of EBITA to cash flow from operations for the three months ended March 31, 2006 and March 31, 2005:

	Three months ended March 31	
	2006	2005
Earnings before Interest, Taxes and Amortization (EBITA)	\$4,048	\$3,894
Changes in working capital items	(3,143)	(3,783)
Interest expense	(839)	(781)
Other	(51)	(61)
Cash flow from operations	\$15	(\$731)

SHARE CAPITAL

The Company has the following shares outstanding:

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Shares issued and outstanding	266,747,663	266,747,663
Options outstanding	8,550,000	8,550,000
	<u>275,297,663</u>	<u>275,297,663</u>
Weighted average number of shares outstanding	<u>266,747,663</u>	<u>266,747,663</u>

The Company did not issue any shares during the year.

TRANSACTIONS WITH RELATED PARTIES

Currently, Canlan's controlling shareholder owns 201 million shares of the Company, or 75% of the outstanding shares.

An affiliate of the Company's controlling shareholder has provided seasonal financing, in addition to providing various forms of loan guarantees.

During the three months ended March 31, 2006, the Company paid \$31,000 (2005 - \$33,000) in interest charges and \$77,000 (2005 - \$8,000) in loan guarantee fees to an affiliate of its controlling shareholder.

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 of operations

The Company's business cycle is highly seasonal with 59% of the revenues and virtually all of the operating profit being generated in the first and last quarters. This seasonality of operations impacts reported quarterly earnings. The operating result 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:

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- Hockey programs are developed to increase traffic during the summer period.
- Variable operating costs are reduced during the summer period.
- Seasonal financing is secured.

Competition

The ice rink industry is highly competitive and Canlan competes with other private operators in its three major markets, B.C., Ontario and Quebec, as well as Municipal Governments that have different mandates and usually operate with significant losses. 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 and has high start up expenses, therefore barriers to enter the business are present.
- We have developed expertise in all aspects of ice rink development and operations.

Insurance

The Company develops and organizes adult hockey leagues to play in the facilities it owns and manages. Due to the nature of the sport, injuries occur. The Company purchases liability and accident insurance, the cost of which is dependant upon the history of the number of 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.

Mitigating factors and strategies:

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

Interest rate

During 2005, the Company was successful in refinancing its debt. The interest rate on all but \$5.0 million of mortgage debt has been fixed for three years, which represents 90% of total interest bearing debt. By fixing the interest rate on the majority of total debt, the Company has reduced interest rate risk for three years. However the current loan facility matures in September 2008; therefore, we could be susceptible to interest rate fluctuations leading up to maturity.

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OUTLOOK

First quarter results met management's expectations and showed solid revenue growth and improved operating earnings over the prior year. Currently, spring Adult Safe Hockey League registrations are on plan and continued growth in youth recreation programs and Canlan operated tournaments is anticipated. The Company will also commence two management contracts to manage new ice rink facilities in Edmonton, Alberta and Chicago, Illinois during the summer. Currently, consulting services are being provided to the ice rink developers during the construction phase.

W. Grant Ballantyne
President & Chief Executive Officer

Michael F. Gellard
Senior Vice President, Finance and
Chief Financial Officer

Corporate Information:

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Notice of no auditor review of interim consolidated financial statements

The accompanying interim consolidated financial statements of the Company, as at and for the period ended March 31, 2006, 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 the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

CANLAN ICE SPORTS CORP.

Consolidated Balance Sheets
(in thousands of Canadian dollars)

	March 31 2006 (unaudited)	December 31 2005 (audited)	March 31 2005 (unaudited)
Assets			
Current assets:			
Cash	\$ 1,252	\$1,172	\$ 688
Accounts receivable	1,620	1,424	1,756
Inventory	1,137	1,051	1,026
Future income taxes	1,388	1,950	1,275
Prepaid expenses	1,158	513	1,058
	\$6,555	\$6,110	5,803
Properties:			
Ice rinks (note 3)	91,601	92,215	94,087
Held for ice rink development	856	856	856
	92,457	93,071	94,943
Other assets	556	611	265
	\$99,568	\$99,792	\$101,011
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ -	\$ -	\$2,346
Accounts payable and accrued liabilities	5,188	4,215	5,108
Deferred revenue and customer deposits	4,615	7,806	3,857
Current portion of:			
Obligations under capital leases	123	150	207
Debt on ice rinks (note 4)	2,446	2,434	45,821
Notes payable (note 5)	1,750	750	3,351
	14,122	15,355	60,690
Long-term liabilities:			
Obligations under capital leases	238	277	330
Debt on ice rinks (note 4)	46,088	46,710	511
Notes payable (note 5)	-	-	1,432
	46,326	46,987	2,273
	60,448	62,342	62,963
Shareholders' equity:			
Share capital (note 6)	63,109	63,109	63,109
Contributed surplus (note 2(i))	543	541	535
Deficit	(24,532)	(26,200)	(25,596)
	39,120	37,450	38,048
	\$99,568	\$99,792	\$101,011

Nature of business and future operations (note 1)

See accompanying notes to consolidated financial statements.

[signed] **“W. Grant Ballantyne”**
Director

[signed] **“Frank D. Barker”**
Director

CANLAN ICE SPORTS CORP.

Consolidated Statements of Operations and Deficit (unaudited)
(in thousands of Canadian dollars except earnings per common share)

	Three months ended March 31	
	2006	2005
Revenue:		
Ice rinks (notes 9 and 10)	\$15,054	\$14,238
Expenses:		
Ice rinks	10,333	9,660
Earnings from operations	4,721	4,578
General and administration expenses	673	684
Earnings before the undernoted	4,048	3,894
Other expenses:		
Interest on debt on ice rinks	714	688
Other interest	125	93
Loss on foreign exchange	-	6
Amortization	927	913
	1,766	1,700
Earnings before taxes	2,282	2,194
Current income tax	(53)	(57)
Future income tax	(561)	(493)
	(614)	(550)
Net earnings	1,668	1,644
Deficit, beginning of period	(26,200)	(27,240)
Deficit, end of period	(\$24,532)	(\$25,596)
Basic earnings per share	\$0.01	\$0.01
Fully diluted earnings per share	\$0.01	\$0.01
Weighted average number of common shares Outstanding (in thousands) (note 6)		
Basic	266,747	266,747
Diluted	266,747	266,747

See accompanying notes to consolidated financial statements

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Consolidated Statements of Cash Flows (unaudited)
(in thousands of Canadian dollars)

	Three months ended March 31	
	2006	2005
Cash provided by (used in):		
Operations:		
Earnings from continuing operations:	\$1,668	\$1,644
Items not involving cash:		
Amortization	927	913
Stock-based compensation	2	2
Future income tax	561	493
Changes in non-cash working capital:		
Accounts receivable	(195)	(325)
Accounts payable, accrued liabilities	974	401
Deferred revenue and customer deposits	(3,191)	(3,140)
Inventory	(86)	(60)
Prepaid expenses	(645)	(659)
	15	(731)
Investing activities:		
Additions to ice rink properties	(252)	(147)
Other assets	(7)	(25)
	(259)	(172)
Financing activities:		
Increase (decrease) in lines of credit	-	2,346
Repayment of debt on ice rinks	(610)	(905)
Repayment of obligations under capital lease	(66)	(88)
Net increase (repayment of) in notes payable	1,000	(937)
	324	416
Increase (decrease) in cash from continuing operations	80	(487)
Cash position, beginning of period	1,172	1,175
Cash position, end of period	\$1,252	\$688
Cash flows include the following element:		
Interest paid	\$839	\$781
Non-cash transactions:		
Capital lease obligations	-	\$143

See accompanying notes to consolidated financial statements

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)
Three months ended March 31, 2006

1. Nature of business and future operations

Canlan Ice Sports Corp. (the "Company") is engaged in the acquisition, development and operation of recreational and leisure facilities across North America.

These financial statements are prepared on the basis that the Company will continue to operate throughout its next fiscal period subsequent to March 31, 2006 as a going concern.

The Company is dependent upon the continued support of its controlling shareholder in providing seasonal financing and, ultimately, upon its ability to generate continuing profitable operations.

Management continues to review the Company's revenue generating activities and its expenditure levels to increase net cash flows. Management believes that these actions, in conjunction with the expected revenue 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 would be necessary to the carrying amounts and/or classification of assets, liabilities and expenses in these consolidated financial statements, and the adjustments could be material.

2. Significant accounting policies

General

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the preparation of interim financial statements. Certain information and note disclosures normally included in the Company's annual consolidated financial statements have not been included. These interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2005. These interim consolidated financial statements are not necessarily indicative of the results to be expected for the year ending December 31, 2006.

The accounting policies and methods followed in these interim consolidated financial statements are consistent with those of the most recent annual consolidated financial statements.

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.
- Les Quatre Glaces (1994) Inc.
- Iceplex 2000 Ltd.
- Canlan Ice Sports (USA) Corp.
- Canlan Management Services Ltd.

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, revenue and expenses.

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Notes to Consolidated Financial Statements (unaudited)
Three months ended March 31, 2006

(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) Long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets are tested and measured for impairment at the individual ice rink property level, the lowest level for which identifiable cash flows are largely independent.

A two-step process is used to assess the impairment of long-lived assets held for use, with the first step determining whether impairment needs to be recognized and the second step measuring the amount of the impairment. Impairment losses are recognized when the carrying amount of long-lived assets exceeds the sum of the undiscounted cash flows expected to result from their use and eventual disposition. The impairment loss is determined as the amount by which the long-lived assets' carrying amount exceeds its fair value. Application of this process had no impact on the Company's financial position, results of operations or cash flows.

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

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

(d) Revenue recognition:

Revenue from ice contracts and leagues is recorded as earned. Deferred revenue represents payments received in advance for events which have not yet occurred, and services which have not yet been performed. These amounts will be recorded in revenue as earned.

(e) Management contracts:

The Company's financial results include the revenue and expenses of facilities operated under management contracts where the Company's return is subject to the risks and rewards of operation. For facilities where this is not the case, the Company records only the revenue received in the form of fixed management fees.

(f) Other assets:

Included in other assets are deferred financing charges which are amortized over the minimum term of the related debt

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Notes to Consolidated Financial Statements (unaudited)
Three months ended March 31, 2006

(g) 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.

(h) Earnings per share:

Earnings per share have been calculated using the weighted average number of common shares outstanding.

(i) Stock-based compensation plan:

Stock-based compensation, is accounted for using the fair-value based method of accounting for stock options, with a resulting compensation expense being charged to operations and an increase to contributed surplus.

(j) Measurement uncertainty:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that can affect the reported balances. In determining estimates of net recoverable amounts for its ice rinks 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.

(k) Income taxes:

Incomes taxes are accounted for by the asset and liability method. Under this method, future income tax assets and liabilities are determined on temporary differences (differences between the tax 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 income tax asset to reduce it to an amount that management considers is more likely than not to be realized.

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Notes to Consolidated Financial Statements (unaudited)
(Amounts in tables are in thousands of Canadian dollars)
Three months ended March 31, 2006

3. Properties - Ice rinks

March 31, 2006	Cost	Accumulated amortization	Net book value
Ice rinks:			
Land	\$ 15,014	\$ -	\$ 15,014
Buildings	95,281	21,861	73,420
Machinery and equipment	4,762	2,825	1,937
Computers, furniture and fixtures	3,119	2,357	762
Ice resurfacing equipment	2,054	1,586	468
	\$ 120,230	\$ 28,629	\$ 91,601

December 31, 2005	Cost	Accumulated amortization	Net book value
Ice rinks:			
Land	\$ 15,014	\$ -	\$ 15,014
Buildings	95,336	21,319	74,017
Machinery and equipment	4,636	2,711	1,925
Computers, furniture and fixtures	3,029	2,282	747
Ice resurfacing equipment	2,054	1,542	512
	\$ 120,069	\$ 27,854	\$ 92,215

4. Debt on ice rinks:

Maturity dates	Weighted average interest rates	March 31 2006	December 31 2005
Fixed rate 2008	2006 – 5.86% (December 31, 2005 – 5.86%)	\$43,534	\$ 44,144
Variable rate 2008	2005 - prime + 1.00% (December 31, 2005 - prime + 1.00%)	5,000	5,000
		48,534	49,144
Current portion		2,446	2,434
Long-term portion		\$46,088	\$ 46,710

Debt on ice rink properties at March 31, 2006 includes \$490,000 (December 31, 2005 - \$515,000) of debt repayable in US 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.

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Notes to Consolidated Financial Statements (unaudited)

(Amounts in tables are in thousands of Canadian dollars, except number of shares)

Three months ended March 31, 2006

5. Notes payable:

	March 31 2006	December 31 2005
Note payable to an affiliate of the controlling shareholder	\$ 1,750	\$ 750

As at March 31, 2006 the note payable to an affiliate of the controlling shareholder is a non-revolving loan facility that bears interest at 10%, payable monthly in arrears.

6. 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

(b) Issued and outstanding:

	Shares	Amount
Balance, December 31, 2005 and March 31, 2006	266,747,663	\$ 63,109

7. Stock-based compensation:

Stock options are granted by the Company's Board of Directors subject to the terms and conditions of the Canlan Ice Sports Corp. Employee and Director Stock Option Plan (2002). The plan has authorized 9,329,538 common shares. Options granted have a five-year term and an exercise price based on the market price of the stock at the time of grant. Options granted vest at dates determined by the Board of Directors.

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Notes to Consolidated Financial Statements (unaudited)
Three months ended March 31, 2006

7. Stock-based compensation - continued:

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price
Outstanding, December 31, 2005	8,550,000	\$ 0.06
Forfeited	-	-
Granted	-	-
Balance, March 31, 2006	8,550,000	\$ 0.06

All of the stock options granted in 2002 have vested at December 31, 2003. All of the stock options granted in 2003 were vested at March 31, 2006.

The following table summarizes information about the stock options outstanding at March 31, 2006:

Exercise price	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 0.06	8,550,000	12 months	\$ 0.06	8,550,000	\$ 0.06

The fair value of the options was estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

Options		
Interest rate	Term	Volatility
4.0%	42 months	150%

No options were granted during the three months ended March 31, 2006; \$2,000 in stock-based compensation costs were recognized in the statements of operations and credited to contributed surplus.

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8. Commitments and contingencies:

- (a) At March 31, 2006, the Company has lease agreements with third parties under the terms of which the Company leases and operates certain ice rink facilities. The Company assumes the financial risks and rewards of the facilities' operations, but there will be no transfer of ownership. Accordingly, the lease agreements have been accounted for as operating leases. The remaining lease terms, at March 31, 2006, range from 9 to 14 years and total minimum lease payments are as follows:

Year ending December 31:

2006	\$	475
2007		475
2008		498
2009		500
2010		533
Thereafter		3,812

- (b) Various other lawsuits involving the Company are pending. The financial impact of these lawsuits is not determinable, but management believes, based on counsels' opinions, that the outcome will not materially affect the Company's financial position.

9. 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. Revenue by services provided are as follows:

	Three months ended March 31	
	2006	2005
Facility Operations	\$11,053	\$10,462
Restaurant and lounge	2,939	2,798
Sports store	562	525
Advertising, vending and other	500	453
	\$15,054	\$14,238

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

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10. Revenues

The Company's business cycle is seasonal with approximately 60% of the revenues being generated in the first and fourth quarters of the fiscal year. These are the periods in which the Company's hockey leagues and special programs are most active.