



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 June 30, 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)

	June 30 2006 (unaudited)	December 31 2005 (audited)	June 30 2005 (unaudited)
Assets			
Current assets:			
Cash	\$530	\$1,172	\$684
Accounts receivable	2,253	1,424	1,796
Inventory	1,145	1,051	1,078
Future income taxes	1,757	1,950	1,553
Prepaid expenses	1,001	513	699
	6,686	6,110	5,810
Properties:			
Ice rinks (note 3)	89,760	92,215	93,455
Held for ice rink development	856	856	856
	90,616	93,071	94,311
Other assets			
	518	611	279
	\$97,820	\$99,792	\$100,400
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ -	\$ -	\$2,192
Accounts payable and accrued liabilities	4,236	4,215	4,825
Deferred revenue and customer deposits	4,314	7,806	4,002
Current portion of:			
Obligations under capital leases	222	150	233
Debt on ice rinks (note 4)	2,387	2,434	45,081
Note payable (note 5)	3,250	750	4,852
	14,409	15,355	61,185
Long-term liabilities:			
Obligations under capital leases	556	277	266
Debt on ice rinks (note 4)	45,083	46,710	450
Note payable (note 5)	-	-	1,432
	45,639	46,987	2,148
	60,048	62,342	63,333
Shareholders' equity:			
Share capital (note 6)	63,109	63,109	63,109
Contributed surplus	543	541	537
Deficit	(25,880)	(26,200)	(26,579)
	37,772	37,450	37,067
	\$97,820	\$99,792	\$100,400

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 and
weighted number of shares outstanding)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Revenue:				
Ice rinks (notes 9 & 10)	\$11,319	\$ 10,671	\$26,374	\$ 24,909
Expenses:				
Ice rinks	10,225	9,366	20,558	19,026
Earnings from operations	1,094	1,305	5,816	5,883
General and administration expenses	704	819	1,377	1,503
Earnings before the undernoted	390	486	4,439	4,380
Other expenses:				
Interest on debt on ice rinks	732	668	1,446	1,355
Other interest	156	131	281	225
Loss on foreign exchange	363	8	363	14
Amortization	925	883	1,852	1,796
Gain on sale of capital assets	(16)	-	(16)	-
	2,160	1,690	3,926	3,390
Earnings (loss) before taxes	(1,770)	(1,204)	513	990
Income tax (expense) recovery:				
Current	53	(57)	-	(115)
Future	370	278	(193)	(215)
	423	221	(193)	330
Net earnings (loss)	(1,347)	(983)	320	660
Deficit, beginning of period	(24,533)	(25,596)	(26,200)	(27,239)
Deficit, end of period	\$ (25,880)	\$ (26,579)	\$ (25,880)	\$ (26,579)
Basic earnings (loss) per share	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.00
Fully diluted earnings (loss) per share	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.00
Basic and diluted weighted average number of shares outstanding (in thousands) (note 6)	266,747	266,747	266,747	266,747

See accompanying notes to consolidated financial statements.

CANLAN ICE SPORTS CORP.

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

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operations:				
Earnings (loss) from operations	\$(1,347)	\$(983)	\$320	\$660
Items not involving cash:				
Amortization	925	883	1,852	1,796
Gain on sale of capital assets	(16)	-	(16)	-
Foreign exchange loss on sale of capital assets	378	-	378	-
Stock-based compensation	-	2	-	4
Future income tax	(368)	(278)	193	215
Changes in non-cash working:				
Accounts receivable	(631)	(39)	(826)	(364)
Prepaid expenses	157	358	(488)	(301)
Accounts payable and accrued liabilities	(954)	(284)	21	118
Deferred revenue and customer deposits	(301)	147	(3,493)	(2,993)
Inventory	(9)	(53)	(95)	(112)
	(2,166)	(247)	(2,154)	(977)
Investing activities:				
Expenditures on ice rink properties	(98)	(204)	(348)	(351)
Proceeds from sale of ice rink properties	1,155	-	1,155	-
Other assets	(11)	(33)	(18)	(58)
	1,046	(237)	789	(409)
Financing activities:				
Increase (repayment) on line of credit	-	(154)	-	2,192
Repayment of debt on ice rinks	(1,066)	(801)	(1,675)	(1,706)
Repayment of obligations under capital lease	(36)	(65)	(102)	(154)
Increase in note payable	1,500	1,500	2,500	563
	398	480	723	895
Decrease in cash	(722)	(4)	(642)	(491)
Cash position, beginning of period	1,252	688	1,172	1,175
Cash position, end of period	\$530	\$684	\$530	\$684
Cash flows include the following element:				
Interest paid	\$888	\$799	\$1,727	\$1,580
Non-cash transactions:				
Capital lease additions	\$349	-	\$349	\$143

See accompanying notes to consolidated financial statements

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)
(Amounts in tables are in thousands of Canadian dollars)
Six months ended June 30, 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 June 30, 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.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)
Six months ended June 30, 2006

2. Significant accounting policies - continued

(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 and customer deposits represent 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.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)
Six months ended June 30, 2006

2. Significant accounting policies - continued

(f) Other assets:

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

(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 option plans are 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.

Stock appreciation rights ("SARs") are settled in cash and are recognized over their vesting period and remeasured at each reporting period, until settlement, using quoted market values. SARs are accounted for as compensation expense and recorded in accounts payable and accrued liabilities.

(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)
Six months ended June 30, 2006

3. Properties - Ice rinks

June 30, 2006	Cost	Accumulated amortization	Net book value
Ice rinks:			
Land	\$ 14,616	\$ -	\$ 14,616
Buildings	93,907	22,236	71,671
Machinery and equipment	5,084	2,893	2,191
Computers, furniture and fixtures	3,126	2,423	703
Ice resurfacing equipment	2,122	1,543	579
	\$ 118,855	\$ 29,095	\$ 89,760

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	June 30 2006	December 31 2005
Fixed rate	2008	2006 – 5.86% (December 31, 2005 – 5.86%)	\$ 42,470	\$ 44,144
Variable rate	2008	2005 - prime + 1.00% (December 31, 2005 - prime + 1.00%)	5,000	5,000
			47,470	49,144
Current portion			2,387	2,434
Long-term portion			\$ 45,083	\$ 46,710

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.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)
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Six months ended June 30, 2006

5. Notes payable

	June 30 2006	December 31 2005
Note payable to an affiliate of the controlling shareholder	\$ 3,250	\$ 750

As at June 30, 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 June 30, 2006	266,747,663	\$ 63,109

7. Stock-based compensation

On April 1, 2006, the Company's Stock Option plan granted under the terms of the Canlan Ice Sports Corp. Employee and Director Stock Option Plan (2002) was cancelled.

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	-	-
Cancelled	(8,550,000)	\$ 0.06
Balance, June 30, 2006	-	\$ -

During the period ended June 30, 2006, \$2,000 in stock-based compensation costs were recognized in the statements of operations and credited to contributed surplus in relation to this stock option plan and the accumulated amount credited to contributed surplus in relation to the stock option plan is \$543,000.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)

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

Six months ended June 30, 2006

7. Stock-based compensation – continued

On April 1, 2006, the Company established a Stock Appreciation Rights plan (the "SAR Plan ") granted by the Company's Board of Directors subject to terms and conditions of the Canlan Ice Sports Corp. Director and Employee Stock Appreciation Rights Plan (2006). The SAR Plan provides eligible employees of the Company with the right to receive cash equal to the appreciation of the Company's common shares subsequent to the date of grant. The stock appreciation rights granted under the SAR Plan vest in equal installments over a three year period commencing in November 2006. All unexercised stock appreciation rights expire ten years from the grant date.

The SAR Plan resulted in the Company issuing 13,700,000 stock appreciation rights at an exercise price of \$0.06. During the three months ended June 30, 2006, no compensation expense has been recorded relating to the SAR Plan as none of the SARs have vested

The following table summarizes the Company's Stock Appreciation Rights Plan:

	Number of rights	Weighted average exercise price
Number of rights issued April 1, 2006	13,700,000	\$ 0.06
Forfeited	-	-
Granted	-	-
Balance, June 30, 2006	13,700,000	\$ 0.06

8. Commitments and contingencies

- a) At June 30, 2006, the Company had 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 June 30, 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

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(b) Various 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:

	Six months ended June 30	
	2006	2005
Ice	\$18,052	\$17,103
Restaurant and lounge	5,578	5,383
Sports store	1,095	988
Advertising, vending and other	1,460	1,313
Ice rink management, consulting and other	189	122
	\$26,374	\$24,909

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

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.

11. Subsequent Event

On August 1, 2006, the Company completed the purchase of an ice rink facility in North York, Ontario. The purchase price was \$11,250,000 in cash and the Company has financed this purchase through bank financing of \$8,000,000, and the remainder through the issuance of preferred shares in a subsidiary of the Company to the Company's principal shareholder.