



# Canlan Ice Sports Corp.

*where the experience is everything*

## THIRD QUARTER REPORT

Nine Months Ended September 30, 2006





**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 September 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)

|   | September 30<br>2006<br>(unaudited) | December 31<br>2005<br>(audited) | September 30<br>2005<br>(unaudited) |
|---|-------------------------------------|----------------------------------|-------------------------------------|
| <b>Assets</b>                               |                                     |                                  |                                     |
| Current assets:                             |                                     |                                  |                                     |
| Cash  | \$3,881                             | \$1,172                          | \$1,316                             |
| Accounts receivable                         | 1,857                               | 1,424                            | 1,622                               |
| Inventory                                   | 1,192                               | 1,051                            | 1,163                               |
| Future income taxes                         | 2,401                               | 1,950                            | 2,081                               |
| Prepaid expenses                            | 751                                 | 513                              | 914                                 |
|   | <b>10,082</b>                       | 6,110                            | 7,096                               |
| Properties:                                 |                                     |                                  |                                     |
| Ice rinks (note 3)                          | 100,679                             | 92,215                           | 92,853                              |
| Held for ice rink development               | 856                                 | 856                              | 856                                 |
|   | <b>101,535</b>                      | 93,071                           | 93,709                              |
| Other assets                                |                                     |                                  |                                     |
|   | <b>570</b>                          | 611                              | 657                                 |
|   | <b>\$112,187</b>                    | \$99,792                         | \$101,462                           |
| <b>Liabilities and Shareholders' Equity</b> |                                     |                                  |                                     |
| Current liabilities:                        |                                     |                                  |                                     |
| Accounts payable and accrued liabilities    | \$4,869                             | \$4,215                          | \$5,191                             |
| Deferred revenue and customer deposits      | 8,542                               | 7,806                            | 6,025                               |
| Current portion of:                         |                                     |                                  |                                     |
| Obligations under capital leases            | 243                                 | 150                              | 181                                 |
| Debt on ice rinks (note 4)                  | 2,725                               | 2,434                            | 2,387                               |
| Preference shares (note 5)                  | 1,000                               | -                                | -                                   |
| Note payable (note 6)                       | 3,000                               | 750                              | 4,500                               |
|   | <b>\$20,379</b>                     | 15,355                           | 18,284                              |
| Long-term liabilities:                      |                                     |                                  |                                     |
| Obligations under capital leases            | 529                                 | 277                              | 282                                 |
| Debt on ice rinks (note 4)                  | 52,140                              | 46,710                           | 47,148                              |
| Preference shares (note 5)                  | 2,650                               | -                                | -                                   |
|   | <b>55,319</b>                       | 46,987                           | 47,430                              |
|   | <b>75,698</b>                       | 62,342                           | 65,714                              |
| Shareholders' equity:                       |                                     |                                  |                                     |
| Share capital (note 7)                      | 63,109                              | 63,109                           | 63,109                              |
| Contributed surplus                         | 543                                 | 541                              | 539                                 |
| Deficit                                     | (27,163)                            | (26,200)                         | (27,900)                            |
|   | <b>36,489</b>                       | 37,450                           | 35,748                              |
|   | <b>\$112,187</b>                    | \$99,792                         | \$101,462                           |

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<br>September 30 |                    | Nine months ended<br>September 30 |                    |
|---|------------------------------------|--------------------|-----------------------------------|--------------------|
|   | 2006                               | 2005               | 2006                              | 2005               |
| <b>Revenue:</b>   |                                    |                    |                                   |                    |
| Ice rinks (notes 10 & 11)   | \$10,845                           | \$9,248            | \$37,218                          | \$34,147           |
| <b>Expenses:</b>  |                                    |                    |                                   |                    |
| Ice rinks   | 9,953                              | 8,659              | 30,511                            | 27,675             |
| Earnings from operations  | 892                                | 589                | 6,707                             | 6,472              |
| General and administration expenses   | 695                                | 629                | 2,071                             | 2,132              |
| <b>Earnings (loss) before the<br/>undernoted</b>  | <b>197</b>                         | <b>(40)</b>        | <b>4,636</b>                      | <b>4,340</b>       |
| <b>Other expenses:</b>  |                                    |                    |                                   |                    |
| Interest on debt on ice rinks   | 903                                | 718                | 2,349                             | 2,075              |
| Other interest  | 224                                | 176                | 505                               | 400                |
| Loss on foreign exchange  | 2                                  | (31)               | 365                               | (17)               |
| Amortization  | 995                                | 889                | 2,846                             | 2,684              |
| Gain on sale of capital assets  | -                                  | -                  | (16)                              | -                  |
|   | 2,124                              | 1,752              | 6,049                             | 5,142              |
| Loss before taxes   | (1,927)                            | (1,792)            | (1,413)                           | (802)              |
| Income tax (expense) recovery:  |                                    |                    |                                   |                    |
| Current   | (2)                                | (57)               | (2)                               | (171)              |
| Future  | 646                                | 528                | 452                               | 313                |
|   | 644                                | 471                | 450                               | 142                |
| <b>Net loss</b>   | <b>(1,283)</b>                     | <b>(1,321)</b>     | <b>(963)</b>                      | <b>(660)</b>       |
| Deficit, beginning of period  | (25,880)                           | (26,579)           | (26,200)                          | (27,240)           |
| <b>Deficit, end of period</b>   | <b>\$ (27,163)</b>                 | <b>\$ (27,900)</b> | <b>\$ (27,163)</b>                | <b>\$ (27,900)</b> |
| Basic earnings (loss) per share   | \$ (0.01)                          | \$ (0.01)          | \$ 0.00                           | \$ 0.00            |
| Fully diluted earnings (loss) per share   | \$ (0.01)                          | \$ (0.01)          | \$ 0.00                           | \$ 0.00            |
| Basic and diluted weighted average<br>number of shares outstanding<br>(in thousands) (note 7) | 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<br>September 30 |           | Nine months ended<br>September 30 |         |
|--|------------------------------------|-----------|-----------------------------------|---------|
|  | 2006                               | 2005      | 2006                              | 2005    |
| <b>Cash provided by (used in):</b>               |                                    |           |                                   |         |
| <b>Operations:</b>                               |                                    |           |                                   |         |
| Earnings (loss) from operations                  | <b>\$(1,283)</b>                   | \$(1,321) | <b>\$(963)</b>                    | \$(660) |
| Items not involving cash:                        |                                    |           |                                   |         |
| Amortization                                     | <b>995</b>                         | 883       | <b>2,846</b>                      | 2,684   |
| Gain on sale of capital assets                   | -                                  | -         | <b>(16)</b>                       | -       |
| Foreign exchange loss on sale of capital assets  | -                                  | -         | <b>378</b>                        | -       |
| Stock-based compensation                         | -                                  | 2         | -                                 | 6       |
| Future income tax                                | <b>(646)</b>                       | (528)     | <b>(452)</b>                      | (313)   |
| Changes in non-cash working capital:             |                                    |           |                                   |         |
| Accounts receivable                              | <b>394</b>                         | 173       | <b>(433)</b>                      | (191)   |
| Prepaid expenses                                 | <b>251</b>                         | (215)     | <b>(238)</b>                      | (515)   |
| Accounts payable and accrued liabilities         | <b>633</b>                         | 366       | <b>654</b>                        | 484     |
| Deferred revenue and customer deposits           | <b>4,230</b>                       | 2,021     | <b>736</b>                        | (975)   |
| Inventory  | <b>(46)</b>                        | (84)      | <b>(141)</b>                      | (197)   |
|  | <b>4,528</b>                       | 1,297     | <b>2,371</b>                      | 323     |
| <b>Investing activities:</b>                     |                                    |           |                                   |         |
| Expenditures on ice rink properties              | <b>(11,809)</b>                    | (260)     | <b>(12,157)</b>                   | (613)   |
| Proceeds from sale of ice rink properties        | -                                  | -         | <b>1,155</b>                      | -       |
| Other assets                                     | <b>(115)</b>                       | (400)     | <b>(131)</b>                      | (458)   |
|  | <b>(11,924)</b>                    | (660)     | <b>(11,133)</b>                   | (1,071) |
| <b>Financing activities:</b>                     |                                    |           |                                   |         |
| Repayment on line of credit                      | -                                  | (2,192)   | -                                 | -       |
| Increase in debt on ice rinks, net of repayments | <b>7,395</b>                       | 4,007     | <b>5,721</b>                      | 2,300   |
| Repayment of obligations under capital lease     | <b>(48)</b>                        | (36)      | <b>(150)</b>                      | (190)   |
| Proceeds from issuance of preferred shares       | <b>3,650</b>                       | -         | <b>3,650</b>                      | -       |
| (Repayment of) increase in note payable          | <b>(250)</b>                       | (1,784)   | <b>2,250</b>                      | (1,221) |
|  | <b>10,747</b>                      | (5)       | <b>11,471</b>                     | 889     |
| Decrease in cash                                 | <b>3,351</b>                       | 632       | <b>2,709</b>                      | 141     |
| Cash position, beginning of period               | <b>530</b>                         | 684       | <b>1,172</b>                      | 1,175   |
| <b>Cash position, end of period</b>              | <b>\$3,881</b>                     | \$1,316   | <b>\$3,881</b>                    | \$1,316 |
| <b>Cash flows include the following element:</b> |                                    |           |                                   |         |
| Interest paid                                    | <b>\$1,055</b>                     | \$894     | <b>\$2,782</b>                    | \$2,475 |
| Taxes paid                                       | -                                  | 211       | -                                 | 211     |
| <b>Non-cash transactions:</b>                    |                                    |           |                                   |         |
| Capital lease additions                          | <b>\$42</b>                        | -         | <b>\$391</b>                      | \$143   |

See accompanying notes to consolidated financial statements

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)  
Nine months ended September 30, 2006

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## 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 September 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)  
Nine months ended September 30, 2006

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## 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)  
Nine months ended September 30, 2006

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## 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) Financial Instruments:

The preferred shares issued by a wholly owned subsidiary of the Company are presented in accordance with CICA Handbook section 3861 "Financial Instruments – Disclosure". As a result, the preferred shares are presented as liabilities and dividends accrued are included in interest expense.

(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.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)  
(Amounts in tables are in thousands of Canadian dollars)  
Nine months ended September 30, 2006

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## 2. Significant accounting policies - continued

### (k) Income taxes:

Income 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.

## 3. Properties - Ice rinks

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| <b>September 30, 2006</b>         | <b>Cost</b>       | <b>Accumulated<br/>amortization</b> | <b>Net book<br/>value</b> |
|-----------------------------------|-------------------|-------------------------------------|---------------------------|
| Ice rinks:                        |                   |                                     |                           |
| Land                              | \$ 14,616         | \$ -                                | \$ 14,616                 |
| Buildings                         | 105,322           | 22,889                              | 82,433                    |
| Machinery and equipment           | 5,113             | 3,012                               | 2,101                     |
| Computers, furniture and fixtures | 3,487             | 2,506                               | 981                       |
| Ice resurfacing equipment         | 2,140             | 1,592                               | 548                       |
|                                   | <b>\$ 130,678</b> | <b>\$ 29,999</b>                    | <b>\$ 100,679</b>         |

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| <b>December 31, 2005</b>          | <b>Cost</b>       | <b>Accumulated<br/>amortization</b> | <b>Net book<br/>value</b> |
|-----------------------------------|-------------------|-------------------------------------|---------------------------|
| 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                       |
|                                   | <b>\$ 120,069</b> | <b>\$ 27,854</b>                    | <b>\$ 92,215</b>          |

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On August 1, 2006, the Company purchased an ice rink facility in Toronto, Ontario. The purchase price was \$11,250,000.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)  
(Amounts in tables are in thousands of Canadian dollars)  
Nine months ended September 30, 2006

## 4. Debt on ice rinks

|                   | Maturity dates | Weighted average interest rates                             | September 30 2006 | December 31 2005 |
|-------------------|----------------|---|-------------------|------------------|
| Fixed rate        | 2008           | 2006 – 5.85%<br>(December 31, 2005 – 5.86%)                 | \$ 41,889         | \$ 44,144        |
| Variable rate     | 2008           | 2006 - prime + 1.00%<br>(December 31, 2005 - prime + 1.00%) | 12,976            | 5,000            |
|                   |                |   | <b>54,865</b>     | 49,144           |
| Current portion   |                |   | <b>2,725</b>      | 2,434            |
| Long-term portion |                |   | <b>\$ 52,140</b>  | \$ 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.

## 5. Preference Shares

On August 1, 2006, a wholly owned subsidiary of the Company issued 3,650,000 preference shares to an affiliate of the Company's principal shareholder for proceeds of \$3,650,000. The preference shares carry a cumulative annual dividend rate of 12% payable quarterly. The preference shares will be redeemed on specific dates as follows:

|                                 |          |
|---------------------------------|----------|
| July 31, 2007 – Current portion | \$ 1,000 |
| July 31, 2008                   | 1,250    |
| July 31, 2009                   | 1,400    |

In accordance with CICA accounting standards regarding financial statement presentation of certain financial instruments, such as these preference shares, the net book value of the shares outstanding are presented as a liability in these consolidated financial statements.

The proceeds from this issuance were used to purchase an ice rink facility in Toronto, Ontario (note 3).

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)

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

Nine months ended September 30, 2006

## 6. Note payable

|   | September 30<br>2006 | December 31<br>2005 |
|---|----------------------|---------------------|
| Note payable to an affiliate of the controlling shareholder | \$ 3,000             | \$ 750              |

As at September 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.

## 7. Share capital

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

Authorized:

500,000,000 common shares of no par value

Issued and outstanding:

|   | Shares      | Amount    |
|---|-------------|-----------|
| Balance, December 31, 2005 and September 30, 2006 | 266,747,663 | \$ 63,109 |

## 8. 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<br>of shares | Weighted<br>average<br>exercise price |
|------------------------------------|---------------------|---------------------------------------|
| Outstanding, December 31, 2005     | 8,550,000           | \$ 0.06                               |
| Forfeited                          | -                   | -                                     |
| Granted                            | -                   | -                                     |
| Cancelled                          | (8,550,000)         | \$ 0.06                               |
| <b>Balance, September 30, 2006</b> | <b>-</b>            | <b>\$ -</b>                           |

During the period ended September 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)

Nine months ended September 30, 2006

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## 8. 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 five 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 September 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:

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|                                       | Number<br>of rights | Weighted<br>average<br>exercise price |
|---------------------------------------|---------------------|---------------------------------------|
| Number of rights issued April 1, 2006 | 13,700,000          | \$ 0.06                               |
| Forfeited                             | -                   | -                                     |
| Granted                               | -                   | -                                     |
| <b>Balance, September 30, 2006</b>    | <b>13,700,000</b>   | <b>\$ 0.06</b>                        |

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## 9. Commitments and contingencies

- a) At September 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 September 30, 2006, range from 9 to 14 years and total minimum lease payments are as follows:

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Year ending December 31:

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

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# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements (unaudited)  
(Amounts in tables are in thousands of Canadian dollars)  
Nine months ended September 30, 2006

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- (b) On August 1, 2006, the Company purchased an ice rink facility in Toronto, Ontario. Upon purchase, the Company assumed a forty-nine year land lease agreement related to the land on which the facility is situated. The land lease agreement is with a third party and ends on December 30, 2045. The annual lease cost is \$297,600.
- (c) 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.

## 10. 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:

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|   | Nine months ended September 30 |                 |
|---|--------------------------------|-----------------|
|   | 2006                           | 2005            |
| Ice                                       | \$25,855                       | \$23,840        |
| Restaurant and lounge                     | 7,470                          | 6,933           |
| Sports store                              | 1,479                          | 1,324           |
| Advertising, vending and other            | 2,018                          | 1,879           |
| Ice rink management, consulting and other | 396                            | 171             |
|   | <b>\$37,218</b>                | <b>\$34,147</b> |

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

## 11. 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.