PRIVATE AND CONFIDENTIAL

May 20, 2004

DELIVERED BY FACSIMILE TO MR. CHIP VALLIS
COVINGTON CAPITAL CORPORATION

Mr. Chip Vallis
Covington Capital Corporation
2000 Front St. West,
Suite 3003
P.O. Box 10
Toronto, ON,
M5V 3K2

Dear Chip:

In response to Covington's written offer of April 27, 2004 to sell its interest in ASHL We can advise that Canlan is prepared to purchase your interests (being debt and equity) in the ASHL on the following terms and conditions:

1. Purchase Price for Outstanding Debt and Equity: $4,700,000

2. No less than 50% of the purchase price to be paid in cash at closing.

3. Canlan will endeavour to raise the cash that is to be provided at closing by way of a Rights Offering to its shareholders. It is our intention, prior to that time, to obtain the back stopping of Bartrac Holdings Ltd., the majority shareholder of Canlan, to subscribe for no less than its pro-rata portion. In the event that shareholders other than Bartrac (being "Canlan's Minority Shareholders") subscribe for Canlan's proposed Rights Offering, 50% of the monies contributed by Canlan's Minority Shareholders will be added to the cash component of the respective closing purchase price for the minority interests in ASHL and O&O on a pro rata basis. Such amounts will be applied so as to reduce the stream of six subsequent payments beginning with the final payment and counting forward there from.

4. The outstanding amount owing to the Fund is to be paid out in no more than 6 equal semi-annual payments. Interest at a rate of prime plus 2.25% per annum will be paid on the outstanding amount on the payment date.

5. Security for the outstanding amount will be by way of a secured subordinated debenture, secured against the properties owned by the ASHL and O&O. With respect to the ASHL properties (being Scarborough Ice Sports and Etobicoke Ice Sports), the Fund's debt will be subordinated only to the existing senior debt. With respect to the O&O properties (being Oshawa Ice Sports and Oakville Ice Sports) the Fund's debt will be subordinated to any existing senior debt of O&O and the debt held by Ice Cold.

(in a segregated account) KW.

6. Canlan will maintain at all times a cash deposit in an amount equal to the next required payment of principal and interest.

7. There will be a favoured nations clause confirming that the valuation as between the Fund and Canlan with respect to the Fund's interest in the ASHL be no less favourable than the valuation between Ice Cold and Canlan with respect to Ice Cold's interest in O&O.

8. Canlan will be able to prepay any or all of the outstanding interest at any time without penalty. Any prepayment will first be applied against accrued interest at the time of prepayment. The remainder will be applied against the then outstanding principal. Any prepayments made by Canlan will not eliminate Canlan's requirement to make its scheduled payments.

9. If Canlan is successful in refinancing the senior debt at an amount in excess of the then outstanding mortgage balance the surplus proceeds would go firstly to prepay Covington.

10. The Fund's letter of guarantee to the Toronto Dominion Bank will terminate on closing.

10A. CANLAN AGREES TO PROVIDE THE FUND WITH DETAILED FINANCIAL INFORMATION, INCL. ANNUAL BUDGET, ON THE FOUR PROPERTIES, SO LONG AS THE DEBT IS OUTSTANDING. KW.

11. Closing to take place no later than September 30, 2004.

12. This offer is subject to the approval of The Board of Directors of both Canlan Ice Sports Corp. and Bartrac Holdings Ltd. and final documentation.

13. This offer is open for acceptance on its terms until 5:00 p.m. Pacific Daylight Time Thursday, May 20, 2004.

Yours truly,

CANLAN ICE SPORTS CORP.

W. Grant Ballantyne

M. Gellard

Dated: MAY 20, 2004

Accepted by Covington Capital Corporation May 20, 2004
ON BEHALF OF COVINGTON FUND I INC.

Chip Vallis