

**CREATOR CAPITAL LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2006**  
**U.S. Dollars**  
**UNAUDITED**

**NOTICE TO READER**

These are Unaudited Consolidated Financial Statements for this Second Financial Quarter, June 30, 2006. They have been prepared by Company management in accordance with the Canadian generally accepted accounting principals, consistent with previous Quarters and Years. These Unaudited Consolidated Financial Statements should be read in conjunction with the year end Audited Consolidated Financial Statements for December 31, 2005.

---

**CREATOR CAPITAL LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
For the Six Months Ended June 30, 2006  
(with comparative figures to  
June 30, 2005 and December 31, 2005)  
(UNAUDITED)

	ASSETS		
	June 30 2005	June 30, 2006	December 31 2005
Current Assets			
Cash and cash equivalents	\$ 41,660	\$ 308,216	\$ 34,355
Accounts receivable	26,750	5,365	9,365
Prepaid expenses	<u>55,039</u>	<u>24,616</u>	<u>468</u>
Total current assets	123,499	338,197	44,188
Investments	-	114,910	-
Furniture, fixtures and equipment	44,345	73,245	39,572
Intangible Assets	<u>-</u>	<u>6,999,999</u>	<u>-</u>
Total assets	<u>\$ 167,794</u>	<u>\$ 7,526,351</u>	<u>\$ 83,760</u>
	LIABILITIES		
Current liabilities			
Accrued Dividends	1,433,665	1,560,203	1,535,178
Accounts payable and accrued expenses	79,031	101,240	158,135
Note Payable	<u>0</u>	<u>1,381,255</u>	<u>0</u>
Total current liabilities	1,553,860	3,042,698	1,693,323
Notes Payable, Long Term	107,322	87,727	87,727
Long Term Obligation - ETV	<u>-</u>	<u>7,000,000</u>	<u>-</u>
	<u>\$ 1,620,182</u>	<u>\$ 10,130,425</u>	<u>\$ 1,781,040</u>
SHAREHOLDERS' EQUITY			
Class A preferred shares, \$0.01 par value, Authorized: 3,000 shares; Issued: 2,237 shares	22	22	22
Class B preferred shares, \$0.01 par value, Authorized: 5,000,000 shares; Issued:	0	0	0
Common shares, \$0.01 par value Authorized: 100,000,000 shares Issued: 90,424,191 and 87,782,611 shares	873,027 65,405,998	880,860 65,593,997	873,027 65,405,998
Additional paid-in-capital	<u>(67,731,434)</u>	<u>(69,078,953)</u>	<u>(67,976,327)</u>
Accumulated deficit	<u>( 1,452,388)</u>	<u>( 2,604,074)</u>	<u>( 1,697,280)</u>
Total liabilities and shareholders' equity	<u>\$ 167,794</u>	<u>\$ 7,526,351</u>	<u>\$ 83,760</u>

APPROVED ON BEHALF OF THE BOARD:

/s/ **Deborah Fortescue-Merrin**  
Deborah Fortescue-Merrin

/s/ **Anthony P Clements**  
Anthony P Clements

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**CREATOR CAPITAL LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
For the Six Months Ended June 30, 2006  
(with comparative figures to June 30, 2005 and December 31, 2005)  
(UNAUDITED)

	Six Months Ended June 30,		December, 31
	2005	2006	2005
Revenue	\$ 43,500	\$ 26,730	\$ 78,615
Operating Expenses			
Amortization and depreciation	5,017	10,092	9,760
Bad Debt expense	0	0	520
Consulting and contract labor	22,000	167,098	45,698
General and administrative	46,740	369,551	118,679
Legal	1,745	17,563	11,014
Marketing	595	465,819	1,027
	<u>76,097</u>	<u>1,030,123</u>	<u>186,728</u>
	<u>\$ (23,267)</u>	<u>\$ (1,003,393)</u>	<u>\$ (108,113)</u>
Other:			
Expense recoveries	5,000	0	5,000
Lawsuit settlement	0	0	0
Foreign Withholding Tax	0	0	0
Interest income	309	625	845
	<u>5,137</u>	<u>625</u>	<u>245,799</u>
Net Income (loss)	<u>\$ (27,288)</u>	<u>\$ (1,002,768)</u>	<u>\$ (102,268)</u>
BASIC AND DILUTED LOSS PER SHARE			
Numerator for basic and diluted loss per share:			
Net Income (loss)	(27,288)	(1,002,768)	(102,268)
Preferred stock dividends	<u>(99,857)</u>	<u>(99,858)</u>	<u>(201,370)</u>
Gain (loss) to common shareholders	<u>\$ (127,145)</u>	<u>\$ (1,102,626)</u>	<u>\$ (303,638)</u>
Denominator for basic and diluted loss per share:			
Weighted average shares outstanding	<u>90,424,191</u>	<u>87,782,611</u>	<u>90,795,037</u>
Net loss per share	<u>\$ (0.0014)</u>	<u>\$ (0.01256)</u>	<u>\$ (0.0033)</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**CREATOR CAPITAL LIMITED AND SUBSIDIARIES**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
For the Six Months Ended June 30, 2006  
(with comparative figures to June 30, 2005 and to December 31, 2005)  
(UNAUDITED)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006	Year Ended December 31, 2005
CASH PROVIDED (USED) BY:			
OPERATING ACTIVITIES			
Activity for the period:	\$ (27,288)	\$ (1,002,768)	\$ 143,949
Changes in non-cash working capital balances:			
Depreciation and amortization	5,016	10,092	14,002
Accounts receivable	(1,980)	4,000	29,730
Prepaid expenses	(4,879)	(24,148)	(3,992)
Accrued dividends payable	94,257	99,858	178,870
Accounts payable and accrued expenses	13,657	(56,895)	(164,202)
Net cash provided by (used in) operating activities	<u>78,783</u>	<u>(969,861)</u>	<u>198,357</u>
INVESTING ACTIVITIES			
Dividends Paid	0	(74,833)	0
Purchases of Furniture , Fixtures & Equipment	0	(43,765)	0
Investments	0	(114,910)	0
Intangible – Goodwill, ETV acquisition	0	(6,999,999)	0
Net cash provided by (used in) investing activities	<u>0</u>	<u>(7,233,507)</u>	<u>0</u>
FINANCING ACTIVITIES			
Long Term Obligation – ETV Acquisition	0	7,000,000	0
Notes Payable	0	1,381,255	0
Preferred stock dividends	(98,091)	(99,858)	(201,370)
Common Stock Issuance	0	7,833	7,000
Paid In Capital	0	187,999	0
Net cash provided by (used in) financing activities	<u>(81,927)</u>	<u>8,477,229</u>	<u>(194,370)</u>
Net increase (decrease) in cash	(3,144)	273,861	3,987
Cash, beginning of period	<u>44,804</u>	<u>34,355</u>	<u>40,817</u>
Cash, end of period	<u>\$ 41,660</u>	<u>\$ 308,216</u>	<u>\$ 44,804</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**CREATOR CAPITAL LIMITED AND SUBSIDIARIES**  
Consolidated Statement of Accumulated Deficit  
For the Nine Months Ended June 30, 2006  
(with comparative figures to June 30, 2005 and December 31, 2005)

(UNAUDITED)

	June 30, 2005	June 30, 2006	December 31, 2005
Balance, Beginning of Period	\$ (67,606,056)	\$ (67,976,327)	\$ (67,672,689)
Current Period's Activities:			
Net Income	(27,288)	(1,002,768)	(102,268)
Preferred Stock Dividends paid	0	0	0
Preferred Stock Dividends	<u>(98,090)</u>	<u>(99,858)</u>	<u>(201,370)</u>
Balance, End of Period	<u>\$ (67,731,424)</u>	<u>\$ (69,078,953)</u>	<u>\$ (67,976,327)</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**CREATOR CAPITAL LIMITED**  
**NOTES TO AMENDED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1        NATURE AND CONTINUANCE OF OPERATIONS**

The Company is a Bermuda exempted company which, in June 1997, changed its name from Sky Games International Ltd. ("SGI") to Interactive Entertainment Limited and on September 27, 2000 changed its name to Creator Capital Limited. The Company provides inflight gaming and entertainment software and services by developing, implementing and operating or licensing computerized video gaming and other entertainment software on, but not limited to the aircraft of international commercial air carriers. Gaming software was marketed using the name Sky Games™, and the entertainment software is marketed using the name Sky Play.

With the acquisition of ETV on Demand, Inc., the Company has entered into the global Internet entertainment distribution industry.

These consolidated financial statements have been prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of company has suffered recurring losses from operations and has a net concern is dependent upon many factors, including the ability of the degree of competition encountered by the Company, technology risks, government regulation and general economic conditions. These consolidated financial statements do no include any adjustments that might result from this uncertainty.

**NOTE 2        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

The Company considers cash on hand, deposits in banks and short-term investments with maturities of three months or less as cash and cash equivalents.

**Software Development**

All software production costs have been capitalized until the software was available for general release to customers, in accordance with the provisions of Statement of Financial Accounting Standards No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Amortization of the software costs over a three year period started in June 1998, Software development costs were written down in December, 1998 to a value representing the value attributable to the Sky Play software.

**Property and Equipment**

The Company's property and equipment is recorded at cost and depreciated using the straight-line and declining balance methods over its estimated economic life which is generally three to five years.

Additions and improvements that materially extend the useful lives are capitalized, while repairs and maintenance costs are expensed as incurred.

## Goodwill

The Company adopted SFAS No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002. Under SFAS No. 142, goodwill is no longer amortized but is reviewed for impairment annually, or more frequently if certain indicators arise. The Company completes its annual goodwill impairment tests as of December 31 of each year for all its reporting units. Based on an analysis of economic characteristics and how the Company operates its business, the Company has designated its business segments as its reporting units. As required by the statement, intangible assets that do not meet the criteria for recognition apart from goodwill must be reclassified to goodwill. With adoption of the statement, the Company ceased amortization of goodwill as of January 1, 2002.

## Impairment of Long Lived Assets

In accordance with Statement of Financial Accounting Standard No. 144, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of, management continually evaluates whether events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable.

## Loss Per Share

In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share (SFAS No. 128). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Diluted earnings per share are very similar to the previously reported fully diluted earnings per share. For the periods ended December 31, 2004, December 31, 2003 and December 31, 2002, there is no difference between basic and diluted loss per share as all stock options, warrants, convertible debentures and convertible preferred stock are anti-dilutive for the periods presented. All loss per share amounts for all periods have been presented, and where appropriate, restated to conform to the SFAS No. 128 requirements.

## Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates used in these financial statements include fair values and impairment analysis of Property and Equipment and Investment.

## Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Sky Games International Corp. (a Nevada, USA corporation), Creator Island Equities Inc. (a British Columbia, Canada corporation), Trade Watch Consultants Ltd. (a British Virgin Islands corporation). The subsidiary companies are inactive and all material inter-company transactions have been eliminated in consolidation.

## Disclosure about Fair Value of Financial Instruments

The Company estimates that the fair value of all financial instruments as of March 31, 2006 and December 31, 2005 as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts the Company could realize in a current market exchange.

#### Foreign Currency Translation

Foreign currency assets and liabilities are translated into United States dollars at the exchange rate prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rate during the year. Translation gains and losses are not material.

#### Website Development Costs

Emerging Issues Task Force Issue No.00-2, Accounting for Web Site Development Costs (EITF 00-2). Becomes effective for periods beginning after June 30, 2000, and establishes accounting and reporting standards for costs incurred to develop a web site based on the nature of each cost. In general, the pronouncement requires that costs incurred to develop a web site be capitalized and amortized to expense over the expected useful life of the site. The Company has incurred web site development costs.

#### Revenue Recognition

Revenue for Sky Play is recognized each month upon the invoicing of customer. Revenue for Sky Games is recognized at the end of each month upon accumulation of monthly gaming totals. During the period, revenue was generated only by Sky Play.

#### Recent Accounting Pronouncements

In November 2002, the EITF reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 is not anticipated to have a material effect on the Company's financial position, results of operations, or cash flows.

In December 2002, the Financial Accounting Standards Board (FASB) Issued Statement of Financial Accounting Standards No.148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (SFAS 148). SFAS 148 amends SFAS 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the reported results. The transition guidance and annual disclosure requirements are effective for fiscal years ending after December 15, 2002. The Company will continue to account for stock-based compensation under the provision of Accounting Principle Board Opinion No. 25 "Accounting for Stock Issued to Employees" using the "intrinsic value" method. Accordingly, the adoption of SFAS 148 is not anticipated to have a material effect on the Company's financial position, results of operations, or cash flows.



Statement of Financial Accounting Standards (SFAS) No.146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No.146), requires the Company to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS 146 replaces Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of SFAS NO.146 are to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The effect of adoption of SFAS No.146 is dependent on the Company's related activities subsequent to the date of adoption.

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No.45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 is not anticipated to have a material effect on the Company's financial position, results of operations, or cash flows.

### **NOTE 3            INVESTMENT – CHINA LOTTERIES**

On September 22, 2001, the Company entered into an investment agreement with Trade Watch Consultants Limited, (formerly Asset China Investments Ltd.) ("TWC"). Trade Watch holds 70% of the outstanding shares of Beacon Hill Enterprises Ltd. Beacon Hill holds the license for and operates one of two major Soccer Betting Lottery locations in Guangzhou City, Guangdong Province, People's Republic of China. In exchange for 1,500,000 shares of the Company's common stock, and an investment of up to HK\$1,500,000 (US\$180,050), the Company will receive 80% of the proceeds of the business profits that will be generated from Trade Watch's sports betting and lottery assets. To date, the Company has forwarded HK\$955,000 (US\$115,030). As at September 30, 2003 no earnings have been recorded as this project is in its initial stages of operation and no business profits have been earned to date.

On November 1, 2001, the Company entered into an investment agreement with Lee John Associates ("LJA"). Lee John is engaged in the business of owning the licenses for and operating several lottery locations in Guangzhou City, Guangdong Province, Peoples' Republic of China. In exchange for 500,000 shares of the Company's common stock, the Company shall receive 80% of the proceeds of the business profits that will be generated from LJA's Lottery businesses. As at September 30, 2003 no earnings had been recorded as this project is in its initial stages of operation and no business profits have been earned.

As of August, 2003, CCL had not received any funds under the agreements with TWC and LJA. Therefore, upon detailed re-evaluation and analysis all parties mutually agreed to amend the original agreements. On September 1, 2003, CCL amended these agreements as described below:

The original agreement with TWC required a total investment of US\$180,050.00 (HK\$1,500,000.00) and the issuance of 1,500,000 CCL common shares to TWC. To date, CCL has funded US\$115,030.00 but has not issued any common shares. Initially, both TWC and Beacon Hill Enterprises Ltd. ("BHE") agreed that TWC's 70% ownership in BHE would be reduced to 49% (due to the partial completion of the original funding of US\$180,050.00). The agreement was then finalized as a Licensing arrangement, whereby the US\$115,030.00 advanced was deemed to be a one-time, full payment of the license fee to allow TWC to sell lottery tickets through a dedicated website [www.worldwidelotteries-china.com](http://www.worldwidelotteries-china.com). The 1,500,000 CCL common shares will not be issued as a part of the arrangement.

The original agreement with LJA required CCL to issue 500,000 CCL common shares in exchange for 80% of LJA's business profits generated from its even sales locations within Guangdong Province in the People's Republic of China. As of September 1, 2003, CCL had not received any funds from LJA, nor had CCL issued the 500,000 common shares. This agreement was cancelled on September 1, 2003.

As of December 31, 2003, CCL has completed the development of the website ([www.worldwidelotteries-china.com](http://www.worldwidelotteries-china.com)) which is directed towards the international marketing and sales of the Soccer Betting Lottery. During the third Quarter 2003, approval was obtained and an agreement was reached with a Credit Card Payment processing provider. Subsequently, the provider was unable to provide the required services due to an internal issue. In the fourth Quarter 2003, agreement was reached with NETeller to provide payment processing services. Subsequently, the live operation of this internet site has been suspended until a new Chinese agent has been appointed. There is investigation towards the licensing and integrating the online purchasing and processing portion of the software. There are also aspects of the software to be integrated into future applications of Sky Games.

#### **NOTE 4                    LICENSING AGREEMENT - ONLINE GAMING BUSINESS**

On September 19, 2003, CCL's wholly owned subsidiary, Trade Watch Consultants Ltd. ("TWC") of the British Virgin Islands, entered into a Licensing Agreement with Action Poker Gaming Inc. ("APG"), a wholly owned subsidiary of Las Vegas from Home.com Entertainment. APG provides Internet Gaming Software designed for the on-line gaming industry. APG specializes in multi-player interactive poker games. CCL's site [www.worldwidegaming-asia.com](http://www.worldwidegaming-asia.com) will feature Asian Themed games such as "Chinese Poker", "Pan" and "Big 2".

As at September 30, 2004, the website content and design has not been forwarded to CCL for approval. Whereas APG has not affected steps to activate the services under this Agreement, CCL has deemed the Agreement in default and has withdrawn.

#### **NOTE 5                    SHARE PURCHASE AGREEMENT – ETV CHANNELS ON DEMAND, INC.**

On March 6, 2006 the Company entered into the Share Purchase Agreement through which it has acquired all the outstanding common shares of ETV on Demand, Inc., formerly known as ETV Channels on Demand, Inc. (a global Internet distribution network offering sports and entertainment content. These shares were acquired in exchange for 50,000,000 common shares of the Company, issued on an earnout basis at the deemed price of US\$1.00 per share for every US\$1.00 of Gross Revenues realized through the ETV business. A Share Purchase Warrant was issued granting the vendor of the ETV shares the right to purchase an additional 1,000,000 Creator common shares at US\$1.00

per share. The Company will issue a 5% Finders' Fee at a deemed price of US\$1.00 per share to be earned out based upon the same formula as the acquisition shares. This agreement becomes valid on the first issuance of Company common shares. Additionally, ETV has been funded by a private funding of \$1,973,222. These funds have been utilized in the pursuit of its business model.

## **NOTE 6      SHAREHOLDERS' EQUITY**

In 1997, the Company exchanged a promissory note in the amount of \$2,737,000 for Class A Preference Stocks at \$1,000 per share.

In 1998, the Company redeemed 500 Stocks at their redemption price of \$1,000 per share. The Class A Preference Stocks are convertible at any time into Common Stock, Dividends on the Class A Preference Stocks are cumulative and payable quarterly at an annual dividend rate of 9%. The Company, at its option, may redeem the Class A Preference Stocks, in whole or in part, at any time and from time to time, at a redemption price of \$1,000 per share plus any accrued and unpaid dividends thereon. The Company is not required to redeem the Class A Preference Stocks.

Dividends on the Class A Preference Stocks were \$99,858 for the six months ended June 30, 2004 and \$102,616 in 2003. They remained unpaid and are in arrears at year-end. The Class A Preference Stock does not have any voting rights. As of June 30, 2004, 2,237 Class A Preference Stock remained outstanding.

In 1997, the Company issued Series A and Series B Convertible Preference Stocks of the Company's Class B Preferred Stock. The Class B Series A and Series B Preference Stock are convertible into stock of Common Stock. As of December 31, 2002, all Series A Convertible Preference Stock of the Company's Class B Preferred Stock as well as cumulative dividends related thereto have been converted into common Stocks.

Dividends are cumulative and may be paid, at the option of the Company and with prior notice, in additional stocks of Common Stock at an annual dividend rate of 8%.

On April 30, 1997, the Company entered into a Consulting agreement with James P. Grymyr, whereby he would provide consulting services to the Company from time to time, as requested by the Company. Under the terms of this agreement, the Company issued 586,077 stocks of Common Stock to Mr. Grymyr as consideration for all such consulting services, both past and future. During March 2001, Mr. Grymyr informed the Company that he did not provide any consulting services to the Company. Furthermore, he indicated that the agreement was never operational. A review of the Company's records, and conversations with previous management did not reveal any evidence to the contrary. Therefore, Mr. Grymyr offered to annul the Consulting Agreement and return the shares to the Company for cancellation. The Company accepted this offer under the terms of the Annulment Agreement dated June 20, 2001. Mr. Grymyr has completed his undertakings as stated in the Annulment Agreement. The Company is in the process of completing the cancellation of the 586,077 common shares.

During December, 2005 the 3,525,000 escrowed common shares were returned to Treasury, as the underlying agreement has expired.

During March, 2006 certain accounts payable and accrued dividends payable were settled in exchange for 783,328 common shares at the market price of US\$0.25 per share.

**NOTE 7**      **INCOME TAXES**

As a Bermuda exempted company, the Company is not currently subject to income tax filing requirements in Bermuda. Prior to 1999 the Company operated in the U.S. as a branch of a foreign corporation. Tax carry-forward in taxable jurisdictions have not been determined. Deferred tax assets, if any, would be fully reserved. There are no income tax provisions, benefits, liabilities or assets reflected in the accompanying consolidated financial statements.

**NOTE 8**      **CONTINGENCIES**

Mr. Laurence Geller was Chairman of the Board of Directors of the Company from September 30, 1996 until February 23, 1999. The annual compensation of the Chairman of the Board was set at \$100,000 and is not payable until the Company generates sufficient cash flows from operations. The amount payable of \$133,000 has been accrued in the accounts payable; however, management continues to dispute payment. Mr. Geller has never corresponded with the Company subsequent to his departure. As of December 31, 2004 fiscal year end, the Company no longer recognizes this commitment. It has been removed from the Company's financial records.

**CREATOR CAPITAL LIMITED**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the Six Months ended June 30, 2006**

The following discussion and analysis, prepared as of June 30, 2006, should be read together with the Unaudited Consolidated Financial Statements for the Quarter ended March 31, 2006 and the related notes, which are prepared in accordance with Canadian generally accepted accounting principles. The business operations of Creator Capital Limited are conducted in United States Dollars and therefore, all amounts herein are stated in United States Dollars unless otherwise indicated. The amendments to hereto reflect the receipt of the audited financial statements for the year ended December 31, 2005.

## **COMPANY**

Creator Capital Limited ("CCL" or the "Company"), formerly known as Interactive Entertainment Limited ("IEL"), was incorporated pursuant to the laws of the Province of British Columbia on January 28, 1981 under the name Tu-Tahl Petro Inc. On May 10, 1990, the Company changed its name to Creator Capital Inc. The Company was reincorporated through the continuance of its corporate existence from the Province of British Columbia to the Yukon Territory on July 15, 1992. On January 23, 1995, the Company changed its name to Sky Games International Ltd. ("SGI"). Effective February 22, 1995, the Company continued its corporate existence from the Yukon Territory to Bermuda as an exempted company under the Companies' Act 1981 (Bermuda) (the "Bermuda Act"). In June 1997, the Company changed its name to Interactive Entertainment Limited following consummation of a series of amalgamations. Pursuant to a Special Resolution passed by shareholders at the September 19, 2000 Annual General Meeting, the Company changed its name to Creator Capital Limited.

## **BUSINESS OF THE COMPANY**

CCL's business is focused on providing inflight gaming software systems and services by developing, implementing and operating a computer-based interactive video entertainment system of gaming and other entertainment activities on, but not limited to, the aircraft of international commercial air carriers. The Company offers two suites of entertainment: Sky Play® - a catalogue of popular interactive amusement games, and Sky Games® an inflight Gaming system consisting of the more popular casino games. CCL also provides customization services on all CCL software and assist clients in creating an alternative "non-ticket" based revenue stream.

On March 6, 2006 the Company entered into the Share Purchase Agreement through which it has acquired all the outstanding common shares of ETV Channels on Demand, Inc., a global Internet distribution network offering sports and entertainment content. These shares were acquired in exchange for 50,000,000 common shares of the Company, issued on an earnout basis at the deemed price of US\$1.00 per share for every US\$1.00 of Gross Revenues realized through the ETV business. A Share Purchase Warrant was issued granting the vendor of the ETV shares the right to purchase an additional 1,000,000 Creator common shares at US\$1.00 per share. The Company will issue a 5% Finders' Fee at a deemed price of US\$1.00 per share to be earned out based upon the same formula as the acquisition shares. This agreement becomes valid on the first issuance of Company common shares

Through to March 31, 2006, CCL's activities continue to focus on 1) Continuing the redesign and development of the SkyGames Inflight Gaming Software System. 2) Continuing the management and support of the SkyPlay Interactive Amusement Games business. 3) Seeking new and updated games for inclusion in the SkyPlay Interactive Amusement Games Catalogue. With the acquisition of ETV Channel on Demand, Inc. this process is being included in the ETV development of IPTV content programming, enveloping both SkyGames and SkyPlay.

**THREE YEAR COMPARISON OF FINANCIAL INFORMATION**

	2005	2004	2003	2006 (Q-1&2)
Revenues	\$78,615	\$136,000	\$174,385	\$26,730
Gain (Loss) from Operations before Preferred Stock Dividends	(102,268)	(37,714)	(98,187)	(1,002,768)
Net Gain (Loss) for the Year	(303,638))	(239,084)	(299,557)	(1,102,626)
Total Assets	83,760	239,751	319,878	7,526,351
Long Term Liabilities	-	-	66,322	7,087,727

**DISCUSSION OF OPERATION AND FINANCIAL CONDITION SIX MONTHS ENDED JUNE 30, 2006**

**REVENUES**

Revenue consists of fees generated from the licensing of the Sky Play PC based amusement games to the Airline Industry. Airline clients install the games on their inflight entertainment systems (IFE) as part of the inflight entertainment offered to passengers. Operations revenue for the six months ended June 30, 2006 was \$26,730 compared to \$43,500 for June 30, 2005.

**ADMINISTRATIVE COSTS**

**GENERAL AND ADMINISTRATION**

	June 30, 2006	June 30, 2005
Accounting & Audit	51,783	16,400
Administration	38,217	12,600
Annual General Meeting	1,752	226
Bad Debts		534
Bank Charges	1,635	333
Computer Supplies	3,237	1,205
Courier & Postage	6,153	-
Filing Fees & Dues	6,267	3,879
Foreign Exchange	894	-
Investor Relations	2,827	994
Meetings	308	208
Miscellaneous		
Office Supplies	21,199	845
Product Supplies	7,018	
Purchases Taxes	4,968	
Research		-
Software		
Storage	1,425	813
Telecommunications	29,897	1,653
Transfer Agent	2,071	2,214
Travel	184,779	4,240
Website Maintenance	5,121	596
<b>TOTAL GENERAL AND ADMINISTRATION</b>	<b>369,551</b>	<b>46,740</b>

With the Acquisition of ETV Channels on Demand, Inc., (ETV) the accounts of the Statement of Operations now reflects not only Creator's Expenditures for the Quarter, but also those of ETV.

The Accounting and Audit cost increase, however, reflect the immense increase the cost of annual audits caused by the Sarbanes-Oxley regulations in the U.S.A. The amounts noted here include the extra cost for the newly appointed Auditor, Amisano Hansen, to re-audit the December 31, 2004 and the review of the September 30, 2004 Quarterly, allowing those statements to be filed with the S.E.C. Also included is the accrual for the current fiscal year's audit.

General and administrative expense has dramatically increased due to the ETV acquisition. Their operational and developmental costs are included in the June 30, 2006 figures noted in the above Table.

Consulting and services expenses have increased from \$22,000 for the 2005 Period to \$167,098 for the 2006 Period. ETV's business is conducted under services rendered billings.

The Legal expense for the Period was \$17,563, primarily services provided to ETV. Of this \$3,578 was utilized for corporate filings as well as copyright of the Creator Brands. The 2005 Quarter's expense was \$1,745.

Depreciation and amortization expenses increased to \$10,092 for the 2006 period from \$5,017 for 2005. The increase reflect the acquisition of depreciative assets with the ETV deal.

## **A SALES AND MARKETING COSTS**

The Marketing account amount leaped to \$465,819 reflecting the ETV indirect expenditures for obtaining entertainment content and the pursuit of clients. These expenditures included fees to various content and marketing independent contractors. The 2005 Quarterly's cost was \$206 for the marketing of the Sky Play Product.

The Net Loss before preferred stock dividends was \$1,002,768 for the six months ended June 30, 2006 compared to a net loss of \$27,288 for the six months ended June 30, 2005. With the inclusion of ETV's activities, which is in the effort of obtaining content contracts and revenue generating content providing contracts, the level of expenses reflects the level of efforts. The one contract already announced, testing and development of the system is now in the works, which has to occur before revenues are generated.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2006, the Company had a working capital deficit of \$2,704,501. The accruing preferred share dividends payable contributed substantially to this deficit. The acquisition of ETV On Demand, Inc. increased the cash position. It also increased the current Note Payable liability to \$1,973,222. The Company also had negative cash flow from operations during the six months ended June 30, 2006. It has been sufficient to provide the necessary funds for marketing, for continued development of the Company's products but not adequate to fund payment of the Company's dividend obligations on outstanding preference shares. The Company negotiated a restructuring and reduction of certain amounts owed to two of its largest creditors and to a best effort deferred payment plan on these obligations. One of creditors has now entered bankruptcy proceedings. Due to the operating losses of the past years, the Company's continuance as a "going concern" is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations in its current business activities.





## **FORWARD-LOOKING INFORMATION**

This document contains forward-looking statements that include among others, statements concerning the Company's plans to implement its software products, commence generating revenue from certain of its products, expectations as to funding its capital requirements, the impact of competition, future plans and strategies, statements which include the words "believe," "expect," and "anticipate" and other statements of expectations, beliefs, anticipated developments and other matters that are not historical facts. These statements reflect the Company's views with respect to such matters. Management cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to materially differ from those expressed or implied by the statements.

## **RELATED PARTY TRANSACTIONS**

For the Period the aggregate compensation paid or accrued by the Company and its subsidiaries to any and all directors and officers was \$118,000.

As at the Period end, the Company owed \$17,813 to a Director related entity. \$38,127 was incurred during the Period representing accumulated outstanding expense reimbursements for various office supplies, services, computer related costs and consulting fees. The balance is included within the accounts payable and accrued liabilities accounts. During the period \$65,000 of previously accumulated payables to this Director related entity was exchanged for the Company's common shares at the price of U.S.\$0.25 per share.

During the Period, Director and Officer travel related expenditures totaled \$ 89,798.

## **CAPITAL FINANCING**

There were no capital financings during the period.

## **SUMMARY OF QUARTERLY RESULTS**

	2006		2005				2004		
	June	March	March	June	September	December	March	June	September
Revenue	\$13,365	\$13,365	\$21,750	\$43,500	\$29,000	\$13,365	44,065	28,185	38,600
Net (Loss) Gain	(507,416)	(495,352)	(67,787)	(127,145)	(77,472)	(89,625)	(95,615)	(70,824)	(76,409)
Net Loss/share	\$(0.0058)	\$(0.0056)	\$(0.0001)	\$(0.0014)	\$(0.0009)	\$(0.0001)	\$(0.0001)	\$(0.0008)	\$(0.0001)

## **SUBSEQUENT EVENTS**

There are no subsequent events to the Period.

## **OUTSTANDING SHARE DATA**

### **a) COMMON SHARES**

	<u>COMMON SHARES</u>	<u>VALUE</u>
Balance, December 31, 2005	87,270,037	873,027
Issuance during the period	783,328	7,833
Balance, June 30, 2006	88,053,365	880,860

### **b) OPTIONS**

For the period June 30, 2006, the Company issued 783,328 common shares for certain outstanding payables and dividends payable. Option agreements were issued for a total of 13,700,000 common shares vesting between U.S.\$0.25 and U.S.\$2.00 over a two and half year period, beginning September 2006.

### **c) ESCROW**

The Escrow Agreement contains a provision for expiry of the Escrowed Common Shares resulting in the cancellation of said shares. The expiry date has come to pass and the escrowed shares were cancelled during the previous quarter.

## Form 52-109F2 Certification of Interim Filings

I, **Deborah Fortescue-Merrin**, Chief Executive Officer and acting in the capacity of Chief Financial Officer of **Creator Capital Limited** certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of **Creator Capital Limited**, (the issuer) for the interim period ending **June 30, 2006**;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: August 14, 2006

**Deborah Fortescue-Merrin**

---

Deborah Fortescue-Merrin  
Chief Executive Officer and  
Acting in the Capacity of Chief Financial Officer