



**THE ARCTIC GROUP INC.**

**ANNUAL INFORMATION FORM**

**For the Financial Period Ended December 31, 1999**

**[NON-POP ISSUER]**

**Dated: May 1, 2000**

**Filed pursuant to Ontario Securities Commission Policy 5.10**

*This Annual Information Form is being filed with The Toronto Stock Exchange and the securities commissions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec as a result of the application of Ontario Securities Commission Policy 5.10. The Arctic Group Inc. (the "Corporation") is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec but is not a reporting issuer in any other jurisdiction. The common shares of the Corporation are listed and posted for trading on The Toronto Stock Exchange under the trading symbol "AGP".*

## TABLE OF CONTENTS

INCORPORATION, ORGANIZATION AND SUBSIDIARIES .....	1
Incorporation .....	1
Employees .....	1
Subsidiaries .....	1
GENERAL DEVELOPMENT OF THE CORPORATION .....	3
Incorporation, Financings and Stock Exchange Listings .....	3
Acquisitions .....	3
NARRATIVE DESCRIPTION OF THE CORPORATION .....	6
Business of the Company .....	6
Industry Overview .....	6
Competition .....	7
Corporate Strategy .....	8
Products .....	10
Markets and Competition .....	10
Current Operations .....	11
Manufacturing .....	11
Distribution .....	12
Regulation of the Business .....	13
DESCRIPTION OF SHARE CAPITAL .....	13
Authorized Capital .....	13
Common Shares .....	13
Preferred Shares .....	13
Series One Preferred Shares .....	13
SELECTED CONSOLIDATED FINANCIAL INFORMATION .....	14
Summary of Operating Results .....	14
Quarterly Information .....	14
DIVIDEND POLICY .....	15
MANAGEMENT DISCUSSION AND ANALYSIS .....	15
Overview .....	15
Results of Operations .....	16
Liquidity and Capital Resources .....	17
Risks & Uncertainties .....	18
MARKET FOR SECURITIES .....	20
DIRECTORS AND OFFICERS .....	20
Directors .....	20
Key Management .....	20
Directors and Officers Summary .....	21
ADDITIONAL INFORMATION .....	22

*In this annual information form unless the context otherwise indicates, a reference to the "Corporation" refers to The Arctic Group Inc. and a reference to "The Arctic Group" refers to the Corporation together with its subsidiaries. Unless otherwise indicated, information contained herein is as at December 31, 1999.*

## **INCORPORATION, ORGANIZATION AND SUBSIDIARIES**

### **Incorporation**

The Corporation was incorporated under the laws of Alberta on March 1, 1996 as 686363 Alberta Ltd. The name of the Corporation was changed to The Arctic Group Inc. on May 1, 1996. The Corporation's Articles were amended pursuant to Articles of Amendment filed September 18, 1996 to remove the Corporation's private company restrictions. The Articles were further amended pursuant to Articles of Amendment filed August 17, 1999 to create a specific class of Preferred Shares, the Series One Preferred Shares.

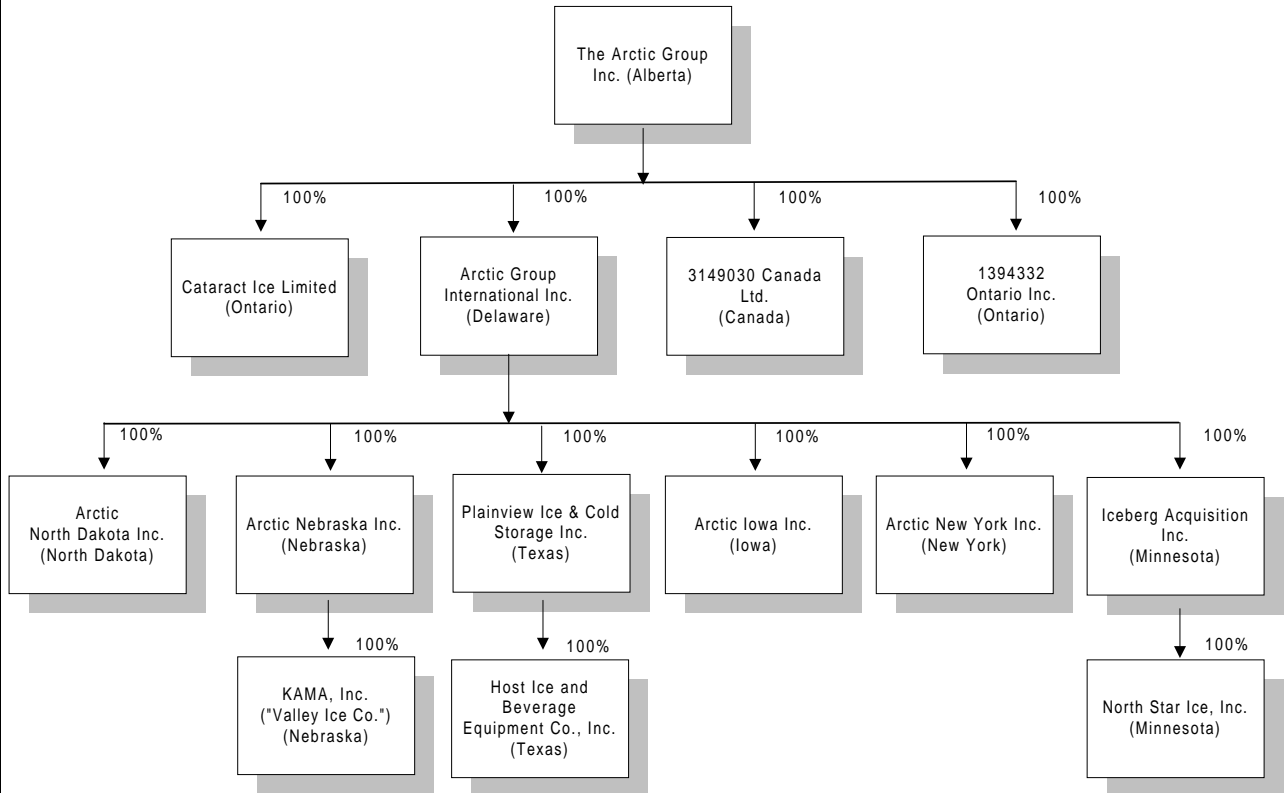
The Corporation's head office is located at 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1. The registered office of the Corporation is located at 1900, 715 - 5th Avenue SW, Calgary, Alberta, T2P 2X6.

### **Employees**

As at December 31, 1999, the Corporation had a total of 61 employees and 10 contract personnel. As at December 31, 1999, The Arctic Group had a total of 406 employees and 34 contract personnel. These numbers typically fluctuate throughout the year with the largest number of employees being retained during the summer months and the smallest number of employees being retained in the winter months.

### **Subsidiaries**

The following chart illustrates the various subsidiaries of the Corporation and the corporate structure of The Arctic Group.



## GENERAL DEVELOPMENT OF THE CORPORATION

### **Incorporation, Financings and Stock Exchange Listings**

The Corporation was incorporated under the laws of Alberta on March 1, 1996 as 686363 Alberta Ltd. The name of the Corporation was changed to The Arctic Group Inc. on May 1, 1996. The Corporation's Articles were amended pursuant to Articles of Amendment filed September 18, 1996 to remove the Corporation's private company restrictions. The Articles were further amended pursuant to Articles of Amendment filed August 17, 1999 to create a specific class of Preferred Shares, the Series One Preferred Shares.

On February 21, 1997, the Corporation became a reporting issuer in British Columbia, Alberta, Saskatchewan and Manitoba by filing a prospectus in those provinces to qualify its initial public offering. The Corporation subsequently distributed 2,666,667 units of securities of the Corporation at a price of \$0.75 per unit pursuant to that prospectus. Each unit consisted of one common share of the Corporation and one common share purchase warrant with each warrant entitling the holder thereof to purchase one common share at a price of \$1.00 until February 21, 1998 and at a price of \$1.25 until February 21, 1999. The distribution of these units was completed on March 25, 1997. The common shares and warrants of the Corporation were listed for trading on The Alberta Stock Exchange (now the Canadian Venture Exchange) on April 9, 1997.

On December 18, 1998, the Corporation received receipts for a final prospectus qualifying 2,750,000 common shares issuable upon the exercise of 2,500,000 special warrants issued by the Corporation in March of 1998 at a price of \$2.00 per special warrant and 9,244,000 units issuable upon the exercise of 9,244,000 special warrants issued by the Corporation in May of 1998 at a price of \$2.50 per special warrant from the securities commissions in each of British Columbia, Alberta, Manitoba and Quebec. The Ontario Securities Commission issued a receipt for the same prospectus on December 21, 1998. Each unit consists of one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to acquire one common share in consideration for \$3.75 until 5:00 p.m. (Toronto time) on May 21, 2000. There was a deemed exercise of the March special warrants and the May special warrants on December 30, 1998.

On August 18, 1999, the Corporation completed a financing package for \$127,000,000 of which \$100,000,000 is a term loan and \$27,000,000 was received through the issuance of convertible debentures to two separate purchasers. This financing is intended to be used to refinance existing debt and to finance the continued growth of the Corporation.

On December 31, 1999, the common shares of the Corporation were listed and posted for trading on The Toronto Stock Exchange and thus were voluntarily de-listed from the Canadian Venture Exchange effective February 1, 2000.

### **Acquisitions**

The following is a summary of the acquisitions of The Arctic Group:

1. The Corporation acquired all of the issued and outstanding shares of each of Arctic Ice Services Ltd, Pacific Ice Company Inc. and Morrow Ice Ltd. on April 30, 1996 and of Alberta Ice Co. Ltd. on May 1, 1996.
2. Effective June 30, 1997, the Corporation acquired all of the issued and outstanding shares of Jacyn Enterprises Ltd., the largest ice supplier in the southern Saskatchewan market.

3. On December 8, 1997, the Corporation acquired Plainview Ice and Cold Storage, Inc., and its wholly-owned subsidiary Host Ice and Beverage Equipment Co., Inc., a large ice supplier in western Texas. The Corporation's interest in Plainview Ice and Cold Storage, Inc. and its wholly-owned subsidiary Host Ice and Beverage Equipment Co., Inc. was subsequently transferred to its United States holding company, Arctic Group International Inc.
4. On March 12, 1998, The Arctic Group acquired the assets and operations of Lakeview Ice Co. Inc., an ice manufacturer and distributor in central Texas, through the Corporation's wholly-owned subsidiary Plainview Ice and Cold Storage, Inc.
5. On March 17, 1998, Plainview Ice and Cold Storage, Inc. also acquired the assets and operations of Party Pak Inc., a large ice producer and distributor in Kansas.
6. On March 31, 1998, Plainview Ice and Cold Storage, Inc. also acquired the assets and operations of Shepard's C&C Ice Co., an Oklahoma based ice producer and distributor.
7. Effective May 1, 1998, The Arctic Group acquired the following Canadian entities: Thibault & Brunelle Ltée, Glace Carnaval (1983) Inc., Capital City Ice Company Ltd, 1179554 Ontario Inc. operating as Ice Co., Polar Ice Company Limited, M&R Dorfman Enterprises Ltd. and Great Lakes Ice Ltd. A wholly-owned subsidiary of the Corporation, 1293736 Ontario Inc., was used to acquire Great Lakes Ice Ltd., 1179554 Ontario Inc. operating as Ice Co., Polar Ice Company Limited.
8. On May 29, 1998, the Corporation acquired the assets and operations of Arctic Ice & Water Co., an ice producer and distributor based near the Texas border in Kansas.
9. Through the Corporation's wholly-owned subsidiary, 1293736 Ontario Inc., on June 23, 1998 The Arctic Group acquired all of the issued and outstanding shares of Highland Ice Limited.
10. On June 30, 1998, The Arctic Group acquired the assets and operations of the Ice Division of Dick Krieg Enterprises, Inc., an ice producer and distributor based in Iowa, through the Corporation's wholly-owned subsidiary Arctic Iowa Inc.
11. Effective July 31, 1998, the Corporation acquired all of the issued and outstanding shares of Cataract Ice Ltd., an ice supplier based in Niagara Falls, Ontario.
12. On October 14, 1998, The Arctic Group acquired all of the issued and outstanding shares of Morrison Ice Ltd., an ice producer and distributor based in Hamilton, Ontario, through the Corporation's wholly-owned subsidiary Great Lakes Ice Ltd.
13. On October 23, 1998, The Arctic Group acquired all of the issued and outstanding shares of North Star Ice, Inc., an ice producer and distributor based in Minnesota, through the Corporation's wholly-owned subsidiary Iceberg Acquisition Inc.
14. On January 21, 1999, the Corporation acquired all of the issued and outstanding shares of The Ice Shoppe Inc., an ice distributor based in Whitby, Ontario.

15. Through the Corporation's wholly owned subsidiary Arctic Nebraska Inc., on March 12, 1999 The Arctic Group purchased all of the outstanding shares of Kama Inc., an ice producer located in Omaha, Nebraska.
16. On June 23, 1999, The Arctic Group, through the Corporation's wholly owned subsidiary Iceberg Acquisition Inc., purchased all of the assets of Diamond Clear Ice Incorporated of Marshall, Minnesota.
17. On June 24, 1999, through the Corporation's wholly owned subsidiary Plainview Ice and Cold Storage Inc., The Arctic Group purchased all of the assets of Kansas Ice, a Hutchinson, Kansas based producer.
18. Effective June 30, 1999, 1334202 Ontario Inc., a wholly owned subsidiary of the Corporation, purchased all of the outstanding shares of 884213 Ontario Inc. operating as City Pure Ice in Oshawa, Ontario.
19. On July 13, 1999, through 1334202 Ontario Inc., The Arctic Group purchased all of the assets of Home Town Ice, a division of Jack French Limited located in Kingston, Ontario.
20. Effective August 31, 1999, all of the assets of Finnegan's, Inc., an ice producer with operations in Kansas and Iowa, were purchased by the Corporation's wholly owned subsidiary, Arctic Iowa Inc.

In addition to the above acquisitions, The Arctic Group completed the following amalgamations:

1. Effective April 1, 1998, Thibault & Brunelle Ltée and Glace Carnaval (1983) Inc. were amalgamated and on June 1, 1998 the amalgamated company was merged with 3149030 Canada Ltd.
2. Effective May 1, 1998, Arctic Ice Services Ltd., Alberta Ice Co. Ltd. and Pacific Ice Company Inc. were merged with the Corporation.
3. Effective May 1, 1998, 783094 Alberta Ltd., a wholly-owned subsidiary of the Corporation, acquired all of the issued and outstanding shares of Martin Dorfman Holdings Ltd. and 373575 Alberta Ltd., who jointly owned all of the issued and outstanding shares of M&R Dorfman Enterprises Ltd. Martin Dorfman Holdings Ltd. and 373575 Alberta Ltd. were then amalgamated to form Martin Dorfman Holdings Ltd.
4. Effective January 1, 1999, M&R Dorfman Enterprises Ltd. and 783094 Alberta Ltd. were amalgamated with Martin Dorfman Holdings Ltd.
5. Effective January 1, 1999, 1293726 Ontario Inc., Highland Ice Limited, Great Lakes Ice Ltd., Coldfront Investments Inc., Morrison Ice Ltd. and 346002 Ontario Ltd. were amalgamated into 1334202 Ontario Inc.
6. Effective January 1, 2000, 1334202 Ontario Inc. , 1179554 Ontario Inc., The Ice Shoppe Inc., and 884213 Ontario Inc. were amalgamated to form 1393508 Ontario Inc.;
7. Effective January 4, 2000, 1393508 Ontario Inc. (the product of the amalgamation noted immediately above) was amalgamated with Polar Ice Company Limited to form 1394332 Ontario Inc.;

8. Effective January 1, 2000 the directors and shareholder of Martin Dorfman Holdings Ltd. resolved to wind-up the affairs of that corporation having all assets and liabilities transferred and assumed by the Corporation.

## **NARRATIVE DESCRIPTION OF THE CORPORATION**

### **Business of the Company**

The Arctic Group is the largest manufacturer of ice in Canada. The Arctic Group markets and distributes ice and water products in Quebec, Ontario and the four western provinces of Canada. The Arctic Group is also a large supplier of ice in western Texas, Oklahoma, Kansas, Nebraska, Minnesota, Wisconsin, North Dakota, South Dakota and Iowa in the United States. The primary product of The Arctic Group is packaged ice.

The Arctic Group now conducts operations from modern plants and sells its packaged ice primarily to grocery stores, convenience stores, gasoline service outlets, hotels, restaurants, bars, bakeries, meat processors, the fishing industry and cruise ships.

The Corporation believes that, with a production capacity of approximately 2,500 tons daily, compared to other competitors in the industry, it is amongst the largest producers in North America and the largest producer in Canada. The Corporation currently has over 35,000 customers.

Management of the Corporation estimates that there are over 2,500 companies involved in the ice production and distribution industry in North America. Through the acquisition and consolidation of independent, locally-owned ice businesses, the Corporation believes that the profitability of such businesses will be enhanced by realizing economies of scale and providing greater operation, marketing and financial support. The Corporation intends to finance its acquisition strategy through a combination of cash flow from operations and additional equity and/or debt financing. The Corporation has made several acquisitions as described above under "General Development of the Business - Acquisitions".

### **Industry Overview**

The most recent survey completed by the Packaged Ice Association, an association of ice manufacturers and distributors based in North America, estimates that the packaged ice industry generates wholesale revenue of approximately US \$2.4 billion in North America. The North American ice industry consists primarily of small, independent, family-owned businesses operating in local markets. Management of the Corporation estimates that there are over 2,500 companies involved in ice production and distribution in North America, with almost 80% of such companies reporting annual sales under US \$1 million. Retailers typically carry packaged ice from only one producer. No national brand exists in either Canada or the United States. No strong brand loyalty has yet been established based on actual or perceived differences in quality. Ice remains largely a commodity food product.

Management of the Corporation believes that the North American ice industry is highly fragmented and is ideal for consolidation. To the knowledge of management, no serious attempt has been made to consolidate market participants into a national supplier with the exception of the efforts of the Corporation and a major competitor, Packaged Ice, Inc.

Management of the Corporation believes that companies operating in the ice production/distribution industry are generally characterized by the following:

- superior profit margins with unrealized operating synergies;
- management consisting of skilled technicians with minimal formal business training;
- minimal ownership liquidity and no succession strategy;
- established market share and goodwill; and
- recurring revenues supplied by repeat clientele with ability to increase revenue through added local market penetration.

Management of the Corporation believes that it is positioned to engage in a consolidation of market participants in the industry and that such a consolidation could provide significant benefit to both the industry and its customers as well as the shareholders of the Corporation. Management of the Corporation believes benefits to the industry would be as follows:

- **Reliability of Products Supply:** The Arctic Group's multi-location high volume modern facilities provide reliable supply of ice to its customers resulting in a major competitive advantage. Currently, many smaller ice packaging companies cannot reliably ensure peak period supplies of ice.
- **Quality Control:** The Arctic Group delivers high quality ice to its customers.
- **Client Service:** The Arctic Group provides efficiencies of delivery within concentrated delivery routes. The Arctic Group's multiple plant locations allows The Arctic Group the ability to offer ongoing services and the supply of ice during periods of unusually high demand. Further, The Arctic Group has opportunities to expand distribution of additional products by using established regional distribution networks.
- **Regional Supplier:** Increasingly, industry customers are being consolidated into regional or national chains who prefer dealing with one regional ice supplier, which is able to service entire or multiple regions.

## Competition

Competition in the ice production/distribution industry in North America can generally be categorized into local and regional competition with the exception of Packaged Ice, Inc., a US based ice production/distribution consolidator. Certain major grocery chains and other large businesses such as airlines produce ice at their own facilities. However, such companies generally manufacture ice products for their internal use only and therefore do not compete for the sale of ice to third parties at the wholesale level.

Local community competition is oriented towards increasing local market share. The market share of a single company in any community is largely a function of the reputation of the company and its pricing and/or promotion programs. In many areas, competition can be significantly influenced by the high capital cost of plant and equipment necessary to produce the product.

On a regional basis, clientele can be characterized as retail "chains" rather than individually-owned retail outlets. Many of these retail chains seek to be serviced by suppliers which can service the entire chain of stores or at least all of the stores in a particular region. As a result, the Corporation believes that there will be pressure on the ice industry to become more regional in response to the changing customer base.

Packaged Ice, Inc. is the Corporation's major competitor. Packaged Ice, Inc. is engaged in the acquisition of ice production and distribution companies in the United States. It currently has acquired companies which

in aggregate have annual sales of approximately US \$230,000,000 as set out in current Securities and Exchange Commission filings of Packaged Ice, Inc.

The Arctic Group now conducts operations from modern plants and sells its packaged ice primarily to grocery stores, convenience stores, gasoline service outlets, hotels, restaurants, bars, bakeries, meat processors, the fishing industry and cruise ships.

The Arctic Group believes that with a production capacity of approximately 2,500 tons daily, compared to other competitors in the industry, it is a large producer in North America and one of the largest producers in Canada. The Arctic Group currently has over 35,000 customers.

## **Corporate Strategy**

### ***Expansion Through Acquisition***

Although there has been some regional consolidation in the industry, to the knowledge of management, with the exception of the efforts of the Corporation, no attempt has been made to consolidate market participants into a national ice supplier in Canada. Growth through acquisitions is largely driven by:

- desire for liquidity by independent owners;
- succession planning of family-owned businesses;
- economies of scale in plant operations and the high cost of capital to establish new facilities;
- economies of scale in general overheads and administration;
- efficiencies of delivery within concentrated delivery routes; and
- consolidation and growth of "corner stores" into regional or national convenience store chains which prefer to deal with large regional or national ice suppliers.

Management of the Corporation believes that the above factors offer significant growth opportunities through the acquisition of local ice production and/or distribution companies. Through the acquisition and consolidation of independent, locally-owned ice businesses, management of the Corporation believes that the profitability of such businesses will be enhanced by realizing economics of scale and providing greater operational, marketing and financial support than is currently available to many independent, locally-owned operations.

The Corporation intends to follow a disciplined approach based on specific financial criteria for identifying candidates and determining acquisition prices. In assessing potential acquisitions, the Corporation intends to apply the following criteria:

- profitability with proven management and market share;
- availability of a control equity position;
- continuing involvement of owners, managers or key employees;
- above average potential to enhance return on investment;
- compatibility with The Arctic Group's existing locations; and
- compatibility with The Arctic Group's growth strategies.

The Arctic Group intends to finance the acquisition strategy referred to above through a combination of cashflow from operations and future equity and/or debt financings. Over the past several years, The Arctic Group has continued to expand its service territory and customer lists, increasing both its size and profitability. The Arctic Group has done this in part through the acquisitions of the customer lists and other

assets of various ice businesses. Since 1993, The Arctic Group has acquired four ice businesses in British Columbia, three in Alberta, one in Saskatchewan, one in Manitoba, eleven in Ontario, two in Quebec, four in Kansas, one in Oklahoma, one in Iowa, two in Minnesota, one in Nebraska, and five in Texas. With an expanded capital base, management of the Corporation intends to aggressively pursue acquisitions in North America, emphasising opportunities in the United States.

### ***Corporate Identity***

In most instances, The Arctic Group intends that any acquired businesses will continue to use their existing "brand names" for the products of The Arctic Group in order to maintain an on-going identity in the market in which the acquired businesses operate. Where the acquisition is part of an area "rationalization", it is likely the Corporation will consolidate management, manufacturing and delivery and use the dominant brand name to service the combined markets. It is intended that all subsidiaries of the Corporation will prominently refer to their association with "The Arctic Group" in order to establish a national presence. It is expected that this association will lead to the promotion of "one-name, one-logo" for all operations of The Arctic Group.

### ***Management and Controls***

The primary growth strategy of the Corporation is the proposed acquisition of local ice companies while retaining management of those companies. It is intended that each acquired ice company will have a local manager and operate a distinct local profit centre with both monthly and annual financial performance monitored in accordance with budgeted projections. The Corporation's head office operations personnel is committed to ensuring that each acquisition provides a high level of quality service and operates efficiently within budget guidelines. This function is critical for the maintenance of goodwill and profitability in current operations and in order to ensure that newly acquired operations are managed in such a way as to maximize returns on investment. In general, acquired operations will provide significant opportunities for increased profitability through implementation of the Corporation's pricing, marketing and operations procedures.

### ***Operating Incentives***

The Corporation's management structure is designed to support and encourage entrepreneurial drive and individual responsibility. Senior management personnel will generally participate in a bonus system designed to reward the achievement of specific corporate growth and profitability goals set on an annual basis. In addition, executives and directors of the Corporation will participate in an executive stock option plan which will be designed to promote corporate growth and reward executive performance.

### ***Managers***

The continuity of management will be an integral part of the Corporation's acquisition growth plan. This will be achieved through the provision of management contracts of various terms to previous owners, managers and certain key employees of acquired businesses. Such contracts may include bonus provisions and /or stock option incentives.

### ***Regional Partnerships***

The Corporation proposes to establish regional partnerships whereby the existing management of an acquired company will be chosen to seek out and analyse additional acquisitions in their particular area. The Corporation proposes to "select" the best candidate using local knowledge to expedite and ultimately manage

future acquisitions. It is proposed that such regional partners may be placed on a profit sharing arrangement based on performance in the region.

### **Products**

The primary product manufactured by The Arctic Group is packaged ice. Packaged ice for human consumption is sold by The Arctic Group in a combination of package sizes varying by territory ranging from 2 kilogram to 20 kilogram packages. The Arctic Group also produces ice in bulk containers sold primarily to meat processors and the commercial fishing industry.

While The Arctic Group does not produce dry ice, it does perform handling services for a dry ice distributor on a fee per pound basis set at market rates and also purchases dry ice at market rates for resale out of The Arctic Group's Surrey facilities. Dry ice is sold to the transportation industry, recreational fishers and mechanical shrink fitters as well as retail walk-in customers for a variety of uses.

In 1993, The Arctic Group commenced distributing a brand of bottled water called Arctic Glacier Water produced by Arctic Glacier Canadian Water Co. Inc. While revenues from this distribution business amount to only a small percentage of the Corporation's revenues in 1999, The Arctic Group believes that the bottled water line complements its packaged ice products and it has been able to introduce and sell the water product to many of its traditional customers.

In addition, certain subsidiaries of the Corporation, such as the Thibault Group, distribute other ancillary products such as firewood.

### **Markets and Competition**

Management of the Corporation believes that The Arctic Group is a large ice producer in each area that it services. These areas include the lower mainland in British Columbia, southern Alberta, northern Alberta, Saskatchewan, southern Manitoba and northwestern Ontario, southern and eastern Ontario, Quebec, Texas, Oklahoma, Kansas, Iowa, Minnesota, Wisconsin, Nebraska, South Dakota and North Dakota.

Management of the Corporation believes that each subsidiary is the dominant ice supplier within the area it services. Each subsidiary has several small competitors within the area it services. The high capital costs associated with establishing an ice business have limited further competition from arising in the territories supplied by The Arctic Group and management of the Corporation believes that this "barrier to entry" will likely continue.

## Current Operations

The following table sets out comparative information for the operations of The Arctic Group in each of western Canada, eastern Canada and the United States:

Market	Western Canada	Eastern Canada	United States
Name	Pacific Ice, Morrow Ice, Ice Pedlar, Alberta Ice, Arctic Ice, Jacyn	Polar Ice, Great Lakes, Highland Ice, Cataract Ice, Thibault Group, Morrison Ice, City Pure, Ice Shoppe	Party Pak, Plainview Ice, Host Ice, Lakeview Ice, Arctic Ice & Water, Shepard's Ice, Krieg Boys, North Star, Valley Finnegan's, Kansas Ice, Diamond Clear
Location of Facilities	Surrey, Edmonton, Calgary, Winnipeg, Regina	Barrie, Sauble Beach, Chatham, Mississauga, Fergus, Niagara Falls, Ottawa, Montreal, Quebec City, Oshawa	Wichita, Lubbock, Amarillo, Midland, San Angelo, Roswell, Commanche, Montgomery, Perry, Dubuque, Ames, Mason City, Storm Lake, Minneapolis/St. Paul, Barinerd, La Crosse, Duluth, Marshall, Fargo, Sioux Falls, St. Cloud, Aberdeen, Salina, Huchinson, Omaha, Lincoln, Norfolk, Grand Island
Plant Capacity (Imperial tons of ice/day)	Approximately 400	Approximately 740	Approximately 1,400
Employees (Regular)	Approximately 60	Approximately 100	Approximately 300
Employees (Peak Season)	Approximately 120	Approximately 200	Approximately 450
Revenue <sup>(1)</sup>	Approximately \$11,000,000	Approximately \$21,000,000	Approximately \$48,000,000
Approximate Number of Customers	Approximately 7,500	Approximately 15,000	Approximately 14,000

Note: (1) Revenue is stated in Canadian currency and represents the entities estimated annualized revenue.

## Manufacturing

The Arctic Group produces ice at production facilities located in Surrey, British Columbia, Calgary and Edmonton, Alberta, Regina, Saskatchewan, Winnipeg, Manitoba, Montreal, Quebec, Chatham and Mississauga, Ontario, Lubbock, Texas, Wichita, Kansas and Mason City, Ames and Dubuque, Iowa, St. Paul and Marshall, Minnesota, Lincoln and Omaha, Nebraska. The land and building comprising the production facilities in Winnipeg, Calgary, Edmonton, Mississauga, Chatham, Montreal, Lubbock, Wichita, Mason City, Ames, Dubuque, Lincoln, Omaha and Marshall are owned by The Arctic Group while the land and building comprising the production facility in Surrey, and Regina are leased.

The Arctic Group uses municipal water which is filtered on site to produce its ice. At its Winnipeg, Calgary, Mississauga, Chatham, Montreal and Wichita facilities, The Arctic Group produces ice using Turbo ice manufacturing equipment. Turbo ice is frozen in sheets on vertical plates by application of refrigerant to the interior surface of the plate. During the freezing process impurities are further reduced. Once the freezing cycle has been completed and a sheet of ice is formed, hot gas is introduced into the system allowing the sheet

of ice to drop into a breaker bar system. The sheet of ice is broken into smaller pieces and then augured into a central refrigerated holding bin called a rake bin. The ice is augured over a shaker system to remove snow and very small pieces and then passes through a screening system that separates the ice according to size. The ice is then processed through bagging machines and ready for cold storage. The completed bags are wrapped in plastic and then stacked in the refrigerated cold storage.

The production facilities in Surrey, Edmonton, Lubbock, Ames, Mason City, St. Paul, Marshall and Dubuque utilize the Vogt equipment method of making ice, whereby ice is frozen inside vertical stainless steel tubes. Direct application of the refrigerant to the outside surface of the tube results in fast and energy efficient production of ice. The circulation of the water during the freezing process further reduces impurities producing a clear and tasteless ice. Water is circulated over the inner surface of the tubes and ice forms. This action is continued until ice of the desired thickness is formed. At the start of the thawing process, hot gas is introduced into the refrigerant area releasing the ice which falls onto a motor driven cutter plate and is then augured into a central refrigerated holding bin called a rake bin. The ice is augured to the bagging machines, packaged, and palletized. The stretch wrapped pallets are then ready to be stacked in the refrigerated cold storage.

All supplies for the manufacture, processing, packaging and distribution of ice products are from non-associated companies. With the exception of utilities services, all other supplies are available from a wide range of suppliers.

### **Distribution**

The Arctic Group does not have written supply contracts with any of its customers. Certain customers order from time to time and the remaining customers are serviced on a route basis where delivery personnel stop on a regular basis to fill orders as required.

The Arctic Group owns approximately 25,000 merchandising freezer units which are situated at various customer locations. The units vary in size from 15 cubic feet to 100 cubic feet. The unit is sized according to the service requirements of the individual location. The merchandising unit generally is placed on site with no monthly service charge to the customer. Customers serviced with this equipment are charged a higher price for ice. Customers purchase the ice at a specified price and take ownership of the product at time of delivery. The merchandising units are typically located at gasoline service outlets, grocery stores and convenience stores.

Ice product is delivered using refrigerated trucks. The Arctic Group owns approximately 170 such trucks and has long term leases with options to buy on a further 30 trucks. Further, The Arctic Group leases additional trucks during the summer months on short term leases.

Approximately 50% of the ice sales by The Arctic Group are done on a regular route basis. A large percentage of gasoline service outlet, grocery stores and convenience stores are set up on a regular route delivery basis. The delivery personnel visit all customers on that particular route and supply and fill customer requirement on a twice per week, once per week or every other week basis depending on the individual customers requirements. The delivery person issues an invoice at the time the delivery is completed. Revenue is derived from a broad spectrum of customers. The Arctic Group's largest customer represents less than 3% of total revenue.

**Regulation of the Business**

The Arctic Group's production facilities are inspected by various federal, provincial and municipal health and regulatory bodies. Management of The Arctic Group believes that in the event that stricter standards are imposed its competitive position in each of the affected markets will be enhanced as it believes it will be able to meet more rigorous standards while it does not expect its smaller competitors to be able to do so.

**DESCRIPTION OF SHARE CAPITAL****Authorized Capital**

The Corporation has an authorized capital of an unlimited number of Common Shares without nominal or par value and an unlimited number of Preferred Shares without nominal or par value issuable in series.

**Common Shares**

The holders of the Common Shares are entitled to dividends if, as and when declared by the Board of Directors, to attend at and to vote at meetings of shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares, subject to the rights of the holders of Preferred Shares. All of the outstanding Common Shares are fully paid and non-assessable.

**Preferred Shares**

The Preferred Shares are issuable in series, with each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of the Corporation prior to the issuance thereof. With respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the Preferred Shares are entitled to preferences over the Common Shares and any other shares ranking junior to the Preferred Shares and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of each series.

**Series One Preferred Shares**

One series of Preferred Shares have been created (the "Series One Preferred Shares"). The maximum number which may be issued is 10,000,000 Series One Preferred Shares. Subject to the terms of a waiver required to be executed by a holder of any Series One Preferred Shares, these shares have the right to dividends in the discretion of the Corporation, to convert to an equal number of common shares at any time prior to August 19, 2009, but are non-voting. By the terms of the waiver, a holder of any Series One Preferred Shares waives any preference to payment of dividends or rights regarding distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Corporation otherwise held in preference to rights applicable to holders of common shares of the Corporation.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Summary of Operating Results

The following table sets forth selected financial information of the Corporation for the last five completed financial years of the Corporation. Note that the Corporation changed its financial year end from April 30 to December 31 effective December 31, 1998.

	Years Ended				
	December 31, 1999	December 31, 1998	April 30, 1998 <sup>(4)</sup>	April 30, 1997 <sup>(4)</sup>	April 30, 1996 <sup>(4)</sup>
Revenue	\$ 74,257,000	\$ 41,508,000	\$ 9,574,000	\$ 5,345,000	\$ 3,741,000
Net earnings (loss) <sup>(1)</sup>	<949,000>	\$ 1,857,000	<1,016,000>	\$ 430,000	\$ 227,000
Basic earnings (loss) per share <sup>(2)</sup>	<0.03>	\$ 0.08	<0.07>	\$ 0.02	\$ 0.04
Fully diluted earnings (loss) per share <sup>(2)(3)</sup>	<0.03>	\$ 0.08	<0.07>	\$ 0.02	\$ 0.04
Total assets	\$ 170,674,000	\$ 129,443,000	\$ 36,157,000	\$ 4,947,000	\$ 3,204,427
Total long-term debt	\$ 98,816,000	\$ 61,036,000	\$ 14,177,000	\$ 1,429,000	\$ 1,067,000

- Notes: (1) There were no extraordinary items included in net earnings (loss) for the periods referred to above.
- (2) Net earnings (loss) per share were calculated using the weighted average number of common shares outstanding.
- (3) Assumes that all dilutive outstanding convertible securities have been converted into common shares at the later of the beginning of the fiscal period or the date of issuance.
- (4) The Corporation changed its financial year end from April 30 to December 31 effective December 31, 1998.

### Quarterly Information

The following table sets forth selected quarterly financial information of the Corporation for the last two completed financial years of the Corporation. Note that the Corporation changed its financial year end from April 30 to December 31 effective December 31, 1998.

	Quarter Ended							
	1999				1998			
	December 31	September 30	June 30	March 31	December 31	October 31 <sup>(5)</sup>	July 31 <sup>(5)</sup>	April 30 <sup>(5)</sup>
Revenue (\$)	9,330,000	34,861,000	22,393,000	7,673,000	4,604,000	17,041,000	19,863,000	2,927,000
Net earnings <sup>(1)</sup> (\$)	<6,317,000>	6,713,000	1,525,000	<2,870,000>	<2,570,000>	828,000	3,599,000	<1,279,000>
Basic earnings per share <sup>(2)</sup> (\$)	<0.17>	0.19	0.04	<0.08>	<0.09>	0.04	0.17	<0.07>
Fully diluted earnings per share <sup>(2)(3)</sup> (\$)	<0.17>	0.17	0.04	<0.08>	<0.09>	0.04	0.17	<0.07>
Shares outstanding <sup>(4)</sup>	36,215,200	35,852,000	35,689,000	35,218,000	27,512,000	21,655,000	20,860,000	18,368,000
Fully diluted shares <sup>(4)</sup>	36,215,200	40,070,000	35,689,000	35,218,000	27,512,000	21,655,000	20,860,000	18,368,000

- Notes: (1) There were no extraordinary items included in net earnings for the periods referred to above.  
(2) Net earnings per share were calculated using the weighted average number of common shares outstanding.  
(3) Assumes that all dilutive outstanding convertible securities have been converted into common shares at the later of the beginning of the fiscal period or the date of issuance.  
(4) Shares outstanding and fully diluted shares outstanding are as at the end of the respective quarters.  
(5) The Corporation changed its financial year end from April 30 to December 31 effective December 31, 1998.

### DIVIDEND POLICY

To date, the Corporation has not paid any dividends on its outstanding common shares. Future payment of dividends will be dependant upon the financial requirements of the Corporation to fund future growth, the financial condition of the Corporation and other factors which the Board of Directors of the Corporation consider appropriate in the circumstances. The Corporation is unlikely to pay any dividends in the foreseeable future.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Overview

The Corporation generates revenues from sales of high-quality packaged ice products to consumers and food processors in markets across six provinces in Canada and ten states in the mid-western United States.

This section provides information on the 1999 consolidated results of operations, reviews the Corporation's liquidity and capital resources and discusses risk management issues. The management discussion and analysis should be read in conjunction with the financial statements and accompanying notes.

## **Results of Operations**

In 1998, the Corporation changed its year-end from April 30 to December 31. Accordingly, the fiscal period ending December 31, 1998 was an 8-month period, which excludes the months from January to April, 1998. This is significant because the Corporation has historically generated substantial losses during this off-peak period. Management has therefore prepared 12-month unaudited figures based on actual historical results. We believe that this provides the reader with a more meaningful comparison.

### ***Sales***

Sales for the 12-month period ending December 31, 1999 totalled \$74.3 million, a 64% increase over the same 12-month period in 1998 when sales totalled \$45.1 million.\*

The increased sales are a result of several factors. Acquisitions made in the fall of 1998 and spring of 1999 are a major reason for the increase. Warmer than seasonal weather in the eastern half of Canada also contributed to increased sales, although this was offset somewhat by a cool, wet summer in Western Canada. Price increases, in conjunction with the implementation of our branding strategy, also contributed to the increase in sales.

### ***EBITDA***

Earnings before interest, taxes, amortization, and non-recurring expenses (EBITDA) were \$19.0 million, more than double the previous 12-month period's total of \$8.6 million.\* EBITDA performance as a percentage of revenue (EBITDA margin) increased to 25.6% from 19.2% in the prior twelve months. EBITDA per share for 1999 was \$0.53 per share (basic) compared to \$0.41 per share (basic) in 1998.

The rationalization of production and distribution facilities, restructuring of administrative functions and the impact of our strategic branding focus have combined with continued acquisition to have an immediate impact on improving EBITDA. In the coming year, we will continue to utilize the synergies provided by our acquisitions to further improve our EBITDA margin.

### ***Amortization***

Amortization expense relates to the amortization of capital assets and deferred financing costs over their estimated useful life and period of benefit to the Corporation. Amortization has increased due to the Corporation's growth as additional income-producing assets have been acquired.

### ***Non-Recurring Expenses***

Non-recurring expenses are \$1.1 million in 1999 versus \$0.5 million in the previous 12 months.

During 1999, the Corporation liquidated redundant assets, rationalized labour and management staff, resulting in one-time net losses from disposition, severance and a write-off of certain refinancing costs.

### ***Income Tax Expense***

Income tax expense includes large corporation tax, based on taxable capital of the Corporation, future income taxes, based on temporary differences between the tax and accounting bases of assets and liabilities, and withholding tax, based on interest charges to the subsidiary companies.

Also included in income tax expense are withholding taxes of \$0.6 million that are expected to be reduced significantly by reallocating a portion of our corporate debt to certain U.S. subsidiaries.

### ***Goodwill Charges***

Goodwill charges represent amortization of goodwill, presented net of applicable future income taxes. The increase in 1999 is a result of the implementation of the Corporation's strategy of continuing growth through acquisition.

### ***Net (Loss) Earnings and (Loss) Earnings Per Share***

The Corporation reported a net loss for the year ending December 31, 1999 of \$949,000 or a loss per share of \$0.03 (basic and fully diluted – including goodwill charges), compared to net earnings over the comparable 12-month period in 1998 of \$183,000 or \$0.01 per share (basic and fully diluted – including goodwill charges).

The net loss in 1999 was largely attributable to the non-recurring expenses and withholding taxes noted above. These costs were incurred during the rationalization of our operations, positioning us to take full advantage of our synergies in the future.

The creation of additional manufacturing capacity in eastern Canada and Iowa was completed in early summer. This did not permit the Corporation to build up the ice inventories it would normally take into the summer season. When combined with the unusually warm weather mentioned previously, ice shortages arose, creating additional expenses for third party purchases and freight of approximately \$1 million. This issue was also a significant contributor to the net loss.

### ***Funds From Operations***

Funds from operations (cash flow) totalled \$8.5 million in 1999 compared to \$4.9 million for the previous 12-month period in 1998. This produced a funds from operations per share amount in 1999 of \$0.24 (basic) and \$0.21 (fully diluted), compared to \$0.23 (basic) and \$0.22 (fully diluted) for the previous 12-month period in 1998.

The companies acquired in the fall of 1998 and spring of 1999 augmented the performance of the existing companies, resulting in the increased cash flow.

### **Liquidity and Capital Resources**

On August 17, 1999 the Corporation restructured its long-term debt. It obtained a \$100 million term facility from the Bank of Nova Scotia and RoyNat Inc. In addition, Citicorp North America Inc. and RoyNat Inc. purchased \$27 million in convertible debentures. A portion of the proceeds of this refinancing was used to pay off the existing bridge financing. The remainder will be used to finance additional acquisitions in the future. At December 31, 1999 approximately \$25 million remained available to the Corporation.

At December 31, 1999 the Corporation had \$5.5 million in cash and cash held in trust as compared to \$4.8 million on December 31, 1998. The Corporation had unutilized operating lines of credit of \$5.0 million in both years.

Net working capital (current assets less current liabilities) has increased from a deficiency of \$0.8 million at December 31, 1998 to positive \$5.5 million at December 31, 1999. These translate to working capital ratios of 0.93 in 1998 and 1.58 in 1999. The increase in net working capital is the result of cash generated by operations and the restructuring of the long-term financing discussed above. The Corporation feels it has adequate resources to meet its requirements as they become due.

As at December 31, 1999 the Corporation's debt to equity ratio was 1.89 compared to 1.20 in 1998. The increase reflects the draw down of debt facilities to acquire additional income-producing assets. If the convertible debentures are treated as equity in their entirety, the ratio for 1999 falls to 1.03 while the ratio for 1998 remains unchanged.

### **Risks & Uncertainties**

The Corporation is subject to certain risks inherent in the operation of its business, including competition in local markets, as well as in the consolidation strategy, economic conditions including input costs, taxation and interest rates, seasonality, weather and foreign exchange.

The Corporation mitigates these problems with sound management practices, internal controls and insurance.

Competition

Each of the Corporation's markets face competition from a variety of local players. The Corporation also faces competition in the consolidation of the industry from Packaged Ice Inc., a NASDAQ listed company.

The Corporation believes it is well equipped to deal with local competition through its relationship with customers, efficiency of operation and market leadership position. Individual market risk is also mitigated by the geographic diversity of the Corporation, thereby limiting the potential effect of competition in any particular locality.

### ***Consolidation Strategy***

Should Packaged Ice Inc. or any other consolidator choose to become more aggressive, it could increase the price of potential acquisitions. This concern is mitigated by the very fragmented nature of the industry, with total sales estimated at \$2 billion U.S. per annum, and the Corporation's ability to grow both sales and earnings without further acquisition.

Seasonality

The packaged ice industry is very seasonal. Sales and profits are very heavily weighted in the second and third quarters. Significant losses are experienced in the first and fourth quarters. The seasonality is however, offset by the significant EBITDA margins earned on an annual basis, the liquidity of the Corporation and the capitalization of its assets.

### ***Weather***

Weather, especially during the busy summer months, can have a dramatic effect on sales and profitability. The Corporation is geographically diverse with operations from British Columbia to Quebec in Canada, and from North Dakota to Texas in the United States. While it is possible that rain and cool weather could cause a reduction in sales in a particular area, it is highly unlikely that all regions within which the Corporation operates would experience similar weather conditions. This diversity significantly mitigates the potential risk of unseasonable weather.

### ***Capital***

The Corporation's strategy of growth through acquisition is dependent on the availability of capital. There is no assurance that such capital will be available through debt or equity markets in the future.

The Corporation has recently negotiated a new \$127 million long-term financing package, of which approximately \$25 million was available at year-end for future acquisitions. The Corporation believes this to be sufficient for fiscal 2000. Beyond this period, new debt and equity facilities will be required.

### ***Interest Rates***

The Corporation has term and convertible debt facilities of over \$100 million. Each percentage point increase in the interest rate costs the Corporation in excess of \$1 million. The Corporation has fixed the rate on its \$27 million of convertible debentures. It also has the right to fix the rate on its long-term debt. The Corporation will continue to monitor interest rates and implement the safeguards necessary to mitigate this risk.

### ***Foreign Exchange***

In 1999, approximately 60% of the Corporation's revenue was earned in the United States. With the acquisition strategy essentially complete in Canada, the proportion of the Corporation's business done in the U.S. is expected to increase. Changes in foreign exchange rates could affect earnings in absolute terms. The Corporation has protected its debt service capability by establishing Canadian and U.S. dollar credit facilities. American acquisitions have been funded with U.S. dollar financing.

### ***Year 2000 Issue***

During 1999, the Corporation completed its assessment of the impact of the Year 2000 issue, tested its hardware and software and took appropriate corrective action where necessary.

To date, the Corporation has not experienced any negative impact associated with the Year 2000 issue. While it is not possible to be certain that all aspects of the Year 2000 issue have been fully resolved at this time, the Corporation is confident that it has undertaken appropriate measures to ensure a smooth transition through the year 2000.

\*All 1998 figures shown are based on an unaudited 12-month calculation using historical results since the Corporation's year end was changed from April 30 to December 31.

## MARKET FOR SECURITIES

The common shares of the Corporation are listed and posted for trading on The Toronto Stock Exchange under the trading symbol "AGP".

The common shares of the Corporation were listed for trading on The Alberta Stock Exchange (now the Canadian Venture Exchange following the November 26, 1999 merger of The Alberta Stock Exchange and The Vancouver Stock Exchange )on April 9, 1997. The common shares of the Corporation were listed for trading on The Toronto Stock Exchange on December 31, 1999 and thus were voluntarily de-listed from the Canadian Venture Exchange effective February 1, 2000.

## DIRECTORS AND OFFICERS

### Directors

The Corporation currently has a Board of Directors comprised of 7 persons. Each director is elected to serve until the next annual meeting of shareholders or until a successor is elected or appointed. The current Board of Directors consists of Robert Nagy, James E. Clark, Peter Stewart Hyndman, Keith F. Burrows, Richard Johnson, Gregory Daniels and David Swaine.

### Key Management

The principal officers of the Corporation are as follows:

**Robert Nagy** is the Chairman, Chief Executive Officer, President and a Director of the Corporation. Mr. Nagy has been involved in the ice industry in western Canada since 1971 and in the past five years has actively pursued market consolidation in the areas serviced by The Corporation. In addition, Mr. Nagy has interests in other companies which distribute dry ice and carbon dioxide throughout western Canada.

**Mike Pyle** is the Chief Operating Officer of the Corporation. Mr. Pyle has a Masters degree in business. Prior to joining the Corporation, Mr. Pyle was Manager of Corporate Lending with RoyNat Inc. in Winnipeg. Mr. Pyle will be focussing on integration of subsidiary corporations into The Corporation as well as implementing synergies and improvements in all areas.

**Bill Robertson** is the Chief Financial Officer of the Corporation. Mr. Robertson has extensive experience in the merchant banking industry. Prior to joining the Corporation, Mr. Robertson was Manager of Corporate Lending with RoyNat Inc. in Winnipeg. Mr. Robertson is a member of the Canadian Institute of Chartered Accountants. He is also a graduate of the University of Manitoba School of Business Administration.

**Richard Thibault** is the Vice President, Production of the Corporation. Mr. Thibault was the President, director and principal shareholder of Thibault & Brunelle Ltée. prior to its acquisition by the Corporation. Mr. Thibault has 32 years of experience in the packaged ice industry.

Each operating facility of The Corporation has its own experienced operating management in place who report directly to the above executive officers.

### Directors and Officers Summary

Name and Municipality of Residence	Current Office	Principal Occupation for the Previous Five Years
Robert Nagy St. Clements, Manitoba	Chairman, Chief Executive Officer, President and Director	President, Chief Executive Officer, Chairman of the Board and a Director of the Corporation since March 1, 1996. President and director of various subsidiaries of the Corporation.
James E. Clark <sup>(1)(2)(3)</sup> Vancouver, BC	Vice-Chairman and Director	Director of the Corporation since August 23, 1996. Vice-Chairman of the Corporation from June 22, 1998 to present. Vice-President, Finance and Acquisitions and Chief Financial Officer of the Corporation from August 23, 1996 to June 22, 1998. President and director of Jecco Properties Ltd. (a real estate development and investment company) from 1991 to present. President and director and sole shareholder of Moray Channel Enterprises Ltd. (a marina development and management company) from 1991 to present.
Peter Stewart Hyndman <sup>(1)(2)(3)</sup> Vancouver, BC	Director	Director of the Corporation from August 23, 1996 to present. Associate Counsel at Faskin, Martineau, DuMoulin LLP, Barristers & Solicitors, Vancouver, British Columbia from October 1997 to present. Corporate Secretary of The Loewen Group Inc. from January 1990 to present. Director of the Loewen Group Inc. from June 1986 to March 1998. The Loewen Group Inc. is a public company based in Vancouver. Mr. Hyndman was an elected member of the British Columbia Legislature from 1979 to 1983 and served as a Minister of Consumer and Corporate Affairs during two years of that term. He is a Governor of the Business Council of British Columbia and a Trustee of Pacific Salmon Foundation and the Steelhead Habitat Restoration Corporation.
Keith F. Burrows <sup>(1)(2)(3)</sup> Winnipeg, Manitoba	Director	Director of the Corporation from August 23, 1996 to present. President of Bristol Aerospace Limited from June of 1992 until July of 1997. Mr. Burrows also previously served as a Director of Rolls-Royce Industries Canada Inc., and as a member of the International Trade Advisory Committee (ITAC).
Richard Johnson Lubbock, Texas	Director	Director of the Corporation since December, 1997. President and Director of Plainview Ice & Cold Storage, Inc., and Host Ice & Beverage Equipment Co., Inc. Past Chairman of South Western Ice Association.
David R. Swaine <sup>(1)(2)(3)</sup> Toronto, Ontario	Director	Director of the Corporation from December 29, 1999 to present. Executive Vice President and Chief Operating Officer of RoyNat Inc. since July, 1994.
Gregory M. Daniels <sup>(1)(2)</sup> Toronto, Ontario	Director	Director of the Corporation from March 16, 2000 to present. President of Citicorp Capital Investors Ltd. and a Managing Director of Citibank N.A. in Canada since July 27, 1995.
Hugh A. Adams Winnipeg, Manitoba	Secretary	Secretary of the Corporation from August 23, 1996. Partner, Tupper & Adams, Barristers and Solicitors, 1982 to present. Mr. Adams has extensive experience in the practice of law relating to commercial law, corporate law and reorganizations. Mr. Adams is a Past Chairman, National Constitution Committee and Past Chairman, National Legislation and Law Reform Committee. (Canadian Bar Association).
David M. Calnan Calgary, Alberta	Assistant Secretary	Assistant Secretary of the Corporation since May 21, 1998. Partner, Shea Nerland Calnan, Barristers and Solicitors, from July 1990 to present.

Name and Municipality of Residence	Current Office	Principal Occupation for the Previous Five Years
Mike Pyle Winnipeg, Manitoba	Chief Operating Officer	Chief Operating Officer of the Corporation since August 1, 1998. Senior Account Manager with RoyNat Inc. in Winnipeg, Manitoba from 1993 to 1998.
Bill Robertson Winnipeg, Manitoba	Chief Financial Officer	Chief Financial Officer of the Corporation since October 4, 1999. Prior thereto, Manager of Corporate Lending at RoyNat Inc., a subsidiary of the Bank of Nova Scotia from 1983 to 1999.
Richard Thibault Montreal, Quebec	Vice President, Production	Vice President, Production of the Corporation since March, 2000. Vice President, Canadian Plant Operations of the Corporation from May 1998 to March 2000. Prior thereto, President of Thibault & Brunelle Ltée.

- Notes: (1) Member of the Audit Committee.  
(2) Member of the Compensation Committee.  
(3) Member of the Corporate Governance Committee.  
(4) Each director is elected to serve until the next annual meeting of shareholders or until a successor is elected or appointed. The last annual general meeting of shareholders was held on June 11, 1999. It is anticipated that the next annual general meeting of shareholders will be held on May 25, 2000.

As of May 1, 2000, 10,858,388 Common Shares were beneficially owned or controlled directly or indirectly by the directors and officers of the Corporation as a group, which represented approximately 30% of the issued and outstanding shares of the Corporation. In addition, certain of the directors and officers of the Corporation have received options to acquire Common Shares pursuant to the Corporation's stock option plan.

### ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's information circular in respect of its most recent annual meeting of shareholders of the Corporation that involved the election of directors and in the Corporation's consolidated financial statements for its most recently completed financial year.

The Corporation will provide to any person or company, upon request to the Corporate Secretary of the Corporation:

1. when the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of the Corporation's securities:
  - (a) one copy of the annual information form of the Corporation together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form;
  - (b) one copy of the Corporation's comparative consolidated financial statements for the most recently completed financial year, together with the report of the auditors thereon, and one

copy of any of the Corporation's interim financial statements subsequent to such audited financial statements;

- (c) one copy of the Corporation's information circular in respect of the most recent annual meeting of shareholders of the Corporation that involved the election of directors; and
  - (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or short form prospectus.
2. at any other time, one copy of each of the documents referred to in 1(a), (b) or (c) provided that the Corporation may require the payment of a reasonable charge if the inquiry is made by a person who is not a shareholder of the Corporation.

Any request for any documents referred to above should be made to the Corporate Secretary of the Arctic Group Inc., 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1 and facsimile 204-783-9857.

