ARCTIC GLACIER INCOME FUND

First Quarter Report to Unitholders

For the period ended March 31, 2002

Q1

Chairman's Report

On March 22, 2002 The Arctic Group Inc. reorganized into an income trust called the Arctic Glacier Income Fund (the "Fund"). The conversion of The Arctic Group Inc. from a corporate entity into an income trust pursuant to a plan of arrangement was overwhelmingly approved by shareholders, option holders and holders of convertible debentures at its special meeting held on March 11, 2002. The reorganization of The Arctic Group Inc. was completed concurrently with the completion of the Fund's $86 million initial public offering.

The new structure of the Company as an income trust will allow cash to be distributed to unitholders in a tax efficient manner. This is an excellent structure for unitholders given Arctic's strong and reliable annual cash flows from operations. Although the operations of Arctic are seasonal, the Fund intends to make even monthly distributions of its available cash to the maximum extent possible. On May 15, 2002, the Fund paid to unitholders its first distribution of $0.115 per unit for the initial 40 day period ending April 30, 2002, and on June 14, 2002 it will pay its first regular monthly distribution of $0.0875 per unit for May 2002. The Fund expects the annualized distributions to be $1.05 per unit, with any excess of distributable cash over distributions paid to be paid to unitholders through a supplemental distribution.

Operating results for the first quarter of 2002 were essentially on target. Revenues for the quarter ending March 31, 2002 were $8.5 million compared to last year's revenues of $8.2 million for the same period. Earnings before interest, taxes, depreciation, amortization and non-recurring expenses (EBITDA) were negative $3.2 million compared to negative $2.5 million in the first quarter of 2001. While the negative EBITDA generated by the Fund's operating company, Arctic Glacier Inc., is larger than that of the corresponding period last year it was within the expectations of the Company.

The net loss for the first quarter of 2002 improved to $3.8 million, compared to $5.7 million for the same period in 2001. On a per unit basis, the loss for the first quarter of 2002 was $0.54 compared to $0.94 in the first quarter of 2001. This improvement was largely the result of gains on the settlement of long-term debt and sale of non-core assets, and the change in Canadian accounting standards that eliminates the amortization of goodwill charges.

The packaged ice industry, particularly in Canada and the northern portions of the United States, where the majority of the Company's operations are located, is affected by seasonal weather patterns. During the first quarter of the year revenues for the Company are less than 10 percent of annual sales. During this same period, however, the Company incurs 25 percent of its annual fixed costs. This factor contributes significantly to the Company operating at a loss during the first quarter of the year when demand for ice products can be characterized as being very light.

There are a number of factors that contributed to the Company forecasting increased negative EBITDA in the first quarter. A substantial contributor to the increase is the decline in the value of the Canadian dollar. Currency exchange rates for the first quarter of 2002 averaged 1.5946 compared to 1.5280 for the same period last year. Additionally, during the first quarter the Company chose to make strategic changes to the distribution infrastructure in one of its key markets. The effect of this change was to make certain costs fixed costs as opposed to variable. These increased costs incurred in the first quarter will be offset by reduced operating costs during the busy period of the Company's year. Furthermore, the Company incurred additional planned administrative costs in preparation of the final phase of the centralization of accounting and administrative functions into head office during the second quarter of 2002.

The Company continues to make operating margin improvements year over year. EBITDA margins have increased 43% over the past four years, from 19.2 percent of sales in 1998 to 27.4 percent in 2001. We remain dedicated to improving the operating performance of the Company in 2002 and beyond. Our recent reorganization into an income trust has significantly reduced debt and strengthened our financial position, while providing an enhanced platform for growth. We have built a firm business platform from which we can continue to improve our existing operations and expand our market presence.

Robert J. Nagy

Chairman of the Board
and Chief Executive Officer

MANAGEMENT'S Discussion and Analysis

Overview

The first quarter of 2002 marked the reorganization of The Arctic Group Inc. into an income trust, called the Arctic Glacier Income Fund (the "Fund" or "Arctic"). The income trust structure will allow the company to strengthen its financial position and provide an enhanced platform for growth. At the same time, it will help to unlock the value of the significant cash flows that the company generates and improve investor returns by efficiently distributing these cash flows directly to unitholders.

On March 11, 2002, the shareholders of The Arctic Group Inc. approved a Plan of Arrangement (the "Arrangement") that would reorganize The Arctic Group Inc. into an income trust. On March 22, 2002, under the terms of the Arrangement, the Fund acquired all of the common shares of The Arctic Group Inc. from its shareholders, issuing 6.6 million units at a price of $9.50 as consideration. Each shareholder indirectly received one unit of the Fund in exchange for each six common shares held. The Arctic Group Inc., wholly owned by the Fund, will carry on the current business and will operate under the name of Arctic Glacier Inc.

Also on March 22, 2002, the Fund completed an initial public offering (the "IPO") of 9.1 million units at $9.50 per unit, raising $79.1 million after paying issue costs of $6.9 million. These funds were primarily used to reduce long-term debt and future interest expenditures.

The Fund will be making monthly distributions of its available cash to unitholders. This commenced with an initial distribution of $0.115 per unit for the initial 40 day period from March 22 to April 30, 2002 that was paid on May 15, 2002. The first regular monthly distribution of $0.0875 per unit for May 2002 will be paid on June 14, 2002. Monthly distributions will be leveled to eliminate the impact of seasonal fluctuations on unitholders. Annualized distributions are anticipated to be approximately $1.05 per unit. No distributions were declared or paid prior to March 31, 2002 and as a result a statement of distributions has not been prepared.

The Fund is considered to be a continuation of The Arctic Group Inc. following the continuity of interest method of accounting. As a result, the Management Discussion and Analysis ("MD&A") for the first quarter of 2002 should be read in conjunction with the MD&A in the annual report of The Arctic Group Inc. for the year ended December 31, 2001.

Arctic Glacier Inc. is a leading manufacturer and distributor of premium quality packaged ice products. Arctic is the largest producer of packaged ice in Canada and is among the largest producers of packaged ice in the United States, serving more than 35,000 retail, commercial and industrial customer locations throughout six provinces in Canada and eight states in the central United States.

Due to the seasonal nature of Arctic's operations, the results of operations for this quarter are not necessarily indicative of the results to be expected for the year.

Results of Operations

Sales

Sales for the first quarter ended March 31, 2002 reached a new high of $8.5 million; an increase of 4% compared to sales of $8.2 million for the first quarter of 2001.

Unit prices were higher as the first quarter of 2002 reflects the product pricing increases that were implemented in the spring of 2001. This pricing leverage is made possible as a result of the significant investment that Arctic has made in branding and product quality initiatives over the past three years. Sales volumes were down slightly this quarter as a result of uncharacteristically cool temperatures in a number of our key Canadian and U.S. markets in March.

Sales were also impacted positively by the weaker Canadian dollar during the first quarter of 2002, which increased the Canadian dollar value of the sales generated in U.S. markets.

EBITDA (1)

Earnings before interest, taxes, depreciation, amortization and non-recurring expenses (EBITDA) for the first quarter ended March 31, 2002 were negative $3.2 million compared to negative $2.5 million in the first quarter of 2001. These EBITDA results are in line with Arctic's target for the first quarter of 2002. The change from last year can primarily be attributed to three factors:

- Increased fixed costs related to strategic changes that were made over the winter to the distribution infrastructure in one of our key markets to ensure a continued high level of customer service. These changes are expected to result in reduced operating costs and increased EBITDA margins during the busy summer season;
- The planned short-term increase in costs associated with centralizing corporate data and accounting functions and streamlining administrative processes; and,

(1) Certain earnings measures, such as EBITDA, are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of Arctic's performance. Arctic's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies.

MANAGEMENT'S Discussion and Analysis

- The negative impact of the substantially weaker Canadian dollar during the first quarter of 2002, which increased the Canadian dollar value of the negative EBITDA that are generated in U.S. dollars. The average exchange rate during the first quarter of 2002 was 1.5946 Canadian dollars per U.S. dollar compared to an average rate of 1.5280 for the same period in 2001.

When evaluating results on a quarterly basis, it is important to understand the seasonal nature of Arctic's business. The first quarter is characterized by very light winter demand, resulting in relatively slow sales, negative EBITDA, and significant losses. Arctic incurs approximately 25% of its annual fixed costs in the first quarter, but generates only approximately 10% of its annual sales during this period.

Amortization

Amortization expense totaled $2.4 million for the first quarter of 2002, an increase of 3% compared to $2.3 million for the same period in 2001. The increase results from an increase in amortization of capital assets as a result of capital expenditures made in 2001 and the weaker Canadian dollar, which has increased the Canadian dollar value of amortization of U.S. assets. These increases are mostly offset by the reduction in amortization of deferred financing costs resulting from the settlement of the liability and equity components of the convertible debentures in May 2001.

Interest

Interest expense totaled $2.2 million for the first quarter of 2002, a decrease of 27% compared to $3.0 million for the same period in 2001. The decrease results primarily from the lower interest rate environment compared to last year, partially offset by the weaker Canadian dollar this year, which increased the Canadian dollar value of the interest costs of the long-term debt facilities denominated in U.S. dollars.

Interest expense is also lower as a result of the significant reduction of long-term debt on March 22, 2002 resulting from the recapitalization of Arctic combined with more favorable pricing of the new credit facility. During the first quarter of 2001, long-term debt decreased to $53.5 million at March 31, 2002 compared to $122.2 million at December 31, 2001, and the weighted average cost of debt decreased to 4.2% at March 31, 2002 compared to 7.8% at December 31, 2001.

Loss from Operations

Loss from operations, which is comprised of the loss before taxes, gains or losses on disposal of assets, and non-recurring charges was $7.8 million for the first quarter of 2002, unchanged from 2001.

Gain on Settlement of Long-term Debt

During the first quarter of 2002, Arctic used the proceeds from the initial public offering of Fund units, and the proceeds from the new credit facility to repay most of the long-term debt outstanding, including the balance of $84.5 million on the multi-currency non-revolving credit facility, the 12.5% subordinated debentures including accrued interest and prepayment penalties, and $3.0 million of loans payable. A gain of $0.8 million was realized on the settlement of debt, comprised of a $3.3 million gain on the settlement of the debentures reduced by the write-off of the remaining unamortized deferred financing costs of $1.6 million and by costs of $0.9 million to terminate an interest rate swap.

Gain on Disposal of Capital Assets and Goodwill

Gains on disposal of capital assets and goodwill totaled $1.4 million for the first quarter of 2002. This results primarily from the sale of a group of assets related to non-core operations in western Canada which generated a gain of $1.5 million, and the sale of some redundant assets in eastern Canada and the U.S. which generated losses totaling $0.1 million.

Non-Recurring Expenses

Non-recurring expenses for the first quarter of 2002 totaled $1.0 million, including $0.8 million associated with completing the Plan of Arrangement and reorganizing The Arctic Group Inc. into an income trust. The balance relates to severance and other costs associated with centralizing corporate data and accounting functions and streamlining administrative processes.

Net Loss and Loss Per Unit

The net loss for the first quarter of 2002 was $3.8 million or $0.54 per unit, a decrease of 33% compared to a loss of $5.7 million or $0.94 per unit for the first quarter of 2001.

LIQUIDITY AND CAPITAL RESOURCES

Funds used in operations totaled $7.3 million for the first quarter of 2002, an increase of $2.0 million compared to $5.3 million used in operations during the same period of 2001. This increase can be attributed to $1.0 million of non-recurring costs incurred this year along with $0.9 million of debt settlement costs to terminate the fixed-rate interest rate swap agreement. Excluding these items, funds used in operations for the first quarter of 2002 was $5.4 million, comparable to the first quarter of 2001. On a per unit basis, funds used in operations for the first quarter of 2002 was $1.04 compared to $0.87 for the same period in 2001. Excluding the non-recurring costs and costs to terminate the interest rate swap agreement, funds used in operations for the first quarter of 2002 was $0.77 per unit compared to $0.87 for the same period in 2001.

At March 31, 2002, Arctic had $5.2 million of cash on hand, an improvement of $8.8 million compared to $3.6 million of short-term borrowings at March 31, 2001. Cash balances increased by $3.3 million during the first quarter of 2002. Arctic had unutilized operating lines of credit of $5.0 million available at March 31, 2002, compared to $1.4 million at the same time last year and $5.0 million at December 31, 2001.

Working capital at March 31, 2002 was $5.7 million, representing an improvement of $12.2 million compared to a working capital deficit of $6.5 million at March 31, 2001. This increase can be attributed to the IPO that occurred during the quarter and the resulting increase in cash balances, the strong cash flow generated in fiscal 2001, and a significant reduction in the current portion of long-term debt resulting from the non-amortizing nature of the new credit facility. Working capital improved by $0.2 million during the quarter from $5.5 million at December 31, 2001 due to the IPO, offset by the seasonal reduction in cash balances that traditionally occurs in the first quarter of each year. These translate to working capital ratios of 1.54 at March 31, 2002 comparing favorably to 0.65 at March 31, 2001 and 1.55 at December 31, 2001. Arctic believes that it has sufficient resources from operating cash flows to meet current and future requirements.

Arctic used $0.1 million of funds for investing activities during the first quarter of 2002, down from $0.9 million during the first quarter of the previous year. Proceeds from disposal of capital assets include $2.3 million realized from the sale of a group of assets related to non-core operations in western Canada and the sale of redundant assets in eastern Canada and the U.S.. Excluding these proceeds, net capital expenditures (net of proceeds from disposal of capital assets) totaled $0.4 million for the first quarter of 2002, down from $0.8 million the previous year as there were no significant plant overhauls this year. Additions to other assets totaling $1.9 million during the first quarter of 2002 primarily reflects the deferred financing costs associated with establishing the new credit facility and related security in Canada and the U.S.

Arctic generated net funds from financing activities totaling $7.2 million during the first quarter of 2002. Cash of $131.3 million was generated from financing activities during the quarter including net proceeds of $79.1 million from the IPO, $51.6 million from long-term debt primarily comprised of amounts drawn on the new credit facility, and $0.6 million from the exercise of options for common shares of The Arctic Group Inc. prior to the reorganization. Cash totaling $124.1 million was used in financing activities during the quarter, primarily to reduce long-term debt and cancel the outstanding warrants as follows:

- the Bank of Nova Scotia senior credit facility was retired during the quarter through payments of $2.1 million from the sale of assets related to non-core operations, and $84.9 million from the IPO and new credit facility described below;
- the 12.5% subordinated debentures were retired and the 6.9 million warrants issued to the holders of the debentures were cancelled through payments of $33.8 million, which includes an aggregate prepayment penalty of $3.8 million. For accounting purposes, the total cost was allocated based on the fair value of the 12.5% debentures and the warrants at the date of settlement, which resulted in $26.8 million included in payment of debt and $7.0 million included as the cost of canceling the warrants; and,
- Loans payable totaling $3.0 million were retired with proceeds from the new credit facility.

In March of 2002, Arctic entered into a new credit facility with the Toronto Dominion Bank and RoyNat Inc. The new credit facility is multi-currency, revolving to a maximum of $60.4 million, and includes a $5.0 million line of credit. It bears interest at floating rates and is more favorably priced than the previous facility. In addition, there are no required principal repayments prior to maturity in March 2004.

Subsequent to the IPO, long-term debt at March 31, 2002 was $53.6 million. This represents a reduction of $69.4 million compared to $123.0 million at March 31, 2001 and a reduction of $68.6 million compared to $122.2 million at December 31, 2001.

Risks and Uncertainties

The factors affecting the business remain substantially unchanged from those identified in the MD&A for the year ended December 31, 2001.

Forward-Looking Statements

This document contains forward-looking statements, which are subject to certain risks, uncertainties and assumptions. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, and there is no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as at the date of this document, and the Fund assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances.

INTERIM CONSOLIDATED Balance Sheets

(thousands)
As at March 31, 2002 and 2001 (unaudited) and December 31, 2001 (audited)

	March 31, 2002	March 31, 2001	December 31, 2001
ASSETS			
Current assets:			
Cash	**$ 5,213**	$ –	$ 1,946
Accounts receivable	**6,112**	7,179	8,245
Inventories	**3,277**	3,095	2,911
Prepaid expenses	**1,769**	1,744	2,510
	16,371	12,018	15,612
Capital assets	**81,565**	86,328	83,585
Goodwill	**82,135**	83,486	83,849
Other assets	**5,399**	6,069	4,051
	$ 185,470	$ 187,901	$ 187,097
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities:			
Bank indebtedness	**$ –**	$ 3,596	$ –
Accounts payable and accrued liabilities	**9,121**	6,449	8,247
Obligations under capital leases due within the fiscal year	**240**	249	312
Principal due within the fiscal year on long-term debt	**1,273**	8,201	1,535
	10,634	18,495	10,094
Obligations under capital leases	**782**	1,150	783
Long-term debt (Note 4)	**52,282**	114,773	120,654
Future income taxes	**1,166**	3,493	6,066
Unitholders' equity			
Capital contributions (Note 5)	**129,900**	46,394	46,394
Contributed surplus	**–**	–	1,692
Equity portion of convertible debentures (Note 6)	**1,312**	9,298	5,098
Cumulative deficit	**(14,310)**	(10,331)	(7,063)
Cumulative translation adjustment	**3,704**	4,629	3,379
	120,606	49,990	49,500
	$ 185,470	$ 187,901	$ 187,097

See accompanying notes to interim consolidated financial statements.

On behalf of the Trustees:

Robert Nagy, Trustee

Keith Burrows, Trustee

INTERIM CONSOLIDATED Statements of Operations

(thousands, except per unit amounts)
Three months ended March 31, 2002 and 2001 (unaudited)

	2002	2001
Sales	**$ 8,534**	$ 8,232
Cost of sales, selling, general and administrative expenses	**11,728**	10,708
Loss before the undernoted	**(3,194)**	(2,476)
Amortization	**2,400**	2,335
Interest	**2,179**	2,996
Loss from operations	**(7,773)**	(7,807)
Gain on settlement of long-term debt (Note 7)	**(754)**	–
Loss (gain) on disposal of capital assets and goodwill	**(1,439)**	582
Non-recurring expenses	**1,005**	–
Loss before income taxes	**(6,585)**	(8,389)
Income tax expense (reduction)		
Current	**72**	–
Future	**(2,879)**	(3,166)
	(2,807)	(3,166)
Loss before goodwill charges	**(3,778)**	(5,223)
Goodwill charges [net of applicable future income taxes of nil (2001 - $133)]	**–**	465
Loss for the period	**$ (3,778)**	$ (5,688)
Loss per unit – basic and diluted	**$ (0.54)**	$ (0.94)
Weighted number of outstanding units	**7,040**	6,043
Number of issued and outstanding units	**15,651**	6,043

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED Statements of Cumulative Deficit

(thousands)
Three months ended March 31, 2002 and 2001 (unaudited)

	2002	2001
Cumulative deficit, beginning of period	**$ (7,063)**	$ (4,579)
Loss for the period	**(3,778)**	(5,688)
	(10,841)	(10,267)
Interest on equity portion of convertible debentures [net of applicable future income taxes of $49 (2001 - $43)]	**(74)**	(64)
Settlement of warrants [net of applicable future income taxes of $1,962] (Note 7)	**(3,395)**	–
Cumulative deficit, end of period	**$ (14,310)**	$ (10,331)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED Statements of Cash Flows

(thousands, except per unit amounts)
Three months ended March 31, 2002 and 2001 (unaudited)

	2002	2001
Cash from (used in):		
Operating activities:		
Loss for the period	$ (3,778)	$ (5,688)
Adjustments for		
Amortization of capital assets	2,098	1,900
Amortization of deferred financing costs	240	435
Amortization of deferred development costs and other assets	62	–
Goodwill charges	–	465
Non-cash portion of gain on settlement of long-term debt	(1,609)	–
Accretion of subordinated convertible debenture principal	–	188
Loss (gain) on disposal of capital assets and goodwill	(1,439)	582
Future income tax reduction	(2,879)	(3,166)
Funds used in operations	(7,305)	(5,284)
Changes in working capital items	3,382	1,801
	(3,923)	(3,483)
Investing activities:		
Additions to capital assets	(455)	(1,278)
Proceeds from disposal of capital assets and other assets	2,326	511
Additions to other assets	(1,923)	(142)
	(52)	(909)
Financing activities:		
Proceeds from long-term debt	51,612	1,412
Principal repayments on long-term debt	(116,847)	(376)
Principal payments under capital lease obligations	(73)	(100)
Interest on equity portion of convertible debentures	(123)	(107)
Shares issued on exercise of options	600	–
Units issued, net of issue costs	79,121	–
Cancellation of warrants	(7,049)	–
	7,241	829
Foreign exchange gain on cash held in foreign currency	1	175
Increase (decrease) in cash	3,267	(3,388)
Cash position, beginning of period	1,946	(208)
Cash position, end of period	$ 5,213	$ (3,596)
Supplementary cash flow information		
Interest paid	$ 3,365	$ 2,884
Income taxes paid	72	-
Funds used in operations per unit – basic and diluted	$ (1.04)	$ (0.87)

See accompanying notes to interim consolidated financial statements.

Notes TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except per unit amounts)
Three months ended March 31, 2002 and 2001 (unaudited)

1. ORGANIZATION

Arctic Glacier Income Fund (the "Fund") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on January 22, 2002. The Fund was created to invest in the packaged ice manufacturing and distribution business in Canada and the United States, initially through the acquisition of The Arctic Group Inc. by the Fund's wholly-owned subsidiary, Arctic Glacier Inc., which was completed on March 22, 2002. Arctic Glacier Inc. subsequently amalgamated with The Arctic Group Inc., with the amalgamated corporation retaining the name Arctic Glacier Inc. (the "Company").

The Company operates in the packaged ice industry in Canada and the United States and is active in acquiring ice manufacturing and distribution companies. In addition, the Company licenses its trade names and proprietary technology to independently owned companies in Canada and the United States under franchise and license agreements.

2. BASIS OF PRESENTATION

These unaudited consolidated financial statements of the Fund have been prepared in accordance with Canadian accounting principles generally accepted for interim financial statements and contain the financial position, results of operations and cash flows of the Fund and its subsidiaries.

The Fund is considered to be a continuation of The Arctic Group Inc. following the continuity of interest method of accounting, and as a result these financial statements and related notes are consistent with the policies outlined in the audited consolidated financial statements of The Arctic Group Inc. for the year ended December 31, 2001 except where stated below. Under the continuity of interest method of accounting, the Fund's acquisition of The Arctic Group Inc. is recorded at the net book value of The Arctic Group Inc.'s assets and liabilities on March 22, 2002, and the cumulative deficit of the Fund represents the retained deficit of The Arctic Group Inc. at that date.

The interim consolidated financial statements and related notes do not include all the information required for complete financial statements, and should be read in conjunction with the audited consolidated financial statements of The Arctic Group Inc. for the year ended December 31, 2001. When necessary, the financial statements include amounts based on informed estimates and best judgments of management.

Due to the seasonal nature of the operations of the Company, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year.

3. CHANGE IN ACCOUNTING POLICIES

(a) Goodwill

Effective January 1, 2002, the Fund adopted the new Canadian Institute of Chartered Accountants accounting standard for goodwill and other intangible assets, which no longer permits the amortization of goodwill and intangible assets with indefinite lives. The new standard requires a fair value impairment test be performed periodically to ensure that the fair value of goodwill and intangible assets with indefinite lives remains greater than, or equal to, book value. Any excess of book value over fair value will be charged to income in the period in which the impairment is determined.

Under the new standard, the Fund is required to complete a transitional impairment test to identify whether there is any potential impairment to goodwill as at January 1, 2002. The Fund will complete the first step of the required transitional impairment test by June 30, 2002. If necessary, the second step of the transitional impairment test will be completed by December 31, 2002. Any impairment that is required to be recognized when initially adopting these recommendations will be reflected as the cumulative effect of a change in accounting policy as at the date of adoption.

As a result of the application of the new standard, the Fund segregated from goodwill the unamortized trademark costs for the name Arctic Glacier that was obtained in a previous acquisition. The unamortized value of this trademark at January 1, 2002 was $1,336, which has been reclassified to other assets. Under the new standard, no amortization is required on the value of the trademark, effective January 1, 2002, because the asset has an indefinite life.

The Fund anticipates that the adoption of this new standard will result in a reduction of goodwill charges of approximately $1,829, net of applicable future income taxes, on an annual basis. As required by the new standard, the results of the prior years' quarter have not been restated.

(b) Unit-based compensation plan

Effective January 1, 2002, the Fund adopted the new Canadian Institute of Chartered Accountants accounting standard for its unit-based compensation plan. The new standard applies only to unit awards granted on or after the date of adoption. No units or shares were awarded in the three months ended March 31, 2002.

Notes TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except per unit amounts)
Three months ended March 31, 2002 and 2001 (unaudited)

4. LONG-TERM DEBT

During the first quarter of 2002, the Fund and its subsidiaries entered into a new credit facility with a new lender. The new credit facility is multi-currency, revolving to a maximum of approximately $60,400, and includes a $5,000 line of credit. The new credit facility bears interest at a floating rate, matures March 22, 2004 and does not require scheduled principal repayments prior to maturity. It is secured by debentures issued by the Fund and its subsidiaries together with other security agreements providing both a fixed and floating charge over all the assets and undertaking of the Fund and its subsidiaries. The Company has drawn $52,356 (U.S. $33,200) on the new credit facility during the three months ended March 31, 2002, and has incurred financing costs of approximately $1,800 related to the new credit facility.

5. UNITHOLDERS' CAPITAL

On March 11, 2002, the shareholders of The Arctic Group Inc. approved a Plan of Arrangement (the "Arrangement") reorganizing The Arctic Group Inc. into an income trust. Pursuant to the Arrangement, on March 22, 2002, the Company, a wholly owned subsidiary of the Fund, acquired from The Arctic Group Inc. shareholders all of the common shares in return for subordinated notes. The Fund then acquired these subordinated notes from the holders in exchange for units in the Fund. As a result, the shareholders of The Arctic Group Inc. indirectly received one unit of the Fund in exchange for six common shares of The Arctic Group Inc. Subsequently, the Fund owned all of the subordinated notes of Arctic Glacier Inc., which in turn owned all of the common shares of The Arctic Group Inc. Arctic Glacier Inc. subsequently amalgamated with The Arctic Group Inc., with the amalgamated corporation retaining the name Arctic Glacier Inc.

Concurrent with the Arrangement, the Fund entered into an Underwriting Agreement whereby the Fund filed a prospectus (the "Offering") for the issuance of 9,052.6 units at $9.50 per unit for net proceeds of $79,121 after issue costs of approximately $6,879.

Immediately prior to the Arrangement, 806.0 stock options of The Arctic Group Inc. were exercised for cash consideration of $600 under The Arctic Group Inc.'s Stock Option Plan and the remaining 1,845.8 stock options outstanding were cancelled. The Fund has adopted a new Unit Option Plan. No unit options were awarded for the period ended March 31, 2002.

Fund units are included in unitholder's capital contributions on the balance sheet as follows:

	Shares	Amount
Balance of common shares at December 31, 2001	36,260.2	$ 46,394
Issued on exercise of stock options	806.0	600
Issued on conversion of debentures	2,523.7	3,785
Balance of common shares at March 22, 2002	39,589.9	$ 50,779

	Units	Amount
Units issued on March 22, 2002 in exchange for The Arctic Group Inc. common shares (1 unit for 6 common shares)	6,598.4	$ 50,779
Units issued on March 22, 2002, at $9.50 per unit, net of share issue costs of $6,879	9,052.6	79,121
Total unitholder's capital contributions at March 31, 2002	15,651.0	$ 129,900

The Declaration of Trust authorizes the Fund to issue an unlimited number of units in one class. Each unit represents an equal undivided interest in the Fund.

(amounts in thousands, except per unit amounts)

6. EQUITY PORTION OF CONVERTIBLE DEBENTURES

During the three months ended March 31, 2002, $3,785 of the 8.5% convertible debentures were converted to common shares of The Arctic Group Inc.

7. SETTLEMENT OF DEBT

During the first quarter of 2002, the Fund and its subsidiaries used the proceeds of the initial public offering of units of the Fund, along with amounts drawn on the new credit facility to repay long-term debt including the balance of $84,897 on the multi-currency non-revolving credit facility, the 12.5% subordinated debentures including accrued interest, and $2,983 of loans payable. The Fund also terminated the interest rate swap contract. The settlement of debt resulted in a net gain of $754, comprised of a gain of $3,294 related to the excess of carrying value of the 12.5% subordinated debentures over the fair value on the date of settlement, less write-off of deferred financing costs of $1,631, fees and other costs of $54, and costs of terminating the interest rate swap contract of $855.

The Fund and its subsidiaries also cancelled 6,865.0 warrants previously issued to the holders of the 12.5% subordinated debentures. The settlement of these warrants resulted in a decrease to retained earnings of $3,395, representing the excess of fair value of the warrants over the carrying costs, net of applicable future income taxes.

8. SEGMENTED INFORMATION

The Company has determined that it operates in one business segment, the manufacturing and distribution of packaged ice and other products. The Company and its subsidiaries operate in Canada and the United States.

The following presents key information by geographic segment:

	2002			2001		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Total sales	**$ 3,072**	**$ 5,462**	**$ 8,534**	$ 2,940	$ 5,255	$ 8,232
Cost of sales, selling, general and administrative expenses	**(4,694)**	**(7,034)**	**(11,728)**	(4,292)	(6,416)	(10,708)
	(1,622)	**(1,572)**	**(3,194)**	(1,352)	(1,124)	(2,476)
Loss for the period	**(553)**	**(3,225)**	**(3,778)**	(2,972)	(2,716)	(5,688)
Total assets	**$ 65,520**	**$ 119,951**	**$ 185,470**	$ 67,497	$ 120,404	$ 187,901

9. COMPARATIVE FIGURES

Per unit amounts for previous periods have been adjusted to reflect the exchange of six common shares of The Arctic Group Inc. for one unit of the Arctic Glacier Income Fund on March 22, 2002.

Q1

CORPORATE Information

ARCTIC GLACIER INCOME FUND

ARCTIC GLACIER INC.

Officers

Robert J. Nagy
Chairman & Chief Executive Officer

Mike C. Pyle
President and Chief Operating Officer

Keith W. McMahon, CA
Chief Financial Officer

Hugh. A. Adams
Corporate Secretary

INVESTOR RELATIONS

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AUDITORS

KPMG LLP
Winnipeg, Manitoba

BANKERS

Toronto Dominion Bank
RoyNat Inc.

TRANSFER AGENT

Computershare Trust Company of Canada
Winnipeg, Manitoba

STOCK EXCHANGE LISTING

Toronto Stock Exchange - Arctic Glacier Income Fund **AG.UN**

ARCTIC GLACIER INCOME FUND

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