ARCTIC GLACIER INCOME FUND

First Quarter Report to Unitholders

For the period ended March 31, 2004

Q1

Message to Unitholders

We are pleased to report our operating results for the first quarter of 2004. During this period the Fund continued to pursue strategic acquisition opportunities. In March, the Fund acquired the assets of the ice products division of A.T. Reynolds & Sons, Inc. of Kiamesha Lake, New York. This company, which operated under the name Leisure Time Ice, is the market leader in its area servicing central New York State, parts of New York City, northern and central New Jersey and northeastern Pennsylvania. This acquisition is a continuation of our growth strategy of building a strong market presence in the northeastern U.S. and making investments that are accretive to distributable cash.

The acquisition of Leisure Time Ice gives Arctic Glacier a solid footprint in the densely populated northeastern U.S. market, with an annualized revenue base of more than $35 million anchored by the New York City and Philadelphia metropolitan regions. This is almost equivalent to Arctic Glacier's revenue in all of Canada.

During the first quarter, sales increased $3.6 million to a record $11.2 million, up 48 percent from the same quarter in 2003. Reflecting the seasonal nature of Arctic Glacier's business as referenced in the next paragraph, EBITDA for the first quarter was negative $4.1 million, representing an increase of 14 percent compared to negative $3.6 million in 2003. Net loss declined to $3.1 million from $3.4 million in the prior year. On a per unit basis, the loss for the first quarter of 2004 was $0.13 per unit, versus a loss of $0.21 per unit in the first quarter of 2003.

We are pleased with the performance of the Fund during the first quarter of this year. Demand for packaged ice is light during this period of the year, given the seasonal nature of our business. During the first quarter, the Fund incurs approximately 25 percent of annual fixed costs but sales for the period are less than 10 percent of the annual total. Historically, as Arctic Glacier has grown by acquisition, negative EBITDA for the first quarter has grown in relative proportion to increased sales. In 2004, sales increased by 48 percent while negative EBITDA increased by only 14 percent.

During the first quarter of 2004, the Fund declared distributions to unitholders totaling $6.2 million or $0.2676 per unit, compared to $4.2 million or $0.2676 per unit in the same period of 2003. That equates to an annual rate of $1.07 per unit. The Trustees of the Fund have eliminated the impact of seasonal fluctuations on unitholders by equalizing monthly distributions. This is an excellent distribution policy for unitholders, given the Fund's strong and reliable annual cash flows from operations.

We are extremely pleased with the accretive nature of the acquisitions made in 2003. We expect to continue growing through additional strategic and disciplined acquisitions during the balance of 2004. The Fund has a strong balance sheet and access to debt financing, for total capital available of more than $40 million for future acquisitions. We are well positioned to continue profitable growth.

Robert J. Nagy

President and
Chief Executive Officer

Management's Discussion and Analysis

of Operating Results and Financial Position for the three months ended March 31, 2004

Q1

The Management's Discussion and Analysis ("MD&A") analyzes significant changes in the consolidated balance sheets, consolidated statements of operations, cumulative earnings (deficit) and cash flows of Arctic Glacier Income Fund (the "Fund" or "Arctic Glacier"). It has been prepared taking into account material transactions and events up to and including May 7, 2004, and should be read in conjunction with the MD&A in the annual report of the Arctic Glacier Income Fund for the year ended December 31, 2003.

Due to the seasonal nature of Arctic Glacier's business, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. Arctic Glacier usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

Highlights for the Three Months Ended March 31, 2004

- Acquired the assets of the ice products division of A. T. Reynolds & Sons, Inc. of Kiamesha Lake, New York in March 2004;
- Declared distributions totaling $6.2 million ($0.2676 per unit) compared to $4.2 million ($0.2676 per unit) for the first quarter of 2003;
- Sales increased $3.6 million or 48% compared to the first quarter of 2003;
- Loss decreased $0.3 million or 9% compared to the first quarter of 2003;
- Loss per unit (basic and diluted) of $0.13 per unit, a reduction of 38% compared to a loss of $0.21 per unit for the first quarter of 2003.

Non-GAAP Financial Measures

EBITDA and distributable cash are not recognized measures under Canadian generally accepted accounting principles (GAAP). EBITDA is defined as earnings before interest, taxes, amortization and non-recurring expenses including acquisition integration charges that are one-time costs unique to each individual acquisition. EBITDA is a performance metric used by many investors to provide an indication of cash available for distribution from ongoing operations prior to debt service, capital expenditures and income taxes and is often used to compare companies and Income Funds on the basis of ability to generate cash from ongoing operations. Distributable cash is a performance metric used by many investors to summarize the funds available for distribution to unitholders in an Income Fund.

Investors should be cautioned that EBITDA and distributable cash should not be construed as alternatives to net income, cash from operations or other financial measures determined in accordance with GAAP as indicators of the Fund's performance. The Fund's method of calculating EBITDA and distributable cash may differ from other companies and Income Funds and, accordingly, may not be comparable to measures used by them.

Distributable Cash

The Fund had a distributable cash deficiency in the first quarter of 2004 of $5.4 million or $0.23 per unit, compared to a deficiency of $4.8 million or $0.31 per unit for the same period of 2003.

The packaged ice business is very seasonal. The Trustees of the Fund have eliminated the impact of seasonal fluctuations on unitholders by equalizing the monthly distributions. Because of this seasonality, the calculation of distributable cash for any portion of the year is not necessarily indicative of the distributable cash to be expected for the year. The first quarter of the year is characterized by very light winter demand, resulting in lower sales, negative EBITDA and distributable cash deficiency. As Arctic Glacier's scope of operations increases, the distributable cash deficiency in the first quarter can be expected to increase as well.

Management is confident that the acquisitions made in 2003 and the first quarter of 2004 will be accretive to distributable cash per unit in 2004 as it will include the full contribution of the peak summer sales period. Management expects that the Fund will generate sufficient cash in 2004 to exceed the current distribution rate of $1.07 on an annualized basis.

Distributable Cash

(thousands, except per unit amounts)	**2004**	2003
Cash used in operating activities	**$ (5,499)**	$ (3,365)
Adjustments:		
Changes in working capital items	**735**	(867)
	(4,764)	(4,232)
Less sustaining capital expenditures, net of dispositions	**(651)**	(601)
Distributable cash deficiency	**$ (5,415)**	$ (4,833)
Weighted average number of units	**23,283.7**	15,659.9
Distributable cash deficiency per unit	**$ (0.23)**	$ (0.31)
Distributions declared	**$ 6,232**	$ 4,191
Distributions declared per unit	**$ 0.27**	$ 0.27
Distributions declared per unit (annualized)	**$ 1.07**	$ 1.07

Management's Discussion and Analysis

of Operating Results and Financial Position for the three months ended March 31, 2004

The Fund declared cash distributions totaling $6.2 million or $0.27 per unit during the first quarter ended March 31, 2004 compared to $4.2 million or $0.27 per unit during the same period of 2003. This results in an annualized distribution rate of $1.07 per unit, consistent with the annualized distribution rate for the first quarter of 2003.

Distributions

(thousands, except per unit amounts)

Month	Record Date	Payment Date	Distributions Per Unit	Distributions Amount
January	January 30, 2004	February 13, 2004	$ 0.0892	$ 2,077
February	February 27, 2004	March 15, 2004	0.0892	2,077
March	March 31, 2004	April 15, 2004	0.0892	2,078
Total			**$ 0.2676**	**$ 6,232**

Acquisitions

Arctic Glacier completed one acquisition in the first quarter of 2004. On March 3, 2004, a subsidiary of Arctic Glacier acquired the assets of the ice products division of A. T. Reynolds & Sons, Inc. of Kiamesha Lake, New York, which operates under the trade name of Leisure Time Ice, for aggregate cash consideration of $8.8 million (U.S. $6.6 million). In addition, acquisition and restructuring costs are estimated at $0.7 million. The division, with annual sales of more than $5 million, is the market leader in its area servicing central New York State, parts of New York City, northern and central New Jersey and northeastern Pennsylvania. Leisure Time Ice leases a manufacturing facility in Kiamesha Lake, New York and distribution facilities in Newburgh, New York and Raritan, New Jersey.

The acquisition was funded from proceeds of the October 2003 offering of trust units that had been temporarily applied against indebtedness.

This acquisition is a key step in building a strong market presence in the populated northeastern U.S. market and is expected to be accretive to distributable cash.

Results of Operations

Sales

Sales for the first quarter ended March 31, 2004 totaled $11.2 million, an increase of $3.6 million or 48% compared to sales of $7.6 million for the first quarter of 2003.

The increase in sales is primarily attributable to acquisitions made in 2003 and early 2004 in the Pennsylvania and New York markets, which contributed $3.7 million to sales during the first quarter. In addition, sales in previously serviced markets were up by $0.5 million or 8% compared to the first quarter of 2003 as a result of increased volumes and pricing.

Sales were impacted negatively by the stronger Canadian dollar during the first quarter of 2004, which decreased the Canadian dollar value of sales generated in U.S. markets by $0.6 million.

EBITDA

EBITDA for the first quarter of 2004 totaled negative $4.1 million compared to negative $3.6 million for the same period in 2003.

When evaluating results on a quarterly basis, it is important to understand the seasonal nature of Arctic Glacier's business. The first quarter is characterized by very light winter demand, resulting in lower sales, negative EBITDA, and significant losses. Arctic Glacier incurs approximately 25% of its annual fixed costs in the first quarter, but generates only approximately 10% of its annual sales during this period. As Arctic Glacier's scope of operations continues to increase, the negative EBITDA and losses that are typical of the first quarter can be expected to increase as well.

The larger negative EBITDA for the first quarter of 2004 is consistent with the increased scope of operations resulting from the acquisitions made in 2003 and early 2004.

The stronger Canadian dollar had a favorable impact on EBITDA during the first quarter of 2004 compared to the same period in 2003, reducing the negative EBITDA generated in U.S. markets by approximately $0.2 million.

Amortization

Amortization expense totaled $2.9 million for the first quarter of 2004, an increase of $0.4 million or 17% compared to the same period of 2003. Amortization of property, plant and equipment increased by $0.6 million due to an increase in depreciable assets from acquisitions made in 2003 and early 2004. This was offset by the impact of the stronger Canadian dollar which has reduced the Canadian dollar value of amortization for U.S. assets.

Interest

Interest expense totaled $0.3 million for the first quarter of 2004, a decrease of 17% compared to the same period in 2003. The decrease is a result of several factors, including less average debt outstanding throughout the quarter, lower interest rates, and a stronger Canadian dollar. The weighted average cost of debt at March 31, 2004 is 2.7% compared to 3.0% at the same time last year.

Acquisition Integration Charges

Acquisition integration costs reflect the non-recurring expenses associated with integrating acquired operations into Arctic Glacier's business model, subsequent to the completion of the acquisition, along with the costs of maintaining an acquisition department. Acquisition integration costs totaled $0.1 million for the first quarter of 2004.

Gain on Disposal of Property, Plant and Equipment

Gains on disposal of property, plant and equipment totaled $0.1 million for the first quarter of 2004, resulting from the disposition of surplus equipment at the Wilmington, Delaware and Calgary, Alberta manufacturing facilities. The production facility in Wilmington is being closed as part of the rationalization of that market, and the production facility in Calgary is undergoing a major refurbishment and upgrade that is expected to be completed in the second quarter of 2004.

Gains on disposal of property, plant and equipment totaled less than $0.1 million for the first quarter of 2003 resulting from the sale of redundant equipment in western Canada.

Non-Recurring Expenses

Non-recurring expenses for the first quarter of 2004 totaled less than $0.1 million and were comprised of costs associated with investigating potential business acquisitions that the Fund elected not to pursue.

Non-recurring expenses for the first quarter of 2003 totaled less than $0.1 million related to closing a redundant production facility in the U.S.

Income Tax Expense

Income taxes recoverable for the first quarter of 2004 totaled $4.3 million, an increase compared to $3.1 million for the same period of 2003. The increase is primarily attributable to the effect of a larger net tax loss this year with the expanded scope of operations.

Loss and Loss Per Unit

Net loss for the first quarter of 2004 was $3.1 million, an improvement of $0.3 million compared to $3.4 million for the same period in 2003. On a per unit basis, the loss for the first quarter of 2004 was $0.13 per unit (basic and diluted), compared to $0.21 for the same period in 2003.

Quarterly Results

Summary of Quarterly Results

For the four quarters of 2003 and the quarter ended March 31, 2004
(thousands, except per unit amounts)

	2004 Q1	2003 Q1	Q2	Q3	Q4
Sales	**$ 11,222**	$ 7,596	$ 25,615	$ 48,219	$ 15,740
EBITDA	**(4,123)**	(3,621)	8,317	20,413	(647)
Net earnings (loss)	**(3,054)**	(3,358)	4,059	11,351	(1,288)
Earnings (loss) per unit:					
Basic and diluted	**(0.13)**	(0.21)	0.26	0.62	(0.06)

Management's Discussion and Analysis

of Operating Results and Financial Position for the three months ended March 31, 2004

The majority of Arctic Glacier's operations are in Canada and the north central and northeastern United States. As a result, the business is affected by seasonal weather patterns. Demand for packaged ice is very light during the first four months of the year, which are characterized by negative EBITDA and significant losses. Demand picks up in spring but is very dependent upon temperature and precipitation. As a result, May and June enjoy positive EBITDA and modest earnings. The third quarter of the year includes the peak summer sales period and is the financial driver for the business. Demand tapers off after the summer season ends and, as a result, the last quarter of the year is characterized by slightly negative EBITDA and losses.

For the first quarter of 2004, sales, EBITDA, net loss and loss per unit were impacted by acquisitions made in 2003 and the first quarter of 2004 and by the stronger Canadian dollar compared to the first quarter of 2003.

Liquidity and Capital Resources

Cash from Operating Activities

Funds used in operations, before changes in non-cash working capital items, totaled $4.8 million for the first quarter of 2004, an increase of $0.5 million or 13% compared to the same period of the previous year. The increase is directly attributable to the growth in the scope of operations that has occurred as a result of the acquisitions made in 2003 and early 2004.

Changes in non-cash working capital items resulted in a net use of cash of $0.7 million for the first quarter of 2004 compared to a net source of cash of $0.9 million for the same period of 2003. The change is primarily attributable to the increased scope of operations this year and to increased inventory levels resulting from taking receipt of certain production inputs earlier in the supply cycle to take advantage of cost savings offered by suppliers.

Cash used in Investing Activities

Investing Activities

(thousands)

		2004		2003
Sustaining capital expenditures, net of dispositions	$	**651**	$	601
Growth capital expenditures		**2,368**		406
Acquisitions		**9,515**		1,221
Additions to other assets		**15**		28
Additions to intangibles and goodwill		**11**		2
Cash used in investing activities	**$**	**12,560**	$	2,258

Cash used in investing activities totaled $12.6 million for the first quarter of 2004 compared to $2.3 million for the same period of 2003. Sustaining capital expenditures, which represents the replacement of property, plant and equipment to sustain current business operations, totaled $0.7 million, an increase of 8% compared to the same period of 2003 as a result of the expanded scope of operations. Sustaining capital expenditures are expected to average approximately 4% of sales on an annual basis. Growth capital expenditures, representing capital required to meet the demands of acquired operations or organic growth totaled $2.4 million, an increase of $2.0 million compared to the same period of 2003 as a result of the refurbishment and upgrading of facilities in Calgary and Edmonton, Alberta, and the construction of a larger head office building in Winnipeg to accommodate the expanded scope of operations. Cash totaling $9.5 million was used for the acquisition of the assets of the ice division of A. T. Reynolds & Sons, Inc. of Kiamesha Lake, New York on March 3, 2004.

Cash from Financing Activities

Cash from financing activities totaled $11.0 million for the first quarter of 2004 compared to $3.3 million used for the same period of 2003.

During the first quarter of 2004, a total of $17.2 million was drawn on the credit facility, comprised of $9.3 million to fund the Reynolds acquisition and $7.9 million for working capital purposes. The Fund also generated $0.2 million of proceeds from units issued under the Distribution Reinvestment Plan. The Fund used $6.2 million of cash to pay distributions to unitholders during the first quarter of 2004.

During the first quarter of 2003, a total of $1.1 million was drawn on the credit facility to fund the Ice Castles acquisition. The Fund used $4.2 million of cash to pay distributions to unitholders during the first quarter of 2003.

The Fund had total debt outstanding at March 31, 2004 of $49.3 million, comprised of senior debt of $48.1 million, other loans payable of $0.8 million and obligations under capital leases of $0.4 million. This compares to $51.6 million outstanding at the same time last year, with the reduction primarily attributable to the stronger Canadian dollar that reduced the Canadian dollar value of debt repayable in U.S. dollars by $5.2 million.

The Fund's net debt[(1)] to trailing 12 month EBITDA ratio at March 31, 2004 was 1.9:1 compared to 2.0:1 in 2003. The decrease is due to a combination of EBITDA obtained from acquisitions in the latter half of 2003 and the use of proceeds from the October 2003 offering of Fund units to reduce debt. The Fund's intention is to maintain a net debt to EBITDA ratio of less than 2.25:1, excluding any bridge financing of future acquisitions.

Cash flow from operations, together with cash balances on hand and unutilized credit available on existing credit facilities are expected to be sufficient to meet operating requirements, capital expenditures and anticipated distributions.

(1) Net debt is defined as total long-term debt and obligations under capital leases reduced by cash.

Contractual Obligations

There have been no material changes to the Fund's contractual obligations during the first quarter of 2004 that are outside of the ordinary course of business.

Accounting Policies and Estimates

The critical accounting policies and estimates and discussion of new accounting policies are substantially unchanged from those identified in the MD&A for the year ended December 31, 2003.

Related Party Transactions

The Fund and its subsidiaries have not entered into any significant transactions with related parties during the three months ended March 31, 2004 and do not have any amounts that are due from or due to related parties.

Business Risks

The factors affecting the business remain substantially unchanged from those identified in the MD&A for the year ended December 31, 2003.

Outlook

The Fund is well positioned to continue profitable growth, while paying unitholder distributions, meeting debt obligations and preserving its robust financial position.

Arctic Glacier has more than $21 million available for investment from the October 2003 equity offering. When combined with debt financing available, the total capital available for investment exceeds $40 million. Arctic Glacier is actively pursuing accretive acquisition opportunities in markets where a significant regional presence can be achieved or enhanced, including the densely populated northeastern U.S.

Arctic Glacier is also continuing to examine other improvements such as new product offerings, and will be introducing a re-closeable package in a key market during this year's peak summer sales season. This packaging has been well received by retailers and consumers during test marketing, and plans call for its introduction into more market areas over the next few years.

Forward-Looking Statements

This annual report contains forward-looking statements, which reflect management's expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and its subsidiaries. Forward-looking statements typically contain words such as "anticipates", "believes", "continue", "could", "expects", "indicates", "plans" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with the impact of adverse or favorable weather conditions, seasonality on labor and distribution, competition, compliance with government regulations, currency risk, dependence on key personnel, product liability, environmental risk, risks associated with acquisitions, expansion into the United States, effects of price changes in raw materials, restrictions on potential growth and debt refinancing. Although the forward-looking statements contained in this report are based upon what management believes to be reasonable assumptions, the Fund cannot assure readers that actual results will be consistent with these forward-looking statements.

These forward-looking statements are made as at the date of this report, 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

As at March 31, 2004 and 2003 (unaudited) and December 31, 2003 (audited)

(thousands)	March 31, 2004	March 31, 2003	December 31, 2003
Assets			
Current assets			
Cash	**$ 4,132**	$ 2,622	$ 11,032
Accounts receivable	**4,441**	4,609	6,417
Inventories	**4,873**	2,589	3,515
Prepaid expenses	**3,671**	2,440	2,213
	17,117	12,260	23,177
Property, plant and equipment	**92,389**	73,283	89,061
Other assets	**4,742**	2,882	3,703
Intangibles	**1,376**	1,372	1,375
Goodwill	**103,995**	75,725	97,341
	$ 219,619	$ 165,522	$ 214,657
Liabilities and Unitholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**$ 8,264**	$ 5,315	$ 8,366
Distributions payable to unitholders	**2,078**	1,397	2,076
Current obligations under capital leases	**360**	246	427
Principal due within one year on long-term debt	**206**	158	203
	10,908	7,116	11,072
Obligations under capital leases	**25**	480	38
Long-term debt	**48,684**	50,689	31,377
Future income taxes	**1,309**	1,080	5,701
Unitholders' equity			
Capital contributions (Note 4)	**201,076**	129,951	200,905
Cumulative earnings	**4,972**	(6,096)	8,026
Cumulative distributions (Note 5)	**(38,737)**	(16,952)	(32,505)
Cumulative translation adjustment	**(8,618)**	(746)	(9,957)
	158,693	106,157	166,469
	$ 219,619	$ 165,522	$ 214,657

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Operations

Three months ended March 31, 2004 and 2003 (unaudited)

(thousands, except per unit amounts)		**2004**		2003
Sales	**$**	**11,222**	$	7,596
Cost of sales, selling, general and administration expenses		**15,345**		11,217
Loss before the undernoted		**(4,123)**		(3,621)
Amortization		**2,863**		2,440
Interest		**313**		378
Acquisition integration charges		**103**		–
Gain on disposal of property, plant and equipment		**(102)**		(9)
Non-recurring expenses		**7**		76
Loss before income taxes		**(7,307)**		(6,506)
Income tax expense (reduction)				
Current		**218**		157
Future		**(4,471)**		(3,305)
		(4,253)		(3,148)
Loss for the period	**$**	**(3,054)**	$	(3,358)
Loss per unit – basic and diluted (Note 6)	**$**	**(0.13)**	$	(0.21)

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cumulative Earnings (Deficit)

Three months ended March 31, 2004 and 2003 (unaudited)

(thousands)		**2004**		2003
Cumulative earnings (deficit), beginning of period	**$**	**8,026**	$	(2,738)
Loss for the period		**(3,054)**		(3,358)
Cumulative earnings (deficit), end of period	**$**	**4,972**	$	(6,096)

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

Three months ended March 31, 2004 and 2003 (unaudited)

(thousands)	2004	2003
Cash from (used in):		
Operating activities		
Loss for the period	$ (3,054)	$ (3,358)
Adjustments for:		
Amortization	2,863	2,440
Gain on disposal of property, plant and equipment	(102)	(9)
Future income tax reduction	(4,471)	(3,305)
Funds used in operations	(4,764)	(4,232)
Changes in working capital items (Note 7)	(735)	867
	(5,499)	(3,365)
Investing activities		
Additions to property, plant and equipment	(3,251)	(1,015)
Proceeds from disposal of property, plant and equipment	232	8
Additions to other assets	(15)	(28)
Additions to intangibles	–	(2)
Additions to goodwill	(11)	–
Acquisition of business operations (Note 3)	(9,515)	(1,221)
	(12,560)	(2,258)
Financing activities		
Proceeds from long-term debt	17,243	1,107
Principal repayments on long-term debt	(56)	(127)
Principal payments under capital lease obligations	(79)	(77)
Units issued	171	–
Cash distributions paid	(6,230)	(4,165)
	11,049	(3,262)
Foreign exchange gain (loss) on cash held in foreign currency	110	(412)
Decrease in cash	(6,900)	(9,297)
Cash, beginning of period	11,032	11,919
Cash, end of period	$ 4,132	$ 2,622
Supplementary cash flow information		
Interest paid	$ 294	$ 513
Income taxes paid	218	157

See accompanying notes to interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

Three months ended March 31, 2004 and 2003 (unaudited)
(amounts in thousands, except per unit amounts)

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 interim consolidated financial statements reflect a continuation of The Arctic Group Inc.

The interim consolidated financial statements and related notes do not include all of the information required for complete financial statements, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2003. 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. The Company usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

3. BUSINESS ACQUISITIONS

In March 2004, a subsidiary of the Fund acquired certain assets and operations of A. T. Reynolds & Sons, Inc., which operated an ice manufacturing and distribution business in New York, for aggregate consideration of $8,804 (U.S. $6,627). In addition, the Fund has estimated acquisition and restructuring costs of $711 related to professional fees and other costs associated with the purchase of these assets and operations.

In March 2003, a subsidiary of the Fund acquired certain assets and operations of Ice Castles, Inc., which operated an ice manufacturing and distribution business in western Nebraska, for aggregate cash consideration of $1,094 (U.S. $741). In addition, the Fund had estimated acquisition and restructuring costs of $141 related to professional fees, employee severance and reorganization costs associated with the purchase of these assets and operations.

These transactions have been accounted for by the purchase method and the results of operations are included in the Fund's accounts from the dates of acquisition. Details of the acquisitions during the three months ended March 31 are as follows:

	2004	2003
Net assets acquired, at fair value:		
Current assets	**$ 252**	$ 14
Property, plant and equipment	**2,029**	545
Other assets	**1,461**	184
Goodwill	**5,821**	492
	9,563	1,235
Less current liabilities	**48**	–
	$ 9,515	$ 1,235
Purchase consideration:		
Cash	**$ 8,804**	$ 1,094
Acquisition and restructuring costs	**711**	141
	$ 9,515	$ 1,235

Notes to Interim Consolidated Financial Statements

Three months ended March 31, 2004 and 2003 (unaudited)
(amounts in thousands, except per unit amounts)

4. CAPITAL CONTRIBUTIONS

Fund units are included in unitholders' capital contributions on the consolidated balance sheet as follows:

	Number of Units	Amount
Balance at December 31, 2002	15,659.9	$ 129,951
Units issued for cash consideration on June 25, 2003, at $9.50 per unit, net of issue costs of $1,594	2,650.0	23,581
Units issued for cash consideration on October 8, 2003, at $10.10 per unit, net of issue costs of $2,765	4,950.0	47,230
Units issued for cash consideration under Distribution Reinvestment and Optional Cash Purchase Plan	15.2	143
Balance at December 31, 2003	23,275.1	200,905
Units issued for cash consideration under Distribution Reinvestment and Optional Cash Purchase Plan	16.7	171
Balance at March 31, 2004	23,291.8	$ 201,076

5. CUMULATIVE DISTRIBUTIONS

Cumulative distributions for the three months ended March 31 are as follows:

	2004	2003
Balance, beginning of period	**$ 32,505**	$ 12,761
Distributions	**6,232**	4,191
Balance, end of period	**$ 38,737**	$ 16,952

Distributions are made monthly to unitholders of record on the last business day of each month.
Distributions for the three months ended March 31, 2004 were as follows:

			Distributions	
Month	Record Date	Payment Date	Per Unit	Amount
January 2004	January 30, 2004	February 13, 2004	$ 0.0892	$ 2,077
February 2004	February 27, 2004	March 15, 2004	0.0892	2,077
March 2004	March 31, 2004	April 15, 2004	0.0892	2,078
Total			**$ 0.2676**	**$ 6,232**

6. LOSS PER UNIT

The computation for basic and diluted loss per unit is as follows:

	2004	2003
Loss and diluted loss available to unitholders	**$ (3,054)**	$ (3,358)
Basic and diluted weighted average number of units	**23,283.7**	15,659.9
Basic and diluted loss per unit	**$ (0.13)**	$ (0.21)

(amounts in thousands, except per unit amounts)

7. CHANGES IN WORKING CAPITAL ITEMS

The changes in working capital items are as follows:

	2004	2003
Accounts receivable	$ 1,986	$ 2,106
Inventories	(1,240)	(212)
Prepaid expenses	(1,333)	(1,228)
Accounts payable and accrued liabilities	(148)	201
	$ (735)	$ 867

8. SEGMENTED INFORMATION

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

The following presents key information by geographic segment:

	2004			2003		
	Canada	U.S.	Total	Canada	U.S.	Total
Total sales	$ 3,160	$ 8,062	$ 11,222	$ 2,764	$ 4,832	$ 7,596
Cost of sales, selling, general and administration expenses	5,411	9,934	15,345	4,635	6,582	11,217
	$ (2,251)	$ (1,872)	$ (4,123)	$ (1,871)	$ (1,750)	$ (3,621)
Earnings (loss) for the period	$ 1,160	$ (4,214)	$ (3,054)	$ (97)	$ (3,261)	$ (3,358)
Total assets	$ 61,352	$ 158,267	$ 219,619	$ 61,075	$ 104,447	$ 165,522

Quarterly Financial Information

(In thousands of dollars, except per unit data)

	2004	2003				2002			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating Results									
Sales	**11,222**	15,740	48,219	25,615	7,596	11,416	44,598	27,171	8,534
EBITDA	**(4,123)**	(647)	20,413	8,317	(3,621)	(471)	19,573	9,096	(3,194)
Net earnings (loss)	**(3,054)**	(1,288)	11,351	4,059	(3,358)	(2,183)	11,041	4,147	(3,778)
Basic earnings (loss) per unit	**(0.13)**	(0.06)	0.62	0.26	(0.21)	(0.14)	0.70	0.26	(0.54)
Diluted earnings (loss) per unit	**(0.13)**	(0.06)	0.62	0.26	(0.21)	(0.14)	0.70	0.26	(0.54)
Cash Flow									
Funds from (used in) operations	**(4,764)**	(1,357)	18,734	7,817	(4,232)	786	15,865	7,903	(7,305)
Distributions to unitholders	**6,232**	6,227	4,899	4,427	4,191	4,111	4,110	4,540[5]	–
Distributions to unitholders per unit	**0.27**	0.27	0.27	0.27	0.27	0.26	0.26	0.29[5]	–
Financial Position									
Net cash[1]	**4,132**	11,032	13,055	3,352	2,622	11,919	12,730	(626)	5,213
Current assets	**17,117**	23,177	34,044	22,946	12,260	22,223	32,494	19,716	16,371
Working capital	**6,209**	12,105	22,652	11,577	5,144	15,122	19,220	8,780	5,737
Total assets	**219,619**	214,657	214,123	172,482	165,522	182,938	195,727	179,694	183,460
Long-term debt[2]	**49,275**	32,045	62,557	34,070	51,573	54,322	53,078	52,298	54,577
Net debt[3]	**45,143**	21,013	49,502	30,718	48,951	42,403	40,348	52,924	49,364
Unitholders' equity	**158,693**	166,469	131,590	124,920	106,157	117,618	125,489	115,143	120,606
Unit Data[4]									
Trading price range, per unit:									
High	**$ 12.20**	$ 10.68	$ 10.65	$ 9.98	$ 9.59	$ 9.07	$ 9.15	$ 9.54	$ 9.84
Low	**$ 10.40**	$ 9.55	$ 9.50	$ 9.33	$ 8.50	$ 8.51	$ 8.00	$ 8.20	$ 5.28
Close	**$ 12.15**	$ 10.50	$ 9.95	$ 9.59	$ 9.50	$ 8.70	$ 8.80	$ 9.02	$ 9.52
Trading volumes (000's)	**2,087**	2,894	1,606	1,875	960	1,270	1,337	2,785	3,277
Cumulative trading volume (000's)	**2,087**	7,335	4,441	2,835	960	8,669	7,399	6,062	3,277
Units outstanding (000's):									
End of period	**23,292**	23,275	18,310	18,310	15,660	15,660	15,660	15,657	15,651
Weighted average (basic)	**23,284**	22,837	18,310	15,805	15,660	15,660	15,658	15,654	7,040

(1) Cash and cash equivalents, net of bank indebtedness.

(2) Includes obligations under capital leases.

(3) Long-term debt and bank indebtedness, net of cash and cash equivalents.

(4) Historical figures adjusted to reflect exchange of six common shares for one fund unit on March 22, 2002.

(5) Includes initial distribution for 40 day period from March 22, 2002 to April 30, 2002.

OFFICERS

Robert J. Nagy
President & Chief Executive Officer

Keith W. McMahon, CA
Executive Vice President & Chief Financial Officer

Hugh A. Adams
Corporate Secretary

SENIOR MANAGEMENT

Robert J. Nagy
President & Chief Executive Officer

Keith W. McMahon, CA
Executive Vice President & Chief Financial Officer

Frank G. Larson
Senior Vice President, Operations

Serge Beaudet, CA
Vice President, Canadian Operating Division

Keith F. Burrows
Vice President, Acquisitions and Integration

Keith E. Corbin
Vice President, Sales & Marketing

Richard A. Thibault
Vice President, Production

Neil R. Winther
Vice President, Human Resources & Administration

Douglas A. Bailey, CA
Corporate Controller

Gary D. Cooley
Director, Corporate Development

Marc G. Fontaine
Director, Information Systems

Garth D. Waddell, CA
Director of Finance

INVESTOR RELATIONS

Arctic Glacier Investor Relations
Toll free: 888.573.9237
Email: info2@arcticglacierinc.com

LEGAL COUNSEL

Canada
Tapper Cuddy
Winnipeg, Manitoba

Shea Nerland Calnan
Calgary, Alberta

United States
Jones Day
Dallas, Texas

AUDITORS

KPMG LLP
Winnipeg, Manitoba

BANKERS

Toronto Dominion Bank

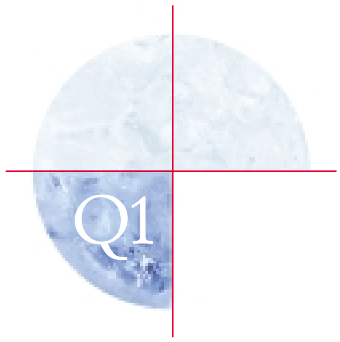
RoyNat Inc.

TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Arctic Glacier Income Fund AG.UN



ARCTIC GLACIER INCOME FUND

ARCTIC GLACIER INC.

CORPORATE OFFICE

625 Henry Avenue, Winnipeg, Manitoba, Canada R3A 0V1

Phone: 204.772.2473 | Fax: 204.783.9857 | Toll free: 888.573.9237

www.arcticglacierinc.com

Printed in Canada