

THE ARCTIC GROUP INC.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2000

[NON-POP ISSUER]

Dated: May 20, 2001

Filed pursuant to Ontario Securities Commission Rule 51-501

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 Rule 51-501. 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"

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In this annual information form unless the context otherwise indicates, a reference to the ACorporation® refers to The Arctic Group Inc. and a reference to AThe Arctic Group® refers to the Corporation together with its subsidiaries. Unless otherwise indicated, information contained herein is as at December 31, 2000.

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.

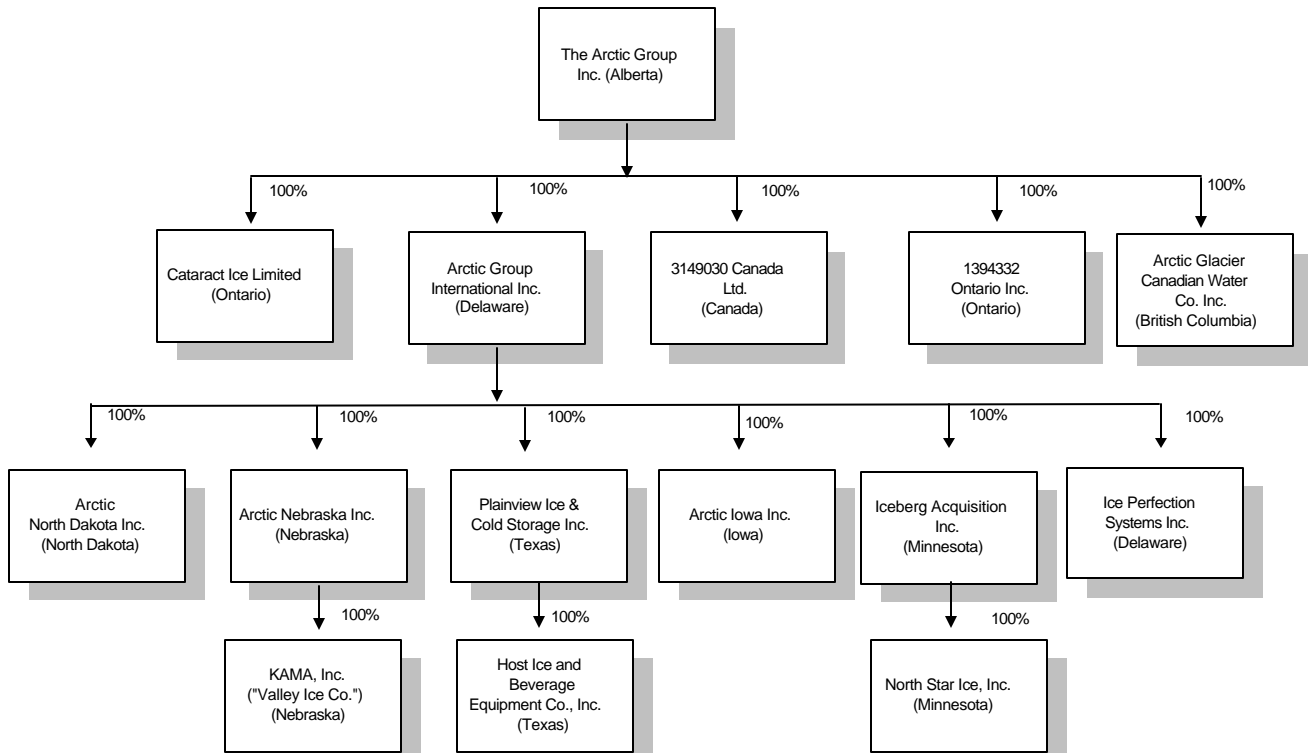
The Corporation's head office is located at 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1. The registered office of the Corporation is located at 1900, 715 - 5th Avenue SW, Calgary, Alberta, T2P 2X6.

Employees

As at December 31, 2000, the Corporation had a total of 61 employees and 10 contract personnel. As at December 31, 2000, 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.



Notes:

- (1) The jurisdiction identified in brackets after each named company in the above chart indicates the jurisdiction of incorporation, amalgamation or continuance for that particular company.
- (2) Effective June 30, 2000, the directors and shareholders of each of Cataract Ice Limited, 3149030 Canada Ltd., and 1394332 Ontario Inc. resolved to wind-up the affairs of those corporations having all assets and liabilities transferred and assumed by the Corporation. As at May 20, 2001, the conveyance of assets to the Corporation was in process but had not yet been completed.

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 that prospectus on December 21, 1998. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitled 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 was a term loan and \$27,000,000 was received through the issuance of convertible debentures to two separate purchasers. This financing was used to refinance existing debt and to finance the continued growth of the Corporation. In May of 2001, the Corporation reached an agreement with the holders of USD \$18,400,000 of the convertible debentures to eliminate the conversion feature of those debentures in order to eliminate the risk of potential significant dilution to the Corporation's shareholders. In consideration of the debenture holders agreeing to eliminate the conversion feature, the Corporation agreed to issue those debenture holders a total of 6,865,000 common share purchase warrants with each warrant exercisable into one common share at an exercise price of \$0.75. The issuance of warrants remains subject to the receipt of regulatory approval.

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., and 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. On June 28, 1998, through the Corporation's wholly-owned subsidiary 1293736 Ontario Inc., 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. On March 12, 1999, through the Corporation's wholly owned subsidiary Arctic Nebraska Inc., 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.
21. Effective January 14, 2000, The Arctic Group purchased all of the assets of Ice is Nice Co., an Edmonton, Alberta based ice distributor.
22. Effective January 28, 2000 The Arctic Group purchased all of the issued and outstanding shares of Arctic Glacier Canadian Water Co. Inc., a Winnipeg, Manitoba based water distributor.
23. Effective February 9, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Arctic North Dakota Inc., purchased all of the assets of R&T Enterprises Inc. and R&T Partnership, both Bismarck, North Dakota based ice distributors.
24. Effective February 28, 2000, The Arctic Group purchased all of the assets of R.J.'s Ice & Water Inc., a Medicine Hat, Alberta based ice distributor.
25. Effective March 3, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Iceberg Acquisition Inc., purchased all of the assets of Stelley's Pure Ice, Inc., a Rochester, Minnesota based ice distributor.
26. Effective March 25 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary,

Plainview Ice and Cold Storage, Inc., purchased all the assets of Kold Rock Ice, a Fredonia, Kansas based ice distributor.

27. Effective April 2, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Arctic Nebraska, purchased all of the assets of Ogallala Ice Company, a Ogallala, Nebraska based ice distributor.
28. Effective April 20, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Iceberg Acquisition, Inc., purchased all of the assets of Ron's, Inc., a Minneapolis, Minnesota based ice distributor.
29. Effective May 17, 2000, The Arctic Group, purchased the assets of Ruston Distributors Inc., a Penetang, Ontario based ice distributor.
30. Effective May 23, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Arctic North Dakota Inc., purchased all of the assets of Geske's Ice Co., a Fargo, North Dakota based ice distributor.
31. On June, 19, 2000, The Arctic Group incorporated Ice Perfection Systems Inc. This company is a wholly owned subsidiary of Arctic Group International Inc., which is a wholly owned subsidiary of the Corporation. Ice Perfection Systems Inc. is a Delaware corporation with operations based in Phoenix, Arizona. It is responsible for the marketing of The Arctic Group's in-store automated ice bagging machine product and is also responsible for corporate franchising operations.
32. Effective June 30, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Iceberg Acquisition Inc., purchased all of the assets of Pelican Ice Company, an Elizabeth, Minnesota based ice distributor.
33. Effective September 28, 2000, The Arctic Group, through the Corporation's wholly-owned subsidiary, Iceberg Acquisition, Inc., purchased the majority of the assets of Palace Ice Company Inc., a Mitchell, South Dakota based ice distributor.

In addition to the above acquisitions, The Arctic Group completed the following amalgamations and wind-ups:

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.
9. Effective June 30, 2000, the directors and shareholders of each of Cataract Ice Limited, 3149030 Canada Ltd., and 1394332 Ontario Inc. resolved to wind-up the affairs of those corporations 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 2,600 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 37,000 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 **AGeneral 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 \$244,000,000 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 2,600 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 37,000 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, six in Alberta, one in Saskatchewan, two in Manitoba, twelve in Ontario, two in Quebec, five in Kansas, one in Oklahoma, one in Iowa, five in Minnesota, two in Nebraska, two in North Dakota, one in South Dakota, 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.

Expansion Through Licensing

During the 2000 fiscal year, the Corporation also initiated a licensing program and signed its first agreement with an American ice manufacturer. Under the licensing program, The Arctic Group will license qualified ice manufacturers that meet The Arctic Group's quality standards to package their products under the brand name Arctic Glacier™ Premium Ice®. The first licensing agreement was signed with Tour Ice of Pierre, South Dakota. Thereafter, a second agreement was signed with Crystal Ice of Westpoint, Iowa, a large independent manufacturer and distributor of packaged ice in the mid-western United States servicing markets in Iowa, Illinois and Missouri. Management of the Corporation believes that the licensing program is an excellent means of increasing brand awareness for The Arctic Group and providing a financial return on The Arctic Group name.

Further, Management of the Corporation believes that the wider geographic market created by the licensing program will allow The Arctic Group to provide better service to its national account customers.

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 Arctic Group 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. Effective January 28, 2000, The Arctic Group acquired all of the issued and outstanding shares of Arctic Glacier Canadian Water Co. Inc. While revenues from this

distribution business amount to only a small percentage of the Corporation's revenues, 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.

During fiscal 2000, The Arctic Group completed development of an in-store ice production system known as the Ice Perfection System™. This machine filters the water, produces the ice, packages the product and merchandises the brand, all at the point of sale. The machines also feature a sophisticated internal diagnostic program, current status reporting program and remote sensing capabilities, allowing production and maintenance to be monitored from a central location. Management of the Corporation believes the technology is ideal for high volume retailers and for retailers located outside The Arctic Group's existing distribution network. Management of the Corporation believes the in-store ice production unit is an important element in The Arctic Group's growth strategy since it will allow The Arctic Group to grow beyond its existing markets and expand into new markets that have not traditionally been serviced by The Arctic Group. Management of the Corporation also believes the Ice Perfection System™ is complimentary to the Corporation's strategy of marketing premium quality ice since it allows The Arctic Group to provide quality packaged ice in retail locations where demand is high and where direct-to-store delivery service in outlying areas is impractical for both The Arctic Group and the retailer. Placements of the Ice Perfection System™ commenced in the first quarter of fiscal 2001.

In addition, certain divisions 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, Alberta, Saskatchewan, southern Manitoba and northwestern, 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
Location of Facilities	Surrey, Edmonton, Calgary, Winnipeg, Regina	Barrie, Sauble Beach, Chatham, Mississauga, Ottawa, Montreal, Quebec City, Hamilton	Wichita, Lubbock, Amarillo, Midland, San Angelo, Commanche, Perry, Dubuque, Ames, Mason City, Storm Lake, Minneapolis/St. Paul, Brainerd, La Crosse, Duluth, Marshall, Fargo, Sioux Falls, St. Cloud, Aberdeen, Salina, Hutchinson, Omaha, Lincoln, Norfolk, Grand Island, Rochester, Bismarck
Plant Capacity (Imperial tons of ice/day)	Approximately 400	Approximately 740	Approximately 1,500
Employees (Regular)	Approximately 60	Approximately 90	Approximately 290
Employees (Peak Season)	Approximately 120	Approximately 200	Approximately 450
Revenue ⁽¹⁾	Approximately \$10,000,000	Approximately \$20,000,000	Approximately \$55,000,000
Approximate Number of Customers	Approximately 7,500	Approximately 15,000	Approximately 15,000

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, Ames and Dubuque, Iowa, Minneapolis/St. Paul and Marshall, Minnesota, and Omaha, Nebraska. The land and building comprising the production facilities in Winnipeg, Calgary, Edmonton, Mississauga, Chatham, Montreal, Lubbock, Wichita, Ames, Dubuque, Omaha and Marshall are owned by The Arctic Group while the land and building comprising the production facility in Surrey, Regina, and Minneapolis/St. Paul 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 plate ice using Turbo ice manufacturing equipment. Plate ("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, Minneapolis/St. Paul, Marshall, Bismarck, and Dubuque utilize the tube ice (“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 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 27,000 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 products are delivered using refrigerated trucks. The Arctic Group owns approximately 130 such trucks and has long term leases with options to buy on a further 90 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 outlets, 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 Groups largest customer represents less than 3% of total revenue.

Regulation of the Business

The Arctic Groups 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 expects its smaller competitors may not 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. As at May 20, 2001, there were 36,260,305 Common Shares issued and outstanding and there were nil Series One Preferred Shares issued and outstanding.

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, 2000	December 31, 1999	December 31, 1998	April 30, 1998 ⁽⁴⁾	April 30, 1997 ⁽⁴⁾
Revenue	\$ 82,114,000	\$ 74,257,000	\$ 41,508,000	\$ 9,574,000	\$ 5,345,000
Net earnings (loss) ⁽¹⁾	\$ (2,885,000)	\$ (949,000)	\$ 1,857,000	\$(1,016,000)	\$ 430,000
Basic earnings (loss) per share ⁽²⁾	\$ (0.09)	\$ (0.03)	\$0.08	\$ (0.07)	\$ 0.02
Fully diluted earnings (loss) per share ⁽²⁾⁽³⁾	\$ (0.09)	\$ (0.03)	\$0.08	\$ (0.07)	\$ 0.02
Total assets	\$ 188,312,000	\$ 170,674,000	\$ 129,443,000	\$ 36,157,000	\$ 4,947,000
Total long-term debt	\$ 111,114,000	\$ 98,816,000	\$ 61,036,000	\$ 14,177,000	\$ 1,429,000

- Notes:
- (1) There were no extraordinary items included in net earnings (loss) for the periods referred to above.
 - (2) Net earnings (loss) per share and Basic 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.
 - (5) With the exception of the item mentioned in note 4, the data set out above is comparative in all material respects.

Quarterly Information

The following table sets forth selected quarterly financial information of the Corporation for the last two completed financial years of the Corporation.

	Quarter Ended							
	2000				1999			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Revenue (\$)	11,637,000	37,081,000	25,265,000	8,131,000	9,330,000	34,861,000	22,393,000	7,673,000
Net earnings ⁽¹⁾ ⁽²⁾ (\$)	(5,709,000)	5,059,000	1,393,000	(3,628,000)	(4,196,000)	4,592,000	1,525,000	(2,870,000)
Basic earnings per share ⁽³⁾ (\$)	(0.16)	0.14	0.04	(0.10)	(0.12)	0.13	0.04	(0.08)
Fully diluted earnings per share ⁽³⁾ ⁽⁴⁾ (\$)	(0.16)	(0.09)	0.04	(0.10)	(0.12)	0.10	0.04	(0.08)
Shares outstanding ⁽⁵⁾	36,260,300	36,252,500	36,227,200	36,219,200	36,215,200	35,852,000	35,689,000	35,218,000
Fully diluted shares ⁽⁵⁾	36,260,300	53,730,000	40,671,000	36,219,200	36,215,200	40,070,000	35,689,000	35,218,000

- Notes:
- (1) There were no extraordinary items included in net earnings for the periods referred to above.
 - (2) The future income tax provision for the nine months ended September 30, 1999 has been revised to properly reflect the Corporation's temporary differences at September 30, 1999. As a result, future income taxes expense and future income taxes liability have been increased by \$2,121,000 from the balance previously recorded.
 - (3) Net earnings (loss) per share and Basic earnings (loss) per share were calculated using the weighted average number of common shares outstanding.
 - (4) 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.
 - (5) Shares outstanding and fully diluted shares outstanding are as at the end of the respective quarters.
 - (6) The data set out above is comparative in all material respects.

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

Management's Discussion and Analysis is set forth under the heading "Management's Discussion and Analysis" on pages 7 to 9 of the Corporation's 2000 Annual Report, which pages are incorporated herein by reference. A copy of that Annual Report may be obtained at www.sedar.com or by contacting the Corporation as set out under the section of this Annual Information Form entitled "Additional Information".

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".

DIRECTORS AND OFFICERS

Name and Municipality of Residence	Current Office	Principal Occupation for the Previous Five Years
Robert Nagy ⁽⁴⁾ St. Clements, Manitoba	Chairman, Chief Executive Officer and Director	Chief Executive Officer, Chairman of the Board and a Director of the Corporation since March 1, 1996. President of the Corporation from March 1, 1996 until October 2, 2000. President and director of various subsidiaries of the Corporation.
James E. Clark ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ 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 ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ 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 ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ Winnipeg, Manitoba	Director	Director of the Corporation from August 23, 1996 to present. Chairman of eZedia Inc., a digital media software company. 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 ⁽⁶⁾ Lubbock, Texas	Director	Director of the Corporation since December 8, 1997. President and Director of Plainview Ice & Cold Storage, Inc. until September 1, 2000, and Director of Host Ice & Beverage Equipment Co., Inc. Past Chairman of South Western Ice Association.

Name and Municipality of Residence	Current Office	Principal Occupation for the Previous Five Years
David R. Swaine ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾ 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 ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾ 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.
Gary Filmon ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾ Winnipeg, Manitoba	Director	Premier of Manitoba from 1988 to 1999. Effective May 25, 2000, Corporate Director and Business Consultant.
Mike Pyle Winnipeg, Manitoba	President and Chief Operating Officer	President of the Corporation since October 2, 2000 and Chief Operating Officer of the Corporation since August 1, 1998. Senior Account Manager with RoyNat Inc. in Winnipeg, Manitoba from 1993 to 1998.
Keith McMahon Winnipeg, Manitoba	Chief Financial Officer	Chief Financial Officer of the Corporation since April 17, 2001. Prior thereto, various positions with the Canadian Wheat Board including Corporate Controller since 1996 and Vice President, Accounting since 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.
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 is a Past Chairman, National Constitution Committee and Past Chairman, National Legislation and Law Reform Committee (Canadian Bar Association).

- Notes:
- (1) Member of the Audit Committee.
 - (2) Member of the Compensation Committee.
 - (3) Member of the Corporate Governance Committee.
 - (4) Elected to serve until the 2003 annual meeting of shareholders.
 - (5) Elected to serve until the 2002 annual meeting of shareholders.
 - (6) Elected to serve until the next annual meeting of shareholders which is anticipated to be held on June 28, 2001.

As of May 20, 2001, 10,795,427 Common Shares were beneficially owned or controlled directly or indirectly by the directors and officers of the Corporation as a group, which represented approximately 29.77% 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:
 - (1) 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;
 - (2) 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;
 - (3) 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
 - (4) 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.