



The Arctic Group Inc.

QUARTERLY REPORT
October 31, 1998

CHAIRMAN'S REPORT TO SHAREHOLDERS – Second Quarter Fiscal Year 1999

For the six months ended October 31st, the Company has continued to meet its plan for growth and profitability.

Revenue for the six months was \$36,904,000, an increase of \$32,120,000 over the previous year.

Net earnings of \$4,427,000, or \$0.204 per share increased by \$3,662,000 compared to the \$765,000 (\$0.059 per share) reported last year.

Year-to-date, operating cash flow reached a level of \$8,079,000 or \$0.37 per share, a substantial increase over the prior year.

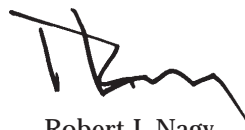
The continued improvement in the current year's performance is attributed to the Company's focus on operating profits within existing business units, combined with a disciplined expansion program which builds on existing markets.

During the first quarter of this fiscal year, the Company concluded acquisitions in Quebec, Ontario, Alberta and Iowa. In the second quarter, two additional transactions were completed to further consolidate the southern Ontario market. These transactions were funded with the proceeds from a special warrants offering and term debt, placed in the spring.

At the end of October, the Company finalized the purchase of North Star Ice, one of the largest independent ice companies in the United States. North Star operates a modern, highly efficient plant and services the entire state of Minnesota. The Company financed this transaction through an acquisition line with one of its key lenders. Arctic also maintains a substantial operating line of credit, which is currently unutilized.

With the busiest season now completed, management is focused on implementing its business plan for 1999. This program will include additions to manufacturing capacity, the rationalization of operations, the design and introduction of new marketing programs and the expansion of our customer base.

Concurrently, we are investigating a number of independent acquisition targets in the United States. Moving forward, we feel confident in the Company's ability to meet its growth objectives, while continuing to provide incremental returns for the shareholders.



Robert J. Nagy
Chairman & CEO

THE ARCTIC GROUP INC.

Interim Consolidated Balance Sheet

October 31, 1998 and 1997

	31-October-98 (Unaudited)	31-October-97 (Unaudited)
ASSETS		
Current assets:		
Cash and term deposits	\$ 5,191,000	\$ 942,000
Cash held in trust		56,000
Accounts receivable	5,501,000	557,000
Receivable from affiliated company		55,000
Inventories	1,767,000	198,000
Prepaid expenses and deferred charges	384,000	231,000
	12,843,000	2,039,000
Capital assets:		
Land, building and equipment	64,010,000	8,197,000
Accumulated depreciation	7,764,000	4,678,000
	56,246,000	3,519,000
Goodwill-net	54,202,000	418,000
Other assets	1,957,000	99,000
	\$ 125,248,000	\$ 6,075,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 516,000	\$ -
Accounts payable and accrued liabilities	10,047,000	396,000
Income taxes payable	2,794,000	371,000
Current portion of long-term debt	186,000	157,000
	13,543,000	924,000
Obligations under Capital Lease	713,000	178,000
Notes payable	-	6,000
Long term debt	56,774,000	1,411,000
Deferred income taxes	2,029,000	102,000
Preferred shares of a subsidiary	-	76,000
Shareholders' equity	-	-
Capital stock (22,517,829 common shares)	17,677,000	3,324,000
Warrants	26,286,000	-
Equity portion of convertible debt	5,054,000	-
Retained Earnings	2,517,000	54,000
	51,534,000	3,378,000
Cumulative translation adjustment	655,000	-
	\$ 125,248,000	\$ 6,075,000

THE ARCTIC GROUP INC.

Interim Consolidated Statement of Earnings and Retained Earnings Six months ended October 31, 1998 and 1997

	31-October-98 (Unaudited)	31-October-97 (Unaudited)
Sales	\$ 36,904,000	\$ 4,784,000
Cost of sales, selling, general and administration expenses	25,858,000	3,209,000
	11,046,000	1,575,000
Amortization expense	2,029,000	235,000
Interest expense	1,638,000	72,000
	3,667,000	307,000
Earnings before income taxes	7,379,000	1,268,000
Current tax provision	(1,329,000)	(344,000)
Deferred tax provision	(1,623,000)	(159,000)
	(2,952,000)	(503,000)
Net earnings	4,427,000	765,000
Deficit beginning of period	(1,910,000)	(711,000)
Retained Earnings end of period	2,517,000	54,000
Weighted Average Number of Common Shares	21,655,068	12,866,667
Earnings per share for the six month period		
Basic	\$0.204	\$0.059
Fully Diluted	\$0.115	\$0.055

THE ARCTIC GROUP INC.

Interim Consolidated Statement of Changes in Financial Position Six months ended October 31, 1998 and 1997

	31-October-98 (Unaudited)	31-October-97 (Unaudited)
Cash provided by (used in):		
Operations		
Net earnings	\$ 4,427,000	\$ 765,000
Amortization on capital assets	1,661,000	220,000
Amortization on other assets	368,000	15,000
Deferred income taxes	1,623,000	159,000
	8,079,000	1,159,000
Changes in non-cash working capital	(8,492,000)	(355,000)
	(413,000)	804,000
Financing		
Change in the following		
Obligations under capital leases	191,000	(38,000)
Notes payable	-	(5,000)
Long term debt	41,630,000	(261,000)
Issuance of common shares	6,882,000	290,000
Issuance of warrants	21,498,000	-
Redemption of preferred shares	-	(55,000)
	70,201,000	(69,000)
Investments		
Additions to capital and other assets - net	(1,799,000)	(213,000)
Acquisition of subsidiaries	(67,432,000)	(462,000)
	(69,231,000)	(675,000)
Increase (decrease) in cash	557,000	60,000
Cash and term deposits, beginning of period	\$ 4,118,000	\$ 882,000
Cash and term deposits, end of period	\$ 4,675,000	\$ 942,000