

Q1

FIRST QUARTER

Report to Unitholders

FOR THE PERIOD ENDED MARCH 31, 2007



ARCTIC GLACIER INCOME FUND

We are pleased to report operating results for the first quarter of 2007.

During the quarter, Arctic Glacier strengthened its market-leading position on the West Coast with the acquisition of Union Ice of Los Angeles, California, the second-largest packaged ice company in the state. This acquisition provides the opportunity to leverage operational efficiencies with our existing business.

Following acquisitions, Arctic Glacier initiates rationalization and integration measures to capture operational synergies, maximize efficiencies and minimize overhead. During the first quarter, Arctic Glacier continued these activities in the operations of California Ice, Happy Ice in upper New York state and Hometown Ice in Wisconsin, and commenced rationalization and integration measures for Union Ice.

Results of the first quarter illustrate the substantial increase in scale of Arctic Glacier due to acquisitions over the last 12 months. Sales for the period increased 80% over last year to \$26.4 million, mainly reflecting initial first-quarter contributions from California Ice, Happy Ice, and Union Ice.

Demand for packaged ice is typically lightest in the first quarter of each year, when the Fund incurs approximately 25% of yearly fixed expenses but generates less than 10% of annual revenues. As a result, the Fund normally posts negative EBITDA, earnings and distributable cash. During the first quarter of 2007, these negative metrics increased proportionate with Arctic Glacier's greatly expanded scale of operations.

Arctic Glacier successfully completed an offering of new units during the first quarter. The financing, executed on a bought-deal basis, generated gross proceeds of \$70.1 million. The funds were partly deployed to finance the acquisition of Union Ice, while the balance was used to pay down debt.

During the first quarter the Fund paid monthly distributions to unitholders at an annualized rate of \$1.10 per unit. Distributions declared totaled \$10.1 million, a 32% increase compared to the first quarter of 2006 as a result of an increase in the number of units outstanding this year following the February equity offering. The Trustees of the Fund have eliminated the impact on unitholders of seasonal fluctuations of distributable cash by equalizing monthly distributions.

During the balance of 2007, management will continue to implement rationalization and integration measures for recently acquired operations. As we proceed with these activities, management will remain focused on the Fund's goal of accretive growth. We continue to examine new opportunities in markets throughout North America.

The increased scale of Arctic Glacier, the accretive nature of our acquisitions and enhanced profitability due to rationalization measures will combine to generate record highs for most key performance metrics at year end.

Looking ahead to the balance of 2007, the Fund will benefit from a full year of contributions from California Ice and Happy Ice, plus ten months from Union Ice including the peak summer sales season. Arctic Glacier's accretive acquisitions, rationalized operations and tight focus on overhead will continue to generate distributable cash exceeding monthly requirements for distributions at the current annualized rate of \$1.10 per unit. Management is confident the Fund will continue to fulfill its dual objectives of paying stable unitholder distributions while creating unitholder value, well into the future.

KEITH MCMAHON

President and
Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position
for the three months ended March 31, 2007

Management's Discussion and Analysis ("MD&A") of operating results and financial position of Arctic Glacier Income Fund (the "Fund" or "Arctic Glacier") is provided to enable readers to assess the financial condition, material changes in financial condition, results of operations, cash flows, liquidity and capital resources of the Fund for the three months ended March 31, 2007 and in comparison to the preceding year. This MD&A has been prepared taking into account material events up to May 4, 2007, and should be read in conjunction with the MD&A in the annual report of the Fund for the year ended December 31, 2006.

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.

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Forward-Looking Statements

This interim 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 weather conditions, the impact of seasonality on labor and distribution, competition, compliance with government regulations, proposed changes to the Canadian federal income tax treatment of publicly listed trusts, 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 interim 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.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as at the date of this interim report, and the Fund assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances.

MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position
for the three months ended March 31, 2007

REVIEW OF OPERATIONS

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2007

- > Acquired Union Ice in Los Angeles
- > Increased manufacturing capacity in California and Ontario
- > Completed plant upgrade in Pennsylvania
- > Completed \$70 million unit offering
- > Increased sales by \$11.7 million or 80%

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, acquisition integration charges and other non-recurring expenses. EBITDA is a performance measure 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 trusts on the basis of ability to generate cash from ongoing operations. Distributable cash is a performance measure used by many investors to summarize the funds available for distribution to unitholders in an income trust.

Investors should be cautioned that EBITDA and distributable cash should not be construed as alternatives to earnings, cash from operating activities 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 trusts and, accordingly, may not be comparable to measures used by them.

The following is a reconciliation of EBITDA to loss for the period as calculated in accordance with GAAP:

(thousands)	2007	2006
Loss for the period	\$ (10,941)	\$ (4,350)
Add: Income tax expense (reduction)	(8,228)	(6,020)
Amortization	7,821	4,607
Interest	5,033	1,100
Acquisition integration expenses	464	114
Gain on disposal of property, plant and equipment	(136)	(11)
Loss (gain) on foreign exchange	(202)	191
EBITDA	\$ (6,189)	\$ (4,369)

DISTRIBUTABLE CASH

The Fund had a distributable cash deficiency for the first quarter of 2007 of \$12.7 million or \$0.35 per unit, compared to a deficiency of \$6.6 million or \$0.24 per unit for the same period of 2006. The increase in the amount of the distributable cash deficiency results from acquisitions made during the last year and is within management's expectations. The packaged ice business is very seasonal. The first quarter of the year is characterized by very light winter demand but absorbs approximately 25% of annual fixed costs. The result is lower sales levels and negative EBITDA and cash flows. The Trustees of the Fund have eliminated the impact of seasonal fluctuations on unitholders by equalizing the monthly distributions.

The result is that as Arctic Glacier's scale of operations increases, the distributable cash deficiency in the first quarter can be expected to increase as well.

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.

Management expects that recent acquisitions will be accretive to distributable cash per unit in 2007, and that the Fund will continue to generate sufficient cash in 2007 to exceed the current distribution rate.

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Distributable Cash

(thousands, except per unit amounts)	2007	2006
Cash used in operating activities	\$ (14,055)	\$ (7,885)
Adjustments for:		
Changes in working capital items	3,151	2,253
	(10,904)	(5,632)
Less sustaining capital expenditures, net of dispositions	(1,844)	(981)
Distributable cash deficiency	\$ (12,748)	\$ (6,613)
Weighted average number of units	36,632.7	27,898.0
Distributable cash deficiency per unit	\$ (0.35)	\$ (0.24)
Distributions declared	\$ 10,095	\$ 7,676
Distributions declared per unit	\$ 0.28	\$ 0.28
Distributions declared per unit (annualized)	\$ 1.10	\$ 1.10

DISTRIBUTIONS

The Trustees of the Fund declare cash distributions on a monthly basis, payable to unitholders of record on the last business day of each month and paid within 15 days following the end of the month. The distribution rate was stable during the quarter at \$0.0917 per unit per month, or \$1.10 on an annualized basis.

The Fund declared cash distributions totaling \$10.1 million during the first quarter of 2007, an increase of \$2.4 million or 32% compared to 2006. On a per unit basis, declared distributions totaled \$0.28 for the first quarter of 2007, which is consistent with 2006.

2007 Distributions

Month	Record Date	Payment Date	Distributions	
			Per Unit	Amount
January	January 31, 2007	February 15, 2007	\$ 0.0917	\$ 3,037
February	February 28, 2007	March 15, 2007	\$ 0.0917	\$ 3,528
March	March 30, 2007	April 13, 2007	\$ 0.0917	\$ 3,530
Total			\$ 0.2751	\$ 10,095

FINANCIAL RESULTS

Sales

Sales for the first quarter ended March 31, 2007 totaled \$26.4 million, an increase of \$11.7 million or 80% compared to sales of \$14.7 million for the first quarter of 2006.

The increase in sales is primarily attributable to the California Ice, Happy Ice and Union Ice acquisitions made in 2006 and early 2007, which contributed \$11.9 million to sales during the first quarter. Sales in previously serviced markets were down by \$0.3 million or 2% as a result of less than favorable weather conditions in some markets compared to the strong results posted last year.

Sales were impacted positively by the weaker Canadian dollar during the first quarter of 2007, which increased the Canadian dollar value of sales generated in U.S. markets by \$0.1 million compared to the same period of 2006.

Cost of sales, selling, general and administration expenses

Cost of sales, selling, general and administration expenses for the first quarter ended March 31, 2007 totaled \$32.6 million, an increase of \$13.6 million or 71% compared to \$19.0 million for the same period of 2006.

The increase in expenses is primarily the result of the California, Happy and Union Ice acquisitions, which added \$13.1 million to operating costs in the quarter. Expenses in previously serviced markets were up by \$0.2 million or 1%. A larger proportion of costs incurred in the first quarter are fixed in nature and do not decrease with a reduction in sales volumes. In addition, the weaker Canadian dollar increased the Canadian dollar value of costs incurred in U.S. operations by \$0.3 million compared to the first quarter of 2006.

Cost of sales, selling, general and administration expenses comprised 123.5% of sales for the first quarter of 2007, a reduction compared to 129.8% for the same period in 2006 primarily as a result of a lower cost structure in the California operations.

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 volumes, negative EBITDA, and significant losses. Arctic Glacier incurs approximately 25% of its annual fixed costs in the first quarter, but generates less than 10% of its annual sales during this period. As Arctic Glacier's scale of operations continues to increase, the negative EBITDA and losses that are typical of the first quarter can be expected to increase as well.

Amortization

Amortization expense totaled \$7.8 million for the first quarter of 2007, an increase of \$3.2 million compared to the previous year.

Amortization of property, plant and equipment totaled \$5.2 million, an increase of \$1.5 million due to the increase in depreciable assets from acquisitions and capital expenditures made during the past year.

Amortization of other assets and intangibles totaled \$2.6 million, an increase of \$1.7 million over the same period of 2006 due to the increase in the value assigned to customer relationships, non-competition agreements and other intangible assets resulting from acquisitions.

Interest

Interest expense totaled \$5.0 million for the first quarter of 2007, an increase of \$3.9 million compared to the same period of 2006. The increase is primarily due to increased debt levels and the issuance of convertible debentures to fund the California and Happy Ice acquisitions. Interest on convertible debentures totaled \$1.9 million during the first quarter of 2007, including \$0.4 million of accretion. Amortization of net losses in fair market value of interest rate swaps that were deferred prior to January 1, 2007 totaled less than \$0.1 million during the first quarter of 2007. Commencing January 1, 2007, the Fund no longer designates its interest rate swaps as hedges for accounting purposes. Also included is an unrealized loss of \$0.1 million reflecting the recognition of the change in fair market value of the interest rate swaps during the first quarter of 2007.

The average cost of debt was 6.4% during the first quarter of 2007, compared to 5.3% for the same period last year.

Acquisition integration expenses

Acquisition integration expenses reflect the non-operating outlays associated with integrating acquired operations into Arctic Glacier's business model, subsequent to the completion of an acquisition, along with the costs of maintaining an acquisition department. Acquisition integration expenses totaled \$0.5 million for the first quarter of 2007 related to integration activities for the Union Ice acquisition. This compares to \$0.1 million for the same period of 2006 when minimal integration activities were underway.

Gain on disposal of property, plant and equipment

Gains on disposal of property, plant and equipment totaled \$0.1 million for the three months ended March 31, 2007.

MANAGEMENT'S DISCUSSION & ANALYSIS

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Loss (gain) on foreign exchange

The gain on foreign exchange totaled \$0.2 million for the first quarter of 2007, resulting from the Fund's exchange management program. This amount is comprised of \$0.3 million of unrealized gains resulting from the mark-to-market adjustments of foreign exchange contracts at the end of the period and \$0.2 million of an unrealized gain on long-term debt, partially offset by \$0.3 million of cash losses realized on the exercise of currency option contracts that were called during the quarter.

The loss on foreign exchange options for the same period in 2006 totaled \$0.2 million, representing a non-cash, period end fair-value reduction of the value of the asset associated with outstanding currency option contracts at the end of the quarter.

Income tax expense (reduction)

Income taxes recoverable for the first quarter of 2007 totaled \$8.2 million, an increase compared to \$6.0 million for the same period of 2006. The increase is primarily attributable to the effect of a larger net tax loss this quarter with the expanded scale of operations.

Loss and loss per unit

Net loss for the first quarter of 2007 was \$10.9 million, compared to \$4.4 million for the same period in 2006. On a per unit basis, the loss for the first quarter of 2006 was \$0.30 per unit (basic and diluted) compared to \$0.16 for the same period in 2006.

QUARTERLY RESULTS

	2007				2006			2005	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(thousands, except per unit amounts)									
Sales	26,378	39,943	104,180	60,464	14,662	21,771	73,584	47,275	13,809
Cost of sales, selling, general and administration expenses	32,567	39,182	61,921	39,926	19,031	22,322	42,017	32,189	18,898
EBITDA	(6,189)	761	42,259	20,538	(4,369)	(551)	31,567	15,086	(5,089)
Earnings (loss)	(10,941)	(6,244)	19,091	8,945	(4,350)	(1,809)	17,149	6,332	(5,707)
Earnings (loss) per unit:									
Basic	(0.30)	(0.19)	0.59	0.30	(0.16)	(0.06)	0.72	0.27	(0.24)
Diluted	(0.30)	(0.19)	0.52	0.30	(0.16)	(0.06)	0.72	0.27	(0.24)

The majority of Arctic Glacier's operations are in Canada and the northeastern, central and western 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 normally characterized by minimal EBITDA and losses.

For the first quarter of 2007, sales, cost of sales, selling, general and administration expenses, EBITDA, net loss and loss per unit were impacted by the California, Happy and Union acquisitions and by the weaker Canadian dollar compared to the same period of 2006.

LIQUIDITY AND CAPITAL RESOURCES

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

CASH REQUIREMENTS AND OBLIGATIONS

The following aggregated information about the Fund's cash requirements and obligations aims to provide insight into short and long-term liquidity and capital resource requirements.

MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position
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At March 31, 2007, the Fund and its subsidiaries had contractual obligations that require future cash payments as follows:

Contractual Obligations

(thousands)	Total Commitments	Payments Due by Period			
		Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 172,511	\$ 14,078	\$ 75,675	\$ 82,336	\$ 422
Operating leases	80,411	10,128	16,905	13,623	39,755
Purchase obligations	2,059	2,059	–	–	–
Total contractual obligations	\$ 254,981	\$ 26,265	\$ 92,580	\$ 95,959	\$ 40,177

At March 31, 2007, the Fund had entered into purchase obligations totaling \$2.1 million (\$1.7 million payable in U.S. dollars) related to an agreement to acquire the manufacturing facility located in Fresno, California from

the landlord in 2007, as well as equipment upgrades in Ontario and New York. These projects are scheduled to be completed in 2007 and these obligations will be funded from working capital.

SOURCES AND USES OF CASH

(thousands)	2007	2006
Cash used in operating activities		
Funds used in operations	\$ (10,904)	\$ (5,632)
Changes in working capital items	(3,151)	(2,253)
	(14,055)	(7,885)
Cash used in investing activities	(26,197)	(4,259)
Cash from financing activities	40,078	8,338
Other	(142)	123
Decrease in cash during period	\$ (316)	\$ (3,683)

Cash from operating activities

Funds used in operations totaled \$10.9 million for the first quarter of 2007, an increase of \$5.3 million compared to the same period of the previous year. The increase is directly attributable to the larger negative EBITDA and increased interest expense resulting from the growth in the scale of operations over the past year.

Changes in working capital items resulted in a net use of cash of \$3.2 million for the first quarter of 2007, compared to \$2.3 million for the same period in 2006. The increase in cash used is primarily the result of the increased scale of operations this year and increased inventories of packaging materials that result from taking receipt of raw materials earlier in the supply cycle to maximize discounts.

Cash used in investing activities

(thousands)	2007	2006
Sustaining capital expenditures, net of dispositions	\$ 1,844	\$ 981
Growth capital expenditures	2,228	3,003
Acquisition of business operations	22,125	275
Total cash used in investing activities	\$ 26,197	\$ 4,259

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Cash used in investing activities totaled \$26.2 million for the first quarter of 2007, primarily driven by acquisitions. Sustaining capital expenditures, which represents the replacement of property, plant and equipment to sustain current business operations, totaled \$1.8 million compared to \$1.0 million for the same period of 2006. Sustaining capital expenditures are funded from operating cash flow and are expected to average between 3.0% and 4.0% of sales on an annual basis.

Growth capital expenditures, representing outlays that are integral with acquisition initiatives or that grow the business and enhance distributable cash, totaled \$2.2 million for the first quarter of 2007 primarily to increase manufacturing capacity

in California and Ontario, complete the upgrade of drying and packaging equipment in the Twin Oaks, Pennsylvania manufacturing plant and establish a new larger distribution center in Albany, New York. Growth capital expenditures totaled \$3.0 million for the same period of 2006 for the new manufacturing plant in Milwaukee, Wisconsin, the plant upgrade in Twin Oaks, Pennsylvania and a new distribution center in Montgomeryville, Pennsylvania.

Cash totaling \$22.1 million was used during the first quarter of 2007 for acquisitions. The Fund used cash of \$21.9 million in March to acquire Union Ice of Vernon and Van Nuys, California and \$0.2 million for one tuck-in acquisition. For the same period of 2006, the Fund used cash of \$0.3 million for one tuck-in acquisition.

Cash from financing activities

(thousands)	2007	2006
Sources		
Proceeds from long-term debt	\$ 35,742	\$ 16,078
Proceeds from units issued	66,544	178
Total sources of cash	102,286	16,256
Uses		
Principal repayments on long-term debt	(52,606)	(244)
Cash distributions paid	(9,602)	(7,674)
Total uses of cash	(62,208)	(7,918)
Total cash from financing activities	\$ 40,078	\$ 8,338

On February 1, 2007, the Fund successfully completed a bought deal public offering of 5.35 million trust units at a price of \$13.10 each for gross proceeds of \$70.1 million. The Fund realized net proceeds of \$66.3 million after deduction of underwriters' fees and other issuance costs of approximately \$3.8 million. The proceeds were used to fund the Union acquisition and to reduce amounts outstanding under the revolving term credit facility. The offering increased the total number of units outstanding at March 31, 2007 to 38.5 million units.

During the first quarter of 2007, the Fund generated proceeds of \$102.3 million from long-term debt and equity issues. This was comprised of \$66.3 million from the unit offering, \$35.7 million drawn on the revolving term credit facility and \$0.3 million from the issuance of units under the Distribution Reinvestment and Optional Cash Purchase ("DRIP") Plan and the Stock Option Plan. The funds raised were utilized to finance the acquisition of Union Ice and one tuck-in acquisition,

growth capital expenditures and seasonal working capital requirements. The Fund used cash of \$52.3 million during the quarter for payments against the revolving term credit facility and \$0.3 million to make schedule payments of deferred acquisition consideration. The Fund also used cash of \$9.6 million for distributions to unitholders.

During the same period in 2006, the Fund generated proceeds of \$16.3 million from long-term debt and equity issues, including \$16.1 million drawn on the revolving term credit facility and \$0.2 million through the issuance of units under the DRIP Plan. The funds raised were utilized to finance growth capital expenditures, a small tuck-in acquisition and seasonal working capital requirements. The Fund also used \$0.2 million to make schedule payments of deferred acquisition consideration and \$7.7 million for distributions to unitholders.

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CREDIT FACILITIES

At March 31, 2007, the Fund's credit facilities were comprised of a US\$60 million senior note facility and a US\$115 million revolving term credit facility. The senior notes are due January 1, 2010 and carry a fixed annual interest rate of 5.35%, payable monthly, with principal due at maturity. The revolving term credit facility matures May 25, 2010, can be drawn in either Canadian or U.S. dollars, does not require scheduled principal repayments prior to maturity, and bears interest at a floating rate based on prime, LIBOR or bankers' acceptances plus a credit margin based on the Fund's quarterly leverage ratio.

The Fund had long-term debt outstanding at March 31, 2007 of \$172.5 million, comprised of senior notes of \$69.3 million (US\$60 million), senior debt under the revolving term credit facility of \$82.2 million (US\$66.0 million and CA\$6 million), deferred acquisition consideration of \$1.7 million for Losquadro Ice payable in April 2007, deferred acquisition consideration of \$11.4 million for California Ice payable in October 2007, deferred acquisition consideration of \$5.1 million for Union Ice payable over the next three years, other deferred consideration totaling \$0.8 million payable over the next three years, amounts owing under a non-competition agreement of \$2.1 million and an executive retirement allowance of \$0.7 million payable over the next 10 years. These amounts have been reduced by related deferred financing costs totaling \$0.8 million.

OUTSTANDING SECURITIES

Fund units represent an equal and undivided beneficial interest in the Fund and any distributions. All units are of the same class with equal rights and privileges. The Fund is authorized to issue an unlimited number of units pursuant to its Declaration of Trust.

On February 1, 2007, the Fund completed a public offering of 5.35 million units at a price of \$13.10 per unit for net proceeds of \$66.3 million after deducting underwriters' fees and other

The Fund had long-term debt outstanding at December 31, 2006 of \$186.1 million, comprised of senior notes of \$69.9 million (US\$60 million), senior debt under the revolving term credit facility of \$99.3 million (US\$80.0 million and CA\$6.0 million), deferred acquisition consideration of \$13.9 million, amounts owing under a non-competition agreement of \$2.3 million and an executive retirement allowance of \$0.7 million payable over the next 10 years.

The Fund's net debt⁽¹⁾ to EBITDA ratio at March 31, 2007 was 2.5 to 1⁽²⁾ compared to 2.7 to 1⁽³⁾ at December 31, 2006. The Fund's intention is to maintain an average net debt to EBITDA ratio of less than 2.25 to 1 on an annual basis. The first and second quarter ratios are typically higher due to seasonal operating requirements, while the third and fourth quarter ratios are typically lower.

The Fund's financing arrangements contain various financial covenants. The Fund is in compliance with all debt covenants at March 31, 2007.

⁽¹⁾ Net debt is defined as total long-term debt and bank indebtedness, reduced by cash. Long-term debt excludes convertible debentures.

⁽²⁾ With 2007 EBITDA increased by \$9.1 million to give effect to the trailing 12 month contribution of acquisitions.

⁽³⁾ With 2006 EBITDA increased by \$8.8 million to give effect to the trailing 12 month contribution of acquisitions.

issuance costs. The Fund also issued 1,500 units on conversion of \$19 of convertible debentures at \$12.60 per unit, 17,600 units under the DRIP plan at an average price of \$12.16 per unit and 5,000 units on the exercise of stock options at an average price of \$11.92 per unit. The Fund used the proceeds from units issued for acquisitions and to reduce amounts outstanding under the revolving term credit facility.

As at March 31, outstanding unit data were as follows:

(thousands)	2007	2006
Units outstanding	38,489.5	27,907.8
Unit options outstanding	3,243.7	2,350.0

As at May 4, 2007, the Fund had 38,497.0 million units and 3.24 million options outstanding.

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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, 2006, except for the adoption of new accounting standards as described below.

Effective January 1, 2007, the Fund adopted new Canadian Institute of Chartered Accountants (CICA) accounting standards relating to comprehensive income, financial instruments, equity and hedges. As a result of the adoption of these new standards, a new category – accumulated other comprehensive income (loss) – forms part of Unitholders' Equity.

As a result of the adoption of the new accounting policies related to comprehensive income, the foreign currency cumulative translation adjustment on self-sustaining foreign operations of \$12.5 million at January 1, 2007 has been reclassified to accumulated other comprehensive loss.

As a result of the adoption of the new accounting policies related to financial instruments and equity, the Fund has adjusted the deferred financing charges outstanding at January 1, 2007 of \$7.6 million and reclassified the remaining balance against the actual debt for which they were incurred and will amortize that balance based on the effective interest method. The result was a decrease in convertible debentures of \$4.5 million, an increase to the deficit of \$1.2 million, a decrease in long-term debt of \$0.8 million, an increase to future income tax asset of \$0.8 million and a decrease in units of \$0.3 million.

As a result of the new accounting policies relating to hedge accounting adopted on January 1, 2007, the Fund concluded that it would no longer designate its interest rate swap agreements as accounting hedges. Effective on that date, all changes in fair value of the interest rate swap agreements are immediately recognized in interest expense with a corresponding amount included in accounts payable and accrued liabilities on the balance sheet. The Fund recorded the fair value of the interest rate swap contracts of \$0.7 million on January 1, 2007 as an increase in accounts payable and accrued liabilities, with an offsetting transitional adjustment of \$0.4 million net of future income taxes, to accumulated other comprehensive loss and \$0.3 million increase to future income tax asset.

At March 31, 2007, accumulated other comprehensive loss totaled \$16.5 million and consisted of unrealized losses totaling \$16.1 million on translation of self-sustaining foreign operations and transitional adjustment of \$0.4 million on the interest rate swap contracts.

CONTROLS

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. No changes were made to the design of internal controls over financial reporting during the three months ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

RELATED PARTY TRANSACTIONS

A subsidiary of the Fund leases a production facility located in Arizona from a company indirectly owned and controlled by a trustee of the Fund. The lease agreement is for a period of up to nine years on commercially reasonable terms and includes an option to purchase the facility during the term on commercially reasonable terms. The subsidiary made lease payments totaling \$0.3 million during the three months ended March 31, 2007.

RISK MANAGEMENT

Financial Instruments

The Fund and its subsidiaries generate significant cash flows in U.S. dollars and are therefore subject to fluctuations in the value of the Canadian dollar relative to the U.S. dollar in the normal course of business. In order to reduce this risk, the Fund has an exchange management program that uses derivative financial instruments, which are not held or issued for speculative purposes.

At March 31, 2007, the Fund had entered into a series of foreign exchange forward and option contracts to provide a floor exchange rate of \$1.1304 Canadian per U.S. dollar on US\$10.1 million, representing approximately 40% of the amount expected to be converted to meet cash distribution requirements during the balance of 2007. These contracts had settlement dates between April and December 2007. At March 31, 2007, the aggregate notional amount of foreign exchange forward contracts outstanding was US\$0.9 million and option contracts was US\$17.6 million.

Business Risks

The factors affecting the business remain substantially unchanged from those identified in the MD&A for the year ended December 31, 2006.

MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position
for the three months ended March 31, 2007

OUTLOOK

The acquisitions completed during the first quarter of 2007 and in 2006 will remain Arctic Glacier's principal areas of focus during the balance of the year.

In March 2007, Arctic Glacier acquired Union Ice of Vernon, California. A substantial platform acquisition, Union Ice was a leading ice company in southern California. Union Ice operates two manufacturing plants in the greater Los Angeles area. The Vernon facility, located near downtown Los Angeles, is a new state-of-the-art facility that was built in 2006. The Van Nuys facility is the largest producer of 300-pound block ice on the West Coast and is the primary source for block ice, snow scenes, ice sculptures and other ice products for the television and movie industries in Hollywood.

Within the state, Union Ice was second in size only to California Ice, acquired by Arctic Glacier in 2006. The combination of Union Ice and California Ice establishes the Fund as the market leader in a packaged ice market with a warm climate, extended selling season, reduced seasonality and favorable population growth.

During the final nine months of 2007, Arctic Glacier will continue to rationalize and integrate acquired facilities. These activities seek to harness synergies that optimize efficiencies and remove costs from combined operations. For this reason, acquisitions generally achieve maximum accretion to distributable cash 24 months or more following completion of the purchase.

The Fund's financial position was enhanced during the first quarter with the completion of a \$70 million financing of new units. The net proceeds were deployed to finance the Union Ice acquisition and retire debt.

Arctic Glacier enters its busiest time of year with a combination of profitable operations, accretive acquisitions, comprehensive rationalization and integration activities and a well balanced capital structure. Management believes these attributes will enable the Fund to continue generating distributable cash in excess of requirements for monthly distributions at the current annualized rate of \$1.10 per unit.

Going forward, management is confident that Arctic Glacier will continue to fulfill its dual objectives of paying stable unitholder distributions while creating unitholder value, well into the future.

INTERIM CONSOLIDATED BALANCE SHEETS

As at March 31, 2007 and 2006 (unaudited)
and December 31, 2006 (audited)

(thousands)	March 31, 2007	March 31, 2006	December 31, 2006
ASSETS			
Current assets			
Cash	\$ 4,360	\$ 2,630	\$ 4,676
Accounts receivable	10,468	5,581	14,791
Inventories	16,642	7,880	12,881
Prepaid expenses	7,153	4,180	4,268
	38,623	20,271	36,616
Future income taxes	4,761	–	–
Property, plant and equipment	169,069	120,615	162,564
Investments	944	–	953
Other assets	177	2,423	7,875
Intangible assets	155,276	24,408	148,912
Goodwill	192,360	107,303	186,572
	\$ 561,210	\$ 275,020	\$ 543,492
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	\$ 25,379	\$ 7,885	\$ 26,175
Distributions payable to unitholders	3,530	2,559	3,037
Principal due within one year on long-term debt	14,078	2,049	14,280
	42,987	12,493	43,492
Long-term debt (Note 5)	158,433	88,820	171,783
Convertible debentures	81,574	–	85,496
Future income taxes	–	1,807	4,696
Unitholders' equity			
Units (Note 6)	369,739	249,925	303,469
Contributed surplus	889	756	815
Equity portion of convertible debentures	9,564	–	9,566
Deficit	(85,492)	(58,458)	(63,284)
Accumulated other comprehensive loss (Note 3)	(16,484)	(20,323)	(12,541)
	278,216	171,900	238,025
	\$ 561,210	\$ 275,020	\$ 543,492

See accompanying notes to interim consolidated financial statements.

Approved on behalf of the Trustees by:

ROBERT J. NAGY
Trustee

GARY A. FILMON
Trustee

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31, 2007
and 2006 (unaudited)

(thousands, except per unit amounts)	2007	2006
Sales	\$ 26,378	\$ 14,662
Cost of sales, selling, general and administration expenses	32,567	19,031
Loss before the undernoted	(6,189)	(4,369)
Amortization	7,821	4,607
Interest	5,033	1,100
Acquisition integration charges	464	114
Gain on disposal of property, plant and equipment	(136)	(11)
Loss (gain) on foreign exchange	(202)	191
Loss before income taxes	(19,169)	(10,370)
Income taxes		
Current	217	82
Future (reduction)	(8,445)	(6,102)
	(8,228)	(6,020)
Loss for the period	\$ (10,941)	\$ (4,350)
Loss per unit – basic and diluted (Note 7)	\$ (0.30)	\$ (0.16)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Three months ended March 31, 2007 and 2006 (unaudited)

(thousands)	2007	2006
Units		
Balance, beginning of period	\$ 303,469	\$ 249,747
Adoption of new accounting policies (Note 3)	(293)	–
	303,176	249,747
Units issued, net of issue costs (Note 6)	66,563	178
Balance, end of period	369,739	249,925
Contributed surplus		
Balance, beginning of period	815	723
Unit-based compensation expense	74	33
Balance, end of period	889	756
Equity portion of convertible debentures		
Balance, beginning of period	9,566	–
Conversion of convertible debentures	(2)	–
Balance, end of period	9,564	–
Deficit		
Balance, beginning of period	(63,284)	(46,432)
Adoption of new accounting policies (Note 3)	(1,172)	–
	(64,456)	(46,432)
Loss for the period	(10,941)	(4,350)
Distributions declared (Note 8)	(10,095)	(7,676)
Balance, end of period	(85,492)	(58,458)
Accumulated other comprehensive loss		
Balance, beginning of period	(12,541)	(20,782)
Adoption of new accounting policies (Note 3)	(397)	–
	(12,938)	(20,782)
Other comprehensive income (loss)	(3,546)	459
Balance, end of period	(16,484)	(20,323)
Total Unitholders' Equity	\$ 278,216	\$ 171,900

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Three months ended March 31, 2007 (unaudited)

(thousands)	2007
Loss for the period	\$ (10,941)
Other comprehensive loss	
Net loss on translation of self-sustaining foreign operations	(3,575)
Amortization of transitional adjustment to loss for the period	29
Other comprehensive loss	(3,546)
Comprehensive loss for the period	\$ (14,487)

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31, 2007 and 2006 (unaudited)

(thousands)	2007	2006
Cash from (used in):		
Operating activities		
Loss for the period	\$ (10,941)	\$ (4,350)
Adjustments for:		
Amortization	7,821	4,607
Accretion of convertible debenture principal	397	-
Accretion of long-term debt	234	-
Accretion of deferred financing	255	-
Recognition of rents on a straight-line basis	193	-
Unit-based compensation expense	74	33
Gain on disposal of property, plant and equipment	(136)	(11)
Unrealized foreign exchange gain on long-term debt	(143)	-
Unrealized loss (gain) on foreign exchange options	(320)	191
Unrealized loss on interest rate swap	107	-
Future income taxes reduction	(8,445)	(6,102)
	(10,904)	(5,632)
Changes in working capital items (Note 9)	(3,151)	(2,253)
	(14,055)	(7,885)
Investing activities		
Additions to property, plant and equipment	(4,344)	(4,055)
Proceeds from disposal of property, plant and equipment	272	71
Acquisition of business operations (Note 4)	(22,125)	(275)
	(26,197)	(4,259)
Financing activities		
Proceeds from long-term debt	35,742	16,078
Principal repayments on long-term debt	(52,606)	(244)
Units issued, net of issue costs	66,544	178
Distributions paid	(9,602)	(7,674)
	40,078	8,338
Foreign exchange gain (loss) on cash held in foreign currency	(142)	123
Decrease in cash	(316)	(3,683)
Cash, beginning of period	4,676	6,313
Cash end of period	\$ 4,360	\$ 2,630
Supplementary cash flow information		
Interest paid	\$ 6,360	\$ 1,215
Income taxes paid	218	80

The net present value of the portion of the purchase price or additional consideration on acquisitions of business operations satisfied by the issuance of deferred consideration in the amount of \$5,199 (2006 - \$nil) has been excluded from the financing and investing activities.

See accompanying notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (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, through its subsidiaries, operates in the packaged ice manufacturing and distribution business in Canada and the United States and is active in acquiring ice manufacturing and distribution companies. The Fund also 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 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, 2006. Except as disclosed in note 3, the interim consolidated financial statements are prepared in accordance with the same accounting policies and methods of their application as the most recent annual consolidated financial statements. 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 Fund, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. The Fund 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.

Proposed Canadian income tax rule changes

On December 21, 2006, the Department of Finance of the Canadian Federal Government released draft legislation (the "Proposals") relating to the taxation of publicly traded income trusts and certain other publicly traded flow-through entities. On March 29, 2007, the Minister of Finance introduced Bill C-52 in the House of Commons to implement these Proposals. Under the Proposals, certain distributions from a "specified investment flow-through" trust or partnership (a "SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, the Proposals provide that distributions paid by a SIFT as returns of capital will not be subject to the tax.

The Proposals provide that a SIFT that was publicly listed prior to November 1, 2006 (an "Existing Fund") would become subject to the tax on distributions commencing with the 2011 taxation year. However, an Existing Fund may become subject to this tax prior to the 2011 taxation year if its equity capital increases beyond certain limits measured against its market capitalization at October 31, 2006.

If the Proposals are enacted as currently drafted, commencing in 2011 the Fund would become subject to tax on certain income and, at the date of substantive enactment, the Fund would record future income tax assets and liabilities in respect of accounting and tax basis differences that are expected to reverse in or after 2011, with a corresponding credit or charge to consolidated earnings for the period.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (unaudited)
(amounts in thousands, except per unit amounts)

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Fund adopted the following new Canadian Institute of Chartered Accountants (CICA) accounting standards:

Comprehensive income – Section 1530 establishes standards for reporting and disclosure of comprehensive income and its components. Comprehensive income is the change in unitholders' equity, which results from transactions other than those arising from investments by unitholders and distributions to unitholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments.

The adoption of the new standards by the Fund resulted in changes in the accounting for financial instruments and hedges as well as the recognition of certain transitional adjustments that have been recorded in the opening balance of accumulated other comprehensive loss. Accumulated other comprehensive loss consists of cumulative net losses that were deferred prior to January 1, 2007 when hedge accounting was used by the Fund. The foreign currency cumulative translation adjustment on self-sustaining, foreign operations of (\$12,541) at December 31, 2006 presented in the consolidated balance sheet has been reclassified to accumulated other comprehensive loss.

Financial instruments – recognition and measurement – Section 3855 establishes standards for recognizing and measuring financial instruments and embedded derivatives in the balance sheet and reporting gains and losses in the financial statements. Under the new standards, all financial assets are classified as one of these four categories: held to maturity, loans and receivables, held for trading or available for sale. All financial liabilities are classified as held for trading or other liabilities. Initially, all financial assets and liabilities must be recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost based on the effective interest method. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, whether part of a hedging relationship or not, have to be measured at fair value with gains and losses recognized in earnings. Available for sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income.

The Fund has classified its cash as held for trading. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. The Funds' investment has been classified as available for sale and is being measured at cost as it relates to a private entity for which it is not possible to obtain fair value information. Accounts payable and accrued liabilities, distributions payable to unitholders, long-term debt and convertible debentures, are classified as other liabilities, which are measured at amortized cost, using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. The Fund has reclassified the balance of deferred financing charges outstanding at January 1, 2007 against the actual debt for which they were incurred and will amortize that balance based on the effective interest method. Finance fees incurred on extinguishment of long-term debt facilities are expensed on occurrence. The adoption of these new standards by the Fund resulted in an increase to the deficit of \$1,172, a decrease in units of \$293, decrease in other assets of \$7,622, a decrease in long-term debt of \$825, a decrease in convertible debentures of \$4,526 and an increase in future income tax asset of \$806 at January 1, 2007.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated balance sheet. The Fund has reviewed all significant contractual arrangements and determined that there are no material embedded derivatives that must be separated from the host contract and accounted for separately.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (unaudited)
(amounts in thousands, except per unit amounts)

Hedges – Section 3865 establishes standards for when and how hedge accounting can be applied as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item.

The Fund uses interest rate swap agreements and foreign exchange forward and option contracts to manage exposure to risk. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. Prior to the adoption of the new accounting standards on January 1, 2007, the Fund's foreign exchange forward and option contracts did not qualify for hedge accounting and were adjusted to fair value. As a result, the new standards had no impact on the Fund's accounting for these foreign exchange forward and option contracts. The Fund's interest rate swap contracts, entered into during fiscal 2006, were accounted for using hedge accounting and payments and receipts under the agreements were recognized as adjustments to interest expense in the same period that the underlying hedged transactions were recognized. Effective January 1, 2007, the Fund ceased applying hedge accounting to the interest rate swap contracts that were outstanding at December 31, 2006. In accordance with the new standards, the fair value of the interest rate swap contracts of \$660 at December 31, 2006 was recorded as follows: an unrealized loss of \$660 was recorded to accounts payable and accrued liabilities as of January 1, 2007 and \$397 was recorded, net of future income taxes, to accumulated other comprehensive loss. This transitional adjustment will be amortized to the statement of operations over the term of the interest rate swap contracts. All movements in the fair value of interest rate swap contracts, commencing January 1, 2007, are now recognized in interest expense with a corresponding amount included in accounts payable and accrued liabilities on the balance sheet.

The Fund had also applied hedge accounting on U.S. denominated long-term debt held in its Canadian subsidiary against its net investment in its self-sustaining subsidiaries. Effective January 1, 2007, the Fund ceased applying hedge accounting on the balance of \$13,200 that was outstanding at December 31, 2006. All changes in foreign exchange on this long-term debt will be recognized in the statement of operations. The transitional adjustment at December 31, 2006 is included in accumulated other comprehensive loss as part of the reclassification of the cumulative translation adjustment previously discussed.

Convertible and other debt instruments with embedded derivatives – Emerging Issues Committee ("EIC") 164 was early adopted by the Fund on January 1, 2007. This abstract addressed various issues surrounding the recognition, classification and presentation of convertible debentures. There was no impact on the interim consolidated financial statements as a result of the adoption of this abstract.

Equity – Section 3251 replaces Section 3250 and establishes standards for the presentation of equity and changes in equity during the period and requires the Fund to present separately equity components and changes in equity arising from i) net earnings (loss); ii) other comprehensive income (loss); iii) other changes in deficit; iv) changes in contributed surplus; v) changes in equity component of convertible debentures; and vi) changes in units. A consolidated statement of changes in unitholders' equity is included in the unaudited interim consolidated financial statements of the Fund as a result of implementing this new standard.

Financial instruments – disclosure and presentation – Section 3861 replaces Section 3860 and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. There was no material effect on the Fund's interim consolidated financial statements as a result of implementing the new standard.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (unaudited)
(amounts in thousands, except per unit amounts)

4. BUSINESS ACQUISITIONS

On March 1, 2007, a subsidiary of the Fund acquired the assets and operations of Union Ice-Pacific L.P. ("Union Ice") of Los Angeles, California for aggregate cash consideration of \$25,559 (US\$21,724), including \$5,199 (US\$4,419) of consideration to be paid over a three year period. In addition, the Fund has incurred acquisition costs of \$1,552 related to professional fees and other costs associated with the purchase of these assets and operations.

During the three months ended March 31, 2007, the Fund and its subsidiaries acquired the assets of one additional packaged ice company for aggregate cash consideration of \$213 including acquisition costs related to professional fees and other 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 for the three months ended March 31 are as follows:

	Union Ice	Other	2007	2006
Net assets acquired, at fair value:				
Current assets	\$ 404	\$ -	\$ 404	\$ -
Property, plant and equipment	8,770	47	8,817	142
Intangible assets	10,401	17	10,418	108
Goodwill	7,748	149	7,897	25
	27,323	213	27,536	275
Less current liabilities	212	-	212	-
	\$ 27,111	\$ 213	\$ 27,324	\$ 275
Purchase consideration:				
Cash	\$ 20,360	\$ 213	\$ 20,573	\$ 275
Deferred consideration	5,199	-	5,199	-
Acquisition and restructuring costs	1,552	-	1,552	-
	\$ 27,111	\$ 213	\$ 27,324	\$ 275

5. LONG-TERM DEBT

	March 31, 2007	March 31, 2006	December 31, 2006
US\$60 million 5.35% notes, due January 1, 2010	\$ 69,276	\$ 70,080	\$ 69,924
Revolving term credit facility	82,203	16,264	99,232
Deferred acquisition consideration	21,077	4,525	16,208
Other	711	-	699
	173,267	90,869	186,063
Less deferred financing charges	756	-	-
	172,511	90,869	186,063
Less principal included in current liabilities	14,078	2,049	14,280
	\$ 158,433	\$ 88,820	\$ 171,783

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (unaudited)
(amounts in thousands, except per unit amounts)

6. CAPITAL CONTRIBUTIONS

Issued

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

	Number of Units	Amount
Balance at December 31, 2005	27,887.7	\$ 249,747
Additional issue costs of units issued on September 20, 2005	-	(26)
Units issued for cash consideration on May 25, 2006, at \$10.70 per unit, net of issue costs of \$3,144	4,673.0	46,857
Units issued on conversion of convertible debentures	465.2	5,899
Units issued for cash consideration under stock option plan	16.3	181
Units issued for cash consideration under Distribution Reinvestment and Optional Cash Purchase Plan	73.2	811
Balance at December 31, 2006	33,115.4	303,469
Adoption of new accounting policies (Note 3)	-	(293)
	33,115.4	303,176
Units issued for cash consideration on February 1, 2007, at \$13.10 per unit, net of issue costs of \$3,815	5,350.0	66,270
Units issued on conversion of convertible debentures	1.5	19
Units issued for cash consideration under stock option plan	5.0	60
Units issued for cash consideration under Distribution Reinvestment and Optional Cash Purchase Plan	17.6	214
Balance at March 31, 2007	38,489.5	\$ 369,739

Options

Changes in the number of options, with their weighted average exercise prices, are summarized as follows at March 31:

	2007		2006	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Balance, beginning of period	3,248.7	\$ 11.32	2,350.0	\$ 11.25
Exercised	(5.0)	11.92	-	-
Balance, end of period	3,243.7	\$ 11.32	2,350.0	\$ 11.25
Exercisable, end of period	1,589.7	\$ 11.53	1,415.0	\$ 11.68
Weighted average fair value per unit of options granted during the period		\$ -		\$ -

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (unaudited)
(amounts in thousands, except per unit amounts)

The range of exercise prices for options outstanding at March 31, 2007 is as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$ 10.60	878.7	3.5 years	\$ 10.60	219.7	\$ 10.60
11.46	995.0	4.8 years	11.46	–	–
11.50	790.0	2.1 years	11.50	790.0	11.50
11.92	580.0	2.9 years	11.92	580.0	11.92
	3,243.7	3.4 years	\$ 11.32	1,589.7	\$ 11.53

The compensation expense related to options granted under the stock option plan totaled \$74 for the three months ended March 31, 2007 (2006 - \$33). The compensation expense was determined based on the fair value of the options at the date of the grant using the Black-Scholes option pricing model.

7. LOSS PER UNIT

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

	2007	2006
Loss and diluted loss available to unitholders	\$ (10,941)	\$ (4,350)
Basic and diluted weighted average number of units	36,632.7	27,898.0
Basic and diluted loss per unit	\$ (0.30)	\$ (0.16)

8. DISTRIBUTIONS DECLARED

The Fund's trustees have discretion in declaring distributions. The Fund makes distributions of its available cash to the maximum extent possible to its unitholders. The Fund makes equal monthly cash distributions to unitholders on the last day of each month, after deducting estimated cash amounts required for expenses, other obligations of the Fund, cash redemptions of units and any tax liabilities.

Cash distributions are payable monthly to the unitholders of record on the last business day of each month and are paid within 15 days following the end of each month. Cumulative distributions for the three months ended March 31, 2007 are as follows:

Month	Record Date	Payment Date	Distributions	
			Per Unit	Amount
January 2007	January 31, 2007	February 15, 2007	\$ 0.0917	\$ 3,037
February 2007	February 28, 2007	March 15, 2007	0.0917	3,528
March 2007	March 30, 2007	April 13, 2007	0.0917	3,530
Total			\$ 0.2751	\$ 10,095

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007 and 2006 (unaudited)
(amounts in thousands, except per unit amounts)

9. CHANGES IN WORKING CAPITAL ITEMS

The changes in working capital items are as follows:

	2007	2006
Accounts receivable	\$ 4,323	\$ 2,988
Inventories	(3,413)	(1,868)
Prepaid expenses	(3,275)	(1,989)
Accounts payable and accrued liabilities	(786)	(1,384)
	\$ (3,151)	\$ (2,253)

10. 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 for the three months ended March 31:

	2007		
	Canada	U.S.	Total
Sales	\$ 3,547	\$ 22,831	\$ 26,378
Cost of sales, selling, general and administration expenses	5,995	26,572	32,567
	\$ (2,448)	\$ (3,741)	\$ (6,189)
Earnings (loss) for the period	\$ 1,187	\$ (12,128)	\$ (10,941)
Total assets	\$ 61,921	\$ 499,289	\$ 561,210

	2006		
	Canada	U.S.	Total
Sales	\$ 3,532	\$ 11,130	\$ 14,662
Cost of sales, selling, general and administration expenses	5,489	13,542	19,031
	\$ (1,957)	\$ (2,412)	\$ (4,369)
Earnings (loss) for the period	\$ 2,499	\$ (6,849)	\$ (4,350)
Total assets	\$ 61,427	\$ 213,593	\$ 275,020

11. RELATED PARTY TRANSACTION

A subsidiary of the Fund leases a manufacturing facility located in Arizona from a company indirectly owned and controlled by a trustee of the Fund. The lease agreement is for up to nine years on commercially reasonable terms and includes an option to purchase the facility during the term on commercially reasonable terms. Lease payments for the three months ended March 31, 2007 totaled \$268 (2006 - \$nil).

QUARTERLY FINANCIAL INFORMATION

(in thousands of dollars, except per unit data)

	2007				2006				2005	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Operating Results										
Sales	26,378	39,943	104,180	60,464	14,662	21,771	73,584	47,275	13,809	
EBITDA	(6,189)	761	42,259	20,538	(4,369)	(551)	31,567	15,086	(5,089)	
Earnings (loss)	(10,941)	(6,244)	19,091	8,945	(4,350)	(1,809)	17,149	6,332	(5,707)	
Basic earnings (loss) per unit	(0.30)	(0.19)	0.59	0.30	(0.16)	(0.06)	0.72	0.27	(0.24)	
Diluted earnings (loss) per unit	(0.30)	(0.19)	0.52	0.30	(0.16)	(0.06)	0.72	0.27	(0.24)	
Cash Flow										
Funds from (used in) operating activities ⁽¹⁾	(10,904)	(4,398)	37,527	17,846	(5,632)	(2,545)	29,238	12,625	(6,820)	
Distributions to unitholders	10,095	9,109	8,972	8,538	7,676	7,670	6,848	6,434	6,310	
Distributions to unitholders per unit	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.27	
Financial Position										
Net cash ⁽²⁾	4,360	4,676	8,835	4,882	2,630	6,313	10,351	(9,133)	(3,378)	
Current assets	38,623	36,616	51,961	55,085	20,271	23,275	38,555	32,054	16,975	
Working capital	(4,364)	(6,876)	19,129	10,155	7,778	9,363	22,849	2,523	649	
Total assets	561,210	543,492	546,727	517,605	275,020	277,517	292,695	291,954	274,595	
Long-term debt ⁽³⁾	172,511	186,063	175,508	154,769	90,869	74,515	71,620	116,937	115,660	
Net debt ⁽⁴⁾	168,151	181,387	166,673	149,887	88,239	68,202	61,269	126,070	119,038	
Unitholders' equity	278,216	238,025	236,576	225,947	171,900	183,256	192,409	139,863	138,549	
Unit Data										
Trading price range, per unit:										
High	\$ 13.65	\$ 13.89	\$ 13.50	\$ 11.95	\$ 11.50	\$ 11.25	\$ 12.14	\$ 12.00	\$ 12.25	
Low	\$ 12.25	\$ 10.31	\$ 11.80	\$ 10.49	\$ 10.10	\$ 9.05	\$ 10.15	\$ 10.80	\$ 11.50	
Close	\$ 12.71	\$ 12.52	\$ 11.80	\$ 11.94	\$ 11.08	\$ 10.80	\$ 10.98	\$ 10.95	\$ 11.65	
Trading volumes (000s)	6,747	9,613	6,443	5,235	5,485	3,974	3,441	2,325	2,619	
Cumulative Trading Volume (000s)	6,747	26,776	17,163	10,720	5,485	12,359	8,385	4,944	2,619	
Units outstanding (000s):										
End of period	38,489	33,115	32,627	32,600	27,908	27,888	27,865	23,395	23,369	
Weighted average (basic)	36,633	32,991	32,611	29,818	27,898	27,878	23,937	23,384	23,360	

(1) Before changes in working capital items.

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

(3) Includes obligations under capital leases, excludes convertible debentures.

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

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Douglas A. Bailey, CA
Chief Financial Officer

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