First Quarter Report

FOR THE THREE MONTHS ENDED MARCH 31, 2007

President's Message

Parkland's results in the first quarter were substantially stronger than any previous first quarter based on performance of our recent acquisition and very strong margins. We were able to increase monthly distributions for the sixth time in the past twelve months. The strength of Parkland's operations has prompted the Directors to initiate a three-for-one unit split.

The commercial operations added with the acquisition of Neufeld Petroleum on January 24, 2007 contributed strongly in the winter season as expected. In addition, fuel margins in the balance of Parkland's business were stronger than those realized historically during this season. Subsequent to the end of the quarter Parkland was able to complete the acquisition of Joy Propane Ltd. for $16.3 million and also announce the signing of a purchase agreement for United Petroleum Products Inc. for $18.0 million. Given the positive start to 2007 and the new acquisitions the Fund announced a one cent per unit increase in distributions in conjunction with the Joy Propane acquisition and another four cents with this first quarter report.

CONSOLIDATED OPERATING AND FINANCIAL HIGHLIGHTS

	FOR THE THREE MONTHS ENDED MARCH 31		
($ MILLIONS EXCEPT VOLUME AND PER UNIT AMOUNTS)	**2007**	2006	2005
Fuel volumes (millions of litres)	**440**	329	268
Net sales and operating revenue	**$ 334.0**	$ 241.6	$ 177.1
EBITDA	**$ 19.2**	$ 8.2	$ 3.2
Net earnings	**$ 13.2**	$ 5.6	$ 0.8
Per unit – basic	**$ 0.83**	$ 0.44	$ 0.07
Per unit – diluted	**$ 0.82**	$ 0.43	$ 0.06

EXECUTIVE SUMMARY OF FIRST QUARTER RESULTS

Fuel margins in the first quarter of 2007 started at a seasonally low level in line with historic performance and then increased significantly in the latter part of the quarter along with the North America wide market, led by strong refiners' margins. Margins continue strong as of this date and we are monitoring their direction as North American refineries resume production after seasonal maintenance down-time.

For the balance of 2007 significant management time will be taken with the integration of the acquired businesses.

Acquisition of Neufeld Companies ("Neufeld")

The Neufeld business is described more fully in Parkland's annual report for 2006. The acquisition was closed on January 24, 2007 and subsequent earnings included in our first quarter financial statements. The transaction had an effective date of November 1, 2006 and the net after-tax earnings up to January 24, 2007 were credited to the purchase price resulting in a net purchase price of $133 million.

Based in Grande Prairie, Alberta, Neufeld operates 13 locations in northern Alberta, northwest British Columbia and the Northwest Territories.

Neufeld markets bulk fuel, propane and agricultural inputs such as fertilizers and farm chemicals, along with industrial products such as lubricants and frac oils to commercial customers. Neufeld also services residential customers for their home heating needs.

Neufeld's fuel and propane gross margin contributions are included in our Fuel Marketing segment and all other contributions are included in our Commercial segment.

Acquisition of Joy Propane Ltd. ("Joy")

On April 24, 2007, Parkland purchased Joy of Dawson Creek, British Columbia for $16.3 million funded by the issuance of 130,530 Class C Limited Partnership units with an aggregate value of $5.1 million and $11.2 million in cash. Joy markets propane to automotive, commercial, agricultural and residential customers from six locations in northeastern British Columbia and northwestern Alberta. Annual propane volumes have exceeded 20 million litres in recent years.

This acquisition extends the market area established through the Neufeld acquisition and will provide opportunities for operational synergies.

Acquisition of United Petroleum Products Inc. ("UPPI")

On May 2, 2007, Parkland announced it had entered into an agreement to purchase UPPI of Burnaby, British Columbia, for $18.0 million, subject to adjustments for working capital. The purchase will be funded by the issuance of Class C Limited Partnership units with an aggregate value of $7 million and the balance in cash. The cash portion is expected to be funded from Parkland's existing credit facility. Closing is anticipated within the next four weeks with an effective date of May 1, 2007.

UPPI is an independent fuel and lubricants marketer in British Columbia with annual fuel sales volumes in the range of 180 million litres distributed through a network of commercial accounts and independent service station operators.

Equity Financing

In January, Parkland completed the issuance of 1,360,000 Fund units for net proceeds of $47.5 million on a bought deal basis through a syndicate of investment dealers. The proceeds were used in part to fund the purchase of Neufeld and to repay approximately $10 million of Parkland's term debt.

Unit Split

On May 4, 2007, the Directors passed a resolution authorizing the Fund to provide for a division of its units on a three-for-one unit basis. The Fund and the Board believe that the three-for-one unit split will enhance the marketability of Parkland's units and make the units more accessible to a wider range of investors. The unit split will not change the rights of the holders of units and each unit outstanding after the unit split will be entitled to one vote. The unit split will apply to the Class B and C Limited Partnership units and Fund units equally. The three-for-one split will increase the number of outstanding units as of March 31, 2007 from approximately 15.8 million to approximately 47.4 million. The completion of the unit split is subject to receipt of all regulatory approvals.

Management's Discussion & Analysis

The following discussion and analysis of the results of operations and financial condition of Parkland Income Fund (the "Fund") should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2007, Management's Discussion and Analysis and the Fund's audited financial statements for the year ended December 31, 2006 and the Fund's Annual Information Form dated March 16, 2007.

NON-GAAP FINANCIAL MEASURES

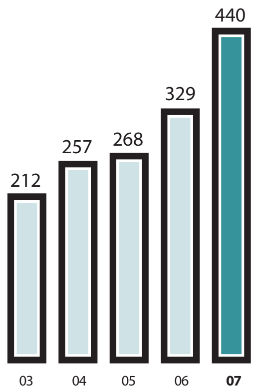
In this document there are references to non-GAAP financial measures such as EBITDA and Cash Available for Distribution. EBITDA refers to Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization, Loss on Disposal of Capital Assets as well as the Loss on the Write-down of the Refinery and can be calculated from the GAAP amounts included in the Fund's financial statements. Management believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of pre-tax earnings available to distribute to debt and equity holders in the Fund. The Fund's definition of EBITDA may not be consistent with other providers of financial information and therefore may not be comparable.

Cash Available for Distribution is defined in the Fund's Deed of Trust and related documents and generally represents the cash available to be distributed to the Fund's Unitholders. Cash Available for Distribution is calculated as EBITDA less interest expense, current income taxes, if any, and maintenance capital expenditures. EBITDA is as defined above, while interest expense and current income taxes are GAAP measures. Maintenance Capital represents capital expenditures made by the Fund to maintain its current business operations. This differs from growth capital, which represents capital used to expand the Fund's business operations.

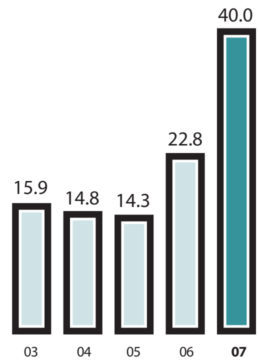
THREE MONTHS ENDED MARCH 31, 2007

Higher fuel volumes, increased station count, higher average fuel margins, increased convenience store sales and margins and the addition of profits from the Neufeld business commencing January 24, 2007 all contributed to higher gross margins in the quarter. EBITDA increased significantly to $19.2 million from $8.2 million for the same period in 2006. Net earnings were $13.2 million, also significantly higher than the $5.6 million reported in the first quarter of 2006.

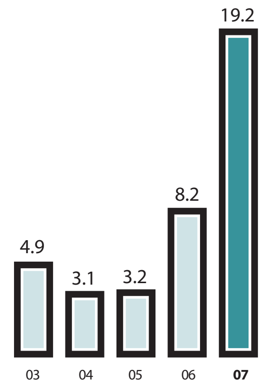
Sales Volumes
(millions of litres)
For the three months ended March 31



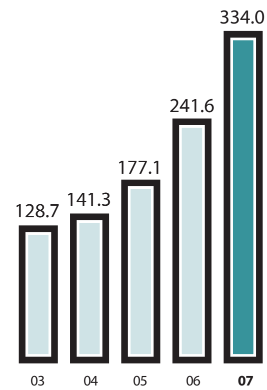
Gross Margin
($ millions)
For the three months ended March 31



EBITDA
($ millions)
For the three months ended March 31



Sales Revenue
($ millions)
For the three months ended March 31



Fuel Volumes

Gasoline and diesel volumes increased by 81 million litres in the first quarter of 2007 to 410 million litres, an increase of 24 percent. In addition, another 30 million litres of propane fuel was sold by the Neufeld operations during the nine week period from January 24 to March 31, 2007. The station upgrade program, addition of the Esso retail branded distributorship sites and fuel sales from the Neufeld business continue to generate increased volumes for the Fund year over year.

Sales and Cost of Sales

Sales for the quarter ended March 31, 2007 were $334 million, an increase of 38 percent over the same period in 2006. Fuel sales revenue increased to $310 million from $228 million in the prior year as a result of volume increases and higher average crude prices. Convenience store merchandise sales also increased with sales during the first quarter of $14.4 million in 2007 as compared to $13.1 million in 2006. With the acquisition of Neufeld the Fund now also sells fertilizer, lubes and other agricultural and industrial products and services. These sales are included in the Commercial segment in Note 4 to the Interim Consolidated Financial Statements and totaled $9.1 million for the quarter.

Fuel cost of sales increased to $279 million in 2007 as compared to $209 million in 2006. Similar to sales revenue, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. Convenience store merchandise cost of sales increased to $10.7 million in 2007 from $9.8 million in 2006, consistent with the increase in merchandise sales. Cost of sales related to fertilizer, lubes and other agricultural and industrial products and services for the quarter came to $4.7 million.

Gross Margins

These factors led to aggregate gross margins of $40.0 million in 2007, which was $17.2 million higher than the $22.8 million achieved in the first quarter of 2006. The largest single contribution to the increase was average fuel margins rising to 6.8 cents per litre compared to 5.4 cents per litre in the same period in 2006.

Operating Expenses

Site operating costs increased as 39 sites were added under the retail branded distributorship program. Site operating costs are sensitive to changes in fuel volume sales and, as a result, total costs were higher than the prior year. Also affecting site operating costs is the upward pressure on wage levels that are being experienced in Western Canada due to a robust economy and tight labor supply, specifically for convenience store personnel.

Marketing, general and administrative expenses were $7.7 million for the quarter ended March 31, 2007 compared to $3.8 million in 2006. Drivers of increased costs included provision for higher variable compensation costs arising from strong profits, costs related to compliance with the Multilateral Instrument 52-109 internal controls certification requirements and the inclusion of overhead costs of the Neufeld business. Increases in staffing resulted from the integration of the new business. The growth in personnel will provide the human resources to pursue further acquisitions.

Earnings

Net earnings were $13.2 million in 2007 compared to $5.6 million in 2006, an increase of 136 percent. The increase in Parkland's base fuel business resulted largely from the combined increase in gross margins and fuel volumes, offset in part by increased site operating costs and marketing, general and administrative expenses. The acquisition of the Neufeld business and the inclusion of nine weeks of earnings in the first quarter of 2007 also contributed to the increase in earnings compared to the same period in 2006.

Capital Investments

During the first quarter the Fund expended $1.7 million net in capital investments, of which $0.8 million was classified as maintenance capital and $0.9 million was classified as growth capital. The classification of capital as growth or maintenance is a subjective determination by management as many of the Fund's capital projects have components of both. It is the Fund's policy to treat all capital related to service station upgrades (i.e. Fas Gas Plus) as maintenance capital even though it includes the expectation of a financial return, while the construction of a new building on an existing site is considered growth capital. The replacement of existing trucks and trailers is treated as maintenance capital whereas an expansion of the fleet is treated as growth capital.

The acquisition of the Neufeld business included the purchase of capital assets at an estimated fair value of $93.5 million. Amortization for nine weeks on these acquired capital assets plus amortization on intangible assets totaled $2.9 million, accounting for most of the increase compared to the first quarter of 2006.

Long-Term Debt and Cash Balances

For the quarter ended March 31, 2007 interest on long-term debt was $0.6 million. Most of the Fund's long-term debt bears interest at variable rates linked to prime.

In January 2007, the Fund received the terms and conditions of a proposed financing arrangement with HSBC Bank Canada. The proposed financing arrangement will provide for an increase in the Fund's credit facility from $54.0 million to $128.1 million. The proposed financing arrangement is comprised of $32.0 million for operating debt, $30.0 million for letters of credit and the remainder for term debt. The proposed arrangement will assist in the financing of the acquisitions of Joy Propane Ltd. and United Petroleum Products Inc. As of the date of this report documentation remains to be completed.

During the quarter the Fund used a portion of the proceeds from the equity financing to pay off $9.9 million of long-term debt. Immediately following the repayment, $3.3 million of long-term debt was refinanced under similar terms and conditions.

On March 30, 2007, the Fund borrowed an additional $15.0 million against its existing capital loan facility. The Fund used the loan proceeds and existing cash on hand to repay $20.1 million of assumed debt of Neufeld.

The Fund has available a $40 million line of credit to finance letters of credit and to secure obligations and fund short-term cash flow needs. This was increased from $32.0 million on April 13, 2007 as a temporary measure until such time as the proposed financing arrangement is finalized.

The cash balance at March 31, 2007 of $11.1 million decreased from the December 31, 2006 balance of $36.5 million largely due to the payment of the cash portion of the special distributions declared on December 29, 2006 and paid during the quarter. The cash consideration paid for the acquisition of Neufeld was funded entirely through the new issue of Fund units on January 24, 2007 and therefore did not impact the cash balance.

Accounting Estimates

The financial statements include accounting estimates, the nature of which is described in the 2006 Annual Report.

Related Party Transactions

Following the acquisition of Neufeld, Parkland entered into an agreement with Neufeld Petroleum and Propane (High Level) Ltd. ("NPPHL") to provide labor and services on a contract basis. During the first quarter this arrangement was in transition and amounts payable under the agreement were nominal. The shareholder of NPPHL is Abe Neufeld, a Vice President of Parkland and the vendor in the Neufeld acquisition. Operational management of the Neufeld business is in transition to another Vice President.

Distributions and Income Tax

The Fund is a mutual fund trust for income tax purposes. As such, the Fund is only taxed on any amount not allocated to unitholders. The Fund intends to comply with the provisions of the Income Tax Act (Canada) that permit, amongst other items, the deduction of distributions to unitholders from the Fund's taxable income.

The Fund makes monthly distribution payments to its unitholders. As of the beginning of 2007, monthly distributions were $0.22 per unit. This was increased on February 15th to $0.24 per unit. On April 25, 2007 concurrent with the acquisition of Joy Propane Ltd, Parkland announced an increase of $0.01 per unit to $0.25 effective June 15, 2007 and with this report is announcing a further increase of $0.04 to $0.29 per unit ($0.0967 post split) effective June 15, 2007 for Unitholders of record on May 31, 2007. Estimated distributions in 2007, assuming continued $0.29 (subject to adjustments for the unit split) payments for the duration of the year, would be $49.6 million.

Although it is typical for the Fund's cash flow to have seasonal fluctuations, it is management's current intention to pay consistent regular monthly distributions throughout the year based on estimated annual cash flows.

The Directors review distributions quarterly giving consideration to current performance, historical trends in the business and the expected sustainability or change in those trends, as well as maintenance capital requirements to sustain performance.

Cash Available For Distribution and Reconciliation of EBITDA To Cash From Operating Activities

FOR THE THREE MONTHS ENDED MARCH 31 ($000s)	2007
Cash from operating activities	$ 4,252
Net changes in non-cash working capital	14,849
Funds flow from operations	19,101
Add back (deduct):	
Interest on long-term debt	642
Unit incentive compensation	(571)
Accretion expense	(15)
Current taxes	16
EBITDA	19,173
Maintenance capital expended	(846)
Current taxes and interest	(658)
Cash available for distribution	$ 17,669
Cash distributed	$ 11,292

DISTRIBUTION REINVESTMENT PLAN

Parkland Income Fund has established a Distribution Reinvestment Plan administered by Valiant Trust Company. Details are available from the Fund or from Valiant Trust Company.

INTERNAL CONTROLS

Parkland's Board and management are aware of regulations related to internal controls certification. As such, there is currently an initiative to review and enhance existing systems documentation, analyze risks and identify and test key controls. The project is being managed by consultants and the controls documentation is substantially complete except for work related to recent acquisitions: Neufeld Petroleum and Joy Propane. No major controls gaps have been identified. The Fund believes that it will be able to continue to comply with regulations as required.

ACCOUNTING POLICIES

As a result of the acquisition of Neufeld Petroleum, the Fund has updated the following significant accounting policies and practices:

- Goodwill
- Intangible Assets
- Deferred Revenue

All of these updated accounting policies are described in more detail in Note 1 to the Interim Consolidated Financial Statements.

New Accounting Standards Adopted

On January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 1530 "Comprehensive Income", section 3251 "Equity" and section 3855 "Financial Instruments - Recognition and Measurement". These standards result in changes in the accounting for financial instruments as well as introduce comprehensive income as a separate component of unitholders' capital. As required, these standards have been adopted prospectively and comparative amounts for the prior periods have not been restated.

The adoption of these new standards are explained more fully in Note 2 to the Interim Consolidated Financial Statements. The adoption of these new standards has had no impact on the Fund's net earnings or cash flows.

QUARTERLY FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED ($000s EXCEPT VOLUME AND PER UNIT AMOUNTS)			2005				2006	**2007**
	JUNE 30	SEPT 30	DEC 31	MAR 31	JUNE 30	SEPT 30	DEC 31	**MAR 31**
Fuel volumes *(millions of litres)*	290	322	297	329	374	412	386	**440**
Net sales and operating revenue	$ 208,177	$ 258,901	$ 231,380	$ 241,552	$ 320,166	$ 359,272	$ 278,876	**$ 334,006**
Net earnings	6,948	9,634	7,563	5,566	21,889	16,735	14,401	**13,185**
EBITDA	9,424	12,546	11,488	8,186	24,357	27,683	9,445	**19,173**
Restated earnings per unit – basic	0.55	0.76	0.59	0.44	1.71	1.30	1.12	**0.83**
– diluted	0.54	0.76	0.59	0.43	1.69	1.30	1.10	**0.82**

CONTRACTUAL OBLIGATIONS

The Fund has contracted obligations under various debt agreements as well as under operating and capital leases for land, building and equipment. Minimum lease and principal payments ($000s) under the existing terms are as follows:

YEAR ENDING, MARCH 31	MORTGAGES, BANK LOANS AND NOTES PAYABLE	OPERATING LEASES	CAPITAL LEASES
2008	$ 30,498	$ 2,387	$ 2,277
2009	250	2,031	658
2010	148	1,023	239
2011	–	568	141
2012	–	299	63
Thereafter	–	717	836
	$ 30,896	$ 7,025	$ 4,214

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.6 billion litres of product over the next year.

FUND DESCRIPTION

Parkland Income Fund operates retail and wholesale fuels and convenience store businesses under its Fas Gas Plus, Fas Gas, Race Trac Fuels and Short Stop Food Stores brands and through independent branded dealers, and transports fuel through its Petrohaul division. With over 550 locations, Parkland has developed a strong market niche in western and northern Canadian non-urban markets. Through Neufeld and Joy the Fund markets propane, gasoline, diesel, lubricants, industrial fluids, agricultural inputs and delivery services to commercial and industrial customers in northern Alberta, northeastern British Columbia and the Northwest Territories. To maximize value for its unitholders, the Fund is focused on the continuous refinement of its retail portfolio, increased revenue diversification through growth in non-fuel revenues and active supply chain management. Parkland operates the Bowden refinery near Red Deer, Alberta producing drilling fluids on a contract basis.

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta. The Fund, together with the limited partnership that issued the exchangeable LP Units, own, indirectly, securities which collectively represent the right to receive cash flow available for distribution from the business operated by Parkland Industries Limited Partnership, after current taxes, debt service payments, maintenance capital expenditures and other cash requirements.

The Fund's units trade on the Toronto Stock Exchange (TSX) under the symbol PKI.UN. For more information, visit www.parkland.ca.

This interim report includes forward-looking statements regarding Parkland Income Fund's operations, anticipated financial performance, business prospects and strategies. Forward-looking information may involve words such as "believe", "expect", "anticipate", or similar words implying future outcomes. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts and other forms of forward-looking information will not be achieved by Parkland Income Fund. Parkland Income Fund is under no obligation to update publicly or otherwise revise any forward-looking information. Certain information regarding Parkland Income Fund including management's assessment of future plans and operations, constitutes forward-looking information or statements under applicable securities laws and necessarily involve assumptions regarding factors and risks that could cause actual results to vary materially, including, without limitation, assumptions and risks associated with retail pricing and margins, availability and pricing of petroleum product supply, volatility of crude oil prices, marketing competition, environmental damage, credit granting, interest rate fluctuation and availability of capital and operating funds. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate by Parkland at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parkland's operations or financial results are included in Parkland's reports on file with Canadian securities regulatory authorities. In particular see Parkland's MD&A and the Risk Factors and Industry Conditions section of Parkland's Annual Information Form. Parkland's reports may be accessed through the SEDAR website (www.sedar.com) or Parkland's website (www.parkland.ca). Consequently, there is no representation by Parkland that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this document are made as of the date of issue. Parkland does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

MICHAEL W. CHORLTON
President and CEO

May 4, 2007

Consolidated Balance Sheet

($000s) (UNAUDITED)	MARCH 31, 2007	DECEMBER 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 11,122**	$ 36,462
Accounts receivable	**78,240**	40,294
Inventories	**30,608**	20,351
Prepaid expenses and other	**9,767**	3,874
	129,737	100,981
Capital assets	**159,106**	68,541
Other	**1,285**	1,499
Future income taxes	**1,324**	1,438
Goodwill *(Note 5)*	**1,044**	–
Intangible assets *(Note 5)*	**15,475**	–
	$ 307,971	$ 172,459
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 71,056**	$ 62,124
Distributions declared and payable	**3,797**	15,842
Income tax payable	**2,590**	459
Deferred revenue	**4,625**	–
Long-term debt – current portion	**17,205**	10,145
	99,273	88,570
Long-term debt	**17,905**	1,651
Refinery remediation accrual	**3,038**	3,038
Asset retirement obligations	**1,155**	1,140
	121,371	94,399
UNITHOLDERS' CAPITAL *(Note 3)*		
Class B Limited Partners' Capital	**12,655**	12,310
Class C Limited Partners' Capital	**58,466**	–
Unitholders' Capital	**115,479**	65,750
	186,600	78,060
	$ 307,971	$ 172,459

Consolidated Statements of Earnings and Other Comprehensive Income, Accumulated Other Comprehensive Income and Retained Earnings

FOR THE THREE MONTHS ENDED MARCH 31 ($000s EXCEPT PER UNIT AMOUNTS) (UNAUDITED)	**2007**	2006	2005
Net sales and operating revenue	**$ 334,006**	$ 241,552	$ 177,081
Cost of sales and operating expenses	**294,011**	218,783	162,772
Gross margin	**39,995**	22,769	14,309
Expenses			
Operating and direct costs	**13,122**	10,753	8,711
Marketing, general and administrative	**7,700**	3,830	2,355
Amortization	**5,209**	2,043	1,995
Interest on long-term debt	**642**	250	198
Loss on disposal of capital assets	**7**	258	186
	26,680	17,134	13,445
Earnings before income taxes	**13,315**	5,635	864
Income tax expense			
Current	**16**	44	–
Future	**114**	25	40
	130	69	40
Net earnings	**13,185**	5,566	824
Other comprehensive income	**–**	–	–
Comprehensive income	**$ 13,185**	$ 5,566	$ 824
Accumulated other comprehensive income, beginning of year	**$ –**	$ –	$ –
Comprehensive income	**–**	–	–
Accumulated other comprehensive income, end of period	**$ –**	$ –	$ –
Retained earnings, beginning of year	**$ –**	$ –	$ –
Allocation of net earnings to Class B Limited Partners	**(2,401)**	(1,306)	(271)
Allocation of net earnings to Class C Limited Partners	**(1,316)**	–	–
Allocation of earnings to Unitholders	**(9,468)**	(4,260)	(553)
Retained earnings, end of period	**$ –**	$ –	$ –
Net earnings per unit			
– basic	**$ 0.83**	$ 0.44	$ 0.07
– diluted	**$ 0.82**	$ 0.43	$ 0.06

Consolidated Statement of Cash Flows

FOR THE THREE MONTHS ENDED MARCH 31 ($000s) (UNAUDITED)	**2007**	2006	2005
CASH PROVIDED BY OPERATIONS			
Net earnings	**$ 13,185**	$ 5,566	$ 824
Add back non-cash items			
Amortization	**5,209**	2,043	1,995
Loss on disposal of capital assets	**7**	258	186
Accretion expense	**15**	15	15
Non-cash unit based incentive compensation	**571**	48	44
Future taxes	**114**	25	40
Funds flow from operations	**19,101**	7,955	3,104
Net changes in non-cash working capital *(Note 6)*	**(14,849)**	6,487	(1,926)
Cash from operating activities	**4,252**	14,442	1,178
FINANCING ACTIVITIES			
Proceeds from long-term debt	**27,950**	–	158
Long-term debt repayments	**(33,468)**	(1,208)	(1,108)
Distributions to Class B Limited Partners	**(2,056)**	(1,483)	(1,816)
Distributions to Class C Limited Partners	**(1,127)**	–	–
Distributions to Unitholders	**(8,109)**	(4,837)	(3,699)
Fund units issued, net of issue costs	**47,233**	1,059	629
Net changes in non-cash working capital *(Note 6)*	**(12,045)**	(1,234)	6
Cash provided by (used for) financing activities	**18,378**	(7,703)	(5,830)
INVESTING ACTIVITIES			
Acquisition of Neufeld Petroleum *(Note 5)*	**(46,001)**	–	–
Change in other assets	**(214)**	163	31
Purchase of capital assets	**(2,458)**	(2,322)	(513)
Proceeds on sale of capital assets	**703**	157	–
Refinery remediation expenditures	**–**	–	(10)
Cash used for investing activities	**(47,970)**	(2,002)	(492)
(Decrease) increase in cash	**(25,340)**	4,737	(5,144)
Cash and cash equivalents, beginning of year	**36,462**	8,290	5,286
Cash and cash equivalents, end of period	**$ 11,122**	$ 13,027	$ 142
Cash interest paid	**$ 642**	$ 250	$ 198
Cash taxes paid	**$ 16**	$ 44	$ –

Notes to Consolidated Financial Statements

1. UPDATE TO ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual financial statements dated December 31, 2006, except as noted below. These financial statements should be read in conjunction with the annual financial statements and notes.

Goodwill

The Fund must record goodwill relating to a corporate acquisition when the total purchase price exceeds the fair value for accounting purposes of the net identifiable assets and liabilities of the acquired company. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in an impairment. Impairment is recognized based on the fair value of the reporting entity compared to the book value of the reporting entity. If the fair value of the Fund is less than the book value, impairment is measured by allocating the fair value of the Fund to the identifiable assets and liabilities as if the Fund has been acquired in a business combination for a purchase price equal to its fair value. Any excess of the book value of goodwill over the implied value of goodwill is the impairment amount. Impairment is charged to earnings and is not tax affected, in the year in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

Intangible Assets

Customer relationships and tradenames acquired during the acquisition of Neufeld Petroleum are recorded at estimated fair value and will be amortized using the straight-line method over their estimated useful lives of 5 years. The value of the non-compete agreement acquired during the acquisition of Neufeld Petroleum was recorded at estimated fair value and will be amortized using the straight-line method over the term of the agreement. Intangible assets are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to cover its carrying value.

Deferred Revenue

Deferred revenue consists of deposits and prepayments by customers for the purchase of product not yet delivered and not recorded as revenue by the Fund.

2. CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 1530 "Comprehensive Income", section 3251 "Equity" and section 3855 "Financial Instruments - Recognition and Measurement". These standards result in changes in the accounting for financial instruments as well as introduction of comprehensive income as a separate component of unitholders' capital. As required, these standards have been adopted prospectively and comparative amounts for the prior periods have not been restated.

a) Comprehensive Income

Comprehensive income is comprised of net earnings or loss and other comprehensive income (""OCI""). OCI represents the change in capital for a period that arises from unrealized gains and losses on available for sale securities and changes in the fair value of derivative instruments designated as cash flow hedges. The Fund does not currently have any OCI.

b) Equity

This section establishes the standards for presentation of capital and changes in capital during the period. It requires separate presentation of changes in unitholders' capital for the period arising from net income, OCI, contributed surplus, retained earnings, unitholders' capital and reserves. Accumulated OCI would be included in the consolidated balance sheet as a separate component of unitholders' capital.

c) Financial Instruments

This section establishes standards for the recognition and measurement of financial instruments: which is comprised of financial assets, financial liabilities, derivatives and non-financial derivatives.

A financial asset is cash or a contractual right to receive cash or another financial asset, including equity, from another party. A financial liability is the contractual obligation to deliver cash or another financial asset to another party.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and it is settled at a future date. An embedded derivative is a derivative that is a part of a non-derivative contract and not directly related to that contract. Under this standard, embedded derivatives must be accounted for as a separate financial instrument. A non-financial derivative is a contract that can be settled net in cash or another financial instrument.

Under this standard, all financial instruments are initially recorded at fair value and are subsequently accounted for based on one of four classifications: held for trading, held-to-maturity, loans and receivables or available-for-sale. The classification of a financial instrument depends on its characteristics and the purpose for which it was acquired. Fair values are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models.

Under this standard, all guarantees upon inception are required to be recognized on the balance sheet at their fair value. No subsequent re-measurement is required to fair value each guarantee at each subsequent balance sheet date unless the guarantee is considered a derivative.

i) Held for trading

Held for trading financial instruments are financial assets or financial liabilities that are purchased with the intention of selling or repurchasing in the near term. Any financial instrument can be designated as held for trading as long as its fair value can be reliably measured. A derivative is classified as held for trading, unless designated as and considered an effective hedge. Held for trading instruments are recorded at fair value with any subsequent gains or losses from changes in the fair value recorded directly into earnings.

All of the Fund's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions declared and payable are designated as held for trading and are recorded at fair value.

ii) Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and a fixed maturity that the Fund has the intent and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. Any gains or losses arising from the sale of a held-to-maturity investment are recorded directly into earnings.

The Fund has not designated any financial instruments as held-to-maturity.

iii) Loans and receivables and other financial liabilities

Loans and receivables and other financial liabilities are accounted for at amortized cost using the effective interest method of amortization.

The fair value of other assets and long-term debt approximate their carrying values due to their floating interest rates.

iv) Available-for-sale

Available-for-sale assets are those assets that are not classified as held for trading, held-to-maturity or loans and receivables. Available-for-sale instruments are recorded at fair value. Any gains or losses arising from the change in fair value is recorded in OCI and upon the sales of the instrument or other-than-temporary impairment, the cumulative gain or loss is transferred into earnings.

The Fund has not designated any financial instruments as available-for-sale.

The methods used by the Fund in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

3. UNITHOLDERS' CAPITAL

	THREE MONTHS ENDED MARCH 31, 2007		YEAR ENDED DECEMBER 31, 2006	
	UNITS (000s)	($000s)	UNITS (000s)	($000s)
Class B Limited Partnership Units				
Balance, beginning of period	**2,855**	**$ 12,310**	2,908	$ 13,055
Allocation of retained earnings	**–**	**2,401**	–	13,581
Distribution to partners	**–**	**(2,056)**	–	(12,934)
Exchanged for Fund units	**–**	**–**	(53)	(1,392)
Balance, end of period	**2,855**	**$ 12,655**	2,855	$ 12,310
Class C Limited Partnership Units				
Balance, beginning of period	**–**	**$ –**	–	$ –
Issued on capital acquisition, net of issue costs	**1,566**	**58,277**	–	–
Allocation of retained earnings	**–**	**1,316**	–	–
Distribution to partners	**–**	**(1,127)**	–	–
Balance, end of period	**1,566**	**$ 58,466**	–	$ –
Fund Units				
Balance, beginning of period	**10,006**	**$ 65,750**	9,430	$ 45,046
Allocation of retained earnings	**–**	**9,468**	–	$ 45,010
Issued on vesting of restricted units	**8**	**–**	–	–
Unit incentive compensation	**–**	**571**	–	341
Issued for cash, net of issue costs	**1,360**	**47,233**	–	–
Issued pursuant to the distribution reinvestment plan	**5**	**194**	21	491
Issued under unit option plan	**22**	**372**	113	1,744
To be issued pursuant to special distribution	**–**	**–**	389	14,963
Distribution to unitholders	**–**	**(8,109)**	–	(43,237)
Exchange of Limited Partnership units	**–**	**–**	53	1,392
Balance, end of period	**11,401**	**$ 115,479**	10,006	$ 65,750
	15,822	**$ 186,600**	12,861	$ 78,060

Unit Option Plan

The table below represents the status of the Fund's Unit Option Plan as at March 31, 2007 and the changes therein for the period then ended:

	THREE MONTHS ENDED MARCH 31, 2007		YEAR ENDED DECEMBER 31, 2006	
	NUMBER OF OPTIONS UNITS (000s)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS UNITS (000s)	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	**409**	**$ 18.59**	550	$ 18.09
Cancelled	**–**	**–**	(28)	21.03
Exercised	**(22)**	**16.64**	(113)	15.54
Balance, end of period	**387**	**$ 18.70**	409	$ 18.59
Exercisable options, end of period	**376**	**$ 17.79**	271	$ 16.75

Exercise prices for outstanding options at March 31, 2007 have the following ranges: 80,967 from $12.45 - $15.71, 109,669 from $17.62 - $18.97 and 198,000 from $20.05 - $21.80. These issue prices represent the market value at the time of issue.

The corresponding remaining contractual life for these options range from 5 - 9 years.

The Fund accounts for its grants of options using the fair value based method of accounting for stock based compensation. The total cost to be reported is $530,710. The compensation cost that has been charged against income for the three months ended March 31, 2007 is $26,463 (March 31, 2006 - $48,159, March 31, 2005 - $44,226).

Restricted Unit Plan

Effective January 1, 2006, the Fund adopted a Restricted Unit Plan to complement the Option Plan and Unit Distribution Rights Plan. Under the Plan the units vest over a five year period and are subject to entity performance criteria.

Details of the Plan are set out in the Notice of Annual and Special Meeting of Unitholders dated March 19, 2006.

The table below represents the status of the Fund's Restricted Unit Plan as at March 31, 2007 and the changes therein for the period then ended:

	THREE MONTHS ENDED MARCH 31, 2007		YEAR ENDED DECEMBER 31, 2006	
	NUMBER OF UNITS (000s)	WEIGHTED AVERAGE UNIT PRICE ($/UNIT)	NUMBER OF UNITS (000s)	WEIGHTED AVERAGE UNIT PRICE ($/UNIT)
Balance, beginning of year	**44**	**$ 19.81**	–	$ –
Granted	**47**	**37.13**	46	19.80
Issued	**(8)**	**19.81**	–	–
Cancelled	**–**	**–**	(2)	19.65
Balance, end of period	**83**	**$ 28.80**	44	$ 19.81

The Fund accounts for its grants of restricted units over the graded vesting schedule of each grant. Each grant of restricted units is treated as if the grant were a series of awards rather than a single award. The fair value of the award is determined based on the different expected lives for the restricted units that vest each year. The total cost to be reported for the restricted units granted in 2007 is $1.7 million. The compensation cost that has been included in marketing, general and administrative expenses for the three months ended March 31, 2007 is $0.6 million.

4. SEGMENTED INFORMATION

The Fund's operations have been predominantly in fuel marketing and convenience store sales in western Canada. With the acquisition of Neufeld Petroleum on January 24, 2007, the Fund now sells propane, fertilizer, lubes, other agricultural inputs and industrial products and services. The Fund's operating segments have been adjusted to reflect these changes.

Fuel Marketing includes sales of gasoline, diesel, heating oil, propane fuel and variable rents derived from service station sites. Convenience Store Merchandise continues to include the operations of the Fund owned and operated convenience stores that are integrated into fuel marketing sites and bear common operating costs. Commercial includes primarily the non-fuel components of the Neufeld Petroleum business as noted in the previous paragraph.

Due to the amount of common operating and property costs it is not practical to report these segments below their respective gross margins.

FOR THE THREE MONTHS ENDED ($000s) (UNAUDITED)	FUEL MARKETING	CONVENIENCE STORE MERCHANDISE	COMMERCIAL	TOTAL
MARCH 31, 2007				
Net sales and operating revenue	**$ 310,488**	**$ 14,375**	**$ 9,143**	**$ 334,006**
Cost of sales	**278,631**	**10,709**	**4,671**	**294,011**
Gross margin	**$ 31,857**	**$ 3,666**	**$ 4,472**	**$ 39,995**
MARCH 31, 2006				
Net sales and operating revenue	$ 228,437	$ 13,115	$ –	$ 241,552
Cost of sales	209,014	9,769	–	218,783
Gross margin	$ 19,423	$ 3,346	$ –	$ 22,769
MARCH 31, 2005				
Net sales and operating revenue	$ 167,620	$ 9,461	$ –	$ 177,081
Cost of sales	155,701	7,071	–	162,772
Gross margin	$ 11,919	$ 2,390	$ –	$ 14,309

The segregation of capital expenditures and total assets is not practical as the reportable segments represent product sales that are generated from multiple locations.

5. ACQUISITION OF NEUFELD PETROLEUM & PROPANE LTD. AND NEUFELD HOLDINGS LTD.

On January 24, 2007, the Fund acquired all of the outstanding shares of Neufeld Petroleum & Propane Ltd. and Neufeld Holdings Ltd. ("Neufeld Petroleum"). The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	($000s)
Estimated fair value of net assets acquired:	
Capital assets	$ 93,487.1
Working capital, net (excluding bank indebtedness)	22,623.8
Intangible asset - customer relationships	10,400.0
Intangible asset - tradenames	4,900.0
Intangible asset - non compete agreement	700.0
Goodwill	1,043.9
	$133,154.8
Consideration:	
Cash paid to vendor	$ 23,841.8
Class C Limited Partnership Units	58,322.1
Bank indebtedness assumed	2,137.8
Shareholder loans paid out	17,828.0
Management bonus paid out	4,331.1
Long-term debt assumed	26,694.0
	$133,154.8

The effective date on the transaction was November 1, 2006. The interim period net earnings after tax to January 24, 2007 of $3,995.4 have been credited to the purchase price. The above purchase price allocation is subject to change.

6. NET CHANGES IN NON-CASH WORKING CAPITAL

FOR THE THREE MONTHS ENDED MARCH 31 ($000s) (UNAUDITED)	**2007**	2006	2005
Accounts receivable	**$ (9,428)**	$ 2,480	$ (7,520)
Inventories	**(1,822)**	(37)	(650)
Prepaid expenses and other	**(5,878)**	328	476
Accounts payable	**(1,509)**	3,716	5,768
Deferred revenue	**4,587**	–	–
Income taxes payable	**(799)**	–	–
Subtotal for operating activities	**$ (14,849)**	$ 6,487	$ (1,926)
Distributions declared and payable	**$ (12,045)**	$ (1,234)	$ 6

7. FINANCIAL INSTRUMENTS

The Fund's exposure under its financial instruments is limited to financial assets and liabilities, all of which are included in the financial statements. The fair values of financial assets and liabilities that are included in the balance sheet approximate their carrying amounts.

The Fund's accounts receivables are subject to normal credit risks.

The Fund is exposed to interest rate risk to the extent that bank debt is at a floating rate of interest.

8. SUBSEQUENT EVENTS

Acquisition of Joy Propane Ltd.

On April 24, 2007, the Fund acquired all of the outstanding shares of Joy Propane Ltd., a significant player in the northern British Columbia and northern Alberta propane supply business, for consideration of $16.3 million. The purchase was funded through the issuance of $5.1 million of Class C Limited Partnership units and the balance to be drawn from cash and incremental borrowing. The effective date on the transaction was February 28, 2007 and the interim earnings to April 24, 2007 will be credited to the purchase price.

Acquisition of United Petroleum Products Inc.

On May 2, 2007, the Fund entered into a purchase and sale agreement to acquire all of the outstanding shares of United Petroleum Products Inc., a distributor of fuel, lubricants and auto accessories in British Columbia, for consideration of approximately $18 million. The purchase is expected to be completed before May 31, 2007 and be funded through the issuance of $7 million of Class C Limited Partnership units and the balance to be drawn from cash and incremental borrowing.

Unit Split

On May 4, 2007, the Directors passed a resolution authorizing the Fund to provide for a division of its units on a three-for-one unit basis. The unit split will not change the rights of the holders of units and each unit outstanding after the unit split will be entitled to one vote. The three-for-one split will increase the number of outstanding units from approximately 15.8 million to approximately 47.4 million. The completion of the unit split is subject to receipt of all regulatory approvals.

Distributions

As of the beginning of 2007, monthly distributions were $0.22 per unit. This was increased on February 15th to $0.24 per unit. On April 25th, concurrent with the acquisition of Joy Propane Ltd., the Fund announced an increase of $0.01 per unit to $0.25 effective June 15th and on May 4th the Fund announced a further increase of $0.04 to $0.29 per unit effective June 15th. Estimated distributions in 2007, assuming continued $0.29 (subject to adjustment for the unit split) payments for the duration of the year, would be $49.6 million.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the presentation adopted in the current period.

Supplementary Information

FOR THE THREE MONTHS ENDED MARCH 31 (UNAUDITED)	**2007**	2006	2005
Volume (millions of litres)			
Retail fuel	**132**	118	116
Wholesale fuel	**278**	211	152
Propane	**30**	–	–
Total volume	**440**	329	268
Net sales and operating revenue ($000s)			
Retail fuel	**$ 97,077**	$ 89,323	$ 79,280
Wholesale fuel	**200,063**	139,114	88,340
Propane	**13,348**	–	–
Convenience store merchandise sales	**14,375**	13,115	9,461
Other sales	**9,143**	–	–
Total net sales and operating revenue	**334,006**	$ 241,552	$ 177,081
Gross margin ($000s)	**$ 39,995**	$ 22,769	$ 14,309
Less: Convenience store merchandise gross margin	**$ 3,666**	$ 3,346	$ 2,390
Other revenue included in gross margin	**6,409**	1,652	1,629
Fuel and propane gross margin	**$ 29,920**	$ 17,771	$ 10,290
Cents per litre	**$ 0.0680**	$ 0.0540	$ 0.0384
Station counts:			
Retail (Parkland and commission operated)			
Fas Gas	**87**	110	160
Fas Gas Plus	**92**	96	53
Esso	**6**	1	–
	185	207	213
Wholesale (Independent dealer)			
Race Trac Fuels	**178**	204	237
Fas Gas Plus	**23**	3	–
Esso	**180**	141	–
	381	348	237
Total stations	**566**	555	450

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Chief Privacy Officer

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Corporate Controller

Kelly G. Collier
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Peter A. Glass
Controller, Distribution

WHOLLY OWNED SUBSIDIARIES
986408 Alberta Ltd.
986413 Alberta Ltd.
Parkland Holdings Limited Partnership
Parkland Industries Limited Partnership
Parkland Industries Ltd.
Parkland Investment Trust
Parkland Refining Ltd.