first quarter report

Parkland Income Fund

For the three months ended March 31, 2005

president's message

Parkland's results in the first quarter were in line with expectations and we look forward to generating improved cash flow in the seasonally stronger second and third quarters. We continue to be encouraged by increasing contributions from convenience store merchandise sales and non-fuel revenues along with the ongoing success of the Fas Gas Plus site improvement initiative.

Monthly distributions will continue at $0.15 per trust unit.

Consolidated Operating and Financial Highlights

Three Months Ended March 31 (Unaudited)	**2005**	2004	2003
Sales Volumes, Refined Products (Millions of Litres)	**268**	257	212
Revenue (Millions)	**$ 177.1**	$ 141.3	$ 128.7
EBITDA* (Millions)	**$ 3.2**	$ 3.1	$ 4.9
Net Earnings (Millions)	**$ 0.8**	$ 0.8	$ 3.0
Per Unit – Basic	**$ 0.07**	$ 0.07	$ 0.25
Per Unit – Diluted	**$ 0.07**	$ 0.07	$ 0.25

* *EBITDA is not a defined measure under Canadian Generally Accepted Accounting Principles (GAAP). In this document, EBITDA means earnings before Interest Expense, Income Taxes, Depreciation and Amortization. Parkland's definition of EBITDA may not be consistent with other issuers of financial information.*

management's discussion and analysis

The following discussion and analysis of the results of operations and financial condition of Parkland Income Fund should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2005, Management's Discussion and Analysis for the year ended December 31, 2004, the audited financial statements for the year ended December 31, 2004 and the Fund's Annual Information Form dated March 19, 2005.

Three Months Ended March 31, 2005

Sales volumes of refined products increased by 4% to 268 million litres. Volume performance at our Fas Gas Plus retail sites drove higher retail volume and increased sales to reseller customers was the main contributor to higher wholesale volumes. Revenue rose by 25% to $177.1 million from $141.3 million year over year due to a 35% increase in underlying average crude costs and a 16% increase in convenience store merchandise sales.

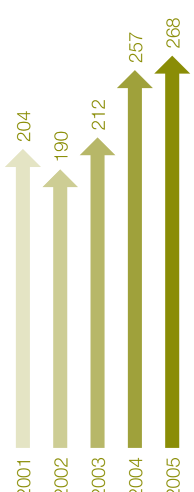
As is typical in Parkland's business, margins in the first quarter were lower than those historically encountered during the balance of the year as demand for gasoline is lower in the winter months. Gasoline margins were further depressed as retail street prices did not adequately keep pace with the significant increases in crude costs incurred during the quarter. The Fund did benefit from improved diesel margins during the quarter due to tight supply conditions. The net result of these factors was fuel margins of $11.9 million for the quarter, a $0.8 million decrease from the prior year.

Gross margins from convenience store merchandise sales increased by 19% over the prior year to $2.4 million as a result of increased sales and an improvement in average gross margins from 24.6% of sales in 2004 to 25.3% of sales in 2005.

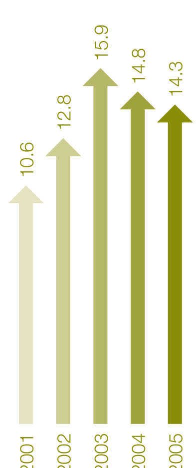
EBITDA for the first quarter of $3.2 million was consistent with prior year EBITDA of $3.1 million. Total gross margins were 3% lower but these lower margins were offset by lower marketing, general and administrative expenses in the period. Expense decreases generally related to reduced Fas Gas Plus upgrade expenditures incurred in 2005, which were partially offset by increased variable costs related to higher retail fuel volumes and higher operating costs related to an increased number of convenience stores.

As expected, the Fund utilized previously existing cash balances to pay distributions during the quarter. However, the financial position of the Fund continues to be positive, with cash balances of $0.1 million at March 31, 2005 going into our stronger second and third quarters. Long-term debt of $12.3 million was $0.9 million less than the balance at the end of December, 2004 as principal repayments exceeded new debt, and Parkland's long-term debt ratio, excluding current portion, was a conservative 0.40 times trailing 12 months EBITDA.

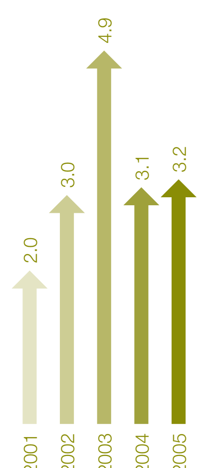
Sales Volumes
(Millions of Litres)



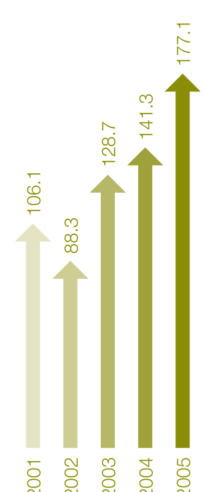
Gross Margin
($ Millions)



EBITDA
($ Millions)



Sales Revenue
($ Millions)



Outlook

The Fund expects improved results in the second quarter as market conditions improve. However, it does not expect to achieve the level of cash flow experienced in the second quarter of 2004 when tight supply conditions resulted in unusually high fuel margins. We anticipate market conditions for combined quarters two and three to be consistent with historical trends. Overall for full year 2005, the fund is targetting EBITDA to meet or exceed 2004 levels.

Key Initiatives

Each year, the Fund commits to key initiatives designed to drive positive change and support performance in future periods. It is expected that key actions taken in the first quarter of 2005 will contribute to continued positive results for the Fund in the future. On the organizational front, the Fund reorganized the structure of its marketing departments to provide for more focus and accountability from its marketing teams. This reorganization will increase focus on key business areas and build the quality of all of Parkland's brands.

The Fund has also made progress on identifying operational alternatives for the Bowden refinery site. Several promising projects have been identified and are being assessed.

Another important initiative is our enhanced focus on Environment, Health and Safety with the establishment of an internal committee, completion of an updated manual and the implementation of improved awareness and training.

A new Merchandise Wholesale Agreement which will reduce our overall supply costs was completed in the first quarter. Our key vendor agreements are consistently providing better product availability and promotion incentives as we continue to show strong year over year sales growth.

At the Board level, the Fund has brought forward a proposal to change its governance structure, replacing the individual trustees with a corporate trustee and reducing the number of our Directors / Trustees from ten to seven. This will provide a more efficient and effective governance structure and will reduce ongoing annual costs.

Although not required to support targeted distributions, management continues to assess acquisitions or alliances which will add accretive cash flow and unitholder value. These acquisitions or alliances may be in our core fuel and convenience business, in related assets or infrastructure or in other diversified businesses which add value and reduce dependence on fuel margins.

Distributions

Parkland converted the business previously reported as Parkland Industries Ltd. into Parkland Income Fund effective June 28, 2002 and consistently paid $0.14 per unit monthly cash distributions from August 15, 2002 to August 15, 2004 at which time the monthly distribution was increased to $0.15 per unit. These distributions totaled $5.5 million for the three months ended March 31, 2005, or $22.0 million on an annual basis.

Cash Available for Distribution

For the three months ended March 31, 2005

EBITDA	$	3,243
Maintenance Capital Expended	$	633
Interest	$	198
Cash Available for Distribution	$	2,412
Cash Distributed	$	5,515

* *Cash available for distribution is not a defined measure under Canadian Generally Accepted Accounting Principles (GAAP). It is defined in the Fund's Trust Deed and generally represents the cash available to be distributed to the Fund's unitholders. The Fund's definition of cash available for distribution may not be consistent with other issuers of financial information.*

As expected, for the three months ended March 31, 2005, EBITDA was supplemented by cash balances to pay targeted distributions, maintenance capital and interest. Improved results, particularly in the second and third quarters are expected to be more than adequate to fund these expenditures.

The Trustees review distributions quarterly giving consideration to current performance, historical and future trends in the business and the expected sustainability of those trends, as well as maintenance capital requirements to sustain performance. Based on these factors, monthly distributions are targeted to continue at fifteen cents ($0.15) per unit.

Distribution Reinvestment Plan

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

Quarterly Financial Information

(000's except volume and per share amounts)

Three Months Ended	2003			2004				2005
	June 30	September 30	December 31	March 31	June 30	September 30	December 31	**March 31**
Fuel volumes (millions of litres)	262	302	263	257	283	303	258	**268**
Net sales and operating revenue	$140,253	$164,070	$134,215	$141,262	$179,274	$197,193	$168,929	**$177,081**
Net earnings	$ 6,150	$ 8,938	$ 2,226	$ 824	$ 12,502	$ 5,769	$ (15,135)	**$ 824**
EBITDA	$ 8,384	$ 11,330	$ 4,448	$ 3,066	$ 14,991	$ 8,148	$ 4,324	**$ 3,243**
Earnings (loss) per share – basic	$ 0.51	$ 0.74	$ 0.19	$ 0.07	$ 1.03	$ 0.47	$ (1.24)	**$ 0.07**
Earnings (loss) per share – diluted	$ 0.51	$ 0.73	$ 0.19	$ 0.07	$ 1.02	$ 0.47	$ (1.24)	**$ 0.07**

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 ($000's) under the existing terms are as follows:

Year ending March 31	Mortgages, bank loans and notes payable	Operating leases	Capital leases
2006	2,110	1,683	2,278
2007	1,906	1,216	4,118
2008	3,009	924	523
2009	542	577	393
2010	580	281	237
Thereafter	–	67	988
	8,147	4,748	8,537

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1 billion litres of product over the next year.

Critical Accounting Estimate

Parkland has reported the refinery assets at the net estimated liability that would be realized if the refinery assets were remediated, dismantled and sold for salvage values. Estimated remediation costs are supported by a third party report, while other costs and salvage values are based on management estimates.

Actual costs and salvage values could differ significantly from these estimates when, and if, the refinery is remediated, dismantled and sold. Alternatively, if the Blood Tribe sale is completed or if the refinery is re-opened in its current or an alternative state, there is the potential for positive cash flow from the assets.

Supplementary Information

The following supplementary information is provided for analytical purposes

3 months ended	March 31, 2005	March 31, 2004
Retail fuel volumes (millions of litres)	**116**	113
Wholesale fuel volumes (millions of litres)	**152**	144
Non-fuel revenue included in fuel margin ($000's)	**$ 1,629**	$ 1,219

Fund Description

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 formerly operated as Parkland Industries Ltd., after debt service payments, maintenance capital expenditures and other cash requirements.

Parkland Income Fund operates retail and wholesale fuels and convenience store businesses under its marketing brands Fas Gas, RT Fuels and Short Stop Food Stores and transports fuel through its Petrohaul division. Parkland has developed a strong market niche in western and northern Canada by focusing on non-urban markets.

Parkland Income Fund is listed on the TSX (PKI.UN).

Andrew B. Wiswell
President and CEO
May 5, 2005

consolidated balance sheet

($000's) (Unaudited)		**March 31, 2005**		December 31, 2004
Assets				
CURRENT ASSETS				
Cash	**$**	**142**	$	5,286
Accounts Receivable		**29,443**		21,923
Inventories		**18,623**		17,973
Prepaid expenses		**1,046**		1,522
		49,254		46,704
Other		**2,070**		2,101
Capital assets		**64,984**		66,652
Future Income taxes		**1,920**		1,960
	$	**118,228**	$	117,417
Liabilities				
CURRENT LIABILITIES				
Accounts payable		**46,089**		40,315
Long-term debt – current portion		**4,394**		4,466
		50,483		44,781
Long-term debt		**12,291**		13,169
Asset retirement obligation		**1,058**		1,043
Refinery closure accrual		**3,390**		3,400
	$	**67,222**	$	62,393
Unitholders' Capital (Note 1)				
Class B Limited Partners' Capital		**14,730**		18,833
Unitholders' Capital		**36,276**		36,191
		51,006		55,024
	$	**118,228**	$	117,417

consolidated statement of earnings and retained earnings

($000's except per unit amounts) (Unaudited)	3 Months ended March 31, 2005	2004	2003
Net sales and operating revenues	**$ 177,081**	$ 141,262	$ 128,688
Cost of sales and operating expenses	**162,772**	126,503	112,799
Gross margin	**14,309**	14,759	15,889
Expenses			
Marketing, general and administrative	**11,066**	11,693	11,003
Amortization	**2,181**	2,196	1,751
Interest on long-term debt	**198**	190	194
	13,445	14,079	12,948
Earnings before income taxes	**864**	680	2,941
Income taxes			
Current	**–**	19	6
Future	**40**	(163)	(42)
	40	(144)	(36)
Net earnings	**824**	824	2,977
Retained Earnings, beginning of period	**–**	–	–
Allocation to Class B Limited Partners	**(271)**	(357)	(1,369)
Allocation to Unitholders	**(553)**	(467)	(1,608)
Retained earnings, end of period	**$ –**	$ –	$ –
Net earnings per unit – basic and diluted	**$ 0.07**	$ 0.07	$ 0.25

consolidated statement of cash flows

($000's) (Unaudited)	3 Months ended March 31, 2005	2004	2003
Cash Provided By (used for) Operations			
Net earnings	**$ 824**	$ 824	$ 2,977
Add (deduct) non-cash items			
Amortization	**2,181**	2,196	1,751
Unit option compensation	**44**	24	–
Accretion expense	**15**	15	14
Future taxes	**40**	(163)	(44)
Funds flow from operations	**3,104**	2,896	4,698
Net changes in non-cash working capital	**(1,920)**	(475)	(4,212)
Cash from operating activities	**1,184**	2,421	486
Financing Activities			
Proceeds from long-term debt	**158**	1,184	–
Long-term debt repayments	**(1,108)**	(1,331)	(745)
Distributions to Class B Limited Partners	**(1,816)**	(2,211)	(2,334)
Distributions to Unitholders	**(3,699)**	(2,895)	(2,761)
Fund Units issued	**629**	446	–
Cash from(used for) financing activities	**(5,836)**	(4,807)	(5,840)
Investing activities			
Recovery in other assets	**31**	60	380
Refinery closure expenditures	**(10)**	–	–
Purchase of capital assets	**(513)**	(1,597)	(441)
Proceeds on sale of capital assets	**–**	860	–
Cash from (used for) investing activities	**(492)**	(677)	(61)
Increase (decrease) in cash	**(5,144)**	(3,063)	(5,415)
Cash and Cash equivalents, beginning of period	**5,286**	2,717	2,647
Cash and Cash equivalents, end of period	**$ 142**	$ (346)	$ (2,768)
Cash Interest paid	**$ 198**	$ 190	$ 194
Cash taxes paid	**$ –**	$ 19	$ 6

notes to consolidated financial statements

Significant 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, 2004. These financial statements should be read in conjunction with the annual financial statements and notes.

1. Unitholders' Capital

	3 Months ended March 31, 2005		12 Months ended December 31, 2004	
	Units (000's)	**($000's)**	Units (000's)	($000's)
Class B Limited Partnership Units				
Balance, beginning of period	**4,307**	**$ 18,833**	5,411	$ 31,487
Allocation of retained earnings	**–**	**271**	–	2,187
Distribution to partners	**–**	**(1,816)**	–	(8,534)
Exchanged for Fund Units	**(585)**	**(2,558)**	(1,104)	(6,307)
Balance, end of period	**3,722**	**14,730**	4,307	18,833
Fund Units				
Balance, beginning of period	**7,914**	**36,191**	6,721	39,250
Allocation of retained earnings	**–**	**553**	–	1,773
Unit option compensation	**–**	**44**	–	97
Issued under distribution reinvestment plan	**9**	**205**	22	441
Issued under unit option plan	**33**	**424**	67	864
Distribution to unitholders	**–**	**(3,699)**	–	(12,541)
Exchange of Limited Partnership units	**585**	**2,558**	1,104	6,307
Balance, end of period	**8,541**	**36,276**	7,914	36,191
	12,263	**$ 51,006**	12,221	$ 55,024

The table below represents the status of the Fund's Incentive Option Plan as at March 31, 2005 and the changes therein for the period then ended:

	Number of Options	Weighted average exercise price
Balance, beginning of period	437,974	$ 15.26
Granted	230,000	$ 21.65
Cancelled	(16,667)	$ 17.21
Exercised	(32,663)	$ 12.98
Balance, end of period	618,644	$ 17.70
Exercisable options, end of period	172,315	$ 14.68

Exercise prices for outstanding options at March 31, 2005 have the following ranges: 215,643 from $12.45 – $15.71, 168,001 from $17.62 – $18.67 and 235,000 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 7 – 10 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 3 months ended March 31, 2005 is $44,226 (March 31, 2004 – $24,144).

2. Segmented Information

The Fund's operations are predominantly in fuel marketing in Western Canada. In recent years the Fund initiated operations in the convenience store industry.

The convenience stores have been integrated into fuel marketing properties already owned by the Fund and all continue to market transportation fuels. Due to the amount of common operating and property costs it is not practical to report these segments below their respective gross margins.

3 Months Ended ($000's) (Unaudited)	Fuel Marketing	Merchandise	Total
March 31, 2005			
Net sales and operating revenues	**$ 167,620**	**$ 9,461**	**$ 177,081**
Cost of Sales	**155,701**	**7,071**	**162,772**
Gross Margin	**$ 11,919**	**$ 2,390**	**$ 14,309**
March 31, 2004			
Net sales and operating revenues	$ 133,119	$ 8,143	$ 141,262
Cost of Sales	120,363	6,140	126,503
Gross Margin	$ 12,756	$ 2,003	$ 14,759
March 31, 2003			
Net sales and operating revenues	$ 122,591	$ 6,097	$ 128,688
Cost of Sales	108,280	4,519	112,799
Gross Margin	$ 14,311	$ 1,578	$ 15,889

The segregation of capital expenditures and total assets is not practical as the reportable segments operate from the same locations.

This report contains forward-looking statements, including references to cash generated by operations, unitholder distributions and capital expenditures. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity, competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. These factors are discussed in greater detail in filings made by Parkland with the Canadian provincial securities commissions.

corporate information

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Stock Exchange Listing
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Corporate Secretary
Chief Privacy Officer

Andrew B. Wiswell
President and CEO

Wholly Owned Subsidiaries
Parkland Investment Trust
986413 Alberta Ltd.
Parkland Holdings Limited Partnership
986408 Alberta Ltd.
Parkland Industries Limited Partnership
Parkland Industries Ltd.
Parkland Refining Ltd.

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