EXCHANGE INDUSTRIAL INCOME FUND

2004 Annual Report

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LETTER FROM THE CHAIRMAN

To Exchange Unitholders:

On behalf of the Trustees and management, I am pleased to report on the accomplishments of Exchange Industrial Income Fund since its units began trading on the Toronto Venture Exchange on May 6, 2004.

The vision for the Fund is to acquire companies with the following attributes:

- The acquisition is accretive to the Fund
- The company must have demonstrated cash flow from a business with a sustainable competitive advantage
- The business should be in the mature stage of its growth cycle
- The business should not be seasonal or cyclical
- The business should have modest capital reinvestment requirements
- There is a strong second line of management beyond the vendors of the company
- The owner is prepared to take a portion of the purchase price in units of the Fund

This vision was born out in spades in the Perimeter Aviation Ltd. acquisition. One of the most exhilarating experiences that I had through the acquisition process and subsequent growth was to watch the reaction of the employees of Perimeter and the pride that they have for our company. At the outset the employees were very skeptical about a “fund” being the buyer. Many had been through acquisitions, right sizings and bankruptcy. Just think of what happened with Canadian, JetsGo, Canada 3000, Air Canada and around the world generally in the airline industry after September 11. This attitude changed dramatically with the first addition to our aircraft fleet and with each additional purchase. With the subsequent demise of our most significant competitor and the announced acquisition of Keewatin Air Limited we have convinced them that the Fund is in for the long haul to maintain and grow what they had with the Wehrle family. This attitude has resulted in the employees bringing us many ideas for growth and improvements for the airline and we are confident this will continue. This attitude bodes well for our acquisition of Keewatin which was recently announced. The Keewatin employees were well aware of what had happened at Perimeter and expect that they will experience the same. We are optimistic about the acquisition of Keewatin.

Upon completion of the Keewatin acquisition the airlines will geographically cover Manitoba and Nunavut. Bob May and Judy Saxby, the owners of Keewatin are already making the case for several opportunities. We are examining these opportunities.

When the Perimeter acquisition was structured, Tribal Councils Investment Group of Manitoba Ltd. was asked to become a unitholder. They became a significant unitholder and Perimeter also entered into a marketing arrangement with TCIG which has proved very beneficial to both of us.

It is the intention of the Fund that the vision will be carried forward into other industries by acquiring companies that meet our requirements. We are presently looking at opportunities outside of the airline industry. However, we will move cautiously as protection of the cash flow distributions to our unitholders is paramount.

Your Trustees believe that there are a number of opportunities available to the Fund to acquire companies that can satisfy our requirements. The Fund is not limited geographically and will look at opportunities across Canada and the United States, keeping in mind currency rates, tax consequences and cultural differences.

Our success to date has been the result of hard work, a disciplined approach to our acquisition criteria and sticking to what our teams know. This has been accomplished with dedicated and great employees both at the Fund and Perimeter organizations.

The Trustees have taken a very conservative approach to operating the Fund making certain that there is cash flow available to maintain the targeted distributions and yet ensuring that the operating assets are maintained so that these distributions can continue for years to come. This is reflected in the financial information set out later in this report. The distributable cash generated and paid out to Unitholders evidences this strategy.

May 6 - Dec 31, 2004

Distributable Cash	$1,355,000
Distributable Cash per unit	$ 1.23
Distributed Cash	$ 788,000
Distributed Cash per unit	$ .71

In conclusion I would like to thank not only our management, employees and trustees who have worked diligently on keeping us on the right track but also you, our investors, who have thought enough of the Fund to invest your hard earned money with us. We hope to maintain your support in the future.

Duncan D. Jessiman, Q.C.
Chairman of the Board of Trustees

Highlights since the Initial Public Offering

- Initial Public Offering completed on May 6, 2004 raised $7,600,000.

- Concurrent with the IPO the Fund completed the acquisition of Perimeter Aviation Ltd. and the fueling assets of Inland Fuels Ltd.

- TCIG exercised its option to purchase an additional 62,500 units for $500,000 in September 2004.

- A private placement of 160,312 units in October 2004 raised an additional $1,298,527.

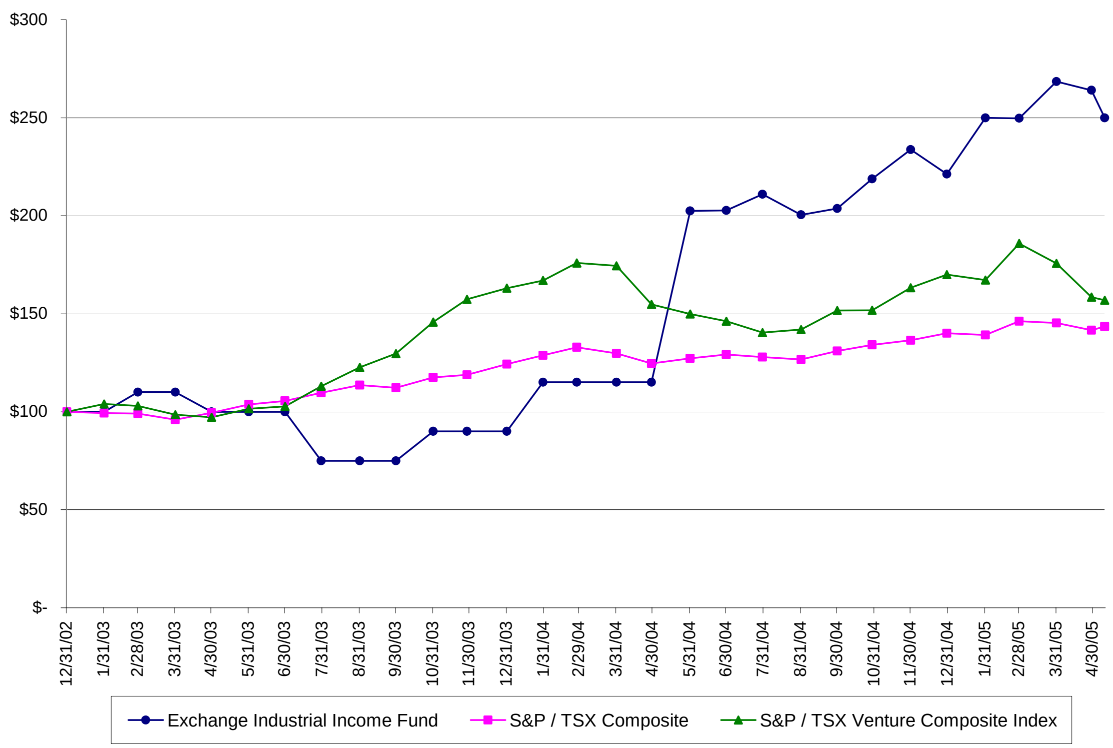
- Generated distributable cash of $1.23 per unit (basic).

- Paid distributions to Unitholders of $0.71 per unit for a total of $788,000 in 2004.

- In early 2005 announced and closed the strategic purchase of operating assets comprised of real estate and support equipment from the Skyward Group of Companies.

- Announced in April 2005 that it had entered into a letter of intent to acquire 100% of the shares of Keewatin Air Limited. Keewatin operates under the trade names Kivalliq Air and Nunavut Lifeline, from operating bases in Winnipeg and Rankin Inlet.

Unit Performance Graph



* The line for unit performance prior to May 2004 is that of the predecessor corporation, The Exchange Industrial Group Inc.
* Excludes distributions for Exchange Industrial Income Fund, and dividends of the indexes

CORPORATE PROFILE

The Fund

Exchange Industrial Income Fund is an unincorporated open-end mutual fund trust created on March 22, 2004 by a Declaration of Trust made under, and governed by, the laws of the Province of Manitoba. The Fund was created to acquire the shares of Perimeter Aviation Ltd and the fueling assets of Inland Fuels Ltd. The objective of the Fund is to establish a portfolio of profitable companies with strong cash flows, operating in niche markets in Canada and/or the United States. The objectives of the Fund are:

- to provide Unitholders with stable and growing cash distributions;

- to maximize Unit value through on-going active management of the companies in the Fund's portfolio, and

- the continuing acquisition of additional companies or interests therein in order to expand and diversify the Fund's portfolio.

The investment policies and operations of the Fund are subject to the control of the Trustees, a majority of who must be Independent Trustees. The current Trustees of the Fund are Duncan D. Jessiman, Michael Pyle, Mark Buller, William Wehrle, Gary Filmon, Don Streuber, Allan McLeod, Gary Buckley and Arthur Mauro

Daily operations are managed by the Fund's President, Michael Pyle, and by the Fund's Chief Executive Officer, Duncan D. Jessiman.

THE FUND'S ACQUISITION STRATEGY

Target Company Attributes

The Fund believes that there are a large number of privately held companies where the owners have reached the stage in their career where they are looking to sell. The Fund is looking to acquire companies which exhibit income trust-like characteristics. To be a potential target for EIIF, the company must meet the following criteria.

- The acquisition is accretive to the Fund
- The company must have demonstrated cash flow from a business with a sustainable competitive advantage
- The business should be in the mature stage of its growth cycle
- The business should not be seasonal or cyclical
- The business should have modest capital reinvestment requirements
- There is a strong second line of management beyond the vendors of the company
- The owner is prepared to take a portion of the purchase price in units of the Fund

The Fund intends to build a portfolio of companies that possess the income fund attributes set forth above, but are too small to become a publicly-traded income fund on their own. The acquisitions must be immediately accretive to the Fund, and by empowering management to examine growth opportunities, the target companies are expected to realize solid growth opportunities which may have been neglected by previous ownership who were not interested in further investment in the company.

The strategy is not necessarily predicated on synergies between acquired companies, as each investment must stand on its own. Rather, by building a group of companies in unrelated industries the Fund will diversify its cash flow and dramatically reduce the risk to its distributions caused by a change in the economic environment (exchange rates, fuel prices, international tariffs etc.) that may impact a particular line of business.

Why should a potential vendor sell to the Fund?

While the Fund will pay the fair market value for a company, it will not pay a price that will incent an otherwise reluctant seller to proceed. The Fund believes that components of its strategy beyond price will appeal to potential vendors. In most instances of the businesses that we have looked at, bought or will buy, the owners have spent the majority of their working life building up something of value. These owners have a lot of pride and caring for the people that helped them build it and for the business itself. They are steeped in the background of the business and have more than likely seen it grow from nothing to something of significant value. For these vendors, our Fund offers a way to exit their position in a manner that will enable their company and its people to continue on and grow the business. This is a marked contrast to

- a management buyout, where normally both the vendor and management team are at risk in the company's continuing success and management are handcuffed by increased leverage.

- a leveraged buyout by financial investors where the strategy is usually to make decisions to maximize short-term profits, and to position the company for resale.

- a sale to a strategic buyer who will come in and realize synergies by combining areas of businesses and consolidating operations, invariably leading to a loss of jobs and possibly company identity.

The Fund is acquiring its companies for the long term and is not looking to change the focus or the team. The goal of the Fund is to earn long term, predictable cash flow from its operating companies and to grow this cash flow stream in a prudent manner over time, taking advantage of opportunities in the businesses as they arise. To incent management, the Fund will provide equity participation through appropriate incentive plans to encourage long term success.

It is our belief that vendors of closely controlled businesses will see the Fund as an attractive alternative to the other types of purchasers. While the Fund may not be able to match the price that can be paid by a strategic buyer, our strategy of preserving and growing what the vendors have built with their employees will make the Fund a very viable option for many business owners, particularly those who have a paternalistic approach to their management and employee teams.

PERIMETER AVIATION LTD.

Formed in 1960, Perimeter is a regional airline operating out of its own terminals at the Winnipeg International Airport, and as of April 2005 in Thompson. It provides regular scheduled passenger airline service, Medevac operations and cargo services to locations in Northern Manitoba. It also operates a contract and executive charter service, as well as a flight training school. The core of Perimeter's fleet is Metro II twin turbine engine aircraft. While other aircraft are used in the flight training and charter markets, the Metro generates the vast majority of Perimeter's revenue. The key to the success of the Metro aircraft is its fuel efficiency, reliability, and the ease with which it can be reconfigured between passengers and freight. It is a 19-seat plane, which can carry any combination of freight and passengers simply by moving the bulkhead and adding or removing seats. This enables Perimeter to maximize revenue particularly on northbound flights where demand for freight ensures the planes leave at or near maximum weight.

By focusing on a single aircraft, Perimeter has been able to build considerable expertise and economies of scale. It operates its own engine overhaul facility, avionics, sheet metal, landing gear, brake and non-destructive testing shops to service the aircraft. The internal capabilities reduce down time for the aircraft and reduce operating costs. Perimeter believes that it is the low cost service provider in its market which has resulted in its longevity and consistent profitability.

The marketing agreement that has been entered into with TCIG has proved to be valuable to Perimeter. Under the agreement, TCIG assists in marketing the airline to many First Nations communities and is compensated with a fee which is based on the annual increase in volume.

Perimeter's sales reached an all time high in 2004 (January to May 6 under private ownership and May 6 to December 31 under the ownership of the Fund). The 2004 sales levels are 9.5% ahead of 2003 and 15.7% ahead of 2002.

Fuel costs have risen dramatically over the second half of 2004 and into 2005. Perimeter has chosen to date not to pass this cost on to it's customers and has attempted to maintain its margins through other initiatives. Should fuel prices remain high in 2005, Perimeter will pass this cost on to its customers through a surcharge or rate increase.

The outlook for 2005 is strong. Subsequent to year-end, one of Perimeter's largest competitors, Skyward, was grounded by Transport Canada at the end of January of 2005. Skyward ultimately filed for CCAA protection and was subsequently placed into receivership. In April of 2005 Perimeter announced it had acquired certain real estate and fueling assets from Skyward as part of an expansion of its services into Northern Manitoba from a new base in Thompson. Sales are expected to grow significantly as a result of this initiative.

KEEWATIN AIR LIMITED ACQUISITION ANNOUNCED APRIL 2005

In April of 2005 the Fund announced that it had entered into a Letter of Intent to acquire 100% of the shares of Keewatin Air Limited. Keewatin operates from bases in Winnipeg and Rankin Inlet, providing scheduled airline, medevac and charter services under the trade names Nunavut Lifeline and Kivalliq Air.

Keewatin operates a fleet of twin engine King Air aircraft utilized predominately in the medevac business as well as single engine Pilatus aircraft utilized in the scheduled and charter segments. Keewatin has sales of approximately $15 million. The acquisition will dramatically expand the geographic service area and is expected to provide operating synergies with Perimeter. The transaction is expected to close in June 2005.

EXCHANGE INDUSTRIAL INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

April 13, 2005

This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes ("Consolidated Financial Statements") of Exchange Industrial Income Fund for the initial period ended December 31, 2004. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

Overview

The Exchange Industrial Income Fund (EIIF or the Fund) is an unincorporated, open ended, limited purpose trust established on March 22, 2004. EIIF was formed to acquire mid-size companies with proven cash flow, established management, and solid growth opportunities. On May 6, 2004 through a plan of arrangement it acquired 100% of the shares of The Exchange Industrial Group Inc. (EIG) for aggregate consideration of $1,600,000. On May 6 2004 the Fund also acquired 100% of the shares of Perimeter Aviation Limited (Perimeter) for aggregate consideration of $17,215,000 (subject to the usual adjustments for items such as working capital and funded debt levels). The Fund also acquired 100% of the assets of Inland Fuels Ltd. (Fuels) for aggregate consideration of $785,000.

Perimeter is a regional airline operating out of its own terminal at the Winnipeg International Airport. It provides regular scheduled passenger airline service, Medevac operations and cargo services to locations in Northern Manitoba. It also operates a contract and executive charter service, as well as a flight training school.

Public Offering

The acquisitions of EIG, Perimeter and Fuels were funded through a combination of bank debt, Income Fund Units ("Units") and Convertible Debentures ("Debentures"). The EIIF Units were sold at $8.00 per unit and were issued to a) the former shareholders of EIG, b) the vendor of Perimeter, c) the Tribal Council Investment Group (TCIG), d) employees of Perimeter and e) the general public.

The Debentures were issued to a) TCIG and b) the general public. The Debentures bear interest at 9% per annum and are convertible into Units of the Fund at the option of the holder at an exchange ratio of 1 Unit per $9.00 of principal amount of the Debentures exchanged. The Units issued and outstanding are summarized below.

The Exchange Industrial Income Fund Units Issued Pursuant to IPO

Units issued to former EIG shareholders	200,000
Units issued to the vendor of Perimeter	187,500
Units issued to TCIG	125,000
Units issued to the employees of Perimeter	125,000
Units issued to the public in the IPO	387,500
Total Units Outstanding	1,025,000

The Exchange Industrial Income Fund Convertible Debentures Issued

Convertible Debentures issued to TCIG	$ 500,000
Convertible Debentures issued to the public in the IPO	$4,500,000
Total Convertible Debentures Issued	$5,000,000

Private Placement and Exercise of TCIG Unit Options

The Fund believes that there are additional opportunities for Perimeter both within and outside the markets the airline currently serves. In order to take advantage of those growth opportunities Perimeter is examining the purchase of additional aircraft in the future, and has purchased another Metro II in December. While these purchases could potentially have been funded from cash flow or additional debt, management believes that a prudently managed income fund should strive to maintain a conservative balance sheet with sufficient liquidity. With this in mind in early October 2004, the Fund completed a private placement of 160,312 Units to certain trustees, officers and insiders at a price of $8.10 which generated proceeds of approximately $1,300,000. In the same time period TCIG exercised its option (in favor of First Nations Financial Services Inc.) to purchase 62,500 Units at $8.00 per Unit, generating cash proceeds to the Fund of $500,000.

Trustee Compensation

The Fund has compensated the Trustees of the Fund and one employee of its wholly owned subsidiary by issuing Units of the Fund. On December 31, 2004, an aggregate of 8,375 units were issued at 8.00 per Unit.

Summary of Units issued and outstanding as at December 31, 2004

Issued for initial public offering	1,025,000
Issued in private placement	160,312
Issued for TCIG option	62,500
Issued to Trustees and Employees	8,375
Total Units Outstanding	1,256,187

Consolidated Results

The year-to-date Consolidated Financial Statements for the Fund reflect the 239 day period from the acquisition of Perimeter on May 6 to December 31 2004. The Fund did not exist during the corresponding period in 2003, and as such directly comparable information is not available.

Perimeter is Fund's only investment, and its acquisition by the Fund has not changed the comparability of its revenues with those of the 2003 operations. The chart below compares Perimeter's 2003 revenue vs. that in 2004. It is important to note that the predecessor corporation did not produce a financial statement beginning at May 6 in 2003 and one could not be reconstructed.

Year-to-Date Revenue

The sales for the 12 months of 2004 are 9.5% and 16.1% ahead of 2003 and 2002 respectively. Scheduled service (passenger and freight) and Medevac market segments are both ahead of 2003 by 7.5% and 24% respectively. Charter revenue is down by 5.5% from 2003 as surplus aircraft available for charter by other airlines were required within Perimeters operations in 2004.

($000's)	126 days May 5 2004 (1)	239 days Dec 31 2004 (2)	12 months Dec 31 2004 (3)	12 months Dec 31 2003	12 months Dec 31 2002
Revenue	$10,146	$19,738	$29,884	$27,302	$25,743

(1) Revenue under previous ownership
(2) Revenue under EIIF ownership
(3) 12 month revenue combined ownership

The revenue reported for the 126 days to May 5, 2004 has been amended to $10,146,000 from the previously reported $9,929,000. The change in the predecessor corporation is the result of analysis completed during the year end audit of EIIF.

Fourth Quarter (October to December) Revenue

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($000's)	92 Days Oct to Dec 2004	91 Days Oct to Dec 2003	91 Days Oct to Dec 2002
Revenue	$7,271	$7,615	$6,704

Scheduled service and charters were similar in the fourth quarter of 2004 to 2003. Medevac revenue was 26% higher in the fourth quarter but was offset by lower parts sales and engine rentals. The fourth quarter of 2003 reported above normal revenues for both parts sales and engine rentals. Parts sales are mainly the sale of engines. Although Perimeter's parts sales are up over the prior year, most of these sales occurred during the first three quarters. Perimeter's operations also did not allow for further sales or rentals of engines in the fourth quarter of this year.

Profitability

There are no financial results available for the predecessor corporation for the 239 day period ending December 31, 2003 and the results cannot be reconstructed and therefore no direct comparison has been provided. The results for the fourth quarter ended December 31 2004, are also not directly comparable with prior years for two reasons. Firstly, the results for EIIF in 2004 include the costs of being a public company. The 2004 results include bonuses to management staff of Perimeter. The 2003 results include bonuses to the management staff, but do not include performance bonuses to the previous ownership of Perimeter. Accordingly, it is difficult to provide directly comparable results between the Fund and the predecessor corporation. We have compiled below a comparison of the Ebitda and Ebitda margin for the twelve months of 2003 and of 2004. The 2004 results to date are the sum of the operations from January to May 6 in the predecessor corporation, combined with the results from May 6 to December 31 reported in the attached financial statements. We have utilized Ebitda as a means of comparison. The dramatic change in the balance sheet from a private company in 2003 to a publicly-traded income fund in 2004, results in large changes in depreciation, amortization and interest expenses.

($000's)	Jan. 1 to May 6 126 Days (1)	May 6 to Dec 31 239 Days (2)	Dec 2004 12 months (3)	Dec 2003 12 months (4)
Sales	$10,146	$19,738	$29,884	$27,374
Expenses	$9,216	$18,323	$27,539	$23,221
Ebitda	$1,109	$ 2,688	$ 3,797	$ 4,225
Ebitda Margin	10.9%	13.6%	12.7%	15.4%

(1) Under previous ownership. Results adjusted to remove vendor transaction costs
(2) Under EIIF ownership
(3) 12 month results under combined ownership
(4) Under previous ownership. Results exclude bonuses to vendor.

Ebitda for the 12 month period ending December 31, has decreased in 2004 by approximately $428,000 to $3,797,000. The decline in margins is the result of four main items. Firstly, in the period following May 6, 2004, EIIF incurred public company costs (increased management wages, professional fees etc.) which were not exhigible when Perimeter was a private company. Secondly, the agreement with TCIG calls for TCIG to be paid a marketing fee based on a percentage of the increase in sales realized by Perimeter. Thirdly, there has been a significant increase in fuel prices, which Perimeter has chosen not to pass on to its customers. Finally, maintenance expenses for aircraft are not incurred on a straight line basis throughout the year.

The cost of maintenance can vary significantly from month to month depending on what processes are completed in a given period.

Ebitda for the three month period ended December 31, 2004 was approximately $1,027,000 on sales of $7.3 million for a margin of 14.1%.

The significant highlight of the analysis of annual revenues is the increase in Medevac revenues. Medevac revenue has increased 28.6% and 47.2% over the two previous years. Perimeter continues to add capacity for Medevacs by adding a fourth Medevac unit in December 2004. Perimeter's scheduled services are also up 7.4% and 5.8% respectively. There has been a decline in charter revenue from 2004 to 2003, mainly due to aircraft availability, however, charter revenue is still significantly up from 2002 (196.3%). Mail revenue has doubled from the prior two years, due to the introduction of the food mail program in April 2004. Canada Post subsidizes the freight cost of certain food types to communities serviced by Perimeter.

Outlook

The insolvency of Perimeter's largest competitor, Skyward Aviation in the first quarter of 2005 has resulted in major increases in passenger and Medevac revenue as well as moderate increases in charters. This event has created a great opportunity for growth at Perimeter as well as identifying a capacity shortfall.

In addition to the purchase of Metro II aircraft in July and November 2004, Perimeter has begun to deal with this capacity shortfall by acquiring additional aircraft in 2005. A Metro II was purchased March 2005 and a Metro III aircraft in April 2005. The company continues to search for further aircraft to fill capacity requirements and expects to purchase additional aircraft in 2005.

In April 2005, Perimeter has purchased additional hangars in Thomson and Rankin Inlet, as well as fuel farms in Garden Hill and Shamattawa.

On April 20, 2005 EIIF announced it had entered into a Letter of Intent to acquire 100% of the shares of Keewatin Air Limited The purchase will be funded through a combination of secured funded debt as well as the issuance of additional Units and Debentures.

Keewatin Air Limited operates a medevac, scheduled and charter operation from bases in Winnipeg and Rankin Inlet under the trade names Kivalliq Air and Nunavut Lifeline. The company operates a fleet of leased and owned King Air 200's and Pilatus PC12 aircraft. The company is profitable and management of the Fund believes that the acquisition of Keewatin is accretive to its unitholders. Perimeter and Keewatin operate in separate markets with very little overlap, and the acquisition therefore greatly expands the geographic coverage of the combined entity. The existing management team will stay on following the transaction, and the vendors will take a portion of the purchase price in Units.

The purchase is subject to the Fund's normal due diligence process, and is expected to close in June 2005.

EIIF continues to examine further acquisition opportunities both within and outside of the aviation industry. Should a suitable acquisition opportunity be found, and approved by the

Trustees of the Fund, it will be funded through the issuance of additional Units or Debentures, as well as the use of a prudent level of funded debt.

Distributable Cash

EIIF generated distributable cash of $1,355,107 or $1.23 per Unit, $.99 per Unit fully diluted, during the 239 day period from May 6 to December 31 2004. During this period the Fund distributed $787,909.24 or $.71 per unit.

	May 6 to December 31
Earnings before income taxes	$ 1,415,188
Depreciation and Amortization	$ 791,757
Interest Expense	$ 480,936
Ebitda	$ 2,687,881
Interest on Bank Debt	$ 149,710
Interest on Convertible Debentures	$ 292,741
Maintenance Capital Expenditures	$ 882,677
Current Income Tax Expense	$ 7,646
Distributable Cash	$ 1,355,107
Distributable Cash per Unit (Basic)	$ 1.23
Distributable Cash per Unit (Fully Diluted)	$ 0.99
Actual distributions in 2004	$ 0.71

The current annual distribution rate is $1.08 per Unit paid quarterly. Management expects that the Fund will generate sufficient cash in 2005 to meet or exceed this distribution rate.

Working Capital

The Fund has working capital of approximately $4.7 million or a current ratio of 2.3 to 1. Perimeter also has an authorized operating line of credit of $1 million, none of which was utilized as at December 31, 2004.

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, depreciation and amortization. Ebitda is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures and income taxes. It is also used to compare the ability to generate cash of various other income funds and companies. Distributable cash is a performance measure to summarize the funds available to unitholders of an income fund. Investors are cautioned that Ebitda and distributable cash should not be viewed as an alternative to measures that are recognized under Canadian GAAP such as net income, or cash from operations. the Fund's method of calculating Ebitda and distributable cash may differ from that of other income funds and therefore may not be comparable to measures utilized by them.

Forward – Looking Statements

This quarterly report contains forward looking statements. The use of any of the words anticipate, continue, estimate, expect, may, will, project, believe and similar expressions are intended to identify forward – looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward – looking statements. Management believes that the expectations reflected in those forward – looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward – looking statements included in this report should not be unduly relied upon. These statements are made as of the date of this 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 RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Exchange Industrial Income Fund (the "Fund") and all the information contained in this annual report are the responsibility of management and have been approved by the Board of Trustees.

The Financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

The Fund maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Fund's assets are appropriately accounted for and adequately safeguarded.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its members are outside unrelated Trustees. The Committee meets periodically with management, as well as the external auditors: to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review the annual report, the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Unitholders. The Committee also considers, for review by the Board and approval by the Unitholders, the engagement or reappointment of the external auditors.

The financial statements have been audited by Deloitte & Touche LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Unitholders. Deloitte & Touch LLP has full and free access to the Audit Committee.

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Duncan D. Jessiman
Chairman of the Board

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Michael Pyle
President and
Chief Operating Officer

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AUDITORS' REPORT

To the Unitholders
Exchange Industrial Income Fund

We have audited the consolidated balance sheet of Exchange Industrial Income Fund as at December 31, 2004 and the consolidated statements of operations, retained earnings, and cash flows for the 239 day period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and the results of its operations and its cash flows for the 239 day period then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
March 20, 2005

Financial Statements of

EXCHANGE INDUSTRIAL INCOME FUND

For the 239 Days Ended December 31, 2004

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EXCHANGE INDUSTRIAL INCOME FUND
Consolidated Balance Sheet
As at December 31

	2004
ASSETS	
CURRENT	
Cash and term deposits	$ 305,143
Accounts receivable	4,288,954
Inventory	3,131,659
Prepaid expenses	642,358
Future income tax asset (Note 11)	104,471
	8,472,585
CAPITAL ASSETS (Note 4)	18,368,123
DEFERRED CHARGES (Note 5)	651,357
GOODWILL (Note 3)	2,342,137
	$ 29,834,202
LIABILITIES	
CURRENT	
Accounts payable and accrued expenses	$ 3,595,312
Deferred revenue	112,121
	3,707,433
LONG-TERM DEBT (Note 7)	7,200,000
CONVERTIBLE DEBENTURES (Note 8)	4,661,610
RESERVE FOR ENGINE OVERHAUL (Note 2(h))	809,486
FUTURE INCOME TAXES (Note 11)	3,011,357
	19,389,886
UNITHOLDERS' EQUITY	
Trust units (Note 9)	9,687,685
Convertible debentures - equity component (Note 8)	376,874
Retained earnings	379,757
	10,444,316
	$ 29,834,202

CONTINGENCIES & COMMITMENTS (Note 13)

EXCHANGE INDUSTRIAL INCOME FUND
Consolidated Statement of Operations
For the 239 day period ended December 31

		2004
REVENUE	$	19,737,919
EXPENSES		
Direct operating expenses		14,287,695
General and administrative		2,762,343
Interest on long term debt		480,936
Depreciation and amortization		791,757
		18,322,731
EARNINGS BEFORE INCOME TAXES		1,415,188
INCOME TAX EXPENSE (Note 11)		
Current		7,645
Future		239,877
		247,522
NET EARNINGS FOR THE PERIOD	$	1,167,666
EARNINGS PER UNIT (Note 12)		
Basic	$	1.06
Diluted	$	0.80

EXCHANGE INDUSTRIAL INCOME FUND

Consolidated Statement of Retained Earnings

For the 239 day period ended December 31

		2004
BALANCE, BEGINNING OF THE PERIOD	$	-
Net earnings for the period		1,167,666
Distributions to unitholders (Note 10)		(787,909)
BALANCE, END OF THE PERIOD	$	379,757

EXCHANGE INDUSTRIAL INCOME FUND
Consolidated Statement of Cash Flows
For the 239 day period ended December 31

	2004
OPERATING ACTIVITIES	
Net earnings for the period	$ 1,167,666
Items not affecting cash	
Depreciation and amortization	791,757
Accretion of interest on convertible debentures	38,485
Trust units issued for services	67,000
Engine overhaul accrual	(100,514)
Future income taxes	239,877
	2,204,271
Changes in non-cash operating working capital items:	
Accounts receivable	(399,845)
Inventory	(480,636)
Prepaid expenses	(316,651)
Accounts payable	572,363
Deferred revenue	(71,108)
	1,508,394
FINANCING ACTIVITIES	
Repayment of operating line	(530,968)
Proceeds from long-term debt, net of issuance costs	6,728,438
Proceeds from issuance of convertible debentures, net of issuance costs	4,672,527
Proceeds from issuance of trust units, net of issuance costs	6,520,685
Cash distributions to unitholders (Note 10)	(787,909)
	16,602,773
INVESTING ACTIVITIES	
Purchase of property, plant, and equipment	(1,531,751)
Cash outflow to purchase Perimeter Aviation Ltd. (PAL), including acquisition costs	(12,613,670)
Purchase of fuel tanks from Inland Fuels Ltd.	(839,950)
Taxes paid on recapture	(2,820,653)
	(17,806,024)
NET INCREASE IN CASH POSITION	305,143
CASH POSITION, BEGINNING OF PERIOD	-
CASH POSITION, END OF PERIOD	$ 305,143
Supplementary cash flow information	
Interest paid	$ 374,710
Income taxes paid	$ -

1. FORMATION OF THE FUND AND NATURE OF THE BUSINESS

Exchange Industrial Income Fund (the "Fund") is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Manitoba created pursuant to a Declaration of Trust dated March 22, 2004. Each Unitholder participates pro rata in any distribution from the Fund. Income tax obligations related to distributions of the Fund are the obligation of the Unitholders.

The Fund incorporated Perimeter Aviation Ltd. ("Perimeter"), a wholly-owned subsidiary of the Fund. Perimeter was incorporated to purchase the operations of Perimeter Aviation Ltd. ("PAL") and Exchange Industrial Group ("EIG").

The Fund principally operates a scheduled airline service to certain northern Manitoba communities, as well as Medevac services to such communities, and also provides repair and maintenance services for aircrafts and engines to third party carriers. Perimeter operates a flight training school specializing in commercial instrument flight rating licenses, and flies charters for major courier companies and in connection with its executive charter business.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

a) *Principles of Consolidation*

The consolidated financial statements at December 31, 2004 include the accounts of the Fund, its wholly owned subsidiaries Perimeter and 4873999 Manitoba Ltd.

All significant inter-Fund transactions have been eliminated for purposes of these consolidated financial statements.

b) *Revenue Recognition*

The Fund records flight revenue at the time at which tickets purchased by customers are actually utilized. Tickets sold but for which the customer has not flown are reflected on the balance sheet as deferred revenue. The Fund recognizes flight school and maintenance revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collection is reasonably assured.

c) *Valuation of Inventory*

Inventories have been valued at the lower of cost (as determined on a first-in, first-out basis) and net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Capital Assets

Capital assets are recorded at cost. Amortization of capital assets has been recorded on the following annual basis:

Aircraft and engines	5% straight line to a 50% residual value
Hangars	5% straight-line
Automotive	16% straight-line to a 20% residual value
Equipment	10% straight-line
Fuel equipment	10% straight-line

e) Deferred Charges

The Fund has deferred charges directly associated with obtaining certain financing. These charges include closing costs as well as professional fees and other costs that are related to obtaining the financing. These costs are amortized over the life of the related debt.

f) Goodwill

Goodwill is recognized to the extent of the excess of the purchase price over the fair value of the underlying identifiable net assets acquired. Management reviews the carrying value of goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Any excess of carrying value will be charged to income in the period in which the impairment is determined.

g) Income Taxes

The Fund is a unit trust for income tax purposes and, as such, is only taxable on any taxable income not allocated to the unitholders. Income tax obligations relating to distributions from the Fund are obligations of the unitholders. Taxable income in Perimeter, the operating company, is taxed at the corporate income tax rate, while taxable income not allocated to the unitholders in the Fund entity is taxed at the highest personal income tax rate.

The Fund accounts for income taxes using the liability method of accounting for income taxes. Under this method, future income tax assets or liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) *Reserve for Engine Overhaul*

As revenue is earned through the operation of the aircraft, the Fund accrues for the future cost of engine overhauls based on the engine hours flown.

i) *Financial Instruments*

Credit Risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Fund is exposed to credit risk from its customers. While the operations serve the Manitoba market, the Fund has a large number of customers, which minimizes the concentration of credit risk.

Foreign Currency Risk
The foreign currency risk arises from fluctuations in foreign exchange rates, and the degree of volatility of those rates. The Fund does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk
The Fund is subject to interest rate risk due to fluctuations in the prime rate of interest and the degree of volatility of this rate. The Fund does not use derivative instruments to mitigate this risk.

Fair Value
For the Fund's current financial assets and liabilities, which are subject to normal trade terms, the historical cost carrying values approximate the fair values. For the Fund's long-term debt, the historical cost carrying values approximate the fair values, since the interest rate is derived from the prime interest rate. For the Fund's convertible debentures fair value will change based on the movement in bond rates.

Equity Settled Obligations
The Fund early adopted the amended recommendations of the CICA for the presentation and disclosures of financial instruments (CICA Handbook Section 3860) specifically concerning the classification of obligations that an issuer can settle by delivering its own equity. The amendment results in the Fund's convertible debentures being classified primarily as debt (Note 8).

j) *Foreign Currency Translation*

Monetary items and non-monetary items carried at market are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items carried at cost are translated at the exchange rate in effect at the date of the transaction. Revenues and expenses are translated at an average rate of return of the period in which they were incurred. Foreign exchange gains and losses are included in earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Use of Estimates

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. ISSUE OF TRUST UNITS AND ACQUISITION

On May 6, 2004, the Fund completed an Initial Public Offering (the "IPO") of 637,500 Units, at a price of $8.00 per Unit, for net proceeds of $4,722,158, after deducting issue costs of $377,842. Concurrent with the closing of the IPO, the Fund issued convertible debentures for net proceeds of $4,672,527, after deducting issue costs of $327,473, and entered into a term loan for net proceeds of $6,728,438, after deducting financing costs of $471,562.

The proceeds of the equity and debt financing were loaned to Perimeter. Perimeter in turn, acquired a 100% interest in Perimeter Aviation Ltd. ("PAL"), a 100% interest in Exchange Industrial Group Inc. ("EIG"), and the assets of Inland Fuels Ltd. (Inland).

Acquisition of PAL

Effective on May 6, 2004, Perimeter acquired all of the outstanding common and preferred shares of PAL, for a total consideration of $11,275,956. The consideration paid consisted of the following:

Cash	$	**9,650,061**
Issue of 187,500 trust units of the Fund		**1,500,000**
Acquisition costs		**125,895**
Total consideration	$	**11,275,956**

The acquisition was accounted for using the purchase method and the results of PAL's operations have been included in the consolidated statement of operation from the date of acquisition.

Details of the consideration paid and fair values of the net assets acquired are as follows:

Fair value of assets acquired:		
Cash	$	**(3,681,712)**
Accounts receivable		**3,794,529**
Inventory		**2,651,023**
Prepaid expenses		**325,596**
Capital assets		**16,639,829**
		19,729,265

3. ISSUE OF TRUST UNITS AND ACQUISITION (continued)

Less fair value of liabilities assumed:		
Accounts payable and accrued expenses		3,014,670
Deferred revenue		183,229
Reserve for engine overhaul		910,000
Taxes payable on recapture		2,820,653
Future income tax		2,667,009
		9,595,561
Fair value of net assets acquired		10,133,704
Goodwill		1,142,252
Total purchase consideration	$	11,275,956

The value of the trust units issued as consideration to the vendor was $8.00 per unit, the same price at which units were offered to the public in the IPO that closed May 6, 2004.

Acquisition of EIG

Effective on May 6, 2004, Perimeter acquired all of the outstanding common shares of EIG, for 200,000 trust units of the Fund, which represented a total consideration of $1,600,000.

The acquisition was accounted for using the purchase method and the results of EIG's operations have been included in the consolidated statement of operations from the date of acquisition.

Details of the consideration paid and the fair values of the net assets acquired are as follows:

Fair value of assets acquired:		
Cash	$	311,043
Accounts receivable		94,580
Prepaid expenses		111
Capital assets		2,660
		408,394
Less fair value of liabilities assumed:		
Accounts payable		8,279
Fair value of net assets acquired		400,115
Goodwill		1,199,885
Total purchase consideration	$	1,600,000

The value of the trust units issued as consideration was $8.00 per unit, the same price at which units were offered to the public in the IPO that closed May 6, 2004.

3. ISSUE OF TRUST UNITS AND ACQUISITION (continued)

Acquisition of Inland

Effective on May 6, 2004, Perimeter acquired all of the assets of Inland, for cash consideration of $785,000.

The only assets acquired from Inland were fuel tanks, which have a fair value or $785,000. As a result there was no goodwill recorded on this acquisition.

4. CAPITAL ASSETS

	2004		
	Cost	Accumulated Amortization	Net Book Value
Aircraft	$ 14,059,978	$ 426,841	$ 13,634,228
Hangars	3,646,060	124,112	3,520,857
Automotive	88,027	2,939	85,088
Equipment	378,187	35,319	342,868
Fuel equipment	839,950	54,868	785,082
	$ 19,012,202	$ 644,079	$ 18,368,123

5. DEFERRED CHARGES

	2004
Financing costs	$ 799,035
Less accumulated amortization	147,678
	$ 651,357

When deferred charges are fully amortized, the cost and accumulated amortization are netted to write-off the asset.

6. CREDIT FACILITY

The Fund has a revolving operating line of credit up to a maximum of $1,000,000, bearing interest at LIBOR plus a floating charge based on the Fund's earnings before interest, tax, depreciation, and amortization (EBITDA) to funded debt ratio. The line of credit is secured by a General Security Agreement. At December 31, 2004 the operating line of credit has not been drawn upon.

7. LONG-TERM DEBT

	2004
Revolving term facility	$ 7,200,000

The Fund entered into a two-year, interest only, revolving term facility with a Canadian chartered bank. The term facility is secured by a General Security Agreement subject to customary terms, conditions, covenants, and other provisions for an income trust. The facility bears interest expense at LIBOR plus a floating charge rate on the Fund's EBITDA to funded debt ratio. Interest expense during the period ended December 31, 2004 was $149,710.

The principal payments in each of the next two years are: 2005 - nil; and 2006 – $7,200,000.

8. CONVERTIBLE DEBENTURES

			2004
9%	Convertible debentures	- debt component	$ 4,623,126
		- add accretion charges	38,484
			$ 4,661,610
9%	Convertible debentures	- equity component	$ 376,874

The debentures were issued on May 6, 2004 for gross proceeds of $5,000,000. They bear interest at 9% per annum, paid semi-annually and are due on May 5, 2009. The debentures are convertible, at the option of the holders, into units at a price of $9.00 per unit. The Fund has the option to settle all or a portion of the debenture obligation at maturity, through the issuance of units at a price based on the weighted average 20 day trading price for the previous days that the units traded on the Exchange.

Since the debentures contain a conversion feature available to the holder to convert debenture principal into units of the Fund, the debenture obligation is classified partly as a debt and partly as unitholders' equity. The debt component represents the present value of interest and principal payments over the life of the convertible debentures discounted at a rate approximating the rate which would have been applicable to non-convertible secured debentures at the time the debentures were issued. The difference between the interest paid and payable on the convertible debentures and the present value of interest and principal payments over the life of the convertible debentures is accreted over the term of the debentures through periodic charges to the debt component, such that, on maturity the debt component equals the principal amount of the convertible debentures.

The debentures are secured, subordinate only to senior security, by a charge on the assets and undertakings of the Fund and Perimeter. During the period, no debentures were converted into units. Interest expense during the period ended December 31, 2004 was $331,216.

The fair value of the future cash flows associated with the convertible debentures is $4,799,786, gross of issuance costs.

9. TRUST UNITS

The Declaration of Trust authorizes the trustees, in their discretion and from time to time, to issue an unlimited number of trust units. Each trust unit represents an equal fractional undivided interest in any distributions from the Fund, and in any net assets of the Fund in the event of termination or winding-up of the Fund. All trust units have equal rights and privileges. Each trust unit is transferable, entitles the holder thereof to participate equally in distributions, including, the distributions of net income and net realized capital gains of the Fund and distributions on termination or winding-up of the Fund, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of unitholders for each trust unit held.

Trust units issued during the period were as follows:

	Number Of Units	Gross Proceeds	Issuance Costs	Amount
Initial issuance of trust units - cash	**637,500**	**$5,100,000**	**$377,842**	**$4,722,158**
Trust units issued to shareholders of PAL & EIG – in exchange for shares	**387,500**	**3,100,000**	**-**	**3,100,000**
Options exercised - cash	**62,500**	**500,000**	**-**	**500,000**
Private placement - cash	**160,312**	**1,298,527**	**-**	**1,298,527**
Issued for services	**8,375**	**67,000**	**-**	**67,000**
Totals	**1,256,187**	**$10,065,527**	**$377,842**	**$9,687,685**

10. DISTRIBUTIONS TO UNITHOLDERS

The Fund's policy is to make distributions to unitholders equal to cash flows from operations after making allowances for debt servicing requirements, working capital reserves, and reserves for growth and capital expenditure requirements as deemed prudent by its board of directors.

The Fund declared cash distributions of $174,250 ($0.17 per unit) for the period of May 7, 2004 to June 30, 2004, and $276,750 ($0.27 per unit) for the period of July 1, 2004 to September 30, 2004, and $336,909 ($0.27 per unit) for the period October 1, 2004 to December 31, 2004.

11. INCOME TAXES

a) Future income taxes of the Fund consist of the following temporary differences on:

		2004
Loss carryforward	$	104,471
Future income tax asset - Current	$	104,471
Capital assets	$	(3,311,882)
Reserve for engine overhaul		300,481
Deferred charges		44
Future income tax liability – Long-term	$	(3,011,357)

b) The Fund's income tax expense for the period is made up as follows:

		2004
Earnings before income taxes	$	1,415,188
Reduced by:		
Earnings of the Fund subject to tax in the hands of the unitholders		(787,909)
Earnings of the Fund subject to corporate tax rate		(649,287)
Interest accretion on convertible debentures		38,484
Earnings taxed at the Fund rate		16,476
Tax rate		46.40%
Income tax expense at the Fund level		7,645
Earnings of the Fund subject to corporate tax rate		649,287
Tax rate		37.62%
Income tax expense at the operating level		244,262
Total income tax expense		251,907
Adjustment to income tax expense resulting from differences between current and future tax rate		(4,385)
Income tax expense	$	247,522

12. EARNINGS PER UNIT

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

Net earnings available to unitholders	$	1,167,666
Dilutive effect of convertible debentures		158,526
Diluted earnings available to unitholders	$	1,326,192

12. EARNINGS PER UNIT (continued)

Basic weighted average number of units		1,103,016
Dilutive effect of:		
Convertible debentures		555,555
Average number of units outstanding – diluted basis		1,658,571
Earnings per unit:		
Basic	$	1.06
Diluted	$	0.80

13. CONTINGENCIES AND COMMITMENTS

The Fund has operating lease commitments with varying terms requiring annual rental payments over the next five years of approximately $216,499. The Fund has responsibility for the payment of specific expenses associated with certain of these leases.

PAL had guaranteed the credit facility of an unrelated third party. The guarantee is limited to $50,000, and will become payable if the third party defaults on terms of the credit facility. This guarantee was assumed by the Fund upon the acquisition of PAL by Perimeter. The Fund has accrued for $50,000 of this potential liability.

14. RELATED PARTY TRANSACTIONS

The Fund enters into transactions with 2811065 Manitoba Ltd, which has a common Trustee with the Fund. These transactions are in the normal course of operations and at market terms and conditions.

During the period ended December 31, 2004, the Fund purchased $1,207,287 of fuel, paid $91,133 in aircraft lease expenses and received $55,916 in rent revenues from 2811065 Manitoba Ltd.

The payable to 2811065 Manitoba Ltd. at December 31, 2004 is $540,094.

15. COMPARATIVE FIGURES

There are no comparative figures, as the Fund was incorporated on March 22, 2004 and commenced operations on May 7, 2004.

UNITHOLDER INFORMATION

The following are the independent trustees of the Exchange Industrial Income Fund.

Duncan D. Jessiman Q.C. - Chairman, Chief Executive Officer and Trustee

Mr. Jessiman (age 58) of Winnipeg, Manitoba holds a Bachelor of Commerce degree and a law degree from the University of Manitoba. He began his professional career 29 years ago as a lawyer at Pitblado & Hoskin where he was a partner at the time of his leaving in 1998 to join Aikins, MacAulay & Thorvaldson LLP as a partner, where he practices in the area of corporate, commercial and securities law. Mr. Jessiman is a member of the TSX Venture Exchange Winnipeg Local Advisory Committee; former director of Consolidated Properties Ltd., a TSX listed company; former director of Geocrude Energy Inc., a TSX listed company which was taken over by Canada North West Energy Inc.; former director of Pan Cana Industries Ltd., a TSX listed company which was taken over by Geocrude Energy Inc.; former director of Enerplus Energy Services Ltd. - management company for Enerplus Resources Fund. Mr. Jessiman will join the Fund on a full-time basis in August of 2005.

Hon. Gary Filmon P.C., O.M. - Trustee - Chairman of Governance and Compensation Committee

Mr. Filmon (age 62) of Winnipeg, Manitoba holds a Masters degree in Civil Engineering from the University of Manitoba. He is Vice-Chairman of The Arctic Glacier Income Fund and has been a trustee since 2001 and was a director of its predecessor, The Arctic Group Inc. since 2000. He is a director of Manitoba Telecom Services Inc., a director of FWS Construction Ltd., Vice-Chairman of Wellington West Capital Inc. and is and has been a business consultant since 2000. He is also a member of the Canadian Security Intelligence Review Committee (which oversees the Canadian Security Intelligence Service) and is on the advisory board of Marsh Canada. Prior thereto he was Premier of the Province of Manitoba from 1988 to 1999.

Michael Pyle - President, Chief Financial Officer, Trustee

Mr. Pyle (age 40) of Winnipeg, Manitoba holds an Arts degree (Economics) and a Masters of Business Administration Degree (Finance) from the University of Manitoba. He served in positions of increasing seniority culminating as President of The Arctic Glacier Income Fund (and its predecessor The Arctic Group Inc.) from 1998 to 2002. He previously worked with RoyNat Capital in Winnipeg from 1990 to 1996 and from 1997 to 1998. Mr. Pyle was employed as the Vice-President of Corporate Development for Westsun International Inc. in Winnipeg from 1996 to 1997.

Donald Streuber - Trustee - Chairman of the Audit Committee

Mr. Streuber (age 48) of Winnipeg, Manitoba, is President and CEO of Bison Transport Inc. a position he has held since February of 2000 prior to which he was Vice-President, Finance of Bison Transport from May of 1999 to February of 2000. Bison is one of Canada's largest dry van truckload carriers of freight and has been recognized as one of Canada's 50 best managed companies for the last 7 years. Prior to joining Bison, Mr. Streuber was a partner at Sill Streuber Fiske & Company, Chartered Accountants. Mr. Streuber received his C.A. designation in 1985 while articling at Dunwoody & Company and had previously earned a Bachelor of Commerce with a major in Finance from the University of Manitoba in 1980. Mr. Streuber is a member of the Institute of Chartered Accountants in Manitoba and has served on their committee on Interdisciplinary Matters. As well, Mr. Streuber has been a lecturer and conference speaker for the Canadian Institute of Chartered Accountants and served on their Professional Development Committee. Mr. Streuber is presently the Chairman of the board of directors of Monarch Industries Limited and Chairman of the Board for Providence College and Seminary.

Mark Buller - Trustee

Mr. Buller (age 39) of Winnipeg, Manitoba, has spent his working career in sales and management within the cabinet manufacturing industry. He served in increasingly senior positions within Kitchen Craft of Canada Limited from 1987 to 1999 when the company joined the Omega Group headquartered in Iowa, USA. Mr. Buller served as President and CEO of the Omega Group of Companies with sales in excess of $450 million and over 3500 employees, until such companies were acquired by Fortune Brands in August, 2000. Subsequent to that date, he served as the President and CEO of Kitchen Craft of Canada Limited until he resigned from his positions with Kitchen Craft of Canada Limited effective January 1, 2003. Mr. Buller is currently the President of Norcraft Industries Inc., a cabinet manufacturing entity with plants in the United States and one in Canada.

Gary Buckley - Trustee

Mr. Buckley (age 44), of Winnipeg, Manitoba, holds a Bachelor of Commerce from the University of Alberta. Mr. Buckley has been involved in the hotel and hospitality industry since 1983. Since 1998, Mr. Buckley has been the co-owner and operator of the Elkhorn Resort & Conference Center in Clear Lake, Manitoba. Mr. Buckley is also the largest shareholder of Genesys Hospitality, which owns various hotel properties in Manitoba and elsewhere. Mr. Buckley is also the owner of additional hotel and mobile home properties.

Arthur Mauro - Trustee

Mr. Mauro (age 78), of Winnipeg, Manitoba, is a graduate of the University of Manitoba with Bachelor of Arts, Bachelor of Laws, and Master of Laws Degrees. He was appointed Chairman of the Royal Commission on Northern Transportation in 1967, and established the Transportation and Communication Law course at the University of Manitoba, Faculty of Law and lectured on this subject from 1967 to 1969. Both in his law practice and in business, he sat on the Board of a number of major Canadian corporations, including Investors Group Inc., Great-West Life Assurance Co., Montreal Trust, Federal Industries, Andersen Consulting Advisory Board, Canadian Airlines International Ltd., Atomic Energy of Canada Limited, Canadian Pacific Hotels and United Grain Growers. He is the former Chairman and Chief Executive Officer of Investors Group Inc. and was Chancellor of the University of Manitoba from 1992 to 2001. He is a founding director of the Business Council of Manitoba. Currently, Mr. Mauro is Chairman of the Crown Corporation Council of Manitoba, and is a director of Fort Chicago Energy Management Inc., Online Business Systems, and Winnipeg Airports Authority Inc. He also served as Counsel to the law firm of Aikins, MacAulay & Thorvaldson LLP until September 30, 2003.

William Wehrle - Trustee

Mr. Wehrle (age 73) is the President of Perimeter and has been with Perimeter since its inception in 1960.

Allan McLeod - Trustee

Mr. McLeod (age 34) is the President and Chief Executive Officer of TCIG and its wholly owned subsidiaries, Arctic Beverages Limited and First Canadian Health Management Corporation Inc. Since May 15, 2002 and for the 5 years prior to that he was Vice-President of TCIG. He is also a Director of First Nations Bank of Canada, Rupertsland Holdings Inc., Maple Leaf Distilleries Inc. and Salisbury House of Canada Ltd.

Management

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Transfer and Transfer Agent

CIBC Mellon Trust is our transfer agent and registrar. If you are a EIIF Unitholder, CIBC Mellon can help with the following:

- Address or name change
- Dividend payments
- Duplicate mailings
- Lost dividend cheques
- Stock transfers

Annual Meeting

The Annual General Meeting of Unitholders of EXCHANGE INDUSTRIAL INCOME FUND (“EIIF”) will be held on Wednesday, June 22, 2005 at 10:00 a.m. in the Oxford Centre at the Commodity Exchange Tower, 360 Main Street, Winnipeg, Manitoba. EIIF has fixed May 16, 2005 as the record date to determine Unitholders entitled to receive notice of the Annual General Meeting.