

Armtec Infrastructure Income Fund



Management's Discussion and Analysis

For the period ended:

March 31, 2007

Armtec Infrastructure Income Fund

To Our Unitholders

We are pleased to report that Armtec's overall revenue growth continued as a result of nationwide strength in public infrastructure markets as well as management's focus on strategic diversity. Our first quarter results are consistent with our seasonal pattern of lower activity, however, this quarter benefited from an unusually large number of projects slated for winter construction. Furthermore, we took advantage of the first quarter's slower installation period to build inventory for the busy summer months and also make productivity investments to further improve our efficiency.

Highlights for the Quarter

- Revenue grew by 6.9%
- Gross margin improved to 23.4% from 20.0%
- EBITDA¹ improved by \$1.3 million
- 2007 provincial budgets support infrastructure spending
- Declared distributions of \$4.0 million

The diversity of Armtec's end markets and geographic regions continues to support the Fund in achieving overall growth despite declines in some markets. The outlook for public infrastructure markets remains stable as a result of the spending levels announced in the 2007 budgets, which are consistent with the multi-year commitments announced in the 2006 budgets.

Recent acquisitions as well as production expansion in Western Canada will increase Armtec's manufacturing capacity in this active marketplace. The new linear corrugator, which commenced production in 2007, positions Armtec as the only manufacturer of both high density polyethylene ("HDPE") pipe and corrugated steel pipe in the province of Alberta.

In addition, strategic distribution agreements with CONTECH[™] Stormwater Solutions and BEBO Arch of Canada are expected to contribute to growth in 2007. The offering of a complete line of storm water quality management products in Canada establishes Armtec as a coast-to-coast supplier in a market with strong growth potential. BEBO is a concrete arched bridge system that provides Armtec access to new markets in Central and Western Canada with a product that meets the longer span bridge requirements of the marketplace. We have already started to book orders for projects and are pleased with the level of interest shown in all our trading areas.

The underlying raw material markets for products manufactured by Armtec are an important factor in competitive pricing in the market. Currently, the steel market appears stable but the impact of recent corporate mergers and acquisitions in this industry cannot be ascertained at this time. Resin market prices started the year at low levels created by a build up in the system intended to buffer against weather disruptions. Resin suppliers have cited rising input costs as the basis for price increases expected in the second and third quarter. The Fund continues to focus on its lean manufacturing initiative to ensure that it can meet competitive price trends in the market place.

Looking ahead, management believes that the strength of Armtec's fundamentals and our focused strategy position us well for delivering continued unitholder value.

We look forward to updating you on our progress at the conclusion of the next quarter.

Sincerely,

Robert J. Wright
Chairman of the Board of Trustees
May 2, 2007

Charles M. Phillips
President and Chief Executive Officer
May 2, 2007

*See Non-GAAP Measures

Armtec Infrastructure Income Fund

Management's Discussion and Analysis

For the three months ended March 31, 2007

The following Management's Discussion and Analysis ("MD&A") of Armtec Infrastructure Income Fund for the first quarter ended March 31, 2007 should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes thereto as well as the audited consolidated financial statements for the year ended December 31, 2006, accompanying notes thereto and other public disclosures available. In this MD&A, the terms "the Fund", "Armtec" or "the Company" mean Armtec Infrastructure Income Fund together with its subsidiaries: Armtec Operating Trust, Armtec Holdings Limited, Armtec Limited Partnership Corp. and Armtec Limited Partnership.

This MD&A has been prepared as at May 2, 2007.

Additional information regarding the Fund, including continuous disclosure materials such as the Annual Information Form, is available on the Fund's website at www.armtecincomefund.com or through SEDAR at www.sedar.com.

The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"); however, reference is made to earnings before interest, taxes (other than capital taxes), depreciation and amortization ("EBITDA") and distributable cash, including references to sustaining and generative capital expenditures which are not a measure of financial performance under Canadian GAAP. The Fund has included this information as it is used by management as a measure of financial performance and management believes it is used by certain investors and analysts as a measure of the Fund's financial performance. These measures are not necessarily comparable to similarly titled measures used by other income funds or companies and should not be construed as an alternative to net earnings or cash flow from operating activities as determined in accordance with Canadian GAAP or as a measure of liquidity. See the section entitled "Non-GAAP Measures" for further information.

Unless indicated otherwise, all dollar amounts, except per unit amounts, are expressed in thousands of Canadian dollars. All prior period results have been reclassified to conform with the current presentation.

OVERVIEW OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 15, 2004, as amended and restated on July 27, 2004. The Fund commenced active operations on July 27, 2004.

Armtec is a leading manufacturer and marketer of drainage products and engineered solutions for infrastructure applications in a diverse cross-section of industries, including the public infrastructure market and private sector markets such as natural resources, residential drainage, and agricultural drainage in Canada. Armtec is Canada's only national multi-material manufacturer specializing in corrugated high density polyethylene ("HDPE"), pipe corrugated steel pipe ("CSP") and related engineered products. Armtec also distributes a broad line of water control and geosynthetic products, and sells internationally certain high value-added engineered products manufactured in Canada.

The Fund's units trade on the Toronto Stock Exchange under the symbol ARF.UN.

RESULTS OF OPERATIONS

(in thousands of Canadian dollars)

(unaudited)

For the three months ended March 31	2007	2006
Revenue	\$ 21,848	\$ 20,440
Cost of sales	15,864	15,494
Amortization of property, plant and equipment	870	866
Gross margin	5,114	4,080
As a % of revenue	23.4%	20.0%
Distribution and warehousing	1,138	1,442
Selling, general and administrative	5,456	5,367
Amortization of intangible assets	657	542
Loss from operations	(2,137)	(3,271)
Interest and financing expenses	(335)	(516)
Loss before taxes	(2,472)	(3,787)
Interest and financing expenses	335	516
Total amortization	1,527	1,408
EBITDA¹	\$ (610)	\$ (1,863)
As a % of revenue	(2.8%)	(9.1%)

Most of Armtec's products require outdoor installations and therefore timing of the installation is subject to weather conditions. The Fund historically generates higher levels of revenue during the summer months in the second and third quarters, while the first and fourth quarters are characterized by lower levels of construction activity associated with the late fall and winter months. As a result, the gross margin typically achieved by the Fund in the first quarter does not fully offset distribution and warehousing, amortization of intangible assets and selling, general and administrative expenses incurred during the period. Therefore, losses are to be expected during the first quarter due to the seasonal nature of the revenue. Armtec takes advantage of this slow installation period to build inventory for the busy summer months as well as make productivity investments in its manufacturing facilities. The first quarter financial results of 2007 are consistent with this pattern.

REVENUES

(in thousands of Canadian dollars)

(unaudited)

For the three months ended March 31	2007	2006
Pipe Products	\$ 12,462	\$ 12,251
Engineered Products	5,038	3,290
Other Products	4,348	4,899
Total revenue	\$ 21,848	\$ 20,440

With the recent product additions, management has re-evaluated the products classified as engineered products and other products. As a result of this review, sales of gates and CONTECH Stormwater detention systems, previously classified as other, will be classified as engineered products. In addition, guardrail, sign posts and other steel based products which do not involve the same level of engineering have been moved from engineered products and grouped with other products. Prior years' figures have been restated to reflect the new classification.

Revenues increased by \$1.4 million or 6.9% to \$21.8 million for the first quarter of 2007 as compared to revenues of \$20.4 million for the period ended March 31, 2006. The diversity of Armtec's end markets and geographic regions continues to support the Fund in achieving overall growth despite declines in some markets. The revenue increase in the first quarter was due primarily to some large orders destined for public infrastructure projects across the country. Sales into the natural resource markets during the first quarter were lower than 2006 levels while residential market activity remained consistent with the first quarter of 2006.

¹ EBITDA is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP section of this MD&A.

Pipe Products

Pipe revenue was consistent in the first quarter of 2007 to 2006 levels. Sales into infrastructure markets across Central and Western Canada increased which offset declines in Quebec and the international marketplace. Residential pipe revenues were up marginally over the first quarter of 2006 with natural resources experiencing a slower start in the beginning of 2007.

First quarter sales of corrugated steel pipe increased in 2007 which offset lower HPDE volumes as compared to the sales mix in the first quarter of 2006. The CSP increases were supported by the acquisitions of the construction products division of Twister Pipe Ltd. ("Twister") in February 2006 and the culvert manufacturing and distribution operations of Prairie Steel Products Ltd. and Prairie Steel Manufacturing Ltd. ("Prairie Steel") in November 2006. HDPE pipe sales during the first quarter of 2007 were lower than 2006 first quarter pipe sales. The level of 2006 sales achieved was higher than historical levels. Demand in the HDPE pipe market occurred earlier in 2006 in response to anticipated raw material pricing. Resin pricing through the first quarter of 2007 have been more stable with customer demand returning to more typical buying patterns.

Engineered Products

Revenue increased 53.2% or \$1.7 million in engineered products in the first quarter of 2007 over the same period in 2006. Product shipments for infrastructure applications were up over the first quarter of 2006 in most parts of Canada with this increase offsetting lower international shipments in the comparable period. A large infrastructure project was underway in Russia supporting 2006 sales.

Sales of engineered products are normally associated with large projects and customer timing of these orders can have a pronounced effect in an interim period, particularly during the first quarter when revenue levels are seasonally low. While winter weather conditions usually impede the level of engineered product activity, during the first quarter of 2007, Armtec shipped product for an unusually large number of projects where scheduling requirements resulted in the need for winter construction and product staging for early spring installations.

Other Products

Revenue for other products in the first quarter of 2007 was \$4.3 million, a decline of \$0.5 million from sales of \$4.9 million in the same period for 2006. Geosynthetic product sales levels across all markets account for the decline in the period.

GROSS MARGIN

Gross margin for the quarter ended March 31, 2007 was \$5.1 million, an improvement of \$1.0 million over the \$4.1 million earned in the first quarter of 2006. On a percentage basis, the gross margin was 23.4% of revenue in 2007, an improvement from 20.0% in 2006. The improvement was attributed to increased sales revenues and a favourable product mix, with sales growth primarily in higher margin engineered solutions. The mix impact is particularly evident in the first quarter when sales are at seasonally low levels. Amortization of property, plant and equipment was flat to 2006 levels in the quarter at \$0.9 million. The Fund continues to focus on lean manufacturing by taking advantage of the slower winter months to work on productivity investments in its manufacturing facilities.

LOSS FROM OPERATIONS

Loss from operations for the quarter ended March 31, 2007 was \$2.2 million, a reduction of \$1.1 million over the loss of \$3.3 million reported in the comparable period of 2006. Growth in revenues with improved margins, related to sales mix, contributed to the improvement in the first quarter loss incurred in 2007. Selling, general and administrative expenses were consistent with prior years while distribution and warehousing costs were \$0.3 million lower than the first quarter of 2006. Distribution costs vary with the mix of products sold in the period.

Amortization of intangible assets increased slightly over the comparative quarter in 2006. In November 2006, Armtec acquired additional intangible assets through the purchase of Prairie Steel in Saskatchewan. The Fund acquired customer lists and a non-compete agreement. Amortization of these assets commenced in the first quarter of 2007. The Fund also entered into a license agreement to sell BEBO Arch Structures in Central and Western Canada in July 2006 which also contributed to the slight increase in the first quarter of 2007.

INTEREST EXPENSE

During the three months ended March 31, 2007, interest incurred on borrowings amounted to \$0.3 million. This expense is primarily interest on borrowings net of a nominal loss on the revaluation of the Fund's interest rate swap in place on \$11.5 million of the term debt. During the comparative quarter of 2006, interest expense amounted to approximately \$0.5 million which included a nominal gain on the interest rate swap. Interest incurred on borrowings decreased due to lower borrowing levels. The Fund reduced the level of term debt outstanding in October 2006 with proceeds from an issuance of additional fund units.

INCOME TAXES

As the Fund is a mutual fund trust for Canadian income tax purposes, income allocated to unitholders effectively reduces the Fund's current income tax to nil. On October 31, 2006, the Department of Finance announced tax proposals pertaining to the taxation of income distributed by publicly listed income trusts and the tax treatment of trust distributions to their unitholders. If enacted, the proposals would apply to the Fund effective January 1, 2011 and would result in the Fund income being subject to a tax at the trust level.

As a result of temporary differences related primarily to the amortization of intangible assets present in the subsidiaries of the Fund, a future income tax recovery of \$0.2 million was recognized in the three months ended March 31, 2007 (2006 - \$0.2 million).

EBITDA¹

EBITDA¹ for the three months ended March 31, 2007 was a loss of \$0.6 million compared to a loss of \$1.9 million in the first quarter of 2006. The \$1.3 million reduction in the EBITDA¹ loss reported was principally due to a 6.9% growth in revenue and additional 3.4% points of margin contribution over 2006 which was influenced by a high concentration of engineered product sales in the quarter. Lower distribution and warehousing costs also contributed to the EBITDA¹ for the first quarter of 2007 over 2006.

CASH FLOW AND LIQUIDITY

(in thousands of Canadian dollars)
(unaudited)

For the three months ended March 31	2007	2006
Cash provided by (used in):		
Operating activities	\$ (3,729)	\$ (2,761)
Investing activities	(532)	(7,725)
Financing activities	4,250	10,492
Net increase (decrease) in cash and cash equivalents	(11)	6
Cash and cash equivalents – beginning of period	26	10
Cash and cash equivalents – end of period	\$ 15	\$ 16

As at March 31, 2007, the Fund's cash and cash equivalents amounted to \$15 as compared to \$16 in the previous year. The Fund had working capital of \$27.8 million at March 31, 2007, an increase of \$3.5 million compared with working capital of \$24.3 million at March 31, 2006 and \$4.8 million over the December 31, 2006 levels. Management is of the opinion that this level of working capital is sufficient to meet short-term obligations.

Operating Activities

During the three months ended March 31, 2007 the Fund used \$3.7 million of cash from operations, which was comprised of a use of \$0.9 million in operating cash before non-cash working capital changes and a \$2.8 million use of cash from changes in non-cash working capital. In the first quarter of 2006, the Fund used \$2.8 million in cash from operations comprised of \$2.3 million in operating cash before non-cash working capital changes and a \$0.5 million use of cash from changes in non-cash working capital.

The use of \$0.9 million of operating cash flow, before non-cash working capital changes, reported in the quarter represents a decrease of \$1.4 million over the \$2.3 million used in the first three months of 2006. The \$1.4 million improvement was principally attributed to the growth in earnings. The increase in non-cash working capital utilized \$2.8 million in cash as compared to the \$0.5 million utilized in 2006 which reflects higher receivable and inventory balances in 2007 as compared to 2006. The increase in receivables is attributed to the impact of customer delivery timing of the engineered products with many projects shipped in March to arrive on site for installation in the spring. The inventory increase is a result of the build of inventories for the summer months. Inventory levels in 2006 were lower as a result of the above average pipe product sales in the first quarter of 2006.

In accordance with the seasonal trends of the business, the Fund will build working capital during the first half of 2007 to meet the increased business volumes during the summer months. The Fund's revolving credit facility is available to finance these temporary increases in working capital needs.

¹ EBITDA is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP section of this MD&A.

Investing Activities

The Fund used net funds of \$0.5 million related to investing activities in the first quarter of 2007 as compared to the \$7.7 million of cash used in the beginning of 2006. The \$0.5 million of net funds expended in the first quarter of 2007 comprised \$0.2 million related to property, plant and equipment, \$0.1 million towards the installation of the linear corrugator in Alberta and the Enterprise Resource Planning ("ERP") implementation, as well as, \$0.3 million to complete the acquisitions of Prairie Steel and Twister. These latter two expenditures were considered generative¹ for the purposes of determining distributable cash². Collections on long-term notes receivable contributed \$0.1 million to cash inflows in the first quarter of 2007.

The \$7.7 million expended in the first quarter of 2006 comprised \$0.2 million related to property, plant and equipment, \$0.1 million towards the ERP implementation, as well as, \$7.4 million expended in respect of the acquisition of Twister. The ERP and Twister expenditures were considered generative¹ for the purposes of determining distributable cash².

Financing Activities

Cash provided by financing activities for the first quarter of 2007 was \$4.3 million as compared to the \$10.5 million provided in the three months ended March 31, 2006. In addition to funding the increase in working capital, the Fund drew on its credit facilities in 2006 to fund the Twister acquisition. Associated with the Twister acquisition was a renegotiation of the credit facilities in place at the time resulting in \$0.2 million in bank financing fees.

During the first quarter of 2007, distributions paid to unitholders amounted to \$5.8 million, of which \$3.1 million was declared and payable in respect of 2006 but paid in January 2007. Regular distributions paid during the quarter were at \$0.13 a unit and paid on 10,304,000 units. In the same period for the 2006 \$5.0 million was paid to unitholders. The amount paid in respect of December 2005 was \$3.0 million. Regular distributions paid in the period were \$0.11 per unit for January and \$0.12 per unit for February and March 2006. In addition, 2006 first quarter distributions were paid on 9,015,000 units outstanding. Additional trust units were issued in October 2006.

DISTRIBUTABLE CASH²

(in thousands of Canadian dollars except per unit data)

(unaudited)

For the three months ended March 31	2007	2006
Loss for the period	\$ (2,312)	\$ (3,619)
Recovery of income taxes	(160)	(168)
Amortization of property, plant and equipment	870	866
Amortization of intangible assets	657	542
Interest and financing expenses	335	516
EBITDA³	(610)	(1,863)
Sustaining capital purchases ¹	(223)	(121)
Interest	(288)	(471)
Distributable cash²	(1,121)	(2,455)
Distributions declared	\$ 4,019	\$ 3,155
Loss per unit	\$ (0.22)	\$ (0.40)
Distributable cash ² per unit	\$ (0.11)	\$ (0.28)
Distributions declared per unit	\$ (0.39)	\$ (0.35)
Weighted average number of units	10,304,000	9,015,000

Consistent with the seasonal trends of the business, the Fund did not generate distributable cash² during the first quarter of both 2007 and 2006. Regular distributions of \$4.0 million were declared for the three months ended March 31, 2007 as compared to \$3.2 million in 2006's first quarter. Distributions are financed through the seasonal borrowings under the revolving credit facility.

Results in the first quarter are not indicative of a full year of results. Armtec's business is subject to seasonality, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. Results for the first and fourth quarter, which are the late fall and winter months, are subject to greater variability due to the fact that product

¹ Generative and sustaining capital expenditures are not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP section of this MD&A.

² Distributable cash is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP section of this MD&A.

³ EBITDA is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP section of this MD&A.

installations are influenced by weather conditions. Losses in the first quarter are expected, with positive earnings generated at the start of the second quarter. A revolving credit facility is available to allow regular distributions and working capital investments during the slower sales quarters. The results in the first quarter should not be considered representative of the annual distributable cash² levels.

DISTRIBUTIONS

The Fund made regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders were calculated and recorded when declared.

Distributions for the three months ended March 31, 2007 were as follows:
(in thousands of Canadian dollars except per unit amount)

Period	Record date	Payment date	Per unit	Amount
January 2007	January 31, 2007	February 15, 2007	\$ 0.13	\$ 1,339.52
February 2007	February 28, 2007	March 15, 2007	0.13	1,339.52
March 2007	March 30, 2007	April 13, 2007	0.13	1,339.52
			\$ 0.39	\$ 4,018.56

OUTLOOK

The diversity of the markets served by Armtec helps insulate the Fund from significant fluctuations in any one market or geographic region. The outlook for infrastructure markets remains stable as a result of the spending levels and multi-year commitments announced in the 2007 budgets. The levels committed in 2007 are consistent with the increased spending announced in the 2006 budgets.

The outlook for natural resource markets continues to be mixed. Investment activity in energy and mining projects is expected to continue, but further growth beyond levels reached in 2006 is not anticipated. Forestry markets remain challenged due to the low forestry and pulp and paper prices as well as government mandated cutting restrictions. Agricultural markets appear to be improving due to rising crop prices as a result of the increased demand for ethanol. Residential construction activity in the United States has declined considerably and this has impacted the overall demand for products in North America. While the Canadian HDPE markets served by the Fund continue to show consistent activity, the overall level of competition among North American suppliers has increased.

The 2006 acquisitions in Alberta and Saskatchewan and the 2007 completion of the production expansion in Alberta will increase Armtec's manufacturing capacity in this active marketplace. The new linear corrugator, which has commenced production in 2007, positions Armtec as the only manufacturer of both high density polyethylene pipe and corrugated steel pipe in the province of Alberta. Future development of proven oil, uranium and potash reserves are expected to generate new investment in Saskatchewan.

The 2006 addition of the CONTECH[™] Stormwater Solutions and BEBO bridge product[™] line to Armtec's product offering are expected to contribute to growth in 2007. Both new product lines are complementary to Armtec's current product offering and customers now have access to a broader range of solutions. The management of storm water and run-off has become a significant aspect of drainage design in the United States as a result of increased environmental awareness. The new offering of a complete line of storm water quality management products in Canada establishes Armtec as a coast-to-coast supplier in a market with strong growth potential. BEBO is a concrete arched bridge system that provides Armtec access to new markets in Central and Western Canada with a product that meets longer span bridge requirements of the marketplace.

The underlying raw material markets for products manufactured by Armtec are an important factor in competitive pricing in the market. Currently, the steel market appears stable but the impact of recent corporate mergers and acquisitions in this industry cannot be ascertained at this time. Resin market prices started the year at low levels created by a build up in the system intended to buffer against weather disruptions. Resin suppliers have cited rising input costs as the basis for price increases expected in the second and third quarter. The Fund continues to focus on its lean manufacturing initiative to ensure that it can meet competitive price trends in the market place.

The Fund expects sustaining capital expenditures¹ for 2007 to be consistent with historical levels. In addition to these expenditures the Fund has completed the installation of the linear corrugator and expects to complete the installation of the new ERP system during fiscal 2007.

¹ Sustaining capital expenditures is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP section of this MD&A.

CAPITAL RESOURCES

Armtec has credit facilities that provide a \$35.0 million term facility and a \$25.0 million revolving credit facility, both at variable interest rates. At March 31, 2007, \$15.0 million had been advanced and was outstanding on the term facility while \$11.0 million was outstanding on the revolving credit facility. Due to the seasonality of the business, the revolving credit facility is available to support temporary cash requirements for working capital and distributions. The entire credit facility is repayable in full on February 9, 2009. There are no mandatory principal repayments on the term or revolving facilities prior to maturity in February 2009. Armtec is in compliance with all credit facilities covenants.

Management estimates that approximately \$1.5 million will be spent on an annual basis for sustaining capital expenditures¹ in order to maintain Armtec's current manufacturing capacity.

Although anticipated cash distributions to unitholders are not commitments at March 31, 2007, the Fund is required to distribute an amount equal to or above its taxable income in order to eliminate the Fund's income tax liability.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund's off-balance sheet arrangements consist of operating leases and licenses. Operating leases are for facilities and vehicles with market terms and do not have associated escalating rent or make-good provisions that materially impact the financial statements. The Fund's licenses require royalty payments at certain predetermined levels based on the profitability of certain products. Royalty obligations are accrued when the associated profit is recognized.

OUTSTANDING UNIT DATA

An unlimited number of units may be issued pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund in the event of termination or winding-up of the Fund. Each unit entitles the unitholder thereof to one vote at all meetings of unitholders. As at May 2, 2007, there are 10,304,000 units issued and outstanding.

SUMMARY OF QUARTERLY RESULTS

For the three months ended

(in thousands of Canadian dollars except per unit data)

(unaudited)

	Mar 31 2007	Dec 31 2006	Sept 29 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 24 2005
Revenue	\$ 21,848	\$ 35,825	\$ 60,079	\$ 49,822	\$ 20,440	\$ 35,765	\$ 58,937	\$ 42,236
Net earnings (loss)	\$ (2,312)	\$ 2,938	\$ 9,751	\$ 6,711	\$ (3,619)	\$ 1,570	\$ 9,165	\$ 4,692
Basic and diluted earnings (loss) per unit	\$ (0.22)	\$ 0.30	\$ 1.08	\$ 0.74	\$ (0.40)	\$ 0.17	\$ 1.02	\$ 0.52

Armtec's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. As such, losses in the first quarter are expected with the Company historically generating positive net earnings throughout the remainder of the year. A revolving credit facility is available to allow regular distributions and working capital investments during slower quarters.

NON-GAAP MEASURES

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

References to EBITDA are to earnings before interest, taxes (other than capital taxes), depreciation and amortization. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure of cash available for distribution prior to debt service, changes in working capital, capital expenditures and income taxes. However, EBITDA is not a recognized measure under Canadian GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net and comprehensive earnings determined in accordance with GAAP as an indicator of the Fund's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similarly titled measures used by other issuers.

Distributable Cash

Distributable cash is not a defined term under Canadian GAAP but is determined by the Fund as net earnings for the period adjusted to remove non-cash expenses, including amortization and future income taxes, and reduced by expenditures required to sustain the current state of operations. Management believes that distributable cash is a useful measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings and comprehensive earnings as a measure of profitability or the statement of cash

flows. Furthermore, the Fund's method of calculating distributable cash may not be comparable to other similarly named calculations.

EBITDA and Distributable Cash
(in thousands of Canadian dollars)
(unaudited)

For the three months ended March 31	2007	2006
Net earnings for the period	\$ (2,312)	\$ (3,619)
Recovery of income taxes	(160)	(168)
Amortization of property, plant and equipment	870	866
Amortization of intangible assets	657	542
Interest and financing expenses	335	516
EBITDA	\$ (610)	\$ (1,863)
Sustaining capital purchases	(223)	(121)
Interest	(288)	(471)
Distributable cash	\$ (1,121)	\$ (2,455)

The following table reconciles the purchases of sustaining and generative capital expenditures to the purchases of property, plant and equipment, as well as intangible assets:

Capital Expenditures

(in thousands of Canadian dollars)
(unaudited)

For the three months ended March 31	2007	2006
Sustaining capital purchases	\$ 223	\$ 121
Generative capital purchases	123	180
Total purchases	\$ 346	\$ 301
Purchase of intangible assets	\$ 97	\$ 180
Purchase of property, plant and equipment	249	121
Total purchases	\$ 346	\$ 301

Sustaining capital expenditures excludes assets that are considered generative, which includes for the first quarter of 2007: \$91 related to the continuing implementation of the ERP system and \$32 related to the purchase and installation of the HDPE production line in Lethbridge Alberta. For the first quarter of 2006, the generative related expenditures include \$180 related to the new ERP.

Cash Flow from Operating Activities Reconciled to Distributable Cash:

(in thousands of Canadian dollars)
(unaudited)

	2007	2006
Cash used in operating activities	\$ (3,729)	\$ (2,761)
Items not affecting cash:		
Non-cash post-employment benefits expense	(11)	(71)
Loss on sale of property, plant and equipment	(7)	-
Items not affecting operating cash flow:		
Sustaining capital purchases	(223)	(121)
Net increase in non-cash working capital	2,849	498
Distributable cash	\$ (1,121)	\$ (2,455)

CRITICAL ACCOUNTING ESTIMATES

The Fund's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, is based upon the Fund's interim consolidated financial statements, which have been prepared in accordance with Canadian GAAP except where noted. The preparation of these interim consolidated financial statements requires Armtec to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, goodwill and intangible assets, and post-employment benefit liabilities. Armtec bases its estimates on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. For a detailed discussion of the more significant judgments and estimates used in the preparation of the Fund's interim consolidated financial statements, refer to the Fund's annual MD&A. There are no material updates to these estimates based on events from January 1, 2007 to May 2, 2007.

ACCOUNTING POLICY CHANGES INCLUDING INITIAL ADOPTIONS

The Fund has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook standards contained in Section 1530 entitled "Comprehensive Income", Section 3855 entitled "Financial Instruments – Recognition and Measurement Income" and Section 3865 entitled "Hedges" on January 1, 2007.

a) Financial Assets and Liabilities (Section 3855) and Hedging relationships (Section 3865)

Under the new standard, all financial instruments were classified into the following categories: held for trading, held to maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments within the scope of the standard are included in the consolidated financial statements and are initially measured at fair value. Subsequently, all financial instruments are re-measured to fair value at each reporting period except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Held for trading financial investments are subsequently measured at fair value and all gains and losses as a result of re-measurement are included in net income in the period in which they arise. Available for sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of this standard, the Fund has classified its cash and cash equivalents as held for trading. Accounts receivable and long-term notes receivable have been classified as loans and receivables. Accounts payable and long-term debt have been classified as other financial liabilities.

The Fund continues to apply mark-to-market accounting to its \$11.5 million interest rate swap as it does not apply hedge accounting to this instrument. The contract has been revalued to market value resulting in an unrealized loss of \$13 for the period ended March 31, 2007 (2006 – unrealized gain of \$19). The fair value of the interest rate swap was included with current assets as at March 31, 2007.

Management has assessed the impact of adopting these standards and has determined that there were no significant changes to the presentation and measurement of financial instruments in the consolidated financial statements except for the reclassification of deferred financing fees from intangible assets to long-term debt.

b) **Comprehensive income (Section 1530)**

Comprehensive income or loss introduces a new requirement to present, among other things, certain unrealized gains and losses outside of net income or loss. Section 1530 defines comprehensive income or loss as a change in net assets arising from transactions and other events and circumstances from non-owner sources. The new standard requires presentation of a statement of comprehensive income or loss. Management has assessed the impact of adopting this standard and has determined that there is no significant change and as a result has combined the statement of comprehensive income or loss with the former statement of income or loss.

Effective January 1, 2008 the Fund will be required to adopt further standards changes from the CICA. The Fund does not expect Section 1535 entitled "Capital Disclosures", Section 3862 and Section 3863 entitled "Financial Instruments – disclosures and presentation" to have a material effect on the financial performance of the Fund, however, management will continue to evaluate the impact of these changes.

PROPOSED TRANSACTIONS

Armtec has executed all documents required to finalize the joint venture agreement with Fixon Inc. in South Korea. The new venture will manufacture Armtec Bridge-Plate® for sale into the South Korean marketplace. The expected investment is \$2.2 million primarily related to the acquisition of manufacturing equipment by Armtec which will be leased to the joint venture at market rates. Furthermore, a licensing agreement between Fixon and Armtec related to the sharing of "technological know-how" will be effected. The transaction is expected to be completed in early May 2007.

RISKS AND UNCERTAINTIES

The Fund is subject to certain risks and uncertainties that could have a material adverse effect on Armtec's results of operations, business prospects, financial condition, cash distributions to unitholders and the trading price of the Fund's units. These uncertainties and risks include, but are not limited to: industry cyclicality; competition; acquisition and expansion risk; capital and liquidity risk; reductions in demand for Armtec's products; collections from customers; relationships with suppliers; lack of long-term agreements; expiration of rights under license and distribution arrangements; availability and price volatility of raw materials; product liability; intellectual property; reliance on key personnel; collective bargaining agreements; interest rates; uninsured and underinsured losses; environmental, health and safety requirements; operating hazards; risk of future legal proceedings; securities laws compliance and corporate governance standards; tax law risk; dependence of the Fund on Armtec Limited Partnership; and certain risks associated with the structure of the Fund including income tax matters; leverage and restrictive covenants; credit facility; nature of units; effect of market interest rates on the price of units; restrictions on potential growth; and cash distributions are not guaranteed. Further information about these and other risks and uncertainties can be found in the disclosure documents filed by Armtec Infrastructure Income Fund with the securities regulatory authorities, available at www.sedar.com. There have been no material changes to Armtec's business from January 1, 2007 to May 2, 2007 that require an update to the discussion of the applicable risks.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contain such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of May 2, 2007.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward-looking statements contained in this report are based upon what management of Armtec believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.