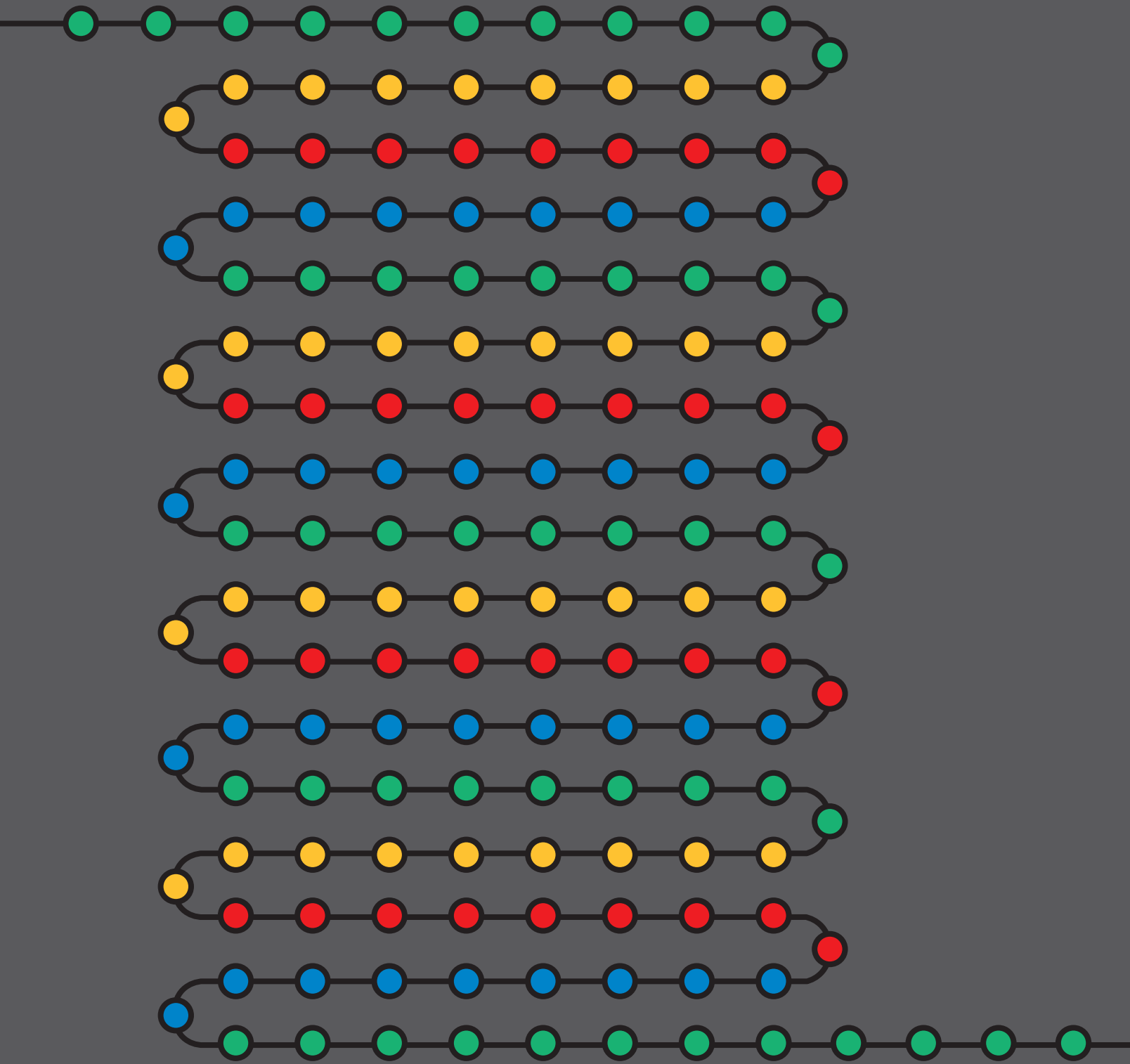


THE ENERGY MOVER



1998 REPORT TO UNITHOLDERS

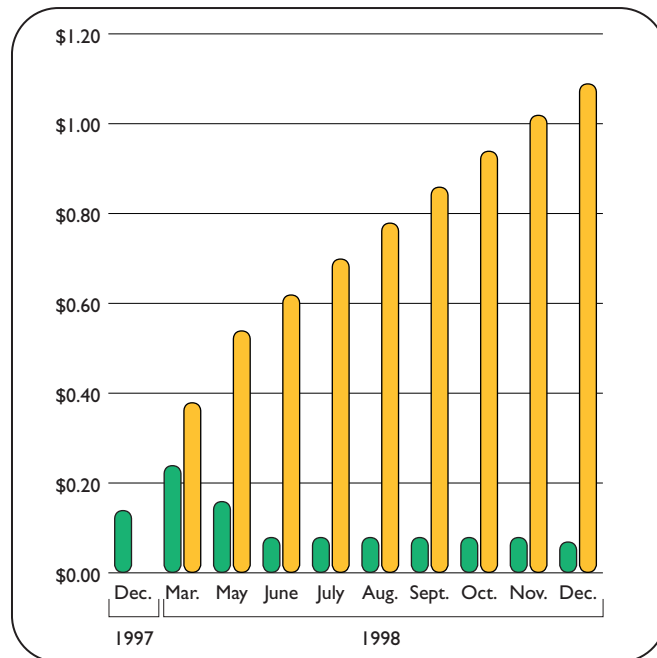
PEMBINA PIPELINE INCOME FUND





WHAT IS PEMBINA?

A GROWTH-ORIENTED INCOME FUND

The Pembina Pipeline Income Fund (the "Fund") is a publicly traded Canadian income fund engaged, through its wholly-owned subsidiary Pembina Pipeline Corporation ("Pembina"), in the transportation of light crude oil, condensate and natural gas liquids in western Canada. The Fund was established in 1997 to give the investing public the opportunity to participate in a stable, well-managed pipeline transportation entity that has provided high quality, reliable service to the Canadian oil and gas industry since the mid-1950s. The Fund is intended to provide Unitholders with attractive long-term returns through its investment in Pembina, which has a mandate to efficiently operate its pipeline systems and actively seek expansion opportunities. The Fund pays cash distributions to Unitholders on a monthly basis. The Trust Units trade on the Toronto Stock Exchange under the symbol PIFUN.



DISTRIBUTIONS PER UNIT

-  Distribution
-  Cumulative Distribution



WHO IS PEMBINA?
THE ENERGY MOVER

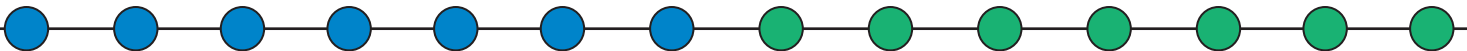
Over the past 45 years, Pembina has evolved into the largest crude oil and natural gas liquids (NGLs) feeder pipeline in Canada, with total throughputs approaching 350,000 barrels of products per day, on a net working interest basis. Pembina consists of four pipeline systems that serve a broad base of producer customers, moving light crude oil and the liquid products associated with natural gas, including condensate, NGLs and ethane. Shippers pay a fee for the transportation service provided. Pembina has, through ongoing expansion, acquisition activity and contractual commitments, grown its network of pipeline systems to service areas throughout western Alberta and northeastern British Columbia. This extensive network of pipeline systems provides reliable low-cost service to its shippers, forming a key link from producing fields to market.

WHERE DO WE OPERATE?
IN THE HEART OF WESTERN CANADA



PEMBINA'S PIPELINE SYSTEMS

Pembina's four pipeline systems serve a large geographic area with 3,700 kilometers of pipeline and related pumping and storage facilities. The systems are well positioned in the heart of western Canada's oil and natural gas production areas. Collectively, Pembina's pipeline systems transport 30 percent of Alberta's conventional light crude oil production and 20 percent of the condensate and NGLs produced in the province. The pipeline systems operated by Pembina are maintained and operated by a dedicated group of field employees located in five district field offices. Pembina's corporate head office is located in Calgary, Alberta where technical and administrative staff support the pipeline operations.



REPORT TO FELLOW UNITHOLDERS

In 1997 we had the pleasure of introducing the Pembina Pipeline Income Fund. We are now delighted to report that, during our first full year of operation as an income fund, we successfully achieved operating and financial results which allowed us to pay the distributions forecast in the October 1997 initial public offering prospectus. By achieving our targets and delivering the 1998 forecast distributions, we met our commitments to Unitholders and, through the successful execution of our 1998 business plan, we have set the course to continue this success in 1999.



Bill Stedman
President, Chief Executive Officer

The Fund's objective is to provide Unitholders with attractive, long-term returns through the competitive, efficient operation of Pembina's pipeline systems and through opportunistic expansion. Our three-point corporate strategy is designed to support this mandate by:

- maintaining our position as the low-cost operator in the areas served by our pipeline systems;
- ensuring continued profitability through the efficient operation of our systems; and
- actively pursuing growth opportunities (via expansion, acquisition or contractual arrangements) that will enhance Unitholder value.

We will strive to preserve Pembina's position as Canada's largest crude oil and natural gas liquids feeder pipeline system and, through the successful implementation of our corporate strategy in 1999, will endeavor to continue to provide a stable and timely income stream, as delivered during 1998.

HIGHLIGHTS

	1998	1997*
Throughput Volumes (thousands of barrels per day)	343.6	355.2
Operating Revenue (millions)	\$ 108.7	\$ 20.8
Distributable Cash (millions)	\$ 59.3	\$ 8.7
per Trust Unit	\$ 0.95	\$ 0.14

* period from October 24, 1997 to December 31, 1997

Pembina Delivers
1998 Highlights



Pembina's throughput volumes totalled close to 344,000 barrels per day of light crude oil, condensate, natural gas liquids and ethane during the year, producing approximately \$109 million in revenue. Distributable cash of \$59.3 million or \$0.95 per Trust Unit was generated and Unitholder distributions in that amount were declared during 1998, exactly as forecast.

During 1998, two major pipeline interconnections to Pembina's Peace pipeline system were completed, allowing Pembina to offer shippers of light crude oil and natural gas liquids in northeastern British Columbia the first direct pipeline transportation service to eastern markets. These connections are significant in view of the growth potential arising from continuing oil and natural gas exploration and development activity in this strategic region. Elsewhere on Pembina's systems, new battery connections fueled the ongoing expansion of our pipeline transportation service to new and existing customers. Pembina facilitates continuing growth by offering low-cost, reliable transportation and by providing innovative solutions to our customers' transportation needs. Pipeline safety continues to be an operational focal point, as preventative maintenance forms the cornerstone of our enviable record of safety and dependability.

A significant milestone was achieved in 1998 with the successful completion of the final instalment payment on October 23. This event marked our first anniversary as a public entity and changed our trading status from instalment receipts to fully paid Trust Units. We were gratified by the confidence expressed by our Unitholders as 100 percent of the final instalment payment was tendered. With this event behind us, Pembina Trust Units have since maintained a relatively stable market valuation. Importantly, the Fund outperformed many other income funds and royalty trusts in 1998 on a twelve-month total return basis. Our ability to meet commitments and relative lack of exposure to depressed commodity prices shielded our value and allowed us to provide superior returns to Unitholders during what was, for many in the oil and gas related industries, a difficult year.

We Met Our Commitments to Unitholders in 1998

The Fund's initial public offering prospectus issued in October 1997 included a forecast of 1997 and 1998 financial results. We distributed \$8.7 million or \$0.14 per Trust Unit for the 69-day period from October 24, 1997 through December 31, 1997. This was \$1.2 million or \$0.02 per Trust Unit over the published forecast.

The Fund enjoyed similar success in 1998, meeting the full-year target distribution of \$59.3 million or \$0.95 per Trust Unit. At the annual meeting of the Fund held in April 1998, Unitholders approved the move to monthly, rather than quarterly, distribution payments. This change underscores the relatively stable revenue stream generated by Pembina's pipeline operations and provides Unitholders with a regular and timely flow of tax-advantaged cash distributions.

1999 OUTLOOK

Pembina's 1998 results reflect a stable performance that is largely unaffected by short-term fluctuations in the market price of the products we transport. This stability stems from several key factors:

- the substantial, long-life reserves connected to our pipeline systems;
- a diverse throughput stream which, during 1998, consisted of roughly 60 percent light crude oil and 40 percent condensate and NGLs derived from natural gas production;
- our unregulated, flexible tolling structure;
- our growing base of contracted volumes; and, most importantly
- the strong customer relationships we have developed over the past 45 years by offering reliable, innovative and low-cost transportation service in regions that continue to be a focal point for oil and gas investment in Western Canada

The Fund's considerable market capitalization and debt-free balance sheet – and the fact that we are the only independently owned feeder pipeline company in Canada – places us in an excellent position to achieve strategic growth in 1999. Current conditions in the oil and gas market, which began in 1998 and resulted in the lowest average crude oil price in many years, will present challenges to Pembina in 1999. However, these challenging times for the oil and gas industry may also provide Pembina with expanded opportunities for growth by acquisition and other means.

Crude oil reserves presently connected to the pipeline systems are long-life with an aggregate annual decline of only three to five percent, which gives the Fund a solid foundation on which to maintain stable returns from our crude oil transportation business. Industry sources forecast continuing oil price weakness in the first half of 1999, while remaining cautiously optimistic of a modest recovery in the second half of the year. Although the slate of light crude oil Pembina transports has not historically exhibited strong commodity price sensitivity, should oil price weakness persist over the longer term oil throughputs on Pembina's pipeline systems could be adversely affected.

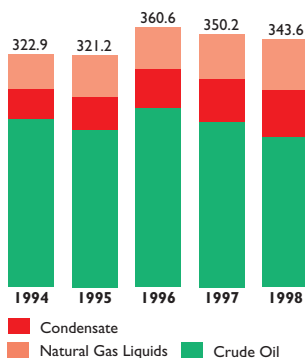
Western Canadian natural gas producers have begun to benefit from the ongoing expansion of pipeline export capacity and improved access to large markets in the mid-western and eastern United States. The impact of low oil prices on industry activity levels in 1998 was somewhat mitigated by rising natural gas prices, and the marked shift in drilling activity from crude oil to natural gas that began in 1998 is expected to accelerate in 1999. This is an important development for Pembina as our Peace system is strategically located in the heart of the Peace River arch, perhaps the most active exploration and development area in Alberta. While overall drilling levels are expected to decline during 1999, activity is predicted to remain strong in the natural gas rich

**Energy Transportation
The Products**

Pembina transports a wide range of petroleum products, which diversifies our throughput stream and offers a measure of stability as industry focus shifts between oil and natural gas. We transport products ranging from light crude oil to ethane (in batch mode on some of our pipeline systems) to the transportation hub in Edmonton, Alberta, where products are delivered for use in local refining and regional petrochemical manufacturing or for transport to out-of-province markets.

In 1998 Pembina's system-wide throughput mix averaged about 60 percent light crude oil and 40 percent condensate and NGLs. As western Canadian natural gas producers operating in Pembina's service area step up exploration and development activity to meet growing pipeline export capacity, we expect our mix will continue to shift toward NGLs.

**THROUGHPUT COMPOSITION
(thousands of barrels/day)**



northwestern Alberta and northeastern British Columbia region. Ongoing development of natural gas reserves in the Deep Basin, located on the Alberta-British Columbia border, should benefit Peace both directly and indirectly through our association with TransCanada Midstream (TCM), described in more detail in the following section of this report. The fire and subsequent closure of the liquids extraction plant at Taylor, B.C. in January 1999 will reduce deliveries from TCM in the first half of 1999. This event has no material impact on revenue generated from these contracted volumes and we remain optimistic that NGL throughputs on our Peace system will continue to grow.

We expect increased competition for new volumes originating in the Deep Basin in 1999 and beyond. During 1998, Pembina undertook several measures to mitigate potential competitive impacts on our business. By keeping our eye on costs, we have remained the low-cost transportation provider in our service area, with a system-wide average tariff of just \$0.87 per barrel in 1998.

This outlook of continued, albeit conservative, industry activity in Pembina's strategic growth areas, coupled with improved acquisition opportunities, underpins our confidence for stability in 1999 and continuing success going forward.

THANKS TO PEMBINA'S TEAM

Pembina acknowledges the efforts of our many field and head office employees who, through their support and dedication, have made 1998 a resounding success. Thanks also goes to our experienced management team who, with the guidance and support of the Fund's Trustees and the Directors of the Corporation, kept the Fund on track to meet our objectives.

We believe the Pembina Pipeline Income Fund has earned your support by delivering on our commitments and providing the stable results our stakeholders have come to expect. During 1999 – and beyond – we will continue our efforts to preserve and enhance the financial and operating results that made this year's strong performance possible.

On behalf of the Board of Trustees of the Pembina Pipeline Income Fund,

W.R. Stedman
President, Chief Executive Officer
Pembina Pipeline Corporation
March 4, 1999



Left to Right:
Jim Watkinson,
*Vice President, General Counsel
and Secretary*
Bob Michaleski,
*Vice President Finance,
Chief Financial Officer*
Fred Webb
*Vice President,
General Manager*

MOVING ENERGY – OUR FOCUS

“serving a diverse customer base in a broad geographic area”

PEMBINA’S PIPELINE SYSTEMS

We consolidated our position as Canada’s largest feeder pipeline in 1998 by completing two significant connections to third-party pipelines and connecting new producing batteries. Our four pipeline systems collectively transported close to 400,000 barrels per day (gross) of light crude oil, condensate and natural gas liquids from a broad geographic area from southcentral Alberta to northeastern British Columbia. Pembina serves a diverse, solid customer base and offers competitive, unregulated transportation tariffs that are based on a mix of contractual and market-based rates. Together, the pipeline systems generated approximately \$109 million in revenues during 1998 with a systemwide average tariff of \$0.87 per barrel.

1998 OPERATIONAL HIGHLIGHTS

	Peace System	Pembina System	Bonnie Glen System ¹	Wabasca System ²
Throughput (mbbls/day)	201.3	104.7	36.6	1.0
Operating Revenue (millions)	\$73.3	\$27.2	\$7.7	\$0.5

¹ Pembina's 50% interest only

² Pembina's 10% interest only

Peace System

- 1,990 km of pipe with two interconnects from third party pipeline systems
- “batched” system carrying crude oil, condensate, NGLs and ethane
- in operation since 1955 with significant expansion throughout its 43 year history
- major pipeline expansion completed in 1997, adding 66,000 bbls/d of capacity, provides for expected growth in throughputs originating in the Deep Basin region

Pembina System

- 1,300 km of pipe serving 204 field batteries with one interconnect from a third party pipeline system
- separate crude oil and condensate gathering pipeline systems
- mainline constructed in 1954, expanded substantially over the years to meet growing regional oil production
- condensate service added in the 1980s and expanded in 1998 to meet growing demand

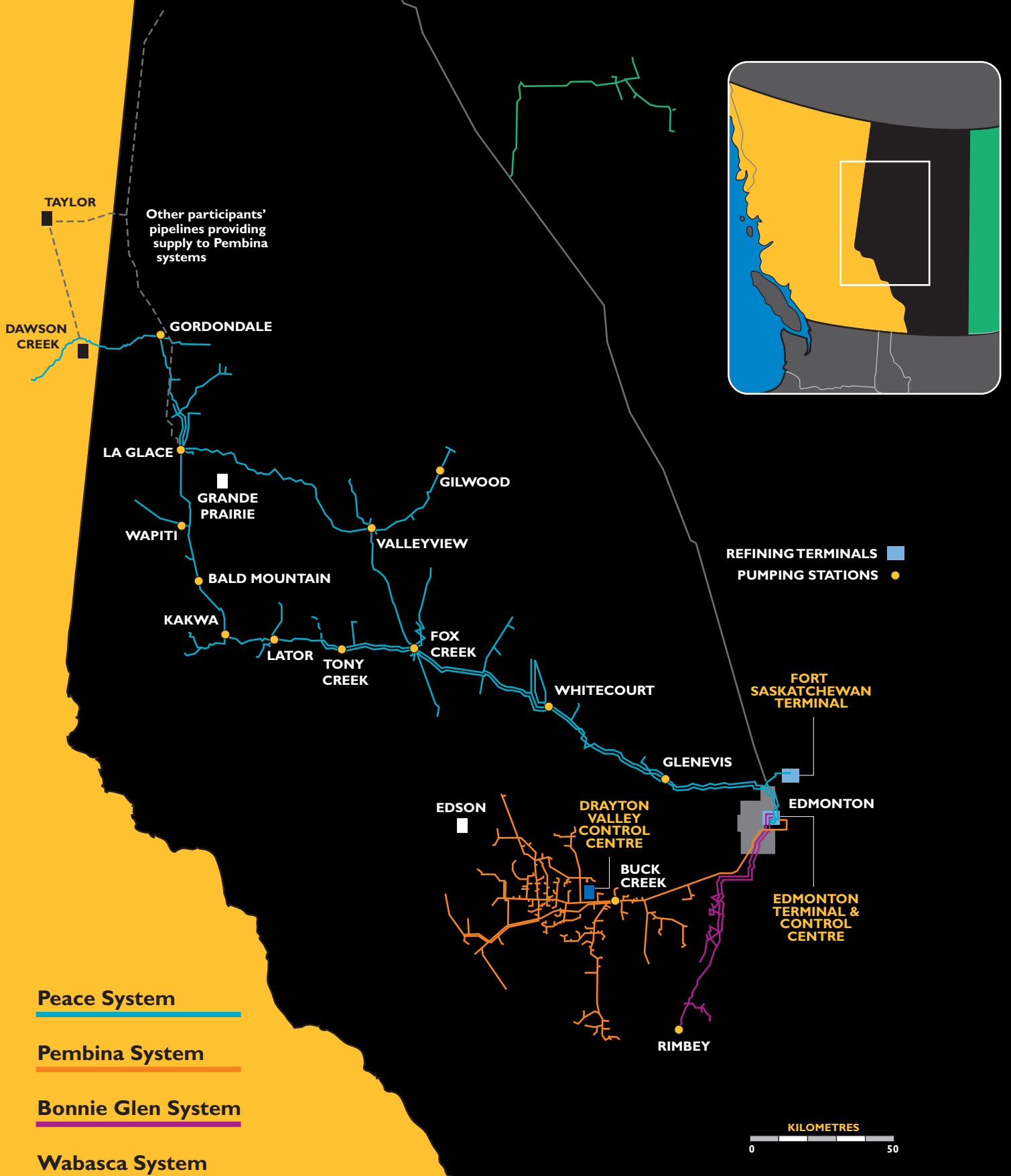
Bonnie Glen System

- Pembina holds a 50% non-operated ownership position in the Bonnie Glen system
- consists of two systems totalling 250 km of pipe: a “batched” pipeline system moving crude oil and condensate and a crude oil gathering system with one interconnect from a third party pipeline system
- Bonnie Glen system initially constructed in the mid 1950s with new mainline added during the 1990s

Wabasca System

- Pembina holds a 10% non-operated ownership position in the Wabasca River Pipeline
- 192 km crude oil gathering system
- in service since 1987 and since expanded to meet growing regional demand

B.C. ALBERTA



PEACE SYSTEM

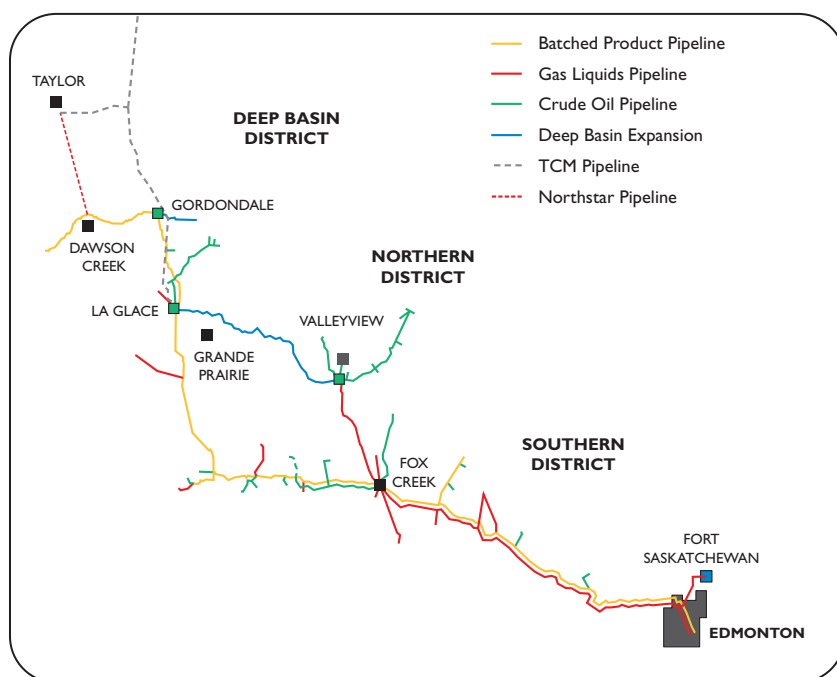
“steady returns with substantial growth potential”



Grande Prairie Office

The Peace system consists of a complex and technically sophisticated network of trunk and gathering lines that span the northwestern quadrant of Alberta and extend into northeastern British Columbia. The Peace pipelines carry crude oil, condensate, NGLs and ethane in batch mode, transporting products delivered from connected production battery sites, gas plants, truck unloading facilities and from two interconnections to third party pipelines. The Peace system has maintained total throughput levels in the 200,000 barrels per day range over the past several years as new developments in the Peace service area have offset normal decline rates for connected reserves. The Peace system is attached to a significant reserve base providing relatively steady returns with substantial growth potential.

Peace continued to expand its service during 1998. Five crude oil batteries were connected to the system during the year. Deliveries from the new Northstar Energy Corporation pipeline from Taylor, British Columbia commenced in April 1998. This interconnect to Peace at Dawson Creek, British Columbia allows Pembina and Northstar to offer shippers and producers in the rapidly-expanding crude oil and condensate fields in northeastern British Columbia pipeline service to eastern markets.



Peace System



PEACE SYSTEM

"Steady returns with substantial growth potential"

A ten year deliver-or-pay agreement with TransCanada Midstream (formerly Novagas Canada Ltd.) commenced in August, with deliveries coming on line in the third quarter and building over the last three months of the year.

Under the agreement, Peace transports an initial 19,000 barrels per day of ethane-rich NGLs from TCM storage facilities connected to Peace at LaGlace, Alberta to Fort Saskatchewan, Alberta. This agreement can be cancelled by TCM on its third year anniversary, in August 2001.

In August, Pembina announced the commencement of an Operating Agreement (for an initial one-year term) to contract-operate the Pelican Lake pipeline that went into service mid-1998. This agreement has given Pembina the opportunity to develop expertise in the operation of a heavy oil system and provides certain operational efficiencies by allowing us to spread our fixed costs over a larger base.

We have successfully contracted volumes at a number of new locations on the Peace system. Consequently, during 1999, over 50 percent of the system volumes will move under contract, with the balance moving under market-based tariffs that allow the tolling flexibility required to respond to changing economic and operational conditions. This mix of contracted and posted tariffs provide a measure of revenue certainty while maintaining the upside potential of the system.



LaGlace Terminal
& Pump Station

PEMBINA SYSTEM

“the low-cost transportation alternative”

The Pembina pipeline system has been in operation since the mid-1950's, serving the oil and gas producing fields of southcentral Alberta. This system, consisting of separate crude oil and condensate pipelines, gathers product from 204 field batteries and also takes delivery

of crude oil from another pipeline connected to Pembina's system very close to Edmonton, Alberta. Volumes shipped on this system are uncontracted, reflecting Pembina's position as the low-cost transportation alternative in the region.

Revenue generated by the system was within expectations during the year. There was a modest decline in total system throughputs in 1998, as natural declines in crude oil production were only partially offset by increased receipts of condensate. One new gas plant was tied-in to the system in late February, while initial volumes flowed through the expanded condensate pipeline that went into service on the Pembina system in April 1998.

Pembina continued its program of system rationalization by taking several small volume batteries out of service during the year. Pembina continues to receive the oil volumes produced from these batteries at its truck terminals.



Routine inspection and maintenance enhance pipeline integrity.



Pigeon Lake Battery Connection

BONNIE GLEN SYSTEM

"stable revenues from partner-operated joint venture"

Pembina has a 50 percent undivided ownership interest in this 250-kilometer gathering and trunkline system, which consists of a batched system transporting crude oil and condensate and a separate crude oil pipeline. Imperial Oil, the other 50 percent owner, operates the system under a joint venture agreement. The majority of throughput volumes on the Bonnie Glen system are shipped under contract.

Although 1998 volumes declined somewhat from previous years, revenues were relatively stable as the result of a new higher-toll, 10-year contract to transport condensate.

WABASCA SYSTEM

"minor interest in steady business"

Pembina holds a 10 percent ownership interest in the Wabasca River Pipeline, which is operated by Gulf Midstream Services Partnership, formerly Gulf Canada Resources Limited. Pembina's share of 1998 system throughputs was 1,035 barrels per day of crude oil, representing less than one percent of Pembina's combined pipeline throughput volume.



Edmonton Control Centre

MOVING ENERGY A Strong Safety Record

Safe, dependable service is a continuing focus of our pipeline operations. A series of preventative maintenance programs are in place, augmented by computer-based pipeline management systems that incorporate leading-edge technologies. Regularly scheduled programs of internal inspection and bacterial monitoring and treatment enhance pipeline integrity. State-of-the-art Supervisory Control and Data Acquisition (SCADA) systems are employed to remotely monitor and control pipeline product movements, and to provide annunciation of any operational anomalies. Receipt information gathered by SCADA is transmitted to Pembina's oil accounting computer-based systems, allowing us to proactively respond to and meet customer requests.

Our strong safety record supports the claim that well maintained steel pipe can remain in service almost indefinitely. By promoting an ongoing focus on these key issues, Pembina has earned its long-standing reputation of providing safe, reliable service to our customers.



MANAGEMENT'S DISCUSSION AND ANALYSIS

EARNINGS AND DISTRIBUTABLE CASH¹

Year ended December 31

(in thousands of dollars, except per Trust Unit amounts)	1998 Actual	1998 Forecast ²
Revenue	\$ 108,679	\$ 117,200
Operating expenses	38,301	44,200
Net operating income	70,378	73,000
Expenses:		
General and administrative	8,332	7,700
Management fees	890	900
Depreciation and amortization	41,765	41,400
	50,987	50,000
Operating earnings	19,391	23,000
Interest and other income (expense)	287	(400)
Income and other taxes	(391)	(1,300)
Net earnings	19,287	21,300
Items not involving cash		
Add: Depreciation and amortization	41,765	41,400
Capital and other taxes	408	—
Cash flow from operations	61,460	62,700
Deduct: Maintenance capital expenditures	(818)	(1,700)
Debt repayments	—	(1,700)
Increase in working capital reserve	(1,338)	—
Distributable cash	\$ 59,304	\$ 59,300
Distributable cash per Trust Unit	\$ 0.95	\$ 0.95

¹ Pembina Pipeline Income Fund distributes cash generated by the operations of Pembina Pipeline Corporation.

² The 1998 forecast is in accordance with the October 1997 prospectus.

This report to Unitholders for the year ended December 31, 1998 compares the results of operations with the forecast included in the initial public offering prospectus dated October 15, 1997 (the prospectus). No comparison has been made with the previous year as the results for 1997 were for a 69-day period.

The Fund's results for the first full fiscal year of operations as a publicly traded income fund were in line with the forecast included in the prospectus. For the year ended December 31, 1998, cash distributions of \$0.95 per Unit were declared, bringing the cumulative total distributions per Unit to \$1.09 for the period from October 24, 1997 to December 31, 1998 compared with \$1.07 indicated in the prospectus.

RESULTS FROM OPERATIONS

Revenue

The Fund's recorded revenues totalled \$108.7 million for the year ended December 31, 1998. This was \$8.5 million, or 7%, below the October 1997 prospectus forecast. Much of the variance is attributable to project delays on the Peace system, which represents the majority of Pembina's throughput volumes. The major volume reductions included:

- Five new crude oil battery sites connected during the first half of 1998 were not yet producing at capacity by year-end. Throughput is expected to increase during 1999 but may still fall below initial expectations.
- Volumes received from truck facilities and cleaning plants on the system were somewhat below forecast.
- Connection to the Northstar pipeline, initially scheduled for completion at the beginning of the year, was delayed until the second quarter. Volume received during 1998 was below the prospectus forecast, due mainly to relative pricing which favored the Vancouver over Edmonton market through the year. This is expected to continue into 1999.

The TransCanada Midstream pipeline connection to the Peace system was completed in August, essentially as anticipated. Although initial volumes were below the minimum commitment level, this shortfall had no revenue impact under the deliver-or-pay agreement in place.

Revenues on the Pembina system were down slightly from the forecast on lower than forecast pipeline throughput, and revenues generated by the non-operated interests in the Bonnie Glen and Wabasca systems were in line with the forecast.

The Peace system contributed 67% of total revenues, recording \$73.3 million for the year. Tariffs collected on the Peace system averaged \$1.00 per barrel during 1998, unchanged from the 1997 average. Revenues totalling \$27.2 million were contributed by the Pembina pipeline system, representing 25% of total revenues recorded for the year. The Pembina system average tariff of \$0.71 per barrel was up from the 1997 average, resulting for the most part from a change in throughput composition on the system. Revenue contribution from the non-operated systems was \$7.7 million and \$0.5 million for Bonnie Glen and Wabasca respectively, for a combined 8% of total 1998 revenue.

Expenses

1998 operating costs totalled \$38.3 million, \$5.9 million (13%) below the forecast \$44.2 million. This reduction was due primarily to reduced labour costs resulting from a restructuring that was implemented in late 1997. Lower power costs, resulting from lower-than-forecast throughput volumes also contributed to the reduction in total operating expense.

Net operating income for the year was \$70.4 million, which is \$2.6 million or 4% lower than forecast. The reduced volumes and revenue were partially offset by the reduction in operating costs.

General and administrative expenses of \$8.3 million were slightly above forecast, reflecting higher-than-anticipated costs associated with administering a public entity. The management fee of \$0.9 million for administration of the income trust is based on 1.5% of the annual cash distributions declared by the Fund, which totalled \$59.3 million in 1998.

DISTRIBUTABLE CASH

The Fund's distributable cash is determined by deducting maintenance capital expenditures and any required debt repayments and working capital reserve adjustments from the cash flow generated by Pembina's pipeline operations.

The Fund declared cash distributions to Unitholders totaling \$59.3 million for 1998. The total annual distribution of \$0.95 per unit represents income of which \$0.6189 per Unit is taxable income and \$0.3311 per Unit is non-taxable. The non-taxable portion is considered a return of capital and will reduce the cost base of each Unit for purposes of calculating the capital gains amount upon ultimate disposition of the Units.

At the Fund's Annual General & Special Meeting convened on April 30, 1998, Unitholders of the Fund approved a resolution to change from quarterly distributions to monthly distributions with the date of record being the last calendar day of each month. As a result of the mid-year reschedule, the Fund made nine cash distributions in 1998.

1998 CASH DISTRIBUTIONS TO UNITHOLDERS (\$ per Trust Unit)

Record Date	Payment Date	Other Taxable Income	Non-Taxable Amount	Total Distribution
March 31, 1998	April 15, 1998	0.1564	0.0836	0.2400
May 31, 1998	June 15, 1998	0.1043	0.0557	0.1600
June 30, 1998	July 15, 1998	0.0521	0.0279	0.0800
July 31, 1998	August 14, 1998	0.0521	0.0279	0.0800
August 31, 1998	September 15, 1998	0.0521	0.0279	0.0800
September 30, 1998	October 15, 1998	0.0521	0.0279	0.0800
October 31, 1998	November 13, 1998	0.0521	0.0279	0.0800
November 30, 1998	December 15, 1998	0.0521	0.0279	0.0800
December 31, 1998	January 15, 1999	0.0456	0.0244	0.0700
Total 1998		0.6189	0.3311	0.9500

LIQUIDITY AND CAPITAL RESOURCES

Pembina made capital expenditures of \$12.1 million during the year. Of the total, \$5.9 million was spent to construct new pipeline connections, \$5.4 million was invested in upgrades and additions to existing facilities, and the remaining \$0.8 million was spent on maintenance capital projects. The development program was funded from cash on hand. In 1999, development capital expenditures will be dependent on customer requirements for new connections. Upgrades and additions to existing facilities are expected to be lower than in 1998.

Pembina maintains a revolving credit facility of \$40 million to finance future development capital expenditures.

The second instalment payment on the Fund's instalment receipts of \$4.00 per Trust Unit fell due on October 23, 1998. 100% of the final instalment was tendered by the due date. The proceeds of \$249.7 million were used to repay the final instalment bank loan of \$236.2 million plus interest of \$13.5 million leaving the Fund debt free at the end of the year.

At December 31 there was \$6.2 million of working capital (current assets less current liabilities), leaving the Fund well positioned to meet its ongoing operational obligations. Working capital at December 31, 1997 was \$16.6 million. The Fund commenced operations in October 1997 with a large cash position which was utilized to fund development capital expenditures of \$11.2 million in 1998.

OUTLOOK AND RISKS

The economic environment in the oil and gas industry is expected to provide further growth opportunities for the Fund in 1999. Operating and financial forecasts for the Fund indicate stable results for 1999. We believe our forecasts are based on realistic assumptions. However, as with any forecast, there are inherent risks that could cause actual operating results to vary from our expectations.

Operational risk exists, arising from accidental environmental damage or increased obligations imposed by new or expanded regulations. Safety and environmental audits and a comprehensive insurance program (including seepage and pollution coverage) are in place to manage this risk.

Management has identified two further uncertainties that could potentially impact our future operating results.

Competitive risk arises from the introduction of new pipeline service into regions Pembina serves. Two new projects present potential risk to Pembina's future operations.

- We understand that Federated Pipe Lines Ltd. is approaching full operation of its new expansion line, extending Federated's pipeline service into northwestern Alberta and northeastern British Columbia, the area served by Pembina's Peace system and the Northstar and TCM pipelines to which it is interconnected. Pembina has been taking proactive steps to mitigate this risk including firm contracting of those volumes thought to be most at risk. The ultimate impact of this new pipeline service remains uncertain.
- The Alliance Pipeline Partnership, designed to transport ethane-rich natural gas from northern British Columbia and northwestern Alberta to market in the U.S. midwest, recently received final National Energy Board approvals. This pipeline, scheduled for completion in late 2000, will compete for some NGL volumes and, principally, for ethane volumes. Pembina believes the strong intra-Alberta demand for ethane as feedstock from the growing petrochemical industry and the expected increase in natural gas development in response to expanded pipeline capacity will mitigate some of the potential impact of Alliance Pipeline. However, the full impact on Pembina's operations is not known.

Pembina's continuing success is closely linked to the success of our customers. The impact that commodity prices have on the ongoing exploration and development activity undertaken by our customers will determine future demand for pipeline transportation. To date connected pipeline volumes have demonstrated no discernable crude oil price sensitivity however, the demand for new connections and service can be significantly impacted by the price of the underlying commodity. As well, the decline rate from existing connections is somewhat dependent on development and remediation work, which in turn varies with commodity prices. Relative pricing between natural gas and natural gas liquids can influence how much of the natural gas liquids are extracted from the gas stream.

YEAR 2000

Pembina has a program in place to review all date-sensitive operating systems, support tools and equipment for Year 2000 compliance and ensure that contingency plans are in place to maintain business continuity to the best of our ability. The company has conducted an inventory of key systems and is in the process of compliance testing. The identified upgrades and testing are expected to be completed by September 1999. Management does not expect the cost of this program to have a material effect on the financial position or results of operations. Key business partners have also indicated that their compliance projects are on track. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting Pembina, including those related to the efforts of customers, business partners, suppliers or third parties, will be fully resolved. Nor is it possible to predict the impact, if any, on Pembina's operations of possible Year 2000 effects on these third parties.

MANAGER'S REPORT

The consolidated financial statements of Pembina Pipeline Income Fund are the responsibility of Pembina Management Inc. (the "Manager"). The financial statements have been prepared in accordance with generally accepted accounting principles, using the Manager's best estimates and judgments.

The Manager is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. The Manager believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

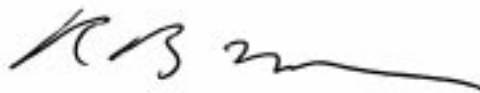
The Manager maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Trustees are responsible for ensuring that the Manager fulfills its responsibilities for financial reporting and internal control. The Trustees are assisted in exercising their responsibilities through the Audit Committee, which is composed of three non-management Trustees. The Committee meets periodically with the Manager and the auditors to satisfy itself that the Manager's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Trustees.

KPMG LLP, the independent auditors, have audited the Fund's financial statements in accordance with generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.



William R. Stedman
President, Chief Executive Officer
March 4, 1999



Robert B. Michaleski
Vice President Finance, Chief Financial Officer

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Pembina Pipeline Income Fund as at December 31, 1998 and 1997 and the consolidated statements of earnings, distributable cash and cash flows for year ended December 31, 1998 and the period from October 24, 1997 to December 31, 1997. These financial statements are the responsibility of the Fund manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 1998 and 1997 and the results of its operations and the cash flows for the year ended December 31, 1998 and the period from October 24, 1997 to December 31, 1997 in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 4, 1999

PEMBINA PIPELINE INCOME FUND
CONSOLIDATED BALANCE SHEETS

December 31
(In thousands of dollars)

	1998	1997
ASSETS		
Current assets:		
Cash and term deposits	\$ 1,882	\$ 14,034
Accounts receivable	12,913	15,996
Income taxes receivable		5,840
Final instalment receivable (note 6)		238,761
	14,795	274,631
Property, plant and equipment (note 4)	521,578	549,554
Other assets	6,444	8,144
	\$ 542,817	\$ 832,329
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,175	\$ 10,539
Distributions payable to Unitholders	4,370	8,740
Final instalment bank loan (note 6)		238,761
	8,545	258,040
Unitholders' equity:		
Trust Units (note 6)	578,473	578,473
Earnings to date	23,843	4,556
Distributions to date	(68,044)	(8,740)
	534,272	574,289
	\$ 542,817	\$ 832,329

See accompanying notes to consolidated financial statements.

On behalf of the Board of Trustees:



Trustee



Trustee

PEMBINA PIPELINE INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31, 1998 and
 Period from October 24, 1997 to December 31, 1997
 (In thousands of dollars, except per Trust Unit amounts)

	1998	1997
Revenue	\$ 108,679	\$ 20,759
Expenses:		
Operations	38,301	8,625
General and administrative	8,332	1,441
Management fee	890	131
Depreciation and amortization	41,765	6,123
	89,288	16,320
Operating earnings	19,391	4,439
Interest income	287	199
Capital and other taxes (note 7)	(391)	(82)
Net earnings	\$ 19,287	\$ 4,556
Earnings per Trust Unit	\$ 0.31	\$ 0.07

See accompanying notes to consolidated financial statements.

PEMBINA PIPELINE INCOME FUND
CONSOLIDATED STATEMENTS OF
DISTRIBUTABLE CASH

Year ended December 31, 1998 and
 Period from October 24, 1997 to December 31, 1997
 (In thousands of dollars, except per Trust Unit amounts)

	1998	1997
Net earnings	\$ 19,287	\$ 4,556
Items not involving cash:		
Depreciation and amortization	41,765	6,123
Capital and other taxes	408	
Cash flow from operations	61,460	10,679
Deduct:		
Maintenance capital expenditures	(818)	(652)
Increased working capital reserve	(1,338)	(1,287)
Distributable cash	\$ 59,304	\$ 8,740
Distributable cash per Trust Unit	\$ 0.95	\$ 0.14

See accompanying notes to consolidated financial statements.

PEMBINA PIPELINE INCOME FUND
CONSOLIDATED STATEMENTS OF
CASH FLOWS

Year ended December 31, 1998 and
 Period from October 24, 1997 to December 31, 1997
 (In thousands of dollars)

	1998	1997
Cash provided by (used in):		
Operations:		
Net earnings	\$ 19,287	\$ 4,556
Items not involving cash:		
Depreciation and amortization	41,765	6,123
Capital and other taxes	408	
Cash flow from operations	61,460	10,679
Change in non-cash working capital	2,121	6,765
	63,581	17,444
Financing:		
Proceeds on issue of Trust Units (note 6)		578,473
Final instalment receivable	249,700	(236,226)
Final instalment bank loan	(249,700)	236,226
Distributions to Unitholders – current year	(54,934)	
prior period	(8,740)	
	(63,674)	578,473
Investments:		
Acquisition of Pembina (note 3)		(578,473)
Development capital expenditures	(11,241)	(3,494)
Maintenance capital expenditures	(818)	(652)
Proceeds on disposal of equipment		736
	(12,059)	(581,883)
Change in cash and term deposits	(12,152)	14,034
Cash and term deposits, beginning of period	14,034	
Cash and term deposits, end of period	\$ 1,882	\$ 14,034

See accompanying notes to consolidated financial statements.

PEMBINA PIPELINE INCOME FUND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1998 and
Period from October 24, 1997 to December 31, 1997
(Tabular amounts stated in thousands of dollars, except per Trust Unit amounts)

I. STRUCTURE OF THE FUND:

Pembina Pipeline Income Fund (the “Fund”) is an unincorporated open ended trust formed under the laws of the Province of Alberta pursuant to a declaration of trust dated September 4, 1997. The Fund commenced operations on October 24, 1997 when it acquired all of the shares and notes of Pembina Pipeline Corporation (“Pembina”) which owns or has interests in pipelines and related facilities to deliver crude oil, condensates and natural gas liquids in Alberta and British Columbia.

The Fund makes monthly distributions of its distributable cash to Unitholders of record on the last day of each calendar month. The amount of the distributions per Trust Unit are equal to the pro-rata share of interest income (and in certain circumstances repayment of principle) on the Pembina notes and dividends (and in certain circumstances repayment of capital) on the Pembina shares less expenses of the Fund and cash redemptions of Trust Units.

Pursuant to the Fund’s distribution policy, it will pay interest, principle, dividends and capital subject to retaining an appropriate working capital reserve, satisfying its financing covenants, making loan repayments and, if applicable, funding future removal and site restoration reserves. Pembina’s maintenance capital expenditures are expected to be funded from available cash while ongoing pipeline development, expansions and acquisitions of pipeline assets and related facilities will be funded primarily through borrowings by Pembina or issuance of additional Trust Units by the Fund.

Pembina is managed by Pembina Management Inc. (the “Manager”) pursuant to a management agreement. As compensation for its services, the Manager receives:

- (a) a management fee equal to 1.5% of distributable cash;
- (b) an acquisition fee of 1.0% of the purchase price of any material pipeline asset or facility acquired or swapped;
- (c) a disposition fee of 0.75% of the sales price of any material pipeline asset or facility sold; and

PEMBINA PIPELINE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) an annual incentive fee calculated as a percentage of distributable cash per Trust Unit as follows:
7.5% of such distribution equal to or in excess of \$1.05 per Trust Unit annually but less than \$1.09 per Trust Unit annually; 10.0% of such distribution equal to or in excess of \$1.09 per Trust Unit annually but less than \$1.19 per Trust Unit annually; and 12.0% of such distribution equal to or in excess of \$1.19 per Trust Unit annually.

Pursuant to an administration agreement, as compensation for its administrative services to the Fund, the Manager receives an annual fee of \$20,000.

2. SIGNIFICANT ACCOUNTING POLICIES:

The preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of the Manager, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of generally accepted accounting principles.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Fund, its wholly owned subsidiary companies and partnership, its 50% non-operating interest in Bonnie Glen Joint Venture (“Bonnie Glen”) and its 10% non-operating interest in Wabasca River Pipeline (“Wabasca”). As the Fund’s undivided interests in Bonnie Glen and Wabasca are with others, the accounts reflect only its proportionate interest in such activities.

(b) Operating inventories:

Operating inventories are stated at the lower of cost and net realizable value.

(c) Property, plant and equipment:

Development capital expenditures (upgrades and expansions) and maintenance capital expenditures (major renewals and improvements) are capitalized at cost. Maintenance and repair costs are expensed as incurred. Interest is capitalized during the construction phase of large expansions.

PEMBINA PIPELINE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Depreciation:

Pipeline assets and facilities are depreciated using the declining balance method at rates ranging from 6% to 9% per annum. These rates are established to depreciate original costs over the economic lives or contractual duration of the related assets.

(e) Future removal and site restoration obligation:

A provision for future removal and site restoration obligations has not been made. Obligations will be accrued when reasonably estimable as industry practices and legislation develop. These obligations, net of any expected recoveries, are not expected to have a material effect on the Fund's consolidated financial position. Removal and site restoration costs are currently expensed when incurred.

(f) Income taxes:

Income taxes, based on current legislation, are recorded on the deferral method of accounting as the subsidiaries are projected to be taxable in the future. Income tax obligations relating to distributions from the Fund are the obligations of the Unitholders. Accordingly, no provision for income taxes on the earnings of the Fund have been made.

3. ACQUISITION OF PEMBINA:

The acquisition of Pembina has been accounted for by the purchase method of accounting. The acquisition was completed on October 24, 1997 and the results of operations have been included in these consolidated financial statements from that date.

Net assets acquired, value assigned at October 24, 1997:

Property, plant and equipment	\$ 549,265
Current assets (including cash of \$43,058)	66,832
Other assets	8,428
Current liabilities	(46,052)
Cash consideration paid	\$ 578,473
Financed by:	
Proceeds from initial instalment on issue of Trust Units	\$ 342,247
Final instalment bank loan	236,226
	\$ 578,473

PEMBINA PIPELINE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT:

	1998	1997
Pipeline assets and facilities, at cost	\$ 564,717	\$ 552,675
Less accumulated depreciation	(45,887)	(5,839)
	518,830	546,836
Operating inventory	2,748	2,718
	\$ 521,578	\$ 549,554

Effective January 1, 1998 the Fund increased the rates of depreciation from a range of 5% to 7% per annum to a range of 6% to 9% per annum. This change resulted in an increase in depreciation expense and a decrease in net earnings of \$7.6 million in 1998 (\$0.12 per Trust Unit).

5. REVOLVING CREDIT FACILITY:

Pembina has a revolving credit facility in the amount of \$40.0 million with a Canadian chartered bank. Borrowings are unsecured and bear interest at the bank's prime rate. No repayments are required on the facility until Pembina or the bank delivers notice, which is permitted each October 24, to convert to a term loan. On conversion to a term loan, Pembina would be required to make equal consecutive quarterly repayments over a seven year term.

6. TRUST UNITS:

On October 24, 1997, the Fund issued 62,425,000 Trust Units at a price of \$10.00 per Trust Unit payable on an instalment basis. The Fund received the initial instalment of \$6.00 per Trust Unit for aggregate proceeds of \$342.2 million, net of issue costs of \$32.3 million. The final instalment of \$4.00 per Trust Unit was paid on October 23, 1998. Prior to the final instalment, beneficial ownership of the Trust Units was represented by instalment receipts and pledged to the Fund to secure the obligation to pay the final instalment.

The Fund borrowed an amount equal to the aggregate final instalment receivable, net of \$13.5 million of banking fees and interest cost to October 23, 1998. During the year ended December 31, 1998, banking fees and interest expense of \$11.0 million (1997 – \$2.5 million) has been offset by interest earned on the final instalment receivable.

PEMBINA PIPELINE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Trust Units are redeemable at any time at the option of the holder. The redemption price is equal to the lesser of 95% of the average market price of the Trust Units during a 10 day period commencing immediately after the redemption date and the closing market price on the redemption date. The total amount payable by the Fund in respect of redemptions in any calendar month shall not exceed \$250,000. To the extent that a Unitholder is not entitled to receive cash upon the redemption of the Trust Units, the redemption price shall be satisfied by way of the Fund distributing a pro-rata number of Pembina notes, shares or securities of other businesses, if any, acquired from time to time.

A Trust Unit option plan has been established which provides for the issuance of options to acquire Trust Units to directors, officers, employees and trustees of the Fund. The number of units reserved is initially limited to 6,242,500 Trust Units, subject to increase with the approval of the Unitholders. On January 27, 1999, the Board of Trustees of the Fund authorized the issuance of 1,181,100 options at a price of \$8.35 per Trust Unit. Subject to Unitholders' approval, the options expire seven calendar years after the date of issue.

7. INCOME TAXES:

At December 31, 1998, the subsidiaries had accumulated losses and share issue costs for tax purposes aggregating \$8 million (1997 – \$12 million) which are available to be deducted from future taxable income. The benefit of utilizing these losses and costs has not been recognized in the financial statements. At December 31, 1998, the subsidiaries had property, plant and equipment with a net book value of \$370 million (1997 – \$410 million) which is not deductible for tax purposes.

A new accounting standard for the recognition, measurement, presentation and disclosure of income taxes has been issued. The new standard requires the use of the liability method of tax allocation accounting whereby the measurement of future tax assets or liabilities will be based on a balance sheet approach rather than the income statement approach under the deferral method. The new standard is effective for the Fund's 2000 fiscal year. Upon adoption, the new method may be applied either with or without restating prior years' financial statements. While the Fund has not determined the method that it will use to initially apply the new standard, it is estimated that adoption will result in the recognition of a future tax liability of approximately \$160 million at December 31, 1998.

PEMBINA PIPELINE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The operations of the Fund and its subsidiaries are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are tax matters that have not yet been confirmed by taxation authorities. The Fund believes the provision made for income taxes is adequate.

8. PENSION PLANS:

Pembina maintains non-contributory defined benefit pension plans covering its employees. The plans provide benefits based on projections of employees' compensation levels to the time of retirement. At December 31, as determined by Pembina's actuaries, the approximate present value of accrued pension benefits and the value of pension fund assets are as follows:

	1998	1997
Accrued pension benefits	\$ 36,532	\$ 33,630
Pension fund assets	41,789	39,152

9. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of financial assets (final instalment receivable, accounts receivable and income taxes receivable) and liabilities (accounts payable, distributions payable and final instalment bank loan) approximate their fair value due to the relatively short periods to maturity or demand nature.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, business partners, suppliers, or other third parties, will be fully resolved.

**PEMBINA PIPELINE INCOME FUND
SUPPLEMENTAL INFORMATION**

FINANCIAL STATISTICS:

(\$000's except per Trust Unit)	1998				Year Ended	Period Ended
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Dec. 31/98	Dec. 31/97*
Operating Revenue	\$ 27,651	\$ 26,322	\$ 27,762	\$ 26,944	\$ 108,679	\$ 20,759
Operating Expense	9,830	9,257	10,292	8,922	38,301	8,625
General and Administrative Expense	2,055	1,986	2,017	2,274	8,332	1,441
Management Fee	225	225	225	215	890	131
Depreciation and Amortization**	10,092	11,042	10,192	10,439	41,765	6,123
Interest and Other Income	(120)	30	(38)	(159)	(287)	(199)
Capital and Other Taxes	125	126	124	16	391	82
Net Earnings	\$ 5,444	\$ 3,656	\$ 4,950	\$ 5,237	\$ 19,287	\$ 4,556
Add:						
Depreciation and Amortization	\$ 10,092	11,042	10,192	10,439	41,765	\$ 6,123
Non-Cash Tax	0	251	124	33	408	0
Deduct:						
Maintenance Capital Expenditures	454	304	92	(32)	818	652
Increase (Decrease) in Working Capital Reserve	100	(337)	192	1,383	1,338	1,287
Distributable Cash	\$ 14,982	\$ 14,982	\$ 14,982	\$ 14,358	\$ 59,304	\$ 8,740
Distributable Cash per Trust Unit	\$ 0.2400	\$ 0.2400	\$ 0.2400	\$ 0.2300	\$ 0.9500	0.1400
Other taxable income	\$ 0.1564	\$ 0.1564	\$ 0.1563	\$ 0.1498	\$ 0.6189	0.0992
Return of capital amount	\$ 0.0836	\$ 0.0836	\$ 0.0837	\$ 0.0802	\$ 0.3311	0.0408

* Period from October 24, 1997 to December 31, 1997

** Depreciation and amortization has been restated to reflect an increase in depreciation rates from a range of 5% to 7% per annum to a range of 6% to 9% per annum.

**PEMBINA PIPELINE INCOME FUND
SUPPLEMENTAL INFORMATION**

OPERATING STATISTICS:

	1998				Year Ended	Period Ended
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Dec. 31/98	Dec. 31/97*
Pipeline Throughput – By Pipeline System						
(thousands of barrels per day)						
Peace Pipeline	210.2	188.9	204.4	201.8	201.3	205.9
Pembina Pipeline	112.7	106.4	100.7	99.2	104.7	112.7
Bonnie Glen	37.9	39.3	35.0	34.3	36.6	35.5
Wabasca River	0.9	1.1	1.1	1.0	1.0	1.1
Total Pipeline Throughput	361.7	335.7	341.2	336.3	343.6	355.2
System-Wide						
Average Tariff	\$0.85	\$0.86	\$0.88	\$0.87	\$0.87	\$0.85

UNIT TRADING ACTIVITY:

	PIF:IR				PIF:UN		PIF:IR
	1998				1998		1997
	1Q	2Q	3Q	Oct 1-Oct 23	Oct 23-Dec 31	Oct 24-Dec 31	
Unit Trading Price – High	\$6.00	\$5.30	\$4.31	\$3.90	\$9.00	\$6.15	
– Low	\$5.05	\$4.16	\$2.30	\$2.70	\$7.55	\$5.60	
– Close	\$5.20	\$4.20	\$3.20	\$3.65	\$8.25	\$5.95	
Average Daily Volume Traded (# units)	78,679	80,562	92,400	214,430	112,253	264,904	

Pembina Trust Units commenced trading under the TSE stock symbol PIF:UN on October 23, 1998 (formerly PIF:IR – instalment receipts)

*Period from October 24, 1997 to December 31, 1997

**PEMBINA PIPELINE INCOME FUND
SUPPLEMENTAL INFORMATION**

FIVE YEAR PIPELINE THROUGHPUT STATISTICS:

average annual throughput in thousands of barrels per day

	1998	1997	1996	1995	1994
Peace System					
Crude Oil	92.3	102.1	111.9	112.3	124.4
Condensate	38.8	34.6	31.1	31.9	29.2
Natural Gas Liquids	70.2	61.9	58.1	57.8	49.0
System Total	201.3	198.6	201.1	202.0	202.6
Pembina System					
Crude Oil	84.0	87.9	93.4	101.7	106.9
Condensate	17.2	15.0	13.2	13.8	12.8
Rangeland Crude Oil	3.5	8.6	13.4	3.7	0.6
System Total	104.7	111.5	120.0	119.2	120.3
Bonnie Glen System¹					
Rangeland Crude Oil	32.8	35.9	35.1	40.2	41.3
Condensate	19.6	19.6	20.9	19.2	16.0
Crude Oil	20.7	22.1	22.9	21.2	22.9
System Total	73.1	77.6	78.9	80.6	80.2
Wabasca System²					
System Total (crude oil)	10.3	12.5	18.6	15.3	14.3
TOTAL PIPELINE SYSTEMS					
Total all Products	389.4	400.2	418.6	417.1	417.4
TOTAL PEMBINA³					
Crude Oil	207.6	228.9	247.7	217.7	231.9
Condensate	65.8	59.4	54.8	45.7	42.0
Natural Gas Liquids	70.2	61.9	58.1	57.8	49.0
Total Pembina	343.6	350.2	360.6	321.2	322.9
THROUGHPUT COMPOSITION					
Crude Oil	60.4%	65.4%	68.7%	67.8%	71.8%
Condensate & NGLs	39.6%	34.6%	31.3%	32.2%	28.2%

1 Table depicts 100% of Bonnie Glen System average daily throughput volumes. Pembina's interest is 50%

2 Table depicts 100% of Wabasca System average daily throughput volumes. Pembina's interest is 10%.

3 Table depicts Pembina interest only, Bonnie Glen volumes commence 1996, Wabasca commence 1997.



CORPORATE AND UNITHOLDER INFORMATION

OFFICERS AND KEY PERSONNEL

William R. Stedman

President, Chief Executive Officer

Robert B. Michaleski

Vice President Finance, Chief Financial Officer

Fred E. Webb

Vice President, General Manager

D. James Watkinson, Q.C.

Vice President, General Counsel and Secretary

Peter D. Robertson

Controller

David C. Blackadar

Manager, Engineering

S. Bruce Harris

Manager, Operations

BOARD OF DIRECTORS Pembina Pipeline Corporation

Lorne B. Gordon¹

Chairman

Calgary, Alberta

President and CEO,

Coril Holdings Ltd.

William R. Stedman

Calgary, Alberta

President and CEO,

Pembina Pipeline Corporation

Lenard M. Sali, Q.C.

Calgary, Alberta

Partner, Bennett Jones

Robert F. Taylor¹

Calgary, Alberta

Independent Businessman

Myron F. Kanik¹

Calgary, Alberta

President, Canadian Energy

Pipeline Association

BOARD OF TRUSTEES Pembina Pipeline Income Fund

David N. Kitchen¹

Chairman

Calgary, Alberta

Independent Businessman

William R. Stedman

Calgary, Alberta

President and CEO

Pembina Pipeline Corporation

Dallas L. Droppo¹

Calgary, Alberta

Partner, Blake, Cassels & Graydon

Thomas F. Rahilly

Toronto, Ontario

Vice-Chairman, RBC Dominion Securities Inc.

Gordon W. Phillips¹

Calgary, Alberta

President and Chief Executive Officer

Guard Resources Ltd.

¹ Audit Committee Members



AUDITORS

KPMG LLP

Chartered Accountants

Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company

of Canada

600, 530 - 8th Avenue S.W.

Calgary, Alberta T2P 3S8

STOCK EXCHANGE

Pembina Pipeline Income Fund

Trust Units are listed on

The Toronto Stock Exchange

under the symbol PIF.UN

INVESTOR INQUIRIES CONTACT

Glenys E. Hermanutz

Manager, Investor Relations

Phone: (403) 231-7427

e-mail:

investor-relations@pembina.com

ANNUAL GENERAL AND SPECIAL MEETING

Unitholders are invited to attend

Pembina's annual meeting on

April 30, 1999 at 3:00 p.m. at

The Westin Hotel,

324 - 4th Avenue S.W. in

Calgary, Alberta.

HEAD OFFICE

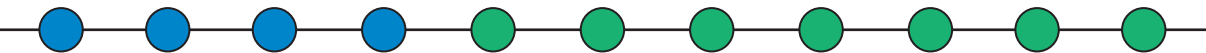
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Pembina Pipeline Income Fund

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