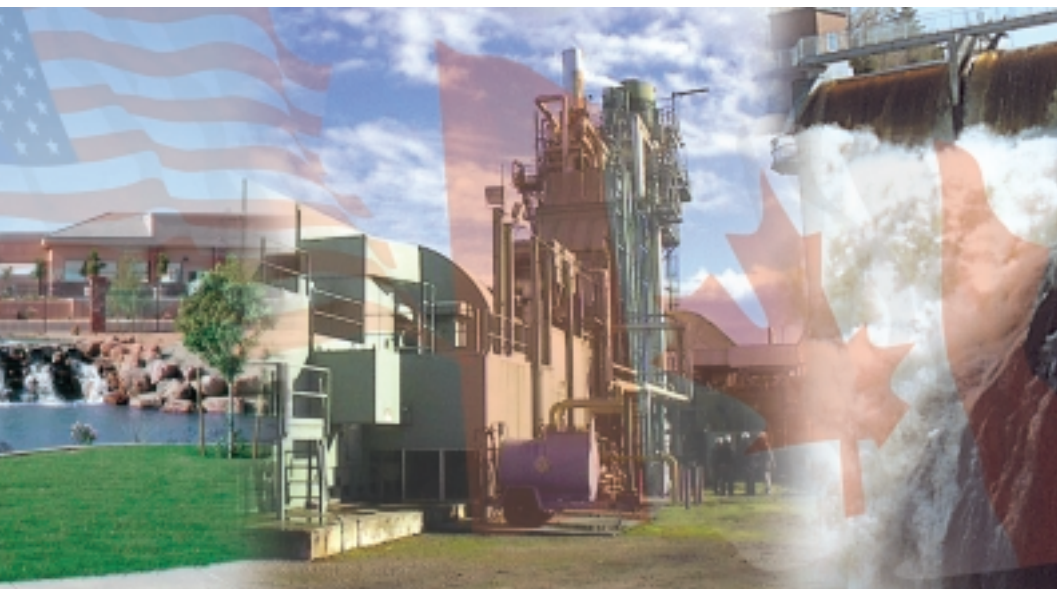


EXPERIENCE • STABILITY • OPPORTUNITY



Third Quarter Report
September 30, 2004

ALGONQUIN
 **POWER**
Income Fund

Report to Unitholders

The Algonquin Power Income Fund increased cash available for distribution to \$0.23 per trust unit and maintained distributions at \$0.23 per trust unit during the third quarter, 2004, consistent with the third quarter, 2003. Other performance highlights for the third quarter, 2004 include:

- Revenue of \$40.7 million compared to \$38.1 million for the third quarter, 2003
- Net earnings of \$11.5 million compared to \$10.0 million for the third quarter, 2003.
- Net earnings per trust unit increased to \$0.16 compared to \$0.15 for the third quarter, 2003.
- Cash available for distribution increased to \$0.23 per trust unit from \$0.19 per trust unit for the third quarter, 2003.

Nine Months Ended September 30, 2004

The Fund reported revenue of \$119.8 million compared to \$107.9 million for the same period, 2003. Net earnings for the period were \$22.9 million compared to \$38.1 million for the same period, 2003. Net earnings per trust unit for the first nine months, 2004 were \$0.33 compared to \$0.56 per trust unit for the comparative period of 2003. Cash available for distribution increased to \$0.69 per trust unit compared to \$0.60 for the same period, 2003. The Fund distributed \$0.69 per trust unit, consistent with the nine months, 2003.

Financial Highlights

- The Fund completed an offering of \$85 million of seven year convertible unsecured debentures bearing a coupon of 6.65%, paid semi annually starting January 31, 2005. The convertible debentures are to be repaid in cash or units and will be convertible at anytime up to maturity at the option of the holder into units of the Fund at a conversion price of \$10.65 per trust unit. The debentures may not be redeemed by the Fund prior to July 31, 2007. Net proceeds from the offering were used to repay the acquisition line of credit to fund working capital.
- On September 30, 2004, the Fund acquired an interest in 12 landfill gas-powered generating stations (the "LFG Facilities") representing approximately 36MW of installed capacity. The purchase price for the LFG Facilities was \$11.7 million (US \$9.3 million). The majority of the LFG Facilities were commissioned in the late 1990s. The electricity produced is sold to a number of large utilities pursuant to long-term power purchase agreements with an average termination date of 2011.
- In addition to the purchase of the LFG Facilities, the Fund has provided debt financing in the amount of \$11.2 million (US\$8.9 million) to Across America LFG LLC, a majority-owned subsidiary of a Fortune 50 company. Across



Experience

Stability

Opportunity

America LFG LLC, through its subsidiaries, owns and manages the landfill gas collection systems which provide landfill gas to the LFG Facilities.

Operating Highlights

- Overall, the Fund generated revenue and operating profit in excess of the prior year.
- The Hydroelectric Division lead the quarter with strong production ahead of the prior year in all regions with the exception of Ontario where production was slightly below the prior year. Hydroelectric Division production during the third quarter was 114% of long-term averages. Operating profit for the third quarter exceeded the prior year and management expectations.
- The Cogeneration Division earned higher revenues than the prior year, but posted slightly lower operating profits due to higher repair and maintenance costs.
- The Alternative Fuels Division posted higher revenues and higher operating profits during the third quarter of 2004 compared to the same period in 2003 primarily as a result of improved operating results at the Peel-Energy-from-Waste facility.
- The Infrastructure Division posted higher revenue and operating profits primarily due to an increase in customers resulting from growth in the Fund's operating markets.

Fund management continues to search for opportunities in its target markets that will offer highly predictable cash flows and regulated market structure.

Thank you for your continuing support as the Algonquin Power Income Fund continues to focus on maintaining stable cash flows and growing the portfolio during the balance of 2004 and beyond.

Ken Moore

Chairman

Management Discussion and Analysis

(All figures are in thousands of dollars, except per unit values)

For the quarter ended September 30, 2004, the Fund reported total revenue of \$40.7 million compared to \$38.1 million for the same period in 2003. Revenue for the third quarter of 2004 increased primarily due to significantly improved hydrologic conditions. These conditions led to an increase in Hydroelectric Division revenue from \$7.8 million to \$9.8 million. Infrastructure Division revenue increased from \$6.1 million to \$6.4 million due to the addition of new customers. Cogeneration Division revenue increased from \$19.3 million to \$19.5 million. Alternative Fuels Division revenue increased from \$4.9 million to \$5.0 million.

Net earnings for the third quarter of 2004 were \$11.5 million compared to \$10.0 million for the same period in 2003. Net earnings per trust unit increased to \$0.16 in the third quarter of 2004 from \$0.15 in the third quarter of 2003. Net earnings were higher than the prior year due to higher revenue.

The Fund generated \$0.23 per trust unit of cash available for distribution for the third quarter 2004, compared to \$0.19 per trust unit for the third quarter of 2003.

During the third quarter of 2004, the Fund maintained distributions at \$0.23 per trust unit, consistent with the same period in 2003.

For the nine months ended September 30, 2004, the Fund reported revenue of \$119.8 million compared to \$107.9 million for the same period in 2003. Revenue increased primarily due to the addition of the Windsor Locks generating facility and Litchfield Park Services Company (Litchfield Park) during the first quarter of 2003 as well as significantly improved hydrologic conditions in the third quarter of 2004. The revenue increase was partially offset by lower power rates earned on the New Hampshire hydroelectric facilities.

Net earnings for the nine months ended September 30, 2004 were \$22.9 million, compared to \$38.1 million for the same period in 2003. Net earnings per trust unit for the nine months ended September 30, 2004 were \$0.33 compared to \$0.56 per trust unit for the same period in the prior year. Net earnings for the nine months ended September 30, 2004 were lower than the same period in the prior year primarily as a result of the Fund posting a \$3.5 million foreign exchange gain and a \$0.2 million future tax recovery during the period. This compares to a \$14.6 million foreign exchange gain and a \$7.3 million future tax recovery for the same period in the prior year.

The Fund generated \$0.69 per trust unit of cash available for distribution for the nine months ended September 30, 2004 compared to \$0.60 for the same period in 2003.

The Fund distributed \$0.69 per trust unit, consistent with the same period in 2003.

	Three months		Nine months	
	ended September 30 2004	2003	ended September 30 2004	2003
Revenues	40,682	38,088	119,797	107,927
Net income	11,485	10,023	22,888	38,088
Distribution to unitholders	16,015	15,601	47,354	46,802
Cash available for distribution	15,856	12,781	47,202	40,968
Per unit				
Net income	0.16	0.15	0.33	0.56
Distribution to unitholders	0.23	0.23	0.69	0.69
Cash available for distribution	0.23	0.19	0.69	0.60

The information in this Management Discussion and Analysis is supplemental to and should be read in conjunction with the Fund's unaudited consolidated financial statements for the nine months ended September 30, 2004, as well as the audited consolidated financial statements and the related Management Discussion and Analysis contained in the 2003 Annual Report. The Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Fund's reporting currency is the Canadian dollar.

The term 'cash available for distribution' is used throughout this Management Discussion and Analysis. 'Cash available for distribution' is not a recognized measure under accounting principles generally accepted in Canada. The Fund's method of calculating 'cash available for distribution' may differ from methods used by other companies and accordingly may not be comparable to similar measures presented by other companies. A calculation of 'cash available for distribution' can be found in this Management Discussion and Analysis.

Highlights

In July 2004, the Fund completed an offering of \$85 million of convertible unsecured debentures. The debentures are due July 31, 2011 and bear interest at 6.65% per annum, payable semi-annually in arrears. The debentures are to be repaid in cash or units and will be convertible at anytime up to maturity at the option of the holder into units of the Fund at a conversion price of \$10.65 per trust unit. The debentures may not be redeemed by the Fund prior to July 31, 2007. Net proceeds from the debenture offering were used to repay the acquisition line of credit and fund working capital. The debenture is accounted as debt since the equity portion is nominal.

On September 30, 2004, the Fund acquired an interest in 12 landfill gas-powered generating stations (the "LFG Facilities") representing approximately 36MW of installed capacity. The purchase price for the LFG Facilities was \$11.7 million (US \$9.3). The majority of the LFG Facilities were commissioned in the late 1990s. The electricity is sold to a number of large utilities pursuant to long-term power purchase agreements with an average termination date of 2011.

In addition to the purchase of the LFG Facilities, the Fund has provided debt financing in the amount of \$11.2 million (US\$8.9) to Across America LFG LLC, a majority-owned subsidiary of a Fortune 50 company. Across America LFG LLC, through its subsidiaries, owns and manages the landfill gas collection systems which provide landfill gas to the LFG Facilities.

Hydroelectric Division

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Performance (MW-hrs sold)				
Quebec Region	74,771	63,917	224,122	185,661
Ontario Region	34,186	34,482	108,991	92,798
New England Region	12,471	10,324	55,874	57,152
New York Region	16,595	11,508	59,603	61,703
Western Region	<u>26,773</u>	<u>15,713</u>	<u>51,423</u>	<u>49,200</u>
Total	164,796	135,944	500,013	446,514
Revenues				
Energy sales	\$9,800	\$7,817	\$32,986	\$33,073
Expenses				
Operating expenses	\$(3,980)	\$(3,646)	\$(12,769)	\$(12,249)
Other income	87	42	391	298
Division operating profit (incl. other income)	\$5,907	\$4,213	\$20,608	\$21,122

Third quarter revenue from the Hydroelectric Division was \$9.8 million in 2004 compared to \$7.8 million in the third quarter of 2003. The increase in revenue is primarily due to improved production in all regions, except Ontario. Energy sold increased 21.2% or 28,852 MW-hrs to 164,796 MW-hrs. During the quarter, the Fund's Hydroelectric Division power generation was 114.1% of long-term averages compared to 94.7% during the same period in the prior year. For the nine months ended September 30, 2004, revenue from the Hydroelectric Division was \$33.0 million compared to \$33.1 million in the prior year. Higher energy generated during the current year was partially offset by lower power rates earned on the New Hampshire facilities where the Fund is currently selling electricity at market rates after renegotiating the power purchase agreements in return for a lump sum payment in 2003.

Operating expenses increased to \$4.0 million for the third quarter of 2004 compared to \$3.6 million in the third quarter of 2003. For the nine months ended September 30, 2004, operating expenses were \$12.8 million compared to \$12.2 million in the prior year. The increase is primarily due to higher operating costs.

For the third quarter of 2004, the Hydroelectric Division's operating profit increased to \$5.9 million from \$4.2 million in the third quarter of 2003. For the nine months ended September 30, 2004, operating profit decreased to \$20.6 million compared to \$21.1 million for the same period in 2003. For both the quarter and on a year-to-date basis, operating profit was above management's expectations primarily due to higher revenues offset slightly by higher operating costs.

Outlook

Water levels in regions in which the Fund's hydroelectric facilities are located are approaching long-term averages this year, contributing to the significantly improved hydrologic conditions. The Fund's three largest hydroelectric facilities, Long Sault, Côte Ste Catherine and Dickson Dam, accounted for 40% of the third quarter gross revenue.

The Long Sault Rapids facility benefits from being located on the Abitibi River with flows almost entirely dictated by hydroelectric requirements. The manager of water levels indicates that the forecast for the fourth quarter is uncertain at this time as Lake Abitibi is at normal operating levels and flows will be primarily dependent on precipitation rather than lake drawdown. The facility generated 110.4% of target in the third quarter 2004 and the year to date generation at the end of the third quarter was 104%.

The Côte Ste-Catherine facility is located on the St Lawrence Seaway and production at the site is primarily dependent on water levels rather than flow availability. Decreased water levels below historical averages are indicated for the site in the fourth quarter. Trends indicate that levels will increase again in the first quarter, 2005.

At the Dickson Dam facility, fourth quarter production is expected to be at or slightly below normal levels overall as the Province of Alberta releases stored water. Normal precipitation is anticipated.

Cogeneration Division

	Three months		Nine months	
	ended September 30 2004	2003	ended September 30 2004	2003
Performance (MW-hrs sold)	135,336	136,865	387,793	306,652
Revenues				
Energy sales	\$19,493	\$19,300	\$54,290	\$44,711
Expenses				
Operating expenses	\$(12,997)	\$(12,600)	\$(38,530)	\$(30,596)
Interest and dividend income	870	1,254	3,275	3,814
Division operating profit				
(incl. interest and dividend income)	\$7,366	\$7,954	\$19,035	\$17,929

Third quarter revenue from the Cogeneration Division totaled \$19.5 million compared to \$19.3 million in the third quarter of 2003. The increase in revenue is due to higher electrical and thermal energy sales at the Crossroads and Windsor Locks facilities and higher gas prices which are passed through to the thermal energy customer at Crossroads. Interest and other income decreased to \$0.9 million from \$1.3 million in the third quarter 2004 due to the repayment of the Cardinal note in April 2004.

For the nine months ended September 30, 2004, revenue was \$54.3 million compared to \$44.7 million during the same period in the prior year. The increase in revenue is due to the inclusion of the Windsor Locks facility in the first quarter

of 2003. The additional revenue from Windsor Locks was partially offset by an unplanned gas turbine outage caused by a component failure at the Sanger facility in February. The lost revenue, net of variable costs and associated repair costs, was covered by insurance subject to a 30-day waiting period. There was a US\$300,000 deductible for the repairs.

Operating expenses increased to \$13.0 million in the third quarter of 2004 from \$12.6 million in the third quarter of 2003. The increase is due to higher fuel costs, passed through to customers, as well as repair and maintenance costs.

For the nine months ended September 30, 2004, operating expenses increased to \$38.5 million from \$30.6 million primarily due to the addition of the Windsor Locks facility during the first quarter of 2003. The Fund recognized costs associated with the Sanger turbine repairs during both the first and second quarters, including the insurance deductibles and other repairs not covered by insurance.

Operating profit for the third quarter of 2004 was \$7.4 million, a decrease from the \$8.0 million recorded in the third quarter of 2003. Operating profit for the nine months ended September 30, 2004 was \$19.0 million compared to \$17.9 million for the same period in 2003. The decrease for the third quarter of 2004 was due primarily to increased repair and maintenance expenditures and lower interest and other income due to the repayment of the Cardinal note in the second quarter of 2004. The increase for the nine months ended September 30, 2004 is a result of the inclusion of the Windsor Locks facility in the first quarter of 2003. Operating profit for the third quarter was below management's expectations primarily due to increased repair and maintenance expenditures. Operating profit for the nine months ended September 30, 2004 was below management's expectations primarily due to the earlier than planned shutdown during the second quarter at the Sanger facility, coupled with increased gas costs.

Outlook

The Windsor Locks and Sanger facilities have performed well during the third quarter. This performance is expected to continue into the fourth quarter. The Division is expected to meet plan overall during the fourth quarter. Optimization of the power purchase agreement at Sanger combined with gas sales will continue to benefit revenue through the last quarter. Availability at the Crossroads facility has improved over the past quarter and is expected to remain at these levels through year end.

Alternative Fuels Division

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Performance (MW-hrs sold)	22,803	23,639	67,528	72,392
Performance (tonnes waste processed)	41,311	36,398	120,020	113,896
Revenues				
Energy sales	\$1,384	\$1,663	\$4,221	\$4,836
Waste disposal sales	3,598	3,213	10,583	10,317
Total revenues	\$4,982	\$4,876	\$14,804	\$15,153
Expenses				
Operating expenses	\$(3,272)	\$(3,233)	\$(9,862)	\$(9,654)
Interest and dividend income	277	448	730	1,055
Division operating profit (incl. interest and dividend income)	\$1,987	\$2,091	\$5,672	\$6,554

Third quarter revenue from the Alternative Fuels Division totaled \$5.0 million compared to \$4.9 million in 2003. The increase was primarily due to larger quantities of waste processed at the Peel Energy-from-Waste (Peel) facility where throughput increased 13.5% to 41,311 tonnes. This was offset by a 3.5% decrease in energy sold to 22,803 MW-hrs. Revenue declined at the Valley Power facility due a shutdown for mechanical repairs for 2.5 days in July.

For the nine months ended September 30, 2004, revenue was \$14.8 million compared to \$15.2 million for the same period in the prior year. The decrease in revenue is due to a decrease in energy sales, offset by an increase in waste disposal sales.

Operating expenses for the third quarter of 2004 were \$3.3 million compared to \$3.2 million for the same period in 2003. For the nine months ended September 30, 2004, operating expenses were \$9.9 million compared to \$9.7 million for the same period during 2003. The increase for both the quarter and nine-month period is primarily the result of higher operating and repair and maintenance costs.

Operating profit for the third quarter of 2004 amounted to \$2.0 million compared to \$2.1 million in the third quarter of 2003. Operating profit for the nine months ended September 30, 2004 was \$5.7 million compared to \$6.6 million for the same period in 2003. The decline in operating profit for both the quarter and the first nine months of 2004 is a result of lower revenue and higher operating and repair and maintenance costs. Operating profit for both the third quarter and for the nine months ended September 30, 2004 was below management's expectations primarily due to lower revenue earned at the Peel facility.

Outlook

The Peel facility has achieved gains in both capacity and availability over the past quarter and will continue this trend in the fourth quarter. Availability will be negatively impacted due to a planned major maintenance outage in the fourth quarter which was originally planned for the second quarter and had been deferred. Valley Power performance is expected to be strong in the fourth quarter which

should help offset previous production shortfalls brought on by unplanned maintenance outages in the first and second quarter. The addition of 12 landfill gas facilities should add improved cash generation to the Alternative Fuels Division. Joliet continues to suffer the consequences of maintenance and operating issues along with the negative impact of a rate classification change made in the first quarter.

Infrastructure Division

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Number of				
Water reclamation customers	20,220	18,095	20,220	18,095
Water distribution customers	19,058	17,500	19,058	17,500
Revenues				
Water reclamation and distribution	\$6,407	\$6,095	\$17,717	\$14,990
Expenses				
Operating expenses	\$(2,941)	\$(2,790)	\$(8,713)	\$(6,700)
Other income	2	14	8	32
Division operating profit (incl. other income)	\$3,468	\$3,319	\$9,012	\$8,322

Third quarter 2004 revenue from the Infrastructure Division increased to \$6.4 million from \$6.1 million in 2003. Revenue for the nine months ended September 30, 2004 increased to \$17.7 million from \$15.0 million for the same period during the prior year. The increase in revenue for both the third quarter and the nine months is primarily due to a greater number of service connections in place. In addition, for the nine months ended September 30, 2004 the inclusion of Litchfield Park contributed approximately \$3.7 million to revenue. Litchfield Park was acquired during the first quarter of 2003.

Operating expenses increased to \$2.9 million in the third quarter of 2004 from \$2.8 million in the third quarter of 2003. The increase was primarily due to increased revenues. For the nine months ended September 30, 2004, operating expenses were \$8.7 million compared to \$6.7 million for the same period during the prior year. This increase is primarily due to the inclusion of the Litchfield Park facility for a full nine months.

Operating profit for the third quarter of 2004 increased to \$3.5 million from \$3.3 million for the same period during the prior year due to the higher revenue partially offset by higher operating costs. Operating profit for the nine months ended September 30, 2004 increased to \$9.0 million from \$8.3 million in the prior year due to the inclusion of Litchfield Park for the full nine months of 2004. Operating profit for the third quarter of 2004 and for the nine months ended September 30, 2004 was below forecast due to higher operating costs.

Outlook

Growth in the Infrastructure Division is expected to remain steady and at the same overall rate as experienced in the prior 12 months. The Litchfield Park service area

in Arizona is located in one of the fastest growing counties in the United States. Intense growth there is expected to have a positive impact on Divisional revenues. Moderate growth also continues in the Infrastructure Division's service areas located in the east valley of central Arizona, southern Arizona and Texas resulting in overall growth in the Infrastructure Division comparable to that achieved over the past 12 months.

Short-term projections indicate that revenues in the fourth quarter of 2004 will likely decrease as compared to the prior quarter due to the seasonal variations associated with declining fall and winter temperatures and the resultant reduced water usage. Overall, however, the anticipated increase in customer base, coupled with regional drought conditions, supports a long-term, upward trend in revenues due to increased water usage. Optimization of power, chemical usage, and bio-solids processing and handling are expected to reduce operating costs further and increase revenues.

Administrative expenses

	Three months		Nine months	
	ended September 30 2004	2003	ended September 30 2004	2003
Administrative expenses	\$1,354	\$1,051	\$3,981	\$3,946
Management costs	196	169	581	514
Withholding taxes	134	148	348	428
Business development costs	-	13	-	572
(Gain) / loss on foreign exchange	(6,908)	(823)	(3,474)	(14,554)
Interest expense	3,339	3,207	8,719	8,403
Income from note receivable prepayment	-	-	(3,634)	-
Interest, dividend and other income	(1,366)	(1,859)	(5,028)	(5,436)
Income tax expense (recovery)	561	(5,024)	506	(6,109)

Administrative expenses for the third quarter of 2004 were \$1.4 million compared to \$1.1 million during the same period in 2003. For the nine months ended September 30, 2004 administrative expenses were \$4.0 million compared to \$3.9 million for the same period during the prior year. The increase in administration costs is primarily the result of higher legal costs.

For the third quarter of 2004 the Fund posted an unrealized foreign exchange gain of \$6.9 million versus an unrealized foreign exchange gain of \$0.8 million for the third quarter of 2003. For the nine months ended September 30, 2004 the Fund posted an unrealized foreign exchange gain of \$3.5 million compared to an unrealized foreign exchange gain of \$14.6 million for the same period in the prior year. The strengthening of the Canadian dollar versus the US dollar is impacting the US dollar denominated loans of the Fund. At the end of the third quarter, the Fund had approximately \$44.6 million in US dollar denominated debt.

Interest expense increased to \$3.3 million in the third quarter of 2004 from \$3.2 million in the third quarter of 2003. The increase is a result of \$85 million convertible debentures issued in the third quarter of 2004. This was offset by a decrease in interest expense due to the KMS convertible debentures being eliminated in the second quarter of 2004 and the line of credit being repaid from the proceeds of the \$85 million convertible debenture offering in the third quarter.

For the nine months ended September 30, 2004, interest expense increased to \$8.7 million from \$8.4 million for the same period in 2003 due to additional project level debt acquired with the acquisition of Litchfield Park Service Company, the utilization of the line of credit for an increased amount and the net result of the issue of \$85 million in convertible debentures and the reduction in bank debt during the third quarter.

During the third quarter of 2004, the Fund posted an income tax expense of \$0.6 million compared to an income tax recovery of \$5.0 million (\$5.4 million related to future tax recovery) during the same period in the prior year. On a year- to-date basis, the Fund posted an income tax expense of \$0.5 million compared to an income tax recovery of \$6.1 million (\$7.3 million relates to a future tax recovery) during the same period in the prior year. During the prior year the Fund recorded a future tax recovery related to income tax losses incurred in the KMS facilities. The Fund expects to fully realize this recovery.

Cash Available for Distribution

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Cash flow from operating activities	\$24,729	\$15,336	\$54,344	\$45,676
Changes in working capital	(8,360)	(1,799)	(6,298)	(4,338)
Operating cash flow before working capital changes	16,369	13,537	48,046	41,338
Receipt of principal on notes receivable	578	289	3,181	1,846
Decrease / (increase) in reserves	(29)	11	(95)	209
Repayment of long-term liabilities	(168)	(145)	(523)	(499)
Maintenance capital expenditures	(795)	(696)	(2,021)	(1,172)
Other	(99)	(216)	(1,386)	(754)
Cash available for distribution	\$15,856	\$12,781	\$47,202	\$40,968
Cash available for distribution per trust unit	\$0.23	\$0.19	\$0.69	\$0.60
Distribution to unitholders	\$16,015	\$15,601	\$47,354	\$46,802
Distributions to unitholders per trust unit	\$0.23	\$0.23	\$0.69	\$0.69

During the third quarter of 2004 the Fund generated \$15.9 million in distributable cash compared to \$12.8 million for the same period during 2003. For the nine months ended September 30, 2004, the Fund generated \$47.2 million of distributable cash compared to \$41.0 million for the same period in 2003. On a per trust unit basis, the Fund generated \$0.23 of distributable cash for the third quarter of 2004 compared to \$0.19 for the third quarter of 2003 and \$0.69 for the nine months ended September 30, 2004 compared to \$0.60 for the same period during the prior year. The Fund distributed \$16.0 million during the third quarter of 2004 compared to \$15.6 million for the third quarter of 2003. For the nine months ended September 30, 2004 the Fund distributed \$47.4 million compared to \$46.8 million for the same period during 2003.

On a per- unit basis, the Fund maintained distributions at \$0.23 per trust unit for the third quarter of 2004, consistent with 2003, and \$0.69 for the nine months ended September 30, 2004, consistent with 2003.

Liquidity and Capital Reserves

At the end of the third quarter of 2004 the Fund had \$33.3 million of cash and cash equivalents. The Fund also had positive net working capital of \$17.3 million.

The Fund anticipates to incur normal growth related capital expenditures and growth premium in the Infrastructure Division. The Fund will utilize its working capital and credit facility to fund these capital expenditure requirements.

Long-term liabilities increased to \$192.6 million compared to \$165.1 million at the end of 2003, due to the convertible debenture offering completed in July 2004.

At the end of the third quarter of 2004 the Fund's long-term debt-to-equity ratio was 39.5%.

Contractual Obligations

Information concerning contractual obligations is shown below:

	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Long-term debt obligations	193,486	864	2,101	2,516	188,006
Other obligations	10,483	693	905	4,833	4,052
Total obligations	203,969	1,557	3,006	7,349	192,058

Dealings with Algonquin Power Group

During the third quarter of 2004 companies related to the Manager provided operations and technical services on a cost-recovery basis. Details of the quarterly payments are outlined in note 4 of the financial statements.

Risk Management

The Fund continues to diversify its operations both operationally (Hydro, Cogeneration, Alternative Fuels and Infrastructure) and geographically (Canada and US). The inclusion of cogeneration and alternative fuels facilities has added commodity price risk to the Fund's existing currency risk. During the third quarter of 2004, the Fund continued its attempt to reduce the impact of exchange rate fluctuations by utilizing forward contracts as required to fix the foreign exchange rate on cash flows for monthly distributions. During the year the Fund added to its hedging position and as a result the Fund has hedges to mid 2009. For the balance of 2004, 2005 and 2006, the Fund has hedges in excess of 90% of its forecasted US dollar cash flow, after capital expenditures.

The Fund has also fixed its forecasted gas consumption using natural gas fixed-price contracts and future purchase contracts, thereby fixing its forecasted natural gas exposure for 2007. After 2007, there is no exposure on those facilities using natural gas because of pass-through provisions in their respective energy agreements, except for the Peel Energy-from-Waste facility, which will be re-hedged on a rolling basis.

Changes in Accounting Policies

As of January 1, 2004, the Fund implemented Section 3110 of the CICA Handbook, Asset Retirement Obligation. Under this standard, the asset retirement cost, equal

to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's useful life and included in depreciation and amortization expense on the Consolidated Statement of Earnings and Deficit. Actual expenditures incurred are charged against the accumulated obligation.

During the first half of 2004, the Fund completed an analysis of existing properties including a review of existing contracts (leases, etc.) and current statutory requirements. Management has determined that a provision for retirement obligations is currently not required.

Subsequent Event

Subsequent to the end of the quarter, the Fund provided a commitment to provide between \$69.2 million and \$90.8 million in subordinated debt to AirSource Power Fund I LP, a 104 MW wind energy facility to be constructed near St. Leon, Manitoba. The investment will earn interest at a rate of the Fund's yield plus 2.0% during the construction period. This yield will be reduced by 0.45 % once the project is operational at the end of 2005. The effective interest rate at October 26, 2004, assuming the loan is in the construction phase, would be 11.22%

Quarterly Financial Information

millions of dollars except per trust unit amounts

	4th Qtr 2003	1st Qtr 2004	2nd Qtr 2004	3rd Qtr 2004	Total
Revenues	40.9	39.1	41.9	40.7	162.6
Net earnings	6.5	3.3	8.1	11.5	29.4
Net earnings per trust unit	0.10	0.05	0.12	0.16	0.43
Total assets	820.3	812.5	809.0	834.2	834.2
Long-term debt	185.3	186.4	189.7	214.6	214.6
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

	4th Qtr 2002	1st Qtr 2003	2nd Qtr 2003	3rd Qtr 2003	Total
Revenues	25.6	29.2	42.2	38.1	135.1
Net earnings	3.6	6.5	21.5	10.0	41.6
Net earnings per trust unit	0.05	0.10	0.32	0.15	0.62
Total assets	723.0	828.7	829.0	822.2	822.2
Long-term debt	98.3	185.7	178.6	177.8	177.8
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

Note: Certain statements contained in the information herein are forward-looking and reflect the Fund's and its Manager's views with respect to future events. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of the Fund's future performance or results and are subject to various factors, including, but not limited to, assumptions such as those relating to: the performance of the Fund's assets, commodity market prices, interest rates, and environmental and other regulatory requirements. Although the Fund and its Manager believe that the assumptions inherent in these forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only as of the dates hereof. The Fund and its Manager are not obligated nor do either of them intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Consolidated Balance Sheets
September 30, 2004 and December 31, 2003
(thousands of Canadian dollars)

Assets	September 30, 2004 Unaudited	December 31, 2003
Current assets		
Cash and cash equivalents	\$ 33,262	\$ 21,238
Accounts receivable	23,973	20,297
Prepaid expenses	1,677	1,530
Current portion of notes receivable (note 3)	2,876	1,478
Future income tax asset	<u>26</u>	<u>105</u>
	<u>61,814</u>	<u>44,648</u>
Long-term investments (notes 3 and 6)	47,179	59,190
Future non-current income tax asset	5,878	6,809
Capital assets, net of amortization	627,600	622,051
Intangible assets, net of amortization	82,047	82,334
Funds held in reserve	4,057	3,963
Deferred costs	<u>5,577</u>	<u>1,300</u>
	<u>\$ 834,152</u>	<u>\$ 820,295</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 27,336	\$ 19,907
Due to Algonquin Power Group	2,630	1,035
Cash distribution payable	10,677	10,400
Current portion of long-term liabilities	1,557	1,961
Current income tax liability	843	1,142
Future income tax liability	<u>1,433</u>	<u>866</u>
	<u>44,476</u>	<u>35,311</u>
Long-term liabilities	107,623	165,117
Convertible debentures (note 8)	85,000	-
Other long-term liabilities	9,789	9,622
Deferred credits	12,186	10,627
Future non-current income tax liability	63,704	64,683
Minority interest (note 7)	-	15,059
Unitholders' equity		
Trust units	654,177	638,213
Deficit	(142,803)	(118,337)
	<u>511,374</u>	<u>519,876</u>
	<u>\$ 834,152</u>	<u>\$ 820,295</u>

Consolidated Statements of Earnings and Deficit
For the nine months ended September 30, 2004 and September 30, 2003
(thousands of Canadian dollars)
Unaudited

	3 months ended September 30		9 months ended September 30	
	2004	2003	2004	2003
Revenue				
Energy sales	\$ 30,678	\$ 28,780	\$ 91,498	\$ 82,620
Waste disposal fees	3,598	3,213	10,583	10,317
Water reclamation and distribution	6,406	6,095	17,716	14,990
	<u>40,682</u>	<u>38,088</u>	<u>119,797</u>	<u>107,927</u>
Expenses				
Operating	23,190	22,269	69,874	59,199
Amortization capital assets	7,237	7,305	20,126	18,233
Amortization intangible assets	1,460	1,234	4,093	3,594
Management costs	196	169	581	514
Administrative expenses	1,354	1,051	3,981	3,946
Business development costs	-	13	-	572
Withholding taxes	134	148	348	428
Gain on foreign exchange	(6,908)	(823)	(3,474)	(14,554)
	<u>26,663</u>	<u>31,366</u>	<u>95,529</u>	<u>71,932</u>
Earnings before undernoted	14,019	6,722	24,268	35,995
Interest expense	3,339	3,207	8,719	8,403
Interest, dividend and other income	(1,366)	(1,859)	(5,028)	(5,436)
Income from note receivable prepayment (note 6)	-	-	(3,634)	-
	<u>1,973</u>	<u>1,348</u>	<u>57</u>	<u>2,967</u>
Earnings before income taxes and minority interest	12,046	5,374	24,211	33,028
Current income taxes	160	418	744	1,231
Future income taxes	401	(5,442)	(238)	(7,340)
	<u>561</u>	<u>(5,024)</u>	<u>506</u>	<u>(6,109)</u>
Minority interest	-	375	817	1,049
Net earnings	11,485	10,023	22,888	38,088
Deficit, beginning of the period	(138,273)	(103,578)	(118,337)	(100,442)
Cash distributions	(16,015)	(15,601)	(47,354)	(46,802)
Deficit, end of the period	<u>(142,803)</u>	<u>(109,156)</u>	<u>(142,803)</u>	<u>(109,156)</u>
Basic and diluted net earnings per trust unit	<u>\$ 0.16</u>	<u>\$ 0.15</u>	<u>\$ 0.33</u>	<u>\$ 0.56</u>

Consolidated Statements of Cash Flows
For the nine months ended September 30, 2004 and September 30, 2003
(thousands of Canadian dollars)
Unaudited

	3 months ended September 30		9 months ended September 30	
	2004	2003	2004	2003
Operating Activities				
Net earnings	\$ 11,485	\$ 10,023	\$ 22,888	\$ 38,088
Amortization of capital assets	7,237	7,305	20,126	18,233
Amortization of intangible assets	1,460	1,234	4,093	3,594
Other amortization	600	636	1,704	2,078
Minority interest	-	375	817	1,049
Distribution received in excess of equity income	(111)	77	3	78
Future income taxes	401	(5,442)	(238)	(7,340)
Unrealized gain on foreign exchange	<u>(4,703)</u>	<u>(670)</u>	<u>(1,347)</u>	<u>(14,441)</u>
	16,369	13,538	48,046	41,339
Changes in non-cash operating working capital	<u>8,360</u>	<u>1,798</u>	<u>6,298</u>	<u>4,337</u>
	<u>24,729</u>	<u>15,336</u>	<u>54,344</u>	<u>45,676</u>
Financing Activities				
Cash distributions	(16,015)	(15,601)	(47,354)	(46,802)
Expenses of trust unit offering	-	-	(700)	-
Convertible debenture issue	85,000	-	85,000	-
Expenses of convertible debenture issue	(4,100)	-	(4,100)	-
Deferred costs	(99)	(22)	(679)	(199)
Net increase/ (decrease) in long-term liabilities	(56,274)	(145)	(56,629)	64,701
Other	33	188	(704)	(5)
Deferred credits	<u>(323)</u>	<u>(257)</u>	<u>482</u>	<u>353</u>
	<u>8,222</u>	<u>(15,837)</u>	<u>(24,684)</u>	<u>18,048</u>
Investing Activities				
Decrease / (increase) in reserve funds	(29)	11	(95)	209
Receipt of principal on notes receivable (note 6)	578	289	21,005	1,846
Additions to capital assets	(6,911)	(1,736)	(12,150)	(9,758)
Power Purchase contract renegotiation	-	-	-	25,357
Additions to intangible assets	-	(289)	-	(289)
Acquisition of note receivable (note 3)	(11,186)	-	(11,186)	-
Acquisitions of operating entities (note 3)	<u>(12,860)</u>	<u>(6,570)</u>	<u>(14,442)</u>	<u>(83,856)</u>
	<u>(30,408)</u>	<u>(8,295)</u>	<u>(16,868)</u>	<u>(66,491)</u>
Effect of exchange rate differences on cash and cash equivalents	<u>(1,059)</u>	<u>329</u>	<u>(768)</u>	<u>(813)</u>
Increase / (decrease) in cash and cash equivalents, beginning of the period	<u>31,778</u>	<u>29,725</u>	<u>21,238</u>	<u>24,838</u>
Cash and cash equivalents, end of the period	<u>\$ 33,262</u>	<u>\$ 21,258</u>	<u>\$ 33,262</u>	<u>\$ 21,258</u>
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	\$ 2,883	\$ 2,630	\$ 8,222	\$ 7,079
Cash paid during the period for income taxes	\$ 694	\$ 240	\$ 1,018	\$ 703

Notes to the Consolidated Financial Statements
For the nine months ended September 30, 2004 and September 30, 2003
(in thousands of Canadian dollars except as noted)
unaudited

1. Basis of Presentation

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2003, as set out in the 2003 Annual Report since they do not contain all the disclosures that are in accordance with Canadian generally accepted accounting principles. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation as were used for the audited consolidated financial statements for the year ended December 31, 2003 except as noted below.

New accounting policies:

a) Asset retirement obligations:

Effective January 1, 2004, the fair value of estimated asset retirement obligations is recognized in the Consolidated Balance Sheet when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and included in depreciation and amortization expense on the Consolidated Statement of Earnings. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Earnings. Actual expenditures incurred are charged against accumulated obligation.

During the first quarter of 2004, the Fund completed an analysis of existing properties. This analysis reviewed existing contracts and current statutory requirements, and management has determined that a provision for retirement obligations is not currently required.

2. Seasonality

The operations of the Fund are seasonal. The Fund's hydroelectric energy assets are primarily "run-of-the-river" and as such fluctuate with the natural water flows. During the winter and summer periods, flows are generally slower while during the spring and fall periods flows are heavier.

3. Acquisition of facilities

- (i) On September 30, 2004, the Fund acquired an interest in 12 landfill gas powered generating stations (the "LFG Facilities") representing approximately 36MW of installed capacity for total consideration of \$11,717 (U.S. \$9,271). The majority of the LFG facilities were commissioned in the late 1990s; the electricity produced is sold to a number of large utilities pursuant to long-term power purchase agreements with an average termination date of 2011.

The Fund has also provided debt financing in the amount of \$11,186 (U.S. \$8,850) to Across America LFG LLC a majority owned subsidiary of a Fortune 50 company. Across America LFG LLC through its subsidiaries, owns and manages the landfill gas collection systems which provide landfill gas to the LFG facilities. The notes bear interest at a rate of 12% per annum, compounded quarterly. Payments include both interest and principle and will mature January 31, 2008. The notes are secured by a general security agreement over all the assets of the borrower. The balance due within the year in the amount of \$2,400 is included as part of the current portion of notes receivable.

The purchase price allocation has been based on the best information available at the reporting date; however adjustments to the purchase price and purchase price allocation may be made in subsequent quarters as more information is obtained.

- (ii) In accordance with the purchase and sale agreement for Litchfield Park Services Company, the Fund is required to make additional payments to the previous owner for each additional customer connected to the utility. This agreement is dated February 2003. As of September 30, 2004 the Fund has accrued \$2,254 (U.S. \$1,696) as a growth premium to be paid to the vendor of Litchfield Park Services Company, and increased intangible assets by a similar amount, gross of future tax liabilities of \$1,416.
- (iii) In accordance with the purchase and sale agreement for Woodmark Utility Company, the Fund is required to make additional payments to the previous owner for each additional customer connected to the utility. This agreement is dated December 2002. As of September 30, 2004 the Fund has accrued \$141 (U.S. \$109) as a growth premium to be paid to the vendor of Woodmark Utility Company and increased intangible assets by a similar amount.

4. Related party transactions

During the quarter, and in accordance with the management agreement, the Fund paid Algonquin Power Management Inc. ("APMI") and its related companies for services provided on a cost recovery basis. During the third quarter of 2004, the Fund paid APMI \$581 (2003 - \$514) for management services. In addition, the Fund paid Algonquin Power Systems Inc. \$8,452 (2003 - \$8,596) and Algonquin Water Services Inc. \$3,572 (2003 - \$2,986) for direct operation services.

5. Break Fee

During the first quarter of 2004, the Fund earned a break fee of \$400, net of all expenses. The Fund was in negotiations to acquire a facility, but as a result of a right of first refusal between the vendor and another party, the facility was sold to the other party. The Fund was entitled to and earned a break fee as a result of contractual arrangements with the vendor. This fee was recognized as other income.

6. Cardinal Power Facility Note Repayment

On April 30, 2004, the loan to the Cardinal Power Facility was repaid. The Fund received total proceeds of \$22,200. A total of \$18,600 represented the principal outstanding plus accrued interest and the remaining \$3,600 represented a repayment fee.

7. Acquisition of KMS Convertible Debentures

During the second quarter, the Fund completed the acquisition of the remaining 52.7% of the outstanding principal amount of convertible debentures of KMS Power Income Fund ("KMS") by issuing 1,803,983 trust units of the Fund for total consideration of \$16,663.

8. Convertible Debenture Offering

On July 20, 2004 the Fund issued 85,000 convertible unsecured subordinated debentures at a price of \$1,000 per debenture for gross proceeds of \$85,000 and net proceeds of \$80,900. The debenture issue costs of \$4,100 are deferred and amortised over the term of the convertible debentures. The debentures are due July 31, 2011 and bear interest at 6.65% per annum, payable semi-annually in arrears on January 31 and July 31 in each year starting January 1, 2005. The convertible debentures are convertible into trust units of the Fund at the option of the holder at a conversion price of \$10.65 per trust unit, being a ratio of approximately 93.8967 trust units per \$1,000 principal amount of debentures. The debentures may not be redeemed by the Fund prior to July 31, 2007. The Fund may at its option satisfy the obligation to pay the redemption price or the principal amount of the debentures in trust units or cash. The Fund performed an evaluation of the embedded holder option and determined that its value was nominal and as a result the entire amount of the debenture will be classified as a liability. The conversion of the debentures into trust units would be anti-dilutive.

9. Segmented Information

The Fund and its subsidiaries operate in the independent power industry in both Canada and the United States. Information on operations by geographic area is as follows:

	3 months ended September 30		9 months ended September 30	
	2004	2003	2004	2003
Revenue				
Canada	\$ 9,714	\$ 8,657	\$ 39,196	\$ 32,384
United States	<u>30,968</u>	<u>29,431</u>	<u>80,601</u>	<u>75,543</u>
	<u>\$ 40,682</u>	<u>\$ 38,088</u>	<u>\$ 119,797</u>	<u>\$ 107,927</u>
		September 30, 2004		December 31, 2003
Capital Assets				
Canada		\$ 321,867		\$ 328,283
United States		<u>305,733</u>		<u>293,768</u>
		<u>\$ 627,600</u>		<u>\$ 622,051</u>
		September 30, 2004		December 31, 2003
Intangible Assets				
Canada		\$ 27,762		\$ 29,130
United States		<u>54,285</u>		<u>53,204</u>
		<u>\$ 82,047</u>		<u>\$ 82,334</u>

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas cogeneration, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined on the following pages.

Three months ended September 30, 2004

Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	9,800	19,493	1,384	-	-	30,677
Waste disposal fees	-	-	3,598	-	-	3,598
Water reclamation and distribution	-	-	-	6,407	-	6,407
Total Revenue	9,800	19,493	4,982	6,407	-	40,682
Operating expenses	3,980	12,997	3,272	2,941	-	23,190
Operating profit	5,820	6,496	1,710	3,466	-	17,492
Other administration costs	1	-	(76)	(22)	5,321	5,224
Interest expense	(1,281)	(192)	(88)	(304)	(1,474)	(3,339)
Interest, dividend income and other income	87	870	277	2	130	1,366
Amortization of capital assets	(2,383)	(1,839)	(1,274)	(1,741)	-	(7,237)
Amortization of intangible assets	-	(748)	(584)	(128)	-	(1,460)
Earnings/(loss) before income taxes and minority interest	2,244	4,587	(35)	1,273	3,977	12,046
Capital assets	288,246	92,191	99,775	147,388	-	627,600
Intangible assets	21	34,522	28,513	18,991	-	82,047
Capital expenditures	-	934	-	5,580	397	6,911
Intangible expenditures	-	-	-	-	-	-
Total assets	307,365	168,267	149,593	177,077	31,850	834,152

Three months ended September 30, 2003

Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	7,817	19,300	1,663	-	-	28,780
Waste disposal fees	-	-	3,213	-	-	3,213
Water reclamation and distribution	-	-	-	6,095	-	6,095
Total Revenue	7,817	19,300	4,876	6,095	-	38,088
Operating expenses	3,646	12,600	3,233	2,790	-	22,269
Operating profit	4,171	6,700	1,643	3,305	-	15,819
Other administration expenses	44	-	(86)	(66)	(450)	(558)
Interest expense	(1,311)	(187)	(86)	(709)	(914)	(3,207)
Interest, dividend income and other income	42	1,254	448	14	101	1,859
Amortization of capital assets	(2,091)	(2,289)	(1,031)	(1,894)	-	(7,305)
Amortization of intangible assets	(71)	(638)	(506)	(19)	-	(1,234)
Earnings/(loss) before income taxes and minority interest	784	4,840	382	631	(1,263)	5,374
Capital assets (Dec 31, 2003)	289,317	96,616	90,753	145,365	-	622,051
Intangible assets (Dec 31, 2003)	23	36,623	30,141	15,547	-	82,334
Capital expenditures	-	1,017	56	663	-	1,736
Intangible expenditures	-	-	-	10,989	-	10,989
Total assets (Dec 31, 2003)	308,700	191,941	131,899	169,704	18,051	820,295

Nine months ended September 30, 2004

Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	32,986	54,290	4,221	-	-	91,497
Waste disposal fees	-	-	10,583	-	-	10,583
Water reclamation and distribution	-	-	-	17,717	-	17,717
Total Revenue	32,986	54,290	14,804	17,717	-	119,797
Operating expenses	12,769	38,530	9,862	8,713	-	69,874
Operating profit	20,217	15,760	4,942	9,004	-	49,923
Other administration costs	(114)	-	(115)	(59)	(1,148)	(1,436)
Interest expense	(3,893)	(565)	(252)	(845)	(3,164)	(8,719)
Interest, dividend income and other income	391	3,275	730	8	624	5,028
Income on note receivable prepayment	-	-	-	-	3,634	3,634
Amortization of capital assets	(7,215)	(4,866)	(3,524)	(4,521)	-	(20,126)
Amortization of intangible assets	-	(2,103)	(1,627)	(363)	-	(4,093)
Earnings/(loss) before income taxes and minority interest	9,386	11,501	154	3,224	(54)	24,211
Capital assets	288,246	92,191	99,775	147,388	-	627,600
Intangible assets	21	34,522	28,513	18,991	-	82,047
Capital expenditures	-	1,106	173	10,380	491	12,150
Total assets	307,365	168,267	149,593	177,077	31,850	834,152

Nine months ended September 30, 2003

Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	33,073	44,711	4,836	-	-	82,620
Waste disposal fees	-	-	10,317	-	-	10,317
Water reclamation and distribution	-	-	-	14,990	-	14,990
Total Revenue	33,073	44,711	15,153	14,990	-	107,927
Operating expenses	12,249	30,596	9,654	6,700	-	59,199
Operating profit	20,824	14,115	5,499	8,290	-	48,728
Other administration expenses	(129)	-	(210)	(85)	9,518	9,094
Interest expense	(3,887)	(479)	(242)	(1,491)	(2,304)	(8,403)
Interest, dividend income and other income	298	3,814	1,055	32	237	5,436
Amortization of capital assets	(7,523)	(4,009)	(3,046)	(3,655)	-	(18,233)
Amortization of intangible assets	(277)	(1,750)	(1,518)	(49)	-	(3,594)
Earnings before income taxes and minority interest	9,306	11,691	1,538	3,042	7,451	33,028
Capital assets (Dec 31, 2003)	289,317	96,616	90,753	145,365	-	622,051
Intangible assets (Dec 31, 2003)	23	36,623	30,141	15,547	-	82,334
Capital expenditures	-	37,809	406	84,056	-	122,271
Intangible expenditures	-	12,249	-	12,770	-	25,019
Total assets (Dec 31, 2003)	308,700	191,941	131,899	169,704	18,051	820,295

10. Revolving Credit Facility

The Fund's credit facility of \$115 million in place with a syndicate of Canadian banks has been extended to August 31, 2006.

During the third quarter the Fund issued certain letters of guarantee totalling \$1.9 million.

11. Subsequent Event

Subsequent to the end of the quarter, the Fund provided a commitment to provide between \$69.2 million and \$90.8 million in subordinated debt to AirSource Power Fund I LP, a 104 MW wind energy facility to be constructed near St. Leon, Manitoba. The investment will earn interest at a rate of the Fund's yield plus 2.0% during the construction period. This yield will be reduced by 0.45 % once the project is completed and operational at the end of 2005. The effective interest rate at October 26, 2004, assuming the loan is in the construction phase, would be 11.22%.

CORPORATE INFORMATION AND CONTACTS

Trustees

Kenneth Moore, Chairman – Managing Partner, NewPoint Capital Partners Inc.
Christopher J. Ball – Executive Vice-President, Corpfinance International Limited
George Steeves – Principal, True North Energy (1169417 Ontario Inc.)

The Management Group

Algonquin Power Management Inc.

Chris K. Jarratt, Chief Executive Officer and Director
John M.H. Huxley, Director
Ian E. Robertson, Director
David C. Kerr, Director

The Algonquin Power Income Fund

Peter Kampian, Chief Financial Officer

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Registrar and Transfer Agent

CIBC Mellon Trust Company
320 Bay Street, P.O. Box 1
Toronto, Ontario M5H 4A6

Stock Exchange

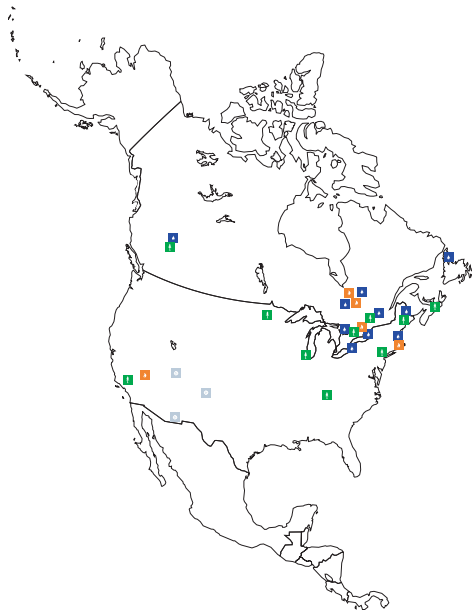
The Toronto Stock Exchange: APF.UN

Auditors

KPMG LLP
Toronto, Ontario

Legal Counsel

Blake, Cassels & Graydon LLP
Toronto, Ontario



Alternative Fuels

Balesfill, New Jersey • Brooklyn, Nova Scotia • Burnsville, Minnesota • Chapais, Québec • Colton, California
Flying Cloud, Minnesota • Four Hills, New Hampshire • Joliet, Illinois • Kingsland, New Jersey • Mid Valley, California
Milliken, California • Nashville, Tennessee • Peel Energy-from-Waste, Ontario • Prima, California
San Timoteo, California • Tajiguas, California • Valley Power, Alberta



Cogeneration

Cochrane, Ontario • Kirkland Lake, Ontario • Crossroads, New Jersey
Sanger, California • Windsor Locks, Connecticut



Hydroelectric

Adams, New York • Arthurville, Québec • Ashuelot, New Hampshire • Avery, New Hampshire • Belletierre, Québec
Burgess Dam, Ontario • Burt Dam, New York • Campbellford, Ontario • Christine Falls, New York
ChuteFord, Québec • Clement Dam, New Hampshire • Côte Ste-Catherine, Québec • Cranberry Lake, New York
Dickson Dam, Alberta • Donnacona, Québec • Drag Lake, Ontario • Forestport, New York • Franklin, New Hampshire
Great Falls, New Jersey • Gregg Falls, New Hampshire • Hadley, New Hampshire • Herkimer, New York
Hollow Dam, New York • Hopkinton, New Hampshire • Hurdman Dam, Ontario • Kayuta Lake, New York
Kings Falls, New York • Lakeport, New Hampshire • Lochmere, New Hampshire • Long Sault Rapids, Ontario
Lower Robertson, New Hampshire • Milton, New Hampshire • Mine Falls, New Hampshire • Moretown, Vermont
Mont-Laurier, Québec • Odgensburg, New York • Otter Creek, New York • Pembroke, New Hampshire
Phoenix, New York • Rattle Brook, Newfoundland • Rawdon, Québec • Rivière-du-Loup, Québec
Saint-Alban, Québec • Ste-Brigitte, Québec • St-Hyacinthe, Québec • St-Raphaël, Québec • Worcester, Vermont



Infrastructure

Bella Vista, Arizona • Black Mountain, Arizona • Gold Canyon, Arizona • Litchfield Park, Arizona
Tall Timbers, Texas • Woodmark, Texas