FIRST QUARTER REPORT
MARCH 31, 2006

Algonquin Power Income Fund

Report to Unitholders

Algonquin Power Income Fund is pleased to report an increase in revenue and cash available for distribution for the first quarter of 2006.

During the quarter the Fund distributed $0.23 per trust unit, consistent with the first quarter of 2005, and reported cash available for distribution of $0.23 per trust unit. The Fund continues to focus on growing cash available for distribution through the Fund's well balanced portfolio of generating and infrastructure assets.

Performance for the first quarter of 2006:

- Revenue increased to $49.5 million in Q1 2006 from $40.6 million in Q1 2005.
- Net earnings of $7.3 million in Q1 2006 compared to $1.8 million in Q1 2005.
- Net earnings per trust unit were $0.11 in Q1 2006, compared to $0.03 in Q1 2005.
- Cash available for distribution was $16.3 million ($0.23 per trust unit) in Q1 2006, compared to $13.9 million ($0.20 per trust unit) in Q1 2005.

The Fund continued to experience higher than long term average hydrologic conditions in the Hydroelectric Division during the quarter, primarily in the Ontario and Quebec regions. In the Fund's Cogeneration Division, improved average energy prices were experienced at the Windsor Locks facility and the sale of the fixed price natural gas at the Sanger facility at favourable prices continued during the quarter. The Alternative Fuels Division experienced overall improved energy production and greater levels of waste processed at the Algonquin Power Energy from Waste ("EFW") facility compared to the same period in 2005. In the Infrastructure Division, strong growth continued in the areas served. The strong performance achieved in each division has contributed to the growth of revenue and stability of cash distributions to unitholders.

Operational Highlights

Hydroelectric

During the first quarter of 2006, the Fund's hydroelectric facilities generated electricity equal to 111% of long term averages compared to 87% during the same period in 2005, and 113% in the previous quarter. The increase in electricity generated is primarily due to strong hydrology in the Ontario and Quebec regions. The New England and New York regions continued to experience above average power rates for the quarter.

Operating profit including other income for the hydroelectric division increased to $8.7 million during the first quarter of 2006, up from $6.7 million in the first quarter of 2005. The increase in operating profit is primarily due to higher than average hydrologic conditions experienced in all regions in which the Fund operates hydroelectric facilities.

Overall, the Hydroelectric Division exceeded Management expectations due to higher than long term average hydrologic conditions in the division.

Cogeneration

The Fund's Cogeneration Division experienced lower energy revenue compared to the same period in 2005, but increased overall revenue for the Division. This is due to lower production caused by the shut-down at the Sanger facility and subsequent re-sale of the fixed price natural gas at favourable prices. The Fund's Windsor Locks facility also experienced lower production during the first quarter of 2006, due to a planned overhaul at the facility initiated in the last week of March and completed the second week of April. Lower production was offset by higher energy rates at the Windsor Locks facility, where increased fuel costs are passed on to the customer.

First quarter 2006 operating profit including interest and dividends increased to $6.6 million, as compared to $5.5 million for the same period in 2005. The increase is mainly due to higher overall revenue in the division compared to the same period in 2005.

Overall, the Cogeneration Division exceeded Management's expectations for the first quarter of 2006.

Alternative Fuels

The Fund's Alternative Fuels Division reported increased revenue during the first quarter of 2006 when compared to the first quarter of 2005. The increase in revenue resulted from an increase in production at the Fund's Landfill Gas ("LFG") facilities and greater overall production in the division. In addition, higher waste quantities were processed at the EFW facility. The Fund also earned higher interest and other income during the quarter when compared to the same quarter in 2005 due to its investment in AirSource Power Fund I LP ("AirSource").

Operating profit including interest and other income for the Alternative Fuels division increased to $2.6 million for the first quarter of 2006, a slight increase from $2.3 million in the first quarter of 2005. The increase was primarily due to higher interest income from the Fund's investments in AirSource.

Overall, the Alternative Fuels Division performed below Management's expectations during the first quarter of 2006.

Infrastructure

During the first quarter of 2006, the Fund's Infrastructure Division reported increased revenue over the same period in 2005. The increase in revenue in the first quarter is due to growth in the areas served and the inclusion of four additional facilities located in Arizona and Missouri that were acquired and integrated since the first quarter of 2005. When compared to the first quarter of 2005, the division's water distribution customer base increased by 38% and the water reclamation customer base increased by 19%.

Operating profit including other income for the division in the first quarter of 2006 increased to $4.4 million from $2.7 million in the same period of 2005 mainly due to strong organic growth and the inclusion of the additional facilities acquired during 2005.

Overall, the performance of the Infrastructure Division met Management's expectations for the first quarter of 2006.

Outlook

In the Hydroelectric Division, the Fund anticipates average precipitation to continue through the beginning of the second quarter of 2006, however due to lower than average levels of snow pack in the regions where the Fund operates hydroelectric facilities, the natural water flows from the annual spring thaw are expected to be lower than long term averages. Facilities in the New

England and New York regions are anticipated to experience higher than forecasted market rates, in line with rates during the second quarter of 2005.

The Fund's Windsor Locks cogeneration facility is expected to post a strong performance for the remainder of the year after the regularly scheduled overhaul performed in late March and early April 2006. The Sanger facility will be restarted in the second quarter following the completion of the natural gas sale contract in May 2006, when higher capacity payments begin. During the second quarter of 2006, the Fund will continue to evaluate the replacement of the existing gas turbine at the Sanger facility with a new, more efficient unit.

Continued production and maintenance improvements are expected to enhance performance at the Fund's EFW facility. In addition, the Fund's Alternative Fuels Division continues to implement preventative repair and maintenance programs at its LFG facilities, with expected results increasing over the course of the coming year. The Fund has formed a new partnership that intends to initiate an offer to unitholders of AirSource to exchange units of AirSource for units of the new partnership that are exchangeable for units of the Fund. The transaction, which is expected to be accretive, would give the Fund control of the St. Leon Wind Energy facility.

The infrastructure division is expected to continue at growth rates in line with 2005, primarily in Texas and Arizona. In addition, the Fund has initiated rate cases at two of its facilities in order to ensure that these facilities earn a rate of return on the capital improvements recently undertaken at the facilities. The rate cases are determined by the regulatory authorities that govern the areas where the facilities are located, and are expected to be completed early in 2007.

Overall, Algonquin Power Income Fund anticipates that the four divisions will continue to generate cash available for distribution in line with cash distributions made to unitholders. Management continues to seek accretive acquisitions for the Fund that will provide both technological and geographic balance among the Fund's divisions. Building on the strength of the Fund is a primary focus for Management as we progress through 2006.

Thank you for your continued support and commitment to Algonquin Power Income Fund.

K Moore

Ken Moore
Chairman

Management's Discussion and Analysis

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

Algonquin Power Income Fund (the "Fund") has prepared the following discussion and analysis to provide information to assist its unitholders' understanding of the financial results for the three months ended March 31, 2006. This discussion and analysis is supplemental to and should be read in conjunction with the Fund's unaudited consolidated financial statements for the three months ended March 31, 2006 as well as the audited consolidated financial statements and the related Management's Discussion and Analysis contained in the 2005 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. This material is available on SEDAR at www.sedar.com and on the Fund's website at www.AlgonquinPower.com. Additional information about the Fund, including the Renewal Annual Information Form for the year ended December 31, 2005 can be found on SEDAR at www.sedar.com.

This Management's Discussion and Analysis is based on information available to management as of May 8, 2006.

Forward-Looking Disclaimer

Certain statements contained in the information herein are forward-looking and reflect the views of the Fund and Algonquin Power Management Inc. (the "Manager") 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.

Key Financial Information

	2006	**2005**
Revenue	**$ 49,471**	$ 40,600
Net earnings	**7,318**	1,840
Distribution to unitholders	**16,015**	16,015
Cash available for distribution *	**16,347**	13,920
Per unit		
Net earnings	**0.11**	0.03
Distribution to unitholders	**0.23**	0.23
Cash available for distribution*	**0.23**	0.20

* Non-GAAP measurement, see 'Cash Available for Distribution' in this management's discussion and analysis.

For the quarter ended March 31, 2006, the Fund reported total revenue of $49.5 million as compared to $40.6 million for the same period in 2005. Revenue for the first quarter of 2006 increased due to strong hydrology experienced in the Hydroelectric Division, primarily in the Ontario and Quebec regions, improved average energy prices at the Cogeneration Division's Windsor Locks facility and the Fund's decision to close the Sanger facility for a six month period and sell natural gas at favourable rates. Additionally, the Alternative Fuels Division experienced improved energy production, greater levels of waste processed at its Algonquin Power Energy from Waste ("EFW") facility, and the Infrastructure Division experienced strong organic growth combined with the positive impact of the water distribution and water reclamation facilities purchased during 2005. These factors resulted in increased revenue from the same period in the prior year. These amounts were partially offset by lower production at the Windsor Locks facility and a stronger Canadian dollar as compared to the same period in 2005.

For the quarter ended March 31, 2006, the average US exchange rate dropped by approximately 6% from the same period in 2005. As such, any quarterly variance to revenue or expenses, in local currency, at any of the Fund's US entities may be distorted by a change in the average exchange rate, upon conversion to the Fund's reporting currency. Although the stronger Canadian dollar has an impact on both revenue and expenses generated by its US subsidiaries, the Fund has foreign exchange hedges in place, which mitigate the impact on cash available for distribution.

For the quarter ended March 31, 2006, net earnings were $7.3 million as compared to $1.8 million for the same period in 2005. Net earnings for the first quarter of 2006 increased from the same period in 2005 due to the factors impacting revenue as previously noted. In addition, the Alternative Fuels Division experienced greater interest and other income from its subordinated debt facility provided to AirSource Power Fund I LP ("AirSource"). This amount was partially offset by increased interest expense.

Net earnings per trust unit were $0.11 in the quarter ended March 31, 2006 as compared to $0.03 in the same period in 2005. The Fund generated $0.23 per trust unit of cash available for distribution for the quarter ended March 31, 2006, as compared to $0.20 per trust unit for the same period in 2005. During the first quarter of 2006, the Fund maintained distributions at $0.23 per trust unit, consistent with the same period in 2005.

The term 'cash available for distribution' is used throughout this Management's Discussion and Analysis. Management uses this calculation to monitor the amount of cash generated by the Fund as compared to the amount of cash distributed by the Fund. The term '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 and analysis of 'cash available for distribution' can be found in this Management's Discussion and Analysis.

Outlook

The Fund anticipates that its four divisions will continue to generate cash available for distribution for the remainder of 2006 in line with distributions to unitholders. Continued organic growth in water distribution and water reclamation services, continued average long term hydrologic conditions, its investment in AirSource, improvements at the EFW facility, and the continued stable performance of the Cogeneration Division, coupled with no unforeseen events should result in improved cash available for distribution.

Management continues to identify opportunities to optimize the performance of its portfolio as well as ensuring recently acquired facilities including the hydroelectric facility and water distribution and water reclamation facilities are integrated into the Fund's operations. The Fund is currently reviewing its investment in AirSource with respect to integrating its operations into the Alternative Fuels Division to enhance unitholder value.

The Fund maintains continuous health and safety training for all its operations and maintenance staff. All of the Fund's facilities are in compliance in all material respects with local and federal environmental regulations. The Fund continues to upgrade the facilities' environmental controls utilizing best available technology.

Management will continue to further invest in information technology to reduce administrative costs by continuing the implementation of supply chain management systems and integrated billing and customer protocols.

In keeping with the emerging Ontario Securities Commission requirements, Management will continue the process of completing the review and documentation of its controls and procedures for annual certification of the financial statements.

Hydroelectric Division

	Three months ended March 31	
	2006	**2005**
Performance (MW-hrs sold)		
Quebec Region	**68,760**	49,621
Ontario Region	**35,931**	26,326
New England Region	**24,791**	22,773
New York Region	**26,775**	21,352
Western Region	**10,534**	9,925
Total	**166,791**	129,997
Revenue		
Energy sales	**$ 12,432**	$ 10,019
Expenses		
Operating expenses	**$ (4,134)**	$ (3,416)
Other income	**428**	121
Division operating profit (incl. other income)	**$ 8,726**	$ 6,724

For the quarter ended March 31, 2006, revenue in the Hydroelectric Division was $12.4 million as compared to $10.0 million in the same period in 2005. During the first quarter of 2006, the Hydroelectric Division generated electricity equal to 111% of long term averages or approximately 16,000 Mw-hrs above long term averages as compared to 87% during the same period in 2005. Hydrology in the Quebec region was 120% of long term average hydrology or approximately 11,000 Mw-hrs above estimates while the New York region increased by approximately 1,500 Mw-hrs as a result of the inclusion of production from the Beaver Falls facility purchased in the third quarter of 2005. The increase in generated electricity was the result of above average hydrology experienced in all regions in which the Fund operates hydroelectric facilities. The increase in revenue was a result of higher overall production and energy rates. Increased revenue from the US facilities was partially offset by the effects of a stronger Canadian dollar.

Operating expenses increased to $4.1 million for the quarter ended March 31, 2006 as compared to $3.4 million in the same period in 2005. The increase in operating expenses was primarily due to the inclusion of operating expenses from the Beaver Falls facility acquired in the third quarter of 2005, increases in repair and maintenance projects, and in costs directly tied to energy production, as compared to the same period in 2005.

As a result of the Fund adopting Accounting Guideline 15 and consolidating variable interest entities in its results, both operating expenses and other income increased by $0.2 million in the quarter, as compared to the same period in 2005.

Other income increased to $0.4 million for the quarter ended March 31, 2006 as compared to $0.1 million in the same period in 2005. The increase in other income is due in part to the strong performance of the Campbellford facility which is accounted on an equity basis.

For the quarter ended March 31, 2006, the Hydroelectric Division's operating profit increased to $8.7 million as compared to $6.7 million for the same period in 2005. The increase in operating profit for the quarter ended March 31, 2006 was primarily the result of improved overall hydrology in the division. For the quarter ended March 31, 2006, operating profit exceeded Management's expectations.

Subsequent to the end of the quarter, on April 12, 2006, the United States District Court, Northern District of New York issued an order in favour of the Fund regarding the ownership of the Class B Note and certain other issues in the legal dispute between the Fund and Trafalgar Power Inc ("Trafalgar"). It is probable that the order will be appealed by Trafalgar. The final resolution of this matter in favour of the Fund would entitle the Fund, the owner of the Class B Note, to all or a portion of the assets that secure the Class B Note, which include seven hydroelectric power plants and other assets owned by Trafalgar, or to a sum of money equal to the value of those assets. The Class B Note has a face value in excess of the value of the Trafalgar assets securing the Class B Note. The Manager has financed a portion of the legal expenses regarding this matter. The Fund and the Manager have agreed that after the recovery of expenses, the Manager and the Fund will divide the proceeds from the resolution of the legal dispute.

Outlook

The Fund's 2006 forecast production is based on long term hydrological conditions. The long term average natural water flows from the spring thaw in the second quarter traditionally result in the division's strongest quarter of the year. Although the Fund anticipates average precipitation during the beginning of the second quarter of 2006, due to lower than average levels of snow pack in the regions where the Fund operates hydroelectric facilities, the natural water flows from the annual spring thaw are expected to be lower than long term averages. The facilities in the New England and New York regions are expected to continue to benefit from higher market rates, similar to the rates experienced in 2005.

The Fund continues to seek accretive hydroelectric acquisitions throughout 2006, with emphasis placed on the acquisition of facilities that provide diversification of regional hydrologic and market conditions. In addition, the Fund is continuing to examine the rationalization of smaller hydroelectric generating facilities that may no longer fit the Fund's preferred asset profile.

Certain hydroelectric generating facilities owned by the Fund qualify for consideration as "green" energy and the Fund continues to pursue revenue opportunities presented by the emerging markets for renewable energy credits in the United States and the trading of greenhouse gas credit emissions in Canada. The Fund is also pursuing longer term power purchase agreements for the sale of green energy from those facilities that are currently selling electricity in the open market.

Cogeneration Division

	Three Months Ended March 31	
	2006	**2005**
Performance (MW-hrs sold)	**103,913**	131,625
Revenue		
Energy sales	**$ 15,614**	$ 17,919
Other revenue	**5,445**	-
Total Revenue	**$ 21,059**	$ 17,919
Expenses		
Operating expenses	**$ (15,228)**	$ (13,151)
Interest and dividend income	**732**	718
Division operating profit (incl. interest and dividend income)	**$ 6,563**	$ 5,486

For the quarter ended March 31, 2006, revenue from the Cogeneration Division totaled $21.1 million as compared to $17.9 million in the same period in 2005. For the quarter ended March 31, 2006, the division's production dropped as compared to the same period in 2005.

Approximately 24,500 MW-hrs of the reduction resulted from a decision to close the Sanger facility for a six month period starting in November 2005 during the period in which Sanger is entitled to lower capacity payments. The natural gas purchased under a fixed contract normally consumed by the facility was sold at favourable fixed prices. In addition, production at the Windsor Locks facility was reduced by approximately 4,000 MW-hrs due to the timing of a planned overhaul. The decrease in energy sales revenue was a result of the temporary closure of the Sanger facility in the quarter ($3.0 million revenue in the prior year), lower production at the Windsor Locks facility and the effects of a stronger Canadian dollar. These effects were offset by higher energy prices at the Windsor Locks and Crossroads facilities (increased fuel costs are passed on to the customer in the form of higher energy prices). Other revenue consists of the sale of natural gas at the Sanger facility and revenue of $0.7 million from the Dyna Fibers facility.

For the quarter ended March 31, 2006, operating expenses increased to $15.2 million as compared to $13.2 million in the same period in 2005. An increase in gas prices and the inclusion of the operating expenses of the Dyna Fibers facility were the primary reasons for increased operating expenses. As at September 2005, the Fund completed the acquisition of the Dyna Fibers facility, which operates out of the Sanger facility. The Fund previously owned 50% of the facility and accounted for its investment using the equity method. As a result, operating expenses increased by approximately $0.9 million during the quarter as compared to the same period in the prior year. The increased operating expenses in the quarter were partially offset by a stronger Canadian dollar.

For the quarter ended March 31, 2006, operating profit was $6.6 million as compared to $5.5 million for the same period in 2005. Operating profit for the first quarter exceeded Management's expectations.

Outlook

The Fund's Windsor Locks facility initiated a regularly scheduled overhaul during the last week of March 2006. It is expected that for the remainder of the year Windsor Locks will produce at or above prior year performance due to increased efficiencies following the overhaul, and favourable gas indexing provisions.

Following the end of the third quarter of 2005, the gas turbine at the Sanger facility was stopped and the fixed price natural gas normally consumed by the facility was sold at favourable fixed prices. This opportunity will continue until May 2006, and as a result, increased profits for the facility are expected for the first four months of 2006. The Fund is evaluating the replacement of the existing gas turbine at the Sanger facility with a newer, more efficient unit. Benefits of replacing the turbine could include higher efficiency, lower fuel usage, and greater ease of maintenance as well as supplying additional capacity and energy demands to the California energy market above and beyond the existing capacity of the plant.

With regards to the Crossroads facility, Management is in the process of monetizing the power purchase agreement and closing the facility.

Alternative Fuels Division

	Three months ended March 31 2006	2005
Performance (MW-hrs sold)	**59,275**	56,866
Performance (tonnes of waste processed)	**39,372**	37,631
Revenue		
Energy sales	**$ 4,353**	$ 4,152
Waste disposal sales	**3,721**	3,316
Total revenue	**$ 8,074**	$ 7,468
Expenses		
Operating expenses	**$ (7,219)**	$ (6,101)
Interest and other income	**1,706**	918
Division operating profit (incl. interest and dividend income)	**$ 2,561**	$ 2,285

For the quarter ended March 31, 2006, revenue in the Alternative Fuels Division was $8.1 million as compared to $7.5 million in the same period in 2005. During the first quarter of 2006, the division's production increased primarily as a result of an increase of approximately 3,000 MW-hr at its Landfill Gas ("LFG") facilities. Revenue from energy sales increased due to greater production in the first quarter as compared to the same period in 2005. The increase in revenue was partially offset by a stronger Canadian dollar. The increase in revenue from waste disposal sales was due to an increase in tonnes processed and improved average disposal rates in the first quarter as compared to the same period in 2005.

For the quarter ended March 31, 2006, operating expenses were $7.2 million as compared to $6.1 million for the same period in 2005. The increase in operating expenses for the quarter was primarily the result of increased fuel related costs of $0.7 million and an increase in repair and maintenance costs of $0.6 million as compared to the same period in the prior year. A stronger Canadian dollar reduced the division's US dollar operating expenses.

The Fund earned higher interest and other income on its investments within the Alternative Fuels Division during the first quarter of 2006, as compared to the same period in 2005 as a result of its investment in AirSource.

At the end of the first quarter of 2006, the Fund had advanced to AirSource a total of $44.5 million as well as providing letters of credit of $15.4 million. AirSource is constructing a 99 MW wind energy facility for which the Fund has provided a subordinated debt facility. The Fund has committed a total of $74.4 million to AirSource, including both the construction and acquisition facilities, representing a third of the cost of the project. Interest income earned on the AirSource investment was $1.2 million in the quarter ($0.4 million in the comparable period of the prior year).

For the quarter ended March 31, 2006, operating profit was $2.6 million as compared to $2.3 million in the same period in 2005. Equipment availability and gas supply issues at the LFG facilities, and problems with the fuel supply at the Drayton Valley facility resulted in production and operating profit below Management's expectations for the quarter ended March 31, 2006.

Outlook

As part of the Fund's diversification strategy, the Fund formed a new partnership which intends to mail a takeover bid circular to unitholders of AirSource, offering to exchange units of AirSource for limited partnership units of such partnership which are exchangeable for units of the Fund. The transaction is expected to be accretive to the Fund and allow it to integrate the operations of the St. Leon Wind Energy facility into the Alternative Fuels Division during the second quarter of 2006 and enhance unitholder value.

In 2006, the Alternative Fuels Division is expected to start realizing the benefits from actions taken to improve operating efficiencies. At the EFW facility, production and maintenance improvements completed in 2005 are expected to improve operating results over the course of 2006.

The Fund's LFG facilities will continue to initiate several programs, including the implementation of preventative and repair and maintenance programs, process changes, and various management improvement programs which are expected to result in reduced costs of operating the facilities.

Infrastructure Division

	Three months ended March 31	
	2006	**2005**
Number of		
Water reclamation customers	**26,523**	22,330
Water distribution customers	**31,126**	22,589
Revenue		
Water reclamation and distribution	**$ 7,906**	$ 5,194
Expenses		
Operating expenses	**$ (3,479)**	$ (2,489)
Other income	**5**	-
Division operating profit (incl. other income)	**$ 4,432**	$ 2,705

For the quarter ended March 31, 2006, revenue in the Infrastructure Division increased to $7.9 million as compared to $5.2 million in the same period in 2005. The division's water reclamation customer base increased by 19% and the division's water distribution customer base increased by 38% for the quarter ended March 31, 2006 as compared to the quarter ended March 31, 2005. This growth includes organic growth of 9% in both water reclamation customers (approximately 2,100 customers) and in water distribution customers (approximately 1,900 customers), and the inclusion of five facilities, as compared to the same quarter in the previous year. Three additional facilities (located in Missouri) were purchased on August 14, 2005, and one facility (located in Arizona) was purchased on December 2, 2005.

The increase in revenue for the first quarter was primarily due to the inclusion of nine water distribution and water reclamation facilities purchased during the prior year, continued strong organic growth at existing facilities as well as the 2005 results being negatively impacted by higher than normal rain in Arizona. The five facilities acquired in March 2005 had minimal impact on the division's financial results of the first quarter of 2005. The increase in revenue was partially offset by the stronger Canadian dollar. Overall, the additional facilities generated revenue of approximately $1.9 million for the first quarter of 2006 ($0.1 million for same period in 2005).

For the quarter ended March 31, 2006, operating expenses were $3.5 million as compared to $2.5 million in the same period in 2005, primarily due to the inclusion of the operating costs from the nine facilities acquired in 2005. The increase in operating expenses was due to the inclusion of the operating costs of the nine facilities acquired in 2005 of approximately $0.9 million in the first quarter of 2006 ($nil for same period in 2005) offset by the stronger Canadian dollar.

For the quarter ended March 31, 2006, operating profit increased to $4.4 million as compared to $2.7 million for the same period during the prior year. The increase was due to strong organic growth and the inclusion of the facilities that were purchased during the year. Operating profit met Management's expectations for the quarter ended March 31, 2006.

Outlook

The Infrastructure Division is expected to continue growing during 2006 at levels similar to 2005, with approximately 4,500 budgeted new customer connections anticipated during the year. Growth is expected to occur primarily in Texas, as well as in Arizona, where the division services one of the fastest growing counties in the United States. Stable, continued growth in the balance of the Infrastructure Division's service areas are expected to contribute to the strong overall performance of the division. The Fund continues to consider opportunities which provide sustainable accretive growth to enhance unitholder value.

The Fund has initiated rate cases for its Black Mountain and Gold Canyon facilities. The regulatory review of these rate cases is expected to be completed by the end of 2006 and 2007 respectively. Management expects that these rate cases will ensure that the respective facility earns the rate of return on its capital investment as allowed by the regulatory authority under which the facility operates.

Recent changes in drinking water legislation within the United States has lead to the requirement for new arsenic treatment procedures to be implemented. These changes are underway and are scheduled for completion by mid year of 2006 at the Litchfield Park Services Company ("LPSCO") facility. Once implemented, the system ensures full regulatory compliance for the provision of safe drinking water. Operating expenses are expected to increase as a result of these new processes. It is expected that a strong, continued focus on operating efficiencies and process evaluation will help to minimize any increases in operating expenses in 2006.

Additional significant capital improvement projects planned for late 2006 in the LPSCO service area include the design and construction of a new reservoir and pumping facilities, rehabilitation to existing wells, construction of a new well, and the design of an expansion to the existing water reclamation plants. All of these capital projects are being developed to meet the expected growth in the area and to satisfy the requirements of the regulatory authorities in Arizona.

Administrative Expenses

	Three months ended March 31	
	2006	**2005**
Administrative expenses	1,468	$ 1,398
Management costs	217	206
Loss on foreign exchange	107	332
Interest expense	4,600	3,884
Interest, dividend and other Income	(16)	(47)
Income tax expense	247	1,141

Administrative expenses increased to $1.5 million from $1.4 million. The increase was primarily driven by increased demand for administration services by the Fund and general price increases.

Foreign exchange gains and losses primarily represent unrealized gains on US dollar denominated debt and do not impact cash available for distribution. For the quarter ended March 31, 2006 the Fund posted a foreign exchange loss of $0.1 million versus a loss of $0.3 million for same period in 2005. At the end of the first quarter, the Fund had approximately $40.5 million in US dollar denominated debt.

For the quarter ended March 31, 2006, interest expense increased to $4.6 million as compared to $3.9 million in the same period in 2005. The increase is due to increased average levels of borrowing during the year, in part a result of the debt facility provided to AirSource and a higher interest rate charged on the Fund's credit facility.

An income tax expense of $0.2 million was booked in the first quarter of 2006 as compared to $1.1 million in the first quarter of 2005. Future income tax expense decreased to $NIL for the quarter ended March 31, 2006 compared to $1.0 million in the same period in 2005 as a result of the utilization of loss carried forward.

Cash Available for Distribution

	Three months ended March 31	
	2006	2005
Cash flow from operating activities	$ 15,053	$ 2,758
Changes in working capital	1,081	10,055
Operating cash flow before working capital changes	16,134	12,813
Receipt of principal on notes receivable	1,367	1,708
Decrease / (increase) in restricted cash	(74)	91
Repayment of long term liabilities	(200)	(238)
Maintenance capital expenditures	(624)	(452)
Other	(256)	(2)
Cash available for distribution	$ 16,347	$ 13,920
Cash available for distribution per trust unit	$ 0.23	$ 0.20
Distribution to unitholders	$ 16,015	$ 16,015
Distributions to unitholders per trust unit	$ 0.23	$ 0.23

During the quarter ended March 31, 2006 the Fund generated $16.3 million in cash available for distribution as compared to $13.9 million for the same period in 2005.

The Fund's distribution as a percentage of 'cash available for distribution' ("Payout Ratio") has improved to 98.0% in the first quarter of 2006. The Fund achieved Payout Ratios of 123.4% in 2002, 106.9% in 2003, 105.8% in 2004 and 98.7% in 2005.

In prior years, the shortfalls have been funded primarily by working capital. Should any future shortfall arise, management expects to be able to cover the difference between cash generated and cash distributed through working capital, cash on hand or its credit facility. Working capital has been built up over time from public offerings.

On a per trust unit basis, the Fund generated $0.23 of cash available for distribution for the quarter ended March 31, 2006 as compared to $0.20 for the same period in 2005. The Fund distributed $16.0 million during the quarters ended March 31 of both 2006 and 2005.

On a per unit basis, the Fund maintained distributions at $0.23 per trust unit for the quarter ended March 31, 2006, consistent with 2005.

Liquidity and Capital Reserves

For the quarter ended March 31, 2006, the Fund had $8.4 million of cash and cash equivalents. As at March 31, 2006, the Fund had positive net working capital of $0.1 million. The surplus is in part a result of the Fund generating excess cash over cash distributions.

During the quarter ended March 31, 2006, the Fund incurred capital expenditures of $6.6 million, as compared to $5.1 million in the comparable period in 2005. Capital expenditures during the quarter ended March 31, 2006 were primarily growth related expenditures in the Infrastructure Division and the planned major maintenance at the Windsor Locks facility. Capital expenditure requirements are anticipated to be approximately $27.4 million for the remainder of fiscal 2006. The majority of these expenditures are in the Infrastructure Division and are required due to growth and to comply with new rules pertaining to arsenic treatment procedures.

Long term liabilities increased to $185.3 million at March 31, 2006 as compared to $128.1 million at March 31, 2005. Long term liabilities primarily consist of project level debt of approximately $87.5 million and an amount of $97.8 million drawn on the Fund's revolving credit facility as compared to project level debt of $90.2 million and an amount of $37.9 million drawn on the Fund's revolving credit facility at the end of the first quarter of 2005. Project debt is paid at the project level where adequate cash flows are available to fund project debt requirements and the debt is generally non-recourse to the Fund. Project debt repayments are deducted in the calculation of cash available for distribution.

The Fund has in place a $175 million revolving credit facility of which $125 million is to be used for acquisitions, investments and letters of credit, $20 million is to be used for operating requirements and the balance is a temporary facility, effective until July 2006, which caused no material changes to the terms and conditions of the Fund's credit facility. At the quarter ended March 31, 2006, the Fund had drawn $97.8 million on its revolving credit facility.

During the quarter ended March 31, 2006, the Fund drew $28.5 million on its facility to further fund the requirements of AirSource and to fund capital requirements. The Fund's total commitment to AirSource is $74.4 million of which the Fund intends to finance initially by utilizing the revolving credit facility. Since the Fund utilizes the revolving credit facility for growth capital expenditures including acquisitions, the revolving credit has been reduced in the past by the issuance of units and/or debentures to the public. The Fund is considering an offering of trust units and/or debentures to fund growth capital, its commitment to Airsource and to reduce the outstanding amount on its credit facility. At the quarter ended March 31, 2006, the Fund had advanced $44.5 million to AirSource in addition to providing letters of credit of $15.4 million, for a total advance of $59.9 million.

Subsequent to the end of the quarter, the Fund drew an additional $3.0 million on its credit facility to fund capital requirements of the Fund. The Fund intends to finance its capital expenditures and other commitments through working capital, its revolving credit facility and through additional trust unit and/or debenture offerings.

For the quarter ended March 31, 2006 the Fund maintained a long term debt-to-equity ratio (including long term liabilities, other long term liabilities and convertible debentures) of 63.3%. The Fund may settle the outstanding convertible debentures, at its option, in cash, or, subject to certain conditions, in Fund units. Accordingly, if the convertible debentures are excluded from debt in this calculation (included as equity), the long term debt-to-equity ratio would be reduced to 37.0%.

Contractual Obligations

Information concerning contractual obligations as of May 8, 2006 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	$274,320	$ 6,125	$98,046	$2,802	$167,347
Other obligations	32,173	21,424	827	538	9,384
Total obligations	$306,493	$ 27,549	$98,873	$3,340	$176,731

Long term obligations normally include regular payments related to long term debt and other obligations. These payments are included as a reduction to cash available for distribution. Included in the other obligations in the due less then 1 year time frame is the Fund's commitment as of April 21, 2006 to advance an additional $14.5 million to AirSource with regards to fulfilling its commitment to AirSource and its commitment of $6.5 million regarding the installation of the additional steam generation and transmission assets required for the sale of steam from the EFW facility.

Unitholders' Equity and Convertible Debentures

As at March 31, 2006, the Fund had 69,693,469 issued and outstanding units. During March 2006, an investor exercised the option on $20 of convertible debentures and 1,877 units were issued.

In 2004, the Fund issued 85,000 convertible unsecured debentures at a price of $1 for each debenture. The debentures bear interest at 6.65% per annum and 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 93.9 trust units for each $1 principal. The debentures may not be redeemed by the Fund prior to July 31, 2007. As at March 31, 2005, there were 84,980 convertible debentures outstanding as a result of the conversion of certain debentures into units. As at April 21, 2006, no further debentures had been presented for conversion.

Dealings with Algonquin Power Group

Companies related to the Manager provide operations and technical services on a cost-recovery basis. Two of these companies meet the definition of a variable interest entity ("VIE"), as discussed below and are consolidated with the Fund. As such, any intercompany balances with respect to these companies have been eliminated. In addition, the Fund's head office premises are leased from an entity related to the Manager. Details are outlined in note 6 of the Fund's unaudited consolidated financial statements for the quarter ended March 31, 2006.

When appropriate for use in its operations, the Fund utilizes chartered aircraft, including the use of an aircraft owned by an affiliate of the Manager. The Fund entered into an agreement and remitted $1.3 million to this affiliate as an advance against expense reimbursement (including engine utilization reserves) for the Fund's business use of this aircraft. Under the terms of this arrangement, the Fund will have priority access to make use of the aircraft for a specified number of hours at a cost equal solely to the third party direct operating costs incurred when flying the aircraft; such direct operating costs do not provide the affiliate with any profit or return on or of the capital committed to the aircraft.

Risk Management

There are a number of risk factors relating to the business of the Fund. Some of these risks include the dependence upon Fund businesses, regulatory climate and permits, US versus Canadian dollar exchange rates, tax related matters, commodity prices, gross capital requirements, labour relations, reliance on key customers and environmental health and safety considerations. A more comprehensive assessment of the Fund's business risks is set out in the 2005 Renewal Annual Information Form.

The Fund is entirely dependant upon the operations and assets of the Fund businesses. Accordingly, distributions to unitholders are dependent upon the profitability of each of the Fund businesses. This profitability could be impacted by equipment failure, the failure of a major customer to fulfill its contractual obligations under its power purchase agreement, reductions in average energy prices, a strike or lock-out at a facility and expenses related to claims or clean-up to adhere to environmental and safety standards. These risks are mitigated through the diversification of the Fund's operations, both operationally (Hydro, Cogeneration, Alternative Fuels and Infrastructure) and geographically (Canada and US), the use of regular maintenance programs, maintaining adequate insurance and the establishment of reserves for expenses. In addition, the Fund's existing long term power purchase agreements minimize the risk of reductions in average energy pricing.

Profitability of the Fund businesses will be in part dependent on regulatory climates. In the case of some hydroelectric facilities, water rights are generally owned by governments who reserve the right to control water levels which may affect revenue. The water distribution and water reclamation facilities are highly regulated and are subject to rate settings by state regulators. Management continually works with these authorities to manage the affairs of the business.

The hydroelectric operations of the Fund are impacted by seasonal fluctuations. These assets are primarily "run-of-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. The ability of these assets to generate income may be impacted by changes in water availability changes or other material hydrologic events within a watercourse. It is, however, anticipated that due to the geographic diversity of the facilities, variability of total revenues will be minimized.

Currency fluctuations may affect the cash flows the Fund would realize from its operations, as certain of the Fund Businesses sell electricity in the United States and receive proceeds from such sales in US dollars. Such Fund Businesses also incur costs in US dollars. The Fund attempts to manage this risk through the use of forward contracts. At the quarter ended March 31, 2006, the Fund had forward contracts to sell US dollars for fiscal 2006 to fiscal 2010 totalling US$ 91.1 million carrying an average rate of $1.34. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund has a credit facility and project specific debt of approximately $185.3 million. In the event that the Fund was required to replace these facilities with borrowings having less favourable terms or higher interest rates, the level of cash generated for distribution may be negatively impacted.

The cash available for distribution generated from several of the Fund's facilities are subordinated to senior debt. In the event that there was a breach of covenants or obligations with regards to any of these particular loans which was not remedied, the loan could go into default which could result in the lender realizing on its security and the Fund losing its investment in such facility. The Fund actively manages its operations to minimize the risk of this possibility.

Changes to income tax laws and the current tax treatment of mutual fund trusts could negatively impact the Fund. Although the Fund is of the view that it currently qualifies under current legislation as a mutual fund trust, there can be no assurance that the legislation will be changed in the future or that Canada Revenue Agency ("CRA") will agree with this position. If the Fund ceases to qualify as a mutual fund trust, the return to unitholders may be adversely affected.

In addition, although the Fund is of the view that all expenses being claimed by the Fund are reasonable and that the cost amount of the Fund's depreciable properties have been correctly determined, there can be no assurance that CRA or the Internal Revenue Service will agree. A successful challenge by either agency regarding the deductibility of such expenses or the correctness of such cost amounts could impact the return to unitholders.

The Fund's water distribution and water reclamation utilities may be located within areas of the United States experiencing high growth. These utilities may have an obligation to service new residential, commercial and industrial customers. While expansion to serve new customers will likely result in improved future cash flows, it may require significant capital commitments in the immediate term. Accordingly, the Fund may be required to access capital markets or obtain additional borrowings to finance these future construction obligations.

The Fund has fixed the price of its natural gas exposure until July 2006 at the Sanger facility and to 2007 at the EFW facility. After this time, the EFW facility is the Fund's only natural gas exposure as all other facilities have pass through provisions in their energy agreements. Natural gas at the EFW facility will be re-contracted on a rolling basis.

The Fund maintains adequate insurance on all of its facilities. This includes property and casualty, boiler and machinery, and liability insurance.

Quarterly Financial Information

The following is a summary of unaudited quarterly financial information for the two years ended March 31, 2006.

Millions of dollars except per trust unit amounts

	2nd Qtr 2005	3rd Qtr 2005	4th Qtr 2005	1st Qtr 2006	Total
Revenue	45.0	42.8	50.9	49.5	188.2
Net earnings	1.6	9.5	8.9	7.3	27.3
Net earnings per trust unit	0.02	0.14	0.13	0.11	0.40
Total Assets	822.1	838.2	823.8	839.2	839.2
Long term debt	261.8	286.8	271.5	300.1	300.1
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

	2nd Qtr 2004	3rd Qtr 2004	4th Qtr 2004	1st Qtr 2005	Total
Revenue	41.9	40.7	40.7	40.6	163.9
Net earnings	8.1	11.5	(0.1)	1.8	21.3
Net earnings per trust unit	0.12	0.16	0.00	0.03	0.31
Total Assets	809.0	834.2	824.8	813.1	813.1
Long term debt	189.7	214.6	226.2	235.6	235.6
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

The quarterly results are impacted by various factors including seasonal fluctuations and acquisition of facilities as noted in this Management's Discussion and Analysis.

Consolidated Balance Sheets

March 31, 2006 and December 31, 2005
(thousands of Canadian dollars)

Asset	31-Mar-06	31-Dec-05
Current assets	**Unaudited**	
Cash and cash equivalents	$ 8,412	$ 11,363
Accounts receivable	24,670	29,206
Prepaid expenses	2,243	1,918
Current portion of notes receivable	1,816	2,791
	37,141	45,278
Long-term investments (note 4)	81,127	57,489
Future non-current income tax asset	7,885	7,719
Capital assets, net of amortization	627,170	627,652
Intangible assets, net of amortization (note 3)	76,946	76,848
Restricted cash	3,533	3,458
Deferred costs	5,221	5,357
	$ 839,023	$ 823,801
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 23,625	$ 28,585
Due to Algonquin Power Group	65	62
Cash distribution payable	10,677	10,677
Current portion of long-term liabilities	1,442	1,445
Current income tax liability	237	435
Future income tax liability	1,009	1,143
	37,055	42,347
Long-term liabilities (note 5)	185,315	157,002
Convertible debentures	84,980	85,000
Other long-term liabilities	10,749	10,435
Deferred credits	19,027	19,102
Future non-current income tax liability	57,576	56,917
Unitholders' equity		
Trust units	654,196	654,176
Deficit	(209,875)	(201,178)
	444,321	452,998
	$ 839,023	$ 823,801

See accompanying notes to financial statements

Approved by the Trustees

George Steeves K Moore

Consolidated Statements of Earnings and Deficit

For the three months ended March 31, 2006 and March 31, 2005
(thousands of Canadian dollars)
Unaudited

	2006	2005
Revenue		
Energy sales	$ 32,399	$ 32,090
Waste disposal fees	3,721	3,316
Water reclamation and distribution	7,906	5,194
Other revenue	5,445	-
	49,471	40,600
Expenses		
Operating	30,060	25,157
Amortization of capital assets	7,055	6,905
Amortization of intangible assets	1,286	1,541
Management costs	217	206
Administrative expenses	1,468	1,398
Loss on foreign exchange	107	332
	40,193	35,539
Earnings before undernoted	9,278	5,061
Interest expense	4,600	3,884
Interest, dividend income and other income	(2,887)	(1,804)
	1,713	2,080
Earnings before income taxes	7,565	2,981
Current income taxes	270	252
Future income taxes	(23)	889
	247	1,141
Net earnings	7,318	1,840
Deficit, beginning of the period	(201,178)	(158,905)
Cash distributions	(16,015)	(16,015)
Deficit, end of the period	$ (209,875)	$ (173,080)
Basic and diluted net earnings per trust unit	$ 0.11	$ 0.03

Consolidated Statements of Cash Flows

For the three months ended March 31, 2006 and March 31, 2005"
(thousands of Canadian dollars)
Unaudited

	2006	2005
Operating Activities		
Net earnings	$ 7,318	$ 1,840
Items not affecting cash		
Amortization of capital assets	7,055	6,905
Amortization of intangible assets	1,286	1,541
Other amortization	467	368
Distribution received in excess of equity income	(70)	59
Future income taxes	(23)	889
AirSource commitment fee	-	988
Unrealized loss on foreign exchange	101	223
	16,134	12,813
Changes in non-cash operating working capital	(1,081)	(10,055)
	15,053	2,758
Financing Activities		
Cash distributions	(16,015)	(16,015)
Deferred financing costs	(209)	(247)
Net increase in long-term liabilities	28,252	7,742
Other	223	212
Deferred credits	50	30
	12,301	(8,278)
Investing Activities		
Decrease in restricted cash	(74)	(4,484)
Receipt of principal on notes receivable	1,367	1,708
Increase in long term investments (note 4)	(24,000)	(988)
Additions to capital assets	(6,562)	(5,069)
Acquisitions of operating entities (note 3)	(1,020)	(10,942)
	(30,289)	(19,775)
Effect of exchange rate differences on cash and cash equivalents	(16)	208
Decrease in cash	(2,951)	(25,087)
Cash and cash equivalents, beginning of the period	11,363	34,197
Cash and cash equivalents, end of the period	$ 8,412	$ 9,110
Supplemental disclosure of cash flow information		
Cash paid during the period for interest expense	$ 5,401	$ 4,952
Cash paid during the period for income taxes	$ 458	$ 141

Notes to the Consolidated Statements

For the three months ended March 31, 2006 and March 31, 2005
(thousands of Canadian dollars)
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, 2005, as set out in the 2005 Annual Report since they do not contain all the disclosures that are in accordance with Canadian generally accepted accounting principles for annual financial statements. 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, 2005.

2. Seasonality

The operations of the Fund are seasonal. The Fund's hydroelectric energy assets are primarily "run-of-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 facility

In accordance with the purchase and sale agreement for Litchfield Park Service Company, Woodmark Utility Company, and Rio Rico Utilities the Fund is required to make additional payments to the previous owners for each additional customer connected to the utility. For Litchfield Park, these payments continue until 2008, for Woodmark until 2009 and for Rio Rico until 2008. As of March 31, 2006 the Fund has accrued $1,020 (U.S $883) as a growth premium, and increased intangible assets by a similar amount, gross of future tax liabilities of $364.

4. Long term investments

During the first quarter, the Fund provided an additional $24.0 million of financing to AirSource Power Fund I LP ("AirSource") for construction of the wind farm in St. Leon. The Fund's total commitment to AirSource is $74.4 million. At the end of the first quarter of 2006, the Fund has advanced $44.5 million to AirSource as well as providing letters of credit of $15.4 million, for a total advance of $59.9 million.

5. Long term debt

The Fund drew an additional $28.5 million on the revolving credit facility during the first quarter 2006, primarily to fund the construction requirements of AirSource. In addition, during the first quarter 2006, the Fund reached an agreement with the Fund's senior lenders to increase its revolving credit facility by $30.0 million to bring the total available credit to $175.0 million. There are no material changes to the terms and conditions of the Fund's revolving credit facility. The increase is effective until July 28, 2006. Subsequent to the end of the quarter, the Fund drew an additional $3.0 million.

6. Algonquin Power Group

In accordance with the management agreement, the Fund paid Algonquin Power Management Inc. ("APMI") and it's related companies for services provided on a cost recovery basis. For the first quarter 2006, the Fund paid APMI $217 (2005 - $206) for management services.

The Fund has leased its head office facilities since 2001 from an entity owned by the shareholders of APMI on a net basis. Base lease costs for the quarter were $74 (2005 - $74) and additional rent representing operating costs was $34 (2005 - $34).

7. 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:

	March 31, 2006	March 31, 2005
Revenue		
Canada	$ 13,711	$ 11,379
United States	35,760	29,221
	$ 49,471	$ 40,600

	March 31, 2006	March 31, 2005
Capital Assets		
Canada	$ 307,016	$ 317,180
United States	320,154	300,699
	$ 627,170	$ 617,879

	March 31, 2006	March 31, 2005
Intangible Assets		
Canada	$ 24,759	$ 26,761
United States	52,187	59,160
	$ 76,946	$ 85,921

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas co-generation, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined as follows:

Three months ended March 31, 2006

Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	12,432	15,614	4,353	-		32,399
Waste disposal fees	-	-	3,721	-	-	3,721
Water reclamation and distribution				7,906		7,906
Other revenue	-	5,445	-		-	5,445
Total Revenue	12,432	21,059	8,074	7,906	-	49,471
Operating expenses	4,134	15,228	7,219	3,479	-	30,060
Operating profit	8,298	5,831	855	4,427	-	19,411
Other administration costs	(23)	-	(45)	(34)	(1,690)	(1,792)
Interest expense	(1,270)	(259)	(94)	(288)	(2,689)	(4,600)
Interest, dividend income and other income	428	732	1,706	5	16	2,887
Amortization of capital assets	(2,428)	(1,476)	(1,434)	(1,717)	-	(7,055)
Amortization of intangible assets	-	(523)	(565)	(198)	-	(1,286)
Earnings before income taxes	5,005	4,305	423	2,195	(4,363)	7,565
Capital assets	276,202	85,947	96,328	168,693	-	627,170
Intangible assets	19	21,771	25,874	29,282		76,946
Capital expenditures	312	1,447	459	4,327	17	6,562
Intangible expenditures	-	-	-	-	-	-
Total assets	293,096	137,621	188,655	209,419	10,232	839,023

Three months ended March 31, 2005

Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	10,019	17,919	4,152	-		32,090
Waste disposal fees	-	-	3,316	-	-	3,316
Water reclamation and distribution	-	-	-	5,194		5,194
Other revenue	-	-	-	-	-	-
Total Revenue	10,019	17,919	7,468	5,194	-	40,600
Operating expenses	3,416	13,151	6,101	2,489	-	25,157
Operating profit	6,603	4,768	1,367	2,705	-	15,443
Other administration costs	(58)	-	(35)	(24)	(1,819)	(1,936)
Interest expense	(1,267)	(214)	(104)	(288)	(2,011)	(3,884)
Interest, dividend income and other income	121	718	918	-	47	1,804
Amortization of capital assets	(2,375)	(1,850)	(1,181)	(1,499)	-	(6,905)
Amortization of intangible assets	-	(747)	(643)	(151)	-	(1,541)
Earnings before income taxes	3,024	2,675	322	743	(3,783)	2,981
Capital assets	283,581	89,453	93,870	150,975	-	617,879
Intangible assets	21	34,617	26,543	24,740		85,921
Capital expenditures	-	454	489	4,049	77	5,069
Intangible expenditures	-	-	-	-	-	-
Total assets (December 31, 2005)	295,834	146,158	162,431	206,900	12,478	823,801

8. Comparatives

Certain comparative amounts have been reclassified to conform with current year financial presentation.

9. Subsequent event

Subsequent to the end of the first quarter, the Fund and AirSource Power Fund I LP ("AirSource") entered into a support agreement in respect of the offer by Algonquin (AirSource) Power LP, a Fund affiliated entity, to make an offer to acquire all of the outstanding limited partnership units ("Units") of AirSource. The offer for Units will be made by way of a take-over bid through the issuance of one exchangeable limited partnership unit ("Exchangeable Unit") of Algonquin (AirSource) Power LP for each Unit of AirSource. Each Exchangeable Unit is exchangeable at the option of the holder, exercisable any time within the next seven years, into 0.9808 trust units ("APIF Units") of the Fund, representing an equivalent price of $10.00 per Unit, based on the 20 day trailing volume weighted average closing price of Algonquin's trust units on the Toronto Stock Exchange.

Corporate Information and Contacts

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John M.H. Huxley, Director
Ian E. Robertson, Director
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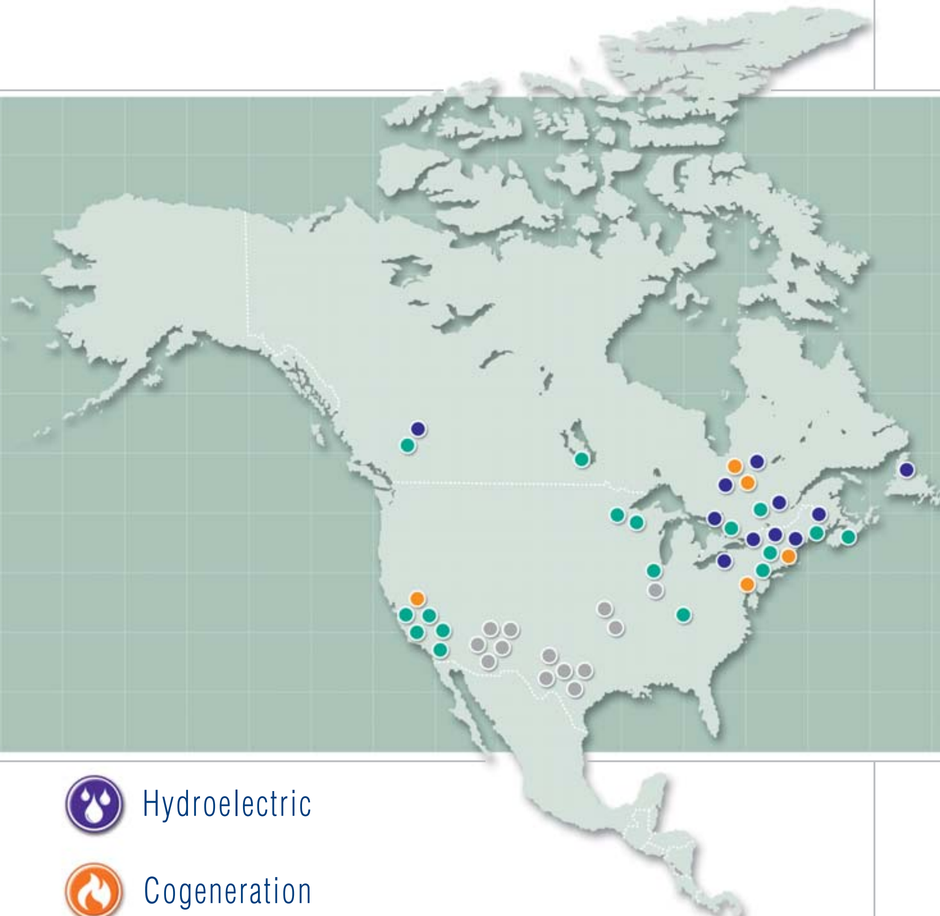

Hydroelectric

Cogeneration

Alternative Fuels

Infrastructure

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