

## ALGONQUIN POWER INCOME FUND

### Report to Unitholders

For the three month period ended March 31, 1999, the Fund received income from energy sales from four hydroelectric generating facilities located in Ontario, five in Quebec, two in the State of New York, seven in New Hampshire and one in Vermont. The Fund also received 45% of the income from one project in the province of Newfoundland. During this period, the Fund received interest and principal payments on the Class A Note issued by the Trafalgar Companies. These companies own seven hydroelectric generating facilities in New York State. The Fund also received interest payments on a note issued by the Long Sault Joint Venture Partnership. The Long Sault hydroelectric generating facility is located in northern Ontario. The Fund also received interest payments and, in addition, a principal repayment of \$500,000 from three notes issued by Algonquin Power Corporation Inc., ("APC"), one of which is secured by the Glenford facility located in Quebec. APC is owned by the shareholders of Algonquin Management Inc., the manager of the Fund.

During the first three month period of this year, the river flows within the region in which the Fund's hydroelectric facilities are located were slightly below average river flows and therefore, revenues were slightly behind target compared to projections.

### Financial Results

The Fund recorded revenues from energy sales of \$2,551,000, interest income and income from participation agreements of \$911,000 and receipt of principal on notes of \$1,528,000. Capital, operating and other expenses were slightly higher than forecast for this quarter due to the weather factors that resulted in abnormal ice conditions at certain of the Fund's facilities.

### Current Developments

On May 4, 1999 the Fund completed a public offering of an additional 8,100,000 Trust Units at \$10.35 per Trust Unit, for gross proceeds of \$83,835,000. The Fund will use the net proceeds of \$79,224,075 to acquire a direct or indirect equity interest in an additional six hydroelectric facilities located in Quebec (4) and New Hampshire (2). The Fund may also use a portion of the proceeds to retire debt at the project level.

After the completion of these acquisitions, the Fund will hold an interest in 35 hydroelectric generating facilities having a total installed capacity of 92 megawatts.

A distribution to Unitholders of \$0.24 per Trust Unit was declared to Unitholders of record on March 31, 1999 for payment on May 15, 1999. Although not specifically indicated, the distribution was consistent with the forecast for the period ended March 31, 1999.

### Outlook

The Fund has been able to continue one of its major objectives of growth by accretive acquisitions as evidenced by the proposed acquisition of equity interests in six generating facilities. This has been achieved by three successful public offerings of Trust Units by the Fund since December 1997. The Fund through its Manager will continue to look for opportunities to acquire interest in hydroelectric generating facilities in Canada and the United States that meet the appropriate criteria.

The northeastern regions of North America have experienced lower than average water flows during the second quarter to date. Unless water flows significantly increase over the balance of the quarter, these dry conditions will impact the energy production of the Fund's generating facilities. While it is expected that revenues will be below average for that period, there is no reason to believe that the dry conditions will continue as a trend that will affect the long term generating capabilities of the Fund's assets.

Respectfully submitted on behalf of the Trustees of the Algonquin Power Income Fund.

R. Ian Bradley  
Chairman

## ALGONQUIN POWER INCOME FUND

Consolidated Statement of  
Operations and Deficit  
Three Months Ended March 31, 1999 and 1998  
*(expressed in thousands of dollars)*

	1999	1998
<b>Revenue</b>		
Energy sales	\$ 2,551	\$ 962
Interest income and income from participation agreements	911	758
	3,462	1,720
<b>Expenses</b>		
Operating	803	341
Amortization	648	334
Management fees	102	63
Operations supervisory fees	77	63
Administrative expenses	85	69
Loss on foreign exchange	265	4
	1,980	874
<b>Earnings before interest expense</b>	1,482	846
Interest expense	98	61
	1,384	785
<b>Earnings before income taxes</b>	1,384	785
Income taxes	-	48
	-	48
<b>Net earnings for the period</b>	1,384	737
<b>Deficit, beginning of period</b>	(8,517)	(2,431)
Cash distributions	(3,382)	(1,406)
<b>Deficit, end of period</b>	\$ (10,515)	\$ (3,100)
Net earnings per trust unit	\$ 0.10	\$ 0.09

Approved by the Trustees:



GEORGE L. STEEVES  
Trustee

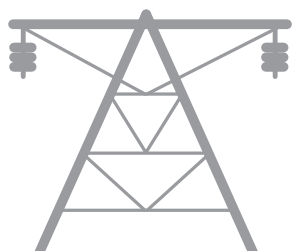


R. IAN BRADLEY  
Trustee

## ALGONQUIN POWER INCOME FUND

Consolidated Statements of  
Cash Flows  
Three Months Ended March 31, 1999 and 1998  
*(expressed in thousands of dollars)*

	1999	1998
<b>Operating Activities</b>		
Net earnings	\$ 1,384	\$ 737
Items not affecting cash		
Amortization of capital assets	608	334
Amortization of participation interests	40	-
Other amortization	(18)	(12)
Foreign exchange	107	-
	2,121	1,059
Cash generated from operations	2,121	1,059
Changes in non-cash operating working capital	526	1,155
	2,647	2,214
<b>Financing Activities</b>		
Cash distributions	(3,382)	(1,406)
Expenses of trust units offerings	(19)	(135)
Repayment of long-term liabilities	(535)	(79)
	(3,936)	(1,620)
<b>Investing Activities</b>		
Decrease in funds in escrow	-	20,774
Receipt of principal on notes receivable	1,528	594
Acquisition of operating entities	-	(20,787)
	1,528	581
Effect of exchange rate differences on cash and cash equivalents	10	-
Increase in cash	249	1,175
Cash and cash equivalents, beginning of period	2,124	418
Cash and cash equivalents, end of period	\$ 2,373	\$ 1,593



## ALGONQUIN POWER INCOME FUND

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