

ALGONQUIN POWER

INCOME FUND

Report to Unitholders

During the quarter, low hydrologic conditions caused revenues to fall below target. In particular, the Fund's hydroelectric generating facilities in New York State were significantly affected by the lack of precipitation during the period. The Quebec Region however, met its target expectations which minimized the effects of the shortfall in other Regions. Due to the nature of the Fund's business, specifically, the use of natural river flows as a fuel source, energy generated from the Fund's facilities are expected to fluctuate both positively and negatively.

The Fund recorded revenues from energy sales of \$4,490,000, interest income and income from participation agreements of \$2,929,000 and receipt of principal on notes of \$3,107,000. Capital, operating and administrative costs were in line with the Fund targets. A distribution to Unitholders of \$0.20 per Trust Unit was declared to Unitholders of record on June 30, 1999 for payment August 15, 1999.

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. Two of the six proposed acquisitions were completed before the end of the second quarter, while the remaining four were completed in the third quarter. Additional proceeds obtained during the public offering are being used to acquire the St-Raphael Facility in Quebec. Currently, the Fund holds an interest in 36 hydroelectric generating facilities having a total installed capacity of 96 megawatts.

Year 2000

The Trustees believe that there is a very low probability of losses occurring from Year 2000 related issues. All electronic control systems are currently being tested and where required, Year 2000 compliant software or equipment is being obtained from vendors. All testing and remediation programs are on schedule to be completed by the end of September 1999. The utilities to which the Fund sells its power have been contacted and assurances have been received that they are taking steps to become Year 2000 compliant.

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
 Six Months Ended June 30, 1999 and 1998
(thousands Canadian of dollars)

| | 1999 | 1998 |
|--|--------------------|-------------|
| | <i>(unaudited)</i> | |
| Revenue | | |
| Energy sales | \$ 4,490 | \$ 1,846 |
| Interest income and income from participation agreements | 2,929 | 1,634 |
| | <hr/> | <hr/> |
| | 7,419 | 3,480 |
| Expenses | | |
| Operating | 1,648 | 759 |
| Amortization | 1,290 | 647 |
| Management fees | 204 | 125 |
| Operations supervisory fees | 154 | 125 |
| Administrative expenses | 207 | 120 |
| (Gain) loss on foreign exchange | 178 | (28) |
| | <hr/> | <hr/> |
| | 3,681 | 1,748 |
| Earnings before interest expense | 3,738 | 1,732 |
| Interest expense | 198 | 128 |
| Earnings before income taxes | 3,540 | 1,604 |
| Income taxes | - | 62 |
| Net earnings for the period | 3,540 | 1,542 |
| Deficit, beginning of period | (8,517) | (2,431) |
| Cash distributions | (7,820) | (3,293) |
| Deficit, end of period | <hr/> <hr/> | <hr/> <hr/> |
| | \$ (12,797) | \$ (4,182) |
| Net earnings per trust unit | <hr/> <hr/> | <hr/> <hr/> |
| | \$ 0.32 | \$ 0.22 |

Approved by the Trustees:



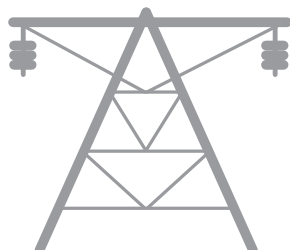
GEORGE L. STEEVES
Trustee



R. IAN BRADLEY
Trustee

ALGONQUIN POWER INCOME FUND
 Consolidated Statements of
 Cash Flows
 Six Months Ended June 30, 1999 and 1998
(thousands Canadian of dollars)

| | 1999 | 1998 |
|--|--------------------|----------------|
| | <i>(unaudited)</i> | |
| Operating Activities | | |
| Net earnings | \$ 3,540 | \$ 1,542 |
| Items not affecting cash | | |
| Earnings on funds held in escrow | | (13) |
| Amortization of capital assets | 1,210 | 647 |
| Amortization of participation interests | 80 | 0 |
| Other amortization | (36) | (30) |
| Interest receivable on notes | | (304) |
| Foreign exchange | 67 | - |
| Cash generated from operations | <hr/> | <hr/> |
| | 4,861 | 1,842 |
| Changes in non-cash operating working capital | | |
| | 6,392 | 1,433 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 11,253 | 3,275 |
| Financing Activities | | |
| Cash distributions | (7,820) | (3,293) |
| Issue of trust units | 83,835 | 0 |
| Expenses of trust units offerings | (5,710) | (644) |
| Repayment of long-term liabilities | (976) | (79) |
| | <hr/> | <hr/> |
| | 69,329 | (4,016) |
| Investing Activities | | |
| Increase in funds held for future acquisitions | (57,635) | |
| Contributions to hydrology reserve fund | (4,693) | |
| Decrease in funds in escrow | | 41,567 |
| Acquisition of notes receivable | (7,296) | (18,876) |
| Receipt of principal on notes receivable | 3,107 | 2,212 |
| Acquisition of operating entities | (8,026) | (20,787) |
| Acquisition of participation and other interests | 0 | (1,904) |
| | <hr/> | <hr/> |
| | (74,543) | 2,212 |
| Effect of exchange rate differences on cash and cash equivalents | <hr/> | <hr/> |
| | (110) | 0 |
| Increase in cash | 5,929 | 1,471 |
| Cash and cash equivalents, beginning of period | 2,124 | 418 |
| Cash and cash equivalents, end of period | <hr/> <hr/> | <hr/> <hr/> |
| | \$ 8,053 | \$ 1,889 |



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INCOME FUND

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