ALGONQUIN POWER

INCOME FUND

Interim Report to Unitholders

Six Months Ended June 30, 1999

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

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ALGONQUIN POWER INCOME FUND
Consolidated Statement of
Operations and Deficit
Six Months Ended June 30, 1999 and 1998
(thousands Canadian of dollars)

	1999	1998 *(unaudited)*
Revenue		
Energy sales	$ 4,490	$ 1,846
Interest income and income from participation agreements	2,929	1,634
	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)
	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	$ (12,797)	$ (4,182)
Net earnings per trust unit	$ 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 *(unaudited)*
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	4,861	**1,842**
Changes in non-cash operating working capital	6,392	1,433
	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)
	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)
	(74,543)	2,212
Effect of exchange rate differences on cash and cash equivalents	(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	$ 8,053	$ 1,889