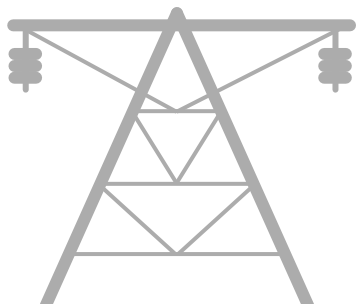




ALGONQUIN POWER

INCOME FUND

Report to Unitholders

During the third quarter, hydrologic conditions were classified as very dry throughout most regions in which the Fund operates. These very dry conditions were the result of lower than average rainfall and stream flows, which adversely impacted energy production and revenues. Rainfall conditions in most regions returned to normal or above normal late in the quarter. 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.

Results for the three months ended September 30, 1999 are summarized below:

<i>(In thousands of dollars)</i>	1999	1998
Net Earnings	\$ 1,294	\$ 1,365
Distributable cashflow		
Cashflow from operations	2,476	1,527
Repayment of long term notes	(470)	-
Receipt of principal on notes receivable	754	1,551
Total distributable cashflow from operations	<u>\$ 2,760</u>	<u>\$ 3,078</u>

For the nine months ended September 30, 1999, the Fund recorded revenues from energy sales of \$7.0 million, interest income and income from participation agreements of \$4.4 million and receipt of principal on notes of \$3.9 million. Capital, operating and administrative costs were in line with the Fund's expected targets. Net earnings for the nine months ended September 30, 1999 were \$4.8 million. For the same period, cashflow from operations totaled \$7.3 million and distributable cashflow was \$9.8 million. The Fund utilized \$2.9 million from a planned hydrology reserve to supplement distributions. A distribution to Unitholders of \$0.22 per Trust Unit was declared to Unitholders of record on September 30, 1999 for payment November 15, 1999.

According to commitments made during the May 4, 1999 public offering, the Fund has completed the acquisition of six hydroelectric generating facilities. Additional proceeds obtained during this public offering were utilized to acquire the St-Raphael facility in Quebec. The Fund currently holds an interest in 36 hydroelectric generating facilities having a total installed capacity of 95 megawatts.

The earnings per unit for the second quarter were incorrectly calculated and should be restated as \$0.21 for 1999 (\$0.19 for 1998). Earnings and earnings per unit represent a portion of the distribution to unitholders, the other significant component of the distribution is derived from principal payments on long-term notes.

Subsequent Events

On October 14, the Fund completed arrangements for a \$50 million line of credit with a major Canadian Bank. The Fund intends to use the proceeds from the line of credit to acquire directly or indirectly additional interests in hydroelectric generating facilities in Canada and the United States.

On November 12, 1999, the Fund filed a preliminary short form prospectus with the securities regulatory authorities in all provinces of Canada relating to a public offering of additional trust units of the Fund. The Fund intends to use the net proceeds from the offering to directly or indirectly acquire equity interests in additional hydroelectric generating facilities.

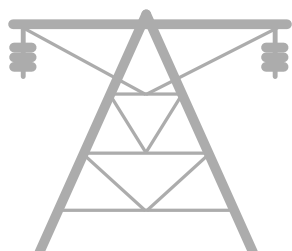
Year 2000

The Year 2000 testing was completed on schedule for all existing facilities by the end of September 1999 and for newly acquired facilities by the end of October 1999. All problems identified have been corrected by either the purchase and installation of compliant software and equipment, or the development of the appropriate procedures. The utilities to which the Fund sells its power have been contacted and assurances have been received that no critical Year 2000 issues are expected. Although the Fund does not anticipate any critical Year 2000 concerns, there is no guarantee the Fund's businesses will not be impacted.

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

R. Ian Bradley
Chairman

Interim Report to Unitholders
Nine Months Ended September 30, 1999



ALGONQUIN POWER INCOME FUND

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ALGONQUIN POWER INCOME FUND Consolidated Statements of Earnings and Deficit Nine Months Ended September 30, 1999 and 1998 (expressed in thousands of dollars)

	1999 (unaudited)	1998
Revenue		
Energy sales	\$ 6,990	\$ 3,179
Interest income and income from participation agreements	4,375	3,032
	<u>11,365</u>	<u>6,211</u>
Expenses		
Operating	2,591	1,246
Amortization	2,336	1,317
Management fees	306	227
Operations supervisory fees	231	200
Administrative expenses	360	156
(Gain) loss on foreign exchange	6	(129)
	<u>5,830</u>	<u>3,017</u>
Earnings before interest expense	5,535	3,194
Interest expense	<u>701</u>	<u>193</u>
Earnings before income taxes	4,834	3,001
Income taxes	<u>-</u>	<u>94</u>
Net earnings for the period	4,834	2,907
Deficit, beginning of period	(8,517)	(2,431)
Cash distributions	(12,701)	(6,111)
Deficit, end of period	<u>\$ (16,384)</u>	<u>\$ (5,635)</u>
Net earnings per trust unit	<u>\$ 0.26</u>	<u>\$ 0.29</u>

Approved by the Trustees:

GEORGE L. STEEVES
Trustee

R. IAN BRADLEY
Trustee

ALGONQUIN POWER INCOME FUND Consolidated Statements of Cash Flows Nine Months Ended September 30, 1999 and 1998 (expressed in thousands of dollars)

	1999 (unaudited)	1998
Operating Activities		
Net earnings (loss)	\$ 4,834	\$ 2,907
Items not affecting cash		
Earnings on funds held in escrow	-	(13)
Amortization of capital assets	2,216	1,245
Amortization of participation interests	120	72
Other amortization	(99)	(53)
Distribution received in excess of equity income	6	-
Interest receivable on notes	-	(687)
Foreign exchange	260	(102)
Cash generated from operations	<u>7,337</u>	<u>3,369</u>
Changes in non-cash operating working capital	<u>5,093</u>	<u>2,070</u>
	<u>12,430</u>	<u>5,439</u>
Financing Activities		
Cash distributions	(12,701)	(6,111)
Issue of trust units	83,835	64,525
Expenses of trust units offerings	(5,992)	(5,800)
Increase in deferred financing fee	(496)	-
Repayment of long-term liabilities	<u>(1,446)</u>	<u>(79)</u>
	<u>63,200</u>	<u>52,535</u>
Investing Activities		
Increase in funds held for future acquisitions	-	(4,309)
Increase in short-term investments	(2,301)	-
Increase in reserve funds	-	(292)
Decrease in funds in escrow	-	41,567
Acquisition of notes receivable	(7,296)	(46,368)
Receipt of principal on notes receivable	3,861	3,763
Acquisition of operating entities	(62,838)	(46,954)
Acquisition of participation and other interests	-	(2,654)
	<u>(68,574)</u>	<u>(55,247)</u>
Effect of exchange rate differences on cash and cash equivalents	<u>(38)</u>	<u>33</u>
Increase in cash	<u>7,018</u>	<u>2,760</u>
Cash and cash equivalents, beginning of period	<u>2,124</u>	<u>418</u>
Cash and cash equivalents, end of period	<u>\$ 9,142</u>	<u>\$ 3,178</u>