

ALGONQUIN POWER INCOME FUND
Interim Report to Unitholders
Three Months Ended March 31, 2001

Report to Unitholders

Operations

For the three months ended March 31, 2001 the Algonquin Power Income Fund (the "Fund") reported total revenue of \$10.5 million compared with \$12.6 million reported in the comparable quarter for the prior year. Net earnings for the quarter were \$3.8 million consistent with the same quarter in the prior year.

Revenue from energy was lower than the prior year period due to drier than normal hydrologic conditions in all of the Fund's markets and the impact of six hydroelectric plants in New York State reverting to power purchase rates that reflect the current market. Interest income was higher than the prior year due to interest earned on funds raised from the first quarter public offering.

Operating costs were less than the first quarter of 2000 due to lower tax assessments in New York State and lower variable operating fees in all regions resulting from lower revenues. The Fund directly hired an employee from Algonquin Management Inc. (the "Manager") who is performing the daily accounting functions, causing the Manager's fee to reduce and administrative expenses to increase by an equivalent amount.

For the first quarter of 2001, the Fund posted a net tax recovery of \$845,000 compared to a tax expense of \$635,000 during the first quarter of 2000. This recovery is the result of lower tax rates being applied on net future tax liabilities.

During the first quarter, the Fund received \$6.4 million representing the balance of a note receivable from Algonquin Power Corporation Inc.

On March 20, 2001, the Fund announced a quarterly distribution of \$7.9 million (\$0.23 per unit) payable on May 15, 2001.

At March 31, 2001, the Fund was in a strong financial position with positive net working capital of \$50.6 million. Long-term liabilities are being reduced through regular payments. This working capital position will be drawn down during the year as acquisitions are closed. The Fund also has available to it a \$50 million revolving credit facility.

Acquisitions

During the first quarter, the Fund completed a public offering of 7.6 million units and raised \$74.8 million in gross proceeds. During the first quarter, the Fund acquired interests in five hydroelectric generating facilities and one waste water treatment facility.

The Fund has made an investment in the Campbellford Generating Station which is a 4.0 MW hydroelectric generating station located on the Trent River near the Town of Campbellford, Ontario, by acquiring the outstanding project debt. Subsequent to the end of the quarter, the Fund acquired a 50% equity interest in the generating station.

The Fund has completed the acquisition of the shares of the companies that own the Phoenix Hydro, Kings Falls, Otter Creek and Worcester generating stations. The Phoenix Generating Station is a 3.5 MW hydroelectric generating station located on the Oswego River in New York State approximately 50 km north of Syracuse. The Kings Falls Generating Station is a 1.75 MW hydroelectric generating station located on the Deer River near the Town of Denmark, New York. The Otter Creek Generating Station is a 530 kW hydroelectric generating station located on Otter Creek near the Town of Denmark, New York. The Worcester Generating Station is a 180 kW hydroelectric generating station located on the North Branch of the Winnooskie River in the Town of Worcester, Vermont.

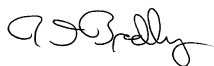
While the primary avenue of growth for the Fund will be the continued acquisition of hydroelectric generating facilities, the Fund will consider acquisitions which are accretive and will provide a stable income flow to balance fluctuations resulting from natural, hydrologic conditions. In this regard the Fund has acquired the Black Mountain Sewer Corporation ("Black Mountain") located in Carefree, Arizona. The Black Mountain facility treats the wastewater from approximately 1,600 homes and business located within a utility area regulated by the Arizona Corporation Commission. To ensure stable operations of this business unit, the Manager has entered into a strategic partnership with a third party that has specific expertise in wastewater treatment.

At the beginning of the second quarter, the Fund completed the acquisition of the shares of the corporation that owns the St. Raphael de Bellechasse Generating Station. This is a 550 kW hydroelectric generating station located on the Riviere du Sud near the town of St. Raphael, Quebec.

The above transactions resulted in the Fund utilizing approximately \$28.0 million of the proceeds of the offering for acquisitions. Subsequent to completion of the above transactions, the Fund had an investment in forty-seven hydroelectric facilities with an installed capacity of 126 megawatts and one wastewater treatment facility.

The Fund continues to look for acquisitions that are consistent with its acquisition strategy and add value for its unitholders.

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

A handwritten signature in dark ink, appearing to read 'R. Ian Bradley', is written over a horizontal line.

R. Ian Bradley
Chairman

Algonquin Power Income Fund
Consolidated Balance Sheets
March 31, 2001 and December 31, 2000
(thousands of Canadian dollars)

	March 31, 2001 <i>(unaudited)</i>	December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	\$ 60,324	\$ 9,580
Accounts receivable	5,000	5,828
Notes receivable	204	1,840
Prepaid expenses	755	491
Future income tax asset	118	217
	<u>66,401</u>	<u>17,956</u>
Notes receivable	15,106	12,095
Equity investment	4,044	4,100
Capital assets, net of amortization	311,478	292,021
Funds held in reserve	3,052	1,696
Deferred financing fee	502	634
	<u><u>\$ 400,583</u></u>	<u><u>\$ 328,502</u></u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,499	\$ 4,274
Due to Algonquin Power Group	2,474	1,887
Cash distribution payable	7,960	6,552
Current portion of long-term liabilities	945	994
Future income tax liability	411	1,806
Current income tax liability	490	419
	<u>15,779</u>	<u>15,932</u>
Other liabilities	956	871
Long-term liabilities	71,974	72,250
Future non-current income tax liability	25,716	19,890
Unitholders' Equity		
Trust units	321,244	250,521
Deficit	(35,086)	(30,962)
	<u>286,158</u>	<u>219,559</u>
	<u><u>\$ 400,583</u></u>	<u><u>\$ 328,502</u></u>

Approved by the Trustees:


Trustee


Trustee

Algonquin Power Income Fund
Consolidated Statements of Earnings and Deficit
For the three months ended March 31, 2001 and March 31, 2000
(thousands of Canadian dollars)
(unaudited)

	<u>2001</u>	<u>2000</u>
Revenue		
Energy sales	\$ 9,385	\$ 12,149
Water treatment revenue	72	
Interest income and income from equity investments	<u>1,044</u>	<u>436</u>
	<u>10,501</u>	<u>12,585</u>
Expenses		
Operating	3,043	3,250
Amortization	2,301	2,198
Management fees	85	102
Operations supervisory fees	77	77
Administrative expenses	366	401
(Gain) loss on foreign exchange	<u>(473)</u>	<u>(72)</u>
	<u>5,399</u>	<u>5,956</u>
Earnings before interest expense	5,102	6,629
Interest expense	<u>2,111</u>	<u>2,294</u>
Earnings before income taxes	2,991	4,335
Provision for (recovery of) income taxes		
Current income taxes	61	197
Future income taxes	<u>(906)</u>	<u>438</u>
	<u>(845)</u>	<u>635</u>
Net earnings	3,836	3,700
Deficit, beginning of period	(30,962)	(19,571)
Cash distributions	<u>(7,960)</u>	<u>(5,825)</u>
Deficit, end of period	<u>\$ (35,086)</u>	<u>\$ (21,696)</u>
Net earnings per trust unit	<u>\$ 0.12</u>	<u>\$ 0.15</u>

Algonquin Power Income Fund
Consolidated Statements of Cash Flows
For the three months ended March 31, 2001 and March 31, 2000
(thousands of Canadian dollars)
(unaudited)

	<u>2001</u>	<u>2000</u>
Operating Activities		
Net earnings	\$ 3,836	\$ 3,700
Items not affecting cash		
Amortization of capital assets	2,301	2,198
Other amortization	183	155
Distribution received in excess of equity income	56	1
Future income taxes	(906)	(438)
Unrealized foreign exchange loss (gain)	(447)	(77)
	<u>5,023</u>	<u>6,415</u>
Changes in non-cash operating working capital	<u>3,031</u>	<u>(2,588)</u>
	<u>8,054</u>	<u>3,827</u>
Financing Activities		
Cash distributions	(7,960)	(5,825)
Issue of trust units	74,762	-
Expenses of trust units offerings	(4,039)	-
Financing fee	-	(3)
Repayment of long-term liabilities	(328)	(753)
	<u>62,435</u>	<u>(6,581)</u>
Investing Activities		
Increase (decrease) funds held in reserve	681	(28)
Receipt of principal on notes receivable	6,402	-
Acquisition of notes receivable	(7,351)	-
Additions to capital assets	(708)	-
Acquisition of operating entities	(18,861)	-
	<u>(19,837)</u>	<u>(28)</u>
Effect of exchange rate differences on cash and cash equivalents	<u>92</u>	<u>16</u>
Decrease in cash and cash equivalents	50,744	(2,766)
Cash and cash equivalents, beginning of period	<u>9,580</u>	<u>9,602</u>
Cash and cash equivalents, end of period	<u><u>\$ 60,324</u></u>	<u><u>\$ 6,836</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest expense	\$ 2,111	\$ 2,021
Cash paid during the period for income taxes	\$ 61	\$ 94

Algonquin Power Income Fund
Notes to the Consolidated Financial Statements
March 31, 2001
(in thousands of Canadian dollars except as noted)
(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, 2000, as set out in the 2000 Annual Report. 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 our audited consolidated financial statements for the year ended December 31, 2000.

2. Seasonality

The operations of the Fund are seasonal. The Fund's energy assets are "run-of-the-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. Acquisitions

a) Acquisitions of facilities

During the first quarter of 2001, the Fund acquired a water treatment facility and four hydroelectric generating facilities in two separate transactions with the Algonquin Power Group for total consideration of \$18,861. The acquisitions have been accounted for using the purchase method with earnings from operations included since the date of acquisition. The consideration paid by the Fund has been allocated to net assets acquired as follows:

Working capital	\$ 1,128
Capital assets	21,050
Funds held in reserve	2,037
Future non-current income tax liability	(5,354)
Total cash purchase price paid	<u>\$ 18,861</u>

The purchase price paid for the facilities, the nature of the acquisitions and the dates of acquisition are set out in the table below:

Facility	Purchase Price	Nature of Acquisition	Date of Acquisition
Black Mountain Sewer Corporation	\$ 7,247	shares acquired	March 16, 2001
Phoenix Hydro, Kings Falls, Otter Creek and Worcester	11,614	shares acquired	March 21, 2001
Total	<u>\$ 18,861</u>		

The purchase price allocation has been based on the best information available at the reporting date; however, adjustments to the purchase price and purchase price allocation may be made in subsequent quarters as more information is obtained.

b) Acquisition of note receivable

The Fund acquired on March 9, 2001 the outstanding debt of the Campbellford Generating Station for \$7,351. The note earns interest at the rate of 9.9415% per annum, is repayable in monthly instalments and will mature February 28, 2015.

4. Trust units

Issued trust units

	<u>Number of units</u>	<u>Amount</u>
Balance as at December 31, 2000	27,020,472	\$ 250,521
January 25, 2001 issue	6,600,000	65,010
February 15, 2001 issue	990,000	9,751
Costs of issue		(4,038)
Balance as at March 31, 2001	<u>34,610,472</u>	<u>\$ 321,244</u>

5. Segmented Information

Revenues	<u>March 31, 2001</u>	<u>March 31, 2000</u>
Canada	\$ 6,080	\$ 6,524
United States	<u>4,421</u>	<u>6,061</u>
	<u>\$ 10,501</u>	<u>\$ 12,585</u>
Capital Assets	<u>March 31, 2001</u>	<u>December 31, 2000</u>
Canada	\$ 223,123	\$ 224,784
United States	<u>88,355</u>	<u>67,237</u>
	<u>\$ 311,478</u>	<u>\$ 292,021</u>

6. Subsequent Events

Subsequent to quarter end, the Fund completed its investment in the Campbellford Generating Station by acquiring a 50% interest in the partnership for approximately \$800. The Fund also acquired 100% of the shares of the corporation which owns the Raphael de Bellechasse Generating Station for approximately \$1,000.

Information

Trustees

R. Ian Bradley, Chairman of the Trustees
President and Chief Executive Office
Grand Toys International Inc.

George Steeves
Division Manager, Earth Tech Canada Inc.

Algonquin Management Inc.

Chris K. Jarratt
Director and Chief Executive Officer

John M.H. Huxley
Director

Ian E. Robertson
Director

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Managing Partner, NewPoint Capital
Partners Inc.

Peter Kampian
Chief Financial Officer

David C. Kerr
Director

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Stock Exchange

The Toronto Stock Exchange

Symbol: "APF.UN"

Auditors

KPMG LLP
Toronto, Ontario

Algonquin Power Income Fund
Stability Moving Forward