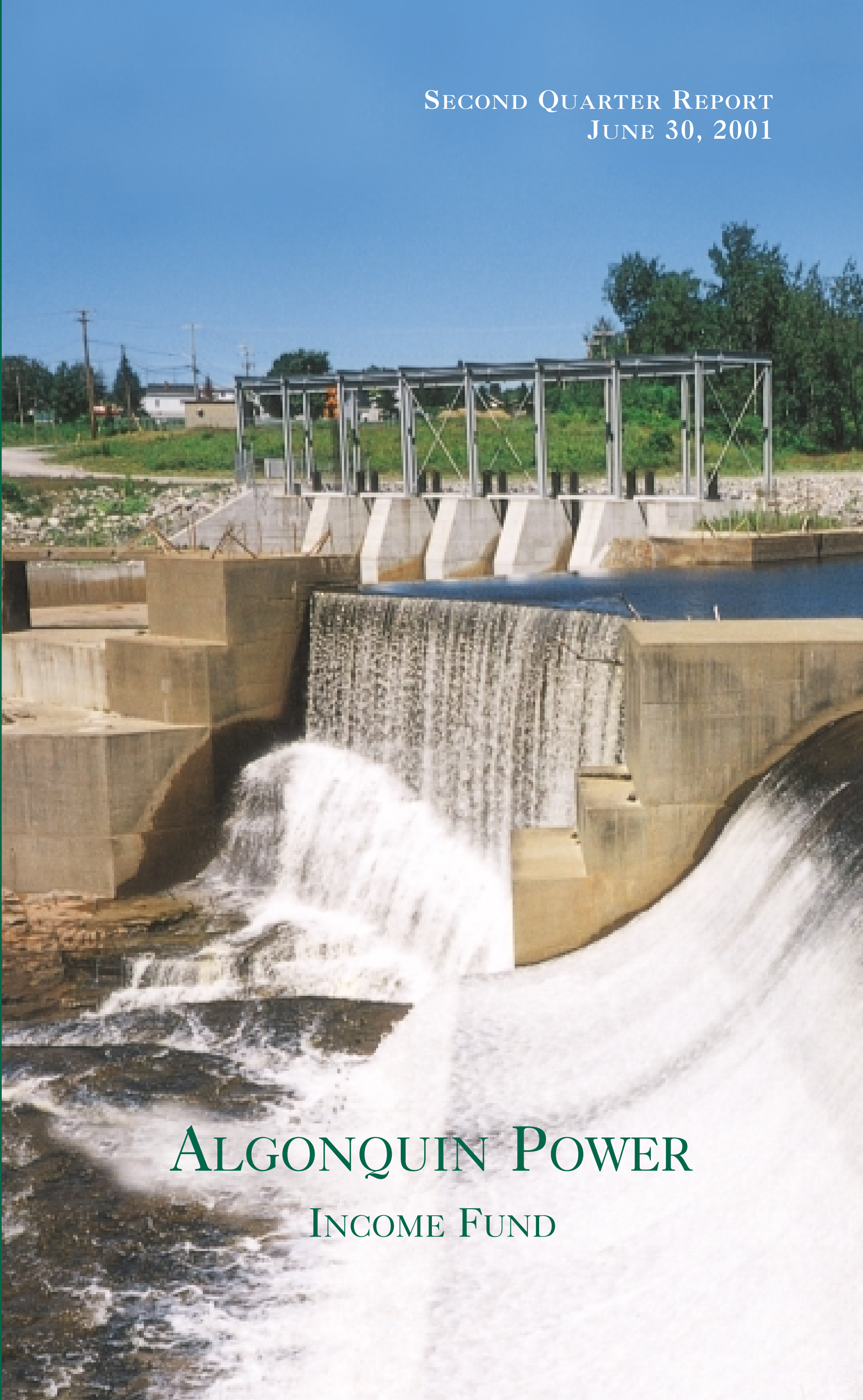
Second Quarter Report
June 30, 2001



Algonquin Power
Income Fund

ALGONQUIN POWER INCOME FUND
Interim Report to Unitholders
Three Months Ended June 30, 2001

Report to Unitholders

Operations

For the six months ended June 30, 2001 the Algonquin Power Income Fund (the "Fund") reported total revenue of $23.4 million compared with $26.7 million reported in the comparable period of the prior year. Earnings before debt prepayment penalty, for the first half were $8.1 million or $2.2 million below the first half of the prior year. Net earnings for the first half of 2001 were $1.3 million. For the three months ended June 30, 2001 the Fund reported revenues of $12.9 million compared to $14.1 million during the same period of the prior year. The Fund reported earnings before debt prepayment penalty of $4.3 million for the second quarter compared with of $5.8 million during the second quarter of 2000. Net loss for the second quarter of 2001 was $2.5 million.

During the quarter, the Fund repaid the outstanding loan on the Cote Ste Catherine facility for a total of $28.7 million including a prepayment penalty of $6.8 million to reduce debt and avoid future high rate interest expense. As a result the Fund incurred a $6.8 million prepayment charge against earnings during the current period. The Fund utilized proceeds from the beginning of the year public offering for this repayment.

Second quarter revenues from energy sales were lower than the prior year period due to drier than normal hydrologic conditions in Ontario and Quebec and the impact of six hydroelectric plants in New York State reverting to power purchase rates that reflect the current market. This was partially offset due to the addition of five hydroelectric generating facilities and one wastewater treatment facility during the first quarter of 2001 and the addition of three facilities during the second half of 2000. New England and New York revenues were in line with forecast for the quarter. Interest income was higher than the prior year due to interest earned on funds raised from the first quarter public offering.

Operating costs were higher than the second quarter of 2000 due to the addition of five hydroelectric generating facilities and one wastewater treatment facility during the first quarter of 2001 and the addition of three facilities during the second half of 2000. These costs were partially offset by lower tax assessments in New York State. During the quarter, the Fund recovered certain non income tax paid in prior years by some facilities. The Fund also directly hired an employee from Algonquin Management Inc (the "Manager") who is performing the daily accounting functions, causing the Manager's fee to be reduced and administrative expenses to increase by an equivalent amount.

On June 21, 2001, the Fund announced a quarterly distribution of $7.9 million ($0.23 per unit) payable on August 15, 2001.

At June 30, 2001, the Fund was in a strong financial position with positive net working capital of $19.4 million. Long-term liabilities were reduced by $22.2 million by the repayment of the

Cote Ste Catherine debt and through regular payments against other facility debt. 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 which had no funds drawn on it as of June 30, 2001.

Acquisitions

During the quarter the Fund acquired a 50% equity interest in the Campbellford Generating Station, a 4.0 MW hydroelectric facility located on the Trent River near the Town of Campbellford, Ontario. The Fund also acquired the outstanding project debt of the facility during the first 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 facility located on the Riviere du Sud near the town of St. Raphael, Quebec.

At the beginning of third quarter, the Fund acquired the Gold Canyon wastewater treatment facility in Arizona for approximately $8.0 million.

In conjunction with a third party partner, the Fund completed the acquisition of the Drayton Valley Power Income Fund for $4.30 per unit in July. As a result of this transaction, the Fund owns the Dickson Dam Generating Station and 50% of the Drayton Valley Generating Station. The Dickson Dam facility is a 15 megawatt hydroelectric generating station located on the Red Deer River near the town of Innisfail, Alberta. The Drayton Valley facility is a 10 megawatt biomass generating station located in the town of Drayton Valley, Alberta. The cost of this transaction to the Fund is approximately $44.0 million.

Subsequent to the end of the quarter, the Fund completed a public offering of 7.5 million units at $10.05 per trust unit for gross proceeds of $75.1 million, with net proceeds of $71.0 million after deducting expenses of the offering including underwriter's fee of $3.8 million.

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.

R. Ian Bradley
Chairman

Algonquin Power Income Fund
Consolidated Balance Sheets
June 30, 2001 and December 31, 2000

(thousands of Canadian dollars)

	June 30, 2001 (unaudited)	31-Dec-00
Assets		
Current assets		
Cash and cash equivalents	$ 27,540	$ 9,580
Accounts receivable	5,957	5,828
Notes receivable	105	1,840
Prepaid expenses	1,009	491
Future income tax asset	208	217
	34,819	17,956
Notes receivable	11,240	12,095
Equity investment	4,051	4,100
Capital assets, net of amortization	314,301	292,021
Funds held in reserve	2,787	1,696
Deferred charges related to offering	300	-
Deferred financing fee	500	634
	$ 367,998	$ 328,502
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,385	$ 4,274
Due to Algonquin Power Group	1,133	1,887
Cash distribution payable	7,960	6,552
Current portion of long-term liabilities	472	994
Future income tax liability	856	1,806
Current income tax liability	538	419
	15,344	15,932
Other liabilities	1,040	871
Long-term liabilities	50,284	72,250
Future non-current income tax liability	25,630	19,890
Unitholders' Equity		
Trust units	321,244	250,521
Deficit	(45,544)	(30,962)
	275,700	219,559
	$ 367,998	$ 328,502

George Steeves

Trustee

Trustee

Algonquin Power Income Fund
Consolidated Statements of Earnings and Deficit
For the six months ended June 30, 2001 and June 30, 2000

(thousands of Canadian dollars)

(unaudited)

	3 months ended June 30		6 months ended June 30	
	2001	2000	2001	2000
Revenue				
Energy sales	$ 11,685	$ 13,548	$ 21,070	$ 25,697
Water treatment revenue	405	0	477	0
Interest income and income from equity investments	804	586	1,848	1,022
	12,894	14,134	23,395	26,719
Expenses				
Operating	3,876	3,121	6,919	6,371
Amortization	2,446	1,994	4,747	4,192
Management fees	119	351	204	453
Operations supervisory fees	78	77	155	154
Administrative expenses	(351)	581	15	982
Loan prepayment penalty (note 6)	6,751	-	6,751	-
(Gain) loss on foreign exchange	210	(228)	(263)	(300)
	13,129	5,896	18,528	11,852
Earnings before interest expense	(235)	8,238	4,867	14,867
Interest expense	1,669	2,234	3,780	4,528
Earnings before income taxes	(1,904)	6,004	1,087	10,339
Provision for (recovery of) income taxes				
Current income taxes	67	192	128	389
Future income taxes	526	42	(380)	480
	593	234	(252)	869
Net earnings (loss)	(2,497)	5,770	1,339	9,470
Deficit, beginning of period	(35,086)	(21,696)	(30,962)	(19,571)
Cash distributions	(7,961)	(5,825)	(15,921)	(11,650)
Deficit, end of period	$ (45,544)	$(21,751)	$ (45,544)	$ (21,751)
Net earnings per trust unit	$ (0.08)	$ 0.24	$ 0.03	$ 0.39

Algonquin Power Income Fund
Consolidated Statements of Cash Flows
For the six months ended June 30, 2001 and June 30, 2000

(thousands of Canadian dollars)

(unaudited)

	3 months ended June 30		6 months ended June 30	
	2001	2000	2001	2000
Operating Activities				
Net earnings	$ (2,497)	$ 5,770	$ 1,339	$ 9,470
Items not affecting operating cash				
Amortization of capital assets	2,446	1,994	4,747	4,192
Other amortization	107	167	290	322
Distribution received in excess of equity income	(7)	15	49	16
Future income taxes	526	42	(380)	480
Loan prepayment penalty	6,751		6,751	
Unrealized foreign exchange loss (gain)	183	(211)	(264)	(288)
	7,509	7,777	12,532	14,192
Changes in non-cash operating working capital	(2,206)	997	827	(1,591)
	5,303	8,774	13,359	12,601
Financing Activities				
Cash distributions	(7,961)	(5,825)	(15,921)	(11,650)
Issue of trust units	-	-	74,762	-
Expenses of trust units offerings	(300)	-	(4,338)	-
Financing fee	(50)	(15)	(50)	(18)
Loan prepayment penalty	(6,751)	-	(6,751)	-
Repayment of long-term liabilities	(22,170)	(1,174)	(22,498)	(1,927)
	(37,232)	(7,014)	25,204	(13,595)
Investing Activities				
Increase (decrease) funds held in reserve	269	103	950	75
Receipt of principal on notes receivable	25	52	6,427	52
Acquisition of notes receivable	-	-	(7,351)	-
Additions to capital assets	(105)	-	(813)	-
Acquisition of participation and other interests	(800)	-	(800)	-
Acquisition of operating entities	(161)	-	(19,022)	-
	(772)	155	(20,609)	127
Effect of exchange rate differences on cash and cash equivalents	(86)	52	6	68
Decrease in cash and cash equivalents	(32,787)	1,967	17,960	(799)
Cash and cash equivalents, beginning of period	60,327	6,836	9,580	9,602
Cash and cash equivalents, end of period	$ 27,540	$ 8,803	27,540	$ 8,803
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	$ 1,826	$ 2,176	3,937	$ 4,197
Cash paid during the period for income taxes	$ 67	$ 166	128	$ 260

Algonquin Power Income Fund
Notes to the Consolidated Financial Statements
June 30, 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 lower while during the spring and fall periods flows are greater.

3. Acquisitions

a) Acquisitions of facilities

During the first and second quarter of 2001, the Fund acquired a water treatment facility and five hydroelectric generating facilities in three separate transactions with the Algonquin Power Group for total consideration of $19,022. 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	$ 349
Capital assets	21,986
Funds held in reserve	2,041
Future non-current income tax liability	(5,354)
Total cash purchase price paid	$ 19,022

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 Company	$ 6,503	Shares acquired	March 16, 2001
Phoenix Hydro, Kings Falls, Otter Creek and Worcester Hydro	11,614	Shares acquired	March 21, 2001
St Raphael de Bellechasse	905	shares acquired	April 11, 2001
Total	$ 19,022		

The purchase price allocation has been based on the best information available at the reporting date. Adjustments to the purchase price and purchase price allocation may be made in subsequent quarters as more information is obtained. The purchase price for Black Mountain Sewer Company, which was acquired in the first quarter, has been adjusted in the second quarter to reflect the actual amount paid for the waste water treatment facility.

b) Acquisition of note receivable and partnership interest

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. On April 1, 2001 the Fund completed its investment in the Campbellford Generating Station by acquiring a 50% interest in the partnership for $800. The consideration paid by the Fund for the above two acquisitions has been allocated to net assets acquired as follows:

Working Capital	$ 256
Capital assets	4,215
Note Receivable	3,680
Total cash purchase price paid	$ 8,151

4. Trust units

Issued trust units	Number of units	Amount
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
Issue costs		(4,038)
Balance as at June 30, 2001	34,610,472	$ 321,244

5. Segmented Information

	3 months ended June 30		6 months ended June 30	
	2001	2000	2001	2000
Revenues				
Canada	$ 6,265	$ 6,678	$ 12,345	$ 13,202
United States	6,629	7,456	11,050	13,517
	$ 12,894	$ 14,134	$ 23,395	$ 26,719

	June 30, 2001	December 31, 2000
Capital Assets		
Canada	$ 226,520	$ 224,784
United States	87,781	67,237
	$ 314,301	$ 292,021

6. Loan prepayment costs

During the quarter, the Fund repaid the outstanding loan on the Cote Ste Catherine facility in the amount of $21,998. Repayment of the Côte Ste Catherine facility debt also included an additional payment of $6,751 for early retirement of the loan. This amount has been included as a charge against earnings during the current quarter.

7. Subsequent Events

Subsequent to quarter end, the Fund issued 7,475,000 trust units at a price of $10.05 per trust unit for gross proceeds of $75,124, with net proceeds of $71,068 after deducting expenses of the offering including the underwriter's fee of $3,756.

The Fund acquired 100% of the shares of the corporation which owns the Gold Canyon waste water treatment facility for approximately $8,000.

The Fund in conjunction with a third party, acquired all the outstanding trust units of Drayton Valley Power Income Fund. As a result of this transaction, the Fund owns the Dickson Dam Generating Station and 50% of the Drayton Valley Generating Station. The cost of this transaction to the Fund is approximately $44,000.

Information

Head Office

2085 Hurontario Street, Suite 210
Mississauga, Ontario
L5A 4G1

Telephone: 905-273-8900
Fax: 905-273-8914

Web Site: www.algonquinpower.com
E-mail: apif@algonquinpower.com

Registrar and Transfer Agent

CIBC Mellon Trust Comapny
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6

Stock Exchange

The Toronto Stock Exchange

Symbol: **"APF.UN"**

Legal Counsel

Blake Cassels & Graydon LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario

www.algonquinpower.com