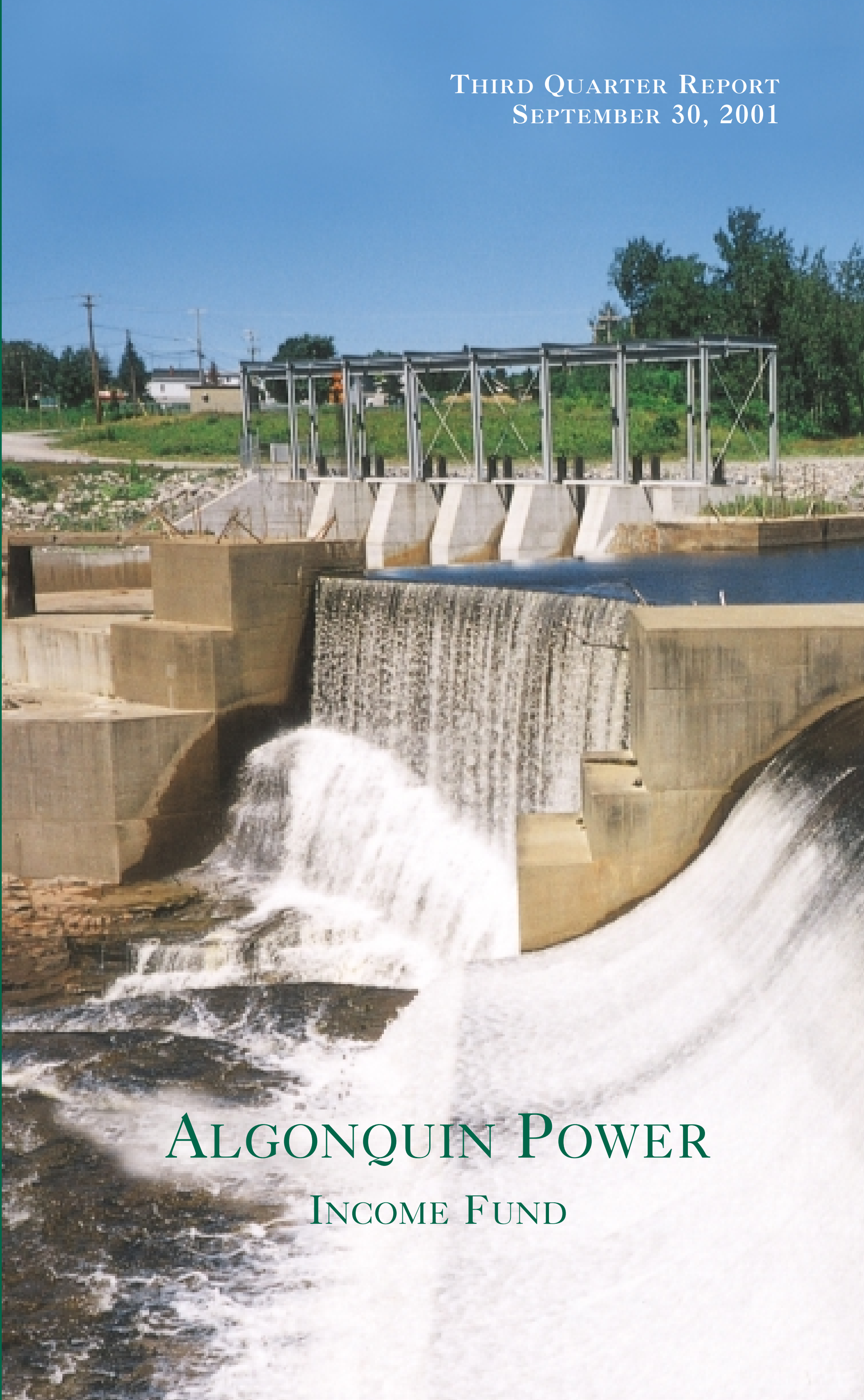
Third Quarter Report
September 30, 2001



Algonquin Power

Income Fund

ALGONQUIN POWER INCOME FUND
Interim Report to Unitholders
Nine Months Ended September 30, 2001

Report to Unitholders
Operations

For the nine months ended September 30, 2001 the Algonquin Power Income Fund (the "Fund") reported total revenue of $31.5 million compared with $35.5 million reported in the comparable period of the prior year. Earnings before debt repayment for the first three quarters were $9.9 million or $0.8 million below the comparable period of the prior year. For the three months ended September 30, 2001 the Fund reported revenues of $8.1 million compared to $8.8 million during the same period of the prior year. The Fund reported earnings of $1.8 million for the third quarter compared with net earnings of $1.2 million during the third quarter of 2000.

During the second quarter, the Fund repaid the outstanding loan on the Côte Ste-Catherine facility for a total of $28.7 million including a prepayment fee 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. The Fund utilized a portion of the proceeds from the public offering completed at the beginning of this year to retire such debt.

Third quarter revenues from energy sales were lower than the prior year period due to drier than normal hydrologic conditions in all of the Fund's operating regions 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 by the addition of interests in seven hydroelectric generating facilities, one biomass generating facility and two wastewater treatment facilities during the current year and the addition of three facilities during the third quarter of 2000. Interest income was higher than the prior year due to interest earned on funds raised from the two public offerings completed during 2001.

Operating costs for the quarter were higher than the third quarter of 2000 due to higher repair and maintenance costs being experienced at the operating facilities and the addition of interests in seven hydroelectric generating facilities, one biomass generating facility and two wastewater treatment facilities during the current year and the addition of three facilities during the third quarter of 2000. On a year to date basis, the increased operating costs were partially offset by lower tax assessments in New York State.

On September 19, 2001, the Fund announced a quarterly distribution of $9.7 million ($0.23 per unit) payable on November 15, 2001.

At September 30, 2001, the Fund was in a strong financial position with positive net working capital of $34.5 million. Long-term liabilities were reduced during the year by $22.6 million due to the repayment of the Côte Ste-Catherine debt and through regular payments against other facility debt. The working capital position will be drawn down during the year as acquisitions are closed. The Fund also has available a $50 million revolving credit facility. As of September 30, 2001, the Fund had utilized approximately $4.0 million of the credit facility for letters of credit.

Acquisitions

During the third quarter the Fund completed the acquisition of the Drayton Valley Power Income Fund. As a result of this transaction, the Fund now owns the Dickson Dam Generating Station and 50% of the Drayton Valley Generating Station. The Dickson Dam Generating Station is a 15-megawatt hydroelectric generating station located on the Red Deer River near the town of Innisfail, Alberta. The Drayton Valley Generating Station is a 10-megawatt biomass generating station located in the town of Drayton Valley, Alberta. The net cost of this transaction to the Fund was $42.1 million.

The Fund also completed the acquisition of the Gold Canyon wastewater treatment facility in Arizona for $7.0 million.

Both acquisitions were funded by the proceeds from the public offering completed in July, 2001.

Subsequent to the end of the quarter, the Fund completed a public offering of 8.8 million units at $9.70 per trust unit for net proceeds of $80.7 million after deducting expenses of the offering.

At the beginning of the fourth quarter, the Fund completed the acquisition of note and share interests in entities which own six biomass and gas fired power facilities in Ontario, Alberta, Quebec and Nova Scotia for a price of $75.8 million from Confederation Life Insurance Company, in liquidation. The owner of one of the facilities has agreed to repay a $16.5 million note together with a prepayment fee.

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
September 30, 2001 and December 31, 2000

(thousands of Canadian dollars)

	September 30, 2001 (unaudited)	December 31, 2000
Assets		
Current assets		
Cash and cash equivalents	$ 49,527	$ 9,580
Accounts receivable	5,280	5,828
Notes receivable	107	1,840
Prepaid expenses	766	491
Future income tax asset	210	217
	55,890	17,956
Notes receivable	11,557	12,095
Equity investment	4,006	4,100
Capital assets, net of amortization	360,424	292,021
Funds held in reserve	3,204	1,696
Deferred financing fee	446	634
	$ 435,527	$ 328,502
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,558	$ 4,274
Due to Algonquin Power Group	3,843	1,887
Cash distribution payable	9,680	6,552
Current portion of long-term liabilities	482	994
Future income tax liability	349	1,806
Current income tax liability	520	419
	21,432	15,932
Other liabilities	1,125	871
Long-term liabilities	50,180	72,250
Future non-current income tax liability	23,896	19,890
Unitholders' equity		
Trust units	392,311	250,521
Deficit	(53,417)	(30,962)
	338,894	219,559
	$ 435,527	$ 328,502

George Steeves — Trustee

Trustee

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

(thousands of Canadian dollars)

(unaudited)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2001	2000	2001	2000
Revenue				
Energy sales	$ 6,280	$ 8,298	$ 27,350	$ 33,995
Water treatment revenue	967	-	1,444	-
Interest income and income from equity investments	816	496	2,664	1,518
	8,063	8,794	31,458	35,513
Expenses				
Operating	3,838	3,050	10,757	9,421
Amortization	2,994	2,051	7,741	6,243
Management fees	143	(147)	347	306
Operations supervisory fees	77	77	232	231
Administrative expenses	500	503	516	1,485
Loan prepayment penalty	-	-	6,751	-
(Gain) loss on foreign exchange	(147)	(125)	(410)	(425)
	7,405	5,409	25,934	17,261
Earnings before interest expense	658	3,385	5,524	18,252
Interest expense	1,447	2,286	5,227	6,814
Earnings before income taxes	(789)	1,099	297	11,438
Provision for (recovery of) income taxes				
Current income taxes	144	86	271	475
Future income taxes	(2,739)	(189)	(3,119)	291
	(2,595)	(103)	(2,848)	766
Net earnings	1,806	1,202	3,145	10,672
Deficit, beginning of period	(45,544)	(21,751)	(30,962)	(19,571)
Cash distributions	(9,679)	(6,552)	(25,600)	(18,202)
Deficit, end of period	$ (53,417)	$ (27,101)	$ (53,417)	$ (27,101)
Net earnings per trust unit	$ 0.05	$ 0.05	$ 0.09	$ 0.44

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

(thousands of Canadian dollars)

(unaudited)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2001	2000	2001	2000
Operating Activities				
Net earnings	$ 1,806	$ 1,202	3,145	$ 10,672
Items not affecting cash				
Amortization of capital assets	2,994	2,051	7,741	6,243
Other amortization	109	170	399	492
Distribution received in excess of equity income	45	47	94	63
Future income taxes	(2,739)	(181)	(3,119)	299
Loan prepayment penalty	-	-	6,751	-
Unrealized foreign exchange loss (gain)	(189)	(129)	(452)	(417)
	2,027	3,160	14,559	17,352
Changes in non-cash operating working capital	8,047	3,285	8,874	1,694
	10,074	6,445	23,433	19,046
Financing Activities				
Cash distributions	(9,679)	(6,552)	(25,600)	(18,202)
Drawdown of revolving credit facility	-	2,457	-	2,457
Issue of trust units	75,123	27,450	149,885	27,450
Expenses of trust units offerings	(3,757)	(1,723)	(8,095)	(1,723)
Financing fee	-	-	(50)	(18)
Loan prepayment penalty	-		(6,751)	-
Repayment of long-term liabilities	(97)	(834)	(22,595)	(2,761)
	61,590	20,798	86,794	7,203
Investing Activities				
(Increase) / decrease funds held in reserve	(351)	(47)	599	28
Receipt of principal on notes receivable	25	177	6,452	229
Acquisition of notes receivable	-	-	(7,351)	-
Additions to capital assets	(341)	-	(1,154)	-
Acquisition of participation and other interests	-	-	(800)	-
Acquisition of operating entities	(49,154)	(12,978)	(68,176)	(12,978)
	(49,821)	(12,848)	(70,430)	(12,721)
Effect of exchange rate differences on cash and cash equivalents	144	5	150	73
Decrease in cash and cash equivalents	21,987	14,400	39,947	13,601
Cash and cash equivalents, beginning of period	27,540	8,803	9,580	9,602
Cash and cash equivalents, end of period	$ 49,527	$ 23,203	49,527	$ 23,203
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	$ 1,236	$ 2,075	$ 5,173	$ 6,272
Cash paid during the period for income taxes	$ 15	$ (13)	$ 143	$ 247

Algonquin Power Income Fund
Notes to the Consolidated Financial Statements
September 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 primarily "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

The Fund has acquired two water treatment facilities, six hydroelectric generating facilities and 50% ownership of a biomass facility in five separate transactions with the Algonquin Power Group for total consideration of $68,176. 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	$ 911
Capital assets	70,774
Funds held in reserve	2,107
Future non-current income tax liability	(5,616)
Total cash purchase price paid	$ 68,176

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
Gold Canyon Sewer Company	7,036	Shares acquired	July 9, 2001
Dickson Dam and 50% of Drayton Valley Power	42,118	Shares acquired	July 27, 2001
Total	$ 68,176		

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 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
July 3, 2001 issue	6,500,000	65,325
July 26, 2001 issue	975,000	9,799
Issue costs		(8,095)
Balance as at September 30, 2001	42,085,472	$ 392,311

5. Segmented Information

	3 months ended September 30		9 months ended September 30	
	2001	2000	2001	2000
Revenues				
Canada	$ 6,130	$ 5,064	$ 18,475	$ 18,266
United States	1,933	3,730	12,983	17,247
	$ 8,063	$ 8,794	$ 31,458	$ 35,513

	September 30, 2001	December 31, 2000
Capital Assets		
Canada	$ 265,828	$ 224,784
United States	94,596	67,237
	$ 360,424	$ 292,021

6. Loan prepayment costs

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

7. Subsequent Events

Subsequent to quarter end, the Fund issued 8,790,300 trust units at a price of $9.70 per trust unit for gross proceeds of $85,266, with net proceeds of $80,703 after deducting expenses of the offering including the underwriter's fee of $4,263.

At the beginning of fourth quarter, the Fund completed the acquisition of note and share interests in entities which own six biomass and gas fired power facilities in Ontario, Alberta, Quebec and Nova Scotia for a price of $75,800 from Confederation Life Insurance Company, in liquidation. The owner of one of the facilities has agreed to repay a $16,500 note together with a prepayment fee.

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