EXPERIENCE • STABILITY • OPPORTUNITY

First Quarter Report
March 31, 2004

ALGONQUIN POWER
Income Fund

Report to Unitholders

During the first quarter of 2004, the Algonquin Power Income Fund (the “Fund”) distributed $0.23 per trust unit, consistent with the first quarter of 2003.

Other first quarter financial highlights compared to the first quarter of 2003 include:

- Revenue increased to $37.2 million from $27.6 million
- Net earnings decreased to $3.3 million from $6.5 million
- Net earnings per trust unit decreased to $0.05 from $0.10
- Cash available for distribution increased to $13.1 million ($0.19 per trust unit) compared to $10.2 million ($0.15 per trust unit) in the first quarter, 2003.

The decrease in net earnings was primarily due to currency translation issues which did not affect the Fund’s cash flow.

Operational Highlights

Integration of the Litchfield Park Services Company in Arizona (Infrastructure Division) and Windsor Locks in Connecticut (Cogeneration Division), both acquired last year, is progressing well. Management expects these assets will continue to improve the overall performance of the Fund this year. The Fund is seeking complementary diversification opportunities to continue balancing the portfolio.

Divisional Highlights

The Fund’s **Hydroelectric Division** performed well during the first quarter. Power generated by the 47 hydroelectric facilities was 96% of long-term average power output for an overall production increase of 26% compared to the same period of the previous year. Hydrologic conditions in the Ontario and Quebec regions, in particular, improved significantly during the period. Higher production in these two regions was offset by lower revenue from the New England region where the Fund’s facilities have been selling at market rates since May, 2003.

Nevertheless, the Division’s operating profits did increase in the period. We anticipate the current average hydrologic conditions will continue. As a result, the hydroelectric assets are expected to generate more than 95% of long-term averages in the second quarter, historically a strong period for hydroelectric power generation.

The Fund's **Cogeneration Division** revenues doubled during the quarter compared to the same period last year as a result of the inclusion of the Windsor Locks facility for the full quarter. The additional revenue from Windsor Locks was partially offset by an unplanned gas turbine outage caused by a mechanical failure at the Sanger facility in February. The facility was fully operational by mid-March. The lost revenue net of variable costs and costs associated with the repair are covered by insurance policies subject to a short waiting period and a modest deductible amount. Management expects to recover some of the lost revenue over the coming months from improved plant performance. Although operating profits increased significantly, they were below management's expectations due to the necessary remediation at Sanger. The Division's performance is expected to improve significantly in the second quarter.

The **Fund's Alternative Fuels Division** experienced weakness during the quarter as a result of lower waste quantities processed at the Peel Energy-from-Waste facility due to equipment problems at the beginning of the quarter and continuing issues with the flue gas filtration system. Costs at Valley Power also increased due to a forced outage since remedied. These factors contributed to a decline in operating profit compared to the same period last year. However, annual maintenance at Valley Power was completed ahead of schedule and improved systems are now in place at Peel. As a result, Division performance is expected to improve significantly in the second quarter.

The **Infrastructure Division** met expectations. Increased revenues resulted from the inclusion of the Litchfield Park Services Company for the full quarter. This Division's strong operating performance is expected to continue due to continuing organic growth and the addition of the Litchfield Park facility.

Your Fund remains committed to maintaining and improving the stability of distributions by improving the performance of the existing asset base and by acquiring assets that provide stable cash flow.

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

Ken Moore
Chairman

Management Discussion and Analysis

(All figures are in thousands of dollars, except per unit values)

For the quarter ended March 31, 2004, the Fund reported total revenue of $37.2 million compared to $27.6 million for the same period in 2003. Net earnings for the quarter were $3.3 million compared to $6.5 million for the same period in 2003. The decrease in net earnings was primarily the result of an unrealized foreign exchange loss during the quarter compared to an unrealized foreign exchange gain during the same period in 2003. Net earnings per trust unit decreased to $0.05 in the first quarter of 2004 from $0.10 in the first quarter of 2003. The Fund generated $0.19 per trust unit of cash available for distribution, compared to $0.15 during the first quarter of 2003. During the first quarter of 2004, the Fund maintained distributions at $0.23 per trust unit, consistent with the same period in 2003.

Operating Results

	Q1 2004	**Q1 2003**
Revenues	**37,220**	27,600
Net Income	**3,336**	6,520
Distribution to Unitholders	**15,601**	15,601
Cash Available for Distribution (1)	**13,063**	10,175
Per Unit		
Net Income	**0.05**	0.10
Distribution to Unitholders	**0.23**	0.23
Cash Available for Distribution	**0.19**	0.15

Revenue for the first quarter of 2004 increased primarily due to the Fund including Litchfield Park Services Company and Windsor Locks for the entire first quarter of 2004. These facilities were acquired during the latter part of the first quarter in 2003. The Fund's hydroelectric facilities posted improved results during the quarter. Power generation from these facilities was 96% of long-term averages compared to 77% during the same period in 2003. The increased electricity production helped offset the lower power rates received in New England as a result of the renegotiation of the power purchase agreements in the second quarter of 2003. Net income for the first quarter of 2004 was lower than the prior year due to the Fund recognizing an unrealized foreign exchange loss of $1.3 million during the first quarter in 2004. This compared to an unrealized foreign exchange gain of $5.1 million during the same period in 2003. Before the impact of unrealized foreign exchange gains and losses, net income increased $3.2 million during the first quarter in 2004 compared to the first quarter of 2003.

The information in this Management Discussion and Analysis is supplemental to and should be read in conjunction with the Fund's unaudited consolidated financial statements for the three months ended March 31, 2004, as well as the audited consolidated financial statements and the related Management Discussion and Analysis contained in the 2003 Annual Report. The Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Fund's reporting currency is the Canadian dollar.

(1) The term 'cash available for distribution' is used throughout this Management Discussion and Analysis. 'Cash available for distribution' is not a recognized measure under accounting principles generally accepted in Canada. The Fund's method of calculating 'cash available for distribution' may differ from methods used by other companies and accordingly may not be comparable to similar measures presented by other companies. A calculation of 'cash available for distribution' can be found in this Management Discussion and Analysis under the heading "Cash Available for Distribution."

Hydroelectric Division

	Q1 2004	**Q1 2003**
Performance (MW-hrs sold)		
Quebec Region	**60,857**	38,942
Ontario Region	**36,728**	27,705
New England Region	**16,567**	17,774
New York Region	**19,445**	19,444
Western Region	**9,586**	9,451
TOTAL	**143,183**	113,316
Revenues		
Energy Sales	**$11,012**	$10,788
TOTAL	**$11,012**	$10,788
Expenses		
Operating Expenses	**$(4,349)**	$(4,438)
Other Income	**71**	112
Division Operating Profit (incl. Other Income)	**$6,734**	$6,462

First quarter revenue from the Hydroelectric Division was $11.0 million in 2004 compared to $10.8 million in 2003.

During the quarter, power generation was 96% of long-term averages compared to 77% during the same period in the prior year. This represented an overall increase in production of 26% in the first quarter of 2004 compared to the first quarter of 2003. The largest contributors to this increase were the Quebec and Ontario regions as the hydrological conditions improved considerably compared to last year. This higher production was offset by lower revenue in the New England region as 13 facilities there are selling energy at market rates since May 2003, when the power purchase agreements were renegotiated with the Public Service of New Hampshire. The Fund received $28.3 million as part of this renegotiation.

Operating expenses decreased slightly to $4.3 million for the first quarter of 2004 compared to $4.4 million in the first quarter of 2003. The reduction is primarily due to lower repair and maintenance costs.

The Division's operating profit increased to $6.7 million for the first quarter of 2004 from $6.5 million in 2003 as a result of improved hydrologic conditions in both the Quebec and Ontario regions. Operating profit was below management's expectations primarily due to higher repair and maintenance expenditures.

Outlook

Snow pack levels in regions in which the Fund's hydroelectric facilities are located have been average this year, contributing to the significantly improved hydrology in the Ontario and Quebec regions compared to the same period last year. In addition, modestly improved water levels in the St. Lawrence River continue to contribute to improved production at the Fund's Côte Ste. Catherine facility. Storage reservoir water levels at a number of the Fund's hydroelectric facilities continue at normal or above normal levels. Accordingly, it is expected that the improved performance of the Hydroelectric Division will continue during the traditionally strong second quarter.

Cogeneration Division

	Q1 2004	Q1 2003
Performance (MW-hrs sold)	**134,110**	35,144
Revenues		
Energy Sales	**$16,021**	$8,284
TOTAL	**$16,021**	$8,284
Expenses		
Operating Expenses	**$(12,418)**	$(6,234)
Interest and Dividend Income	**1,146**	1,067
Division Operating Profit (incl. Interest and Dividend Income)	**$ 4,749**	$3,117

First quarter revenue from the Cogeneration Division totaled $16.0 million compared to $8.3 million in 2003. The increase was a result of the inclusion of the Windsor Locks facility for the full quarter in 2004. This facility contributed an additional $8.9 million. The additional revenue from Windsor Locks was partially offset by an unplanned gas turbine outage caused by a mechanical failure at the Sanger facility in February. The lost revenue net of variable costs and associated repair costs are covered by insurance subject to a 30-day waiting period for the lost revenue and a US$0.3 million deductible for the repairs. The facility was fully operational by mid-March and management expects to recover some of the lost revenue during the coming months as the facility is expected to perform slightly ahead of forecasted capacity. The Fund posted higher dividend income earned by the portfolio investments during the first quarter in 2004 compared to the same period in 2003.

Operating expenses increased to $12.4 million in the first quarter of 2004 from $6.2 million in the first quarter of 2003. This increase is primarily due to the addition of the Windsor Locks facility for the full quarter. This facility added approximately $6.8 million in operating costs. Operating costs at Sanger were reduced as a result of the gas turbine failure. The Fund did not incur fuel costs during the repair period. The Fund recognized costs associated with the Sanger repair, primarily the insurance deductible and other repairs not covered by insurance.

Operating profit for the first quarter of 2004 was $4.7 million compared to $3.1 million in the first quarter of 2003. Operating profit was below management's expectations primarily due to the turbine failure at the Sanger facility.

Outlook

The Fund completed the repairs to the Sanger facility in March and expects the facility to be well positioned to take advantage of the higher rates paid under its power purchase agreement with the anticipated annual increase in California's summer energy loads. The costs of the recent repairs and the lost revenues due to the repairs are covered by insurance policies, subject to a short waiting period and a modest deductible amount. Management also expects to recover some of the lost revenue over the coming months from improved mechanical performance at the Sanger facility.

Alternative Fuels Division

	Q1 2004	Q1 2003
Performance (MW-hrs sold)	**27,004**	23,766
Performance (tonnes waste processed)	**38,468**	39,048
Revenues		
Energy Sales	**$1,496**	$1,650
Waste Disposal Sales	**3,424**	3,530
TOTAL	**$4,920**	$5,180
Expenses		
Operating Expenses	**$(3,225)**	$(3,190)
Interest and Dividend Income	**218**	313
Division Operating Profit (incl. Interest and Dividend Income)	**$1,913**	$2,303

First quarter revenue from the Alternative Fuels Division totaled $4.9 million compared to $5.2 million in 2003. The decrease in revenue was primarily caused by lower waste quantities processed at the Peel Energy-from-Waste facility ("Peel") due to equipment problems during the beginning of the quarter and continued issues with the flue gas systems.

Operating expenses were $3.2 million for the first quarter 2004, consistent with the same period, 2003. The Fund incurred higher repair and maintenance costs at the Valley Power facility compared to the same period in the prior year as a result of a forced outage. Management took advantage of this event and completed the maintenance scheduled for later during the year during the outage period. These higher costs were offset by lower fuel costs incurred at Peel where management was able to sell excess banked natural gas.

Operating profit for this period amounted to $1.9 million as compared to $2.3 million in the first quarter of 2003. Operating profit was below management's expectations primarily due to lower revenue earned at Peel and higher costs at Valley Power.

Outlook

At the Peel Energy-from-Waste facility, equipment problems experienced at the beginning of the quarter have been corrected and higher throughput of waste is anticipated in the second quarter. Continued lower fuel costs from remaining banked natural gas at the Peel facility are also anticipated to contribute to better operating performance. With the scheduled maintenance completed ahead of normal schedule at Valley Power, this facility is also anticipated to perform well in the second quarter.

Infrastructure Division

	Q1 2004	Q1 2003
Number of		
Water reclamation customers	**19,362**	16,593
Water distribution customers	**18,333**	16,664
Revenues		
Water Reclamation and Distribution	**$5,267**	$3,348
TOTAL	**$5,267**	$3,348
Expenses		
Operating Expenses	**$(2,601)**	$(1,654)
Other Income	**3**	5
Division Operating Profit (incl. Other Income)	**$2,669**	$1,699

First quarter revenue from the Infrastructure Division totaled $5.3 million compared to $3.3 million in 2003. The increase in revenue is primarily due to the inclusion of the Litchfield Park Services Company for the full quarter of 2004. Litchfield Park Services Company contributed approximately $2.0 million to revenue.

Operating expenses increased to $2.6 million in the first quarter of 2004 from $1.7 million in the first quarter of 2003. This increase is primarily due to the inclusion of the Litchfield Park facility for a full quarter. This resulted in approximately $0.9 million of additional costs.

Operating profit for this period amounted to $2.7 million compared to $1.7 million in the first quarter of 2003. Operating profit was in line with forecast.

Outlook

Organic growth in the customer base of the Fund's water distribution and reclamation facilities is expected to continue in 2004 at approximately the same rate as the 13% achieved since the end of the first quarter of 2003. The Division's largest system, Litchfield Park in Arizona, is located in one of the fastest growing counties in the United States.

Administrative expenses

	Q1 2004	**Q1 2003**
Administrative Expenses	**$1,299**	$1,421
Management Costs	**188**	173
Withholding Taxes	**81**	123
(Gain) / Loss on foreign exchange	**1,410**	(5,225)
Interest Expense	**2,682**	2,063
Other Income	**(432)**	(85)
Income Tax Expense (Recovery)	**(581)**	1,916

Administrative expenses were $1.3 million for the first quarter of 2004 compared to $1.4 million for the first quarter of 2003. The slight decrease in administration costs is primarily the result of lower legal costs.

The Fund posted an unrealized foreign exchange loss of $1.4 million versus a gain of $5.2 million in the first quarter of 2003 as a result of the strengthening US dollar versus the Canadian dollar. This strengthening impacted the US dollar denominated loans of the Fund. At the end of the first quarter, the Fund had approximately $50.2 million in US dollar denominated debt.

Interest expense increased to $2.7 million in the first quarter of 2004 from $2.1 million in the first quarter of 2003 as a result of the additional project level debt acquired with the acquisition of Litchfield Park Services Company and the utilization of the line of credit for part of the quarter during 2003.

During the quarter the Fund earned a break fee of $0.4 million, net of all expenses. The Fund was in negotiations to acquire a facility, but as a result of a right of first refusal between the vendor and another party, the facility was sold to the other party. The Fund was entitled to and earned a break fee as a result of contractual arrangements with the vendor. This fee was recognized as other income.

Cash Available for Distribution

	Q1 2004	Q1 2003
Cash Flow from operating activities	**$11,322**	$8,915
Changes in working capital	**1,223**	1,372
Operating cash flow before working capital changes	**12,545**	10,287
Receipt of principal on notes receivable	**1,527**	890
Decrease / (increase) in reserves	**5**	(329)
Repayment of long-term liabilities	**(182)**	(211)
Maintenance capital expenditures	**(194)**	(219)
Other	**(638)**	(243)
Cash Available for Distribution	**$13,063**	$10,175
Cash Available for Distribution per Trust Unit	**$0.19**	$0.15
Distribution to Unitholders	**$15,601**	$15,601
Distributions to Unitholders per Trust Unit	**$0.23**	$0.23

During the first quarter of 2004, the Fund generated $13.1 million cash available for distribution compared to $10.2 million in the same period in 2003. On a per unit basis, the Fund generated $0.19 of cash available for distribution for the first quarter of 2004 compared to $0.15 during the first quarter of 2003. The Fund distributed $15.6 million during the first quarter of 2004 and 2003. On a per unit basis, the Fund maintained distributions at $0.23 per trust unit for the first quarter of 2004, consistent with 2003.

Liquidity and Capital Reserves

At the end of the first quarter of 2004 the Fund had $14.7 million of cash and cash equivalents. At March 31, 2004 the Fund had a positive net working capital of $4.0 million.

Long-term liabilities increased slightly to $165.6 million at the end of the first quarter 2004 compared to $165.1 million at the end of 2003.

At the end of the first quarter of 2004 the Fund maintained its strong balance sheet position with a long-term debt-to-equity ratio of 33%.

Contractual Obligations

Information concerning contractual obligations is shown below:

	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Long-term debt obligations	166,832	1,217	2,046	2,438	161,131
Other obligations	10,750	456	1,180	4,955	4,159
Total obligations	177,582	1,673	3,226	7,393	165,290

Dealings with Algonquin Power Group

During the first quarter of 2004 companies related to the Manager provided operations and technical services on a cost-recovery basis. Details of the quarterly payments are outlined in note 4 of the first quarter financial statements.

Risk Management

The Fund continues to diversify its operations, both operationally (Hydro, Cogeneration, Alternative Fuels and Infrastructure) and geographically (Canada and US). The inclusion of cogeneration and alternative fuel facilities has added commodity price risk to the Fund's existing currency risk. During the first quarter of 2004 the Fund continued its attempt to reduce the impact of exchange rate fluctuations by utilizing forward contracts as required to fix the foreign exchange rate on cash flows for monthly distributions. The Fund has 93% of its 2004 forecasted US cash flow hedged and 55% of forecasted 2005 cash flow hedged.

The Fund has also fixed its forecasted gas consumption using natural gas fixed-price contracts and future purchase contracts, thereby fixing its forecasted natural gas exposure for 2007. After 2007, there is no exposure on those facilities using natural gas because of pass through provisions in their respective energy agreements, except for the Peel Energy-from-Waste facility, which will be rehedged on a rolling basis.

Changes in Accounting Policies

As of January 1, 2004 the Fund implemented Section 3110 of the CICA Handbook, Asset Retirement Obligation. Under this standard, the asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's useful life and included in depreciation and amortization expense on the Consolidated Statement of Earnings and Deficit. Actual expenditures incurred are charged against the accumulated obligation.

During the first quarter of 2004 the Fund completed an analysis of existing properties including a review of existing contracts and current statutory requirements. Management has determined that a provision for retirement obligations is currently not required.

Subsequent Event

Subsequent to the end of the quarter the loan to the Cardinal Power Facility was repaid. The Fund was repaid for the outstanding debt balance of approximately $18.5 million along with a repayment fee of approximately $3.7 million. The Fund will use the proceeds from the loan repayment to acquire other investments and pay down the acquisition line of credit. The prepayment fee in addition to the loan discount will be recognized as income and distributable cash in the second quarter.

Outlook

The integration of the Litchfield Park Services Company (Infrastructure Division) and Windsor Locks (Cogeneration Division) into their respective divisional operations is well underway. These assets, acquired in 2003, are expected to continue improving the overall performance of the Fund throughout 2004. The Fund is now able to turn its attention to complementary diversification opportunities to further balance the portfolio of assets.

The Fund intends to make a bid offering for the balance of the outstanding KMS Power Income Fund debentures not owned by the Fund. The Fund owns 47.2% of the KMS Power Income Fund debentures. They mature June 30, 2004.

Quarterly Financial Information

millions of dollars except per trust unit amounts

	2nd Qtr 2003	3rd Qtr 2003	4th Qtr 2003	1st Qtr 2004	Total
Revenues	42.2	38.1	39.7	37.2	157.2
Net earnings	21.5	10.0	6.5	3.3	41.3
Net earnings per trust unit	0.32	0.15	0.10	0.05	0.62
Total Assets	829.0	822.2	820.3	812.5	812.5
Long-term debt	178.6	177.8	185.3	186.4	186.4
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

	2nd Qtr 2002	3rd Qtr 2002	4th Qtr 2002	1st Qtr 2003	Total
Revenues	26.4	23.6	24.7	27.6	102.3
Net earnings	10.3	(3.8)	3.6	6.5	16.6
Net earnings per trust unit	0.18	(0.07)	0.05	0.10	0.26
Total Assets	713.2	712.5	723.0	828.7	828.7
Long-term debt	156.2	165.8	98.3	185.7	185.7
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

Note: Certain statements contained in the information herein are forward-looking and reflect the Fund's and its Manager's views with respect to future events. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of the Fund's future performance or results and are subject to various factors, including, but not limited to, assumptions such as those relating to: the performance of the Fund's assets, commodity market prices, interest rates, and environmental and other regulatory requirements. Although the Fund and its Manager believe that the assumptions inherent in these forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only as of the dates hereof. The Fund and its Manager are not obligated nor do either of them intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

May 11, 2004

Consolidated Balance Sheets
March 31, 2004 and December 31, 2003
(thousands of Canadian dollars)

	March 31, 2004 Unaudited	December 31, 2003
Assets		
Current assets		
Cash and cash equivalents	$ 14,727	$ 21,238
Accounts receivable	24,523	20,297
Prepaid expenses	1,175	1,530
Current portion of notes receivable	1,507	1,478
Future income tax asset	79	105
	42,011	44,648
Long-term investments	57,282	59,190
Future non-current income tax asset	7,157	6,809
Capital assets, net of amortization	618,502	622,051
Intangible assets, net of amortization	82,432	82,334
Funds held in reserve	3,958	3,963
Deferred costs	1,150	1,300
	$ 812,492	$ 820,295
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 22,319	$ 19,907
Due to Algonquin Power Group	1,472	1,035
Cash distribution payable	10,400	10,400
Current portion of long-term liabilities	1,672	1,961
Current income tax liability	1,178	1,142
Future income tax liability	1,011	866
	38,052	35,311
Long-term liabilities	165,615	165,117
Other long-term liabilities	10,295	9,622
Deferred credits	10,512	10,627
Future non-current income tax liability	64,973	64,683
Minority interest	15,434	15,059
Unitholders' equity		
Trust units	638,213	638,213
Deficit	(130,602)	(118,337)
	507,611	519,876
	$ 812,492	$ 820,295

Approved by the Trustees George Steeves K. Moore

Consolidated Statements of Earnings and Deficit
For the three months ended March 31, 2004 and March 31, 2003
(thousands of Canadian dollars)
Unaudited

	2004	2003
Revenue		
Energy sales	$ 28,529	$ 20,722
Waste disposal fees	3,424	3,530
Water reclamation and distribution	5,267	3,348
	37,220	27,600
Expenses		
Operating	22,593	15,516
Amortization capital assets	6,397	5,191
Amortization intangible assets	1,308	1,147
Management costs	188	173
Administrative expenses	1,299	1,421
Withholding taxes	81	123
(Gain) / loss on foreign exchange	1,410	(5,225)
	33,276	18,346
Earnings before undernoted	3,944	9,254
Interest expense	(2,682)	(2,063)
Interest, dividend income and other income	1,870	1,582
Earnings before income taxes and minority interest	3,132	8,773
Current income taxes	248	304
Future income taxes	(829)	1,612
	(581)	1,916
Minority interest	377	337
Net earnings	3,336	6,520
Deficit, beginning of the period	(118,337)	(100,442)
Cash distributions	(15,601)	(15,601)
Deficit, end of the period	$ (130,602)	$ (109,523)
Basic and diluted net earnings per trust unit	$ 0.05	$ 0.10

Consolidated Statements of Cash Flows
For the three months ended March 31, 2004 and March 31, 2003
(thousands of Canadian dollars)
Unaudited

	2004	2003
Operating Activities		
Net earnings	$ 3,336	$ 6,520
Items not affecting cash		
Amortization of capital assets	6,397	5,191
Amortization of intangible assets	1,308	1,147
Other amortization	568	567
Minority interest	377	337
Distribution received in excess of equity income	112	11
Future income taxes	(829)	1,612
(Gain) / loss on foreign exchange	1,276	(5,098)
	12,545	10,287
Changes in non-cash operating working capital	(1,223)	(1,372)
	11,322	8,915
Financing Activities		
Cash distributions	(15,601)	(15,601)
Deferred costs	(12)	(65)
Net increase/ (decrease) in long-term liabilities	(182)	64,989
Other	(257)	(177)
Deferred credits	103	377
	(15,949)	49,523
Investing Activities		
Decrease / (increase) in reserve funds	5	(329)
Receipt of principal on notes receivable	1,527	890
Additions to capital assets	(2,665)	(1,308)
Acquisitions of operating entities (note 3)	(864)	(76,601)
	(1,997)	(77,348)
Effect of exchange rate differences on cash and cash equivalents	113	(267)
Decrease in cash	(6,511)	(19,177)
Cash and cash equivalents, beginning of the period	21,238	24,838
Cash and cash equivalents, end of the period	$ 14,727	$ 5,661
Supplemental disclosure of cash flow information		
Cash paid during the period for interest expense	$ 2,479	$ 1,845
Cash paid during the period for income taxes	$ 128	$ 204

Notes to the Consolidated Financial Statements
For the three months ended March 31, 2004 and March 31, 2003
(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, 2003, as set out in the 2003 Annual Report since they do not contain all disclosures required by Canadian GAAP. 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 the audited consolidated financial statements for the year ended December 31, 2003 except as noted below.

New accounting policies:

a) Asset retirement obligations:

Effective January 1, 2004, the fair value of estimated asset retirement obligations is recognized in the Consolidated Balance Sheet when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and included in depreciation and amortization expense on the Consolidated Statement of Earnings. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Earnings. Actual expenditures incurred are charged against accumulated obligation.

During the first quarter of 2004, the Fund completed an analysis of existing properties. This analysis reviewed existing contracts and current statutory requirements, and management has determined that a provision for retirement obligations in not currently required.

2. Seasonality

The operations of the Fund are seasonal. The Fund's hydroelectric 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. Acquisition of facility

In accordance with the purchase and sale agreement for Litchfield Park Services Company, the Fund is required to make additional payments to the previous owner for each additional customer connected to the utility. This agreement is dated February 2003. As of March 31, 2004 the Fund has accrued $864 (U.S $656) as a growth premium to be paid to the vendor of Litchfield Park Services Company, and increased intangible assets by a similar amount, gross of future tax liabilities of $543.

4. Related party transactions

During the quarter, and in accordance with the management agreement, on a cost recovery basis, the Fund paid Algonquin Power Management Inc. ("APMI") and its related companies for services provided on a cost recovery basis. During the first quarter of 2004, the Fund paid APMI $188 (2003 - $173) for management services. In addition, the Fund paid Algonquin Power

Systems Inc. $2,926 (2003 - $3,556) and Algonquin Water Services Inc. $1,009 (2003 - $583) for direct operation services.

5. Break Fee

During the quarter, the Fund earned a break fee of $400, net of all expenses. The Fund was in negotiations to acquire a facility, but as a result of a right of first refusal between the vendor and another party, the facility was sold to the other party. The Fund was entitled to and earned a break fee as a result of contractual arrangements with the vendor. This fee was recognized as other income.

6. Segmented Information

The Fund and its subsidiaries operate in the independent power industry in both Canada and the United States. Information on operations by geographic area is as follows:

	March 31, 2004	March 31, 2003
Revenue		
Canada	$ 12,291	$ 10,806
United States	24,929	16,794
	$ 37,220	$ 27,600

	March 31, 2004	December 31, 2003
Capital Assets		
Canada	$ 326,300	$ 328,283
United States	292,202	293,768
	$ 618,502	$ 622,051

	March 31, 2004	December 31, 2003
Intangible Assets		
Canada	$ 28,707	$ 29,130
United States	53,725	53,204
	$ 82,432	$ 82,334

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas co-generation, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined below:

	Three months ended March 31, 2004					
Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	11,012	16,021	1,496	-		28,529
Waste disposal fees	-	-	3,424	-	-	3,424
Water reclamation and distribution	-	-	-	5,267	-	5,267
Total Revenue	11,012	16,021	4,920	5,267	-	37,220
Operating expenses	4,349	12,418	3,225	2,601	-	22,593
Operating profit	6,663	3,603	1,695	2,666	-	14,627
Other administration costs	(56)	-	(17)	(12)	(2,893)	(2,978)
Interest expense	(1,298)	(180)	(73)	(212)	(919)	(2,682)
Interest, dividend income and other income	71	1,146	218	3	432	1,870
Amortization of capital assets	(2,370)	(1,527)	(1,131)	(1,369)	-	(6,397)
Amortization of intangible assets	-	(677)	(522)	(109)	-	(1,308)
Earnings before income taxes and minority interest	3,010	2,365	170	967	(3,380)	3,132
Capital assets	292,866	94,219	90,399	141,018	-	618,502
Intangible assets	22	35,947	29,619	16,844		82,432
Capital expenditures	-	232	(97)	2,471	58	2,664
Intangible expenditures	-	-	-	-	-	-

	Three months ended March 31, 2003					
Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	10,788	8,284	1,650	-	-	20,722
Waste disposal fees	-	-	3,530	-	-	3,530
Water reclamation and distribution	-	-	-	3,348	-	3,348
Total Revenue	10,788	8,284	5,180	3,348	-	27,600
Operating expenses	4,438	6,234	3,190	1,654	-	15,516
Operating profit	6,350	2,050	1,990	1,694	-	12,084
Other administration expenses	(46)	-	(62)	(9)	3,625	3,508
Interest expense	(1,295)	(121)	(97)	(168)	(382)	(2,063)
Interest, dividend income and other income	112	1,067	313	5	85	1,582
Amortization of capital assets	(2,881)	(624)	(999)	(687)	-	(5,191)
Amortization of intangible assets	(103)	(492)	(540)	(12)	-	(1,147)
Earnings before income taxes and minority interest	2,137	1,880	605	823	3,328	8,773
Capital assets (Dec 31, 2003)	289,317	96,616	90,753	145,365	-	622,051
Intangible assets (Dec 31, 2003)	23	36,623	30,141	15,547	-	82,334
Capital expenditures	-	30,299	360	81,719	-	112,378
Intangible expenditures	-	13,007	-	1,781	-	14,788

7. Subsequent Event

Subsequent to the end of the quarter, the loan to the Cardinal Power Facility was repaid. The fund was repaid for the outstanding debt balance of approximately $18.5 million along with a repayment fee of approximately $3.7 million. The Fund will use the proceeds from the loan repayment to acquire other investments and pay down the acquisition line of credit. The prepayment fee in addition to the loan discount will be recognized as period income and distributable cash in the second quarter.

CORPORATE INFORMATION AND CONTACTS

Trustees

Kenneth Moore, Chairman – Managing Partner, NewPoint Capital Partners Inc.

Christopher J. Ball – Executive Vice-President, Corpfinance International Limited

George Steeves – Principal, True North Energy (1169417 Ontario Inc.)

The Management Group

Algonquin Power Management Inc.

Chris K. Jarratt, Chief Executive Officer and Director

John M.H. Huxley, Director

Ian E. Robertson, Director

David C. Kerr, Director

The Algonquin Power Income Fund

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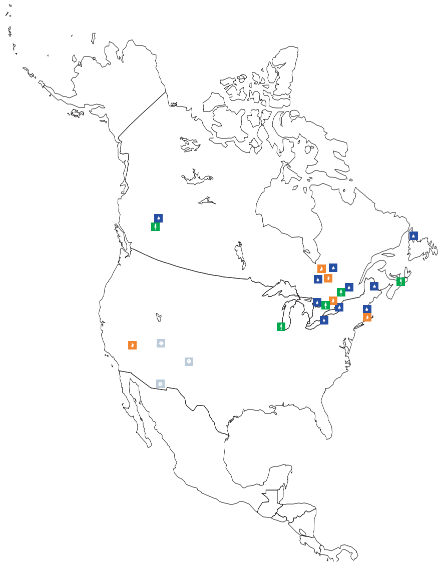

Alternative Fuels

Brooklyn, Nova Scotia • Chapais, Québec • Joliet, Illinois • Peel Energy-from-Waste, Ontario • Valley Power, Alberta

Cogeneration

Cardinal, Ontario • Cochrane, Ontario • Kirkland Lake, Ontario • Crossroads, New Jersey
Sanger, California • Windsor Locks, Connecticut

Hydroelectric

Adams, New York • Arthurville, Québec • Ashuelot, New Hampshire • Avery, New Hampshire • Belleterre, Québec
Burgess Dam, Ontario • Burt Dam, New York • Campbellford, Ontario • Christine Falls, New York
ChuteFord, Québec • Clement Dam, New Hampshire • Côte Ste-Catherine, Québec • Cranberry Lake, New York
Dickson Dam, Alberta • Donnacona, Québec • Drag Lake, Ontario • Forestport, New York • Franklin, New Hampshire
Great Falls, New Jersey • Gregg Falls, New Hampshire • Hadley, New Hampshire • Herkimer, New York
Hollow Dam, New York • Hopkinton, New Hampshire • Hurdman Dam, Ontario • Kayuta Lake, New York
Kings Falls, New York • Lakeport, New Hampshire • Lochmere, New Hampshire • Long Sault Rapids, Ontario
Lower Robertson, New Hampshire • Milton, New Hampshire • Mine Falls, New Hampshire • Moretown, Vermont
Mont-Laurier, Québec • Odgensburg, New York • Otter Creek, New York • Pembroke, New Hampshire
Phoenix, New York • Rattle Brook, Newfoundland • Rawdon, Québec • Rivière-du-Loup, Québec
Saint-Alban, Québec • Ste-Brigitte, Québec • St-Hyacinthe, Québec • St-Raphaël, Québec • Worcester, Vermont

Infrastructure

Bella Vista, Arizona • Black Mountain, Arizona • Gold Canyon, Arizona • Litchfield Park, Arizona
Tall Timbers, Texas • Woodmark, Texas

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