
Great Lakes Power
Inc. **_____**

SECOND QUARTER 2001 INTERIM REPORT

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2001

On February 28, 2001, the shareholders of Great Lakes Power Inc. ("Great Lakes" or the "company") approved a going-private transaction. The successor company was established on March 2, 2001 under the same name. This interim report presents the combined operating and financial results for these companies for the period from January 1, 2001 to June 30, 2001.

Highlights

- 2,359 gigawatt hours of electricity generated during the first six months of 2001.
 - Net income for the first six months of 2001 increased to \$68.2 million.
 - Construction started on the 45 megawatt High Falls hydroelectric generating station in northern Ontario.
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➤ OPERATING RESULTS

The company's power operations generated 2,359 gigawatt hours ("GWh") of electricity during the first six months of 2001 compared to 2,530 GWh during the same period in 2000. Lower generation from the company's operations in Ontario and Quebec was partly offset by higher generation in the southern United States and the effect of the acquisition of the Powell River hydroelectric facilities in British Columbia in February 2001.

The company's northern Ontario power generating, transmission and distribution system generated 631 GWh of electricity in the first six months of 2001, down from 768 GWh in the same period in 2000 due to lower winter precipitation levels partly offset by higher water flows in the second quarter. The system's power sales for the first six months of 2001, including power purchased externally to meet customer demand within its service area, were 1,172 GWh, similar to last year. The company's facilities upgrading program continues with the returbining of two units at the McPhail Generating Station on the Michipicoten River, for expected completion by year end.

Great Lakes Hydro Income Fund generated a total of 701 GWh of power in the first six months of 2001, down from 870 GWh in the same period of last year. This decrease reflects lower precipitation at the Fund's Lièvre River operations in western Quebec, partly offset by the contribution of Powell River since its acquisition at the beginning of February 2001.

The company's other power operations in Canada and the United States generated 1,027 GWh of electricity in the first six months of 2001, up from 892 GWh in the same period in 2000. Louisiana HydroElectric Power generated 466 GWh in the period, up from 330 GWh last year as water flows on the Mississippi River started to return to more normal levels after unusually dry conditions in 2000. Partly offsetting this improvement was lower generation at Pontiac Power due to lower winter precipitation levels in western Quebec.

➤ FINANCIAL REVIEW

Great Lakes earned net income of \$68.2 million for the six months ended June 30, 2001 compared to \$64.8 million in the same period of 2000.

Power revenues for the first six months increased to \$126.0 million in 2001 from \$110.8 million in 2000. Revenue from Louisiana HydroElectric Power increased by \$5.5 million as a result of higher power generation. Revenue from Lake Superior Power increased by \$6.9 million as a result of higher prices for contracted gas sales. Revenue from Maclaren Energy's energy marketing operation, which commenced during 2000, increased by \$4.1 million.

Income from Great Lakes' investments for the first six months of 2001 was \$53.2 million, down from \$54.9 million in the same period last year as a result of lower average interest rates.

Expenses for the first six months increased to \$111.0 million in 2001 from \$100.9 million in the same period of 2000. Purchased power costs for the six months increased by \$11.1 million as a result of higher external power purchases at Northern Ontario Power to meet customer demands in its services area. Operating costs for the six months increased by \$2.9 million with the expansion of the company's operating assets. Taxes and other provisions for the six months decreased by \$5.3 million due mainly to lower federal and municipal tax rates.

➤ CAPITAL INVESTMENT PROGRAM

Work continues on Great Lakes' \$500 million capital investment plan, which forms an integral part of a strategic plan to double power operating earnings by the year 2005.

High Falls, Ontario. Construction commenced on the 45 MW, High Falls hydroelectric generating station on the Michipicoten River in northern Ontario. This \$75 million redevelopment project is expected to be completed in the fourth quarter of 2002.

Sault Ste. Marie, Ontario/Michigan. Permitting and preliminary engineering are under way for a \$30 million high voltage transmission interconnection to link the company's generating stations in Ontario with the neighbouring power grid in Michigan. This interconnection will have a capacity of up to 300 MW at 230 kilovolts and will enhance Great Lakes' ability to access U.S. energy markets to maximize the value of its power system.

Powell River, British Columbia. In February 2001, Great Lakes Hydro Income Fund acquired a 50% economic interest in the Powell River hydroelectric generating facilities in the city of Powell River, B.C. These two stations have an aggregate capacity of 82 MW and are expected to produce an average of approximately 520 GWh annually.

Pingston Creek, British Columbia. Construction has commenced on a 30 MW hydroelectric generating station near Revelstoke, B.C. in a 50/50 partnership with Canadian Hydro Developers Inc. This \$45 million project is expected to be completed in mid 2002.

Brascan Energética, Brazil. Development work continues for five new hydroelectric generating stations in southern Brazil, which have a total capacity of 81 MW. Construction has started on two of these projects, the 30 MW Passo do Meio generating station in the State of Rio Grande do Sul and the 16 MW Pedrinho project in the State of Paraná.

➤ **OUTLOOK**

Although weather conditions continue to be drier than normal in northern Ontario and western Quebec, their financial impact is expected to be partly offset by the return to more normal water flows on the Mississippi River, the use of hydrological insurance claims, and the impact of the company's ongoing facilities upgrading and business development programs. Through its capital investment plan, the company is aggressively seeking to increase returns as new development projects and acquisitions are brought on stream.

Edward C. Kress
Chairman and Chief Executive Officer

July 25, 2001

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Note: This Interim Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

➤ **OPERATING STATISTICS**

Electricity Generation and Sales

<i>gigawatt hours</i>	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	2001	2000	2001	2000
GENERATION				
Northern Ontario Power	382	302	631	768
Great Lakes Hydro Income Fund				
Lièvre River	289	414	595	870
Powell River (1)	72	–	106	–
Other Power Operations				
Lake Superior Power (2)	220	209	431	420
Valerie Falls Power	17	14	28	24
Pontiac Power	54	59	102	118
Louisiana HydroElectric Power	289	206	466	330
TOTAL GENERATION	1,323	1,204	2,359	2,530
SALES				
Northern Ontario Power (3)	540	557	1,172	1,180
Great Lakes Hydro Income Fund				
Lièvre River (3)	290	480	595	929
Powell River (1)	72	–	106	–
Other Power Operations				
Lake Superior Power (2)	220	209	431	420
Valerie Falls Power	17	14	28	24
Pontiac Power	53	58	100	116
Louisiana HydroElectric Power	281	200	451	320
TOTAL SALES	1,473	1,518	2,883	2,989

(1) Results for year to date include five months since acquisition in February 2001.

(2) Including electricity equivalents of contracted gas sales.

(3) Including power purchased externally to supply customer demand in service area.

➤ **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Balance Sheet

<i>millions</i>	June 30 2001	December 31 2000
Assets		
Securities	\$ 717.1	\$ 661.3
Loans and other receivables	290.1	322.0
Long-term investments	526.0	536.2
Property, plant and equipment	1,003.8	956.8
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	\$2,537.0	\$2,476.3
Liabilities		
Accounts payable and other	\$ 73.0	\$ 76.4
Mortgage bonds	417.3	393.5
Term debentures	566.3	558.8
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	1,056.6	1,028.7
Future income tax liability	110.3	104.4
Minority interests	94.0	94.2
Shareholders' equity (2)	1,276.1	1,249.0
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	\$2,537.0	\$2,476.3

Consolidated Statement of Income

<i>millions, except per share amounts</i>	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	2001	2000	2001	2000
Revenue				
Power operations	\$65.0	\$58.7	\$126.0	\$110.8
Long-term investments	11.6	11.8	23.0	23.2
Investment and other income	14.0	16.2	30.2	31.7
	90.6	86.7	179.2	165.7
Expenses				
Interest	19.0	20.3	39.1	38.8
Power and fuel purchases	16.8	16.5	41.7	30.6
Operating costs	7.3	5.9	14.2	11.3
Depreciation	5.5	5.2	11.0	10.3
Minority interests	1.1	1.0	2.3	1.9
Income and other taxes	3.1	5.1	2.7	8.0
	52.8	54.0	111.0	100.9
Net income	\$37.8	\$32.7	\$ 68.2	\$ 64.8
Fully diluted net income per common share	\$0.30	\$0.26	\$0.54	\$0.51

Consolidated Statement of Retained Earnings

<i>millions</i>	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	2001	2000	2001	2000
Retained earnings				
Balance, beginning of period	\$407.6	\$376.6	\$397.8	\$364.8
Net income	37.8	32.7	68.2	64.8
Convertible debenture interest	(4.3)	(4.2)	(8.7)	(8.3)
Common share dividends	(16.2)	(16.2)	(32.4)	(32.4)
Balance, end of period	\$424.9	\$388.9	\$424.9	\$388.9

Consolidated Statement of Cash Flows

<i>millions</i>	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	2001	2000	2001	2000
Cash provided from operations	\$35.2	\$30.9	\$63.1	\$63.8
Financing and shareholder distributions				
Borrowings	0.2	50.0	25.7	50.0
Debt repayments	(1.8)	(1.3)	(4.0)	(3.2)
Convertible debenture interest	(4.3)	(4.2)	(8.7)	(8.3)
Common share dividends	(16.2)	(16.2)	(32.4)	(32.4)
	(22.1)	28.3	(19.4)	6.1
Investing				
Securities	(42.3)	–	(42.3)	(29.2)
Loans and other receivables	28.2	5.4	38.3	36.1
Property, plant and equipment	(5.6)	(46.8)	(34.1)	(49.3)
Other	3.5	(18.0)	2.6	(24.4)
	(16.2)	(59.4)	(35.5)	(66.8)
Cash and cash equivalents				
Increase (decrease)	(3.1)	(0.2)	8.2	3.1
Balance, beginning of period	18.0	9.5	6.7	6.2
Balance, end of period	\$14.9	\$ 9.3	\$14.9	\$ 9.3

➤ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements include the accounts of the company consolidated with the accounts of all its subsidiaries. Reference is made to the company's most recently issued financial statement report, which included information necessary or useful to understanding the company's businesses and financial statement presentations. In particular, the company's significant accounting policies and practices were presented as Note 1 to the Consolidated Financial Statements included in that report.

Financial information in this Interim Report reflects any adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with generally accepted accounting principles.

The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The company is incorporated under the laws of Ontario and develops, owns and operates hydroelectric and other power generating facilities principally in Canada. The company also conducts investment activities, which include the receipt of interest and dividends on the company's financial assets as well as gains realized on investment transactions.

2. SHAREHOLDERS' EQUITY

The company is authorized to issue an unlimited amount of common shares, of which the following were issued and outstanding:

<i>millions</i>	June 30 2001	December 31 2000
101,383,135 (2000 – 101,393,934) Common shares	\$ 603.5	\$ 603.5
Retained earnings	424.9	397.8
	1,028.4	1,001.3
Subordinated convertible debentures	247.7	247.7
	\$1,276.1	\$1,249.0

The subordinated convertible debentures mature September 30, 2013, bear interest at the prime rate subject to a minimum of 6% and a maximum of 8%.

3. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the 2001 presentation.

4. PRIVATIZATION

On February 28, 2001, the company's shareholders approved the going private transaction proposed by Brascan Corporation, its majority shareholder. The successor private company, established in March 2, 2001, continues the business of Great Lakes Power Inc. under the same name.

➤ PROFILE

Great Lakes Power Inc. generates, transmits and distributes electricity in Ontario and Quebec, and has ownership and operating interests in other power generating facilities and developments in Canada, the United States and Brazil. Its production and development base includes 22 generating stations with an installed generating capacity of 987 megawatts.

Great Lakes is a wholly-owned subsidiary of Brascan Corporation (BNN: TSE, NYSE).

Production Base

	Ownership	Generating Stations	Generating Units	Installed Capacity
				(megawatts)
Northern Ontario Power (1)	100%	12	22	327
Great Lakes Hydro Income Fund (50%)				
Lièvre River, Quebec (1)	100%	3	10	238
Powell River, British Columbia (2)	50%	2	7	82
Other Power Operations				
Lake Superior Power, Ontario (3)	50%	1	3	110
Valerie Falls Power, Ontario (2)	65%	1	2	10
Pontiac Power, Quebec (2)	100%	2	7	28
Louisiana HydroElectric Power (2)	75% ⁽⁴⁾	1	8	192
TOTAL		22	59	987

(1) *Integrated hydroelectric power generating and transmission systems*

(2) *Other hydroelectric stations*

(3) *Natural gas-fired cogeneration plant*

(4) *Residual interest*

➤ HEAD OFFICE

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