



SECOND QUARTER 2002 INTERIM REPORT

For the six months ended June 30, 2002

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2002

➤ HIGHLIGHTS YEAR TO DATE

| | <i>For the three months ended June 30</i> | | <i>For the six months ended June 30</i> | |
|--|---|--------|---|--------|
| | 2002 | 2001 | 2002 | 2001 |
| Net income (<i>Cdn \$ millions</i>) | \$52.9 | \$37.8 | \$95.2 | \$68.2 |
| Net income per share – diluted (<i>Cdn \$</i>) | \$0.41 | \$0.30 | \$0.75 | \$0.54 |
| Power delivered (<i>gigawatt hours</i>) | 1,711 | 1,105 | 3,087 | 1,967 |

➤ FINANCIAL RESULTS

Great Lakes recorded net income of \$95.2 million for the six months ended June 30, 2002, an increase of 40% from \$68.2 million in the first half of 2001. Net income per share for the first half of 2002 was \$0.75, an increase of 39% from \$0.54 in the same period last year.

The Company's net income for the three months ended June 30, 2002 increased 40% to \$52.9 million from \$37.8 million in the same quarter of 2001. Net income per share for the first half of 2002 was \$0.41, an increase of 37% from last year.

The strength of the Company's performance in the first half of 2002 reflects our strategy to build long-term sustainable cash flow growth by investing in high quality assets at attractive values, by actively working to increase returns on capital invested in these assets and by continually pursuing opportunities for future growth.

➤ STRATEGIC INITIATIVES

During the second quarter, Great Lakes continued its program of expanding its power generating base with the acquisition of ten hydroelectric stations in Ontario and New Hampshire with a combined generating capacity of 519 megawatts ("MW"). These acquisitions, made through the Great Lakes Hydro Income Fund, increased the Company's production base to 38 generating stations with a total installed capacity of 1,636 MW.

The first of these acquisitions, Mississagi Power, includes four hydroelectric generating stations with a combined installed capacity of 488 MW located on the Mississagi River in northern Ontario, east and north of the city of Sault Ste. Marie. These stations were acquired from Ontario Power Generation Inc. ("OPG") for \$340 million on May 17, 2002, and are being operated in conjunction with the Company's 12 other power stations in the adjacent area of northern Ontario.

The second acquisition, New Hampshire Power, includes six hydroelectric generating stations with a combined installed capacity of 31 MW located on the Androscoggin River in northern New Hampshire. These stations were acquired from a local forest products company for US\$32 million on May 31, 2002 and are being operated in conjunction with the Company's power stations in northern Maine, acquired in February 2002.

➤ MARKET OPENING IN ONTARIO

On May 1, 2002, the electricity market in the Province of Ontario opened to competition. As a result of this market opening, the Company's power purchase agreement with OPG terminated and a number of other changes were made in response to the new regulatory environment. The Company's northern Ontario power operations have been restructured into two separate business units, a power generation unit and a regulated power transmission and distribution unit. The Company continues to be a distributor of power to its historical service area in the Algoma District, and sells electricity to the Public Utility Commission of Sault Ste. Marie and St. Marys Paper under power sales agreements.

➤ OPERATING RESULTS

As a result of higher precipitation in Quebec and Ontario, the acquisition of power operations in northern Ontario, Maine and New Hampshire in the first half of 2002 and the return to more normal levels of water flow on the lower Mississippi, electricity generation increased by 57% to 3,087 gigawatt hours ("GWh") compared to 1,967 GWh last year. Correspondingly, power revenues for the first half increased to \$161.6 million in 2002 from \$107.7 million in 2001.

Operating and maintenance costs increased by \$10.5 million to \$27.6 million and depreciation increased by \$7.1 million to \$20.6 million with the increased power generation in northern Ontario and the acquisition of new operations in Ontario, Maine and New Hampshire.

Income from long-term investments, which consists of dividends from the Company's investments, was \$21.7 million in the first half of 2002, down from \$23.1 million in the same period last year. Investment and other income, which includes dividends earned on the Company's securities portfolio, interest on loans receivable and other fee income, was \$27.0 million for the first half of 2002, down from \$30.5 million in 2001 due to lower average interest rates and balances.

Electricity generation for the three months ended June 30, 2002 increased by 55% to 1,711 GWh compared to 1,105 GWh last year. As a result, power revenues for the second quarter increased by \$33.0 million to \$92.1 million, and total revenue increased to \$117.1 million. Expenses for the quarter increased by \$16.7 million to \$64.2 million, due mainly to higher operating and depreciation costs.

Power delivered and power revenue by operating segment for the year to date compared to the same periods in 2001 are shown below.

| | <i>For the three months ended June 30</i> | | <i>For the six months ended June 30</i> | |
|-------------------------|---|----------------|---|-----------------|
| | 2002 | 2001 | 2002 | 2001 |
| Power Delivered | | | | |
| <i>(gigawatt hours)</i> | | | | |
| North-East | | | | |
| Canada | 1,228 | 863 | 2,304 | 1,580 |
| United States | 130 | — | 178 | — |
| Other Power Operations | 353 | 242 | 605 | 387 |
| Total | 1,711 | 1,105 | 3,087 | 1,967 |
| Power Revenue | | | | |
| <i>(\$ millions)</i> | | | | |
| North-East | | | | |
| Canada | \$ 63.3 | \$ 46.6 | \$ 119.2 | \$ 88.6 |
| United States | 8.2 | — | 11.3 | — |
| Other Power Operations | 20.6 | 12.5 | 31.1 | 19.1 |
| Total | \$ 92.1 | \$ 59.1 | \$ 161.6 | \$ 107.7 |

➤ ASSETS UNDER DEVELOPMENT

The following projects were advanced on schedule and upon completion are expected to contribute meaningfully to financial results. They include:

High Falls, Ontario. Construction continues 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. The High Falls project will enhance the Company's on-peak capabilities in Ontario and increase the efficiency of its power generating operations in northern Ontario.

Pingston Creek, British Columbia. Construction continues on a 30 MW hydroelectric generating station near Revelstoke, B.C. in a 50/50 partnership with Canadian Hydro Developers Inc. This project is expected to be completed in late 2002. The completion of the Pingston Creek Project will increase Great Lakes' generating capacity in British Columbia and will further enhance our diversification.

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 the Company's ability to access U.S. energy markets to maximize the value of its power system.

Brascan Energética, Brazil. Development work continues for five new hydroelectric generating stations in southern Brazil. Construction is under way on three of these stations, the 30 MW Passo do Meio project in the State of Rio Grande do Sul and the 16 MW Pedrinho and 15 MW Salto Natal projects in the State of Paraná. These projects will further the Company's initiative to return to the electricity market in Brazil.

➤ OUTLOOK

With improved precipitation levels in northern Ontario, western Quebec and on the Mississippi River and the acquisition of power facilities in Ontario, Maine and New Hampshire, Great Lakes is well positioned to increase power generation levels in 2002 compared to prior years. Great Lakes is aggressively seeking to increase returns by optimizing the use of its facilities and as new development projects and acquisitions are brought on stream.



Edward C. Kress
Chairman

July 26, 2002

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.

➤ **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Balance Sheet

| <i>(unaudited)</i> <i>millions</i> | June 30 2002 | December 31 2001 |
|---------------------------------------|-------------------------------|-----------------------------------|
| Assets | | |
| Securities | \$ 738.1 | \$ 715.6 |
| Loans and other receivables | 125.1 | 425.0 |
| Long-term investments | 515.0 | 521.8 |
| Property, plant and equipment | 1,980.4 | 1,267.6 |
| | \$3,358.6 | \$2,930.0 |
| Liabilities | | |
| Accounts payable and other | \$ 109.7 | \$ 91.9 |
| Mortgage bonds | 869.7 | 555.6 |
| Term debentures | 570.0 | 596.2 |
| Future income tax liability | 114.3 | 116.4 |
| Minority interests | 340.9 | 271.3 |
| Shareholders' equity (Note 2) | 1,354.0 | 1,298.6 |
| | \$3,358.6 | \$2,930.0 |

Consolidated Statement of Income

| <i>(unaudited)</i> | <i>Three months ended June 30</i> | | <i>Six months ended June 30</i> | |
|--|-----------------------------------|---------------|---------------------------------|---------------|
| <i>millions, except per share amounts</i> | 2002 | 2001 | 2002 | 2001 |
| Revenue | | | | |
| Power operations | \$92.1 | \$59.1 | \$161.6 | \$107.7 |
| Long-term investments | 10.9 | 11.6 | 21.7 | 23.1 |
| Investment and other income | 14.1 | 14.6 | 27.0 | 30.5 |
| | 117.1 | 85.3 | 210.3 | 161.3 |
| Expenses | | | | |
| Interest | 19.8 | 20.5 | 39.9 | 41.9 |
| Operating and maintenance costs | 17.7 | 9.2 | 27.6 | 17.1 |
| Fuel purchases | 4.0 | 4.7 | 7.9 | 11.1 |
| Depreciation | 11.9 | 6.9 | 20.6 | 13.5 |
| Minority interests | 5.7 | 2.6 | 9.6 | 5.5 |
| Income and other taxes | 5.1 | 3.6 | 9.5 | 4.0 |
| | 64.2 | 47.5 | 115.1 | 93.1 |
| Net income | \$52.9 | \$37.8 | \$95.2 | \$68.2 |
| Fully diluted net income per common share | \$0.41 | \$0.30 | \$0.75 | \$0.54 |

Consolidated Statement of Retained Earnings

| <i>(unaudited)</i> | <i>Three months ended June 30</i> | | <i>Six months ended June 30</i> | |
|--------------------------------|-----------------------------------|----------------|---------------------------------|----------------|
| <i>millions</i> | 2002 | 2001 | 2002 | 2001 |
| Retained earnings | | | | |
| Balance, beginning of period | \$470.1 | \$407.6 | \$447.7 | \$397.8 |
| Net income | 52.9 | 37.8 | 95.2 | 68.2 |
| Convertible debenture interest | (3.7) | (4.3) | (7.4) | (8.7) |
| Common share dividends | (16.2) | (16.2) | (32.4) | (32.4) |
| | \$503.1 | \$424.9 | \$503.1 | \$424.9 |

Consolidated Statement of Cash Flows

| <i>(unaudited)</i> millions | <i>Three months ended June 30</i> | | <i>Six months ended June 30</i> | |
|--|-----------------------------------|---------|---------------------------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| Cash provided from operations (Note 3) | \$66.6 | \$ 47.6 | \$112.0 | \$75.5 |
| Net change in non-cash working capital | (2.0) | (8.9) | (8.7) | (9.8) |
| Cash provided by operating activities | 64.6 | 38.7 | 103.3 | 65.7 |
| Financing and shareholder distributions | | | | |
| Borrowings | 192.8 | 0.2 | 324.1 | 25.7 |
| Debt repayments | (3.5) | (1.8) | (13.2) | (4.0) |
| Convertible debenture interest | (3.8) | (4.3) | (7.4) | (8.7) |
| Common share dividends | (16.2) | (16.2) | (32.4) | (32.4) |
| | 169.3 | (22.1) | 271.1 | (19.4) |
| Investing | | | | |
| Sale of securities | — | (42.3) | 7.7 | (42.3) |
| Loans and other receivables | 220.8 | 28.2 | 390.8 | 38.3 |
| Property, plant and equipment | (439.5) | (5.6) | (750.3) | (34.1) |
| | (218.7) | (19.7) | (351.8) | (38.1) |
| Cash and cash equivalents | | | | |
| Increase | 15.1 | (3.1) | 22.5 | 8.2 |
| Balance, beginning of period | 17.7 | 18.0 | 10.3 | 6.7 |
| Balance, end of period | \$ 32.8 | \$ 14.9 | \$ 32.8 | \$ 14.9 |

➤ 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 Annual Financial 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. The Company's accounting policies and methods of their application are consistent with those of the most recent annual financial statements, except as may be described elsewhere in these financial statements.

The quarterly financial statements are unaudited. 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> | <i>June 30</i> 2002 | <i>December 31</i> 2001 |
|--|-------------------------------|-----------------------------------|
| 101,383,135 (2001 – 101,383,135) Common shares | \$ 603.2 | \$ 603.2 |
| Retained earnings | 503.1 | 447.7 |
| | 1,106.3 | 1,050.9 |
| Subordinated convertible debentures | 247.7 | 247.7 |
| | \$1,354.0 | \$1,298.6 |

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. CASH PROVIDED FROM OPERATIONS

| <i>millions</i> | <i>Three months ended June 30</i> | | <i>Six months ended June 30</i> | |
|--------------------------------|-----------------------------------|--------|---------------------------------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| Net income | \$52.9 | \$37.8 | \$ 95.2 | \$68.2 |
| Add non-cash items: | | | | |
| Depreciation | 11.9 | 6.9 | 20.6 | 13.5 |
| Hydrological provisions | — | 2.4 | — | — |
| Equity income (loss) and other | 1.8 | 0.5 | (3.8) | (6.2) |
| | \$66.6 | \$47.6 | \$112.0 | \$75.5 |

4. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the 2002 presentation.

➤ 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 currently includes 38 generating stations with an installed generating capacity of 1,636 megawatts.

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

Production Base

| Operations | Ownership | Generating Stations | Generating Units | Installed Capacity <i>(megawatts)</i> |
|-----------------------------------|-----------|---------------------|------------------|--|
| North-East – Canada | | | | |
| Great Lakes Power Limited (1) | 100% | 12 | 22 | 331 |
| Mississagi Power (1, 4) | 100% | 4 | 8 | 488 |
| Valerie Falls Power (1) | 65% | 1 | 2 | 10 |
| Lièvre River Power (1) | 100% | 3 | 10 | 238 |
| Lake Superior Power (2) | 50% | 1 | 3 | 110 |
| Pontiac Power (1) | 100% | 2 | 7 | 28 |
| | | 23 | 52 | 1,205 |
| North-East – United States | | | | |
| Maine Power (1) | 100% | 6 | 31 | 126 |
| New Hampshire Power (1, 4) | 100% | 6 | 21 | 31 |
| | | 12 | 52 | 157 |
| Other Power Operations | | | | |
| Louisiana Hydroelectric Power (1) | 75% (3) | 1 | 8 | 192 |
| Powell River Energy (1) | 50% | 2 | 7 | 82 |
| | | 3 | 15 | 274 |
| TOTAL | | 38 | 119 | 1,636 |

(1) *Hydroelectric generating facilities*

(2) *Natural gas-fired cogeneration plant*

(3) *Residual interest*

(4) *Acquired May 2002*

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