FORM 51-102F4

Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Great Lakes Hydro Income Fund (the "**Fund**")
480 de la Cité Blvd.
Gatineau, Québec
J8T 8R3

1.2 Executive Officer

For further information, please contact:

Patricia Bood
Secretary
Great Lakes Hydro Income Fund
480 de la Cité Blvd.
Gatineau, Québec
J8T 8R3

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Fund acquired indirectly from Brookfield Renewable Power Inc. ("BRPI") a 49.9% interest in (i) the 189 MW Prince Wind farm in Ontario and (ii) a 50% joint venture interest in the 45 MW Pingston Hydro station in British Columbia (the "Acquisition").

The Acquisition represented an attractive opportunity to enhance the value of the Fund and its assets over time. The following are highlights in connection with the Acquisition by the Fund:

- Enterprise value of approximately $462 million with existing project debt in place at each project
- High-quality, long-life renewable power assets with stable and predictable cash flows
- Long-term power purchase agreements with strong government counterparties
- Assets generate an average of $42 million in EBITDA and $13 million of distributable cash flow annually
- Favourable tax attributes including capital cost allowance and other expenses in excess of $240 million

- Increased resource and geographic diversification

2.2 Date of Acquisition

The Acquisition closed on February 4, 2009.

2.3 Consideration

Consideration for the Acquisition was $130 million, subject to working capital adjustments, of which 49.9% was paid in cash and financed through the issuance of Fund units to the public. The remainder of the consideration consisted of approximately $65 million of shares exchangeable into Fund units on a one-for-one basis. On a fully exchanged basis, BRPI maintains its approximate 50.01% interest in the Fund.

2.4 Effect on Financial Position

The effect of the Acquisition on the Fund's financial position is outlined in the financial statements included as Schedule A. While the Acquisition was immediately accretive to distributable cash flow, the Fund intends to retain near-term excess cash flow to offset the impact of the Fund's taxability beginning in 2011. As a result, the Fund's payout ratio and liquidity in the near-term will be enhanced and the current annual distribution of $1.25 per unit is expected to be sustainable after 2011.

Following closing of the Acquisition, management determined to account for the acquisition on a consolidated basis rather than under the equity method of accounting. This decision does not change, in any material respect, any previous financial statement disclosure made by the Fund.

2.5 Prior Valuations

In considering the Acquisition, on November 12, 2008, the Board of Trustees of Great Lakes Power Trust ("GLPT"), a wholly owned trust of the Fund, formed a special committee of trustees who are independent of BRPI (the "Independent Committee") to review the proposed acquisition and to determine whether it was in the best interests of GLPT and holders of Fund units, other than BRPI (the "Minority Holders"). The members of the Independent Committee were Andre Bureau (Chairman), Dian Cohen, Pierre Dupuis and Kenneth W. Harrigan.

Blair Franklin Capital Partners Inc., an independent financial advisor, was engaged by the Independent Committee on November 12, 2008 to assist it in evaluating the Acquisition and to prepare a fairness opinion with respect to the Acquisition. On January 23, 2009, Blair Franklin issued its opinion to the Independent Committee, providing that the consideration agreed for the Acquisition was fair, from a financial point of view, to the Minority Holders.

2.6 Parties to Transaction

On a fully exchanged basis, BRPI holds an approximate 50.01% interest in the Fund.

The Acquisition was a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). MI 61-101 provides that, unless exempted, an issuer proposing to take part in a related party transaction is required to prepare a formal valuation of the affected securities and to provide holders of the class of affected securities a summary of such valuation. MI 61-101 requires that, unless exempted, the issuer seek the approval of the transaction by a majority of the votes cast by the "minority" holders of the affected securities.

The Fund relied on an exemption available pursuant to MI 61-101 from the valuation and minority approval requirements. MI 61-101 provides that if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the related party transaction is greater than 25% of the issuer's market capitalization, the valuation and minority approval requirements do not apply to such transaction. The Fund relied on this exemption since neither the fair market value of the Acquisition, nor the fair market value of the consideration paid, was greater than 25% of the Fund's market capitalization calculated in accordance with MI 61-101.

2.7 Date of Report

May 5, 2009

Item 3 Financial Statements

The following financial statements are attached as Schedule A to this report:

- Audited combined financial statements of Pingston Hydro for the year ended December 31, 2008;
- Audited combined financial statements of Prince Wind for the year ended December 31, 2008;
- Audited consolidated financial statements of Great Lakes Power Holding Corporation as at February 4, 2009; and
- Pro forma balance sheet of the Fund as at December 31, 2008 as if the Acquisition had occurred that day and the pro forma income statement of the Fund for the year ended December 31, 2008 as if the Acquisition had occurred January 1, 2008.

SCHEDULE A

Combined Financial Statements

PINGSTON HYDRO

December 31, 2008

Deloitte & Touche LLP
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Ottawa ON K1P 5T8
Canada

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AUDITORS' REPORT

To the Directors of Pingston Hydro

We have audited the combined balance sheet of Pingston Hydro (the "Company") as at December 31, 2008 and the combined statements of income and comprehensive income, owners' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
May 5, 2009

PINGSTON HYDRO
COMBINED BALANCE SHEET
December 31, 2008

thousands of CDN dollars	Notes		**2008**		2007
Assets					
Current assets					
Deposits with BRPI affiliate		**$**	**1,383**	$	1,045
Accounts receivable and due from related party	6		**166**		202
Prepaid expenses			**33**		33
			1,582		1,280
Power generating assets	7		**35,362**		36,062
		$	**36,944**	$	37,342
Liabilities and Owners' Equity					
Current liabilities					
Accounts and other payables and due to related parties	6	**$**	**1,012**	$	1,117
			1,012		1,117
Long-term debt	8		**34,679**		34,637
Future income tax liability	5		**23**		25
			35,714		35,779
Owners' equity			**1,230**		1,563
		$	**36,944**	$	37,342

See accompanying notes to the financial statements.

PINGSTON HYDRO
COMBINED STATEMENT OF OWNERS' EQUITY
Year ended December 31

thousands of CDN dollars	Notes		**2008**		2007
Owners' equity, beginning of year		**$**	**1,563**	$	2,169
Transitional adjustment for financial instruments	8		**-**		15
Net income			**1,245**		1,406
Distributions to owners			**(1,671)**		(2,125)
Capital contributions			**93**		98
Owners' equity, end of year		**$**	**1,230**	$	1,563

See accompanying notes to the financial statements.

PINGSTON HYDRO
COMBINED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
Year ended December 31

thousands of CDN dollars	Notes		**2008**		2007
Revenues					
Power generation		**$**	**4,666**	$	4,890
Interest income			**16**		22
			4,682		4,912
Expenses					
Operating and maintenance	6		**691**		752
Gross overriding royalties	6		**187**		196
Interest and financing fees			**1,910**		1,904
Depreciation			**651**		653
			3,439		3,505
Net income before taxes			**1,243**		1,407
Future income tax (recovery) expense	5		**(2)**		1
Net income and comprehensive income		**$**	**1,245**	$	1,406

See accompanying notes to the financial statements.

PINGSTON HYDRO
COMBINED STATEMENT OF CASH FLOWS
Year ended December 31

thousands of CDN dollars	Notes		**2008**		2007
Operating activities					
Net income		**$**	**1,245**	$	1,406
Items not affecting cash and cash equivalents					
Depreciation			**651**		653
Non-cash interest expense			**42**		41
Gross overriding royalties	6		**93**		98
Future income tax (recovery) expense			**(2)**		1
Net change in non-cash working capital	9		**53**		187
			2,082		2,386
Investing activities					
Deposits with BRPI affiliate			**(338)**		(224)
Additions to power generating assets	9		**(142)**		(37)
Adjustment to power generating assets	9		**69**		-
			(411)		(261)
Financing activities					
Distributions to owners			**(1,671)**		(2,125)
			(1,671)		(2,125)
Decrease in cash and cash equivalents			**-**		-
Cash and cash equivalents, beginning of year			**-**		-
Cash and cash equivalents, end of year		**$**	**-**	$	-
Supplementary information					
Interest paid during the year		**$**	**1,849**	$	1,849

See accompanying notes to the financial statements.

1. NATURE AND DESCRIPTION OF THE COMBINED STATEMENTS

Pingston Hydro ("Pingston") consists of GLP Pingston Creek Limited Partnership ("GLP") and 1503542 Ontario Limited, both of which are wholly owned, directly or indirectly, by Brookfield Renewable Power Inc. ("BRPI") and together own 50% of a joint venture.

BRPI sold its investment in Pingston to Great Lakes Power Holding Corporation (the "Corporation"), which is wholly owned by the Great Lakes Hydro Income Fund, during the first quarter of 2009 (see note 14). The accompanying financial statements have been prepared in connection with the sale and reflect the combined financial position, results of operations and cash flows of BRPI's interest in Pingston.

GLP is an equal participant with Canadian Hydro Developers, Inc. ("CHD", together with GLP, the "Owners") in the Pingston Creek Hydro Joint Venture (the "JV"), an unincorporated joint venture established pursuant to a joint venture agreement dated January 23, 2002. The joint venture agreement was created to construct and own a hydroelectric generation plant on the Pingston Creek above Upper Arrow Lake near Revelstoke, British Columbia. The JV commenced its commercial operation on May 8, 2003.

The JV sells all of its generated electricity to the British Columbia Hydro and Power Authority ("BC Hydro") under a power purchase agreement. Net income is allocated equally between the Owners with the exception of gross overriding royalties, which are allocated based on ownership, and depreciation, which is proportionate to the initial contributions of capital assets and allocated equally on the subsequent capital expenditures within the JV.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are summarized below.

Principles of combination

The combined financial statements include the accounts of GLP, including its participation in the accounts of the JV, and 1503542 Ontario Limited, which are under common control of the principal shareholder, BRPI. All inter-company transactions and balances between the combined entities have been eliminated. The accounts of the other participant in the JV, CHD, and its participation in the accounts of the JV, are not reflected in these financial statements.

Power generating assets

Power generating assets are accounted for at cost.

The cost of the power generating assets, less estimated residual value, is depreciated as follows:

Type of asset	Method	Rate
Generating stations	Straight-line	60 years
Vehicles	Straight-line	5 years

Assets are tested for impairment based on an assessment of net recoverable amounts in the event of adverse developments. A write-down to estimated fair value is recognized if an asset's estimated undiscounted future cash flow is less than its carrying value. The projections of the future cash flow take into account the operating plan and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

Change in accounting policy for deposits with BRPI affiliate

During 2008, Pingston changed its accounting policy defining cash and cash equivalents and correspondingly reclassified its balance sheet and statement of cash flow presentation. The new policy classifies cash and cash equivalents held on deposit within an operating account of a BRPI affiliate entity as "Deposits with BRPI affiliate", and reflect cash flows arising from deposits in and withdrawals from as cash flows from investing activities. These deposits were previously included in cash and cash equivalents. Pingston continues to have the contractual right to withdraw these funds on demand.

The 2007 balance sheet and statement of cash flows have been reclassified to conform to this presentation.

Deposits with BRPI affiliate

All highly liquid investments with original maturities of three months or less are classified as deposits with BRPI affiliate. The fair value of deposits with BRPI affiliate approximates the amount shown on the financial statements.

Revenue recognition

Electrical energy sales are recognized based on rates specified in the power purchase agreement with BC Hydro at the time power is provided based on output delivered to the purchasing party as metered at the point of interconnection with the transmission system.

Gross overriding royalties

Gross overriding royalties are paid in recognition of the services performed by the royalty owners. The overriding royalties are paid on a monthly basis and account for 4% of electricity sales.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. During the periods presented, management has made estimates and valuation assumptions including accruals, depreciation, amortization and impairment of long-lived assets. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates.

Cash distributions

Unless otherwise directed by the Owners' Committee, monthly revenue from the JV, net of operating costs and expenses as defined in the Management and Power Marketing Agreement and the Operations and Maintenance Agreement (as described in note 6), is distributed to the Owners on the 15th day following each month end.

Deferred financing fees

Financing costs associated with the offering of the First Mortgage bonds are capitalized, netted against long-term debt, and amortized over the term of the debt using the effective interest method.

3. CHANGES IN ACCOUNTING STANDARDS

Effective January 1, 2008, Pingston adopted the following new accounting standards for Canadian GAAP. The new accounting standards have been applied prospectively and the comparative financial statements have not been restated.

Financial Instruments – Disclosures and Presentation, Handbook sections 3862 and 3863

These sections, which replace Handbook section 3861, revise and enhance disclosure requirements surrounding Financial Instruments, while carrying forward presentation items unchanged. They place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments to which Pingston is exposed and how Pingston manages those risks. Refer to note 12 for relevant disclosure.

Capital Management, Handbook Section 1535

This section establishes standards for disclosing information about Pingston's capital and how it is managed. The standard requires disclosures of Pingston's objectives, policies and processes for managing capital, the quantitative data about what Pingston regards as capital, whether Pingston has complied with any capital requirements and if it has not complied, the consequences of such non-compliance. Refer to note 13 for relevant disclosure.

4. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of International Financial Reporting Standards ("IFRS")

The Canadian Institute of Chartered Accountants ("CICA") plans to converge Canadian GAAP with IFRS over a transition period expected to end in 2011. A high level IFRS implementation plan has been developed and an assessment of the financial statement impact of the accounting standard differences is currently in progress. Based on the analysis to date, the most significant differences for Pingston are anticipated to be related to power generating assets, financial instruments, income taxes, and financial statement disclosure

Business Combinations

In January 2009, the CICA issued new Section 1582, Business Combinations, replacing Section 1581, Business Combinations. New Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. The adoption of this new standard is not expected to have a material impact on Pingston's financial statements.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued new Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. New Section 1601 establishes standards for the preparation of consolidated financial statements. New Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, International Accounting Standard ("IAS") 27 (Revised), Consolidated and Separate Financial Statements. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The adoption of these new standards is not expected to have a material impact on Pingston's financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles by profit-oriented enterprises. The new section will be applicable to Pingston's financial statements beginning January 1, 2009. The adoption of this new standard is not expected to have a material impact on Pingston's financial statements.

5. FUTURE INCOME TAXES

Pingston is not subject to tax on a combined basis. These financial statements include a provision for income taxes for 1503542 Ontario Limited only, as it is the only taxable entity in Pingston. As the JV is a joint venture, it is not subject to income tax at its level. GLP, as an owner of the JV, is taxed directly on its proportionate income; however, a provision for income taxes for GLP is not included in these financial statements since partnership profits are taxed in the hands of the partners (BRPI and 1503542 Ontario Limited).

(in thousands of CDN dollars, except as otherwise noted)

The difference between taxes calculated at the statutory rate and those recorded is reconciled as follows:

	2008	2007
Net income before tax	**$ 1,243**	$ 1,407
Statutory income tax rate	**31%**	34%
Income taxes	**385**	480
Income not subject to tax on a combined basis	**(382)**	(475)
Other	**(5)**	(4)
Income tax (recovery) expense	**$ (2)**	$ 1

For the year ended December 31, 2008, Pingston's current tax expense is $nil (2007 - $nil) and future income tax recovery is $2 (2007 - $1 expense).

Pingston's future income tax (asset) liability is comprised of the following tax affected temporary differences:

	2008	2007
CCA in excess of book depreciation	**$ 23**	$ 77
Net operating losses carryforward	**-**	(52)
	$ 23	$ 25

6. RELATED PARTY TRANSACTIONS

The following transactions with related parties are reflected at the exchange amount.

a) Brookfield Energy Marketing Inc. ("BEMI"), a wholly owned subsidiary of BRPI, provides management and power marketing services under the Management and Power Marketing Agreement dated January 23, 2002 ("Marketing Agreement") between the Owners. In accordance with that agreement, BEMI schedules, dispatches and transmits the energy in accordance with the Marketing Agreement. In exchange for those services, BEMI charges a flat fee of $500 dollars a month to the JV.

b) CHD provides for the administration, design, construction, operation and maintenance of the plant as described in the Operations and Maintenance Agreement dated January 23, 2002 between the Owners. In exchange for those services, CHD charges a flat fee of $5 a month to the JV.

c) GLP provided the JV with $50.5 at the beginning of the project for operating working capital purposes. The JV subsequently advanced the money to CHD, as operator, to fund certain operating expenses. The due from related party remaining as at December 31, 2008 of $50.5 (2007 - $50.5) is due from CHD. This amount is non-interest bearing, unsecured and due on demand.

d) One of the royalty owners, Keating and Co. Design and Fabrication Inc. ("Keating"), is considered a related party of the JV, as the major shareholder of the royalty owner is a member of the management team of CHD. The other royalty owner is a third party. The amount of the royalties allocated to Keating in 2008 was $93 (2007 - $98).

(in thousands of CDN dollars, except as otherwise noted)

e) In the normal course of operations, Riskcorp Inc., a company related to GLP through common control, entered into transactions with the JV to provide insurance. The total cost incurred by the JV in 2008 for these services was $35 (2007 - $40), of which $nil, which is included in the amount due to CHD (2007 - $6), is payable at December 31, 2008.

The following table summarizes the related party asset/liability balances as at December 31:

	2008	2007
Due from related party:		
CHD	**$ 51**	$ 51

	2008	2007
Due to related parties:		
CHD	**$ 14**	$ 212
BEMI	**1**	3
BRPI	**2**	2
	$ 17	$ 217

7. POWER GENERATING ASSETS

			2008	2007
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Generating stations	**$ 38,924**	**$ 3,582**	**$ 35,342**	$ 36,034
Vehicles	**41**	**21**	**20**	28
Power generating assets	**$ 38,965**	**$ 3,603**	**$ 35,362**	$ 36,062

Cost and accumulated depreciation for the year ended December 31, 2007 were $39,014 and $2,952 respectively.

8. LONG-TERM DEBT

The Senior Secured Series 1 First Mortgage bonds bear an annual interest rate of 5.281% payable semi-annually, mature on February 11, 2015 and are secured by a first ranking charge on all the JV's assets. The bonds may be redeemed at the option of the JV upon payment of the redemption price plus all accrued and unpaid interest. Pingston's share of the JV debt is as follows:

	2008	2007
Senior Secured Series 1 First Mortgage Bonds	**$ 35,000**	$ 35,000
Less: Unamortized deferred financing fees	**321**	363
Long-term debt	**$ 34,679**	$ 34,637

(in thousands of CDN dollars, except as otherwise noted)

Effective January 1, 2007, Pingston began using the effective interest method to amortize its deferred financing fees. The transitional adjustment for financial instruments recorded to owners' equity on January 1, 2007 was $15.

Amortization of deferred financing fees for the year related to Pingston's long-term debt and included in interest expense for the year totalled $42 (2007 - $41).

The fair value of the long term-debt at December 31, 2008 is estimated at $33,293 (2007 - $34,575). Fair value was estimated by comparing the rates currently available for long-term debt of similar terms and risks.

9. STATEMENT OF CASH FLOWS DETAIL

The change in non-cash working capital is comprised of the following:

		2008		2007
Accounts receivable and due from related party	**$**	**36**	$	97
Prepaid expenses		**-**		5
Accounts and other payables due to related parties		**17**		85
	$	**53**	$	187

One of the owners increased their equity in Pingston through payment of the royalty to Keating on behalf of Pingston. As non-cash items, these capital contributions and gross overriding royalties have been excluded from financing activities on the statement of cash flows.

Capital asset additions totaling $122 which were included in accruals at December 31, 2007, have been included in the statement of cash flows for 2008, as they resulted in a cash outflow during the year. No capital asset additions are included in accounts payable or accruals at December 31, 2008.

During 2008, Pingston received notice of settlement with a supplier for receipt of $69 relating to capital asset replacement. The settlement has been included as an adjustment to power generating assets and recorded as a reduction in the cost of power generating assets.

10. SHARE CAPITAL

Pingston is authorized to issue one common share and one partnership unit, of which one common share and one partnership unit were issued and outstanding as at December 31, 2008 (2007 – one common share and one partnership unit) for a total amount of one dollar each (2007 – one dollar each). The outstanding common share relates to 1503542 Ontario Limited. The outstanding partnership unit relates to GLP.

11. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

Pingston has various guarantees and indemnifications in place in the ordinary course of business, none of which, as assessed by management of GLP and CHD, are expected to have an adverse impact on Pingston's financial statements or operations.

Pingston has asset retirement obligations associated with its generating stations. The retirement date for these generating stations cannot be reasonably estimated and therefore the fair value of the associated liability cannot be estimated at this time. As a result, no liability has been accrued in these financial statements.

Pingston is committed to sell all of the electricity and green attributes generated from the Pingston Hydroelectric Plant to BC Hydro under a physical fixed price contract that matures in 2023. In 2008, the energy rate was $52.10 (2007 - $51.49). The price and the Green Reduction Amount is increased or decreased from the amounts set on the immediately preceding January 1st by a percentage equal to 50% of the increase or decrease in the Consumer Price Index ("CPI") during the immediately preceding 12 months. The Green Reduction Amount is based on Pingston's compliance with the environmental criteria in the fixed price contract. Should Pingston not be in compliance with the environmental criteria, the Green Reduction Amount would range from a decrease of $5 to $8/MWh from the price payable by BC Hydro, depending upon the severity of the non-compliance. As at December 31, 2008, Pingston was in compliance with all of these environmental criteria, and accordingly the selling price has not been reduced by the Green Reduction Amount.

In connection with the issuance of the First Mortgage Bonds, BRPI obtained a letter of credit on behalf of Pingston totaling $1,848 (2007 - $1,848) to guarantee a semi-annual interest payment.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. All financial instruments are classified into one of five categories: held-for-trading, loans and receivables, other financial liabilities, held-to-maturity investments or available-for-sale financial assets.

Held-for-trading financial instruments are financial assets and financial liabilities typically acquired with the objective of resale or short-term buyback. The carrying amount is recorded at fair market value determined using market prices. Interest earned and gains and losses incurred are recognized in net income. Deposits with BRPI affiliate are designated as financial assets held-for-trading and are measured at fair value with changes being recorded in net income during each period.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are measured at amortized cost. Accounts receivable and due from related parties are classified as loans and receivables and are measured at fair value at inception which, due to their short-term nature, approximates amortized cost.

Other financial liabilities are promises to repay on specified dates or on demand usually with interest. Accounts and other payables and due to related parties are classified as other financial liabilities and are measured at fair value at inception which, due to their short-term nature, approximates amortized cost. Long-term debt is also classified as other financial liabilities. After its initial fair value measurement, it is measured at amortized cost using the effective interest rate method.

(in thousands of CDN dollars, except as otherwise noted)

Held-to-maturity financial assets have fixed or determinable payments and maturity, and management's intention and ability are to hold to maturity. These financial assets are measured at amortized cost. Pingston does not hold any financial assets under this classification.

Available-for-sale instruments are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading financial assets. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Pingston does not hold any financial assets under this classification.

Pingston is exposed, in the normal course of business, to a number of financial risks arising from its use of financial instruments. Pingston's overall risk management strategy is designed to identify, manage and mitigate these risks to the extent possible.

Credit Risk

Pingston is exposed to credit-related losses in the event of non-performance by counterparties. Maximum credit exposure is the carrying value of the financial assets net of any allowances for losses. Pingston manages its credit risk by conducting business with a limited number of counterparties, all of whom are creditworthy. Consistent with previous years, Pingston does not have any allowances for losses as accounts receivable have been collected in a timely manner. As at December 31, 2008, Pingston is exposed to a maximum credit risk of $166 and all accounts receivable within Pingston remain current.

Liquidity Risk

Liquidity risk is the risk that Pingston will not be able to fund all cash outflow commitments as they become due. Pingston's asset and liability management allows it to maintain its financial position by providing sufficient liquid assets available to cover its potential funding requirements. Pingston has a Treasury group in charge, among other things, of ensuring sound management of available cash resources and financing for all Pingston operations. With senior management oversight, this group manages liquidity through regular monitoring of cash and covenant requirements.

As at December 31, 2008, the total outstanding significant contractual obligations are due in the following periods:

millions of CDN dollars	Total $	In years 2009-2013 $	In years 2013-2015 $
Principal – Repayment	35.0	-	35.0
Interest	12.0	9.2	2.8

Based on historical cash flows and current financial performance, management believes that the cash flow from Pingston's operating activities will continue to provide sufficient liquidity for Pingston to satisfy debt service obligations and ensure stable distribution to the owners.

Market Risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates and interest rates. The level of market risk to which Pingston is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of Pingston's financial assets and liabilities.

(a) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rate. Pingston's long-term debt bears interest at a fixed rate. Consequently, there is no cash flow exposure associated with those instruments. Pingston's interest rate risk policy and goals restrict the use of derivative financial instruments to non-speculative purposes. There are no derivative financial instruments held by Pingston as at December 31, 2008 (December 31, 2007 – nil).

(b) Currency risk

Currency risk refers to the Canadian dollar value of foreign currency cash flows varying as a result of the movements in exchange rates. Pingston, as a Canadian dollar functional currency entity, conducts all of its business in Canadian dollars and is not exposed to any material currency risk. Pingston does not actively manage this risk.

(c) Commodity price risk

Commodity price risk refers to the constant fluctuation of the price of power. Pingston actively manages commodity price risk as substantially all of its revenues are earned through long-term power purchase agreements which contain fixed prices for electricity supplied therefore Pingston is not exposed to any material price fluctuation.

13. CAPITAL MANAGEMENT

Pingston's objective when managing its capital structure is to uphold a strong capital base so as to maintain owner, creditor and market confidence and to sustain future development of the business. In addition, Pingston strives to continue as a going concern, while providing an adequate return to its owners. Pingston does not have any specific quantitative capital criteria; however, its main objective is to generate stable and sustainable cash flows to meet owner distribution requirements.

In the management of capital, Pingston includes owners' equity (excluding accumulated other comprehensive income) and long-term debt in the definition of capital.

Pingston manages its capital structure to support its corporate strategy and takes into account changes in economic conditions. In order to maintain a solid capital structure, Pingston may issue new debt, issue new debt to replace existing debt (with different characteristics), reduce the amount of existing debt or modify the level of capital expenditures. Management monitors and reviews on a regular basis whether distributions remain adequate. Management is comfortable with Pingston's current level of distributions.

Pingston's strategy with respect to debt has been to leverage its assets with property specific borrowings. The long-term debt has a fixed interest rate for its term. The level of financing associated with any asset is determined by the risk associated with the asset and the potential variability of the cash flows. Given Pingston's long-term power purchase agreement and various guarantees offered by BRPI the variability in cash flows is limited allowing Pingston to adequately leverage its assets.

Pingston has provided covenants to its lenders to ensure capital requirements are met. Pingston conducts its businesses through the JV and is dependent on receipt of cash from the JV to defray its corporate expenses and make distributions to its owners. Under the credit agreement for such debt, it is conventional for distributions of cash to Pingston or CHD, the JV partners, to be prohibited if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark "debt service coverage ratio", which is the ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA", a non-GAAP performance indicator) for a specified time period to the scheduled loan principal and interest payments for the same time period. The specified ratio for this covenant is 1.25: 1.00. Pingston is in compliance with all capital requirements as at December 31, 2008.

There were no changes in Pingston's approach to capital management during the year.

14. SUBSEQUENT EVENT

On February 4, 2009, BRPI sold its interest in Pingston to Great Lakes Power Holding Corporation (the "Corporation"). BRPI owns a 50.001% interest in the Corporation and, as a result, effectively maintains a 25.0005% interest in Pingston. The Great Lakes Hydro Income Fund holds a 49.999% interest in the Corporation and is an entity controlled by BRPI.

Combined Financial Statements

PRINCE WIND

December 31, 2008

Deloitte.

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Ottawa ON K1P 5T8
Canada

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AUDITORS' REPORT

To the Directors of Prince Wind

We have audited the combined balance sheet of Prince Wind (the "Company") as at December 31, 2008 and the combined statements of loss and comprehensive loss, accumulated other comprehensive loss, equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
May 5, 2009

PRINCE WIND
COMBINED BALANCE SHEET
As at December 31

thousands of CDN dollars	Notes		**2008**		2007
Assets					
Current assets					
Cash		**$**	**6,956**	$	5,219
Accounts receivable and due from related parties	6		**5,488**		7,658
Prepaid expenses and other			**2,386**		6,713
			14,830		19,590
Power generating assets	7		**348,483**		359,636
Other assets	8		**4,880**		5,154
Future income tax asset	5		**8,581**		346
		$	**376,774**	$	384,726
Liabilities and Shareholder's Equity					
Current liabilities					
Accounts and other payables and due to related parties	6	**$**	**5,732**	$	9,549
Current portion of credit facility	9		**10,846**		8,199
			16,578		17,748
Credit facility	9		**278,408**		288,935
Asset retirement obligation	11		**6,340**		-
Derivative liability	12		**31,580**		1,147
			332,906		307,830
Shareholder's equity					
Owners' equity			**67,552**		77,710
Accumulated other comprehensive loss	12		**(23,684)**		(814)
			43,868		76,896
		$	**376,774**	$	384,726

See accompanying notes to the financial statements.

PRINCE WIND
COMBINED STATEMENT OF EQUITY
Year ended December 31

thousands of CDN dollars		**2008**		2007
Owners' equity, beginning of year	**$**	**77,710**	$	84,190
Contributions from partners		**-**		28,945
Net loss		**(5,156)**		(3,925)
Distributions		**(5,002)**		(31,500)
Owners' equity, end of year	**$**	**67,552**	$	77,710

See accompanying notes to the financial statements.

PRINCE WIND
COMBINED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
Year ended December 31

thousands of CDN dollars	Notes		2008		2007
Revenues		**$**	**42,852**	$	46,134
Expenses					
Operating, maintenance and administration	6		**12,112**		11,147
Accretion			**117**		-
Interest			**17,227**		16,304
Depreciation and amortization	7,8		**19,224**		22,622
			48,680		50,073
Net loss before taxes			**(5,828)**		(3,939)
Future income tax recovery	5		**(672)**		(14)
Net loss			**(5,156)**		(3,925)
Derivatives designated as cash flow hedges					
Unrealized net loss on derivatives designated as cash flow hedges	12		**(22,870)**		(5,687)
Other comprehensive loss			**(22,870)**		(5,687)
Comprehensive loss		**$**	**(28,026)**	$	(9,612)

PRINCE WIND
COMBINED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE LOSS
Year ended December 31

thousands of CDN dollars	Notes		**2008**		2007
Accumulated other comprehensive loss, beginning of year		**$**	**(814)**	$	-
Transitional adjustment			**-**		4,873
Other comprehensive loss	12		**(22,870)**		(5,687)
Accumulated other comprehensive loss, end of year		**$**	**(23,684)**	$	(814)

See accompanying notes to the financial statements.

PRINCE WIND
COMBINED STATEMENT OF CASH FLOWS
Year ended December 31

thousands of CDN dollars	Notes		**2008**		2007
Operating activities					
Net loss		**$**	**(5,156)**	$	(3,925)
Items not affecting cash					
Depreciation and amortization			**19,224**		22,622
Non-cash interest expense			**488**		-
Accretion expense			**117**		-
Future income tax recovery			**(672)**		(14)
Gain on derivatives			**-**		(1,867)
Non cash derivative asset			**-**		1,867
Net change in non-cash working capital	10		**1,650**		5,076
			15,651		23,759
Investing activities					
Due from related parties			**73**		-
Advances to related parties			**776**		165
Adjustment to power generating assets	7		**-**		3,188
Additions to power generating assets			**(1,465)**		(13,313)
			(616)		(9,960)
Financing activities					
Due to related party			**72**		-
Repayment of advance from related party			**-**		(22,680)
Contributions from partners			**-**		28,945
Borrowings under credit facility			**-**		9,500
Credit facility - repayments			**(8,199)**		(560)
Deferred financing fees			**(169)**		(2,311)
Distribution to partners			**(5,002)**		(31,500)
			(13,298)		(18,606)
Increase (decrease) in cash			**1,737**		(4,807)
Cash, beginning of year			**5,219**		10,026
Cash, end of year		**$**	**6,956**	$	5,219
Supplementary information					
Interest paid during the year		**$**	**14,074**	$	9,413

See accompanying notes to the financial statements.

1. NATURE AND DESCRIPTION OF PRINCE WIND

Prince Wind consists of Brookfield Power Wind Prince Financial Corporation ("WPFC"), Brookfield Power Wind Services Inc. ("WSI"), Brookfield Power Wind Prince LP ("WPLP"), Brookfield Power Wind Prince Financial Partnership ("WPFP"), 2153180 Ontario Limited and 2153181 Ontario Limited, which are, directly or indirectly, wholly owned by Brookfield Renewable Power Inc. ("BRPI", formerly Brookfield Power Inc.).

BRPI sold its investment in each of the Prince Wind companies to Great Lakes Power Holding Corporation (the "Corporation") on February 4, 2009 (see note 15). The accompanying financial statements have been prepared in connection with the sale and reflect the combined financial position, results of operations and cash flows of BRPI's interest in the Prince Wind companies.

Prince Wind has the purpose of developing, constructing and operating a wind power project (the "Project") and supplies electricity to the Ontario Power Authority ("OPA"), its sole customer, under two power purchase agreements. The agreement for Phase I expires in 2026 while the agreement for Phase II expires in 2028.

The Project involved two phases of construction. Phase I, comprised of 66 turbines with an installed capacity of 99 MW, entered into commercial operations on September 21, 2006. Phase II, comprised of 60 turbines with an installed capacity of 90 MW, entered into commercial operations on November 19, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are summarized below.

Principles of combination

The combined financial statements include the accounts of all Prince Wind entities, which are under common control of the principal shareholder, BRPI. All inter-company transactions and balances between the companies have been eliminated.

Prepaid expenses and other

Prepaid interest represents interest that has been prepaid relating to the credit facility. Insurance, road and turbine maintenance, and letter of credit fees are paid when due in the ordinary course of business. These costs are deferred and amortized on a straight line basis over the service periods for which the prepayment pertains.

Deferred financing fees

Financing costs associated with the offering of long-term debt are capitalized, netted against the credit facility, and amortized using the effective interest method.

Derivative financial instruments

Prince Wind uses derivative financial instruments to manage interest rate risk associated with its activities. Interest rate swaps are entered into to mitigate these risks.

All derivatives are recorded on the balance sheet at fair value. Fair value adjustments on these instruments are included in net loss, unless the instruments are designated as part of a cash flow hedge relationship, in which case they are reported in other comprehensive loss ("OCL"). When a hedging relationship is terminated, amounts previously recognized in accumulated other comprehensive loss ("AOCL") are reclassified to net loss in the period in which the net loss is affected by the variability in the cash flows of the hedged item. The use of hedging and of non-hedging derivative contracts is governed by documented risk management policies and approved limits. Gains and losses related to hedge ineffectiveness are included in net loss.

The fair value of derivative instruments is based on the spot rates or the forward rates or prices in effect at market closing at the balance sheet date. In the absence of this information for a given instrument, Prince Wind uses the available forward rate or price for an equivalent instrument in order to estimate an appropriate forward rate.

Prince Wind enters into interest rate swap agreements to alter the interest characteristics of a portion of its outstanding debt. These agreements involve the receipt of fixed-rate amounts in exchange for floating rate interest payments or vice-versa over the life of the agreement without an exchange of the underlying principal amount. The differential paid or received as a result of interest rate swap agreements designated as hedges is recognized on an accrual basis as an adjustment to interest expense related to the debt.

Power generating assets

Power generating assets are accounted for at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over 20 years, the estimated service life of the power generating assets.

Assets are tested for impairment based on an assessment of net recoverable amounts in the event of adverse developments. A write-down to estimated fair value is recognized if an asset's estimated undiscounted future cash flow is less than its carrying value. The projections of the future cash flow take into account the operating plan and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

Power purchase agreement intangible asset

The power purchase agreement intangible asset was recorded at fair value at the date of acquisition and is amortized on a straight-line basis over 20 years which is the term of the power purchase agreement.

Asset retirement obligations

Obligations associated with the retirement of tangible long-lived assets are recorded when those obligations are incurred. Prince Wind records the liability equal to the estimated fair value of the obligation for asset retirement, and records a corresponding increase to the carrying amount of the related long-lived asset. The asset is depreciated over the useful life of the related assets, and the liability is accreted over the period of expected cash flows with a corresponding charge to operating expenses. The fair value of the obligation for asset retirement is re-assessed annually.

Revenue recognition

Generation revenue is recognized at the time power is delivered to the OPA based on the rates specified in the power purchase agreements with the OPA.

Prince Wind has participated in the ecoEnergy for Renewable Power Program ("the Program") since 2007, the purpose of which is to enhance the feasibility of renewable energy projects and reduce greenhouse gases. An incentive for the Program is supplied by the Federal Government which shall not exceed $53,123 over a period of 10 years. The incentive is paid on a quarterly basis and is based upon claims made by Prince Wind. The incentive that can be claimed by Prince Wind for every kilowatt hour of eligible production is $0.01.

Interest revenue is recorded when earned.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. During the periods presented, management has made estimates and valuation assumptions including accruals, depreciation, amortization, impairment of long-lived assets and fair value of derivatives. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates.

Financial instruments

The carrying amount of financial instruments included in current assets and current liabilities approximate fair value due to their short-term nature.

Foreign currency translation

Assets and liabilities denominated in foreign currencies have been translated at the rate of exchange in effect at the balance sheet date, and revenues and expenses at average rates of exchange during the period. Exchange gains and losses arising on the translation of these amounts are included with operating, maintenance and administration expense on the statement of loss and comprehensive loss.

Income taxes

Prince Wind uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of Prince Wind's financial affairs and its impact on taxable income and tax losses.

3. CHANGES IN ACCOUNTING STANDARDS

Effective January 1, 2008, Prince Wind adopted the following new accounting standards for Canadian GAAP. The new accounting standards have been applied prospectively and the comparative financial statements have not been restated.

Financial Instruments – Disclosures and Presentation, Handbook sections 3862 and 3863

These sections, which replace Handbook section 3861, revise and enhance disclosure requirements surrounding Financial Instruments, while carrying forward presentation items unchanged. They place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments to which Prince Wind is exposed and how Prince Wind manages those risks. Refer to note 12 for relevant disclosure.

Capital Management, Handbook Section 1535

This section establishes standards for disclosing information about Prince Wind's capital and how it is managed. The standard requires disclosures of Prince Wind's objectives, policies and processes for managing capital, the quantitative data about what Prince Wind regards as capital, whether Prince Wind has complied with any capital requirements and if it has not complied, the consequences of such non-compliance. Refer to note 13 for relevant disclosure.

4. FUTURE ACCOUNTING POLICY CHANGES

Adoption of International Financial Reporting Standards ("IFRS")

The Canadian Institute of Chartered Accountants ("CICA") plans to converge Canadian GAAP with IFRS over a transition period expected to end in 2011. While the Partnership has not completed its quantification of the effects of adopting IFRS in detail, a high level IFRS implementation plan has been developed and an assessment of the financial statement impact of the accounting standard differences is currently in progress. Based on the analysis to date, the most significant differences for Prince Wind are anticipated to be related to power generating assets, financial instruments and financial statement disclosure.

Business Combinations

In January 2009, the CICA issued new Section 1582, Business Combinations, replacing Section 1581, Business Combinations. New Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. The adoption of this new standard is not expected to have a material impact on Prince Wind's financial statements.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued new Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. New Section 1601 establishes standards for the preparation of consolidated financial statements. New Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, International Accounting Standard ("IAS") 27 (Revised), Consolidated and Separate Financial Statements. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The adoption of these new standards is not expected to have a material impact on Prince Wind's financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles by profit-oriented enterprises. The new section will be applicable to the Partnership's financial statements beginning January 1, 2009. The adoption of this new standard is not expected to have a material impact on Prince Wind's financial statements.

(in thousands of CDN dollars, except as otherwise specified)

5. FUTURE INCOME TAXES

Prince Wind is not subject to tax on a combined basis. However, WPFC, WSI, 2153180 Ontario Limited and 2153181 Ontario Limited are subject to tax individually. These financial statements include the combined provisions of these taxable entities. A provision for income taxes is not included for WPLP or WPFP since partnership profits are taxed in the hands of the partners.

The difference between taxes calculated at the statutory rate and those recorded is reconciled as followed:

		2008		2007
Net loss before tax	$	(5,828)	$	(3,939)
Statutory income tax rate		29.5%		36.25%
Income tax recovery		(1,719)		(1,428)
Income not subject to tax on a combined basis		1,047		1,414
Income tax recovery	$	(672)	$	(14)

For the year ended December 31, 2008, Prince Wind's combined current tax expense is $nil (2007 - $nil) and future income tax recovery is $672 (2007 - $14). These tax amounts relate to WPFC entirely, as the other taxable entities do not carry on significant business operations.

Prince Wind's future income tax asset of $8,581 (2007 - $346) is comprised of the following tax affected temporary differences:

		2008		2007
Unrealized net loss on derivatives designated as cash flow hedges	$	7,895	$	332
Net operating loss carryforward		697		14
Other		(11)		-
	$	8,581	$	346

Prince Wind has $14 and $683 in tax effected, unused non-capital losses, which expire in 2027 and 2028, respectively.

6. RELATED PARTY TRANSACTIONS

The following transactions made in the normal course with companies related through common control have been recorded at their exchange values:

a) During 2008, BRPI paid financing fees and other costs of $290 on behalf of Prince Wind. At December 31, 2008, $72 is payable by Prince Wind to BRPI (2007 - $557). In addition, $nil (2007 - $776) remains receivable from BRPI in relation to corporate development costs.

b) On behalf of Prince Wind, in 2008, Brookfield Energy Marketing Inc. ("BEMI") incurred $197 in consulting, legal and other costs relating to the Project during 2006 and 2007. Also, in 2007 BEMI received a cheque on behalf of Prince Wind for $159. All amounts have been settled and as at December 31, 2008, $nil is receivable from or payable to BEMI (2007 - $13 receivable).

(in thousands of CDN dollars, except as otherwise specified)

c) On behalf of Prince Wind, in 2006 and 2007, Sault Power ("Sault") incurred costs of $205 in consulting and materials relating to the construction and operations of the Project. At December 31, 2008, $190 remains payable by Prince Wind to Sault (2007 - $190).

d) On behalf of Prince Wind, Brookfield Power Wind Operations Limited Partnership ("BPWOLP") incurred management fees of $3,932 related to the Project in 2008 (2007 - $2,933), of which $2,943 was paid (2007 - $634). BPWOLP also incurred net operating and maintenance costs on behalf of Prince Wind of $1,336 (2007 - $275). At December 31, 2008, $1,091 (2007 - $4,364) was payable from Prince Wind to BPWOLP.

e) During 2006 and 2007, Great Lakes Power Limited Distribution Division ("Distribution") incurred construction costs totaling $398 related to the Project. At December 31, 2008, $398 remains payable to Distribution relating to these costs (2007 - $398).

f) During 2008, Brookfield Power Wind Corporation ("BPWC") paid power generating asset additions and GST balances of $45 and $38, respectively, on behalf of Prince Wind (2007 - $nil). At December 31, 2008, $83 remains payable to BPWC (2007 - $nil).

g) In the normal course of operations, an insurance broker related through common control entered into transactions with Prince Wind to provide insurance. These transactions are measured at exchange value. The total cost incurred in 2008 for these services was $407 (2007 - $344) of which $nil is payable at December 31, 2008 (2007 - $nil).

Related party balances are non-interest bearing. The account balances at December 31 are summarized as follows:

		2008		2007
Due from related parties				
BEMI	**$**	**-**	$	13
BRPI		**-**		776
	$	**-**	$	789
Due to related parties				
BRPI	**$**	**72**	$	557
Sault		**190**		190
BPWC		**83**		-
BPWOLP		**1,091**		4,364
Distribution		**398**		398
	$	**1,834**	$	5,509

(in thousands of CDN dollars, except as otherwise specified)

7. POWER GENERATING ASSETS

	Cost	Accumulated Depreciation	2008 Net Book Value	2007 Net Book Value
Equipment	**$ 390,001**	**$ 42,004**	**$ 347,997**	$ 359,636
Construction in progress	**486**	**-**	**486**	-
	$ 390,487	**$ 42,004**	**$ 348,483**	$ 359,636

Cost and accumulated depreciation for the year ended December 31, 2007 were $382,690 and $23,054, respectively.

During 2007, a provincial sales tax ("PST") rebate of $3,188 was received which has been included in the statement of cash flows as an adjustment to power generating assets and recorded as a reduction in the cost of power generating assets. Also, during 2007, spare parts purchases of $137 were capitalized as part of power generating assets. The spare parts capitalized can only be used in conjunction with the power generating assets and are expected to be in service for a period of greater than one year.

8. OTHER ASSETS

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Power purchase agreement intangible	**$ 5,483**	**$ 603**	**$ 4,880**	$ 5,154
	$ 5,483	**$ 603**	**$ 4,880**	$ 5,154

Cost and accumulated amortization for the power purchase agreement intangible for the year ended December 31, 2007 were $5,483 and $329, respectively.

9. CREDIT FACILITY

At December 31, 2006, Prince Wind had drawn $290,500 on a credit facility in the form of Canadian dollar Bankers Acceptances at an average interest rate of 5.08% including stamping fees of 0.8%. On February 1, 2007, an additional $9,500 was drawn on the credit facility by way of Canadian dollar Bankers Acceptances at variable interest rates and stamping fees of 0.8%. The Canadian dollar Bankers Acceptances were converted to Canadian dollar prime rate loans on November 16th, 23rd and 27th, 2007, in the amounts of $39,300, $67,300 and $193,400 respectively. The maturity date for all of the loans was November 30, 2007 and the loans were at a prime interest rate of 6.25%.

On November 30, 2007, Prince Wind entered into a new credit facility in the amount of $300,000 available by way of advances in Canadian dollars of (i) Prime rate loans, (ii) Bankers' Acceptance loans, and (iii) Bankers' Acceptance ("BA") equivalent notes, using the proceeds to repay the credit facility that expired the same day. The new credit facility is secured by Prince Wind's assets and expires November 30, 2012 ("Maturity Date").

(in thousands of CDN dollars, except as otherwise specified)

During 2008, an additional $169 of deferred financing fees was capitalized to the credit facility balance. The balance drawn on the credit facility at December 31 was as follows:

	2008	2007
Principal	**$ 291,241**	$ 299,440
Less: Unamortized deferred financing fees	**1,987**	2,306
	289,254	297,134
Less: Current portion	**10,846**	8,199
	$ 278,408	$ 288,935

The balance drawn on the credit facility at December 31, 2008 was drawn in the form of BAs at an average BA interest rate of 1.70% and stamping fees of 1.10% (2007 – 4.74% and 1.10%). The interest rate is variable and is reset on a quarterly basis, on the last business day before the end of each quarter. The average interest rate obtained throughout the year was 3.88% (2007 – 4.74%). The stamping fees are dependent upon Prince Wind's position with respect to the Debt Service Coverage Ratio (the lower the ratio, the higher the stamping fee) and are consistent for years 1 to 4 and increase in year 5. The outstanding balance owing under the credit facility shall be repaid on or before the maturity date.

The anticipated principal payments are as follows:

	Principal Repayments
2009	**$ 10,846**
2010	**11,451**
2011	**12,090**
2012	**256,854**
	$ 291,241

The principal repayment in 2012 includes the final repayment on the maturity date.

On behalf of Prince Wind, BRPI held two letters of credit in the amounts of $5,800 and $13,203 (2007 - $2,500 and $12,700) to serve as a Major Maintenance Reserve Account and a Distribution Reserve Account, respectively. At December 31, 2008, no amount had been drawn against these letters of credit (2007 – nil).

The fair value of the credit facility at December 31, 2008 is estimated at $264,661 (2007 - $299,440). Fair value was estimated by comparing the rates currently available for debt of similar terms and risks.

(in thousands of CDN dollars, except as otherwise specified)

10. STATEMENT OF CASH FLOWS

The change in non-cash working capital is comprised of the following:

		2008		2007
Accounts receivable and due from related parties	**$**	**1,394**	$	(2,552)
Prepaid expenses and other		**4,242**		2,940
Accounts and other payables and due to related parties		**(3,986)**		4,688
	$	**1,650**	$	5,076

Of capital asset additions totaling $2,746 which were included in accruals at December 31, 2007, $21 has been included in the statement of cash flows for 2008, as they resulted in a cash outflow during the year. Of the remaining $2,725, $2,506 ($2,510 USD) is payable to a single supplier that remains in accruals at December 31, 2008 (revalued at $3,065) and $219 was settled during 2008 with non-cash terms, both of which have been excluded from the statement of cash flows for 2008. Similarly, capital asset additions totaling $45 included in due to related parties at December 31, 2008 have been excluded from the statement of cash flows for 2008, as they did not result in a cash outflow during the year.

The carrying amount of wind generating assets was increased $6,223 in 2008, representing the estimated fair value of the obligation for asset retirement. This amount has been excluded from the statement of cash flows for 2008, as it did not result in a cash outflow during the year.

$85 included as prepaid expenses and other in 2007 has been reclassified to capital assets in 2008 and has been excluded from the statement of cash flows for 2008.

During 2007, a provincial sales tax (“PST”) rebate of $2,995 was received which has been included in the statement of cash flows as an adjustment to power generating assets and recorded as a reduction in the cost of power generating assets.

11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Prince Wind has asset retirement obligations associated with its wind turbines. The retirement date for the majority of these wind turbines cannot be reasonably estimated and therefore the fair value of the associated liability cannot be estimated at this time.

An asset retirement obligation of $6,340 has been established for a specific lease for the removal of all structures from the property upon expiry of the lease in 2033 (2007 - $nil).

(in thousands of CDN dollars, except as otherwise specified)

	2008	2007
Balance, beginning of year	**$ -**	$ -
Obligations recognized during the year	**6,223**	-
Accretion expense	**117**	-
Balance, end of year	**$ 6,340**	$ -

Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations are estimated to be $15,191 (2007 - $nil) before adjusting for inflation, market, and credit risk. A credit adjusted risk-free rate of 5.603% was used to determine the obligation recognized during the year.

In the normal course of operations, Prince Wind executes agreements that provide for indemnification and guarantees to third parties in transactions such as credit facilities. The nature of substantially all of the indemnification undertakings prevents management from making a reasonable estimate of the maximum potential amount Prince Wind could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Prince Wind has not made significant payments under such indemnification agreements.

Prince Wind's various lease arrangements for the land on which the wind farm is situated were entered into from 2002 to 2006. Certain of the leases were assigned to Prince Wind from BPWC. Prince Wind will continue through the terms of the leases, unless Prince Wind is terminated sooner in accordance with the terms of WPLP's Partnership agreement.

The initial term of the leases is for two years with options to renew (i) for an additional three years, (ii) for an additional thirty years and (iii) for an additional 15 years. All leases are currently in the first or second option to renew and four leases were allowed to lapse in 2007 while none were allowed to lapse in 2008. At the end of the lease terms, the ownership of the land reverts to the lessor.

Under the terms of some of the leases, payments are based on 2% of the gross revenues generated by the turbines on the respective properties. One of the leases, which has two turbines on the leased property, receives a fixed payment of $2 per turbine per year from Prince Wind. Turbines located on crown land follow the wind land rental formula as provided by the Ministry of Natural Resources and payments are approximately $140 per year based upon installed capacity. The remaining leases with no existing turbines on the leased property also receive fixed payments from Prince Wind. During 2008, lease expense amounted to $805 (2007 - $863). Lease expense is included in operating, maintenance and administration expenses in the accompanying statement of loss and comprehensive loss.

(in thousands of CDN dollars, except as otherwise specified)

Fixed lease payments are due as follows:

2009	$ **164**
2010	**164**
2011	**164**
2012	**164**
2013 and thereafter	**2,720**
	$ **3,376**

The lease payments are based upon current knowledge of the continuation of lease agreements in the future.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. All financial instruments are classified into one of five categories: held-for-trading, loans and receivables, other financial liabilities, held-to-maturity investments or available-for-sale financial assets.

Held-for-trading financial instruments are financial assets and financial liabilities typically acquired with the objective of resale or short-term buyback. The carrying amount is recorded at fair market value determined using market prices. Interest earned and gains and losses incurred are recognized in net loss. Cash is designated as a financial asset held-for-trading and is measured at fair value with changes being recorded in net loss during each period.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are measured at amortized cost. Accounts receivable and due from related parties are classified as loans and receivables and are measured at fair value at inception which, due to their short-term nature, approximates amortized cost.

Other financial liabilities are promises to repay on specified dates or on demand usually with interest. Accounts and other payables and due to related parties are classified as other financial liabilities and are measured at fair value at inception which, due to their short-term nature, approximates amortized cost. The credit facility is also classified as other financial liabilities. After its initial fair value measurement, it is measured at amortized cost using the effective interest rate method.

Held-to-maturity financial assets have fixed or determinable payments and maturity, and management's intention and ability are to hold to maturity. These financial assets are measured at amortized cost. Prince Wind does not hold any financial assets under this classification.

Available-for-sale instruments are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading financial assets. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. Prince Wind does not hold any financial assets under this classification.

(in thousands of CDN dollars, except as otherwise specified)

Prince Wind is exposed, in the normal course of business, to a number of financial risks arising from its use of financial instruments. Prince Wind's overall risk management strategy is designed to identify, manage and mitigate these risks to the extent possible.

Credit Risk

Prince Wind is exposed to credit-related losses in the event of non-performance by counterparties. Maximum credit exposure is the carrying value of the financial assets net of any allowances for losses. Prince Wind manages its credit risk by conducting business with a limited number of counterparties, all of whom are creditworthy. Consistent with previous years, Prince Wind does not have any allowances for losses as accounts receivable have been collected in a timely manner. As at December 31, 2008, Prince Wind is exposed to a maximum credit risk of $5,488. In addition, as at December 31, 2008, all accounts receivable within Prince Wind remain current.

Liquidity Risk

Liquidity risk is the risk that Prince Wind will not be able to fund all cash outflow commitments as they become due. Prince Wind's asset and liability management allows it to maintain its financial position by providing sufficient liquid assets available to cover its potential funding requirements. Prince Wind has a Treasury group in charge, among other things, of ensuring sound management of available cash resources and financing for all its operations. With senior management oversight, this group manages liquidity through regular monitoring of cash and covenant requirements.

As at December 31, 2008, the total outstanding significant contractual obligations are due in the following periods:

thousands of CDN dollars	Less than 1 year	2-5 years	More than 5 years	Total
Principal repayment	$ 10,846	$ 280,395	$ -	$ 291,241
Interest expense	16,095	43,559		59,654
	$ 26,941	$ 323,954	$ -	$ 350,895

Based on historical cash flows and current financial performance, management believes that the cash flow from Prince Wind's operating activities will continue to provide sufficient liquidity for Prince Wind to satisfy debt service obligations and ensure stable distributions to shareholders.

Market Risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates and interest rates. The level of market risk to which Prince Wind is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of Prince Wind's financial assets and liabilities.

(a) Interest rate risk

Fluctuations in interest rates could impact the Company's cash flows, primarily with respect to the interest payable against the Company's variable rate debt, which is limited to the credit facility with a principal value of $291,241. As such, the Company will, from time to time, enter into agreements designed to minimize the exposure to interest rate fluctuations on this debt. As at December 31, 2008, contracts with a total notional value of $291,241 were outstanding resulting in recognition of a fair value liability of $31,580 (2007 - $1,147). The fair values of the recognized liability were calculated using a valuation model with observable interest rates. For the year ended December 31, 2008, the loss included in OCI related to interest rate swaps was $22,870, net of $7,895 income tax recovery (2007 - $5,687 loss, net of $332 tax recovery).

The swaps have been designated and are effective as hedges, shielding the Company from fluctuations in interest rates. As such, a sensitivity analysis is not provided.

(b) Currency risk

Currency risk refers to the Canadian dollar value of foreign currency cash flows varying as a result of the movements in exchange rates. The Partnership, as a Canadian dollar functional currency issuer, conducts all of its business in Canadian dollars with the exception of amounts paid to a single supplier for which a trade payable balance exists at December 31, 2008. A change in the foreign exchange rate of 1 cent ($US to $CAD) causes a variation in net loss of $25 on an annual basis for this amount. The Partnership does not actively manage this risk.

(c) Commodity price risk

Commodity price risk refers to the constant fluctuation of the price of power. Prince Wind actively manages commodity price risk as substantially all of its revenues are earned through long-term power purchase agreements which contain fixed prices for electricity supplied therefore Prince Wind is not exposed to any material price fluctuation.

13. CAPITAL MANAGEMENT

Prince Wind's objective when managing its capital structure is to uphold a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. In addition, Prince Wind strives to continue as a going concern, while providing an adequate return to its shareholders. Prince Wind does not have any specific quantitative capital criteria; however, its main objective is to generate stable and sustainable cash flows to meet shareholder distribution requirements.

In the management of capital, Prince Wind includes shareholder's equity (excluding AOCL) and its credit facility in the definition of capital.

Prince Wind manages its capital structure to support its corporate strategy and takes into account changes in economic conditions. In order to maintain a solid capital structure, Prince Wind may issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), reduce the amount of existing debt or modify the level of capital expenditures. Management monitors and reviews on a regular basis whether distributions remain adequate. Management is comfortable with Prince Wind's current level of distributions.

Prince Wind has provided covenants to its lenders to ensure capital requirements are met. Under the credit agreement for such debt, it is conventional for distributions of cash to the shareholder to be prohibited if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark "debt service coverage ratio", which is the ratio of earnings before interest, taxes, depreciation and amortization ("Net Operating Income", a non-GAAP performance indicator) for a specified time period to the scheduled loan principal and interest payments for the same time period. The specified ratio for this covenant is 1.2:1.

There were no changes in Prince Wind's approach to capital management during the year.

14. SHARE CAPITAL

Prince Wind is authorized to issue an unlimited number of common shares, of which 107 were issued and outstanding as at December 31, 2008 (2007 – 107) for an amount of $107 dollars (2007 - $107 dollars). Of Prince Wind's common shares outstanding, 100 shares (2007 – 100 shares) relate to WPFC, six shares (2007 – six shares) relate to WSI and one share (2007 – one share) relates to 2153180 Ontario Limited. Each share, regardless of entity, is valued at one dollar (2007 – one dollar).

15. SUBSEQUENT EVENT

On February 4, 2009, BRPI sold its interest in each of the Prince Wind companies to Great Lakes Power Holding Corporation (the "Corporation"). BRPI owns a 50.001% interest in the Corporation and, as a result, effectively maintains a 50.001% interest in the Company. The remaining 49.999% interest in the Corporation is owned by Great Lakes Hydro Income Fund, which is an entity controlled by BRPI.

Consolidated Financial Statements

GREAT LAKES POWER HOLDING CORPORATION

February 4, 2009

Deloitte & Touche LLP
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Ottawa ON K1P 5T8
Canada

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AUDITORS' REPORT

To the Directors of Great Lakes Power Holding Corporation

We have audited the consolidated balance sheet of Great Lakes Power Holding Corporation (the "Company") as at February 4, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 4, 2009 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
May 5, 2009

GREAT LAKES POWER HOLDING CORPORATION
CONSOLIDATED BALANCE SHEET
As at February 4

thousands of CDN dollars	Notes		**2009**
Assets			
Current assets			
Cash		**$**	**4,994**
Deposits with BRPI affiliate			**1,466**
Accounts receivable			**4,518**
Prepaid expenses and other			**2,213**
			13,191
Power generating assets	6		**515,155**
Goodwill			**14,701**
Other assets	7		**7,562**
		$	**550,609**
Liabilities and Shareholder's Equity			
Current liabilities			
Accounts and other payables		**$**	**6,054**
Due to related parties	5		**5,301**
Current portion of credit facility	8		**10,846**
			22,201
Credit facility	8		**254,777**
Long-term debt	9		**36,085**
Other liabilities	10		**14,462**
Future income tax liability	11		**64,500**
Derivative liability	14		**28,829**
			420,854
Non-controlling interest	4		**(245)**
Shareholder's equity			
Common shares	12		**130,000**
			130,000
		$	**550,609**

See accompanying notes to the financial statements.

Approved on behalf of Great Lakes Power Holding Corporation:

Original signed by
Dian Cohen
Director

Original signed by
Pierre Dupuis
Director

1. NATURE AND DESCRIPTION OF THE COMPANY

Great Lakes Power Holding Corporation (the "Company") was incorporated under the laws of the province of Ontario on December 15, 2008 for the purpose of acquiring hydroelectric and wind power generating facilities in Canada. Brookfield Renewable Power Inc. ("BRPI") owns a 50.001% interest in the Company. The remaining 49.999% interest in the Company is owned by Great Lakes Hydro Income Fund (the "Fund") through its wholly owned subsidiary, Great Lakes Power Trust ("GLPT"). The Fund is controlled by BRPI.

The Company acquired the following entities from BRPI on February 4, 2009: Brookfield Power Wind Prince Financial Corporation ("WPFC"), Brookfield Power Wind Services Inc. ("WSI"), Brookfield Power Wind Prince LP ("WPLP"), Brookfield Power Wind Prince Financial Partnership ("WPFP"), 2153180 Ontario Limited and 2153181 Ontario Limited (together, "Prince Wind") and GLP Pingston Creek Limited Partnership ("GLP") and 1503542 Ontario Limited (together, "Pingston", which owns 50% of a joint venture).

Prince Wind has the purpose of developing, constructing and operating a wind power project (the "Project") and supplies electricity to the Ontario Power Authority ("OPA"), its sole customer, under two power purchase agreements. The agreement for Phase I expires in 2026 while the agreement for Phase II expires in 2028. The Project involved two phases of construction. Phase I, comprised of 66 turbines with an installed capacity of 99 MW, entered into commercial operations on September 21, 2006. Phase II, comprised of 60 turbines with an installed capacity of 90 MW, entered into commercial operations on November 19, 2006.

GLP is an equal participant with Canadian Hydro Developers, Inc. ("CHD", together the "Owners") in the Pingston Creek Hydro Joint Venture (the "JV"), an unincorporated joint venture established pursuant to a joint venture agreement dated January 23, 2002. The JV was created to construct and own a hydroelectric generation plant on the Pingston Creek above Upper Arrow Lake near Revelstoke, British Columbia. The JV commenced its commercial operations on May 8, 2003.

The JV sells all of its generated electricity to the British Columbia Hydro and Power Authority ("BC Hydro") under a power purchase agreement. Net income is allocated equally between the Owners with the exception of gross overriding royalties, which are allocated based on ownership, and depreciation, which is proportionate to the initial contributions of capital assets and allocated equally on the subsequent capital expenditures within the joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are summarized below.

Principles of consolidation

The consolidated financial statements include the accounts of all Prince Wind and Pingston entities, including Pingston's participation in the accounts of the JV. All inter-company transactions and balances between the companies have been eliminated upon consolidation. The accounts of the other participant in the JV, CHD, and its participation in the accounts of the JV, are not reflected in these financial statements.

Deposits with BRPI affiliate

Deposits with BRPI affiliate represent highly liquid investments with original maturities of three months or less and are held by a BRPI affiliate. The fair value of deposits with a BRPI affiliate approximates the amount shown on the balance sheet.

Prepaid expenses and other

Prepaid interest represents interest that has been prepaid relating to the credit facility. Insurance, road and turbine maintenance, and letter of credit fees are paid when due in the ordinary course of business. These costs are deferred and amortized on a straight line basis over the service period for which the prepayment pertains, except for prepaid interest which is amortized using the effective interest method.

Power generating assets

Power generating assets are accounted for at cost less accumulated depreciation. The cost of the power generating assets, less estimated residual value, is depreciated over the estimated service life of the power generating assets as follows:

Type of asset	Method	Rate
Hydroelectric generating stations	Straight-line	60 years
Wind generating equipment	Straight-line	20 years
Vehicles	Straight-line	5 years

Assets are tested for impairment based on an assessment of net recoverable amounts in the event of adverse developments. A write-down to estimated fair value is recognized if an asset's estimated undiscounted future cash flow is less than its carrying value. The projections of the future cash flow take into account the operating plan and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

Goodwill

The excess of the cost of the acquisition over the fair value of the net assets acquired, including both tangible and intangible assets, has been allocated to goodwill. The Company evaluates, on an annual basis, the carrying value of these amounts for impairment. Any impairment is charged against income at that time. No amounts have been charged to income during the current period.

Favorable lease terms intangible assets

The favorable lease terms intangibles relate to the existing land leases acquired by the Prince Wind entities, which were recorded at fair value at the date of acquisition and are amortized on a straight-line basis over the remaining terms of the leases.

Power purchase agreement intangible liabilities

The power purchase agreement intangibles were recorded at fair value at the date of acquisition of the Prince Wind and Pingston entities and are amortized on a straight-line basis over the remaining terms of the power purchase agreements (15 years for the hydroelectric power purchase agreement and 18 and 20 years for the wind power purchase agreements).

Asset retirement obligations

Obligations associated with the retirement of tangible long-lived assets are recorded when those obligations are incurred. The Company records the liability equal to the estimated fair value of the obligation for asset retirement, and records a corresponding increase to the carrying amount of the related long-lived asset. The asset is depreciated over the useful life of the related assets, and the liability is accreted over the period of expected cash flows with a corresponding charge to operating expenses. The fair value of the obligation for asset retirement is re-assessed annually.

Derivative financial instruments

The Company uses derivative financial instruments to manage interest rate risk associated with its activities. Interest rate swaps are entered into to mitigate these risks.

All derivatives are recorded on the balance sheet at fair value. Fair value adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship, in which case they are reported in other comprehensive income ("OCI"). When a hedging relationship is terminated, amounts previously recognized in accumulated other comprehensive income ("AOCI") are reclassified to net income in the period in which the net income is affected by the variability in the cash flows of the hedged item. The use of hedging and of non-hedging derivative contracts is governed by documented risk management policies and approved limits. Gains and losses related to hedge ineffectiveness are included in net income.

The fair value of derivative instruments is based on the spot rates or the forward rates or prices in effect at market closing at the balance sheet date. In the absence of this information for a given instrument, the Company uses the available forward rate or price for an equivalent instrument in order to estimate an appropriate forward rate.

The Company enters into interest rate swap agreements to alter the interest characteristics of a portion of its outstanding debt. These agreements involve the receipt of fixed-rate amounts in exchange for floating rate interest payments or vice-versa over the life of the agreement without an exchange of the underlying principal amount. The differential paid or received as a result of interest rate swap agreements designated as hedges is recognized on an accrual basis as an adjustment to interest expense related to the debt.

Revenue recognition

Electrical energy sales are recognized based on rates specified in the power purchase agreements with the OPA and BC Hydro at the time power is provided based on output delivered to the purchasing party as metered at the point of interconnection with the transmission system.

Prince Wind has participated in the ecoEnergy for Renewable Power Program ("the Program") since 2007, the purpose of which is to enhance the feasibility of renewable energy projects and reduce greenhouse gases. An incentive for the Program is supplied by the Federal Government which shall not exceed $53,123 over a period of 10 years. The incentive is paid on a quarterly basis and is based upon claims made by Prince Wind, and now the Company. The incentive that can be claimed by the Company for every kilowatt hour of eligible production is $0.01.

Interest revenue is recorded when earned.

Gross overriding royalties

Gross overriding royalties incurred in Pingston are paid in recognition of the services performed by the royalty owners. The overriding royalties are paid on a monthly basis and account for 4% of hydroelectricity sales.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. During the period presented, management has made estimates and valuation assumptions including accruals, impairment of long-lived assets and fair value of derivatives. In addition, management made estimates in determining the fair value of the identifiable assets and liabilities acquired on February 4, 2009. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates.

Financial instruments

The carrying amount of financial instruments included in current assets and current liabilities approximate fair value due to their short-term nature.

Foreign currency translation

Assets and liabilities denominated in foreign currencies have been translated at the rate of exchange in effect at the balance sheet date, and revenues and expenses at average rates of exchange during the period. Exchange gains and losses arising on the translation of these amounts are included with operating, maintenance and administration expense on the statement of loss and comprehensive loss.

Income taxes

The Company uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of the Company's financial affairs and its impact on taxable income and tax losses.

3. FUTURE ACCOUNTING POLICY CHANGES

Adoption of International Financial Reporting Standards ("IFRS")

The Canadian Institute of Chartered Accountants ("CICA") plans to converge Canadian GAAP with IFRS over a transition period expected to end in 2011. While the Company has not completed its quantification of the effects of adopting IFRS in detail, a high level IFRS implementation plan has been developed and an assessment of the financial statement impact of the accounting standard differences is currently in progress. Based on the analysis to date, the most significant differences for the Company are anticipated to be related to power generating assets, financial instruments and financial statement disclosure.

Business Combinations

In January 2009, the CICA issued new Section 1582, Business Combinations, replacing Section 1581, Business Combinations. New Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. As this section is consistent with IFRS, it will be applied in accordance with the Company's IFRS conversion framework.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued new Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. New Section 1601 establishes standards for the preparation of consolidated financial statements. New Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, International Accounting Standard ("IAS") 27 (Revised), Consolidated and Separate Financial Statements. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. As these sections are consistent with IFRS, they will be applied in accordance with the Company's IFRS conversion framework.

(in thousands of CDN dollars, except as otherwise specified)

4. ACQUISITION OF PRINCE WIND AND PINGSTON

The acquisition of Prince Wind and Pingston represents a business combination and has been accounted for using the purchase method of accounting. The results of their operations will be included in the consolidated financial statements of the Company from the date of acquisition.

On February 4, 2009, the Company purchased the equity interest in the Prince Wind and Pingston entities, as described in note 1, for total consideration of $135,087, comprised of $65,000 cash, issuance of $65,000 in exchangeable shares (see note 12) and a $5,087 working capital purchase price adjustment.

The preliminary assignment of fair values to the net assets acquired was as follows:

Power generating assets	$	**515,155**
Goodwill		**14,701**
Assumed debt		**(301,708)**
Power purchase agreement intangible liabilities		**(12,303)**
Future income tax liability		**(64,500)**
Derivative liability		**(28,829)**
Other long-term liabilities		**(2,159)**
Other assets and liabilities (net)		**14,485**
Non-controlling interest		**245**
Net assets acquired	$	**135,087**

5. RELATED PARTY TRANSACTIONS

The following balances with companies related through common control have been recorded at their exchange values:

a) A purchase price adjustment determined based on the working capital balances of Prince Wind and Pingston as at the acquisition date totaling $5,087 is payable to BRPI as at February 4, 2009.

b) On behalf of Prince Wind, Brookfield Power Wind Operations Limited Partnership ("BPWOLP") incurs management fees and net operating and maintenance costs in connection to the Project, for which $211 was payable from Prince Wind to BPWOLP as at February 4, 2009.

c) CHD provides for the administration, design, construction, operation and maintenance of the Pingston plant as described in the Operations and Maintenance Agreement dated January 23, 2002 between the Owners. In exchange for those services, CHD charges a flat fee of $5 a month to the JV.

(in thousands of CDN dollars, except as otherwise specified)

Related party balances are non-interest bearing. The account balances at February 4, 2009 are summarized as follows:

		2009
Due to related parties		
BRPI	$	5,087
CHD		3
BPWOLP		211
	$	5,301

6. POWER GENERATING ASSETS

		2009 Cost and Net Book Value
Wind generating equipment	$	424,414
Hydroelectric generating stations		90,236
Vehicles		19
Work in progress		486
	$	515,155

7. OTHER ASSETS

		2009 Cost and Net Book Value
Favorable lease terms intangibles	$	7,562
	$	7,562

8. CREDIT FACILITY

On November 30, 2007, Prince Wind entered into a credit facility in the amount of $300,000 available by way of advances in Canadian dollars of (i) Prime rate loans, (ii) Bankers' Acceptance loans, and (iii) Bankers' Acceptance ("BA") equivalent notes. The credit facility is secured by Prince Wind's assets and expires November 30, 2012 ("Maturity Date").

(in thousands of CDN dollars, except as otherwise specified)

The balance drawn on the credit facility at February 4, 2009 was as follows:

		2009
Principal	$	291,241
Less: Fair value discount		25,618
		265,623
Less: Current portion		10,846
	$	254,777

The balance drawn on the credit facility at February 4, 2009 was drawn in the form of BAs at an average BA interest rate of 1.70% and stamping fees of 1.10% (2007 – 4.74% and 1.10%). The interest rate is variable and is reset on a quarterly basis, on the last business day before the end of each quarter. The stamping fees are dependent upon Prince Wind's position with respect to the Debt Service Coverage Ratio (the lower the ratio, the higher the stamping fee) and are consistent for years 1 to 4 and increase in year 5. The outstanding balance owing under the credit facility shall be repaid on or before the maturity date.

The anticipated principal payments are as follows:

		Principal Repayments
2009	$	10,846
2010		11,451
2011		12,090
2012		256,854
	$	291,241

The principal repayment in 2012 includes the final repayment on the maturity date.

On behalf of Prince Wind, BRPI held two letters of credit in the amounts of $5,800 and $13,203 to serve as a Major Maintenance Reserve Account and a Distribution Reserve Account, respectively. At February 4, 2009, no amount had been drawn against these letters of credit.

The fair value of the credit facility at February 4, 2009 was estimated by comparing the rates currently available for debt of similar terms and risks. The fair value discount on the credit facility is being amortized over the remaining term of the credit facility using the effective interest method.

9. LONG-TERM DEBT

The Senior Secured Series 1 First Mortgage bonds bear an annual interest rate of 5.281% payable semi-annually, mature on February 11, 2015 and are secured by a first ranking charge on all the JV's assets. The bonds may be redeemed at the option of the JV upon payment of the redemption price plus all accrued and unpaid interest. Pingston's share of the JV debt is as follows:

(in thousands of CDN dollars, except as otherwise specified)

		2009
Senior Secured Series 1 First Mortgage Bonds	$	35,000
Add: Fair value premium		1,085
Long-term debt	$	36,085

The fair value of the long term-debt at February 4, 2009 was determined by comparing the rates currently available for long-term debt of similar terms and risks. The fair value premium on the bonds is being amortized over the remaining term of the bonds using the effective interest method.

10. OTHER LIABILITIES

		2009 Cost and Net Book Value
Power purchase agreement intangibles	$	12,303
Asset retirement obligation		2,159
	$	14,462

The asset retirement obligation has been established for a specific lease for the removal of all structures from the property upon expiry of the lease in 2033. Total undiscounted future cash flows required to settle the decommissioning and restoration asset retirement obligations are estimated to be $15,191 before adjusting for inflation, market, and credit risk. A credit adjusted risk-free after-tax rate of 8.75% was used to determine the obligation recognized at the balance sheet date.

11. FUTURE INCOME TAXES

The Company's future income tax liability of $69,268 is comprised of the following tax affected temporary differences:

		2009
Unamortized capital costs	$	72,594
Derivative liability		(7,207)
Net operating loss carry-forward		(887)
	$	64,500

The Company has $24, $673 and $190 in tax effected, unused non-capital losses, which expire in 2027, 2028 and 2029, respectively.

12. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Class A Voting Shares of which 4,062,600 were issued and outstanding as at February 4, 2009 for an amount of $65,000. Each share is valued at $16 dollars. The Class A Voting Shares are voting on the basis of one vote per one share and are entitled to receive dividends concurrently with any dividends paid on the Class B Exchangeable Shares, although the dividends need not be the same amount.

The Company is authorized to issue an unlimited number of Class B Exchangeable Shares of which 4,062,500 were issued and outstanding as at February 4, 2009 for an amount of $65,000. Each share is valued at $16 dollars. The Class B Exchangeable Shares are exchangeable at the option of BRPI on a one for one basis for trust units of the Fund. The Class B Exchangeable Shares are entitled to receive dividends if and when declared by the Board of Directors. The intended dividend policy is that dividends will be declared and paid on the Class B Exchangeable Shares in the same amount and at the same time as if trust units of the Fund had been held instead of the exchangeable shares. The current amount of outstanding Class B Exchangeable Shares can be exchanged for 4,062,500 units in the Fund. The Class B Exchangeable Shares are voting shares on the basis of one vote per one share. The Class B Exchangeable Shares also contain a right at the option of BRPI to require the Corporation to redeem the Class B Exchangeable Shares for an amount equal to the aggregate value of the fund units that BRPI would be entitled to receive on exchange, based on the current market price of units of the Fund on the date of redemption.

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has asset retirement obligations associated with its wind turbines and generating stations. The retirement date for the majority of these wind turbines and generating stations cannot be reasonably estimated and therefore the fair value of the associated liability cannot be estimated at this time. An asset retirement obligation of $2,159 has been established for a specific lease for the removal of all structures from the property upon expiry of the lease in 2033.

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to third parties in transactions such as credit facilities. The nature of substantially all of the indemnification undertakings prevents management from making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. The Company has not made significant payments under such indemnification agreements.

Prince Wind's various lease arrangements for the land on which the wind farm is situated were entered into from 2002 to 2006. Certain of the leases were assigned to Prince Wind from BPWC. Prince Wind will continue through the terms of the leases, unless Prince Wind is terminated sooner in accordance with the terms of WPLP's Partnership agreement.

The initial term of the leases is for two years with options to renew (i) for an additional three years, (ii) for an additional thirty years and (iii) for an additional 15 years. All leases are currently in the first or second option to renew and four leases were allowed to lapse in 2007 while none were allowed to lapse in 2008. At the end of the lease terms, the ownership of the land reverts to the lessor.

(in thousands of CDN dollars, except as otherwise specified)

Under the terms of some of the leases, payments are based on 2% of the gross revenues generated by the turbines on the respective properties. One of the leases, which has two turbines on the leased property, receives a fixed payment of $2 per turbine per year from Prince Wind. Turbines located on crown land follow the wind land rental formula as provided by the Ministry of Natural Resources and payments are approximately $140 per year based upon installed capacity. The remaining leases with no existing turbines on the leased property also receive fixed payments from Prince Wind.

Fixed lease payments are due as follows:

2009	$ 164
2010	164
2011	164
2012	164
2013	164
2014 and thereafter	2,556
	$ 3,376

The lease payments are based upon current knowledge of the continuation of lease agreements in the future.

Pingston is committed to sell all of the electricity and green attributes generated from the Pingston Hydroelectric Plant to BC Hydro under a physical fixed price contract that matures in 2023. In 2008, the energy rate was $52.10 (2007 - $51.49). The price and the Green Reduction Amount is increased or decreased from the amounts set on the immediately preceding January 1st by a percentage equal to 50% of the increase or decrease in the Consumer Price Index ("CPI") during the immediately preceding 12 months. The Green Reduction Amount is based on Pingston's compliance with the environmental criteria in the fixed price contract. Should Pingston not be in compliance with the environmental criteria, the Green Reduction Amount would range from a decrease of $5 to $8/MWh from the price payable by BC Hydro, depending upon the severity of the non-compliance. As at February 4, 2009, Pingston was in compliance with all of these environmental criteria, and accordingly the selling price has not been reduced by the Green Reduction Amount.

In connection with the issuance of the First Mortgage Bonds, BRPI obtained a letter of credit on behalf of Pingston totaling $1,848 (2007 - $1,848) to guarantee a semi-annual interest payment.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. All financial instruments are classified into one of five categories: held-for-trading, loans and receivables, other financial liabilities, held-to-maturity investments or available-for-sale financial assets.

Held-for-trading financial instruments are financial assets and financial liabilities typically acquired with the objective of resale or short-term buyback. The carrying amount is recorded at fair market value determined using market prices. Interest earned and gains and losses incurred are recognized in net loss. Cash and deposits with BRPI affiliate are designated as financial assets held-for-trading and are measured at fair value with changes being recorded in net loss during each period.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are measured at amortized cost. Accounts receivable and due from related parties are classified as loans and receivables and are measured at fair value at inception which, due to their short-term nature, approximates amortized cost.

Other financial liabilities are promises to repay on specified dates or on demand usually with interest. Accounts and other payables and due to related parties are classified as other financial liabilities and are measured at fair value at inception which, due to their short-term nature, approximates amortized cost. The credit facility and long-term debt are also classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Held-to-maturity financial assets have fixed or determinable payments and maturity, and management's intention and ability are to hold to maturity. These financial assets are measured at amortized cost. The Company does not hold any financial assets under this classification.

Available-for-sale instruments are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading financial assets. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. The Company does not hold any financial assets under this classification.

The Company is exposed, in the normal course of business, to a number of financial risks arising from its use of financial instruments. Prince Wind's overall risk management strategy is designed to identify, manage and mitigate these risks to the extent possible.

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties. Maximum credit exposure is the carrying value of the financial assets net of any allowances for losses. The Company manages its credit risk by conducting business with a limited number of counterparties, all of whom are creditworthy. The Company does not have any allowances for losses as accounts receivable have been collected in a timely manner. As at February 4, 2009, the Company is exposed to a maximum credit risk of $5,984. In addition, as at February 4, 2009, all accounts receivable within the Company remain current.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to fund all cash outflow commitments as they become due. The Company's asset and liability management allows it to maintain its financial position by providing sufficient liquid assets available to cover its potential funding requirements. The Company has a Treasury group in charge, among other things, of ensuring sound management of available cash resources and financing for all its operations. With senior management oversight, this group manages liquidity through regular monitoring of cash and covenant requirements.

(in thousands of CDN dollars, except as otherwise specified)

As at February 4, 2009, the total outstanding significant contractual obligations are due in the following periods:

thousands of CDN dollars	Less than 1 year	2-5 years	More than 5 years	Total
Principal repayments:				
Credit facility	$ 10,846	$ 280,395	$ -	$ 291,241
Long-term debt	-	-	35,000	35,000
Interest expense:				
Credit facility	16,095	43,559	-	59,654
Long-term debt	1,848	7,392	924	10,164
	$ 28,789	$ 331,346	$ 35,924	$ 396,059

Based on historical cash flows and current financial performance, management believes that the cash flow from the Company's operating activities will continue to provide sufficient liquidity for the Company to satisfy debt service obligations and ensure stable distributions to shareholders.

Market Risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates and interest rates. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of the Company's financial assets and liabilities.

(a) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rate. The Company's long-term debt on the Pingston assets bears interest at a fixed rate. Consequently, there is no cash flow exposure associated with those instruments.

Fluctuations in interest rates could impact the Company's cash flows with respect to the interest payable against the variable rate debt on the Prince Wind assets, which is limited to the credit facility with a principal value of $291,241. As such, the Company will, from time to time, enter into agreements designed to minimize the exposure to interest rate fluctuations on this debt. As at February 4, 2009, contracts with a total notional value of $291,241 were outstanding resulting in recognition of a fair value liability of $28,829. The fair value of the recognized liability was calculated using a valuation model with observable interest rates.

The swaps have been designated and are effective as hedges, shielding the Company from fluctuations in interest rates. As such, a sensitivity analysis is not provided.

(b) Currency risk

Currency risk refers to the Canadian dollar value of foreign currency cash flows varying as a result of the movements in exchange rates. The Company, as a Canadian dollar functional currency issuer, conducts all of its business in Canadian dollars with the exception of amounts paid to a single supplier for which a trade payable balance exists at February 4, 2009. A change in the foreign exchange rate of 1 cent ($US to $CAD) causes a variation in net loss of $25 on an annual basis for this amount. The Company does not actively manage this risk.

(c) Commodity price risk

Commodity price risk refers to the constant fluctuation of the price of power. The Company actively manages commodity price risk as substantially all of its revenues are earned through long-term power purchase agreements which contain fixed prices for electricity supplied; therefore, the Company is not exposed to any material price fluctuation.

15. CAPITAL MANAGEMENT

The Company's objective when managing its capital structure is to uphold a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. In addition, the Company strives to continue as a going concern, while providing an adequate return to its shareholders. The Company does not have any specific quantitative capital criteria; however, its main objective is to generate stable and sustainable cash flows to meet shareholder distribution requirements.

In the management of capital, the Company includes shareholder's equity (excluding AOCI), its credit facility and its long-term debt in the definition of capital.

The Company manages its capital structure to support its corporate strategy and takes into account changes in economic conditions. In order to maintain a solid capital structure, the Company may issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), reduce the amount of existing debt or modify the level of capital expenditures. Management monitors and reviews on a regular basis whether distributions remain adequate. Management is comfortable with the Company's current level of distributions.

The Company has provided covenants to its lenders to ensure capital requirements are met. Under the credit agreements for such debt, it is conventional for distributions of cash to the shareholders to be prohibited if the debt is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark "debt service coverage ratio", which is the ratio of earnings before interest, taxes, depreciation and amortization ("Net Operating Income" or "EBITDA", a non-GAAP performance indicator) for a specified time period to the scheduled loan principal and interest payments for the same time period. The specified ratio for these covenants is 1.2:1.0 and

1.25:1.00 for Prince Wind and Pingston respectively. The Company is in compliance with all capital requirements as at February 4, 2009.

Pro Forma Financial Statements

Great Lakes Hydro Income Fund
December 31, 2008

GREAT LAKES HYDRO INCOME FUND
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS IF TRANSACTION HAD OCCURRED ON DECEMBER 31, 2008
As at December 31, 2008

thousands of CDN dollars	Notes	Great Lakes Hydro Income Fund	Prince Wind	Pingston	Pro Forma Adjustments	Consolidated Pro Forma
Assets						
Current assets						
Cash and cash equivalents	4	$ 8,976	$ 6,956	$ -	$ 14,449	$ 30,381
Deposits with BRPI affiliate				1,383	-	1,383
Accounts receivable and due from related party	4	12,136	5,488	166	(1,136)	16,654
Prepaid expenses and maintenance materials	4	3,971	2,386	33	(206)	6,184
		25,083	14,830	1,582	13,107	54,602
Future income tax assets	4		8,581		(489)	8,092
Favourable lease term asset	4				7,562	7,562
Other assets	4	16,137	4,880		(4,880)	16,137
Goodwill	4				14,701	14,701
Power generating assets	4	1,083,445	348,483	35,362	131,310	1,598,600
		$ 1,124,665	$ 376,774	$ 36,944	$ 161,311	1,699,694
Liabilities and Owners' Equity						
Current liabilities						
Accounts and other payables and due to related parties	4	$ 33,985	$ 5,732	$ 1,012	$ 5,466	46,195
Distribution payable to unitholders	4	5,029			554	5,583
Dividend payable on exchangeable shares	4				423	423
Credit and hydrology reserve	4	4,600			-	4,600
Current portion of long-term debt	4	79,000	10,846		-	89,846
		122,614	16,578	1,012	6,443	146,647
Long-term debt	4	562,468	278,408	34,679	(22,225)	853,330
Due to holder of non-controlling interest	4	21,501			-	21,501
Interest rate swap liability	4		31,580		(2,751)	28,829
Power purchase agreement liability	4				12,303	12,303
Asset retirement obligation	4		6,340		(4,181)	2,159
Future income tax liability	4	77,036		23	72,569	149,628
		783,619	332,906	35,714	62,158	1,214,397
Non-controlling interests	4	(15,965)			65,000	49,035
Unitholders' equity	4	357,011	43,868	1,230	34,153	436,262
		$ 1,124,665	$ 376,774	$ 36,944	$ 161,311	1,699,694

See accompanying notes to the unaudited pro forma consolidated financial statements.

GREAT LAKES HYDRO INCOME FUND
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2008 as if acquisition occurred January 1, 200

thousands of CDN dollars, except per trust unit amounts	Notes	Great Lakes Hydro Income Fund	Prince Wind	Pingston	Pro Forma Adjustments	Consolidated Pro Forma
Revenues		$ 195,734	$ 42,852	$ 4,666		$ 243,252
Expenses						
Operating and maintenance		50,285	12,112	878		63,275
Current taxes		359				359
Selling and administrative expenses		2,968				2,968
		142,122	30,740	3,788	-	176,650
Interest and financing fees		39,320	17,227	1,894		58,441
Interest on due to holder of non-controlling interest		2,730				2,730
Income before non-cash items		100,072	13,513	1,894	-	115,479
Depreciation and amortization	4	33,123	19,341	651	5,301	58,416
ARO accretion expense	4				170	170
Amortization of fair value debt discount	4				6,585	6,585
Favourable lease term amortization	4				400	400
Power purchase agreement amortization	4				(1,120)	(1,120)
Loss on disposal of power generating assets	4	208				208
Future tax (recovery)	4	6,575	(672)	(2)	(3,591)	2,310
Non-controlling interests	4	820			(5,840)	(5,020)
Net income		59,346	(5,156)	1,245	(1,905)	53,530
Net income per trust units						
Basic		1.23				0.90
Diluted		1.23				0.85
Average number of trust units outstanding (000s)						
Basic		48,276				53,594
Diluted		48,276				57,657

See accompanying notes to the unaudited pro forma consolidated financial statements.

GREAT LAKES HYDRO INCOME FUND

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
As at and for the Year Ended December 31, 2008
(in thousands of Canadian dollars, except as otherwise indicated)

1. NATURE AND DESCRIPTION OF THE FUND

Great Lakes Hydro Income Fund (the "Fund") was established under the laws of the Province of Québec pursuant to a Declaration of Trust on September 14, 1999, as amended, as an unincorporated open-ended trust. The Fund commenced its operation on November 18, 1999 through its wholly-owned trust, Great Lakes Power Trust ("GLPT"). GLPT owns: through its exclusive participation in Lièvre Power L.P., Lièvre River Power which consists of four hydroelectric generating stations located on the Lièvre River in the Province of Québec and its wholly-owned corporation Lièvre Power Financing Corporation; through its wholly-owned trust, Powell River Energy Trust, a 50% economic interest in Powell River Energy Inc. which owns two hydroelectric generating stations located on the Powell and Lois Lakes in British Columbia; through its wholly-owned trust, GNE Trust, Great Lakes Hydro America which consists of six hydroelectric generating stations and 11 water storage dams located on the Penobscot River in Maine, one hydroelectric generating station located on the Moose River in Maine, and eight hydroelectric stations located on the Androscoggin River in New Hampshire; through its wholly-owned trust, Mississagi Power Trust, Mississagi Power which consists of four hydroelectric generating stations and four water storage dams located on the Mississagi River in Ontario; and since July 1, 2006, through its exclusive participation in Carmichael Limited Partnership, Carmichael which operates one hydroelectric generating station located on the Groundhog River also in Ontario.

The accompanying unaudited pro forma consolidated financial statements have been prepared to reflect the Fund's indirect investment in a 50% joint venture interest in Pingston Hydro (as defined below) and a more than 99.9% interest in Prince Wind (as defined below) and represent the financial position and results of operations of these acquisitions and the related financing as described in Note 4. The Fund's investment in Pingston Hydro and Prince Wind is through direct ownership of 49.9% of Great Lakes Power Holding Corporation ("GLPHC"), the owner of Pingston Hydro and Prince Wind.

2. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements ("the Fund's pro forma statements") as at and for the year ended December 31, 2008 have been prepared by management of the Fund for inclusion in a Business Acquisition Report for the Fund. The Fund's pro forma statements reflect its investment in GLPHC. GLPHC is a newly incorporated company which acquired a 50% joint venture interest in Pingston Creek Hydro Group ("Pingston Hydro"), and a more than 99.9% of the Prince Wind Group ("Prince Wind") as described in Note 4 below. Pingston Hydro refers to all of the outstanding shares of 1503542 Ontario Limited and 100% of GLP Pingston Creek

Limited Partnership. This company and partnership together own 50% of a joint venture. Prince Wind refers to all of the outstanding shares of Brookfield Power Wind Prince Financial Corporation, Brookfield Power Wind Services Inc. and 100% of Brookfield Power Wind Prince Financial Partnership. The Fund's pro forma statements reflect the investment in GLPHC.

The Administrator (Brookfield Energy Marketing Inc.) provides all management functions of the Fund pursuant to an administration agreement (the "Administration Agreement") between the Fund and the Administrator and of GLPT pursuant to an administration and management agreement between GLPT and the Administrator. The Administrator is a wholly-owned subsidiary of Brookfield Renewable Power Inc. The Fund and GLPT do not have any employees.

The Fund's unaudited pro forma consolidated balance sheet and consolidated statement of unitholders' equity have been prepared assuming the investment and related financing had occurred on December 31, 2008. The Fund's unaudited pro forma consolidated statement of income for the year ended December 31, 2008 has been prepared assuming that the investment and related financing had occurred on January 1, 2008. The pro forma adjustments are described in note 4 and are based upon available information and assumptions that are factually supportable.

The Fund's pro forma statements were prepared on a consolidated basis by the Fund for its investment in GLPHC. On February 4, 2009, Great Lakes Hydro Income Fund (the "Fund") acquired a 49.9% interest in GLPHC, the corporation that owns the Prince Wind farm and a 50% joint venture interest in the Pingston Hydro station. GLPHC is classified as a variable interest entity in accordance with Accounting Guideline 15, *Consolidation of Variable Interest Entities* ("AcG-15"), and has been consolidated with the Fund since the acquisition date as a result. GLPHC is considered a variable interest entity under Accounting Guideline 15, Consolidation of Variable Interest Entities. Actual amounts recorded will depend on a number of factors and may differ materially from those reflected in the Fund's pro forma statements. The Fund's pro forma statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All figures are reported in Canadian dollars, unless otherwise noted.

The Fund's pro forma statements have been prepared using the following information:

i. Audited consolidated financial statements of the Fund for the year ended December 31, 2008;
ii. Audited combined financial statements of Pingston Hydro for the year ended December 31, 2008;
iii. Audited combined financial statements of Prince Wind for the year ended December 31, 2008;
iv. Audited consolidated financial statements of Great Lakes Power Holding Corporation as at February 4, 2009; and

v. Such other supplementary information as was considered necessary to reflect the acquisition of Pingston Hydro and Prince Wind and related financing.

The Fund's pro forma statements have been prepared for illustrative purposes only. The preparation of these unaudited pro forma consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the Fund's pro forma statements and the accompanying notes. In the opinion of management, these unaudited pro forma consolidated financial statements reflect all adjustments (which include normal recurring and pro forma adjustments) necessary to state fairly the pro forma results for the periods presented. Underlying assumptions associated with pro forma adjustments made in the preparation of the Fund's pro forma statements are described in Note 4. The Fund's pro forma statements are not intended to present or be indicative of the actual consolidated financial position and consolidated results of operations that would have occurred if the investment in Pingston Hydro and Prince Wind had been in effect on the dates and periods presented nor are they indicative of financial results that may occur in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Fund presents its financial statements in accordance with Canadian GAAP. The accounting policies used in the preparation of the Fund's pro forma statements are those set out in the Fund's audited consolidated financial statements for the year ended December 31, 2008 except for the additional accounting policies necessitated by the acquisition of Great Lakes Power Holding Corporation ("GLPHC"). The following additional accounting policies are now relevant to the Fund as a result of GLPHC's consolidation:

Asset retirement obligations

Obligations associated with the retirement of tangible long-lived assets are recorded when those obligations are incurred. The Fund records the liability equal to the estimated fair value of the obligation for asset retirement, and records a corresponding increase to the carrying amount of the related long-lived asset. The asset is depreciated over the useful life of the related assets, and the liability is accreted over the period of expected cash flows with a corresponding charge to operating expenses. The fair value of the obligation for asset retirement is re-assessed annually.

Derivative instruments

The Fund uses derivative financial instruments to manage interest rate risk. Interest rate swaps are entered into to mitigate these risks.

All derivatives are recorded on the balance sheet at fair value. Fair value adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship, in which case the adjustments are reported in other comprehensive income ("OCI"). When a hedging relationship is terminated, amounts previously recognized in accumulated other comprehensive loss ("AOCL") are reclassified to net income in the period in which the net income is affected by the variability in the cash flows of the hedged item. The use of hedging and of non-hedging derivative contracts is governed by documented risk management policies and approved limits. Gains and losses related to hedge ineffectiveness are included in net income.

The fair values of derivative instruments are based on the prices in effect at market closing at the balance sheet date. In the absence of this information for a given instrument, the Fund used the price for an equivalent instrument in order to estimate an appropriate forward rate.

The Fund enters into interest rate swap agreements to alter the interest characteristics of a portion of its outstanding debt. These agreements involve the receipt of fixed-rate amounts in exchange for floating rate interest payments or vice-versa over the life of the agreement without an exchange of the underlying principal amount. The differential paid or received as a result of interest rate swap agreements designated as hedges is recognized on an accrual basis as an adjustment to interest expense related to the debt.

Power generating assets

Depreciation relating to Prince Wind farm power generating assets is recorded on a straight-line basis over approximately 18 years, the remaining estimated service life of the assets. Pingston Hydro station power generating assets are depreciated on the same basis as the Fund's similar assets.

Power purchase agreements intangible liabilities

The power purchase agreements intangible liabilities relating to the Prince Wind farm and the Pingston Hydro station were recorded at fair value at the date of acquisition and are amortized on a straight-line basis over the remaining term of the power purchase agreements (18 and 20 years for the wind power purchase agreements and 15 years for the hydroelectric power purchase agreement).

In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation in accordance with Canadian GAAP.

4. PRO FORMA ADJUSTMENTS

Adjustments to the balance sheet

A) Issuance of Trust Units

On January 6, 2009, the Fund issued $75 million of additional trust units to the public under the short form prospectus and an additional $10 million to Brookfield Renewable Power Inc. ("BRPI") on a private placement basis. The 5,317,500 trust units were issued for total consideration of $85.1 million, less issuance costs of $4.9 million.

B) Acquisition of Pingston Hydro and Prince Wind

On February 4, 2009, the Fund indirectly purchased 49.99% of GLPHC. The Fund will account for the investment in GLPHC on a consolidated basis due to it being considered a variable interest entity under Accounting Guideline 15.

GLPHC acquired BRPI's 50% joint venture interest in Pingston Hydro and more than 99% interest in Prince Wind on February 4, 2009 with $65 million (received from the Fund in exchange for its 49.9% interest) and the issuance of $65 million of GLPHC exchangeable shares to BRPI. The exchangeable shares bear dividends at a rate that equates to the cash distributions on $65 million of the newly issued Fund trust units. GLPHC has accounted for its acquisition of Pingston Hydro and Prince Wind as a business combination using the purchase method.

The actual calculation and allocation of the purchase price for the acquisitions will be based on the fair value of the assets acquired and the liabilities assumed at the effective date of the acquisition, February 4, 2009, and other information available at that date. The allocation of the purchase price of each asset acquired and liability assumed is not finalized yet and may vary from the amounts below, and the variation may be material. The fair value of the assets acquired and the liabilities assumed was reviewed by an independent party who issued a fairness opinion. The fair value of the assets acquired and the liabilities assumed by GLPHC, net of debt, is $130 million. Transaction fees of $1.6 million and a $5.1 million working capital adjustment increased the purchase price to $136.7 million. The difference between the fair value of the net assets acquired and the carrying value was allocated largely to the power generating assets. This resulted in the power generating assets increasing by $120 million and the related future income tax liability of $77.3 million. The allocation of the purchase price is preliminary and is expected to be finalized in the second quarter of 2009.

The cost of the purchase by GLPHC for purposes of this pro forma financial statement has been allocated to the net assets acquired based on their fair values as at February 4, 2009 as follows:

$CAD thousands	
Cash and cash equivalents	$ 6,460
Accounts receivable and due from related party	4,518
Power generating assets	515,155
Prepaid expenses and maintenance materials	2,213
Future income tax assets	8,092
Favourable lease term asset	7,562
Goodwill	14,701
Accounts payable and due to related party	(4,431)
Interest rate swap liability	(28,829)
Power purchase agreement liability	(12,303)
Asset retirement obligation	(2,159)
Future income tax liability	(72,592)
Assumed debt	(301,708)
Net assets acquired	$ 136,679
Net assets in Prince Wind farm	(43,868)
Net assets in Pingston Hydro station	(1,230)
Increase in net assets	$ 91,581

The increase in net assets is allocated as follows:

$CAD thousands	
Cash	$ (1,878)
Accounts receivable	(1,136)
Accounts payable	2,312
Favourable lease term asset	7,562
Prepaid expenses	(206)
Future tax asset	(489)
Power generating assets	131,310
Goodwill	14,701
Long term debt	22,225
Asset retirement obligation liability	4,181
Interest rate swap	2,751
Power purchase agreement liability	(17,183)
Future tax liability	(72,569)
Increase in net assets	$ 91,581

C) Distributions

The unaudited pro forma consolidated balance sheet reflects the additional $85 million of trust units issued as of December 31, 2008. Accordingly, an additional distribution payable to unitholders on record as of December 31, 2008 of $554 is reflected on the

unaudited pro forma consolidated balance sheet and on the unaudited pro forma consolidated statement of unitholders' equity as of December 31, 2008.
The exchangeable shares which are convertible at BRPI's option to 4,062,500 trust units of GLHIF, are to receive dividends in an amount equal to the amount that it would have received if it had instead held the trust units. Accordingly, a dividend payable of $423 is reflected on the unaudited pro forma consolidated balance sheet and on the unaudited pro forma consolidated statement of unitholders' equity as of December 31, 2008.

The additional distributions on the newly issued 5,317,500 trust units would have resulted in increased cash distributions of $6.7 million for the year ended December 31, 2008, calculated using the current cash distribution per trust unit of $0.10417 monthly.

The dividends payable on the exchangeable shares would have resulted in increased dividends paid of $5.1 million for the year ended December 31, 2008, calculated using the current cash distribution per trust unit of $0.10417 monthly.

Adjustments to the statements of income

Summary of Pro Forma Income Statement Adjustments

	Year ended December 31, 2008	Note 4
Depreciation	(5,301)	D
Asset retirement obligation accretion expense	(170)	E
Amortization of fair value debt discount	(6,585)	F
Favourable lease term amortization	(400)	G
Power purchase agreement amortization	1,120	H
Income tax recovery	3,591	I
Non-controlling interests	5,840	J
Pro forma adjustments to net income	($1,905)	

D) Depreciation

The preliminary valuation of the fair value of Pingston Hydro and Prince Wind fixed assets acquired is $515.2 million, which results in an increase of $131.3 million over historical book value. This results in increased pro forma depreciation expense adjustments of $5.3 million for the year ended December 31, 2008.

Finalization of the fair value of the tangible assets could result in a change in these amounts and the pro forma calculation of depreciation.

E) Asset retirement obligation accretion expense

An obligation associated with the retirement of tangible long-lived assets of Prince Wind farm was recorded when the obligations was incurred. The preliminary fair value of the asset retirement obligation of Prince Wind farm has decreased and the decrease is accreted over the period of expected cash flows with a corresponding charge to operating expenses. This results in increased pro forma expense of $0.2 million.

F) Amortization of the fair value debt discount

The discount rate on the debt of Prince Wind has increased resulting in a lower fair value for the debt of $23.6 million. The discount rate on the debt of Pingston Hydro has decreased resulting in an increased fair value for the debt of $1.4 million. Both amounts are being amortized over the remaining period of the outstanding debts using the effective interest method with a charge to net income. This results in increased pro forma expense of $6.6 million.

G) Favourable lease terms intangible asset amortization

The fair value of the favourable lease terms for the land on which the wind turbines are located has a fair value of $7.6 million and is being amortized over the remaining term of the agreement on a straight line basis. This results in increased pro forma expense of $0.4 million.

H) Power purchase agreement intangible liability amortization

The fair value of the power purchase agreement intangible liability of Prince Wind is $12.3 million and is being amortized over the remaining term of the agreement on a straight line basis. This results in decreased pro forma expense of $1.1 million.

I) Future income tax recovery

There is a future income tax recovery of $3.6 million recorded upon the pro forma consolidation due to the favourable tax attributes of the Prince Wind assets.

J) Non-controlling interest

The non-controlling interest is the interest of the other shareholder, BRPI, in GLPHC. BRPI owns 50.1% of GLPHC until its exchanges its exchangeable shares for GLHIF trust units.

I) Earnings per trust unit

For the calculation of the pro forma basic earnings per trust unit for the Fund for the year ended December 31, 2008, an additional 5,317,500 trust units were considered outstanding for a total of 53,593,976 trust units. The net proceeds from the share issuance are $80.2 million.

Trust Units	Number of Trust Units	Amount
Balance at December 31, 2007	48,276,476	573,308
Newly issued	5,317,500	85,080
Issuance costs	-	(4,852)
Pro forma balance December 31, 2008	53,593,976	653,536

For the year ended December 31, 2008 the exchangeable shares, which can be exchanged for 4,062,500 trust units, are considered in the calculation of diluted loss per share.

J) Management Fees

Included in the pro forma income statement in the combined income statement of Prince Wind is a management fee of $4 million payable by Prince Wind under a management, operations and maintenance agreement to Brookfield Renewable Power Inc. It is anticipated that the management fee will be reduced to $500. This reduction has not been reflected in the pro forma statements.