CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT RESPONSIBILITY

To the Shareholders

The attached financial statements and other financial information have been prepared by the company's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the company maintains systems of internal control and policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. These policies and procedures are designed to provide relevant and reliable financial information. These statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on judgments of management. Financial information presented elsewhere in this Annual Report is consistent with that shown in the accompanying consolidated financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders, have examined the financial statements of the company in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report as auditors is set out below.

These statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have full access to the Audit Committee and meet with the committee both with and without the presence of management. The Board of Directors, through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

Richard Legault

Richard Legault
Vice-President and Chief Financial Officer
February 2, 2001

AUDITORS' REPORT

To the Shareholders of Great Lakes Power Inc.

We have audited the consolidated balance sheets of Great Lakes Power Inc. as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to 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 December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Toronto, Canada
February 2, 2001

Consolidated Balance Sheet

December 31 *millions*	note	2000	1999
Assets			
Securities		$ 661.3	$ 646.1
Loans and other receivables	3	322.0	325.1
Long-term investments	4	536.2	534.9
Property, plant and equipment	5	956.8	899.1
		$2,476.3	$2,405.2
Liabilities			
Accounts payable and other		$ 76.4	$ 99.4
Mortgage bonds	7	393.5	346.2
Term debentures	8	558.8	543.8
Future income tax liability	9	104.4	106.7
Minority interests		94.2	93.1
Shareholders' equity	10	1,249.0	1,216.0
		$2,476.3	$2,405.2

Approved by the Board:

John E. Richardson, F.C.A.
Director

Sidney A. Lindsay
Director

Consolidated Statement of Income

Years ended December 31 *millions, except per share amounts*	note	2000	1999
Revenue			
Power operations		$ 226.8	$ 187.7
Long-term investments		48.0	47.4
Investment and other income	11	58.7	51.2
		333.5	286.3
Expenses			
Interest		79.2	64.4
Power and fuel purchases		69.8	54.1
Operating costs		26.8	19.2
Depreciation		20.7	16.7
Minority interests		4.6	3.7
Income and other taxes	9	16.9	15.1
		218.0	173.2
Net income		$ 115.5	$ 113.1
Fully diluted net income per common share	11	$ 0.92	$ 0.90

Consolidated Statement of Retained Earnings

Years ended December 31 *millions*	note	2000	1999
Retained earnings			
Balance, beginning of year		$ 364.8	$ 332.5
Net income		115.5	113.1
Convertible debenture interest		(17.6)	(15.9)
Common share dividends		(64.9)	(64.9)
Balance, end of year		$ 397.8	$ 364.8

Consolidated Statement of Cash Flows

Years ended December 31 *millions*	note	2000	1999
Cash provided from operations	11	$ 125.5	$ 131.5
Financing and shareholder distributions			
Borrowings		–	290.0
Debt repayments		(6.9)	(187.5)
Convertible debenture interest		(17.6)	(15.9)
Common share dividends		(64.9)	(64.9)
		(89.4)	21.7
Investing			
Securities		(8.7)	(1.9)
Loans and other receivables		14.9	(37.1)
Property, plant and equipment		(52.7)	(139.0)
Other		10.9	17.1
		(35.6)	(160.9)
Cash and cash equivalents			
Increase (decrease)		0.5	(7.7)
Balance, beginning of year		6.2	13.9
Balance, end of year		$ 6.7	$ 6.2

See Note 1

Notes to Consolidated Financial Statements

1. SUMMARY OF ACCOUNTING POLICIES

Business Operations

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

Principles of Consolidation

The consolidated financial statements include:

(i) the accounts of all subsidiaries of Great Lakes Power Inc. (the "company") including Northern Ontario Power, Pontiac Power and Highvale Power; and

(ii) the accounts of all subsidiaries' incorporated and unincorporated joint ventures and partnerships to the extent of the company's proportionate interest in their respective assets, liabilities, revenue and expenses, including the company's investment in the Great Lakes Hydro Income Fund and Lake Superior Power.

The company's ownership interests in operating entities which are not wholly owned are as follows:

(i) *Valerie Falls Power,* in which the company owns a 65% (1999 – 65%) general partnership interest; and

(ii) *Louisiana HydroElectric Power*, in which the company owns a 75% (1999 – 75%) residual interest.

Investments

Partly owned businesses, where the company is able to exercise significant influence, are carried on the equity method. Interests in jointly controlled entities are proportionately consolidated. Other long-term investments are carried at the lower of cost and net realizable value.

The excess of acquisition costs over net book values of the company's investments is amortized over their estimated useful lives. The company evaluates the carrying value of this excess for potential impairment on an ongoing basis. Management assesses the recoverability of this excess based on a review of the expected future operating income and cash flows of these investments on an undiscounted basis.

Revenue and Expense Recognition

Revenues from the sale of electricity and steam are recorded based upon output delivered and capacity provided at rates as specified under contract terms or prevailing market rates. Electricity sales revenues are recognized when power is provided.

Investment income is recorded on the accrual basis, less a provision for uncollectible interest, fees, commissions or other amounts.

The company is rate regulated and maintains hydrological provisions which adjust for the effect of variations in streamflow when measured against long-term averages.

Securities

Securities are carried at the lower of cost and estimated realizable value with any adjustment required charged against investment income.

Loans Receivable

Loans receivable are carried at the lower of cost and estimated realizable value with any provision for estimated losses, legal and other collection costs charged against investment income.

Financing Costs

Expenses related to the issuance of debt are amortized over the term of the debt. Expenses related to the issuance of the company's shares are charged to retained earnings. Interest on funds used in construction and on development projects is capitalized.

Statement of Cash Flows

Cash and cash equivalents are included in the securities line on the balance sheet. Interest and income and other tax expense recorded under the accrual method of accounting approximate the cash amounts paid.

Income Taxes

The company uses the 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 bases of assets and liabilities, and 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 prudent tax strategies.

Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate for the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

2. ACQUISITIONS

Maclaren Energy

In November 1999, the company acquired a 30% indirect interest in the Maclaren Energy hydroelectric power generation, transmission and distribution system in western Quebec ("Maclaren Energy") through the Great Lakes Hydro Income Fund. A further 20% interest in this operation was acquired in two equal tranches in each of December 1999 and May 2000. The aggregate cash purchase price for these interests was $111.5 million.

These acquisitions were accounted for under the purchase method of accounting.

The net assets acquired as a result of the acquisition and the consideration given are as follows:

millions	2000	1999
Assets acquired		
Loans and other receivables	$ 2.1	$ 6.1
Property, plant and equipment	31.5	126.3
	33.6	132.4
Liabilities assumed		
Accounts payable and other	1.3	3.2
Mortgage bonds	10.0	40.0
	11.3	43.2
Net assets acquired	$ 22.3	$ 89.2
Consideration paid	$ 22.3	$ 89.2

Louisiana HydroElectric

In July 1999, the company completed the purchase of an additional 25% residual ownership interest in the 192 MW Louisiana HydroElectric Power generating station and flood control system, thereby raising its residual ownership from 50% to 75%. The purchase price of $70 million was satisfied with cash of $35 million and a $35 million note repayable in 2014.

3. LOANS AND OTHER RECEIVABLES

millions	2000	1999
Demand deposits with affiliated companies*	$ 124.5	$ 144.2
Project financing receivables	83.8	81.6
Coal royalty receivables	68.2	66.9
Trade receivables	31.6	19.3
Prepaid interest and other	13.9	13.1
	$ 322.0	$ 325.1

* *Bear interest at the prime rate*

4. LONG-TERM INVESTMENTS

Long-term investments include the company's direct and indirect interests in Trilon Financial Corporation, Noranda Inc., Brascan Corporation ("Brascan") and First Toronto Investments Limited.

The book values of the company's long-term investments and the underlying securities at December 31, 2000 compared to 1999 are as follows:

millions	2000	1999
Trilon Financial Corporation	$ 195.3	$ 195.3
Noranda Inc.	150.0	150.0
Brascan Corporation	112.0	112.0
Other investments	78.9	77.6
	$ 536.2	$ 534.9

Great Lakes holds a senior preferred share investment in Trilon Holdings Inc. which, together with Brascan Corporation ("Brascan"), owned 65% at December 31, 2000 of the common shares of Trilon Financial Corporation ("Trilon"). Trilon is a publicly-listed Canadian-based financial services company. This interest increased to 71% on January 16, 2001 following Trilon's repurchase of 14.5 million of its common shares.

Great Lakes also holds a senior preferred share investment in Noranda Equities Inc., which together with Brascan, owns 40% of the common shares of Noranda Inc. ("Noranda"). Noranda, a publicly-listed company, is a major producer of mined and refined base metals.

Great Lakes owns a $112.0 million senior preferred share investment issued by a wholly-owned subsidiary of Brascan, a publicly-listed property, diversified natural resources, energy and financial services company.

Other investments include primarily the company's shares of First Toronto Investments Limited ("First Toronto"), a private company which participates in the secondary market for equity securities of Canadian corporations, including companies affiliated with Brascan.

5. PROPERTY, PLANT AND EQUIPMENT

millions	2000	1999
Generation	$ 900.3	$ 829.3
Transmission	188.5	182.8
Distribution	49.1	49.1
Other	47.7	46.7
	1,185.6	1,107.9
Accumulated depreciation and amortization	228.8	208.8
	$ 956.8	$ 899.1

Property, plant and equipment includes the cost of the company's 12 hydroelectric generating stations in northern Ontario and two Pontiac Power hydroelectric generating stations in Quebec; the company's proportionate interest in the cost of the three Maclaren Energy hydroelectric generating stations owned through the Great Lakes Hydro Income Fund; the cost of the Valerie Falls Power hydroelectric generating station; the company's 75% (1999 – 75%) residual interest in Louisiana HydroElectric Power's hydroelectric generating station and flood and sediment control works; the company's share of the cost of the Lake Superior Power cogeneration plant; and the cost of the company's Highvale coal assets.

Depreciation is based on the service lives of the assets which are 60 years for hydro generation, 20 years for co-generation and 40 years for transmission, distribution and other.

The company's hydroelectric power facilities operate under various agreements for water rights which extend to or are renewable over terms through the year 2022 for Northern Ontario Power, 2044 for Valerie Falls Power, 2019 and 2020 for Pontiac Power, 2019 for Maclaren Energy and 2031 for Louisiana HydroElectric Power.

6. JOINT VENTURES

The following amounts represent the company's proportionate interest in incorporated and unincorporated joint ventures reflected in the company's accounts:

millions	2000	1999
Assets	$ 218	$ 52
Liabilities	81	26
Operating revenues	58	24
Operating expenses	28	14
Net income	17	4
Cash flows from operating activities	24	7
Cash flows from investing activities	(4)	(1)
Cash flows from financing activities	(20)	(7)

7. MORTGAGE BONDS

millions	2000	1999
Northern Ontario Power		
First Mortgage Bonds		
Series 3	$ 95.0	$ 95.0
Series 4 (US $105.0)	156.4	152.2
	251.4	247.2
Great Lakes Hydro Income Fund		
First Mortgage Bonds		
Series 1	25.0	–
Series 2	12.5	–
Series 3	12.5	–
	50.0	–
Other Power Operations		
Project mortgages		
Pontiac Power	64.5	65.6
Valerie Falls Power	9.9	11.7
Lake Superior Power	17.7	21.7
	$393.5	$346.2

The $95 million First Mortgage Bonds Series 3 bear interest at the rate of 6.69%, are due on December 31, 2001 and are secured by a charge on the company's wholly owned power generating assets in northern Ontario.

The US$105 million First Mortgage Bonds Series 4 bear interest at the rate of 6.57%, are due on June 16, 2003 and are secured by a charge on the company's wholly owned power generating assets in northern Ontario.

The company's proportionate share of the Great Lakes Hydro Income Fund First Mortgage Bonds Series 1, 2 and 3 bear interest at 7.33%, 7.55% and 7.78% respectively; and are due April 24, 2005, April 24, 2010 and April 24, 2015, respectively. These Mortgage Bonds are secured by charges on all present and future real and personal property of Great Lakes Power Trust.

The Valerie Falls Power project mortgage bears interest at a floating rate not to exceed 9.7% with the balance due on November 30, 2001 and is secured by a charge on the company's Valerie Falls Power generating assets.

The Pontiac Power project mortgages bear interest at a blended rate of 10.52%, amortize monthly to December 1, 2020 and are secured by charges on the respective Pontiac Power generating assets.

The Lake Superior Power project mortgage bears interest at 9.41%, amortizes annually to December 29, 2006 and is secured by a charge on the company's Lake Superior Power cogeneration assets.

The company has established a US$100 million loan facility with Brascan Corporation, its principal shareholder, which can be drawn down at any time, bearing interest at the prime rate and secured by the company's residual interest in Louisiana HydroElectric Power. At either party's option, the facility may be drawn down and converted into a fixed-rate financing at 9.75% repayable in 2015.

Principal repayments on the company's outstanding mortgage bonds due over the next five years and thereafter are as follows:

millions	Annual Repayments
2001	$110.3
2002	5.8
2003	161.8
2004	5.0
2005	29.5
Thereafter	81.1
	$393.5

8. TERM DEBENTURES

millions	2000	1999
Corporate debentures		
Series 1 (US$175.0)	$ 260.8	$ 253.8
Series 3 (US$200.0)	298.0	290.0
	$ 558.8	$ 543.8

The Series 1 debentures bear interest at the rate of 9.0% and are due in August 2004.

The Series 3 debentures bear interest at 8.3% and are due March 2005. Through the use of an interest rate swap, the company pays interest at a rate which varies with the LIBOR rate.

9. FUTURE INCOME TAX LIABILITY

The difference between the statutory rate and the effective rate of tax is attributable to the company's dividend income and equity earnings being taxed prior to receipt by the company. The company's future income tax liability of $104.4 million (1999 – $106.7 million) is comprised principally of temporary differences relating to property, plant and equipment. This amount is net of a future tax asset of $25 million (1999 – $33 million) relating to unused non-capital losses. See also note 1.

10. SHAREHOLDERS' EQUITY

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

millions	2000	1999
101,393,934 (1999 – 101,393,934)		
Common shares	$ 603.5	$ 603.5
Retained earnings	397.8	364.8
	1,001.3	968.3
Subordinated convertible debentures	247.7	247.7
	$ 1,249.0	$ 1,216.0

The subordinated convertible debentures mature September 30, 2013, bear interest at the prime rate subject to a minimum of 6% and a maximum of 8%, and are convertible at $10.00 per common share into 24.8 million common shares. Principal and interest are payable at the company's option with cash or common shares.

The company is authorized to issue an unlimited amount of preferred shares, none of which are currently outstanding.

11. OTHER INFORMATION

millions, except per share amounts	2000	1999
Average fully diluted common shares outstanding	126.2	126.2
Basic earnings per share	$ 0.97	$ 0.96
Cash provided from operations		
Net income	$115.5	$113.1
Add non-cash items		
Depreciation	20.7	16.7
Hydrological provisions	(31.1)	(2.1)
Equity income (loss) and other	20.4	3.8
	$125.5	$131.5

The fair value of the company's securities and loans and other receivables approximates their carrying values at December 31, 2000 and 1999 based on expected future cash flows from these assets, discounted at market rates for assets with similar terms and investment risks.

The fair value of the company's mortgage bonds and term debentures is $980 million (1999 – $904 million) based on current market prices for debt with similar terms and risks.

All financial and investment transactions with affiliated companies are at normal market terms. Affiliated companies include the company's principal shareholder, Brascan Corporation, and its subsidiaries and equity accounted investees. At December 31, 2000, the carrying value of securities of related companies amounted to $603.6 million (1999 – $594.7 million). In 2000, income from securities and loans with affiliated companies amounted to $56.7 million (1999 – $50.4 million).

The company's two largest customers accounted for 13% and 11%, respectively, of total revenues in 2000 (1999 – 15% and 13%, respectively).

During 2000, $5.1 million of hydrological provisions (1999 – $2.1 million) were applied against power purchase costs and $26.0 million (1999 – nil) was included in revenue from power operations.

At December 31, 2000, hydrological provisions totalled $20.1 million (1999 – $51.2 million).

The company endeavours to maintain a matched book of currencies and interest-sensitive assets and liabilities. However, unmatched positions are carried, on occasion, within pre-determined exposure limits based on expectations for interest rates and currencies. These limits are reviewed on a regular basis and the company believes the exposures are manageable and not material in relation to its overall business operations.

12. COMMITMENTS AND CONTINGENCIES

The company has entered into a power agency and guarantee agreement with the Great Lakes Power Trust (the "Trust"), in which the company has a 50% indirect interest, for a term of 20 years. This agreement requires the company to fund any deficiency amount between the actual energy revenues and the guaranteed price for energy of the Trust. The cumulative net deficiency amount in 2000 was $0.3 million (1999 – $0.4 million). The company is entitled to receive any revenues in excess of the guaranteed amount.

In addition, the company agreed to provide to the Trust a hydrology credit facility in the amount of $15 million for a period of 15 years, which is not to be drawn in excess of $5 million per year. The facility bears interest at market rates.

13. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the 2000 presentation.

14. SUBSEQUENT EVENTS

In December 2000, the company's principal shareholder, Brascan Corporation, announced an offer to acquire the minority shareholdings of Great Lakes Power Inc. pursuant to a going-private transaction. On January 16, 2001, the company's board of directors called a Special Meeting of the company's shareholders on February 28, 2001 to consider this proposal.