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.

Craig J. Laurie
Vice-President and Chief Financial Officer
February 1, 2002

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, 2001 and 2000 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, 2001 and 2000 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 1, 2002

CONSOLIDATED BALANCE SHEET

December 31 *millions*	note	**2001**	2000
Assets			
Securities		**$ 715.6**	$ 667.3
Loans and other receivables	3	**425.0**	325.5
Long-term investments	4	**521.8**	536.2
Property, plant and equipment	5	**1,267.6**	1,113.4
		$2,930.0	$2,642.4
Liabilities			
Accounts payable and other		**$ 91.9**	$ 82.7
Mortgage bonds	7	**555.6**	443.5
Term debentures	8	**596.2**	558.8
Future income tax liability	9	**116.4**	104.4
Minority interests	10	**271.3**	204.0
Shareholders' equity	11	**1,298.6**	1,249.0
		$2,930.0	$2,642.4

Approved by the Board:

Sidney A. Lindsay
Director

Edward C. Kress
Director

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31 *millions, except per share amounts*	note	**2001**	2000
Revenue			
Power operations		**$ 269.9**	$ 246.4
Long-term investments		**45.6**	48.0
Investment and other income	12	**58.9**	66.2
		374.4	360.6
Expenses			
Interest		**82.1**	83.1
Power and fuel purchases		**75.6**	70.2
Operating costs		**37.2**	32.3
Depreciation		**27.4**	24.8
Minority interests		**11.7**	15.1
Income and other taxes	9	**9.5**	19.6
		243.5	245.1
Net income		**$ 130.9**	$ 115.5
Fully diluted net income per common share	12	**$ 1.04**	$ 0.92

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31 *millions*	**2001**	2000
Retained earnings		
Balance, beginning of year	**$ 397.8**	$ 364.8
Net income	**130.9**	115.5
Convertible debenture interest	**(16.1)**	(17.6)
Common share dividends	**(64.9)**	(64.9)
Balance, end of year	**$ 447.7**	$ 397.8

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31

millions	note	**2001**	2000
Cash provided from operations	12	**$ 136.3**	$ 129.6
Net change in non-cash working capital		**(1.6)**	21.4
Cash provided by operating activities		**134.7**	151.0
Financing and shareholder distributions			
Borrowings		**165.3**	—
Debt repayments		**(110.3)**	(6.9)
Convertible debenture interest		**(16.1)**	(17.6)
Common share dividends		**(64.9)**	(64.9)
		(26.0)	(89.4)
Investing			
Securities purchases		**(76.3)**	(50.0)
Securities sales		**36.0**	41.3
Loans and other receivables		**(35.5)**	11.4
Property, plant and equipment		**(41.3)**	(51.8)
		(117.1)	(49.1)
Cash and cash equivalents			
Increase (decrease)		**(8.4)**	12.5
Balance, beginning of year		**18.7**	6.2
Balance, end of year		**$ 10.3**	$ 18.7

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 and other controlled entities of Great Lakes Power Inc. (the "company") including Great Lakes Power Limited, Great Lakes Hydro Income Fund, Valerie Falls Power, Pontiac Power and Highvale Power; and

(ii) the accounts of 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 Lake Superior Power and Powell River Energy.

The company owns a 75% (2000 – 75%) residual interest in Louisiana HydroElectric Power, which is equity accounted.

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

Revenue from the sale of electricity and steam is recorded based upon output delivered and capacity provided at rates as specified under contract terms or prevailing market rates. Electricity sales revenue is 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 and insurance 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.

Derivative Financial Instruments

The company, principally through wholly owned Brascan Energy Marketing Inc., uses derivative financial instruments, where appropriate, to manage commodity price risk associated with the company's production, operating and risk management activities. Gains and losses resulting from these instruments are included in income on the same basis as the asset, liability or contract being hedged. Non-hedging activity is subject to policy limits with any gains or losses recorded in investment and other income on a fair value basis.

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.

Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the 2001 presentation. These comparatives reflect the consolidation of the Great Lakes Hydro Income Fund.

2. ACQUISITIONS

Powell River Energy

In February 2001, the Great Lakes Hydro Income Fund (the "Fund") acquired a 50% indirect interest in the Powell River Energy hydroelectric power generation and transmission facilities in southwestern British Columbia ("Powell River Energy").

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	**2001**
Assets acquired	
Property, plant and equipment	**$ 74.7**
Liabilities assumed	
Future income tax liability	**18.2**
Net assets acquired	**$ 56.5**
Consideration paid	**$ 56.5**

3. LOANS AND OTHER RECEIVABLES

millions	**2001**	2000
Demand deposits	**$ 189.6**	$ 124.5
Project financing receivables	**89.4**	83.8
Coal royalty receivables	**69.5**	66.9
Trade receivables	**29.0**	33.8
Prepaid interest and other	**47.5**	16.5
	$ 425.0	$ 325.5

4. LONG-TERM INVESTMENTS

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

The book values of the company's long-term investments and the underlying securities at December 31, 2001 compared to 2000 are as follows:

millions	**2001**	2000
Trilon Financial Corporation	**$ 195.3**	$ 195.3
Noranda Inc.	**145.8**	150.0
Brascan Corporation	**112.0**	112.0
Other investments	**68.7**	78.9
	$ 521.8	$ 536.2

Great Lakes holds a senior preferred share investment in Trilon Holdings Inc. which, together with Brascan, owned 65% of the common shares of Trilon at December 31, 2000. This interest increased to 71% on January 16, 2001 following Trilon's repurchase of 14.5 million of its common shares.

Great Lakes holds a senior preferred share investment in Noranda Equities Inc. which, together with Brascan, owns 40% of the common shares of Noranda.

Great Lakes owns a $112.0 million senior preferred share investment issued by a wholly owned subsidiary of Brascan.

Other investments include primarily the company's shares of First Toronto, a Brascan subsidiary which participates in the secondary market for equity securities of Canadian corporations, primarily companies affiliated with Brascan.

5. PROPERTY, PLANT AND EQUIPMENT

millions	**2001**	2000
Generation	**$1,160.6**	$1,048.5
Transmission	**207.1**	201.4
Distribution	**64.5**	49.1
Other	**98.9**	47.7
	1,531.1	1,346.7
Accumulated depreciation and amortization	**263.5**	233.3
	$1,267.6	$1,113.4

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 cost of the three Maclaren Power hydroelectric generating stations and the 50% share of the two Powell River 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% residual interest in Louisiana HydroElectric Power's hydroelectric generating station and sediment control works; the company's 50% share of the cost of the Lake Superior Power cogeneration plant; and the cost of the company's Highvale Power coal assets.

Depreciation is based on the service lives of the assets which are 60 years for hydroelectric generation, 20 years for cogeneration 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 Great Lakes Power Limited, 2044 for Valerie Falls Power, 2019 and 2020 for Pontiac Power, 2019 for Maclaren Power and 2031 for Louisiana HydroElectric Power. Substantially all of the water rights for Powell River Energy are perpetual.

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	**2001**	2000
Assets	**$ 125**	$ 49
Liabilities	**84**	23
Operating revenues	**46**	31
Operating expenses	**31**	19
Net income	**10**	7
Cash flows from operating activities	**16**	9
Cash flows from investing activities	**(60)**	(2)
Cash flows from financing activities	**37**	(9)

7. MORTGAGE BONDS

millions	**2001**	2000
Great Lakes Power Limited		
First Mortgage Bonds		
Series 4 (US $105.0)	**$ 167.0**	$156.4
Series 5 (2000 - Series 3)	**150.0**	95.0
	317.0	251.4
Great Lakes Power Trust		
Credit Agreements	**15.3**	—
First Mortgage Bonds		
Series 1	**50.0**	50.0
Series 2	**25.0**	25.0
Series 3	**25.0**	25.0
	115.3	100.0
Other Power Operations		
Project mortgages		
Pontiac Power	**63.3**	64.5
Valerie Falls Power	**—**	9.9
Powell River Energy	**46.5**	—
Lake Superior Power	**13.5**	17.7
	$ 555.6	$443.5

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 $150 million First Mortgage Bonds Series 5 bear interest at the rate of 4.58%, are due on June 16, 2003 and are secured by a charge on the company's wholly owned power generating assets in northern Ontario. Through the use of an interest rate swap, the company pays interest at a rate which varies with the Banker's Acceptance ("B.A.") rate. These bonds replaced the $95 million First Mortgage Bonds Series 3 bearing interest at a rate of 6.69%, which matured December 31, 2001.

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, which is wholly owned by the Fund.

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 company's proportionate share of the Powell River Energy project mortgages of $35.0 million and $11.5 million bear interest at B.A. + 1.25% and B.A. + 3.5% respectively, are due May 2002 and are secured by a charge on the respective Powell River Energy operating 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, 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
2002	$ 67.6
2003	322.3
2004	5.0
2005	54.6
2006	3.8
Thereafter	102.3
	$555.6

8. TERM DEBENTURES

millions	**2001**	2000
Corporate debentures		
Series 1 (US$175.0)	**$ 278.2**	$ 260.8
Series 3 (US$200.0)	**318.0**	298.0
	$ 596.2	$ 558.8

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 $116.4 million (2000 – $104.4 million) is comprised principally of temporary differences relating to property, plant and equipment. This amount is net of a future tax asset of $21 million (2000 – $25 million) relating to unused non-capital losses.

10. MINORITY INTERESTS

Minority interests include preferred shares, limited partnership interests and trust units owned by minority shareholders in the company's consolidated subsidiaries, as follows:

millions	**2001**	2000
Preferred shares issued by consolidated subsidiaries	**$ 90.1**	$ 90.1
Limited partnership interests of consolidated subsidiaries	**4.2**	3.5
Trust units issued by consolidated subsidiaries	**177.0**	110.4
	$ 271.3	$ 204.0

11. SHAREHOLDERS' EQUITY

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

millions	**2001**	2000
101,383,135 (2000 – 101,393,934) Common shares	**$ 603.2**	$ 603.5
Retained earnings	**447.7**	397.8
	1,050.9	1,001.3
Subordinated convertible debentures	**247.7**	247.7
	$1,298.6	$ 1,249.0

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

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

12. OTHER INFORMATION

millions, except per share amounts	**2001**	2000
Average fully diluted common shares outstanding	**126.2**	126.2
Basic earnings per share	**$ 1.13**	$ 0.97
Cash provided from operations		
Net income	**$ 130.9**	$ 115.5
Add non-cash items		
Depreciation	**27.4**	24.8
Hydrological provisions	**(17.1)**	(31.1)
Unremitted equity (income) loss and other	**(4.9)**	20.4
	$ 136.3	$ 129.6

The fair value of the company's securities and loans and other receivables approximates their carrying values at December 31, 2001 and 2000 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 $1,165.5 million (2000 – $1,013.7 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 Brascan and its subsidiaries and equity accounted investees. At December 31, 2001, the carrying value of securities and deposits with affiliated companies amounted to $660.3 million and $189.6 million, respectively (2000 – $603.6 million and $124.5 million). In 2001, income from securities and loans with affiliated companies amounted to $47.5 million (2000 – $56.7 million).

The company's two largest customers accounted for 12% and 10%, respectively, of total revenues in 2001 (2000 – 12% and 11%, respectively).

During 2001, $7.0 million of hydrological provisions (2000 – $5.1 million) were applied against power purchase costs and $10.1 million (2000 – $26.0 million) were included in revenue from power operations. At December 31, 2001, hydrological provisions totalled $3.0 million (2000 – $20.1 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.

13. 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 a guaranteed price for energy and the actual energy revenues earned by the Trust. The company is entitled to receive any revenues in excess of the guaranteed amount. The cumulative net surplus (deficiency) amount in 2001 was $0.2 million (2000 – ($0.3) million).

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.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The company has entered into energy derivative contracts primarily to hedge its production and ultimate sale of generated power.

	Range of Maturity	Notional Buy	Effective Rates Range	Notional Sell	Effective Rates Range
Electricity	1 month - 4 years	528 GWh	$39-$43	895 GWh	$26-$83

As at December 31, 2001, the contracts had a fair value determined based on quoted market rates of $29.6 million. The fair value of contracts with a positive mark-to-market was $31.1 million, which represents counterparty credit risks. The company manages credit risks by entering into contracts with highly rated counterparties.

The company also maintained interest rate swap contracts having a total notional amount of $468 million (2000 - $298 million). These interest rate swap contracts were comprised of contracts with a favourable replacement value of $26 million (2000 - $9 million). The interest rate swap transactions include both fixed and variable rate instruments, the net effect of which does not materially affect the interest rate profile of the company. These contracts have maturities varying from one to four years.

15. SUBSEQUENT EVENT

On February 1, 2002, the Great Lakes Hydro Income Fund completed the acquisition of Great Northern Energy, comprising six hydroelectric generating stations and related transmission facilities in the State of Maine for cash consideration of US$156.5 million.