GREAT LAKES HYDRO INCOME FUND

Q1 2003

INTERIM REPORT to UNITHOLDERS

For the three months ended March 31, 2003

2003 FINANCIAL AND OPERATING HIGHLIGHTS

Unaudited *CDN $ thousands, except where noted*	*Three months ended March 31* **2003**	*2002*
Revenues	**$ 23,526**	$ 20,021
Cash Required	**35,045**	21,200
Operating Income	**13,249**	14,069
Net Income	**783**	7,311
Per Unit		
Net Income	**$ 0.02**	$ 0.22
Distribution to unitholders	**$ 0.30**	$ 0.29
Average price-¢/KWh	**4.7**	3.7
Generation Gigawatt Hours ("GWh")	**492**	539

Letter to Unitholders

Dear Fellow Unitholders,

Operating results in the first quarter of 2003 were adversely impacted by lower than average water conditions which reduced the amount of electricity generated. However, our target distribution to unitholders will not be affected, since we expect generation levels to recover to more normalized levels during the second and third quarters, which are historically strong quarters for power generation. Furthermore, we are fully committed to ensuring that temporary variations in hydrology do not impede the long run success of the Fund.

During the first quarter, we announced our intention to proceed with the construction of the Cedar generating station project on the Lièvre River. This project will add 9 megawatts to the Lièvre River system and approximately 62 gigawatt hours of energy on an annual basis. The project reflects our commitment to increase sustainable generation from our existing watersheds.

In addition, in order to provide additional flexibility to unitholders, we recently proposed an amendment to the Trust agreement to change from quarterly distributions to monthly distributions. This amendment was approved by unitholders at the Annual and Special Unitholder Meeting on April 28, 2003 and will more closely align the Fund with other income oriented investment vehicles.

We remain well positioned to deliver sustainable results and achieve targeted distributions to unitholders.

Richard Legault

Richard Legault
President and Chief Executive Officer

Donald Tremblay
Vice-President and Chief financial Officer

Management Discussion & Analysis

The following discussion and analysis should be read in conjunction with the accompanying unaudited financial statements and the notes thereto.

Net income for the first quarter totaled $0.8 million compared to $7.3 million during the same period in 2002 due to lower power generation and an increase in operating and financing costs associated with the operations acquired last year.

POWER GENERATION & REVENUES

	Three months ended March 31				Quarterly Long-term average	Annual Long-term average
	GWh	2003	GWh	2002	GWh	GWh
Lièvre River Power	196	$ 8,204	413	$ 14,550	355	1,418
Powell River Energy	63	2,256	78	2,402	56	261
Maine Power	71	3,852	48	2,729	181	730
New Hampshire Power	32	1,735	—	—	51	185
Mississagi Power	130	7,479	—	—	166	750
Total	492	$ 23,526	539	$ 20,021	809	3,344

During the first quarter of 2003, the Fund's **power generation** totaled 492 GWh, which represents 60% of the long-term average generation typical during this period in the year. This lower production, relative to average levels, was driven primarily by drier conditions in western Quebec at Lièvre River Power and in the northeast United States at New Hampshire and Maine Power.

Revenues during the first quarter increased 17% to $23.5 million, driven in large part by an increase in the average price of the Fund's power output to 4.7 cents per KWh, but fell short of our expectations as a result of below average water conditions prevailing since last summer.

CASH REQUIREMENTS

CDN$ thousands	Three months ended March 31 2003	2002
Operating expenses[1]	$ 8,700	$ 5,060
Interest expense[1]	6,362	4,352
Capital program reserve	5,500	1,967
Distribution payable	14,483	9,821
	$ 35,045	$ 21,200

[1] *These figures differ from those reported in the Statement of Income as they include only expenses affecting distributable cash.*

Cash required during the first quarter totaled $35.0 million, an increase of $13.8 million over the same period in 2002. This was a result of increased distributions, capital reserve, financing costs and operating expenses associated with the operations acquired last year.

Expenses

During the quarter, **operating and maintenance** expenses totaled $9.5 million, in line with our expectations and $4.0 million above 2002. The addition of the Mississagi, Maine and New Hampshire power systems and higher insurance premiums account for most of the variance which was partially offset by lower water royalties at Lièvre River.

During the quarter, **selling and administrative** expenses increased by $0.3 million over the same period of 2002 to $0.8 million. Hydrology insurance coverage, which was extended to all power systems, accounted for most of the increase.

Interest and financing fees increased by $2.1 million to $6.5 million during the period due to the acquisition of three power systems last year.

Depreciation and amortization expense for the first quarter increased to $6.0 million from $3.6 million over the same period last year with the addition of the Mississagi, Maine and New Hampshire power systems.

Financial Position

In January 2003, the Fund made a drawdown of $2.7 million from the hydrology reserve facility. This facility is unsecured, bears interest at the prime rate of a Canadian chartered bank plus 200 basis points and is repayable from the excess revenues in years when electricity generated and delivered exceeds average levels.

During the period, $12 million was drawn down from Great Lakes Power Trust's credit facility and the GLHA bridge facility was increased by $US10 million to fund capital spending in excess of the capital program.

The Fund's asset base, with its long-life nature, low and predictable operating costs and the price and contract guarantees on all power produced, can comfortably support the actual level of debt without affecting the Fund's risk profile.

Distribution

On March 20, 2003 the Fund announced its quarterly cash distribution of 30 cents per unit for the first quarter of 2003. The distribution was paid on April 30, 2003 to unitholders of record at the close of business on March 31, 2003.

In addition, following the approval to amend the trust indenture to a monthly distribution, unitholders will now receive a monthly cash distribution of 10 cents per unit. The cash distribution payable in June for the months of April and May 2003 will be 20 cents per unit followed by a 10 cent distribution in July for the month of June 2003.

A Look Ahead

We remain very focused on enhancing unitholder value through operational efficiencies, optimization of our existing systems and initiatives such as the construction of the Cedar generating station on the Lièvre River and our recent announcement to change to a monthly distribution to unitholders.

In 2003, we are focused on taking another step towards achieving our objectives as the premier income fund in Canada by delivering sustainable performance with a strong and aligned sponsor, and a commitment by management and all of the Fund's employees to create value for our unitholders.

This interim report contains "forward-looking statements" concerning the Fund's business and operations. The Fund cautions that, by their nature, forward-looking statements involve risk and uncertainty and the Fund's actual results could differ materially from those expressed or implied in such statements. Reference should be made to the Fund's most recent Annual information Form for a description of the major risk factors.

CONSOLIDATED BALANCE SHEET

CDN$ thousands	Notes	*March 31* **2003**	*December 31* *2002*
ASSETS		*Unaudited*	
Current			
Cash and cash equivalents		**$ 15,648**	$ 2,417
Accounts receivable		**6,878**	5,187
Prepaid expenses and maintenance materials		**5,854**	6,184
		28,380	13,788
Property, plant and equipment		**1,002,577**	1,026,357
Other assets		**1,353**	1,403
		$ 1,032,310	$ 1,041,548
LIABILITIES AND UNITHOLDERS' EQUITY			
Current			
Accounts and other payables		**$ 12,482**	$ 16,750
Distribution payable to unitholders		**14,483**	14,483
Bridge facilities		**150,000**	150,000
Credit facility	2	**21,982**	7,300
		198,947	188,533
Long-term debt	2	**319,310**	316,697
Deferred credits		**16,543**	16,673
		534,800	521,903
Unitholders' equity		**497,510**	519,645
		$ 1,032,310	$ 1,041,548

See accompanying notes

December 31 2002
$ 2,417
5,187
6,184
13,788
1,026,357
1,403
$ 1,041,548
$ 16,750
14,483
150,000
7,300
188,533
316,697
16,673
521,903
519,645
$ 1,041,548

CONSOLIDATED STATEMENT OF INCOME

Unaudited	*Three months ended March 31*	
CDN$ thousands, except per trust unit amounts	***2003***	*2002*
Revenues	**$ 23,526**	$ 20,021
Expenses		
Operating and maintenance	**9,513**	5,456
Selling and administrative expenses	**764**	496
Operating income	**13,249**	14,069
Interest and financing fees	**6,541**	4,408
Income before non-cash items	**6,708**	9,661
Depreciation and amortization	**5,991**	3,634
Future taxes	**(66)**	(1,284)
Net income	**$ 783**	$ 7,311
Net income per trust unit	**$ 0.02**	$ 0.22
Weighted average number of units outstanding (000s)	**48,276**	33,576

See accompanying notes

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

Unaudited	*Three months ended March 31*	
CDN$ thousands	***2003***	*2002*
Balance, beginning of the period	**$ 519,645**	$ 359,450
Net income	**783**	7,311
Distributions to unitholders	**(14,483)**	(9,821)
Currency translation adjustment	**(8,435)**	—
Balance, end of period	**$ 497,510**	$ 356,940

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited

CDN$ thousands

	Three months ended March 31 2003	2002
Operating activities		
Income before non-cash items	$ 6,708	$ 9,661
Change in non-cash working capital	(5,120)	(2,633)
	1,588	7,028
Investing activities		
Purchase of power systems	—	(241,904)
Additions to capital assets	(3,256)	(1,350)
	(3,256)	(243,254)
Financing activities		
Bridge facility – issuance	—	127,200
Bridge facility – repayment	—	(1,500)
Credit facility – drawdown	14,682	4,086
Credit facility – repayment	—	(7,000)
Long term debt – issuance	14,700	—
Promissory note – repayment	—	(7,115)
Distributions to unitholders	(14,483)	(9,234)
	14,899	106,437
Increase (decrease) in cash and cash equivalents	13,231	(129,789)
Cash and cash equivalents, beginning of period	2,417	153,726
Cash and cash equivalents, end of period	$ 15,648	$ 23,937
Cash and cash equivalents are comprised of:		
Cash	$ 15,588	$ 5,448
Short-term investments	60	18,489
	$ 15,648	$ 23,937
Supplementary information		
Interest paid	$ 6,198	$ 3,541
Taxes paid	125	445

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all figures in CDN thousands of dollars)
March 31, 2003 (unaudited)

1. Basis of presentation

The unaudited interim consolidated financial statements conform in all respect to the requirements of generally accepted accounting principles for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the 2002 annual consolidated financial statements.

The preparation of these unaudited consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of Management, these unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) necessary to state fairly the results for the periods presented. Actual results could differ from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

These unaudited consolidated financial statements have been prepared on a basis consistent with the disclosed audited financial statements for the fiscal year ended December 31, 2002.

Certain 2002 balances have been reclassified to conform with the current quarter's presentation.

2. Financing activity

(a) The GLHA bridge facility was refinanced in January 2003 with Brascan Financial, a related party of the Fund. The facility is secured by a first ranking lien on all GLHA assets, bears interest at an annual rate of US Prime plus 150 basis points payable quarterly and matures on January 24, 2005.

(b) In January 2003, the Fund drew down $2,682 from the hydrology reserve facilities provided by Brascan Power, who owns 50.1% of the Fund. The facilities are unsecured, bear interest at the prime rate of a Canadian chartered bank plus 2% and are repayable from the excess revenues in years when electricity generated and delivered exceeds average levels.

3. Changes in accounting policy

Effective January 1, 2003, the Fund adopted, without restatement of the prior period comparative financial statements, the new accounting standards issued by the Canadian Institute of Chartered Accountants on the Disclosure of Guarantees.

4. Guarantees

In the normal course of operations, the Fund executes agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions and sales of assets. The Fund has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount we 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 likelyhood of which cannot be determined at this time. Historically, the Fund has not made significant payments under such indemnification agreements.

About Great Lakes Hydro Income Fund

Great Lakes Hydro Income Fund produces electricity exclusively from environmentally friendly hydroelectric resources. The Fund owns, operates and manages five integrated hydroelectric generation systems located in Quebec, Ontario, British Columbia, Maine and New Hampshire. The facilities of the five systems include 21 hydroelectric generating stations with significant water storage and installed capacity of 965 megawatts ("MW"). The facilities generate, on average, 3,605 gigawatt hours ("GWh") of electricity annually, and are interconnected with the Quebec, Ontario, British Columbia and New England power grids.

Brascan Power, which comprises all the power operations of Brascan Corporation, including Great Lakes Power Inc, owns 50.1% of the Fund's outstanding units.

Great Lakes Hydro Income Fund units are listed for trading on the Toronto Stock Exchange under the symbol GLH.UN.

Shareholder Enquiries

Great Lakes Hydro Income Fund welcomes enquiries from unitholders, analysts, media representatives and other interest parties. Question relating to investor relations or media enquiries can be directed to Léonie Bouvier, Director, Investor Relations and communications at (819) 986-4606 or via e-mail at leonie.bouvier@greatlakeshydro.com. Enquiries regarding financial results should be directed to Donald Tremblay, Vice-President and Chief Financial Officer at (819) 986-4600 or via e-mail at donald.tremblay@greatlakeshydro.com.

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Communications

We endeavour to keep our unitholders informed of our progress through a comprehensive annual report, quarterly interim reports and periodic press releases.

Great Lakes Hydro Income Fund maintains a web site that provides summary information on the company and ready access to our published reports, press releases, statutory filings, units and distribution information. Directors and management meet with the company's unitholders at the Annual Meeting and are available to respond to questions at any time.

We maintain an investor relations program to respond to enquiries in a timely manner. Management meets on a regular basis with investment analysts and financial advisors to ensure that accurate information is available to investors to discuss the company's financial results. We also endeavour to ensure that the media are kept informed of our developments as they occur.