GREAT LAKES HYDRO INCOME FUND

Q2 2003

INTERIM REPORT to UNITHOLDERS

For the six months ended June 30, 2003

2003 FINANCIAL AND OPERATING HIGHLIGHTS

Unaudited	*Three months ended June 30*		*Six months ended June 30*	
CDN $ millions, except where noted	***2003***	*2002*	***2003***	*2002*
Revenues	**$ 34.2**	$ 32.4	**$ 57.7**	$ 52.4
Cash required	**35.4**	33.7	**70.4**	54.9
Net income	**11.5**	9.9	**12.3**	17.3
Per unit				
Net income	**0.24**	0.26	**0.25**	0.48
Distributable cash generated	**0.28**	0.33	**0.34**	0.59
Distribution to unitholders	**0.30**	0.29	**0.60**	0.59
Power generated (GWh)	**733**	788	**1,225**	1,327
Average price ¢/KWh	**$ 4.7**	$ 4.1	**$ 4.7**	$ 3.9

LETTER TO UNITHOLDERS

Dear Fellow Unitholders,

The first six months of 2003 have been challenging due to unfavorable water conditions in Lièvre River Power and Maine Power. However, the geographic diversification of our hydroelectric facilities across five watersheds, hydrology insurance and our hydrology reserve facility have minimized the impact of below average water inflows and allowed us to maintain our record of stable and sustainable distributions.

Revenue during the second quarter increased by 5.6 % to $34.2 million. The year-over-year increase is a result of the full period contribution from the Mississagi and New Hampshire power systems acquired in May 2002, which more than offset lower generation in Lièvre River. **Net income** totalled $11.5 million during the period compared to $9.9 million during the same period in 2002. **Distributable cash** generated by the Fund increased to $13.3 million during the quarter compared to $12.8 million during the same quarter last year.

During the second quarter, the Fund advanced on several value enhancing initiatives, which will increase generation and improve the stability and reliability of our asset base:

New Maine Transmission Line Increases Flexibility

Brascan Power, the Fund's sponsor, with partner Bangor Hydro-Electric Company, completed construction of a new 126-megawatt transmission line in Maine, expanding the interconnection between the Fund's Maine facilities and the New England power grid (NEPOOL). The US$17 million expansion of the transmission line from 20 megawatts ("MW") to 126 MW enhances the flexibility and reliability of the Fund's power generation in Maine. The completed transmission line stretches over 40 kilometres and includes two new substations.

Progress on Cedar Dam Project – Lièvre River Power (Québec)

The Fund advanced the approval process for the construction of a new 9 MW hydroelectric generating station on the Lièvre River to increase annual generation by 62 gigawatt hours (''GWh") of energy. It is expected that the Fund will receive final approvals in the third quarter of 2003. Once all permits are obtained, the Design-Build contract will be awarded and onsite construction will immediately follow. The $23.6 million project is expected to be in service in the summer of 2005. This project, to be built onto the existing dam structure, will optimize use of existing water resources and all power produced by this facility will be sold to Hydro Québec under a long-term Power Purchase Agreement.

Recognized Among Top Performing Income Funds

During the second quarter, the Fund was recognized in two prominent business publications, as a top performing income fund or trust in Canada. Canadian Business Magazine ranked the Great Lakes Hydro Income Fund number 14 among Canada's largest income funds by total return. The Globe and Mail ranked the Fund as one of the top 20 Income Trusts in Canada by market cap, and the only electricity producer in the group.

A Look Ahead

We remain focussed on enhancing unitholder value through the high quality and geographic diversification of our asset base which clearly has contributed to the stability of our distributions to our unitholders since the Fund's inception in 1999. With the continued support of Brascan Power, our strong and aligned sponsor, and the continuous effort by management and all of the Fund's employees, we are committed to create value and provide a solid track record of performance to our unitholders.

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.

Power Generation and Revenues

For most hydroelectric systems in North America, the second quarter is typically strong in terms of water inflows as a result of spring run-off and therefore, power generation. The spring of 2003 was no exception for the majority of the Fund's power systems, but lower than average inflows in the Lièvre River and Maine Power systems persisted during the quarter. We therefore had to reduce power generation in order to maintain the normal reservoir levels compared to last year and compared to the expected long-term average reservoir levels. However, all other power systems performed at or above plan. The impact of lower than average generation on our revenues is approximately $8 million for the quarter. With reservoirs at their current levels, we are well positioned to achieve our expected power production for the rest of the year.

GENERATION (GWh)

	Three months ended June 30			Six months ended June 30			Annual
	2003	2002	Long-term average	**2003**	2002	Long-term average	long-term average
Lièvre River Power	**297**	473	408	**493**	886	763	1,418
Powell River Energy	**74**	78	58	**137**	156	114	261
Maine Power (1)	**119**	118	192	**190**	166	373	730
Mississagi Power (2)	**204**	106	207	**334**	106	373	185
New Hampshire Power (2)	**39**	13	47	**71**	13	98	750
	733	788	912	**1,225**	1,327	1,721	3,344

(1) The Maine Power system was acquired in February 2002.
(2) Mississagi Power and New Hampshire Power were acquired in May 2002.

REVENUES

CDN $ millions	Three months ended June 30		Six months ended June 30	
	2003	2002	**2003**	2002
Lièvre River Power	**$ 11.7**	$ 16.6	**$ 19.9**	$ 31.1
Powell River Energy	**2.7**	2.7	**4.9**	5.4
Maine Power (1)	**6.0**	6.3	**9.9**	9.1
Mississagi Power (2)	**11.8**	6.1	**19.3**	6.1
New Hampshire Power (2)	**2.0**	0.7	**3.7**	0.7
	$ 34.2	$ 32.4	**$ 57.7**	$ 52.4

(1) The Maine Power system was acquired in February 2002.
(2) Mississagi Power and New Hampshire Power were acquired in May 2002.

Revenue for the quarter increased by almost 6%, driven by an improvement in the average price for the Fund's power output from 4.1¢/KWh to 4.7¢/KWh. The increase in the average price more than offset the impact of lower generation during the period.

CASH REQUIREMENTS

CDN $ millions	Three months ended June 30		Six months ended June 30	
	2003	2002	**2003**	2002
Operating expenses (1)	**$ 8.8**	$ 8.9	**$ 17.5**	$ 13.9
Interest expense (1)	**6.8**	7.3	**13.1**	11.7
Distributions paid and payable	**14.5**	14.1	**29.0**	23.9
Capital program reserve	**5.3**	3.4	**10.8**	5.4
	$ 35.4	$ 33.7	**$ 70.4**	$ 54.9

(1) Operating expenses and interest expense differ from the Consolidated Statement of Income by $ 1.3 million for the three-month period and $3.2 million for the six-month period. This difference is included in the capital program reserve.

Cash required during the second quarter totalled $35.4 million, an increase of $1.7 million over the same period last year mostly due to additional reserve for our capital program to reflect the impact of a full period of ownership for the Mississagi and New Hampshire power systems.

Expenses

During the quarter, **operating and maintenance** expenses totalled $9.4 million, in line with our expectations and consistent with the same period last year. Lower water royalties in Lièvre River Power due to below average generation more than offset the impact of the Mississagi and New Hampshire addition for the full period.

During the quarter, **selling and administrative** expenses decreased slightly to $0.6 million compared to $0.7 million in 2002.

Interest and financing fees totalled $7 million, a decrease of $0.4 million from the same quarter in 2002 as a result of lower financing fees on the bridge facilities for Maine.

Depreciation and amortization expense for the first quarter increased to $5.8 million from $5.2 million in 2002 due to a full period for the Mississagi and New Hampshire assets partially offset by a change in the estimate of the useful life of certain assets.

Strengthening Our Financial Position

The Fund expects to take advantage of the lower interest rate environment and is currently working on refinancing the acquisition loan facilities put in place to acquire the Mississagi, Maine and New Hampshire power systems at attractive rates and conditions. When completed, these refinancings will bring the total amount of debt refinanced over the last year to more that $350 million, confirming the unique strength of the Fund's quality asset base in supporting leverage which increases unitholder value.

Monthly Distribution to Unitholders

During the first quarter of 2003, the Fund moved from quarterly to monthly distributions to provide our unitholders with additional financial flexibility and more closely align the Fund with other income oriented investment vehicles. The payout to unitholders on a monthly basis is 10 cents per unit versus a quarterly distribution of 30 cents per unit. The first monthly distribution to unitholders was June 30, 2003 for unitholders of record on May 30, 2003. The Board of Trustees subsequently declared a cash payment of $4.8 million or 10 cents per unit payable on July 31, 2003 to unitholders of record on June 30, 2003 and also declared a cash distribution of $4.8 million or 10 cents per unit payable on August 29, 2003, to unitholders of record on July 31, 2003.

CONSOLIDATED BALANCE SHEET

CDN $ thousands	June 30 2003	December 31 2002
ASSETS	*Unaudited*	
Current		
Cash and cash equivalents	**$ 4,270**	$ 2,417
Accounts receivable	**6,897**	5,187
Prepaid expenses and maintenance materials	**4,779**	6,184
	15,946	13,788
Property, plant and equipment	**978,009**	1,026,357
Other assets	**1,291**	1,403
	$ 995,246	$ 1,041,548
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts and other payables	**$ 11,493**	$ 16,750
Distribution payable to unitholders	**4,828**	14,483
Bridge facility	**150,000**	150,000
Credit facility	**21,982**	7,300
	188,303	188,533
Long-term debt	**304,550**	316,697
Deferred credits	**16,534**	16,673
	509,387	521,903
Unitholders' equity	**485,859**	519,645
	$ 995,246	$ 1,041,548

See accompanying notes

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

CDN $ thousands	June 30 2003	December 31 2002
	Unaudited	
Trust units	**$ 573,308**	$ 573,308
Deficit, beginning of the period	**(52,918)**	(14,087)
Adjustment for change in accounting policy	**—**	(16,787)
Adjusted deficit, beginning of the period	**(52,918)**	(30,874)
Net income	**12,303**	30,864
Distributions to unitholders	**(28,966)**	(52,908)
Deficit, end of the period	**(69,581)**	(52,918)
Currency translation adjustment	**(17,868)**	(745)
Unitholders' equity, end of period	**$ 485,859**	$ 519,645

See accompanying notes

CONSOLIDATED STATEMENT OF INCOME

Unaudited *CDN $ thousands, except per trust unit amounts*	*Three months ended June 30* **2003**	 *2002*	*Six months ended June 30* **2003**	 *2002*
Revenues	**$ 34,165**	$ 32,383	**$ 57,691**	$ 52,404
Expenses				
Operating and maintenance	**9,367**	9,368	**18,880**	14,824
Selling and administrative expenses	**590**	674	**1,354**	1,170
	24,208	22,341	**37,457**	36,410
Interest and financing fees	**6,950**	7,372	**13,491**	11,780
Income before non-cash items	**17,258**	14,969	**23,966**	24,630
Depreciation and amortization	**5,837**	5,235	**11,828**	8,869
Future taxes	**(99)**	(206)	**(165)**	(1,490)
Net income	**$ 11,520**	$ 9,940	**$ 12,303**	$ 17,251
Net income per trust unit	**$ 0.24**	$ 0.26	**$ 0.25**	$ 0.48
Weighted average number of units outstanding (000s)	**48,276**	38,907	**48,276**	36,257

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited *CDN $ thousands*	*Three months ended June 30* ***2003***	 *2002*	*Six months ended June 30* ***2003***	 *2002*
Operating activities				
Income before non-cash items	**$ 17,258**	$ 14,969	**$ 23,966**	$ 24,630
Change in non-cash working capital	**(421)**	(9,694)	**(5,541)**	(12,327)
	16,837	5,275	**18,425**	12,303
Investing activities				
Purchase of power systems	**—**	(395,174)	**—**	(637,078)
Additions to capital assets	**(4,077)**	(3,310)	**(7,333)**	(4,660)
	(4,077)	(398,484)	**(7,333)**	(641,738)
Financing activities				
Issuance of trust units	**—**	205,800	**—**	205,800
Payment of issuance costs	**—**	(5,869)	**—**	(5,869)
Bridge facility – issuance	**—**	395,506	**—**	522,706
Bridge facility – repayment	**—**	(200,000)	**—**	(201,500)
Credit facility – drawdown	**—**	8,500	**14,682**	12,586
Credit facility – repayment	**—**	(4,086)	**—**	(11,086)
Long term debt – issuance	**—**	—	**14,700**	—
Promissory note payable	**—**	5,928	**—**	(1,187)
Distributions to unitholders	**(24,138)**	(9,821)	**(38,621)**	(19,055)
	(24,138)	395,958	**(9,239)**	502,395
Increase (decrease) in cash and cash equivalents	**(11,378)**	2,749	**1,853**	(127,040)
Cash and cash equivalents, beginning of period	**15,648**	23,937	**2,417**	153,726
Cash and cash equivalents, end of period	**$ 4,270**	$ 26,686	**$ 4,270**	$ 26,686
Supplementary information:				
Interest paid	**$ 7,003**	$ 6,185	**$ 13,201**	$ 9,726
Taxes paid	**125**	174	**250**	485

See accompanying notes

All figures in CDN $ thousands
June 30, 2003 (unaudited)

1. Basis of presentation

The unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles applicable to interim consolidated financial statements. 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

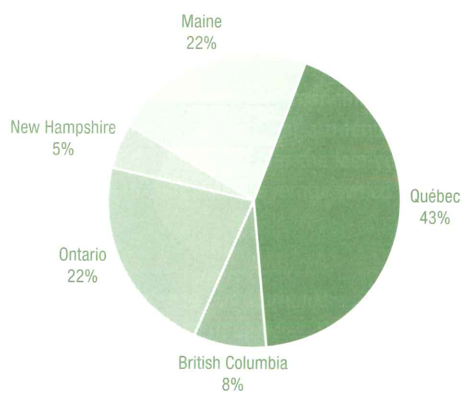
(a) The GLHA bridge facility of US$123,000 was refinanced in January 2003 with Brascan Financial, a related party of the Fund. The facility is secured by a first ranking lien on all GLHA assets, bears an annual interest rate of US Prime plus 150 basis points payable quarterly and matures on January 24, 2005. In July 2003, the Mississagi bridge facility provided by a Canadian chartered bank was extended by six months and now matures March 1, 2004.

(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.

Diversification

The watershed diversity of the Fund's hydroelectric facilities across five geographic regions in North America and our significant storage capacity contribute to the long-term stability and superior results.

DIVERSIFIED ASSET BASE (GWh)



	Generating Stations	Average Generation (GWh)	Storage Capacity (GWh)	Capacity Factor
Lièvre River Power	3	1,418	477	68%
Powell River Energy	2	522 (1)	175	73%
Mississagi Power	4	750	184	18%
Maine Power	6	730	376	66%
New Hampshire Power	6	185	89	68%
Total	**21**	**3,605**	**1,301**	**42%**

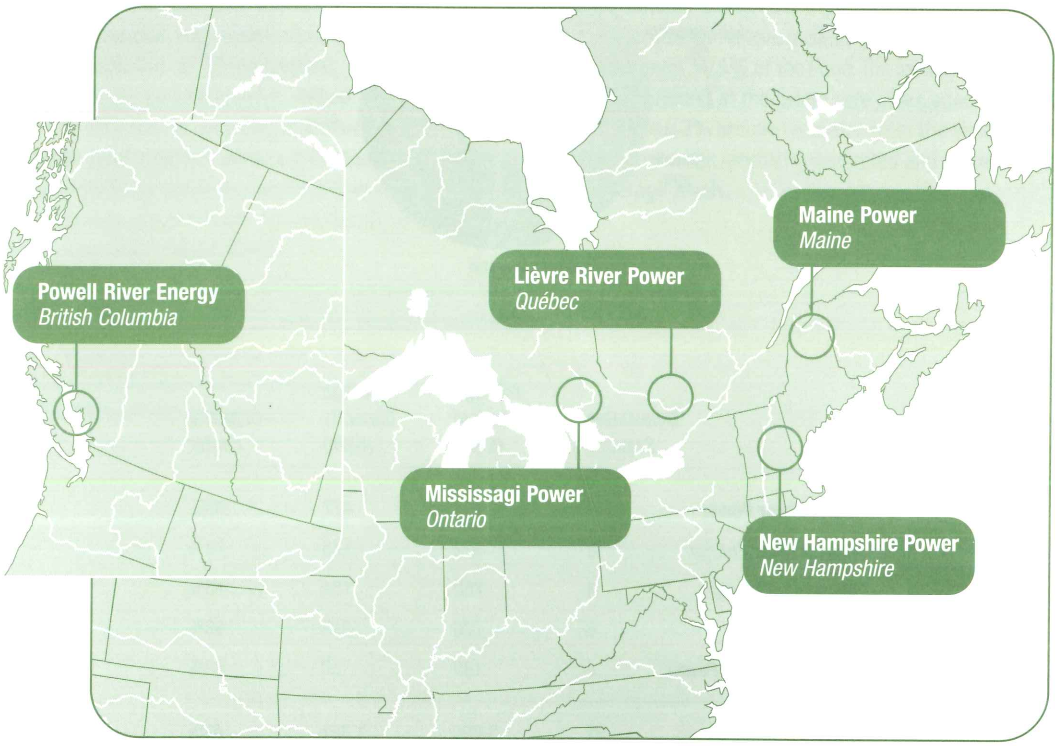
(1) The Fund owns a 50% economic interest in the facilities. Systems statistics represents 100% of the facilities.

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 Québec, Ontario, British Columbia, Maine and New Hampshire with 21 hydroelectric generating stations, installed capacity of 965 MW and significant water storage. The facilities generate, on average, 3,605 GWh of electricity annually, with interconnections to the Québec, 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.



Unitholder Enquiries

Great Lakes Hydro Income Fund welcomes enquiries from unitholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media enquiries can be directed to Léonie Bouvier, Director, Investor Relations and communications at (819) 561-8660 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) 561-8689 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.