GREAT LAKES HYDRO INCOME FUND

Q3 2003

INTERIM REPORT to UNITHOLDERS

For the nine months ended September 30, 2003

2003 FINANCIAL AND OPERATING HIGHLIGHTS

Unaudited *CDN $ millions, except where noted*	*Three months ended Sept. 30* **2003**	*2002*	*Nine months ended Sept. 30* **2003**	*2002*
Revenues	**$ 31.4**	$ 37.1	**$ 89.1**	$ 89.5
Income before non cash item	**14.3**	18.0	**38.3**	42.9
Net income	**8.6**	11.3	**20.9**	28.6
Distribution	**14.5**	14.5	**43.5**	38.4
Per unit				
Net income	**0.18**	0.23	**0.43**	0.71
Income before non cash item	**0.30**	0.37	**0.79**	1.07
Distribution to unitholders	**0.30**	0.30	**0.90**	0.89
Power generated (GWh)	**709**	790	**1,935**	2,116
Average price ¢/KWh	**$ 4.4**	$ 4.7	**$ 4.6**	$ 4.2

LETTER TO UNITHOLDERS

Dear Fellow Unitholders,

We are pleased to report that we benefited from improved water conditions and a return to normal production and reservoir levels across our systems during the third quarter. The first half of the year was operationally challenging for us due to below average water inflows across several of our systems. Fluctuations in hydrology patterns are not unusual, although this year the fluctuations were greater than expected. Nonetheless, we continued to manage our operations during that period to maximize our power generation. We have the financial resources through hydrology insurance, $25 million hydrology reserve facility and management of our capital expenditure plan, to ensure that we maintain our distribution through these short term fluctuations.

Revenue during the third quarter totalled $31.4 million compared to $37.1 million for the same period in 2002. **Net income** totalled $8.6 million during the period compared to $11.3 million during the same period last year. **Income before non cash items** generated by the Fund totalled $14.3 million during the quarter compared to $18.0 million during the same quarter last year. The decrease in revenue was primarily the result of lower generation due to lower than average inflows during the summer at Mississagi Power. Generation was very close to expected levels at all other power systems as a result of a return to average water conditions but still slightly below last year's output. All of the Fund's reservoirs are at the historical average levels expected for this time of the year.

2003 Value Enhancing Initiatives and Achievements

Acquisition of Three New Hydroelectric Facilities in New England

We recently reached agreement to purchase three hydroelectric power plants located in northeastern United States from Hafslund, a Norwegian-based power company, for approximately US$30 million. The purchased assets include the Pontook and Errol plants located on the Androscoggin River in New Hampshire and Brassua, located on the Moose River in Maine. Together these three power generating facilities, which are interconnected with the New England power grid, have a total generating capacity of 16.5 megawatts ("MW") and produce approximately 95 gigawatt hours ("GWh") annually. This transaction, which is expected to close before the end of the year, will bring the Fund's total number of generating stations to 24 and installed capacity to 982 MW. All power produced by Errol and Brassua facilities is sold under long term power purchase agreements to Public Service of New Hampshire and Central Maine Power, respectively, while all the power produced by Pontook will be sold to Brascan Power under contractual arrangements similar to those in place for Maine and New Hampshire power systems.

Progress on Cedar Dam Project - Lièvre River Power (Quebec)

We continued to make progress on the Cedar Dam project in the third quarter with the signing of a 20-year Power Purchase Agreement with Hydro Québec. It is expected that the Fund will receive final approvals from the Government of Québec in the fourth quarter of 2003 and once all permits are obtained, the Fund will award a design build contract for on site construction. The construction of this new 9 MW hydroelectric generating station on the Lièvre River will increase annual generation by 62 gigawatt hours ("GWh") of energy. The $23.6 million project is expected to be in service in the summer of 2005.

Rapid Response to August Blackout in North America

During the massive power blackout in August which occurred across much of northeastern North America, our teams in Ontario and Quebec were able to return power to customers safely and quickly, while at the same time protecting the Fund's facilities. In this time of crisis our priority was full cooperation with all system operators. Our successful handling of this power outage and quick response time confirms our commitment to excellence and high quality assets.

A Look Ahead

With the successful integration of the assets we acquired last year, we are maintaining our focus on optimizing our high quality hydroelectric generation capacity and continue to look for opportunities to expand our portfolio and create synergies across our operations. The Hafslund acquisition is that kind of opportunity; one that builds on our existing New England operations. With the return to more inflows at Lièvre River Power and Maine Power and with water levels in our reservoirs at planned levels for this time of year, the Fund enters the fourth quarter in a strong position.

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

Power generation returned to normal levels for all power system, during the third quarter, with the exception of Mississagi Power. Water inflow improved significantly in the Maine and Lièvre River power systems from the first half of the year with a return to long-term average production and average reservoir levels by the end of the third quarter. Generation at Mississagi Power was negatively impacted by lower water inflow; however, its reservoirs were maintained at average levels entering the fourth quarter.

Power delivered by each of the systems is shown below.

GENERATION (GWh)

	Three months ended Sept. 30			*Nine months ended Sept. 30*			*Annual*
	2003	*2002*	*Long-term average*	***2003***	*2002*	*Long-term average*	*long-term average*
Lièvre River Power	**312**	327	314	**805**	1,213	1,077	1,418
Powell River Energy	**62**	78	66	**199**	234	179	261
Maine Power (1)	**158**	173	177	**349**	339	550	730
Mississagi Power (2)	**140**	178	239	**474**	284	612	750
New Hampshire Power (2)	**37**	34	43	**108**	46	141	185
	709	790	839	**1,935**	2,116	2,559	3,344

(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 decreased, due to lower generation output compared to the same periods last year.

REVENUES

	Three months ended Sept. 30		*Nine months ended Sept. 30*	
CDN $ millions	***2003***	*2002*	***2003***	*2002*
Lièvre River Power	**$ 11.6**	$ 12.3	**$ 31.5**	$ 43.4
Powell River Energy	**2.2**	2.7	**7.1**	8.2
Maine Power (1)	**7.8**	9.9	**17.7**	18.9
Mississagi Power (2)	**8.0**	10.3	**27.3**	16.4
New Hampshire Power (2)	**1.8**	1.9	**5.5**	2.6
	$ 31.4	$ 37.1	**$ 89.1**	$ 89.5

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

Cash requirements during the third quarter totalled $35.6 million, a decrease of $1.1 million over the same period last year primarily due to lower interest rates on bridge financing and lower water royalties at Mississagi Power.

CASH REQUIREMENTS

CDN $ millions	*Three months ended Sept. 30* **2003**	*2002*	*Nine months ended Sept. 30* **2003**	*2002*
Operating expenses [1]	**$ 9.1**	$ 9.3	**$ 26.6**	$ 23.0
Interest expense [1]	**6.6**	7.5	**19.8**	19.2
Distributions paid and payable	**14.5**	14.5	**43.5**	38.4
Capital program reserve	**5.4**	5.4	**16.1**	10.8
	$ 35.6	$ 36.7	**$ 106.0**	$ 91.4

(1) Operating expenses and interest expense differ from the Consolidated Statement of Income by $1.1 and $0.2 million respectively ($2.1 and $0.2 million respectively) for the three-month period and $3.8 and $0.5 million respectively ($ 4.4 million and nil respectively) for the nine-month period as a result of the inclusion of a portion of maintenance and interest expense in the capital program reserve above.

Expenses

During the third quarter, **operating and maintenance** expenses totalled $9.6 million compared to $10.8 million in 2002 due primarily to lower water royalties at Mississagi Power and timing of major maintenance. These expenses are included in the capital program reserve.

During the third quarter, **selling and administrative** expenses remained consistent at $0.6 million and **interest and financing fees** totalled $6.8 million, a decrease of $0.9 million from the same quarter in 2002 as a result of lower financing fees on the bridge facilities. **Depreciation and amortization** expense for the third quarter decreased to $5.9 million from $6.7 million in 2002 due to 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 assets and commitment to increasing 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.

CONSOLIDATED BALANCE SHEET

CDN $ thousands	***September 30 2003***	*December 31 2002*
ASSETS	*Unaudited*	
Current		
Cash and cash equivalents	**$ 1,927**	$ 2,417
Accounts receivable	**6,274**	5,187
Prepaid expenses and maintenance materials	**4,741**	6,184
	12,942	13,788
Property, plant and equipment	**975,144**	1,026,357
Other assets	**1,400**	1,403
	$ 989,486	$ 1,041,548
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts and other payables	**$ 9,640**	$ 16,750
Distribution payable to unitholders	**4,828**	14,483
Bridge facility	**150,000**	150,000
Credit facility	**24,305**	7,300
	188,773	188,533
Long-term debt	**304,550**	316,697
Deferred credits	**16,148**	16,673
	509,471	521,903
Unitholders' equity	**480,015**	519,645
	$ 989,486	$ 1,041,548

See accompanying notes

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

CDN $ thousands	***September 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	**20,856**	30,864
Distributions to unitholders	**(43,449)**	(52,908)
Deficit, end of the period	**(75,511)**	(52,918)
Currency translation adjustment	**(17,782)**	(745)
Unitholders' equity, end of period	**$ 480,015**	$ 519,645

See accompanying notes

CONSOLIDATED STATEMENT OF INCOME

Unaudited *CDN $ thousands, except per trust unit amounts*	*Three months ended Sept. 30* ***2003***	 *2002*	*Nine months ended Sept. 30* ***2003***	 *2002*
Revenues	**$ 31,402**	$ 37,051	**$ 89,093**	$ 89,458
Expenses				
Operating and maintenance	**9,563**	10,774	**28,443**	25,601
Selling and administrative expenses	**648**	599	**2,002**	1,769
	21,191	25,678	**58,648**	62,088
Interest and financing fees	**6,845**	7,713	**20,336**	19,206
Income before non-cash items	**14,346**	17,965	**38,312**	42,882
Depreciation and amortization	**5,871**	6,668	**17,700**	15,824
Future taxes	**(79)**	11	**(244)**	(1,479)
Net income	**$ 8,554**	$ 11,286	**$ 20,856**	$ 28,537
Net income per trust unit	**$ 0.18**	$ 0.23	**$ 0.43**	$ 0.71
Weighted average number of units outstanding (000s)	**48,276**	48,276	**48,276**	40,253

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited *CDN $ thousands*	*Three months ended Sept. 30* ***2003***	 *2002*	*Nine months ended Sept. 30* ***2003***	 *2002*
Operating activities				
Income before non-cash items	**$ 14,346**	$ 17,965	**$ 38,312**	$ 42,882
Change in non-cash working capital	**(1,459)**	18,281	**(6,987)**	5,930
	12,887	36,246	**31,325**	48,812
Investing activities				
Purchase of power systems	**—**	—	**—**	(637,078)
Additions to capital assets	**(2,895)**	(10,822)	**(10,228)**	(15,482)
	(2,895)	(10,822)	**(10,228)**	(652,560)
Financing activities				
Issuance of trust units	**—**	—	**—**	205,800
Payment of issuance costs	**—**	(394)	**—**	(6,263)
Financing fees	**(175)**	(702)	**(188)**	(965)
Bridge facility – issuance	**—**	4,654	**—**	527,360
Bridge facility – repayment	**—**	(45,000)	**—**	(246,500)
Credit facility – drawdown	**2,323**	—	**17,005**	12,586
Credit facility – repayment	**—**	(8,500)	**—**	(19,586)
Long term debt – issuance	**—**	37,500	**14,700**	37,500
Promissory note payable	**—**	(711)	**—**	(1,898)
Distributions to unitholders	**(14,483)**	(14,121)	**(53,104)**	(33,176)
	(12,335)	(27,274)	**(21,587)**	474,858
Increase (decrease) in cash and cash equivalents	**(2,343)**	(1,850)	**(490)**	(128,890)
Cash and cash equivalents, beginning of period	**4,270**	26,686	**2,417**	153,726
Cash and cash equivalents, end of period	**$ 1,927**	$ 24,836	**$ 1,927**	$ 24,836
Supplementary information:				
Interest paid	**$ 6,762**	$ 5,176	**$ 19,963**	$ 14,351
Taxes paid	**10**	170	**260**	655

See accompanying notes

All figures in CDN $ thousands
September 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.

(b) During the first nine months of 2003, the Fund drew down $5,005 from the hydrology reserve facilities provided by Brascan Power, which 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.

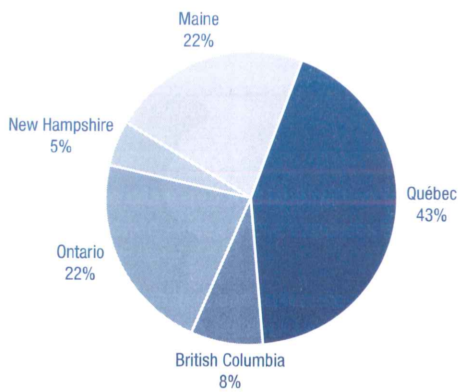
3. Subsequent event

On October 29, 2003, Brascan Power, which owns 50.1% of the Fund, agreed to assign to the Fund its agreement to purchase three hydroelectric power plants located in northeastern United States, for a total consideration of US$30,000.

Diversification

The watershed diversity of the Fund's hydroelectric facilities across five geographic regions in North America and our significant storage capacity contribute to our 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%**

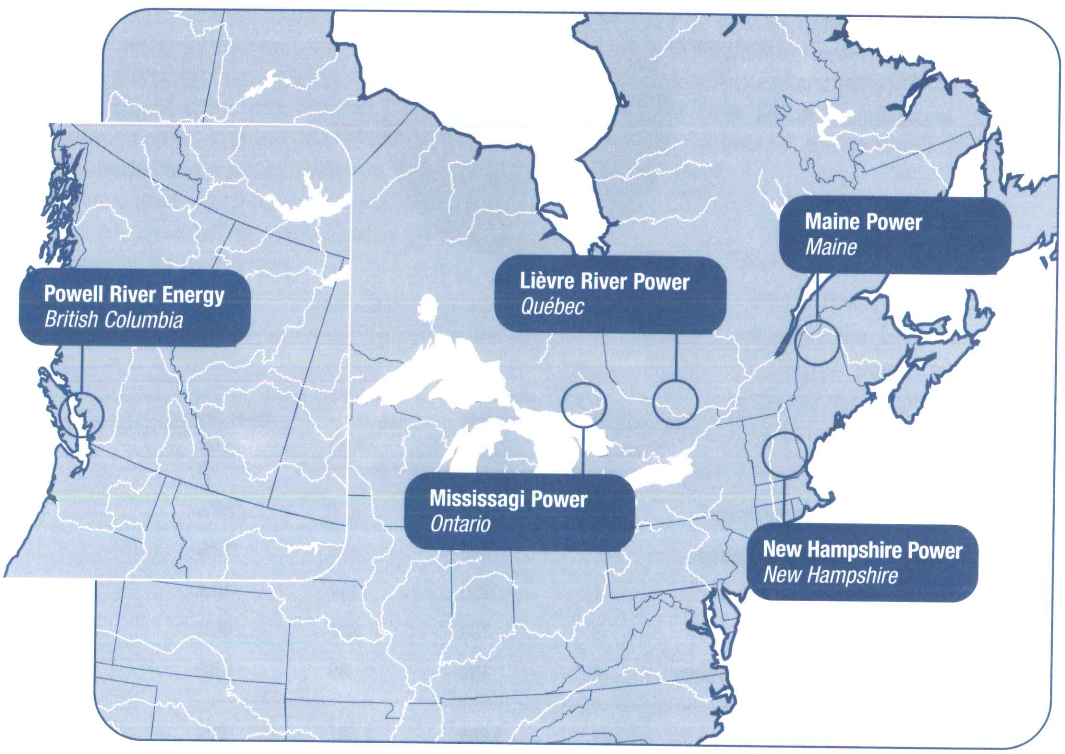
(1) The Fund owns a 50% economic interest in the facilities. Systems statistics represent 100% of the facilities.

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. 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.