Consolidated Statement of Financial Position

($ Thousands; unaudited)	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and short-term investments	**48,156**	57,945
Restricted cash	**1,313**	3,084
Transportation security deposits and revenue adjustments	**7,465**	8,538
Receivables	**66,648**	59,155
Inventory	**4,545**	5,071
Prepaid expenses and other	**5,651**	9,848
	133,778	143,641
Long-term receivables	**353,177**	351,629
Pipeline, plant and other capital assets	**2,290,260**	2,286,255
Intangible assets	**93,497**	59,647
Other assets	**23,205**	23,727
	2,893,917	2,864,899
Liabilities		
Current liabilities		
Payables	**76,908**	91,264
Transportation security deposits	**3,195**	4,008
Distribution payable	**4,891**	6,406
Current portion of long-term senior debt	**246,843**	145,014
Subordinated convertible debentures and exchangeable debentures	**52,062**	49,302
	383,899	295,994
Long-term senior debt	**1,460,723**	1,534,689
Future taxes	**294,283**	291,279
Other long-term liabilities	**44,014**	44,211
	2,182,919	2,166,173
Partners' Equity		
Partners' capital account	**1,099,398**	1,057,239
Cumulative other comprehensive loss	**(46,428)**	(54,624)
Cumulative net income	**616,211**	583,718
Cumulative distributions	**(958,183)**	(887,607)
	710,998	698,726
	2,893,917	2,864,899

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statement of Income and Cumulative Income

	Three months ended June 30		Six months ended June 30	
($ Thousands, except per Unit amounts; unaudited)	**2010**	2009	**2010**	2009
Revenues				
Operating revenues	**166,959**	148,564	**326,472**	297,384
Interest and other	**1,006**	726	**1,470**	2,710
	167,965	149,290	**327,942**	300,094
Expenses				
Operations and maintenance	**48,795**	45,767	**102,736**	97,040
Depreciation and amortization	**34,841**	35,750	**68,626**	71,995
Interest and other finance	**27,672**	25,400	**55,284**	51,526
General, administrative and project development	**23,624**	21,077	**49,304**	43,489
Foreign exchange and other	**8,014**	(526)	**8,852**	2,193
	142,946	127,468	**284,802**	266,243
Net income before taxes	**25,019**	21,822	**43,140**	33,851
Current taxes	**1,040**	2,717	**6,602**	2,819
Future taxes	**5,560**	(854)	**4,045**	(231)
Net income	**18,419**	19,959	**32,493**	31,263
Cumulative net income at the beginning of the period	**597,792**	557,447	**583,718**	546,143
Cumulative net income at the end of the period	**616,211**	577,406	**616,211**	577,406
Net income per Unit				
Basic and diluted	**0.13**	0.15	**0.23**	0.23

Consolidated Statements of Comprehensive Income and Cumulative Other Comprehensive Income

	Three months ended June 30		Six months ended June 30	
($ Thousands; unaudited)	**2010**	2009	**2010**	2009
Net income	**18,419**	19,959	**32,493**	31,263
Other comprehensive income (loss), net of taxes				
Cumulative translation adjustment				
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**18,851**	(38,882)	**8,904**	(25,886)
Deemed realization of cumulative translation adjustment reclassified to net income	**2,143**	377	**5,496**	1,038
Gain (loss) on hedge of self-sustaining foreign operation	**(3,636)**	11,430	**(3,138)**	7,870
Fair value loss transferred to net income	**–**	–	**–**	1,427
Other	**(1,404)**	607	**(2,886)**	869
	15,954	(26,468)	**8,376**	(14,682)
Comprehensive income (loss)	**34,373**	(6,509)	**40,869**	16,581
Cumulative other comprehensive income (loss) at the beginning of the period	**(62,202)**	4,480	**(54,624)**	(7,306)
Other comprehensive income (loss), net of taxes	**15,954**	(26,468)	**8,376**	(14,682)
Cumulative other comprehensive loss at the end of the period	**(46,248)**	(21,988)	**(46,248)**	(21,988)

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Three months ended June 30		Six months ended June 30	
($ Thousands; unaudited)	**2010**	2009	**2010**	2009
Operating				
Net income	**18,419**	19,959	**32,493**	31,263
Non-cash transportation revenue	**1,031**	(1,683)	**2,079**	(1,252)
Depreciation, amortization and other non-cash items	**39,362**	39,290	**68,326**	73,842
Unrealized foreign exchange loss	**8,667**	445	**9,138**	222
Future taxes	**5,560**	(854)	**4,045**	(231)
Changes in non-cash working capital	**(31,977)**	(23,930)	**(8,752)**	(26,237)
	41,062	33,227	**107,329**	77,607
Financing				
Long-term debt repaid	**(36,553)**	(36,300)	**(38,034)**	(37,287)
Net change in credit facilities	**(17,038)**	(12,533)	**55,505**	6,457
Distributions paid	**(12,538)**	(22,037)	**(29,939)**	(55,552)
Other	**–**	(512)	**–**	(512)
	(66,129)	(71,382)	**(12,468)**	(86,894)
Investing				
Acquisition of Northbrook New York, LLC, net of cash acquired	**–**	–	**(80,708)**	–
Pipeline, plant and other capital assets	**(7,483)**	(5,555)	**(14,524)**	(14,074)
Restricted cash	**7**	4,291	**1,770**	11,911
Other	**(676)**	–	**(2,456)**	(1,008)
Changes in non-cash investing working capital	**(806)**	(1,586)	**(9,627)**	(8,801)
	(8,958)	(2,850)	**(105,545)**	(11,972)
Decrease in cash and short-term investments before the effect of foreign exchange rate changes on cash and short-term investments	**(34,025)**	(41,005)	**(10,684)**	(21,259)
Effect of foreign exchange rate changes on cash and short-term investments	**1,401**	(3,085)	**895**	(2,577)
Cash and short-term investments at the beginning of the period	**80,780**	76,318	**57,945**	56,064
Cash and short-term investments at the end of the period	**48,156**	32,228	**48,156**	32,228
Cash and short-term investments	**32,074**	19,339	**32,074**	19,339
Cash and short-term investments in trust	**16,082**	12,889	**16,082**	12,889
	48,156	32,228	**48,156**	32,228
Supplemental disclosure of cash flow information				
Interest paid	**44,223**	47,986	**53,461**	52,700
Taxes paid, net of refunds received	**8,532**	125	**14,758**	22,681

See accompanying Notes to the Consolidated Financial Statements

Notes to Consolidated Financial Statements

Three and six months ended June 30, 2010 and 2009

($ Thousands, except where noted; unaudited)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Fort Chicago Energy Partners L.P. (the "Partnership") have been prepared by management in accordance with accounting principles generally accepted in Canada following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2009. These interim consolidated financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the consolidated financial statements in the Partnership's annual report for the year ended December 31, 2009. Operating results for the three and six months ended June 30, 2010 and June 30, 2009 are not necessarily indicative of the results for the full year.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the CICA Accounting Standards Board confirmed that all Canadian publicly accountable enterprises will be required to retrospectively adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The Partnership is currently assessing the impact of the convergence of Canadian generally accepted accounting principles with IFRS on its results of operations, financial position and disclosures.

3. ACQUISITION OF NORTHBROOK NEW YORK, LLC

On March 18, 2010, pursuant to its offer dated December 21, 2009, the Partnership acquired all of the outstanding shares of Northbrook New York, LLC ("Northbrook") for cash consideration, including transaction costs, of approximately $83.1 million. Northbrook owns the Glen Park facility, a 33 megawatt hydro-power generation facility in upstate New York. The acquisition was financed from existing bank credit facilities.

The acquisition of Northbrook has been accounted for using the purchase method, as set out below, and its results of operations since the date of acquisition have been reported on a consolidated basis. The purchase price allocation below is preliminary pending a final determination of the fair value of the assets and liabilities acquired. The final allocation may differ from the preliminary allocation.

Working capital, including cash of $1.9 million	3,285
Capital assets	44,108
Intangible assets	35,740
	83,133

4. PARTNERS' CAPITAL

Authorized

The Partnership is authorized to issue an unlimited number of Class A Units ("Units") and Class B Units, issuable in series.

Issued

	2010		2009	
Units	**Number**	**Value**	Number	Value
January 1 opening balance	**139,500,445**	**1,057,239**	134,110,877	1,013,278
Units issued under Distribution Reinvestment Plan ("DRIP") (1)	**2,025,381**	**20,095**	556,682	3,763
March 31	**141,525,826**	**1,077,334**	134,667,559	1,017,041
Units issued under DRIP	**1,553,474**	**15,037**	1,078,728	7,850
June 30	**143,079,300**	**1,092,371**	135,746,287	1,024,891
Units to be issued under DRIP (1)	**707,757**	**7,027**	518,281	4,072
	143,787,057	**1,099,398**	136,264,568	1,028,963

(1) Represents Units issued to satisfy a portion of the Partnership's distributions.

The weighted average number of Units outstanding used to determine net income per Unit on a basic and diluted basis for the three months ended June 30, 2010 was 141,740,341 (2009 – 134,794,021) and 144,001,962 (2009 – 137,055,642), respectively. The weighted average number of Units outstanding used to determine net income per Unit on a basic and diluted basis for the six months ended June 30, 2010 was 140,698,103 (2009 – 135,195,266) and 142,959,724 (2009 – 137,456,887), respectively.

5. SEGMENTED INFORMATION

	Pipeline		NGL		Power		Corporate (1)		Total (2)	
Three months ended June 30	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues (3)	**102,409**	106,142	**45,098**	28,156	**22,203**	16,903	**79**	122	**167,965**	149,290
Operations and maintenance (3)	**19,280**	19,942	**18,582**	17,221	**12,757**	10,637	**–**	–	**48,795**	45,767
Depreciation and amortization	**27,405**	29,000	**898**	786	**5,524**	4,947	**1,014**	1,017	**34,841**	35,750
Interest and other finance	**20,188**	22,206	**174**	41	**1,824**	479	**5,486**	2,674	**27,672**	25,400
General, administrative and project development	**10,952**	8,929	**4,475**	4,225	**1,206**	1,045	**6,991**	6,878	**23,624**	21,077
Foreign exchange and other	**–**	–	**25**	(6)	**4,072**	2,008	**3,917**	(2,528)	**8,014**	(526)
Net income (loss) before taxes	**24,584**	26,065	**20,944**	5,889	**(3,180)**	(2,213)	**(17,329)**	(7,919)	**25,019**	21,822
Total assets	**2,233,151**	2,410,735	**183,346**	185,782	**460,925**	468,299	**16,495**	12,369	**2,893,917**	3,076,263
Capital expenditures	**2,510**	478	**1,977**	369	**2,970**	4,684	**26**	24	**7,483**	5,555

	Pipeline		NGL		Power		Corporate [1]		Total [2]	
Six months ended June 30	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues [3]	**204,641**	214,064	**82,729**	49,697	**44,151**	39,842	**79**	698	**327,942**	300,094
Operations and maintenance [3]	**37,869**	39,121	**41,238**	35,544	**27,287**	26,582	**–**	–	**102,736**	97,040
Depreciation and amortization	**54,591**	58,034	**1,825**	1,666	**10,188**	10,263	**2,022**	2,032	**68,626**	71,995
Interest and other finance	**40,677**	44,605	**342**	221	**3,623**	1,061	**10,642**	5,639	**55,284**	51,526
General, administrative and project development	**22,341**	18,278	**8,949**	8,923	**2,627**	2,096	**15,387**	14,192	**49,304**	43,489
Foreign exchange and other	**–**	–	**41**	(6)	**2,226**	4,039	**6,585**	(1,840)	**8,852**	2,193
Net income (loss) before taxes	**49,163**	54,026	**30,334**	3,349	**(1,800)**	(4,199)	**(34,557)**	(19,325)	**43,140**	33,851
Total assets	**2,233,151**	2,410,735	**183,346**	185,782	**460,925**	468,299	**16,495**	12,369	**2,893,917**	3,076,263
Capital expenditures	**3,800**	1,688	**5,454**	691	**5,152**	11,500	**118**	195	**14,524**	14,074

(1) Reflects unallocated amounts applicable to Fort Chicago's head office activities. Corporate office general and administrative costs for the three and six months ended June 30, 2010 include project development costs of $3.2 million (2009 – $3.1 million) and $7.7 million (2009 – $5.7 million), respectively.
(2) After giving effect to intersegment eliminations and allocations to businesses.
(3) For the three and six months ended June 30, 2010, Pipeline revenues include $1.8 million (2009 – $2.0 million) and $3.7 million (2009 – $4.2 million), respectively, of transportation revenue from the NGL Business that eliminates upon consolidation. The operations and maintenance costs of the NGL Business include the corresponding cost amount.
(4) The Partnership holds its ownership interests in multiple business lines through partnerships, which are consolidated into various corporate entities. Consequently, the tax provision is determined on a consolidated basis and, as such, the Partnership is not able to present income tax expense by business segment.

6. SUBSEQUENT EVENTS

Series C Convertible Unsecured Subordinated Debentures

On July 19, 2010 the Partnership closed a public offering of $75 million aggregate principal amount of 5.75 percent convertible unsecured subordinated debentures, Series C (the "Series C Debentures") at a price of $1,000 per Series C Debenture. The Series C Debentures pay interest semi-annually in arrears on January 31 and July 31 each year commencing on January 31, 2011, and have a maturity date of July 31, 2017. The Series C Debentures are convertible, at the option of the holder, at any time into Units at a conversion price of $14.60 per Unit. The approximate $71.5 million of net proceeds were used by the Partnership to repay a portion of its outstanding indebtedness under its credit facilities.

The Series C Debentures are direct unsecured obligations of the Partnership, subordinated to its existing credit facilities, and rank equally with all other unsecured and subordinated indebtedness of the Partnership including the 6.75 percent convertible unsecured subordinated debentures, Series B. The Series C Debentures may be redeemed by the Partnership, in certain circumstances, in whole or in part from time to time after July 31, 2013.

On July 22, 2010 the underwriters exercised the over-allotment option in full and purchased an additional $11.25 million principal amount of Series C Debentures. The Partnership intends to use the net proceeds of approximately $10.8 million to repay a portion of its outstanding indebtedness under its credit facilities, to finance its ongoing acquisition and development activities and for general corporate purposes.

2008 Credit Facility

The Partnership's 2008 Credit Facility, comprised of a $25 million revolving credit facility and a $25 million term facility, was scheduled to mature on July 15, 2010. On July 12, 2010, the Partnership executed an amendment to extend the maturity date to August 31, 2010.

Distributions to Unitholders

On July 23, 2010, the Partnership declared its July distribution of $0.0833 per Unit, payable on August 24, 2010 to Unitholders of record on July 30, 2010.