PRIMARY ENERGY RECYCLING CORPORATION

(Amended) Unaudited Consolidated Financial Statements
(In US Dollars)

Period from August 24, 2005 to September 30, 2005

TABLE OF CONTENTS

PRIMARY ENERGY RECYCLING CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars)
(Unaudited)

(Amended – See Note 14 & 15)

ASSETS		September 30, 2005
Current assets:		
Cash and cash equivalents	$	11,676
Accounts receivable		10,845
Spare parts inventory		1,033
Other current assets		1,196
Total current assets		24,750
Property and equipment, net		254,255
Intangible assets, net (See note 11)		210,052
Deferred finance fees, net		8,330
Foreign currency exchange contracts (See note 14)		4,961
Interest rate swap (See note 14)		293
Total assets	$	502,641
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$	369
Accrued property taxes		3,621
Accrued interest payable		2,179
Distributions payable		2,694
Accrued expenses		2,702
Interest rate swap (See note 14)		54
Total current liabilities		11,619
Long term debt (See note 5)		217,709
Deferred tax liability (See note 10)		39,889
Asset retirement obligation		2,702
Total liabilities		271,919
Non-controlling interest (See note 7)		53,878
Commitments and contingencies (See note 6)		—
Shareholders' equity:		
Common stock (See note 8)		178,571
Shareholders' deficit		(1,727)
Total shareholders' equity		176,844
Total liabilities, non-controlling interests and shareholders' equity	$	502,641

The accompanying notes are an integral part of these financial statements.

PRIMARY ENERGY RECYCLING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND SHAREHOLDERS' DEFICIT

(*In thousands of U.S. dollars, except for per share amounts)*

(Unaudited)

(Amended – See Note 14 & 15)	Period from August 24, 2005 to September 30, 2005
Revenue:	
Capacity	$ 3,782
Energy Service	5,383
	9,165
Expenses:	
Operations and maintenance	2,945
General and administrative	935
Depreciation and amortization	4,117
Operating income	1,168
Other Income (Expense):	
Interest income (expense), net	(2,166)
Unrealized gain on derivative hedge contracts (See note 14)	5,672
(Loss) on foreign currency translation	(2,679)
Income before income taxes	1,995
Income tax benefit	111
Income before non-controlling interest	2,106
Non-controlling interest in class B Preferred	(160)
Non-controlling interest in class B Common	(1,436)
Net Income	$ 510
Shareholders' deficit – beginning of period	–
Distributions	(2,237)
Shareholders' deficit – end of period	$ (1,727)
Weighted average number of shares outstanding	28,697,368
Net income per share	$ 0.02

The accompanying notes are an integral part of these financial statements.

PRIMARY ENERGY RECYCLING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of U.S. dollars)
(Unaudited)

(Amended – See Note 14 & 15)

		Period from August 24, 2005 to September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	510
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		4,117
Unrealized loss on foreign currency translation		2,679
Unrealized gain on foreign currency exchange contracts		(5,672)
Amortization of deferred finance costs		128
Deferred income taxes		(111)
Accretion of asset retirement obligations		19
Changes in operating assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable		(597)
Other assets		(686)
Accounts payable		123
Accrued property taxes		(1,087)
Accrued interest payable		2,179
Accrued expenses and distributions payable		(753)
Non-controlling interests		1,436
Net cash provided by operating activities		2,285
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business acquisitions, net of cash acquired of $5,482		(157,911)
Purchase of Class B Minority Interest Shares upon exercise of over-allotment option		(20,237)
Net cash (used in) investing activities		(178,148)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sale of initial public offering common shares		163,393
Net proceeds from sale of common shares upon exercise of over-allotment option		15,178
Debt issuance		209,690
Net proceeds from sale of subordinated notes upon exercise of over-allotment option		5,339
Payments on long-term debt		(160,009)
Payment of deferred financing fees		(8,458)
Payment of predecessor debt prepayment penalties		(37,594)
Net cash provided by (used in) financing activities		187,539
Net increase in cash		11,676
Cash – beginning of period		—
Cash – end of period	$	11,676
Supplemental non-cash financing activities		
Accrued EIS distribution		2,237
Accrued non-controlling interests distribution		457

The accompanying notes are an integral part of these financial statements.

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and do not contain all of the disclosures required for annual financial statements. Accordingly, the interim consolidated financial statements included herein should be read in conjunction with the consolidated financial statements as of December 31, 2004 and 2003 and for the year ended December 31, 2004, the three months ended December 31, 2003, the nine months ended September 30, 2003 and the year ended December 31, 2002 included in the Company's final prospectus dated August 16, 2005. The interim condensed consolidated financial statements for the period from August 24, 2005 to September 30, 2005 include all normal recurring adjustments which management considers necessary for fair presentations.

2. Description of Business

Primary Energy Recycling Corporation (the "Company" or "Issuer") initiated business activity on August 24, 2005 upon execution of an initial public offering (the "Offering") for the sale of 28.5 million enhanced income securities ("EISs"). In conjunction with the Offering, the Company acquired a majority interest in Primary Energy Recycling Holdings LLC ("PERH"). PERH, headquartered in Oak Brook, Illinois, indirectly owns and operates four recycled energy projects and a 50% interest in a pulverized coal facility all located in the United States (collectively, the "Projects"). The Projects have a combined electrical generating capacity of 283 megawatts and a combined steam generating capacity of 1,851 Mlbs/hour. PERH creates value for its customers by capturing and recycling waste energy from industrial processes and converting it into reliable and economical electricity and thermal energy for its customers' use. For more detailed discussion with respect to the business, please see the Company's (final) prospectus dated August 16, 2005.

3. Acquisition

The Issuer was formed for the purpose of acquiring an indirect interest in five energy projects located in the United States of America from Primary Energy Recycling Holdings LLC ("PERH"). The interests of PERH in the Projects were held by their wholly-owned subsidiary, Primary Energy Operations LLC ("PEO"). The estimated net proceeds from the Offering, after deducting fees payable to the underwriters of the Offering and estimated expenses of the Offering, were approximately Cdn$264 million. In addition to the Cdn$71.25 million of 11.75% subordinated notes represented by EISs following the completion of the Offering, Cdn$18.5 million of such subordinated notes were sold separately (the "Separate Subordinated Notes"). The Company also arranged for a new credit facility in the aggregate amount of Cdn$180.0 million under a new credit facility (the "Credit Facility"), of which Cdn$162.0 million was drawn as of the closing of the Offering.

The Issuer used the proceeds from the Offering, together with net proceeds of approximately Cdn$16.8 million from the sale of the Separate Subordinated Notes, to subscribe for 100% of the Class A common interest and preferred interests of Primary Energy Recycling Holding LLC ("PERH"). Primary Energy Holdings, LLC ("PEH") owns 100% of the Class B common and preferred interests of PERH. PERH used approximately Cdn$281.9 million of the proceeds from the subscription for membership interests received from the Issuer to repay approximately Cdn$205.6 million of outstanding senior indebtedness and make a Cdn$75.5 million capital contribution to PEO. PEO used the Cdn$75.5 million of proceeds from the capital contribution by PERH plus Cdn$161.6 million drawn under the New Credit Facility, to make a capital contributions to each of North Lake, Ironside, Cokenergy and Portside. Each of North Lake, Ironside, Cokenergy and Portside used the proceeds of the capital contributions from PEO to repay outstanding senior indebtedness. Harbor Coal used the proceeds of the capital contribution from PEO to make a capital contribution to PCI Associates, which in turn used such proceeds to repurchase the leased portion of the coal pulverization facility from its lessor. Following Closing and prior to exercise of the over-allotment option (the “Over-Allotment Option”), the Issuer owned a 76.5% financial interest in PERH and Existing Investor indirectly owned a 23.5% financial interest in PERH.

(In thousands of U.S. dollars, unless specified)

The acquisition of PERH has been accounted for using the purchase method. The net cash purchase price of $163,393 has been allocated to the consolidated assets and liabilities at August 24, 2005 as follows:

Current assets less current liabilities	$ 11,604
Property and equipment	255,506
Contract value intangibles	212,645
Deferred financing fees on acquisition debt	8,177
Other assets	970
Long-term debt	(209,690)
Asset retirement obligation	(2,682)
Deferred tax liability	(40,000)
Non-controlling interest	(73,137)
	$ 163,393

The Company is in the process of finalizing its purchase price allocation. In particular, it is finalizing its estimates of the fair values of property, plant and equipment, power purchase contracts, evaluation certain assumed obligations and determining the tax basis of the assets acquired. Final adjustments from these activities are expected to be reflected in the Company’s annual financial statements in the fourth calendar quarter and for the year ended December 31, 2005.

The Issuer granted the Underwriters an Over-Allotment Option to purchase up to a total of 4.275 million additional EISs for the purpose of covering over-allotments, if any, and for market stabilization purposes. On September 23, 2005 the Over-Allotment Option was partially exercised to purchase 2.5 million EISs resulting in net proceeds of approximately $20.2 million. The Issuer used the net proceeds to acquire additional Class A common and preferred membership interests in PERH. PERH in turn used such amounts to acquire, on a pro rata basis, Class B preferred and common interests in PERH. Upon exercise of the Over-Allotment Option, the Issuer owns 83.2% of PERH and Existing Investors own a 16.8% financial interest in PERH.

4. Principles of Consolidation

The consolidated financial statements include the accounts of the Company's subsidiary, PERH and it's wholly owned subsidiary PEO.

5. Long-term Debt

Long-term obligations consist of the following (amounts in thousands):

		September 30, 2005
Notes payable……	$	135,000
Subordinated debt……		82,709
	$	217,709

Maturities of long-term debt are as follows (amounts in thousands):

		September 30, 2005
Year ending December 31:		
2005 ……	$	-
2006 ……		-
2007 ……		-
2008 ……		-
2009 ……		135,000
Thereafter……		82,709
Total ……	$	217,709

New Credit Agreement

The New Credit Facility (the "Credit Facility") is a $135.0 million secured four-year term loan facility and a three-year $15.0 million secured revolving credit facility, of which $0 has been drawn as of September 30, 2005. The Credit Facility bears interest at a base rate plus applicable margin. For the period August 24, 2005 through September 7, 2005, the interest rate is defined using a fixed Prime rate of 6.5% plus 1.75%. For the period September 8, 2005 through September 30, 2005, the interest rate is defined using a fixed LIBOR rate of 3.77% plus 2.75%. The Credit Facility has a standby fee of 0.5% of the undrawn availability associated with the revolving credit facility.

Subordinated and Separate Subordinated Notes

Subordinated debt issued in the Offering totaled US$59.3 million or Cdn$71.25 million (as denominated in Canadian dollars using an exchange rate of Cdn$1.20235 per US$1.00). The Subordinated Notes have a stated annual interest rate of 11.75% and a term of 12 years. In connection with the Offering, the Company issued the equivalent of US$15.4 million or Cdn$18.5 million (denominated in Canadian dollars using an exchange rate of Cdn$1.20235 per US$1.00) of Separate Subordinated Notes with a stated annual interest rate of 11.75% and a term of 12 years.

6. Commitments and Contingencies

Environmental Matters

The Company's operations are subject to a number of federal, state and local laws and regulations relating to the protection of the environment and the safety and health of personnel and the public. Some of the Company's operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities. These requirements relate to a broad range of activities, including:

- Discharge of pollutants into the air, water and soil

- Identification, generation, storage, handling, transportation, disposal, record keeping, labeling and reporting of, and the emergency response in connection with, hazardous and toxic materials and wastes including asbestos

- Safety and health standards, practices and procedures that apply to the workplace and the operation of facilities

The US Environmental Protection Agency (EPA) has recently promulgated two significant air quality regulations, the Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR). These rules are designed to greatly reduce emissions of nitrogen oxides (NOx), sulfur dioxide (SO_2) and mercury (Hg) into the environment and are focused on obtaining these reductions from the electricity industry. States will be responsible for developing and implementing rules to reduce emissions of these pollutants within their state boundaries. To aid the states in developing their reduction program, the EPA has made available a model rule that States can adopt if they wish. Although the model rules proposed by EPA would not affect any of our existing operations, it must be noted that States are free develop any program they want as long as they meet the overall emission reduction targets established in the EPA rules. As the States have yet to begin their rules development process, we can not predict whether any of our facilities might be affected by alternate rules developed under these programs.

Our facilities are subject to the Industrial Boiler Maximum Achievable Control Technology (MACT) standards and the Stationary Gas Turbine MACT where we have boilers or combustion turbines associated with our operations. In the first phase of compliance with the

(In thousands of U.S. dollars, unless specified)

MACT, we have been required to submit a notice of coverage to the appropriate state and federal environmental officials. At this time, current controls are deemed sufficient to meet required standards and we do not anticipate any additional compliance requirements.

7. Non-controlling interests

Non-controlling interests at September 30, 2005 represents the Class B common and preferred shares of PERH retained by the existing investors in PERH upon the close of the Offering and the exercise of the Over-Allotment Option. The Class B common shares represent a 16.8% interest in PERH at September 30, 2005. Each Class B common share entitles the holder to receive distributions from PERH subject to specific requirements as disclosed in the final prospectus dated August 16, 2005.

8. Common stock

The Company issued 28.5 million EISs for cash pursuant to it initial public offering on August 24, 2005, and a further 2.5 million EISs on September 27, 2005. Each EIS was issued for Cdn$10. Each EIS consist of one common share of the Company and Cdn$2.50 off aggregate principal amount of 11.75% Subordinated Notes of the Company (note 5). Net proceeds of $178.6 million were allocated to common stock.

9. Canadian Generally Accepted Accounting Principles (Canadian GAAP)

These consolidated statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP), which in most respects conform to US GAAP. Significant differences between Canadian and US GAAP are as follows:

Net Income

	Inception to September 30, 2005
Net income Canadian GAAP (Amended)	$ 510
Equity in Partnership Net earnings(i)	427
Revenue(i)	(3,454)
Less:	
Operations and Maintenance expense(i)	900
General and Administration expense(i)	999
Depreciation expense(i)	1,128
Interest expense(i)	-
Net income US GAAP (Amended)	$ 510

(i) Under Canadian GAAP PCI Associates (a joint venture) is accounted for under the proportional consolidation method. Under US GAAP the Company's investment in PCI is accounted for under the equity method of accounting.

(In thousands of U.S. dollars, unless specified)

Balance sheet items (ii)

	September 30, 2005
Assets	
Current Assets:	
Cash and cash equivalents	$ 356
Accounts receivable	2,194
Other	10
Total current assets	2,560
Deferred finance fees	—
Property and equipment, net	39,404
Investment in unconsolidated affiliate	(101,826)
Contract Value	61,524
Total assets	$ 1,662
Liabilities and Equity	
Current Liabilities:	
Notes payable — current portion	$ —
Accrued property taxes	1,662
Accrued interest payable	—
Total current liabilities	1,662
Long-term Liabilities:	
Finance obligation	—
Total liabilities and equity	$ 1,662

(ii) Under Canadian GAAP PCI Associates (a joint venture) is accounted for under the proportional consolidation method. Under US GAAP the Company's investment in PCI is accounted for under the equity method of accounting.

As of September 30, 2005 there were no GAAP differences that would have impacted net equity.

10. Income Taxes

The Company has recorded a deferred tax liability at the purchase date (August 24, 2005) related to the differences between the values assigned to certain assets for financial reporting and income tax purposes. The deferred tax liability relates to the difference in basis of those assets contributed by the non-controlling shareholders. Additionally, the Company has established a reserve for the deferred income tax affects of the net operating loss carry forward generated during the quarter. The Company continues to evaluate the tax attributes of these assets in order to finalize purchase accounting associated with the acquisition, and therefore the deferred tax liability is subject to change.

11. Intangible assets

Intangible assets consist of Contract rights which represents the value assigned to the Projects' existing customer contracts at the date of acquisition. These rights are amortized over an average useful life of 8 years. Amortization of intangible assets amounted to $3.0 million for the thirty-eight day period ended September 30, 2005.

12. Related party transactions

The Company has a Management Agreement in place with Primary Energy Ventures LLC (the "Manager"). The Management Agreement has an initial 20-year term. The Manager provides various management and administrative services to PERC and its subsidiaries under terms defined in the Management Agreement. In accordance with the Management Agreement, the Company recorded management fees payable of $315 thousand for the period ended September 30, 2005.

13. Basic income per share

Basic income per share has been calculated using the weighted average number of units outstanding during the period of 28,697,368.

14. Derivative Instruments and Hedging Activities

The Company utilizes certain derivative instruments to enhance its ability to mange risk relating to cash flow and interest rate exposure. Derivative instruments are entered into for periods consistent with the related underlying exposures and are not entered into for speculative purposes.

Foreign Currency Exchange Contracts
The Company has entered into foreign currency exchange forward contracts (the "Forward Contracts") with a series of sixty monthly payment dates through September 2010. At September 30, 2005 all sixty of those contracts remain open. Each month, the Company will sell a fixed amount of U.S. dollars for a fixed amount of Canadian dollars at a rate of Cdn$1.1712 to U.S. $1.00 for distributions to EIS unit holders and the non-controlling interest and at a rate of Cdn$1.1713 to U.S.$1.00 for the interest distributions to the separate subordinated note holders. The Company was not required to deposit any collateral with regard to this contract. The Forward Contracts do not qualify as a cash flow hedge for accounting purposes and the change in the fair value of the Forward Contracts is reflected in income. The fair value of the Forward Contracts was $5.4 million at September 30, 2005, of which $472 thousand is recorded in other current assets. The Forward Contracts have been entered into with a major Canadian bank as counterparty. The risk associated with the Forward Contracts is the cost of replacing these instruments in the event of default by the counterparty. Management believes that this risk is remote.

Interest Rate Swap Agreements
The Company entered into interest rate swap agreements on August 31, 2005. The contracts were purchased to mitigate the cash flow risk associated with the impact of changing interest rates or payments due under the Credit Facility. The agreements do not qualify for hedge accounting treatment and are accounted for as derivatives, with the change in fair value reflected in income. The fair value of these agreements as of September 30, 2005 was a net amount of $239 thousand and has been reflected on the balance sheet as a current liability of $54 thousand and in other current assets of $293 thousand.

15. Amendment

The Company has amended its previously issued unaudited interim consolidated financial statements as at September 30, 2005 and for the period from August 24, 2005 to September 30, 2005 to properly record an unrealized gain on derivative hedge contracts of $5.7 million. This correction, net of its impact on income tax benefit and non-controlling interest, reduced the net loss reported for the 38-day period ended September 30, 2005 by $4.4 million from $3.9 million to a net income of $0.5 million, changed the net loss per share reported for the 38-day period ended September 30, 2005 from $(0.13) to a net income per share of $0.02. This correction increased total assets by $5.7 million, increased non-controlling interest by $1.3 million and reduced shareholders' deficit by $4.4 million. This correction had no impact on net cash provided by operating activities.