

Financial Statements

BRASCAN POWER CORPORATION

June 30, 2005

BRASCAN POWER CORPORATION

BALANCE SHEET

<i>thousands of CDN dollars</i>	June 30 2005	December 31 2004
	<i>(unaudited)</i>	
Assets		
Current assets		
Cash and cash equivalents	\$ 523	\$ -
Interest receivable (note 3)	963	982
	1,486	982
Promissory notes (note 3)	547,110	497,110
Deferred financing fees	4,439	4,095
Future income tax asset	245	14
	\$ 553,280	\$ 502,201
Liabilities and Shareholder's Equity		
Current liabilities		
Interest payable (note 4)	\$ 1,241	\$ 959
Taxes payable	4	23
Due to related parties	2,219	1,252
	3,464	2,234
Term debentures (note 4)	550,261	500,000
	553,725	502,234
Shareholder's deficit	(445)	(33)
	\$ 553,280	\$ 502,201

See accompanying notes to the financial statements

BRASCAN POWER CORPORATION

STATEMENT OF DEFICIT

thousands of CDN dollars
(unaudited)

Six months ended
June 30 2005

		Total
Deficit, beginning of period	\$	(33)
Net loss for the period		(412)
Deficit, end of period	\$	(445)

See accompanying notes to the financial statements

BRASCAN POWER CORPORATION

STATEMENT OF LOSS

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended June 30 2005	Six months ended June 30 2005
Revenues		
Interest revenue (note 3)	\$ 6,077	\$ 11,897
Expenses		
Interest (note 4)	6,053	11,835
Amortization	320	603
Other	66	98
	6,439	12,536
	(362)	(639)
Income tax expense (recovery)		
Current	2	4
Future	(130)	(231)
	(128)	(227)
Net loss	\$ (234)	\$ (412)

See accompanying notes to the financial statements

BRASCAN POWER CORPORATION

STATEMENT OF CASH FLOWS

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended June 30 2005	Six months ended June 30 2005
Operating activities		
Net loss	\$ (234)	\$ (412)
Items not affecting cash		
Amortization of deferred financing fees	320	603
Amortization of bond premium	(15)	(32)
Future income taxes	(130)	(231)
	(59)	(72)
Net change in non-cash working capital		
Interest receivable (note 3)	5,008	19
Accounts payable	(100)	-
Interest payable (note 4)	(4,958)	282
Taxes payable	(29)	(19)
Due to related parties	705	967
	626	1,249
	567	1,177
Investing activities		
Issuance of promissory notes (note 3)	-	(50,000)
	-	(50,000)
Financing activities		
Issuance of term debentures (note 4)	-	50,293
Financing fees paid	(593)	(947)
	(593)	49,346
Increase (decrease) in cash and cash equivalents	(26)	523
Cash and cash equivalents, beginning of period	549	-
Cash and cash equivalents, end of period	\$ 523	\$ 523
Supplementary information		
Interest paid during period	\$ 11,027	\$ 11,847

See accompanying notes to the financial statements

Brascan Power Corporation

NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2005
(in thousands of CDN dollars)

1. NATURE AND DESCRIPTION OF THE COMPANY

Brascan Power Corporation (the "Corporation") was incorporated under the laws of Ontario on June 20, 2002. The Corporation is authorized to issue an unlimited number of common shares.

The Corporation was established as a wholly-owned subsidiary of Brascan Power Inc. ("BPI") for the purpose of issuing public debt. The net proceeds of the debt issues have been advanced to BPI through promissory notes and BPI guarantees the public debt obligations of the Corporation. Following the receipt of the necessary approvals, the Corporation and BPI expect to complete a corporate reorganization whereby the Corporation will acquire from BPI all of its power generating operations, including the following:

- (i) Great Lakes Power Limited, which is wholly-owned by BPI, the 50.1% equity ownership position in Great Lakes Hydro Income Fund, and the 100% equity ownership positions in Lake Superior Power, Valerie Falls Power, Hydro Pontiac Inc., Brascan Energy Marketing Inc., Great Lakes Holding America Co; and
- (ii) BPI's incorporated and unincorporated joint venture and partnership interests in Pingston Power, and a 75% non-controlling residual interest in Louisiana HydroElectric Power.

The activities of the Corporation commenced on December 16, 2004.

2. BASIS OF PRESENTATION

The Corporation's unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to interim financial statements. All figures are reported in thousands of Canadian dollars, except as otherwise noted. These unaudited interim financial statements should be read in conjunction with the 2004 annual financial statements.

These unaudited financial statements have been prepared on a basis consistent with the disclosed audited financial statements for the fiscal year ended December 31, 2004.

The preparation of these unaudited interim financial statements requires management to make assumptions and estimates that affect the amounts reported in the financial statements and the notes. In management's opinion, these unaudited interim financial statements reflect any adjustments (consisting of normal recurring adjustments) that are necessary to fairly state the results for the periods presented. Actual results could differ from these estimates. The results reported in these financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

Brascan Power Corporation

NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2005
(in thousands of CDN dollars)

3. PROMISSORY NOTES

On January 26, 2005, the Corporation purchased a \$50,000 subordinated promissory note from BPI. The promissory note bears interest at 4.70% per annum payable semi-annually and matures on December 16, 2009.

Interest charged to BPI during the period on all promissory notes was \$11,897, a portion of which is included in interest receivable as at June 30, 2005.

4. FINANCING ACTIVITIES

On January 26, 2005 the Corporation issued \$50,000 of Series 1 Canadian debentures, which bear interest at 4.65% and are due on December 16, 2009. This offering was issued at a premium of \$293, which is being amortized over the life of the debentures. The total premium amortized to interest expense during the period was \$32.

The payment of the principal, premium, if any, and interest on the Series 1 and Series 2 Canadian debentures are unconditionally guaranteed by Brascan Power Inc. pursuant to a guarantee agreement made as of December 16, 2004 between Brascan Power and the Corporation.

5. CREDIT FACILITY

In April 2005, the Corporation obtained a US \$200,000 revolving unsecured credit facility for general corporate purposes which can be drawn upon in Canadian or US dollars. The credit facility bears interest based on Canadian prime rate and/or US base rate and/or banker's acceptance discount rate and/or US dollar LIBOR plus a margin. The credit facility is due on April 29, 2008 and ranks pari passu with all senior unsecured indebtedness of the Corporation and BPI. The credit facility is unconditionally guaranteed by BPI. The guarantee will remain in place until such time as certain conditions with respect to its release are met.