

Brascan Power Corporation

Q2 -2005 Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The management's discussion and analysis of Brascan Power Corporation (the "Company") for the second quarter of 2005 has been prepared to comply with the requirements of the Canadian Securities National Instrument 51-102, to the extent that they apply. The purpose of this discussion and analysis is to provide a framework for understanding the Company's business activities. In addition, this discussion and analysis is intended to complement and supplement the Company's financial statements. It should be read in conjunction with the Company's unaudited quarterly financial statements.

Brascan Power Corporation was incorporated and organized under the Business Corporations Act (Ontario) on June 20, 2002 and is a wholly-owned subsidiary of Brascan Power Inc. ("Brascan Power").

Due to the strategic importance of the power business to Brascan Corporation ("Brascan") and its substantial growth, Brascan believed that it was appropriate to establish a "pure play" power company which would lead to enhanced investor clarity and a lower cost of capital. Accordingly, the Company was established as a financing subsidiary of Brascan Power and commenced its activities on December 16, 2004. It will acquire all of the power operations of Brascan Power as part of a reorganization which will occur in the future as the necessary contractual and regulatory approvals are received. It is expected that this reorganization will be completed within the next three years. Brascan Power, through predecessor companies, has conducted a number of business activities, including power generation, merchant banking and investment banking. As a result, Brascan Power's assets are comprised of a blend of power generating and investment assets. Following the reorganization, Brascan Power will retain ownership of the non-core investment assets that are not related to the power operations.

Presently, the Company has no significant assets or liabilities other than the subordinated promissory notes and term debentures and has no employees and no subsidiaries.

Additional information relating to Brascan Power can also be found on its website at www.brascanpower.com and on the SEDAR website. Unless expressly indicated otherwise, all amounts are reflected in Canadian dollars.

NET LOSS

The net loss of the Company for the three months ended June 30, 2005 totaled \$0.2 million. Interest revenue of \$6.1 million corresponds to the interest charged to Brascan Power on the promissory notes of \$547.1 million. Interest expense of \$6.1 million relates to the Series 1 and 2 debentures issued by the Company. These debentures are unconditionally guaranteed by Brascan Power and the guarantee will remain in place until certain conditions are met.

The Company incurred an additional \$0.6 million in financing fees on the issuance of the Series 1 and 2 debentures during the period, which is being amortized over the term of the debt. Amortization of deferred financing fees for the period totaled \$0.3 million.

PROVISION FOR INCOME TAXES

For the three months ended June 30, 2005, the Company's future income tax recovery was \$0.1 million. Taxes are accounted for under the asset and liability method.

CAPITAL STRUCTURE AND FINANCING

In April 2005, the Company obtained a US \$200 million revolving unsecured credit facility for general corporate purposes which can be drawn upon in Canadian or US dollars. The credit facility is due on April 29, 2008 and ranks pari passu with all senior unsecured indebtedness of the Company and Brascan Power. The facility bears a floating interest rate and is unconditionally guaranteed by Brascan Power. The guarantee will remain in place until such time as certain conditions with respect to its release are met.

SHAREHOLDER'S EQUITY

The authorized capital of the Company consists of an unlimited number of common shares. As at June 30, 2005, there were 10 common shares of the Company issued and outstanding. The Company has not issued dividends to date.

CONTRACTUAL OBLIGATIONS

<i>CDN\$ millions</i>	<i>Total</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Term debentures	\$ 550	\$ 100	\$ -	\$ -	\$ 450

Series 1 Canadian debentures totaling \$450 million are due on December 16, 2009.

Series 2 Canadian debentures totaling \$100 million are due on December 18, 2006.

RELATED PARTY TRANSACTIONS

As at June 30, 2005, in addition to the promissory note of \$547.1 million, Brascan Power has an advance outstanding to the Company in the amount of \$2.2 million. This advance is non-interest bearing and due on demand.

CRITICAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in Note 2 (Summary of Significant Accounting Policies) of the 2004 financial statements are considered critical accounting estimates as defined in National Instrument 51-102. Key estimates for the Company include determination of accruals and amortization. Actual results could differ from those estimates.

BUSINESS RISKS

All of the revenue of the company consists of interest received on the promissory note issued by Brascan Power, its sole shareholder. The financial statements and Management Discussion & Analysis of Brascan Power are available on the SEDAR website at www.sedar.com.

Following the completion of the reorganization, the risk factors identified in the Final Prospectus dated March 16, 2005 relating to Brascan Power will apply to the Company. Those risks include hydrology, equipment failure, foreign exchange and energy price fluctuations.

ANNUAL INFORMATION FORM

The Company prepares an Annual Information Form which can be accessed on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company's financial analysis and review contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, weather conditions, interest rates, availability of equity and debt financing and other risks. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not reviewed these financial statements.



Donald Tremblay
Senior Vice President and Chief Financial Officer
August 11, 2005