

# **Brascan Power Corporation**

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**Q3 -2005 Management's Discussion and Analysis**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW

The management's discussion and analysis ("MD&A") for the third quarter of 2005 has been prepared in compliance with the requirements of the Canadian Securities National Instrument 51-102, to the extent that they apply. The MD&A provides a framework for understanding Brascan Power Corporation's (the "Company") business activities and is intended to complement and supplement the Company's financial statements. The MD&A should be read in conjunction with those 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").

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 and the Company will own all of the power operations currently owned by Brascan Power.

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](http://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 September 30, 2005 totaled \$0.2 million. Interest revenue of \$6.2 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.

## PROVISION FOR INCOME TAXES

For the three months ended September 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 September 30, 2005, there were 10 common shares of the Company issued and outstanding. The Company has not issued dividends to date.

## CONTRACTUAL OBLIGATIONS

As at September 30, 2005, the Company's significant contractual obligations are due in the following periods:

<i>CDN\$ millions</i>	<i>Total</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Term debentures	\$ 550	\$ 100	\$ -	\$ -	\$ 450
Interest <sup>(1)</sup>	\$87.1	\$25.3	\$20.9	\$20.9	\$20.0

<sup>(1)</sup>The annual interest obligation relates to the \$450 million Series 1 and \$100 million Series 2 debentures. The annual interest rate on the Series 1 debentures is 4.65%. The annual interest rate on the Series 2 debentures is calculated using a floating interest rate of Canadian Deposit Offering Rate ("CDOR") plus 68 basis points. CDOR was assumed to be 3.85% for 2006.

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 September 30, 2005, the Company has an advance from Brascan Power in the amount of \$2.6 million. This advance is non-interest bearing and due on demand.

All the promissory notes owned by the Company have been issued by Brascan Power, the sole shareholder of the Company.

## CRITICAL ACCOUNTING ESTIMATES

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 annual audited 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.

## CHANGES IN ACCOUNTING POLICIES

There have been no changes to the Company's significant accounting policies during the nine months ended September 30, 2005. Refer to Note 2 (Summary of Significant Accounting Policies) of the 2004 annual audited financial statements for detail of all significant accounting policies applicable to the Company.

## 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's discussion and analysis of Brascan Power are available on the SEDAR website at [www.sedar.com](http://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](http://www.sedar.com).

## CERTIFICATION OF INTERIM FILINGS

Form 52-109FT2 – Certification of Interim Filings During Transition Period is attached to this document on SEDAR.

## 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.

A handwritten signature in black ink, appearing to be 'Donald Tremblay', written over a light gray rectangular background.

Donald Tremblay  
*Senior Vice President and Chief Financial Officer*  
November 14, 2005