



**CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005**

BRASCAN POWER INC. CONSOLIDATED BALANCE SHEET

<i>US\$ millions</i>			June 30	December 31
	note		2005	2004
			<i>(unaudited)</i>	<i>(restated- note 2)</i>
Assets				
<i>Current assets</i>				
Cash and cash equivalents	5	\$	315	\$ 517
Accounts receivable and other			227	263
Securities			398	418
			940	1,198
Other assets				
			741	750
Long-term investments	6		374	299
Power generating assets	4		2,827	2,766
		\$	4,882	\$ 5,013
Liabilities				
<i>Current liabilities</i>				
Accounts payable and other		\$	108	\$ 183
Credit facilities and current portion of long-term debt	7		150	283
			258	466
Property specific borrowings	7		2,191	2,234
Term debentures	7		447	417
Deferred credits	8		179	175
Debt portion of capital securities	2,11		1,105	1,119
Non-controlling interests	9		353	297
			4,275	4,242
Shareholders' equity	10		349	305
		\$	4,882	\$ 5,013

See accompanying notes to the consolidated financial statements.

BRASCAN POWER INC. CONSOLIDATED STATEMENT OF INCOME

<i>(unaudited)</i>		Three months ended June 30		Six months ended June 30		
<i>US\$ millions, except per share amounts</i>		note	2005	2004	2005	2004
				<i>(restated-note 2)</i>		<i>(restated-note 2)</i>
Revenues			\$ 200	\$ 164	\$ 429	\$ 338
Net operating income						
Power generation			114	88	241	187
Transmission and distribution			5	6	12	12
			119	94	253	199
Investment income and other	4		22	13	51	30
			141	107	304	229
Expenses						
Interest and financing fees			58	42	110	86
Interest on capital securities			29	3	57	6
Depreciation and amortization			26	16	52	32
Provision for (recovery of) income taxes			(3)	12	4	23
Non-controlling interests			5	11	15	22
			115	84	238	169
Net income			\$ 26	\$ 23	\$ 66	\$ 60
Net income per common share						
Diluted	10	\$	0.22	\$ 0.21	\$ 0.55	\$ 0.52
Basic	10	\$	0.26	\$ 0.23	\$ 0.65	\$ 0.59

See accompanying notes to the consolidated financial statements.

BRASCAN POWER INC. CONSOLIDATED STATEMENT OF (DEFICIT) RETAINED EARNINGS

<i>(unaudited)</i>		Three months ended June 30		Six months ended June 30		
<i>US\$ millions</i>		note	2005	2004	2005	2004
				<i>(restated-note 2)</i>		<i>(restated-note 2)</i>
(Deficit) retained earnings						
Balance, beginning of period			\$ (195)	\$ 393	\$ (222)	\$ 368
Net income			26	23	66	60
Distributions to holders of common shares			(13)	(12)	(26)	(24)
Balance, end of period			\$ (182)	\$ 404	\$ (182)	\$ 404

See accompanying notes to the consolidated financial statements.

BRASCAN POWER INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(unaudited)</i> US\$ millions	note	Three months ended June 30		Six months ended June 30	
		2005	2004	2005	2004
			<i>(restated- note 2)</i>		<i>(restated- note 2)</i>
Operating activities					
Net income		\$ 26	\$ 23	\$ 66	\$ 60
Add non-cash items:					
Depreciation and amortization		26	16	52	32
Non-controlling interests		5	11	15	22
Tax and other		(15)	13	(18)	22
		42	63	115	136
Net change in non-cash working capital		(89)	(3)	(23)	30
		(47)	60	92	166
Financing activities and shareholder distributions					
Borrowings	7	302	110	387	111
Debt repayments	7	(300)	(113)	(504)	(115)
Distributions:					
- Non-controlling interest distributions		(15)	(13)	(21)	(19)
- Common shareholder distributions		(13)	(12)	(26)	(24)
		(26)	(28)	(164)	(47)
Investing activities					
Securities sales		15	-	15	15
Sale of preferred shares netted against non-controlling interests	9	64	-	64	-
Additions to long-term investments	6	(69)	-	(75)	(28)
Acquisitions of power generating assets	3	(92)	-	(125)	-
Additions to power generating assets		(31)	(10)	(68)	(25)
Proceeds on sale of power generating assets		36	-	36	-
Other assets		48	(1)	23	(1)
		(29)	(11)	(130)	(39)
Cash and cash equivalents					
(Decrease) increase in cash and cash equivalents		(102)	21	(202)	80
Balance, beginning of period		417	235	517	176
Balance, end of period		\$ 315	\$ 256	\$ 315	\$ 256
Supplementary information					
Interest paid		\$ 187	\$ 78	\$ 208	\$ 96
Taxes paid		\$ 1	\$ 1	\$ 5	\$ 4

See accompanying notes to the consolidated financial statements.

BRASCAN POWER INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005

(all unaudited figures, in US\$ millions, unless otherwise noted)

1. SUMMARY OF ACCOUNTING POLICIES

Brascan Power Inc.'s (the "Company") unaudited interim consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles applicable to interim consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2004 annual consolidated financial statements.

These unaudited interim consolidated financial statements have been prepared on a basis consistent with the disclosed audited financial statements for the fiscal year ended December 31, 2004 with the exception of the changes in accounting policies described in note 2.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and the accompanying notes. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) that are necessary to state fairly the results for the periods presented. During the periods presented, management has made a number of estimates and valuation assumptions in the determination of accruals, useful lives, asset impairment, purchase price allocations and pension amounts. Actual results could differ from these estimates and the results reported for the interim periods presented are not necessarily indicative of results that may be expected for the full year.

2. CHANGES IN ACCOUNTING POLICIES

Translation of foreign currencies

Effective January 1, 2005, the Company's functional currency changed from the Canadian ("CDN") dollar to the United States ("US") dollar as a result of the increase in US dollar denominated activity in its operations as compared to prior years. The Company has adopted the US dollar as its reporting currency.

Since January 1, 2005, the assets and liabilities of the Company's self-sustaining operations having a functional currency other than the US dollar are translated into US dollars using the exchange rate prevailing at the period end and revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the period. Exchange gains and losses on translation of the Company's net equity investment in these operations are deferred within the cumulative translation adjustment in shareholders' equity. Gains or losses on foreign currency liabilities and forward foreign exchange contracts that are designated as hedges of a net investment in self-sustaining foreign operations are reported in shareholders' equity in the cumulative translation adjustment in the same manner as translation adjustments. Foreign-denominated monetary assets and liabilities of integrated Canadian operations are translated at the exchange rates prevailing at the period end, and revenue and expenses at average rates of exchange during the period. Exchange gains and losses arising on the translation of these amounts are included in investment and other income. Non-monetary assets and liabilities are translated at historical rates of exchange.

In accordance with Canadian generally accepted accounting principles, the Company translated all amounts presented for comparative purposes into US dollars using the current rate method whereby all revenues, expenses and cash flows are translated at the average rates that were in effect during the period and all assets and liabilities are translated at the prevailing rate in effect at the end of the period. Equity transactions have been translated at historic rates, with opening equity restated at the rate of exchange on December 31, 1999. The resulting net translation adjustment on the change in reporting currency has been credited to the cumulative translation adjustment.

Subordinated convertible debentures

On January 1, 2005, the Company adopted the revisions to CICA Handbook Section 3860, *Financial Instruments – Disclosure and Presentation* on the classification of financial instruments as debt or equity, with retroactive restatement of prior periods. The new rules require that subordinated convertible debentures that are convertible into a variable number of common shares at the Company's option and interest payments on the subordinated convertible debentures that can be paid by way of a variable number of common shares at the Company's option be classified as liabilities. The Company reclassified the CDN \$248 million subordinated convertible debentures to debt portion of capital securities due to the fact that the principal and interest is convertible into a variable number of common shares. These debentures were repaid on June 30, 2005. The Company also reclassified CDN \$1,096 million of the CDN \$1,100 million subordinated convertible debentures maturing in June 2054 to debt portion of capital securities due to the fact that the interest may be paid in a variable number of common shares. These debentures were converted to a US dollar equivalent on April 1, 2005. For the year ended December 31, 2004, a total of \$43 million of the interest expense on the subordinated convertible debentures has been reclassified from shareholders' equity to interest expense on the Consolidated Statement of Income (six month and three month periods ended June 30, 2004 – \$6 million and \$3 million, respectively), with the remainder recorded through retained earnings. This change did not impact earnings per share or net income available to common shareholders since subordinated convertible debenture interest expense was deducted from net income in determining those measures in the prior year.

Variable interest entities

On January 1, 2005, the Company adopted the Accounting Guideline 15, *Consolidation of Variable Interest Entities* ("AcG 15"), issued by the Canadian Institute of Chartered Accountants ("CICA"). A Variable Interest Entity ("VIE") is any type of legal structure not controlled by voting equity, but rather by contractual or other financial arrangements. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that absorbs the majority of the expected losses, receives the majority of the expected residual returns, or both. As a result of the adoption of this new standard, Great Lakes Hydro Income Fund, of which the Company owns a 50.1% interest, is now fully consolidating its proportionate joint venture interests in Powell River Energy Inc. ("PREI") and Powell River Energy Partnership ("PREP"), versus the proportionate consolidation method previously used. The Company is also fully consolidating its 75% residual interest in Louisiana Hydroelectric Power ("LAH"), versus the equity accounting method previously used. The consolidation of these entities did not have an impact on the Company's net income. All 2004 financial comparatives included within these consolidated financial statements have been restated to reflect the full consolidation of PREI, PREP and LAH.

The financial impact on the restatement of the comparative period for the adoption of AcG 15 is summarized as follows:

Balance Sheet <i>US\$ millions</i>	December 31, 2004 <i>(restated)</i>	December 31, 2004 <i>(previously reported)¹</i>	Financial Impact
Current assets	\$ 1,198	\$ 1,110	\$ 88
Long-term assets	3,815	2,965	850
Current liabilities	466	410	56
Long-term liabilities	4,242	3,360	882

¹Adjusted to reflect adoption of revisions to CICA Handbook Section 3860 and the change in reporting currency to the US dollar.

Statement of Income	Six months ended June 30, 2004	Six months ended June 30, 2004	Financial Impact
<i>US\$ millions</i>	<i>(restated)</i>	<i>(previously reported)¹</i>	
Revenues	\$ 338	\$ 261	\$ 77
Net operating income	199	136	63
Investment income	30	29	1
Interest and financing fees	86	40	46
Interest on capital securities	6	6	-
Depreciation and amortization	32	22	10
Provision for income taxes	23	23	-
Non-controlling interests	22	14	8
Net income	60	60	-

¹Adjusted to reflect adoption of revisions to CICA Handbook Section 3860 and the change in reporting currency to the US dollar.

Statement of Income	Three months ended June 30, 2004	Three months ended June 30, 2004	Financial Impact
<i>US\$ millions</i>	<i>(restated)</i>	<i>(previously reported)¹</i>	
Revenues	\$ 164	\$ 125	\$ 39
Net operating income	94	61	33
Investment income	13	13	-
Interest and financing fees	42	19	23
Interest on capital securities	3	3	-
Depreciation and amortization	16	11	5
Provision for income taxes	12	12	-
Non-controlling interests	11	6	5
Net income	23	23	-

¹Adjusted to reflect adoption of revisions to CICA Handbook Section 3860 and the change in reporting currency to the US dollar.

3. ACQUISITIONS

a) Hydro Kennebec and West Delaware

On January 20, 2005, the Company acquired the leasehold interests in two hydroelectric generating facilities in Maine and New York for \$33 million, including \$12 million of assumed debt. The acquisition has been accounted for using the purchase method and results of operations have been included in these consolidated financial statements from the date of acquisition.

The fair values assigned to the assets acquired were as follows:

<i>US\$ millions</i>	
Power generating assets	\$ 12
Power purchase agreement	15
Other intangible assets	3
Working capital	3
Total assets acquired	\$ 33

The acquisition was funded through:

<i>US\$ millions</i>	
Cash	\$ 21
Senior secured term notes	12
Consideration paid	\$ 33

The \$12 million senior secured term notes bear interest at 5.98% and are repayable in quarterly blended principal and interest payments, maturing on September 30, 2008.

b) Harmony Wind

On March 31, 2005, the Company purchased all of the outstanding common shares of Harmony Wind from Brascan Corporation ("Brascan"), the Company's parent entity. The related party acquisition has been accounted for at carrying value and results of operations have been included in these consolidated financial statements from the date of acquisition of Harmony Wind by Brascan on February 16, 2005.

The acquisition was funded through the following non-cash consideration:

<i>CDN\$ millions</i>		
Common shares	\$	3
Promissory notes		2
Consideration - \$ CDN	\$	5
Consideration - \$ US	\$	4

The Company issued 129,024 of its common shares to Brascan, valued at CDN \$30.87 per common share.

c) Piney and Deep Creek

On April 27, 2005, the Company acquired two hydroelectric generating facilities in Pennsylvania and Maryland for cash consideration of \$43 million. The acquisition of the assets and results of operations have been included in these consolidated financial statements from the date of acquisition.

The fair values assigned to the assets acquired were as follows:

<i>US\$ millions</i>		
Intangible assets	\$	1
Power generating assets		42
Total assets acquired	\$	43

d) Bear Swamp

On May 24, 2005, the Company completed the acquisition of two hydroelectric generating facilities in northern Massachusetts for cash consideration of \$49 million, through a 50/50 joint venture. The acquisition of the assets and results of operations have been included in these consolidated financial statements from the date of acquisition.

The fair values assigned to the assets acquired were as follows:

<i>US\$ millions</i>		
Power generating assets	\$	49
Total assets acquired	\$	49

4. SALE OF POWER GENERATING ASSETS

On April 22, 2005, the Company sold its membership interests in White Mountain Energy LLC, its 25 megawatt cogeneration power plant located in Berlin, New Hampshire, to Fraser Papers Inc., a related party through common ownership, for total consideration of \$34 million. The gain on the sale of \$1 million was recorded in "Investment income and other".

On June 10, 2005, Great Lakes Power Trust ("GLPT") disposed of a non-operational generating station for total net proceeds of \$2 million. The net book value of this generating station was nil, resulting in a gain on disposal of \$2 million recorded in "Investment income and other".

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

<i>US\$ millions</i>	June 30 2005	December 31 2004
Cash	\$211	\$ 145
Demand deposits with affiliates	104	372
	\$315	\$517

6. LONG-TERM INVESTMENTS

During the period, the Company invested an additional \$75 million in preferred shares of Brascan Energetica, a wholly owned subsidiary of Brascan that owns, develops and operates hydroelectric generation plants in Brazil.

7. FINANCING ACTIVITIES

The Company issued an additional CDN \$50 million in Series 1 Canadian unsecured term debentures. These debentures bear interest at 4.65% and mature on December 16, 2009.

The Company issued CDN \$35 million of Senior Secured Series 1 First Mortgage bonds. These bonds are secured by a first ranking lien on the Pingston Power Joint Venture assets, bear interest at a rate of 5.28% payable semi-annually, and mature on February 11, 2015.

The US \$200 million Series 3 corporate debentures were repaid upon maturity in March 2005.

In April 2005, the Company obtained a \$200 million revolving unsecured credit facility for general corporate purposes, which can be drawn upon in Canadian or US dollars to replace the CDN \$118 million unsecured credit facility previously held for general corporate purposes. The credit facility bears a floating interest rate. The credit facility expires on April 29, 2008 and ranks pari passu with all senior unsecured indebtedness of the Company. At June 30, 2005, the Company had drawn \$nil on the credit facility.

GLPT has available a credit facility comprised of a CDN \$25 million line of credit and a CDN \$25 million term loan for general corporate purposes which can be drawn upon in Canadian or US dollars and which bears interest based on Canadian prime rate, US base rate or LIBOR plus a margin. Standby fees of 20 basis points are charged on the undrawn GLPT credit facility. On April 12, 2005, Great Lakes Hydro Income Fund extended the termination date of the GLPT credit facility from April 15, 2005 to October 15, 2005.

On April 1, 2005, the Company converted the CDN \$1,100 million subordinated convertible debentures into a US dollar equivalent, in the amount of US \$909 million. All other terms on the subordinated converted convertible debentures remain the same.

On April 27, 2005, Great Lakes Power Trust ("GLPT") redeemed the CDN \$100 million of First Mortgage Bonds using a CDN \$125 million bridge facility, at a floating rate of bankers' acceptance plus 60 basis points. In addition to the repayment of the GLPT First Mortgage Bonds, the proceeds of the bridge facility were used to pay the bond premium due to the early redemption and to repay the \$11 million Great Lakes Hydro America bridge loan facility. It is the intention of the Company to refinance the GLPT bridge facility with a long-term instrument.

On June 30, 2005, the Company repaid the CDN \$248 million subordinated convertible debentures and issued subordinated convertible debentures totaling \$200 million to Brascan. These debentures bear an annual interest rate of 11.3% payable quarterly and mature on June 30, 2054. These debentures are convertible in full, at the option of Brascan, any time prior to the maturity date at \$23.98 per common share into 8.3 million common shares. Principal and interest are payable at the Company's option in common shares. Refer to note 11 for further detail.

8. DEFERRED CREDITS

Deferred credits are comprised of:

<i>US\$ millions</i>	June 30 2005	December 31 2004
Pension and employee future benefits	\$ 19	\$ 19
Future income tax liability	160	156
	\$ 179	\$ 175

The Company offers a number of pension plans to its employees, as well as certain health care, dental care, life insurance and other benefits to certain retired employees pursuant to Company policy. The total benefit cost for these plans for the three months and six months ended June 30, 2005 totaled \$1.0 million and \$2.0 million, respectively (2004 - \$0.6 million and \$1.3 million, respectively).

9. NON-CONTROLLING INTERESTS

In June 2005, the Company sold CDN \$79 million (US \$64 million) of preferred shares which were previously netted against the non-controlling interests given the Company's ability and intent to settle on a net basis.

10. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares, of which the following were issued and outstanding:

<i>US\$ millions</i>	June 30 2005	December 31 2004
101,512,159 (2004 - 101,383,135) Common shares	\$ 422	\$ 419
Deficit	(182)	(222)
Contributed surplus	1	-
Cumulative translation adjustment	104	105
	345	302
Equity portion of capital securities (note 11)	4	3
	\$ 349	\$ 305

On March 31, 2005, the Company issued 129,024 common shares to Brascan, valued at \$3 million, as non-cash consideration for the acquisition of Harmony Wind. Refer to note 3 for further detail.

During the period, the Company sold securities of affiliated companies to Brascan which resulted in a gain of \$1 million recorded in contributed surplus.

The significant elements that gave rise to the change in the cumulative translation adjustment account during the six month period are as follows:

<i>US\$ millions</i>	2005
Balance, beginning of period	\$ 105
Foreign exchange effect on net investment in self-sustaining operations	(11)
Impact of hedging activities	10
Balance, end of period	\$ 104

The components of basic and diluted earnings per share are summarized below:

<i>US\$ millions</i>	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Net income available to common shareholders - basic	\$26	\$ 23	\$66	\$ 60
Dilutive effect of convertible debentures	2	3	4	6
Net income available to common shareholders - diluted	\$28	\$ 26	\$70	\$ 66
Weighted average outstanding common shares - basic	101.5	101.4	101.4	101.4
Dilutive effect of the conversion of debentures	24.9	24.8	24.8	24.8
Common shares and common share equivalents - diluted	126.4	126.2	126.2	126.2

During the period, debentures convertible into 35.6 million common shares were excluded from the computation of diluted earnings per share because their effects were not dilutive.

11. CAPITAL SECURITIES

The capital securities are comprised of the following subordinated convertible debentures:

<i>US\$ millions</i>	June 30 2005			December 31 2004		
	Debt portion of capital securities	Equity portion of capital securities	Total	Debt portion of capital securities	Equity portion of capital securities	Total
CDN \$248 million	\$ -	\$ -	\$ -	\$ 206	\$ -	\$ 206
\$909 million	906	3	909	913	3	916
\$200 million	199	1	200	-	-	-
Total	\$ 1,105	\$ 4	\$ 1,109	\$ 1,119	\$ 3	\$ 1,122

For the six month period ended June 30, 2005, a total of \$57 million was recorded as interest on capital securities on the consolidated statement of income (six month period ended June 30, 2004 – \$6 million), with the remainder recorded through retained earnings.

12. GEOGRAPHIC SEGMENTED INFORMATION

The Company owns and operates high quality hydroelectric assets in both Canada and the United States with operations in seven distinct geographic regions across North America: Ontario, Québec, British Columbia, New England, New York, Louisiana and Other. The "Other" reporting segment consists of the activities of the Company's transmission and distribution business and the Company's wholly owned holding companies. These seven regions represent the Company's reportable segments, which are used to manage the business, and are based on the location of the underlying generating facilities. The accounting policies of these reportable segments are the same as those described in Note 1 to the 2004 annual financial statements.

Six months ended June 30, 2005

<i>US\$ millions</i>	Ontario	Québec	British Columbia	New England	New York	Louisiana	Other	Total
Revenue	\$87	\$45	\$11	\$34	\$95	\$95	\$62	\$429
Net operating income	57	39	8	24	66	82	(23)	253
Depreciation and amortization	11	4	1	6	13	12	5	52
Interest and financing fees	19	14	4	4	13	43	13	110

Three months ended June 30, 2005

<i>US\$ millions</i>	Ontario	Québec	British Columbia	New England	New York	Louisiana	Other	Total
Revenue	\$39	\$23	\$6	\$18	\$46	\$43	\$25	\$200
Net operating income	23	20	4	12	34	36	(10)	119
Depreciation and amortization	5	2	-	3	7	6	3	26
Interest and financing fees	9	11	2	2	7	21	6	58

Six months ended June 30, 2004

<i>US\$ millions</i>	Ontario	Québec	British Columbia	New England	New York	Louisiana	Other	Total
Revenue	\$ 97	\$ 44	\$ 10	\$ 27	\$ -	\$ 94	\$ 66	\$ 338
Net operating income	71	38	8	19	-	80	(17)	199
Depreciation and amortization	11	4	1	4	-	9	3	32
Interest and financing fees	15	6	3	4	-	43	15	86

Three months ended June 30, 2004

<i>US\$ millions</i>	Ontario	Québec	British Columbia	New England	New York	Louisiana	Other	Total
Revenue	\$ 45	\$ 20	\$ 5	\$ 11	\$ -	\$ 50	\$ 33	\$ 164
Net operating income	32	17	4	7	-	43	(9)	94
Depreciation and amortization	6	2	-	2	-	5	1	16
Interest and financing fees	7	3	1	2	-	21	8	42

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has entered into a 50/50 joint venture agreement with Emera Inc. to lease a 49 megawatt hydroelectric generating facility in Vermont ("Bellows Falls"). The total payments to lease this facility for up to 74 years are US \$72 million, of which the Company's share is US \$36 million. Subject to regulatory approval, this transaction is expected to close in the third quarter of 2005.

The Company provides guarantees as described in Note 23 of the 2004 annual consolidated financial statements. There have been no material changes for the period ended June 30, 2005 necessitating changes to the disclosures related to the guarantees.

14. SUBSEQUENT EVENTS

On July 1, 2005, First Toronto Equities Inc. ("FTEI"), a wholly owned holding company of Brascan Power Inc., was amalgamated with Trilon Bancorp Inc. and Dexleigh Corporation, both wholly owned subsidiaries of Brascan. As a result, the Company exchanged its common share interest of FTEI for preferred shares of the new amalgamated company.

15. COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform with the 2005 presentation.