This is a non-offering prospectus, a copy of which has been filed with the securities regulatory authorities in each of the provinces and territories of Canada.

This prospectus does not constitute a public offering of any securities. No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise.

FINAL PROSPECTUS

Non-Offering Prospectus March 16, 2005

BRASCAN POWER CORPORATION

No securities are being offered pursuant to this prospectus. This prospectus is being filed with provincial securities commissions in Canada to enable Brascan Power Corporation (the "Company") to become a reporting issuer pursuant to applicable securities legislation in those provinces, notwithstanding that no sale of any securities is contemplated herein. Since no securities are being offered pursuant to this prospectus, no proceeds will be raised and all expenses in connection with the preparation and filing of this prospectus will be paid by the Company from its general funds.

The Company is a wholly-owned subsidiary of Brascan Power Inc. ("Brascan Power"). On December 16, 2004, the Company issued, on a private placement basis, $400,000,000 aggregate principal amount at 4.65% unsecured debentures, Series 1 due December 16, 2009 (the "Original Series 1 Debentures") and on January 26, 2005 the Company issued, on a private placement basis, an additional $50,000,000 aggregate principal amount at 4.65% unsecured debentures, Series 1 due December 16, 2009 (the "Additional Series 1 Debentures") (collectively, the "Series 1 Debentures") and $100,000,000 aggregate principal amount of floating rate unsecured debentures, Series 2 due December 18, 2006 (the "Series 2 FRN Debentures" collectively with the Series 1 Debentures, the "Debentures"). The Debentures are unconditionally guaranteed as to principal, premium and interest by Brascan Power.

Brascan Power intends to transfer all of its assets and liabilities, except certain investment portfolio assets to be retained by Brascan Power as described in "Description of the Business — Investment and Securities Portfolio", to the Company in the course of a reorganization (the "Reorganization").

This prospectus includes forward-looking statements and information. Words such as "may", "will", "expect", "anticipate", "believe", "estimate", "plan", "intend" and similar expressions have been used in this prospectus to identify forward-looking statements. These forward-looking statements have been based on estimates and assumptions made by the Company and Brascan Power. Although the Company and Brascan Power believe that these estimates and assumptions are reasonable, actual results could differ materially from those projected in the forward-looking statements. Forward-looking statements are not guarantees of future performance or results and are subject to various factors, including the risk factors contained herein. The Company and Brascan Power are not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties and assumptions, an investor should not place undue reliance on these forward-looking statements.

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GLOSSARY OF TERMS

The following terms used in this Prospectus have the meanings set forth below unless otherwise indicated. Other defined terms in respect of the Company and Brascan Power are set out in "Description of the Debentures — Certain Definitions". If there is any inconsistency between the definitions in this Glossary of Terms or "Description of the Debentures — Certain Definitions" and the defined terms in the Indenture, the defined terms in the Indenture will prevail.

All figures in this Prospectus are in Canadian dollars unless otherwise noted.

"**Additional Series 1 Debentures**" means $50,000,000 aggregate principal amount of 4.65% unsecured debentures, Series 1 due December 16, 2009.

"**Amended and Restated First Supplemental Trust Indenture**" means the amended and restated first supplemental trust indenture dated January 26, 2005 between the Company and the Trustee.

"**BC Hydro**" means British Columbia Hydro and Power Authority.

"**BCTC**" means the British Columbia Transmission Company.

"**BEMI**" means Brascan Energy Marketing and includes Brascan Energy Marketing Inc. and Brascan Energy Marketing LP, both affiliates of the Company.

"**Brascan**" means Brascan Corporation.

"**Brascan Energetica**" means Brascan Energetica S.A.

"**Brascan Power**" means Brascan Power Inc. (formerly Great Lakes Power Inc.) and, unless the context otherwise requires, its subsidiaries.

"**Capital Plan**" means Brascan Power's 20-year capital and maintenance program.

"**CDS**" means The Canadian Depository for Securities Limited.

"**Company**" means Brascan Power Corporation.

"**CPI-W**" means the U.S. Department of Labor Consumer Price Index.

"**DBRS**" means Dominion Bond Rating Service Limited.

"**Debentures**" means collectively the Series 1 Debentures and the Series 2 FRN Debentures.

"**Entergy**" means Entergy Louisiana, Inc.

"**FERC**" means the Federal Energy Regulatory Commission.

"**Fraser Papers**" means Fraser Papers Inc.

"**Fund**" means Great Lakes Hydro Income Fund.

"**GLHA**" means Great Lakes Hydro America.

"**GW**" or "**gigawatt**" means one billion watts (one thousand megawatts).

"**GWh**" means a gigawatt hour (being a unit of electrical energy equivalent to one gigawatt of energy delivered continuously for one hour).

"**Guarantee**" means the guarantee agreement made as of December 16, 2004 between Brascan Power and the Trustee.

"**Guarantor**" means Brascan Power Inc.

"**ICAP**" means the New York Installed Capacity Market.

"**IMO**" means Independent Electricity Market Operator in Ontario.

"**Indenture**" means collectively the Trust Indenture and the Amended and Restated First Supplemental Trust Indenture.

"**Investment Portfolio**" means the portfolio of securities, and long-term corporate investments, which are held by Brascan Power.

"**ISO-NE**" means New England Independent System Operator.

"**kv**" means one thousand volts.

"**kw**" or "**kilowatt**" means one thousand watts.

"**LI**" means Long Island.

"**LIPA**" means Long Island Power Authority.

"**LMP**" means Locational Marginal Pricing.

"**MCP**" means Market Clearing Price.

"**MW**" or "**megawatt**" means one million watts.

"**MWh**" means a megawatt hour (being a unit of electrical energy equivalent to one megawatt of energy delivered continuously for one hour).

"**NEPA**" means the Energy Policy Act of 1992.

"**NEPOOL**" means New England Power Pool.

"**Neptune RTS**" means Neptune Regional Transmission System.

"**NERC**" means the North American Electric Reliability Council.

"**New York Hydro Assets**" means the 71 hydroelectric power generating plants and the cogeneration facility acquired by Brascan Power in upstate New York.

"**NPCC**" means the Northeast Power Coordinating Council.

"**NUG**" means Non-Utility Generator.

"**NYC**" means New York City.

"**NYPSC**" means New York Public Service Commission.

"**NYISO**" means the New York Independent System Operator.

"**OEB**" means the Ontario Energy Board.

"**OEFC**" means Ontario Electricity Financial Corporation.

"**Off-Peak Hours**" means all times that are not On-Peak Hours.

"**On-Peak Hours**" means 7:00 a.m. to 11:00 p.m. Monday to Friday, except statutory holidays, in Ontario.

"**OPA**" means the Ontario Power Authority.

"**OPG**" means Ontario Power Generation Inc.

"**Original Series 1 Debentures**" means $400,000,000 aggregate principal amount of 4.65% unsecured debentures, Series 1 due December 16, 2009.

"**PJM**" means Pennsylvania, New Jersey and Maryland power pool.

"**PPA**" means a long-term fixed-price power purchase agreement.

"**Prospectus**" means this non-offering prospectus qualifying the Company to become a reporting issuer, dated January 14, 2005.

"**PUHCA**" means Public Utility Holding Act of 1935.

"**PURPA**" means the Public Utility Regulatory Policies Act of 1978.

"**QF**" means qualifying facilities.

"**Reorganization**" means the transfer of all assets and liabilities of Brascan Power, except the Investment Portfolio, to the Company.

"**RFP**" means Request For Proposal.

"**S&P**" means Standard and Poor's Rating Service.

"**Series 1 Debentures**" means collectively the Original Series 1 Debentures and the Additional Series 1 Debentures collectively totaling $450,000,000 in aggregate principal amount of 4.65% unsecured debentures, Series 1 due December 16, 2009.

"**Series 2 FRN Debentures**" means $100,000,000 aggregate principal amount of floating rate unsecured Debentures, Series 2 due December 18, 2006.

"**Tax Act**" means the provisions of the Income Tax Act (Canada) and the regulations thereunder.

"**TW**" or "**terrawatt**" means one trillion watts (one thousand GW).

"**TWh**" means a terrawatt hour (being a unit of electrical energy equivalent to one terrawatt of energy delivered continuously for one hour).

"**Trustee**" means BNY Trust Company of Canada.

"**Trust Indenture**" means the trust indenture dated December 16, 2004 between the Company, BNY Trust Company of New York and the Trustee.

"**Watt**" means an electrical unit of power.

"**WKP**" means West Kootenay Power and Light Ltd.

SUMMARY OF THE PROSPECTUS

The following is a summary of the principal features of the Company and Brascan Power Inc. and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Company and the Reorganization

Brascan Power Corporation (the "Company") was incorporated and organized under the *Business Corporations Act* (Ontario) on June 20, 2002. The Company's head and registered office is at BCE Place, 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario, M5J 2T3. The Company is a wholly-owned subsidiary of Brascan Power Inc. (formerly Great Lakes Power Inc.) ("Brascan Power" or the "Guarantor").

Due to the strategic importance of the power business to Brascan Corporation ("Brascan") and its substantial growth, Brascan believes that it is appropriate to establish a "pure play" power company and that this will lead to enhanced investor clarity and a lower cost of capital. Accordingly, the Company has been established as a subsidiary of Brascan Power, and will acquire all of its power operations as part of the Reorganization. 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. Brascan Power will retain ownership of the non-core Investment Portfolio that is not related to the power operations.

The Reorganization will be effected through the transfer of the power assets from Brascan Power to the Company. The proposed plan of action would involve Brascan Power obtaining the contractual consents, assignments and replacement contracts required to transfer the power assets. Additionally, regulatory consents are required to transfer the power assets as a result of the regulated nature of the industry in certain jurisdictions. Brascan Power's operations in the United States are governed by the Federal Power Act. Under this Act, a reorganization which results in a change in the parent corporation of a licensed entity requires the approval of the Federal Energy Regulatory Commission. Brascan Power is also evaluating whether any approvals or filing requirements are necessary in connection with the Reorganization with the National Energy Board (Canada) in addition to any provincial or state boards or ministries. It is expected that the Reorganization will be completed within the next three years. Brascan Power expects to liquidate the Investment Portfolio over time, with the proceeds used to fund acquisitions and capital expenditures by the Company. The monetization of the Investment Portfolio will be executed in such a manner as to ensure the existing credit profile of Brascan Power is maintained. It is expected that Brascan Power will be wound up once the Reorganization is complete provided that this does not result in any specific reduction in credit ratings.

Brascan Power

Brascan Power was continued under the laws of the Province of Ontario by Certificate and Articles of Continuance dated December 22, 1980. The articles of Brascan Power were subsequently amended to change its authorized capital, its objectives, its name and the number of its directors. Brascan Power is not listed on any stock exchange but it is a reporting issuer with publicly held debt. Brascan Power is a wholly-owned subsidiary of Brascan. Brascan Power's head and registered office is at BCE Place, 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3. Brascan is an asset management company listed on the Toronto Stock Exchange (symbol: BNN.LV.A) and New York Stock Exchange (symbol: BNN), focused on the real estate and power generation sectors. With direct investments of US$19 billion and a further US$7 billion of assets under management, Brascan owns interests in over 70 premier office properties in North America and London, U.K. and 120 power generating plants. Brascan's stated objective is to earn a superior return on equity by generating consistent and sustainable cash flows.

Brascan Power owns or operates all of Brascan's power operations which consist of 117 hydroelectric power generating stations located on 35 river systems and 3 cogeneration plants with an installed capacity of 2,622 MW. Brascan Power will generate on average approximately 10,500 GWh of electricity per year.

Brascan Power has operations in the regionally interconnected markets of Ontario, New York, Québec and New England, with other power operations in British Columbia, Louisiana and Brazil, and a regulated electrical transmission and distribution business in Ontario which consists of approximately 726 km of 44-kv to 230-kv

transmission lines and includes a low voltage distribution system consisting of approximately 1,700 km of low voltage lines and 11 distribution stations that service approximately 11,500 customers.

Some of Brascan Power's assets are owned through Great Lakes Hydro Income Fund (the "Fund"), a publicly traded reporting issuer on the Toronto Stock Exchange (symbol: GLH.UN) of which Brascan Power owns a 50.1% interest.

Strategic Focus

Brascan Power is focused on delivering long-term sustainable cash flows through the operation and management of low-cost hydroelectric power generating facilities. Approximately 40% of Brascan Power's power generation is sold under long-term fixed-price power purchase agreements ("PPAs") with an average term of over 13 years. The remaining generation is dispatched in competitive electricity markets in Ontario, New York and New England, where Brascan Power is a low-cost supplier. Prices in those markets are a function of instantaneous supply and demand that fluctuates on an hourly basis. Brascan Power manages those fluctuations by entering into short-term financial contracts when appropriate and within the limits of its risk management policy to limit its exposure to price fluctuations and optimize overall returns. Brascan Power's strategy is to increase its annual generation sold under PPAs to approximately 60% when the market price of power will be at a level which Brascan Power believes to be sustainable.

Brascan Power has strategically chosen to focus primarily on hydroelectric generation due to the following advantages that it provides over other forms of electricity generation.

Low Operating Costs

Hydroelectric generating facilities have virtually no fuel costs and low maintenance costs which means that operating expenses are significantly lower than competing types of electricity generating technologies.

Long-Life Assets

The useful life of a typical hydroelectric generating facility exceeds the useful life of all other types of electricity generating facilities.

Operational Reliability

Unplanned outage rates for hydroelectric generating units are among the lowest in the electricity industry. This allows hydroelectric operators to earn additional revenue by providing valuable ancillary services to the local electricity system operator.

Operational Flexibility

Hydroelectric generation is the only type of generating technology which allows for large-scale electricity storage. Storage reservoirs provide operators with the ability to choose which periods to use water to generate electricity, thereby allowing operators to capture higher market prices.

Low Environmental Impact

Hydroelectric generation produces a minimal amount of greenhouse gas emissions and does not contribute to acid rain.

Competitive Strengths

Brascan Power benefits from:

Affiliation with Brascan. As a 100% owned subsidiary of Brascan, Brascan Power benefits from the financial strength and managerial expertise of its parent.

Experienced Management Team. The management team has substantial experience and has a consistent track record of successfully growing both the asset base and cash flows.

Energy Marketing Expertise. Brascan Power's centralized energy marketing group (BEMI) works to enhance returns from its existing generation base while ensuring a consistent risk management strategy is employed.

Interconnected Markets. The majority of Brascan Power's power generating facilities are located in the Ontario, New York, Québec and New England power markets which are all interconnected, allowing power generated in one of these markets to be sold into any of these other markets. Having assets in all of these regions allows Brascan Power to capture pricing arbitrage opportunities that might exist between these markets.

Strong Competitive Position. Brascan Power is one of the lowest cost generators of electricity in North America. Brascan Power's generating facilities operate in competitive, bid-based markets where the hourly price of electricity is a function of instantaneous supply and demand that favours low-cost producers. With virtually no fuel costs and minimal overhead and maintenance costs, Brascan Power's assets are competitively positioned relative to other types of generation supply.

Geographic Diversity. Brascan Power's power generating facilities are located in seven distinct power markets reducing the impact of individual market or regulatory risk, and the diversity of the watersheds in which it owns hydroelectric facilities mitigates the risk of encountering lower overall hydrology.

Storage Capacity. Brascan Power has the equivalent of approximately 2,000 GWh of storage capacity throughout its portfolio, providing it with a strategic advantage to capture higher market prices.

Financial Strength and Attractive Debt Maturity Profile. Brascan Power has investment grade issuer ratings from DBRS and S&P. Brascan Power maintains a prudent level of low-cost asset level financing and modest levels of corporate debt. The long-life nature of its assets allows Brascan Power to finance its assets with non-recourse debt with minimal near-term maturities.

Commitment to Growth

Brascan Power is committed to expanding its power generation base by strategically acquiring existing hydroelectric assets and developing renewable energy projects such as small hydroelectric facilities and wind farms. Brascan Power is also committed to reinvesting in its regulated transmission system in Ontario. Over the last six years, Brascan Power has increased its generating capacity through the acquisition of existing hydroelectric generating facilities in Ontario, Québec, British Columbia, Maine, New Hampshire and New York, and through the construction or development of new generating stations in Ontario, British Columbia and New Hampshire. Together these initiatives increased Brascan Power's power generation capacity to 2,622 MW from 653 MW in 1998 and increased average annual generation to approximately 10,500 GWh from approximately 2,700 GWh in 1998.

Recent Developments

Issuance of Senior Secured Bonds

In February 2005, Brascan Power Inc. and Canadian Hydro Developers Inc. announced that they intend to issue, through a private placement, $70 million of senior secured bonds maturing in 10 years and bearing an interest rate of 5.28% per annum. The senior bonds are non-recourse to Brascan Power Inc. and Canadian Hydro Developers Inc. and are secured by the jointly owned 45 MW Pingston Hydroelectric Generating Station.

Issuance of Additional Debentures

In January 2005 the Company raised $50,000,000 through the issuance, on a private placement basis, of the Additional Series 1 Debentures on the same terms and conditions as the Original Series 1 Debentures issued in December 2004. A syndicate of underwriters led by RBC Dominion Securities Inc. and CIBC World Markets Inc. placed the $50,000,000 of Additional Series 1 Debentures. The proceeds of that offering were used for general corporate purposes.

Acquisitions in Pennsylvania and Maryland

In January 2005 Brascan Power Inc. announced its intention to acquire the 28 MW Piney Project located on the Clarion River in Pennsylvania and the 20 MW Deep Creek Project on the Youghiogheny River in Maryland for US$42 million. This transaction is conditional on approvals of regulatory agencies and is expected to close in mid 2005.

Acquisitions in Maine and New York

In January 2005 Brascan Power Inc. acquired an additional 15.4 MWs of capacity in the State of Maine by the acquisition of the Hydro-Kennebec Project and an additional 7.5 MW of capacity in the State of New York by the acquisition of the West Delaware Tunnel Outlet Project.

Acquisition in Brazil

In December 2004, Brascan Corporation, through its subsidiary Brascan Energetica signed an agreement to acquire six hydroelectric power plants with a combined installed capacity of 76 MW, from Companhia de Forca Luz Cataguazes Leopoldina (CFLCL) in Brazil for R$250.2 million, equivalent to approximately Cdn$115 million. The six facilities will be operated by Brascan Energetica. All power generated by these facilities is under long-term contract with CFLCL with an average term exceeding 20 years. The transaction is expected to close by February 28, 2005, conditional to approvals by the regulatory authority and lenders.

Issuance of Debentures

In December 2004, the Company raised $500,000,000 through the issuance, on a private placement basis of the Original Series 1 Debentures and Series 2 FRN Debentures. A syndicate of underwriters led by RBC Dominion Securities Inc. and CIBC World Markets Inc. placed $400,000,000 of Original Series 1 Debentures and a syndicate of underwriters led by RBC Dominion Securities Inc. and TD Capital Markets Inc. placed $100,000,000 of Series 2 FRN Debentures. The proceeds of that offering were used to repay intercompany debt and for general corporate purposes.

Joint Venture Acquisition in Massachusetts

In December 2004, Brascan Power and Emera Inc., announced the intention, in a 50-50 joint venture, to acquire Bear Swamp, a 589 megawatt pumped storage hydro-electric generating facility in northern Massachusetts, for a total of US$92 million. Bear Swamp is located on the Deerfield River in northern Massachusetts. The facility sells energy, capacity and ancillary products to the New England Power Pool. Both Emera and Brascan Power intend to finance the acquisition out of available financial resources. The transaction is conditional on approvals of regulatory agencies and is expected to close in mid 2005.

Joint Venture Lease

In December 2004, Bellows Falls Power Company, a 50-50 joint venture between Brascan Power Inc. and Emera Inc., announced it entered into an agreement to lease the 49 megawatt Bellows Falls hydroelectric generating facility, located on the Connecticut River in Vermont, from the town of Rockingham, following the town's acquisition of the facility. Bellows Falls Power Company will pay US$72 million to lease the facility for up to 74 years. The transaction is expected to close in the second quarter of 2005, pending regulatory approvals.

Upstate New York Acquisition

In September 2004, Brascan Power acquired 71 hydroelectric power generating plants, totaling 674 MW of capacity, and a 105 MW cogeneration facility in upstate New York, from Reliant Energy Inc. for US$874 million (the "New York Hydro Assets"). These hydroelectric power plants generate approximately 3,000 GWh of energy annually. This acquisition represented Brascan Power's entry into the New York power market and complemented its existing generation portfolio in the northeastern U.S.

Wind Power Projects

In November 2004, Brascan Power was successful in both proposals it submitted as a part of the Government of Ontario's request for proposal ("RFP") for renewable energy. Both the Prince wind farm, with an expected capacity of 99 MW to be located in Sault Ste. Marie, Ontario, and the Blue Highlands wind farm, with an expected capacity of 50 MW to be located near Collingwood, Ontario, were chosen as recipients of a 20-year PPA with the Ontario Electricity Financial Corporation ("OEFC"). This agreement may be transferred to the Ontario Power Authority ("OPA"). The Prince wind farm is expected to be in service by March 31, 2006 and the Blue Highlands wind farm is expected to be in service by March 31, 2007.

Northern Ontario Transmission Line Upgrade

In April 2004, Brascan Power received approval from the Ontario Energy Board ("OEB") to proceed with a $85 million upgrade of its transmission line in northern Ontario. The project includes the replacement of 164 km of transmission line and related transformer station modifications. In addition to the upgrade, the new line will also be equipped with a fiber optic communications cable to complete the link between Sault Ste. Marie and Wawa for improved data transmission and communications among Brascan Power's facilities in the region. This initiative will increase the overall reliability and power flow capacity of this portion of Brascan Power's northern Ontario transmission system. This project is expected to be fully commissioned by the end of 2005.

Pingston Creek Power

In April 2003, Brascan Power substantially completed construction of Pingston Creek Power, a 30 MW generating station in British Columbia. This $65 million project was developed with its joint venture partner Canadian Hydro Developers Inc. and began commercial operations in May 2003. In May 2004, the installed capacity of the facility was increased to 45 MW with the addition of a third generating unit.

SELECTED CONSOLIDATED FINANCIAL AND OPERATIONAL INFORMATION

Pro Forma Financial and Operational Highlights for Brascan Power

The following tables set forth selected consolidated financial information for Brascan Power on a pro forma basis, which reflect the acquisition of the New York Hydro Assets for nine months ended September 30, 2004 and for the year ended December 31, 2003 and on an actual basis for the years ended December 31, 2003, 2002 and 2001.

	Pro forma (unaudited)[1]				
$ millions (except as otherwise noted)	**September 30, 2004**	**December 31, 2003**	**2003**	**2002**	**2001**
Financial Results					
Gross Revenue[2]	$ 696	$ 678	**$ 528**	$ 432	$ 375
Power Revenue	634	598	**448**	340	270
Net Operating Income	347	309	**241**	247	157
Net Income	166	127	**97**	167	131
Operational Results					
Installed capacity (MW)	2,622	2,622	**1,761**	1,636	991
Generation (GWh)	8,378	9,409	**6,279**	5,584	3,959
Financial Position					
Total assets	$4,502[3]	$ n/a	**$3,580**	$3,500	$2,930
Shareholders' equity	1,741[3]	n/a	**1,382**	1,374	1,299
Long-term financial liabilities	2,062[3]	n/a	**1,603**	1,498	1,152
Cash dividends declared per share	$ —	$ n/a	**$ 0.64**	$ 0.64	$ 0.64
Net income per share	—	—	**0.81**	1.50	1.13
Diluted income per share	—	—	**0.77**	1.32	1.04

(1) Pro forma includes the acquisition of the New York Hydro Assets but does not give effect to the Reorganization. Pro forma financial statements giving effect to the Reorganization are included elsewhere in this Prospectus. See "Financial Statements".

(2) Sum of power revenue and investment income.

(3) Represents actual amounts and not pro forma amounts.

Selected Quarterly Information

	2004			2003				2002
CDN $ millions (except as otherwise noted)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Power generated (GWh)	1,757	2,090	2,157	1,835	1,492	1,589	1,363	1,135
Gross revenues	178	187	199	163	149	123	93	100
Power revenues	154	169	180	142	126	106	74	78
Net operating income	77	92	105	75	52	67	47	55
Net income	36	35	52	19	24	31	23	29
Diluted income per share	0.26	0.28	0.41	0.16	0.19	0.24	0.18	0.23

DESCRIPTION OF THE BUSINESS

The Company and the Reorganization

Brascan Power Corporation (the "Company") was incorporated and organized under the *Business Corporations Act* (Ontario) on June 20, 2002. The Company's head and registered office is at BCE Place, 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario, M5J 2T3. The Company is a wholly-owned subsidiary of Brascan Power Inc. (formerly Great Lakes Power Inc.) ("Brascan Power" or the "Guarantor").

Brascan Power

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Brascan Power owns or operates all of Brascan's power operations which consist of 117 hydroelectric power generating stations located on 35 river systems and 3 cogeneration plants with an installed capacity of 2,622 MW. Brascan Power will generate on average approximately 10,500 GWh of electricity per year.

Brascan Power has operations in the regionally interconnected markets of Ontario, New York, Québec and New England, with other power operations in British Columbia, Louisiana and Brazil, and a regulated electrical transmission and distribution business in Ontario which consists of approximately 726 km of 44-kv to 230-kv transmission lines and includes a low voltage distribution system consisting of approximately 1,700 km of low voltage lines and 11 distribution stations that service approximately 11,500 customers.

Some of Brascan Power's assets are owned through Great Lakes Hydro Income Fund (the "Fund"), a publicly traded reporting issuer on the Toronto Stock Exchange (symbol: GLH.UN) of which Brascan Power owns a 50.1% interest.

The following is a summary of Brascan Power's power generating operations as at September 30, 2004.

Region	Power Operation	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity[1] (MW)	Long-term Average Generation[2] (GWh)
Ontario	Mississagi Power*	100%	1	4	8	488	750
	Sault Power	100%	2	5	11	203	906
	Wawa Power	100%	3	8	12	156	756
	Lake Superior Power	100%	0	1	3	110	850[4]
		100%	6	18	34	957	3,262
New York	Hudson River Power	100%	4	12	34	237	915
	St. Lawrence River Power	100%	5	30	55	223	1,096
	Lake Ontario Power	100%	5	29	78	214	892
	Carr Street	100%	0	1	3	105	30
		100%	14	72	170	779	2,933
Québec	Lievre River Power*	100%	1	3	10	238	1,418
	Pontiac Power	100%	2	2	7	28	210
		100%	3	5	17	266	1,628
New England	Maine Power*	100%	2	7	32	129	748
	New Hampshire Power*	100%	1	8	25	45	262
	White Mountain	100%	0	1	1	25	184

Region	Power Operation	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity[1] (MW)	Long-term Average Generation[2] (GWh)
		100%	3	16	58	199	1,194
Louisiana	Louisiana Hydro	75%	1	1	8	192	677
British Columbia	Powell River Energy*	50%	2	2	7	82	261
	Pingston Power	50%	1	1	3	45	95
		50%	3	3	10	127	356
Brazil[3]	Brascan Energetica	84%	5	5	12	102	432
			35	120	309	2,622	10,482

(1) Reflects 100% of assets' capacity.

(2) Reflects Brascan Power's proportionate share of generation.

(3) Owned by Brascan and managed by Brascan Power but not included in Brascan Power's consolidated financial statements.

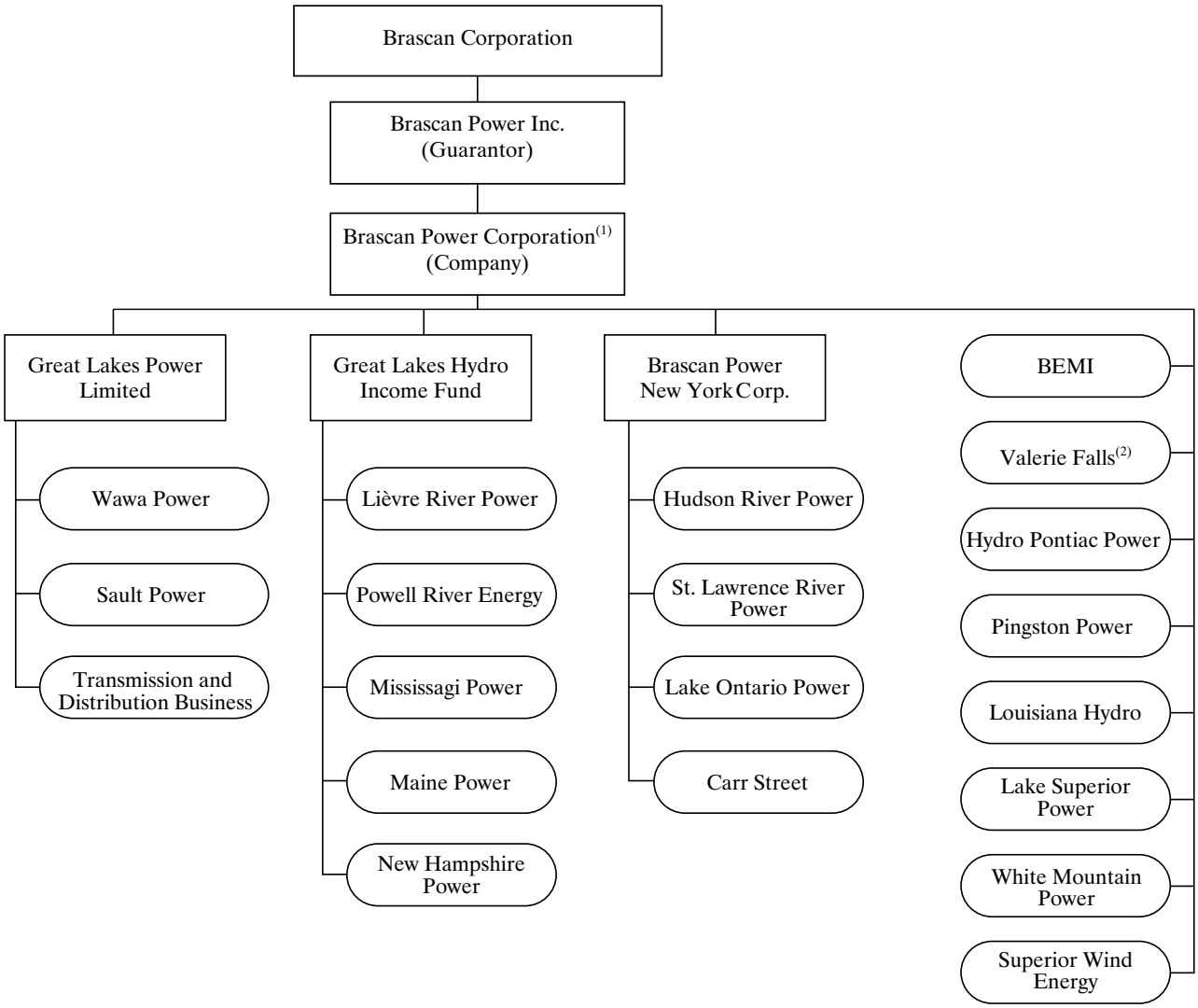
(4) Includes the equivalent generation for project gas sale.

* Brascan Power's effective interest through the Fund is 50.1% of this amount.

Brascan Power conducts all of its energy marketing through a wholly-owned subsidiary, Brascan Energy Marketing ("BEMI") located in Gatineau, Québec. BEMI operates in the wholesale energy markets in both Canada and the United States. BEMI optimizes the revenue of Brascan Power's generating assets by managing their dispatch, selling power in the wholesale markets and entering into short-term financial contracts and PPAs in accordance with Brascan Power's overall business strategy. BEMI's energy marketing activities are closely monitored through a risk management policy to minimize potential transaction risk.

Brascan Power employed approximately 600 people across North America as of September 30, 2004.

The following chart represents the corporate structure of the Company after giving effect to the proposed Reorganization.



(1) Following the Reorganization, the Company will own all operating assets currently under Brascan Power. Prior to the Reorganization the Company will have no subsidiaries.

(2) Valerie Falls operates as part of the Wawa Power System but is owned directly by Brascan Power.

Subsidiaries

The following is a list of selected direct or indirect subsidiaries of Brascan Power as at September 30, 2004 indicating the jurisdiction of organization and the percentage of voting securities owned, or over which control or direction is exercised, by Brascan Power.

Name of subsidiaries[2]	Jurisdiction of Organization	Percentage of Voting Securities Owned or Controlled
Great Lakes Power Limited	Ontario	100%
Great Lakes Hydro Income Fund	Québec	50.1%
Great Lakes Power Trust	Québec	100%
Great Lakes Hydro America, LLC	Delaware	100%
Errol Hydroelectric Co., LLC	New Hampshire	100%
Pontook Operating, Limited Partnership	New Hampshire	100%
Brassua Hydroelectric, Limited Partnership	Maine	100%
Mississagi Power Trust	Québec	100%
Powell River Energy Inc.	Canada	50%
Brascan Energy Marketing Inc.	Ontario	100%
Brascan Energy Marketing LP	Ontario	100%
First Toronto Equities Inc.	Ontario	100%
The Catalyst Group Inc.	Louisiana	75%[1]
GLE Investments Inc.	Ontario	100%
Great Lakes Holding America Co.	Delaware	100%
White Mountain Energy LLC	Delaware	100%
Brascan Power New York Corp.	Delaware	100%
Hydro Pontiac Inc.	Québec	100%
Waltham Power & Company, Limited Partnership	Québec	100%
Coulonge Power & Company, Limited Partnership	Québec	100%
Lake Superior Power Limited Partnership	Ontario	100%
Pingston Creek Joint Venture	British Columbia	50%
Superior Wind Energy Inc.	Ontario	51%
Valerie Falls Power Limited Partnership	Ontario	100%

(1) Non-voting interests.

(2) Includes only active subsidiaries.

Business Strategy

Brascan Power's goal is to create and deliver long-term value by building long-term sustainable cash flows. This is achieved by focusing on the following:

Low-Cost Producer. Brascan Power's hydroelectric assets are competitively positioned relative to other types of generation due to the low operating cost structure and minimal ongoing capital requirements of its hydroelectric generating facilities. The majority of Brascan Power's power generating facilities operate in competitive, bid-based markets which favours low-cost producers.

Managed Revenue Profile. Approximately 40% of Brascan Power's stated average annual generation is sold under long-term PPAs with an average contract duration of over 13 years. The remaining generation is dispatched in competitive, bid-based markets in Ontario, New York and New England. Prices in those markets are principally a function of instantaneous supply and demand that fluctuates on an hourly basis. Brascan Power manages those fluctuations by entering into short-term financial contracts when appropriate and within the limits of its risk management policy to limit its exposure to price movements and optimize overall returns. Brascan Power intends to increase its annual generation sold under PPAs to 60% when the market price of power is at a level that management believes is sustainable.

Revenue Optimization. By consistently monitoring the wholesale power markets in which it operates, Brascan Power can take advantage of its water storage capabilities and operating flexibility of its hydroelectric assets in order to capture higher prices by responding quickly to changes in electricity demand. In addition, Brascan Power's focus on regional interconnected markets allows it to advantageously capture short-term pricing differentials between markets. The flexibility of its hydroelectric facilities also provides Brascan Power with the opportunity to enhance its revenue from electricity generation with additional revenue from ancillary services such as spinning reserve and black-start capabilities that are required by market operators to manage grid reliability and stability.

Managing Regional Volatility. Brascan Power continues to reduce its exposure to regional fluctuations in hydrology through the geographic and technological diversification of its asset base. With hydroelectric facilities located on 35 different river systems, Brascan Power benefits from geographic diversity that materially mitigates the risk of encountering lower overall hydrology. Brascan Power also employs a water management strategy that optimizes generation from available water while meeting legal, environmental, and operational requirements. Brascan Power uses hydrological and meteorological data to manage head flow (the vertical drop of water at a generation site) and water storage, and to schedule water use in a manner which minimizes unutilized water flow. Brascan Power's three cogeneration facilities and expected wind power generation also help reduce the overall impact on total generation levels from lower hydrology.

Acquisitions and Investments. Brascan Power will continue to exercise financial discipline in acquiring, developing and operating its facilities. Brascan Power will also consider developing small hydroelectric generation and wind power projects and acquiring or building thermal generating stations. Brascan Power's guidelines regarding investments are as follows: (i) invest in areas where it possesses a competitive advantage; (ii) acquire assets on a value basis; (iii) build sustainable cash flows to provide certainty, reduce risk and lower the cost of capital; and (iv) invest on a scale which will not jeopardize its existing business. Brascan Power will also continue to conservatively capitalize itself, ensuring that it is always able to meet all of its fixed obligations.

Over the last six years, Brascan Power has increased its generating capacity through the acquisition of existing hydroelectric generating facilities in Ontario, Québec, British Columbia, Maine, New Hampshire and New York and the construction or development of new hydroelectric generating stations in Ontario, British Columbia and New Hampshire. Together these initiatives increased Brascan Power's power generation base of 2,622 MW from 653 MW in 1998 and increased average annual generation to approximately 10,500 GWh from 2,700 GWh in 1998. This expansion positions Brascan Power to diversify and further grow its operations.

Operation and Maintenance. Brascan Power maintains and enhances the quality of its assets by prudently investing approximately $50 million of capital annually, on average, to sustain their long-life, high reliability and operational efficiency.

Competitive Strengths

Brascan Power benefits from the following competitive strengths:

Affiliation with Brascan. As a 100% owned subsidiary of Brascan, Brascan Power benefits from the financial strength and managerial expertise of its parent. Brascan considers power generation to be one of its core business segments and is committed to the continued success and growth of Brascan Power's operations.

Storage Capacity. Brascan Power has the equivalent of approximately 2,000 GWh of storage capacity throughout its portfolio, providing the ability to choose which period to use water to produce electricity and to capture higher prices in the market.

Experienced Management Team. The management team has substantial experience and has a consistent track record of successfully growing both its asset base and cash flows.

Interconnected Markets. The majority of Brascan Power's power generating facilities are located in the northeastern U.S. and Canada. The New York, New England, Ontario and Québec power markets are all interconnected, allowing power generated in one of these markets to be sold into any of the other markets. Having generation assets in all of these regions allows Brascan Power to capture pricing arbitrage opportunities that exist between markets.

Energy Marketing Expertise. Brascan Power's centralized energy marketing group works to enhance returns from its existing generation assets while employing a prudent risk management strategy to limit transaction risks. Brascan Power's energy marketing operations also provide valuable market intelligence regarding pricing dynamics, regulatory systems and market participants, which serves to support the growth strategy by targeting the most attractive markets.

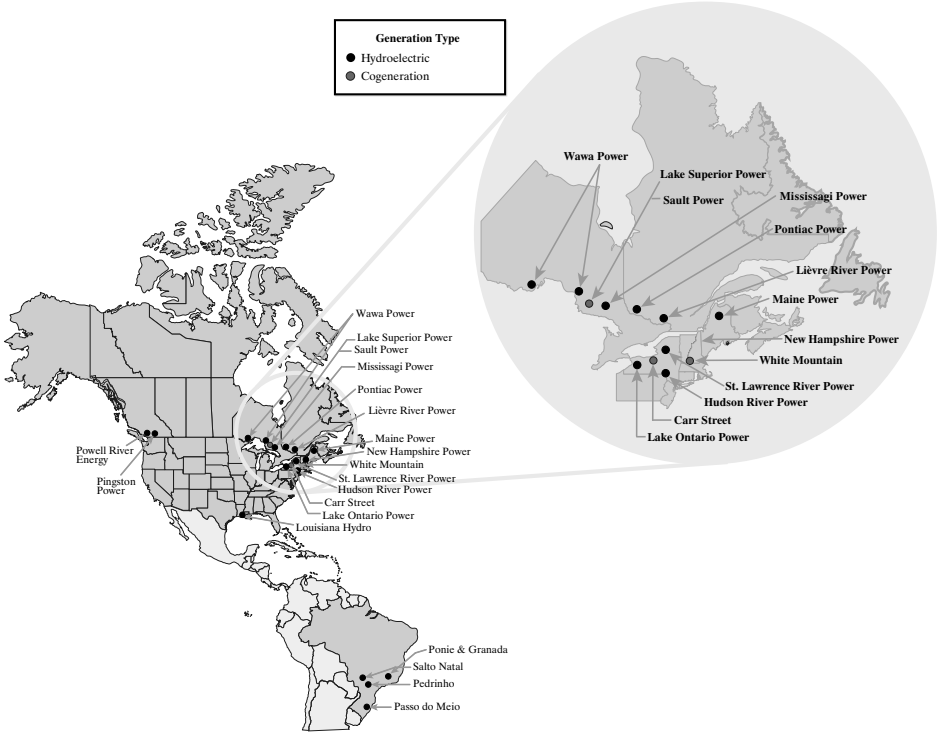
Strong Competitive Position. Brascan Power is one of the lowest cost generators of electricity in North America. Brascan Power's generating facilities operate in competitive, bid-based markets where the hourly price of electricity is a function of instantaneous supply and demand that favours low-cost producers. With virtually no fuel costs and minimal overhead and maintenance costs, Brascan Power's hydroelectric assets are competitively positioned relative to other types of generation supply.

Geographic Diversity. Brascan Power's power generating facilities are located in seven distinct power markets reducing the impact of individual market or regulatory risk. The regional diversity of its hydroelectric plants, located on 35 different river systems, materially mitigates the risk of encountering lower overall hydrology.

Financial Strength and Attractive Debt Maturity Profile. Brascan Power has investment grade issuer ratings from DBRS and S&P. With the intent of preserving these ratings, Brascan Power pursues a conservative approach to its capitalization maintaining a prudent level of low-cost limited recourse project financing and modest levels of corporate debt. The long-life nature of its assets allows Brascan Power to finance these assets with long-term limited recourse debt, with minimal near-term maturities.

Current Operations

The following is a summary of Brascan Power's power generation, transmission and distribution operations as at September 30, 2004.



Ontario Operations

Wawa Power

Wawa Power is located in northern Ontario. It includes eight generating stations located on three river systems: the Magpie River, the Michipicoten River and the Seine River. The installed capacity of Wawa Power is 156 MW including the 45 MW Dunford Generating Station on the Michipicoten River commissioned in 2003 to replace the 28 MW High Falls operating station. Wawa Power also includes the 10 MW Valerie Falls facility on the Seine River which is party to a PPA dated June 1992 with the OEFC and expires on December 31, 2042. Under the terms of the PPA, OEFC has agreed to purchase all of the power produced by the facility according to a fixed-price schedule indexed to the Ontario Consumer Price index. Power produced by all the other facilities in Wawa Power is bid into the Independent Electricity Market Operator ("IMO") administered market.

Sault Power

Sault Power is located in northern Ontario near Sault Ste. Marie. It includes five generating stations located on two river systems: the Montreal River and the St. Mary's River. The installed capacity of Sault Power is 203 MW. All power produced by Sault Power is bid into the IMO administered market.

Mississagi Power

Mississagi Power is located in northern Ontario. It includes four generating stations on the Mississagi River, with an installed capacity of 488 MW. The power system was built mostly in the 1960's by Ontario Hydro to supply peak energy to the province. It was acquired by the Fund in 2002 from Ontario Power Generation Inc. ("OPG") for $346 million. All power produced by the Mississagi Power system is bid into the IMO administered market. In order to remove the market risk exposure to the Fund, BEMI purchases all the power produced by Mississagi Power at a fixed-price. The fixed-price is escalated annually by 20% of the Statistics Canada Consumer Price Index.

Lake Superior Power

Lake Superior Power is located in Sault Ste. Marie, Ontario. This combined cycle cogeneration facility with 110 MW of capacity was built in partnership with Westcoast Power and commenced production in 1993. It uses two aero-derivative natural gas-driven turbines and one steam turbine to generate electricity. Low-pressure steam is also available for sale to industrial customers. Lake Superior Power is party to a 20-year PPA with OEFC, which expires in 2014, under which OEFC has agreed to purchase all of the electric power produced by the facility according to a fixed-price schedule, subject to OEFC's periodic right to require Lake Superior Power to curtail production within certain limits. Lake Superior Power has entered into gas supply agreements with each of Petro-Canada Inc. and Talisman Energy Inc. for the purchase of natural gas required to run the facility. The agreements expire on January 1, 2009 and November 1, 2008, respectively, and are extendible on a year-to-year basis if mutually agreed upon by the parties. Lake Superior Power has also entered into transportation agreements with TransCanada PipeLines Limited and Union Gas Limited for the transportation of natural gas to the facility.

Transmission and Distribution

Brascan Power's transmission and distribution operations in Ontario include approximately 726 km of 44-kv to 230-kv transmission lines and comprise part of the IMO administered grid and include a low voltage distribution system consisting of approximately 1,700 km of low voltage lines and 11 distribution stations that service approximately 11,500 customers. Daily operation of the transmission and distribution business is conducted from Brascan Power's control centre located in Sault Ste. Marie, Ontario. Brascan Power's transmission and distribution business is a regulated utility that earns regulated cash flows under a cost of service framework that serves to provide additional overall stability to its cash flows.

New York Operations

St. Lawrence River Power

St. Lawrence River Power is located in upstate New York. It includes 30 hydroelectric generating facilities located on five river systems with a total installed capacity of 223 MW. All the facilities are operated remotely through Brascan Power's control center located in Liverpool, New York. Federal Energy Regulatory Commission ("FERC") licenses for the St. Lawrence River Power facilities have an average duration of 21 years and St. Lawrence River Power has access to 71 GWh of storage capacity. All power produced by the facilities is bid into the New York Independent System Operator ("NYISO") to be scheduled and dispatched.

Lake Ontario Power

Lake Ontario Power consists of 29 hydroelectric generating facilities located in upstate New York on five river systems. The installed capacity of the systems is 214 MW. All the facilities are operated remotely through Brascan Power's control center located in Liverpool, New York. FERC licenses for the Lake Ontario Power facilities have an average duration of 22 years. Lake Ontario Power has access to 144 GWh of storage capacity. All power produced by the facilities is bid into the NYISO.

Hudson River Power

Hudson River Power consists of 12 hydroelectric generating facilities located in upstate New York on 4 river systems. The installed capacity of the system is 237 MW. All the facilities are operated remotely from Brascan Power's control center in Liverpool, New York. FERC licenses for the Hudson River Power facilities have an average duration of 38 years and Hudson River has access to 278 GWh of storage capacity. All power produced by the facilities is bid into the NYISO.

Carr Street

Carr Street is a 105 MW dual-fired cogeneration station located in East Syracuse, New York. It was built in 1993 and features two General Electric LM 6000 aero-derivative combustion turbines capable of firing natural gas or No. 2 fuel oil and one steam turbine. This facility is predominately used to meet power needs at times of peak demand. Carr Street does not have long-term gas supply contracts and is party to a long-term non-firm gas transportation agreement with Niagara Mohawk. All power produced by the facilities is bid into the NYISO.

Québec Operations

Lièvre River Power

Lièvre River Power consists of three generating stations on the Lièvre River having a combined generating capacity of 238 MW. Water for these facilities is stored primarily at three reservoirs located upstream on the Lièvre River and two of its tributaries, which are owned and operated by the Government of Québec. This system has four interconnections with the Québec power grid and two with the Ontario power grid. All power produced by the facilities can be exported to the Ontario power grid.

Lièvre River Power was acquired by the Fund in November 1999 for $320 million at which time Brascan Power entered into a Power Agency and Guarantee Agreement with the Fund, expiring in 2019, under which Brascan Power guarantees that the Fund will receive a guaranteed price for all electricity produced and delivered by the Lièvre River Power system, except in certain limited circumstances. Brascan Power acts as the Fund's exclusive agent in respect of sales of electricity and provides sales, scheduling, dispatching and transmission services.

More than half of the power produced by Lièvre River Power is contracted to a newsprint mill located in Gatineau, Québec under a contract expiring in 2008. Remaining power is sold to Brascan Power at the guaranteed price and resold by Brascan Power in the IMO administered market in Ontario. Power may also be delivered into the New England or New York markets through the Hydro-Québec transmission network.

Pontiac Power

Pontiac Power consists of two hydroelectric generating stations on tributaries of the Ottawa River in western Québec, with a combined generating capacity of 28 MW. The 11 MW Waltham station is located on the

Noire River and the 17 MW Coulonge station is located on the Coulonge River. Pontiac Power has entered into power contracts with Hydro-Québec for the sale of all power produced by the facilities at rates which increase annually according to the increase in the Canadian Consumer Price Index for the preceding year. The contracts have a term of 25 years, expiring in 2020 and 2019, respectively.

New England Operations

Maine Power

Maine Power includes seven hydroelectric facilities containing 32 generating units with an aggregate installed capacity of 129 MW. Six of the facilities, with an installed capacity of 126 MW, are located on the Penobscott River in northern Maine. Those facilities were acquired in 2002 by the Fund for US$156.5 million. All power produced from those facilities is sold to Brascan Power at a price which is escalated annually by 20% of the US Department of Labor Consumer Price Index ("CPI-W") increase until 2022. Brascan Power resells that power to a paper mill owned by Brascan under a 10-year contract expiring in 2012. The system is interconnected with the New England grid through a 115 kv transmission line and all power produced by the facility can be delivered to the grid.

The other facility was acquired in November 2003 by the Fund and is on the Moose River and has an installed capacity of 3 MW. All power produced by the facility is sold under contract to Central Maine Power Company. The contract expires in 2009. The lease for the facility expires in 2012.

New Hampshire Power

New Hampshire Power's generating facilities include eight hydroelectric facilities containing 25 generating units with an aggregate installed capacity of 45 MW. Six of these facilities, having an aggregate capacity of 31 MW, are located on the Androscoggin River. They were acquired by the Fund in 2002 for US$33 million. All power produced by these facilities is sold to Brascan Power under a 20-year PPA at a price which is escalated annually by 20% of the CPI-W increase until 2022. Brascan Power sells this power to a paper mill located in Berlin, New Hampshire owned by Fraser Papers Inc. ("Fraser Papers"), an affiliate of Brascan Power, under a PPA expiring in 2012.

In November 2003, the Fund acquired two more facilities located on the Androscoggin River in New Hampshire. The Errol facility has an installed capacity of 3 MW. All power produced by this facility is sold to Public Service of New Hampshire under a contract that expires in 2023. The lease for that facility expires in 2023. The Pontook facility has an installed capacity of 11 MW. All power produced by the facility is sold to Brascan Power under a 20-year PPA which expires in 2023. Brascan Power resells this power into the New England power market.

White Mountain

During the first quarter of 2004, Brascan Power completed the construction of a 25 MW cogeneration station in Berlin/Gorham, New Hampshire which will provide electricity and steam for sale to a nearby pulp and paper facility owned by Fraser Papers under a 10-year tolling agreement. All costs to operate White Mountain are paid by Fraser Papers. White Mountain receives a capacity payment and an energy payment on a monthly basis.

British Columbia Operations

Pingston Creek Power

Pingston Creek Power is a joint venture between Brascan Power and Canadian Hydro Developers Inc. In 2001, the joint venture commenced construction of the 30 MW Pingston Creek hydroelectric generating station located near the town of Revelstoke, in south central British Columbia. The facility was commissioned in 2003. Brascan Power and Canadian Hydro Developers Inc. installed a third unit at the facility, increasing its capacity to 45 MW in 2004. All power produced by the facility is sold under a 20-year PPA to British Columbia Hydro and Power Authority ("BC Hydro").

Powell River Energy

In February 2001, Powell River Energy acquired two hydroelectric generating stations with seven generating units having a combined generating capacity of 82 MW and related transmission facilities from Norske Skog. These facilities are located near Powell River, British Columbia. Powell River Energy is owned 50% by the Fund, and 50% by Norske Skog.

The Powell River generating station comprises three powerhouses with five generating units. The Lois Lake generating station consists of one powerhouse with two generating units. Water for these stations is stored in two large lakes: Powell Lake, which is approximately 26 miles in length and Lois Lake, which together with three interconnected lakes is approximately 10 miles in length. Power from the Lois Lake station is delivered via 12 miles of transmission lines, owned by Powell River Energy, to a distribution system in Powell River. These facilities are interconnected to the British Columbia power grid.

All electricity generated by Powell River Energy is sold to Norske Skog pursuant to a 10-year PPA dated January 31, 2001. Norske Skog must purchase all the energy delivered on a first priority basis before purchasing or otherwise receiving any other energy for its pulp and paper mill in Powell River.

Louisana Operations

Louisiana Hydro

Louisiana Hydro operates a hydroelectric generating station and flood and sediment control facility on a diversion of the Mississippi River near the Town of Vidalia, Louisiana, north of Baton Rouge. Brascan Power holds a 75% residual interest in the facility. The hydroelectric generating station, known as the Sidney A. Murray, Jr. Generating Station, is located on a man-made channel which diverts water from the Mississippi River to the Red and Atchafalaya Rivers five miles away. The station uses the natural difference in elevation between these two river systems to generate electricity. It contains eight turbines with an installed capacity of 192 MW, making it one of the largest run-of-the-river stations in the world. The facility and inflow channel form an integral part of the U.S. Army Corps of Engineers' flood and sediment control system for the lower Mississippi River. Louisiana Hydro has entered into an agreement with the U.S. Army Corps of Engineers providing for the flow of water required for the facility. This agreement expires on December 31, 2031.

Substantially all of the power produced by the facility is sold to Entergy Louisiana, Inc. ("Entergy"), a wholly owned subsidiary of Entergy Inc., under a long-term PPA based on a predetermined price schedule on a "pay if delivered" basis expiring on December 31, 2031. The remaining power is sold directly to the Town of Vidalia pursuant to a PPA with substantially similar terms. Both agreements have been approved by the Louisiana Public Service Commission. The FERC license to operate the facility is held jointly by Louisiana Hydro and the Town of Vidalia and expires in December 2031. The transmission lines and the accompanying right-of-way to Entergy's substation are governed by an agreement with the Town of Vidalia.

Brazilian Operations

Brascan Energetica

Brascan Energetica S.A. ("Brascan Energetica") conducts Brascan's power operations in Brazil. In 2003, Brascan Energetica completed the construction of 3 hydroelectric power plants with combined installed capacity of 61 MW. In 2004, Brascan Energetica acquired 2 existing hydroelectric power plants with a combined installed capacity of 41 MW.

The power plants are operated from a central control room in Curitiba in the state of Parana, in the south of Brazil. The plants are on different river systems: two are in the state of Parana, in southern Brazil, one is in the state of Rio Grande do Sul, in southern Brazil, and two are in the state of Minas Gerais, in the southeast of Brazil. Each of the plants has PPAs with end-use customers or local distribution companies for all power generation produced by the plants. The average term of these PPAs is 14.5 years.

Ongoing Maintenance Capital Plan

Brascan Power has adopted a comprehensive 20-year capital and maintenance program (the "Capital Plan") to extend the operating life of its assets and to maintain unit efficiency. This program includes annual

examinations of major items of equipment, intensive reviews of dams, weirs and spillways every four to five years, and complete overhauls of generating units as required. Annual expenditures under the Capital Plan are expected to be approximately $50 million on average. Brascan Power reviews and updates this plan on an annual basis.

The Capital Plan identifies the principal maintenance and capital improvement projects required over the next 20 years to ensure the continued high reliability and availability of the assets. The Capital Plan provides for capital expenditures which are designed to:

- maintain, to required standards, system security and reliability by addressing the condition, availability, performance, capability and safety of the assets;
- effectively manage the life-cycle costs of the assets to ensure continued viability;
- consider environmental, regulatory and safety indicators to ensure compliance with applicable laws and regulations;
- continually improve efficiency and effectiveness; and
- improve response and restoration time following emergencies, forced outages and planned outages.

Sustaining capital expenditures relate to that level of spending required to maintain current asset condition and to allow continued operation at high levels of reliability and include:

- periodic detailed assessment of the assets to determine their condition and establish work plans for their renewal, when required;
- implementing routine preventative maintenance standards for generating station and transmission components in accordance with prudent utility practice; and
- managing vegetation and right of ways in respect of the transmission and distribution systems.

In addition to its Capital Plan, Brascan Power has commenced work on the reconstruction of the Shikwamkwa Dam located on the Michipicoten River in northern Ontario. Regulatory approval for the main construction phase of the project is 60% complete. The project schedule anticipates the completion of the preparatory work in early 2005, major construction throughout 2005, and the decommissioning of the existing dam in the first quarter of 2006, at an expected total cost of approximately $101 million.

Health and Safety

Brascan Power strives to achieve excellence in safety performance and to be recognized as an industry leader in accident prevention. Brascan Power recognizes and is committed to the following health and safety principles:

- Responsibility and accountability for safety performance at all levels of the organization.
- Active participation of leadership in the management of health and safety.
- A primary focus on the elimination and control of high risk hazards for employees, contractors, visitors and the population potentially affected by Brascan Power's operations.
- The right and the responsibility of every employee to contribute to safe work performance.
- Prevention through the proactive application of a comprehensive safe work management system.

Brascan Power's overall objective is to incur zero high risk safety incidents and zero lost time injuries.

Insurance

Brascan Power participates in Brascan's group insurance program which includes (i) umbrella liability insurance, (ii) property and business interruption insurance coverage, including coverage for fire, flood and earthquake, (iii) automobile liability insurance coverage as required for owned and leased vehicles, and (iv) comprehensive third party general liability insurance. While not all events are insurable, Brascan Power believes that the insurance coverage addresses the material insurable risks and provides coverage that is comparable to what would be maintained by a prudent owner/operator of similar facilities.

Employee and Labour Relations

Brascan Power employs approximately 600 people throughout its operations across North America. Approximately 46% of Brascan Power's employees are covered by collective bargaining agreements negotiated with 2 different labour unions with respect to six power operation centers including Lake Superior Power, Lièvre River Power, Pontiac Power, Mississagi Power, Wawa Power, Sault Power and the New York Hydro Assets. The Lièvre Power River collective agreement with the International Brotherhood of Electrical Workers ("IBEW") expired in August 2004. The Pontiac Power collective agreement with IBEW expired on January 31, 2004. Brascan Power has commenced contract renewal negotiations with IBEW for these collective agreements respectively and believes that there will be no material changes to the cost structure, nor will these negotiations pose a threat to the ongoing operations. Negotiations are currently ongoing for the organization of a collective bargaining unit at Lake Superior Power. Brascan Power has never experienced a strike or labour stoppage and management believes that its relationships with its employees are generally good.

Environmental Matters

Brascan Power's environmental practices are based on the fundamental values of accountability, partnership and open communication. Brascan Power accepts the responsibility entrusted to it to manage natural resources in ways that ensure sustainable development. In the past 5 years, Brascan Power has not been notified of any material environmental damage claims or breaches of environmental law with potential material negative impact to the environment Brascan Power's approach protects and enhances the ecosystems and communities affected by its activities. Brascan Power recognizes and is committed to the following environmental principles:

- Meet or exceed legislated requirements and strive to achieve a level of performance not only governed by these requirements but also by consideration of the socio-economic and environmental expectations of stakeholders.
- Engage in open and transparent dialogue with stakeholders to achieve a greater understanding of expectations and constraints.
- Promote a partnership approach for the development of responsible and realistic solutions.
- Understand, minimize and manage the impacts and risks associated with operations and plan for emergency situations.
- Integrate environmental, public and socio-economic considerations into business processes.
- Ensure efficiency of operations and activities in the use of natural resources.
- Exercise leadership by encouraging and training employees at all levels to follow the environmental stewardship associated with their responsibilities.
- Maintain environmental management systems that support this policy and ensure continual improvement.

Brascan Power is committed to the environmentally responsible management of its assets. Developments in the last 15 years have all been subjected to full environmental assessment studies. Public information meetings have been held in order to identify concerns and appropriate actions were taken to address those concerns. Projects constructed prior to this period have been fully audited and mitigation steps have been instituted, where necessary, to bring all plants to accepted standards. Expenditures on environmental compliance are minimal due to the nature of the assets held and are included in the ongoing Capital Plan.

Environmental Regulations

The development of hydroelectric resources and the construction and operation of power projects are subject to extensive federal, provincial and state laws and regulations adopted for the protection of the environment. The laws and regulations applicable to Brascan Power's operations primarily involve permits required for the construction of the projects. These permits often contain conditions that require Brascan Power to assess and, where possible, mitigate environmental impacts.

Many of Brascan Power's hydroelectric generating stations were built before strict environmental laws and regulations came into effect. Since approximately 1980, Brascan Power's development projects have been subject to an environmental assessment process, which includes public information meetings, full environmental impact studies and requirements to take appropriate actions taken to allay public concerns and environmental impacts where possible.

Non-compliance with environmental laws and regulations, or with conditions contained in environmental permits and approvals, can result in the imposition of substantial fines or other penalties. In some cases, environmental laws may also impose clean-up or other remedial obligations, or an obligation to mitigate environmental impacts from projects.

Investment and Securities Portfolio

Brascan Power maintains a portfolio of securities, and long-term corporate investments, which are held to generate additional cash flow on a tax-effective basis (the "Investment Portfolio"). After the effective date of the Reorganization, the Investment Portfolio will be the only asset held by Brascan Power. It will not be transferred to the Company. As at September 30, 2004, the aggregate book value of the Investment Portfolio was $831 million.

Brascan Power's securities portfolio is comprised primarily of preferred shares of associated companies. The book value of Brascan Power's securities portfolio by business sector as at September 30, 2004 compared to prior years is summarized below:

($ millions)	Sept. 30, 2004	Dec. 31 2003	Dec. 31 2002
Property	$ 61	$151	$160
Natural resources	88	126	161
Financial services & diversified	370	242	199
Other	25	25	70
	$544	$544	$590

The book values of Brascan Power's principal long-term investments as at September 30, 2004 compared to prior years are shown below:

($ millions)	Sept. 30, 2004	Dec. 31 2003	Dec. 31 2002
Brascan Financial Corporation	$195	$195	$195
Noranda Inc.	—	146	146
Other investments	92	103	218
	$287	$444	$559

Investment income from Brascan Power's preferred shareholdings varies only with the amount invested as the rate of return is fixed. Other investment income is sensitive to interest rate changes.

THE NORTH AMERICAN ELECTRICITY INDUSTRY

The North American electricity industry has been characterized by significant change over the past several decades, as several jurisdictions in both Canada and the United States have opened their electricity markets to competition. While the pace of deregulation has differed from region to region, wholesale electricity trading markets have developed, access to transmission systems has been afforded, and a number of electric utilities have been restructured in response to state mandated efforts to move towards competition. Additionally, independent power producers have had the opportunity to increase their generating portfolios in markets where asset sales have been either mandated by the regulator, or opportunities have materialized through consolidation or rationalization.

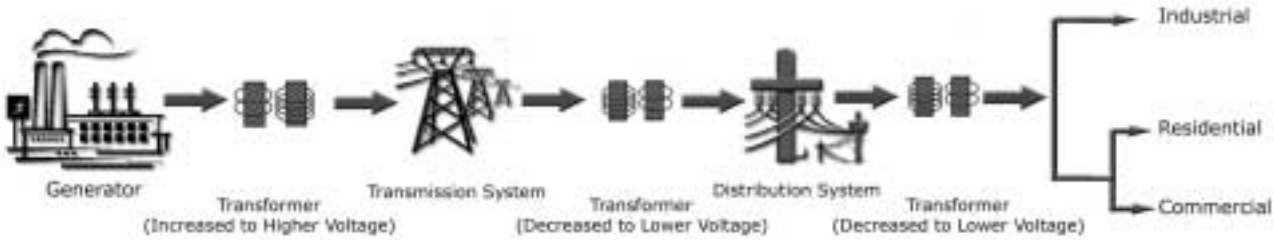
In Canada, Ontario and Alberta are the only provinces to have opened their electricity markets to full retail competition, while the Provinces of British Columbia and New Brunswick have restructured their electric utilities to become more responsive to market conditions. In the northeast United States, New York and most New England and mid-Atlantic states have taken steps to open up their retail electricity markets to competition. As deregulation has achieved varying degrees of success, market constructs which outlined rules for deregulation have continued to be refined.

Overview of the Electricity System

In both Canada and the United States, electricity markets have historically been dominated by vertically integrated utilities, responsible for some or all of the following functions:

- Generation — The production of electricity utilizing fossil fuel (coal, natural gas, fuel oil, diesel), nuclear, hydroelectric or other renewable energy sources (biomass, wind).
- Transmission — The transportation of large blocks of power over relatively long distances from a central generating station to main substations or distribution areas, close to major load centres.
- Distribution — The delivery of electric power from the transmission system to the end-user such as residential, commercial and industrial customers.

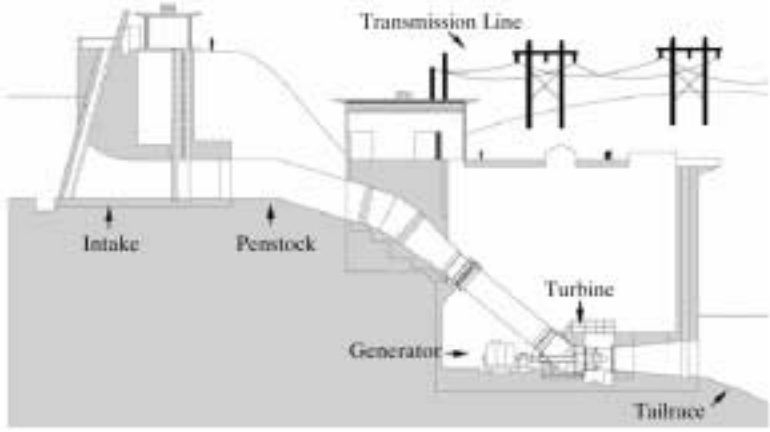
The following diagram illustrates the interconnection of these functions.



Hydroelectric Power Generation

Hydroelectric power is generated by harnessing the force created as water falls from the higher elevation of a head-pond to the lower elevation of a downstream tailrace. The difference in elevation between the head-pond and the tailrace is referred to as the "head" or "operating head". The energy in the moving water is ultimately converted into electricity. The water generally flows through an intake pipe or tunnel (known as the penstock) to a turbine. The turbine spins a shaft attached to a generator, which then converts the mechanical energy of the spinning shaft into electricity. The electricity is then sent through a transformer where its characteristics are adjusted so that it can be sent along the transmission system. The water, after going through the turbine, exits the generating station through the tailrace where it rejoins the main stream of the river. Pictured below is a schematic diagram of a typical hydroelectric power generating station.

Typical Hydroelectric Facility

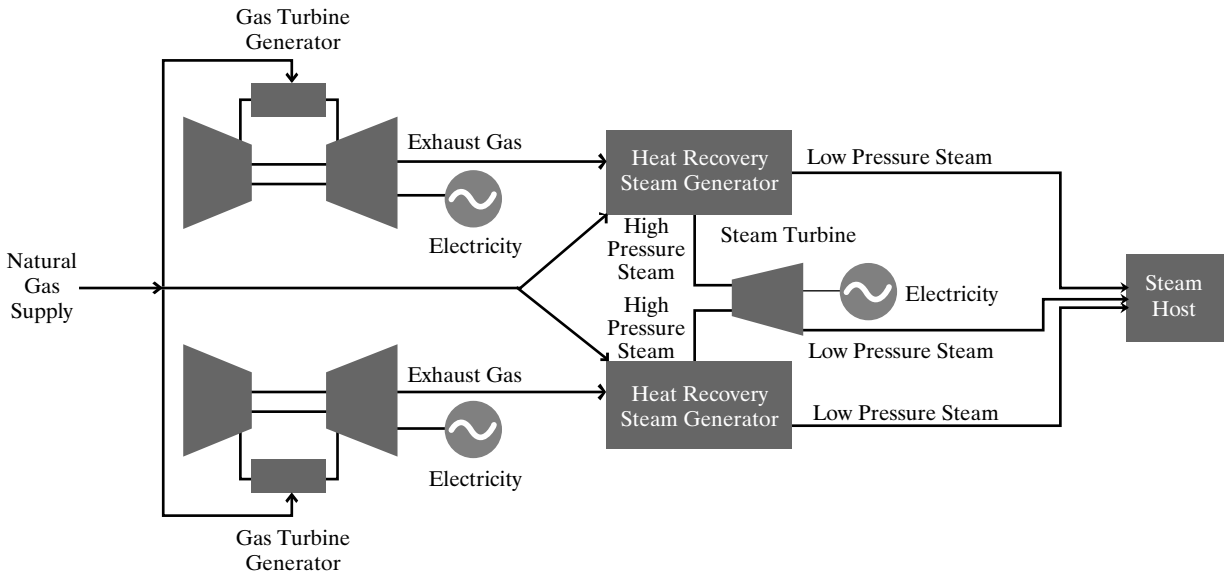


With hydroelectric facilities that have storage capabilities, water accumulates in reservoirs before reaching the turbine generators. Water stored in reservoirs is available for future power generation, providing a form of energy storage that is unique to reservoir-based hydroelectric facilities. Storage allows a hydroelectric operator to shift electricity production from lower to higher priced periods. Specifically, because there is no practical method by which large quantities of electricity can be stored, electricity must be generated when demand requires it. In a competitive market, short imbalances between supply and demand for electricity are one of the factors contributing to extremely high prices, or "price spikes". The ability of hydroelectric facilities with water storage capabilities to increase their supply of electricity during price spikes can enhance their revenue relative to generating plants that are unable to rapidly vary their output.

Combined Cycle Natural Gas Power Generation

Electricity is generated from natural gas by utilizing a combustion turbine that burns natural gas that powers a generator. The hot exhaust gas from the combustion turbine is diverted into a heat recovery steam generator that produces high-pressure steam. This steam is piped to a steam turbine, which powers a second generator that produces more electricity. Combined cycle generating facilities convert a higher proportion of the fuel's energy content to electricity than simple cycle generating facilities. Depending on the degree of steam or heat utilization, significant fuel savings can be achieved. Steam may also be sold as a by-product of electricity production to a steam host. The following diagram illustrates a typical combined-cycle cogeneration natural gas fueled generating station.

Typical Combined Cycle Natural Gas Fueled Generating Station



Wind Power Generation

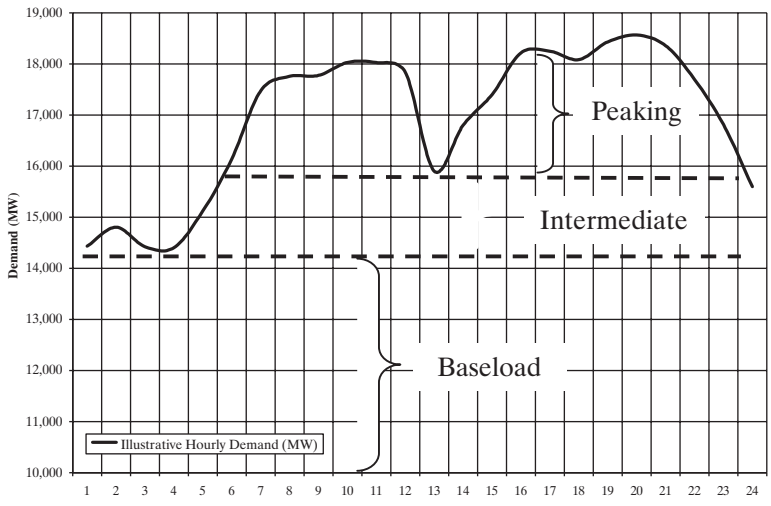
Electricity generation from wind is an emerging technology and is not yet a major source of generation in North America. Like hydroelectric generation, wind generation is not subject to fuel price volatility and it produces a minimal amount of greenhouse gas emissions. Wind turbines can only generate electricity when the wind blows at speeds inside a certain operating range. Capital costs of wind turbines are generally higher than the capital costs for gas-fired generators. Wind power generation is particularly attractive to owners of hydroelectric stations with storage capability. When used in conjunction with hydroelectric generation, wind power can allow the generator to store water through periods of wind generation to support baseload generation and save hydroelectric generation availability for periods when wind generation may not be available.

Electricity Demand and Dispatch

Demand for electricity is non-uniform and varies due to seasonal and daily variations. Electricity demand can be broken into three principal components: (i) a baseload component which represents the minimum level of electricity required regardless of season or time of day (such as industrial demand); (ii) an intermediate component reflecting the generally higher demand for electricity during daylight hours (commercial, industrial and residential demand for lighting, computers, etc.); and (iii) a peaking component which tracks the coincident pattern of electricity use throughout a region and is affected by variables such as weather (cooling demand in

summer, heating demand in winter). The demand volatility associated with this peaking component is what gives rise to rapidly changing prices which can be exploited by low-cost responsive generation assets.

Illustrative Daily Demand Profile



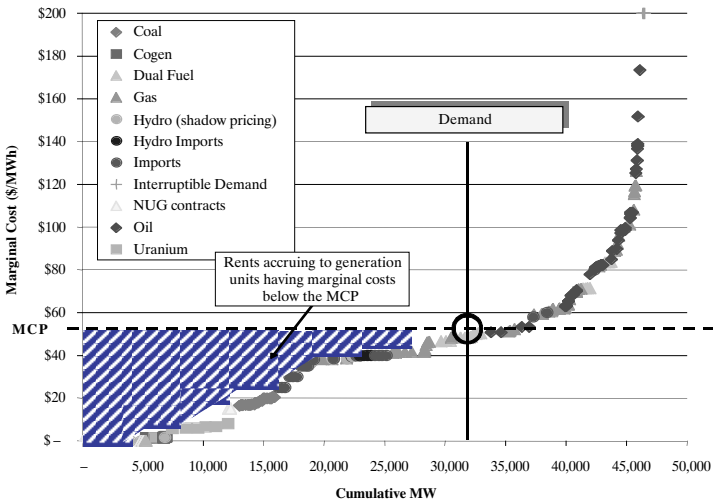
Note: For illustrative purposes only.

Competitive Dispatch of Generating Assets in Deregulated Markets

In order for electricity demand to be adequately satisfied by electricity supply in competitive markets, the various market operators (IMO in Ontario, NYISO in New York State or the New England Independent System Operator ("ISO-NE") in New England) conduct a bid-offer process which serves to schedule, or dispatch, the levels of generation or imports required to meet total demand.

The graphic below is an illustrative example of how generators are dispatched in a competitive wholesale market.

Illustrative Price-Setting Dynamics to Establish Market-Clearing Price ("MCP")



Note: For illustrative purposes only.

Depending on the market rules, generators will bid their generation capacity into the market based on a demand curve which has been established by the system operator, dictating the capacity that will be required in order to meet expected demand. As the generators bid into the market, a "merit order" is established, and bids are ordered from the lowest bid to the highest bid up to the point where the capacity required to meet demand is filled by the bidding generators. The generator who is able to fill the last remaining block of capacity at the lowest price becomes the price setter for the market and establishes the Market Clearing Price ("MCP"). Once the MCP has been established, all generators who are dispatched (i.e. those who bid at or below the MCP) are paid the MCP by the system operator.

When demand substantially exceeds supply, the marginal unit moves farther to the right, which indicates that the MCP is rising as demand is being satisfied with higher priced generation. Hydroelectric facilities with storage capacity, such as Brascan Power's assets in Ontario and certain of its facilities in New York, are able to take advantage of opportunities when prices are high by releasing water stored in reservoirs and generating additional electricity to meet market demand.

Hydroelectric plants in competitive markets have significant advantages given their comparatively low-cost of producing electricity. The relative competitiveness of different generation technologies is determined by scale, operating flexibility and fixed and variable operating costs.

Collectively, these factors determine the dispatch profile (baseload, intermediate or peaking) of a particular generation unit, as summarized in the table below:

Technology	Scale	Operating Flexibility	Annual Fixed Costs *$ per installed kw*	Indicative Fuel Costs *($/MWh)*	Variable O&M Costs *($/MWh)*	Indicative Total Variable Costs *($/MWh)*	Energy Dispatch Profile[2]
Hydroelectric . .	Small to Large	Highest	$15-$20	$0[1]	$0-$5	$0-$5	Baseload to Peaking
Gas Turbine . .	Mid to Large	Average	$20-$30	$41[3]	$1-$2	$42-$43	Intermediate to Peaking
Coal	Large	Lowest	$35-$70	$18-$26	$3-$6	$21-$32	Baseload to Intermediate
Nuclear	Largest	Lowest	>$100	$5-$10	$1-$2	$6-$12	Baseload

(1) Any water rental charges included under variable O&M expenses and not reflected in fuel cost.

(2) Energy dispatch profile represents the technology's role in a typical market in North America. The dispatch profiles may vary in different markets.

(3) Based on new effective heat rate of 7,000GJ/MWh and a $5.8/GJ delivered gas price (based on year-to-date average gas prices at the Toronto City Gate).

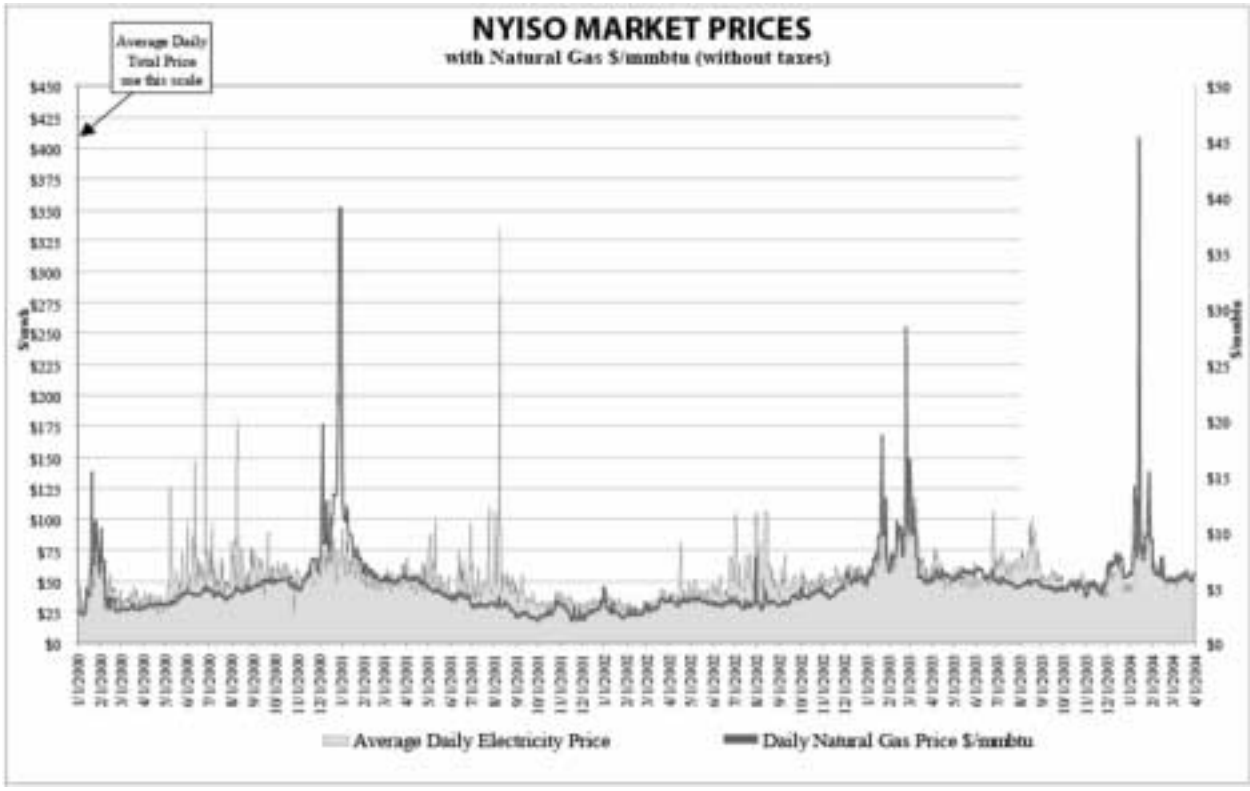
Electricity Price Drivers

In competitive electricity markets, power prices can fluctuate significantly due to a number of factors:

- Demand — amount of energy consumers require at a given time. This varies by time of day, by geographic region, and is influenced by weather patterns. Over time, demand is also impacted by economic development and growth, and conservation initiatives.
- Supply — amount of energy available to meet demand, reserve margin requirements and ancillary service requirements. This can come from either generating assets which are located close to the source of the demand, or can be transmitted from other geographic locations.
- Commodity Prices — higher prices of natural gas or oil or coal, for example, can lead to higher power prices as generating units bid into the market to recover their costs (i.e. higher commodity costs traditionally mean higher market bids).

As a result of rising commodity prices, in markets where generation capacity servicing intermediate load is predominantly fossil fuel based, MCP's will most likely increase. In markets where new generation capacity is supplied by combined cycled natural gas facilities, power prices will reflect their higher fuel costs.

The following graph shows the correlation between electricity price and natural gas prices in the U.S. northeast.



Source: NYISO

North American Electricity Market Restructuring

Electricity restructuring began in earnest in the 1990s throughout North America, as consumers desired choice in their electricity providers, and governments sought to encourage open and fair access to electricity systems. As a result, regulatory and legislative oversight became less onerous and certain barriers were lifted to permit new market entrants. In conjunction with the opening up of electricity markets, asset divestitures from utility monopolies occurred to further promote competition within certain regions. One of the results of restructuring has been a gradual opening, to various degrees, of the wholesale and retail electricity markets in parts of Canada and the United States. It has also caused significant volatility in power prices, which has worked to the benefit of some low-cost electricity producers, such as those with hydroelectric assets.

Canada

The process of deregulation in Canada has occurred at a slower pace than in the United States and is partly attributed to consumers traditionally enjoying comparatively low power rates and Canadian utilities being completely regulated on a cost-of-service basis. This type of regulation also mitigated significant volatility in power prices, as power rates were kept low as a matter of public policy, and in some cases, did not reflect the true cost of electricity generation. The only Canadian provinces to introduce wholesale electricity market competition thus far are Ontario and Alberta. As a precursor to opening these markets, the incumbent utilities were either restructured or were mandated to sell assets to foster a competitive market.

There are other provinces in Canada that have enacted changes in their electricity markets to prepare for competition, either at the wholesale or retail level. In New Brunswick, NB Power, the Crown-owned utility, was restructured on October 1, 2004 into separate companies: transmission, distribution and customer service, generation and nuclear. In British Columbia, the British Columbia Transmission Company ("BCTC") was

established to ensure open and non-discriminatory access to the British Columbia transmission system for all producers. The BCTC is also responsible for directing new investment in transmission infrastructure. In Québec, Hydro-Québec has been restructured into a generation entity (Hydro-Québec Production), a transmission entity (TransEnergie) and a distribution entity (Hydro-Québec Distribution).

United States

Beginning with the passage of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), the United States electric industry commenced its evolution away from FERC traditional ratemaking concepts and the emergence of competitive generation was encouraged. Congress enacted PURPA in the wake of the energy crisis of the 1970's. Through PURPA, Congress sought to decrease dependence upon imported oil by encouraging efficient electricity generation and use of renewable resources to produce electricity. PURPA established special categories of generators called qualifying facilities ("QF") and bestowed several important benefits upon QFs, including mandatory utility purchases of QF-generated power, exemptions from federal and state utility-type regulation, the right to interconnect to the grid, and the right to receive standby services (i.e., back-up, maintenance and supplemental service) under reasonable and non-discriminatory terms.

Traditional utilities' ability to participate in QF ownership was limited by PURPA, and traditional utilities' ability to own an emerging category of generators called independent power producers was limited due to the Public Utility Holding Company Act of 1935 ("PUHCA"). To address utilities concerns and to further encourage competitive generation supply, in 1992, Congress passed the Energy Policy Act of 1992 ("NEPA"). Among other things, NEPA established a category of generators known as exempt wholesale generators that could be wholly-owned by utilities without subjecting them to the restrictions of PUHCA. In addition, NEPA amended the Federal Power Act to expand FERC's authority to order utilities to provide certain transmission in interstate commerce and to interconnect certain generators.

At the state level, a wide range of activities were designed to promote industry competition at the retail level and to complement the initiatives at the federal level. However, not all State commissions were compelled to examine deregulation to the same extent. The most advanced open markets have developed in New York, New England and PJM, among others. A notable advancement in the U.S. electricity industry has been the establishment of regionally centralized power markets where electricity suppliers submit bids to sell power into regional markets. In these centralized markets, the market operator evaluates the bids and selects the most economical bid to meet electricity demand in the region.

The United States has also been active in opening up its transmission systems to promote wholesale competition, with the foundation having been laid by FERC through Order 888 — "Promoting Wholesale Competition Through Open-Access Non-Discriminating Transmission Service by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities." Pursuant to Order 888, transmission owners must:

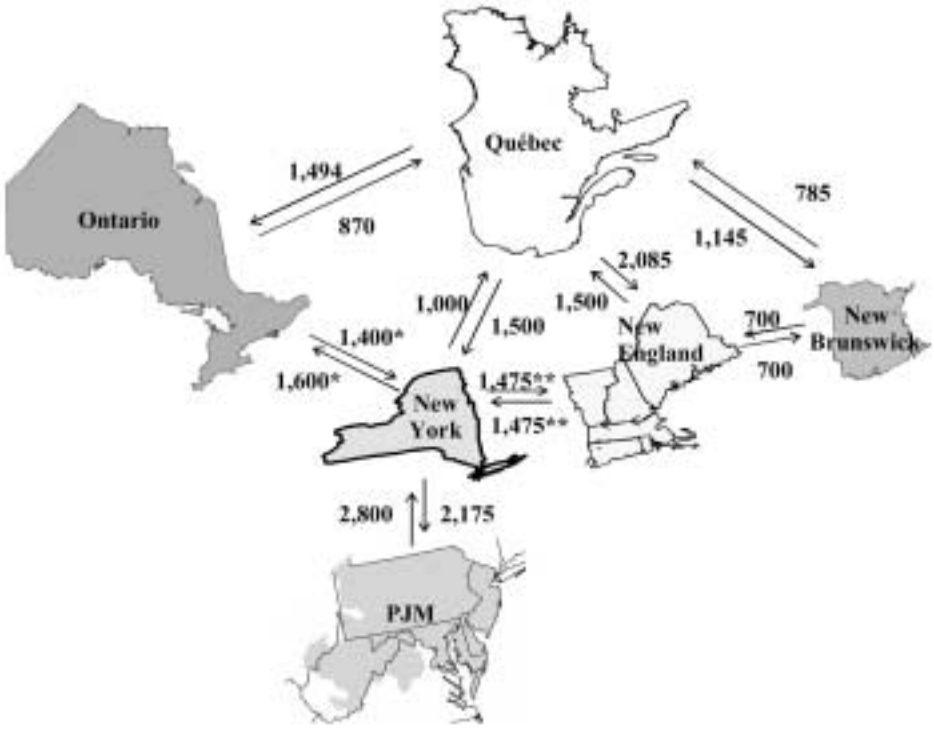
- provide access to third parties to use their transmission networks at cost-based maximum prices;
- make their best efforts to increase transmission capacity in response to requests by third parties willing to pay for the associated costs; and
- support wholesale market power transactions, treating third-party transaction schedules on their networks that are supported by firm transmission agreements without discrimination.

With the enactment of Order 888, market participants who own generating assets are able to sell electricity to other regions using the open transmission systems. However, in certain regions, there is insufficient transmission capacity, limiting potential market opportunities, referred to as congestion. Even a generator located in the same state may not be able to sell power to other parts of the state.

The liquid, open power markets located in the U.S. northeast are not only interconnected with one another, allowing power generated in one market to be sold into neighbouring markets, but they are also interconnected with eastern Canadian power markets allowing power to flow cross-border as well.

As evidenced by the map below, there is significant interconnective transmission capacity available between the Ontario, New York, Québec, New England and PJM markets, which are also the most liquid wholesale markets in the Northeast.

U.S. Northeast and Eastern Canadian Transmission Interconnect Capacity (MW)



Sources: The IMO (10-Year Assessment, Section 2: Ontario Transmission System, 2004), NYISO (2004 Load & Capacity Report), NERC 2004 Summer Assessment, and the ISO-NE 2004 RTEP report. According to NYISO, the limit from Ontario into NY is 850 MW, and 1,325 MW from NY into Ontario. Figures used in the chart reflect IMO data based on ISO-NE RTEP report, winter levels. NYISO reports 1,175 MW into NY from NE and 850 MW from NY into NE.

As Brascan Power principally operates in the interconnected Ontario, New York, Québec and New England markets and its asset base is predominantly comprised of low-cost, hydroelectric generating facilities, it is well positioned to take advantage of opportunities to sell its electricity products at the highest price net of transmission costs in this region. Additionally, Brascan Power has sought to capitalize on opportunities in these markets by making strategic acquisitions and drawing upon the skills of its marketing group to maximize its energy revenue.

ENERGY MARKETS IN WHICH BRASCAN POWER OPERATES

Ontario

Brascan Power's largest market presence is in Ontario. Over 31% of its generation is derived from assets located in this market. Including revenue from its transmission and distribution operations located in northern Ontario, approximately 36% of 2003 total revenue, on a pro forma basis, was earned in Ontario. The following is a summary of Brascan Power's generating assets located in Ontario:

Power Operation	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity[1] (MW)	Long-term Average Generation[2] (GWh)	Third Party PPA
Lake Superior Power	100%	0	1	3	110	850[4]	Yes
Mississagi Power*	100%	1	4	8	488	750	No
Sault Power	100%	2	5	11	203	906	No
Wawa Power	100%	3	8	12	156	756	No[3]
Total		6	18	34	957	3,262	

(1) Reflects 100% of assets' capacity.

(2) Reflects Brascan Power's proportionate share of generation

(3) All power produced by Valerie Falls, which is part of Wawa Power, is sold under a PPA.

(4) Includes the equivalent generation for project gas sale.

* Brascan Power's interest through the Fund is 50.1% of this amount.

Brascan Power's uncontracted hydroelectric assets in Ontario are highly profitable and uniquely positioned to benefit from market price volatility. Brascan Power believes that these assets will continue to provide superior returns over time as future growth in demand gives rise to a need for additional supply and/or results in higher market prices. Brascan Power also believes that increased supply from nuclear generators is limited to the supply from existing nuclear facilities and those which are scheduled to return to service and that construction of new large scale hydroelectric facilities will be unlikely in the near future. As in other markets, Brascan Power expects that new supply will likely be dominated by higher-cost generators, such as natural gas-fired generation, which will have positive long-term implications for margins enjoyed by low-cost hydroelectric generators such as Brascan Power.

Market Development

The *Electricity Act, 1998* restructured Ontario Hydro's integrated electricity businesses into five separate corporations effective April 1, 1999: (i) OPG, which assumed the electricity generation, wholesale energy and ancillary services businesses, (ii) Hydro One Inc., which assumed the transmission, rural distribution and retail energy services businesses, (iii) the IMO, which was formed to act as an independent electricity system operator responsible for dispatching generation, to direct the operations of the Ontario transmission grid and to act as an independent administrator of the electricity and ancillary services markets, (iv) the Electrical Safety Authority, which was established to carry out electrical equipment and electrical wiring installation inspection functions, and (v) OEFC.

OEFC is responsible for servicing and retiring Ontario Hydro's outstanding debt and other obligations. In addition, OEFC administers the Non-Utility Generator ("NUG") contracts previously entered into by Ontario Hydro with independent power producers, such as the Lake Superior Power plant owned and operated by Brascan Power.

Ontario's wholesale and retail electricity markets were opened to full competition on May 1, 2002. However, in response to volatile power prices and consumer unrest, a change in the implementation of Ontario's new regime occurred on December 9, 2002. The legislature passed the *Electricity Pricing, Conservation and Supply Act, 2002*, which, among other things, set the price of electricity used by low-volume consumers at a lower price than that available in the market, thus effectively closing the retail electricity market.

More recently, the Ontario government has implemented another significant restructuring of the Ontario electricity industry with the introduction of Bill 100 known as the "*Electricity Restructuring Act, 2004*" which was introduced in the legislature on June 15, 2004 and passed second reading on November 22, 2004. Among other things, it was introduced to help address the growing gap between supply and demand in the province. According to the Provincial government, Ontario needs to refurbish, rebuild, replace or conserve 25,000 MW of generating capacity to meet growing demand while meeting the government's plan to close OPG's coal-fired generating stations by 2007. This represents approximately 80% of Ontario's current generating capacity and would require an investment of $25 to $40 billion.

To tackle these challenges, the *Electricity Restructuring Act, 2004* proposes to:

- Create a non-profit corporation known as the Ontario Power Authority ("OPA"), that would ensure an adequate, long-term supply of electricity;
- Establish a new Conservation Bureau led by the province's first Chief Energy Conservation Officer;
- Empower the Minister of Energy to set targets for conservation, renewable energy, and the overall supply mix of electricity in the province;
- Redefine the role played by the IMO, as reflected in its new name — the Independent Electricity System Operator. Some of the current responsibilities of the IMO would be transferred to the OEB and the proposed OPA; and
- Regulate prices in parts of the electricity market that would be adjusted and approved periodically by the OEB to ensure price stability for consumers.

The OPA, among other things, will be primarily responsible for forecasting electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long-term, and will conduct independent planning for electricity generation, demand management, conservation and transmission and developing integrated power system plans for Ontario. The OPA will not be a crown agency and, as such, will not have direct access to the credit of the Government of Ontario. The OPA will be subject to financial oversight by the Minister. It is expected that the OPA will assume responsibility for the Ontario government's existing RFP for new electricity generation and demand side management and any contracts that might have been entered into the by the government, such as NUG contracts.

In terms of prices paid by consumers in Ontario, it is contemplated that a portion of OPG's generation assets would be subject to rate regulation, including the baseload nuclear generating stations, and baseload hydroelectric assets. The bidding behavior and the government's expectation regarding performance of OPG's non-regulated assets are expected to be set out in a public Shareholder's Declaration for OPG, and would not form part of the regulation dealing with the regulated assets. As such, the OEB is expected to regulate rates for residential and other low-volume customers based on a mix of regulated assets, market rates and contract rates. Large users, who use approximately half of Ontario's power, are expected to buy their electricity from the IMO administered market or through bilateral contracts.

Current Market Structure

Ontario's Wholesale Spot Market

Ontario's electricity generators compete with other suppliers from both within and outside of Ontario to sell electricity to the wholesale market, consisting of purchasers of bulk power such as electricity distribution utilities, industrial customers, aggregators, brokers and marketers. Wholesale market participants buy and sell electricity either through the IMO administered spot market or through bilateral contracts.

Current Role of the IMO in Administering Ontario's Wholesale Spot Market

The IMO is a regulated entity and functions as the centralized independent electricity system coordinator, responsible for directing the operations of the IMO administered grid in Ontario and maintaining the security

and reliability of electricity supply. It has complete authority at all times over how the transmission grid is operated. It directs which generation and transmission facilities are called upon and functions, in effect, as the dispatcher of the transmission system.

The wholesale price in the IMO administered market of electricity is determined through bids and offers which are submitted to the IMO on a daily and continuous basis. The IMO aggregates these offers of supply, and when used with load forecasts, determines how much generation is required to meet demand. Based on the offers of each generator and bids from consumers, the IMO ranks generators in merit order from cheapest to most expensive for each hour of the next day, and forecasts the MCP, or spot market price, for each such period. Every five minutes, the MCP is set by the price of the next available bid or offer that has been submitted to the market operator to meet demand. By averaging the five-minute interval prices, an hourly MCP is established which will be paid to generators.

Generators can also sell their output via bilateral contracts to third parties or financial products, such as the trading of transmission rights and energy forward contracts, to provide market participants with opportunities to manage price risk. Financial contracts can be fixed-price contracts or can be settled with reference to the MCP.

The IMO also has some additional powers to ensure the safety and reliability of the Ontario power grid. These powers include suspension of the market during certain emergency circumstances, and identifying and reporting on inappropriate market conduct and market inefficiencies. It is also authorized to establish rules related to ancillary services. As part of its planning process regarding transmission, the IMO conducts periodic long-run assessments of the adequacy and reliability of the Ontario integrated electricity system. The assessments are intended to identify any need for future investments in transmission and generation facilities in order to maintain the required reliability and security of the integrated electricity system or to relieve any significant transmission constraints.

Role of the OEB

The OEB has regulatory powers relating to licensing, rate regulation and market supervision of Ontario's electricity and gas industry. In the electricity sector, the OEB sets transmission and distribution rates, and approves the IMO's budget and fees. The OEB licenses all market participants including the IMO, generators, transmitters, distributors, wholesalers and retailers.

OEB approval is required for the construction of electricity transmission lines longer than 2 km. As well, the OEB is responsible for approving specific business arrangements involving the regulated parts of Ontario's electricity industry. The OEB also monitors markets in the electricity sector and reports to the Minister of Energy on the efficiency, fairness, transparency and competitiveness of the Ontario electricity market, as well as reporting on any abuse or potential abuse of market power.

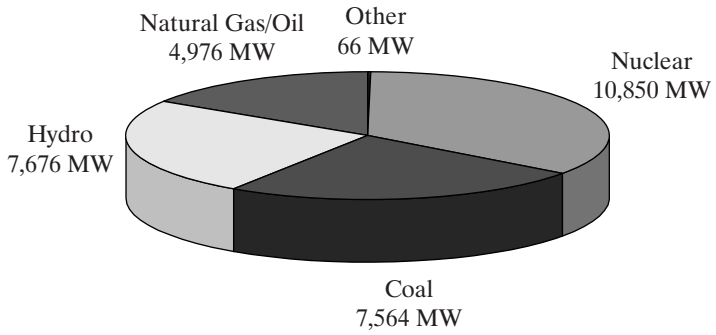
Electricity Supply and Demand

Source of Electricity Supply

Ontario's electricity demands are met by a diverse mix of generating technologies with a total installed capacity of approximately 31,132 MW. The most significant market players include OPG, which owns approximately 22,816 MW of net in-service generating capacity, Bruce Power L.P., which operates 4,720 MW at

the Bruce nuclear facility, and Brascan Power, which owns 957 MW of generation capacity in Ontario. The composition of the Ontario generation market by type is as follows:

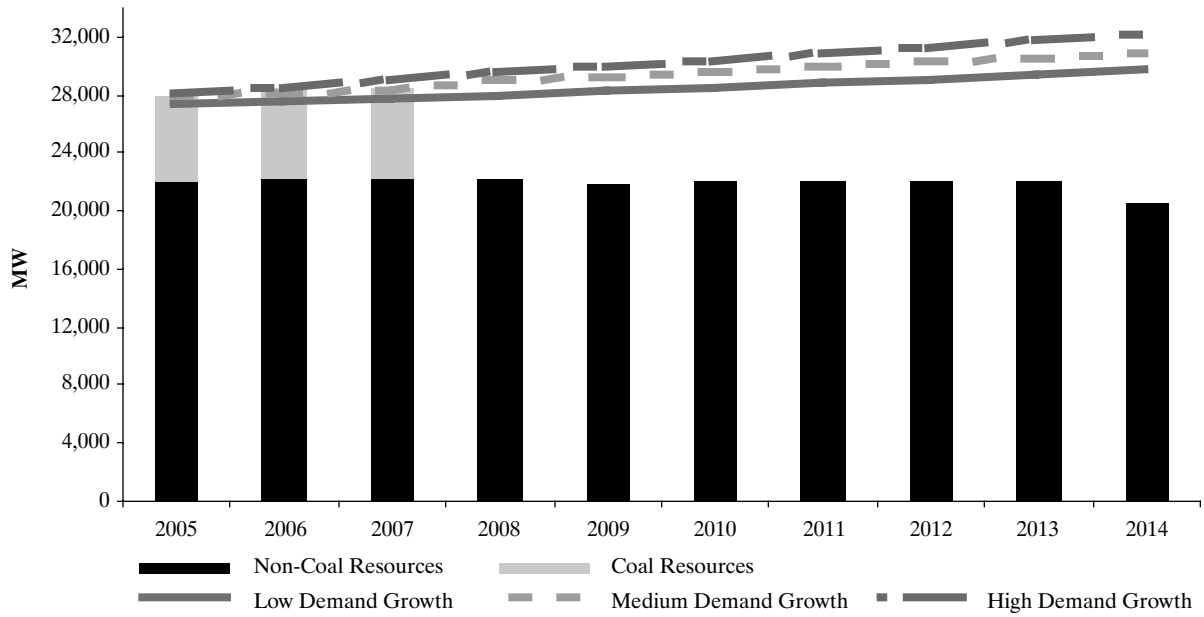
Ontario Installed Capacity (MW)



Source: IMO 18-Month Report dated September 24, 2004.

The reactivation of approximately 2,000 MW of nuclear capacity and the recent addition of approximately 600 MW of new gas-fired generation has eased supply concerns over the next 18 months in Ontario. However, the Ontario government has committed to shutting down all of the coal-fired generation in the province by the end of 2007 with the Lakeview coal-fired facility (1,140 MW) slated to shut down in March 2005. With coal-fired generation accounting for approximately 24.3% of Ontario's current generating capacity, significant resource additions will be required in the upcoming years, illustrated by the chart below.

Resource Adequacy Outlook — Annual Peak Demand vs Installed Capacity



Source: Independent Electricity Market Operator: 10-Year Outlook Highlights from January 2005 to December 2014.

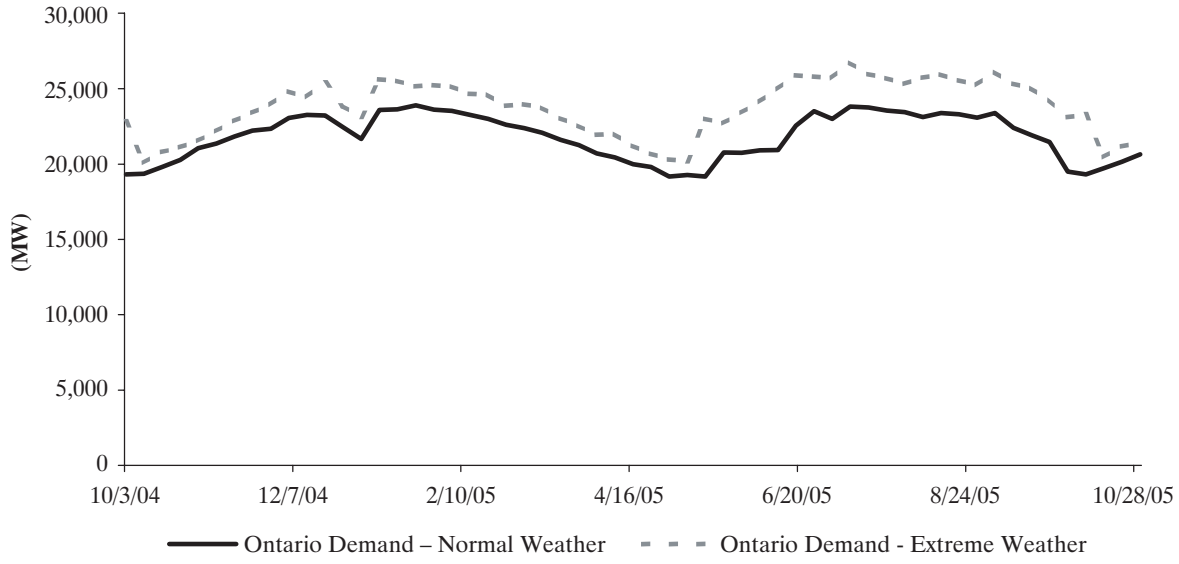
The Ontario market can also be supplied from, and can supply electricity to, neighbouring jurisdictions through interconnections with the Québec, New York, Michigan, Manitoba and Minnesota markets. Depending on thermal and load conditions, total import capability ranges from approximately 3,995 MW to 5,526 MW while total export capability ranges from approximately 4,037 MW to 5,884 MW. Since the Ontario market opened in 2002, the IMO has relied heavily on imports in order to meet demand and ensure grid reliability.

Electricity Demand

As previously discussed, power markets, such as the Ontario market, experience non-uniform demand for electricity. The three components of demand, namely baseload, intermediate, and peaking capacity, all play a factor in the ultimate determination of the market price paid by consumers. However, the demand volatility can be exploited by low-cost responsive assets, such as hydroelectric assets.

On a long-term basis, the level of economic activity has the most significant impact on electricity demand. In recent years, Ontario set new record levels of peak demand in both summer (25,414 MW) and winter (24,937 MW). Total consumption in Ontario in 2003 was 152 TWh and has risen by an average of 1.6% annually since 1984. Energy consumption is forecast to grow from about 156 TWh in 2005 to about 169 TWh in 2014, or average annual growth of 0.9% over the period.

Annual Peak Demand Profile (MW)

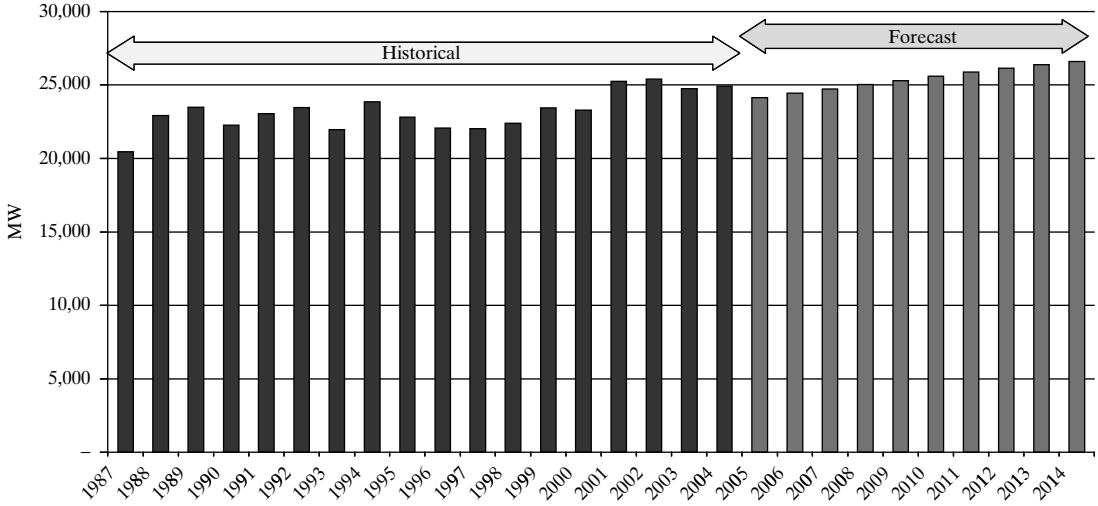


Source: Independent Electricity Market Operator: 18-Month Outlook Highlights September 24, 2004.

Ontario is a double peaking system, meaning that high demand periods occur during both the summer and winter seasons. Typically, in most regional electricity markets peak demand usually occurs during either the summer or the winter season.

A double peaking demand profile is due primarily to extreme temperatures in summer and winter experienced by the heavily populated southern region of the province. Electrical space heating requirements are a contributing factor to electrical demand during the winter season, while air conditioning is a significant contributor to electricity demand during the summer season. Ontario's dual peaking demand profile increases the likelihood of high peaking prices, which enhances the revenue potential for hydroelectric assets designed to respond to peak loads.

Historical and Forecast Peak Ontario Electricity Demand (MW)



Source: The IMO. Ontario Demand Forecast from January 2005 to December 2014 (under normal weather scenario). For the year 2004, the actual peak demand recorded in January 2004 was used.

Over the next ten years, the winter peak is expected to exhibit average annual growth of 0.7% over the 2005 - 2014 time frame. The summer peak is expected to average growth of 1.1% over the same period.

To date, with the exception of demand from certain large industrial users, there is relatively little variation in demand in response to price, primarily because electricity users have no immediate substitute sources of supply. The IMO has noted that the recent regulatory changes in Ontario providing fixed-prices to small consumers reduce the incentives of those consumers to conserve electricity.

Anticipated New Supply in Ontario

The construction of new generation units and the expansion of transmission line capacity to interconnected markets are factors that will affect the amount of electricity supply available to meet Ontario load requirements. If 7,500 MW of coal capacity is shut down by the end of 2007, as intended by the government, and some nuclear units are retired, Ontario will require significant new investment in generation. While some of this deficit may be met with the restart of previously laid up nuclear capacity, a significant portion will also likely be met with new combined cycle gas-turbines which can meet the relatively short planning and construction time frame and can service the baseload/intermediate nature of the resources being retired. The Ontario government recently issued two RFPs for new generation capacity in the province; a 2,500 MW RFP for intermediate load capacity and a 300 MW RFP for renewable energy. The winners of the 300 MW RFP were recently announced and 395 MW of new capacity was awarded, the majority of which is new wind-powered generation. It is anticipated that additional RFPs will be issued as the government has set targets of renewable energy the majority of which will likely be met by new gas fired generating facilities.

Based on the information published by the IMO and other publicly available information, the following chart highlights the anticipated changes to Ontario's power generation capacity which currently projects a net reduction in capacity of 2,479 MW by 2013.

Probable Generating Unit Additions (Retirements)

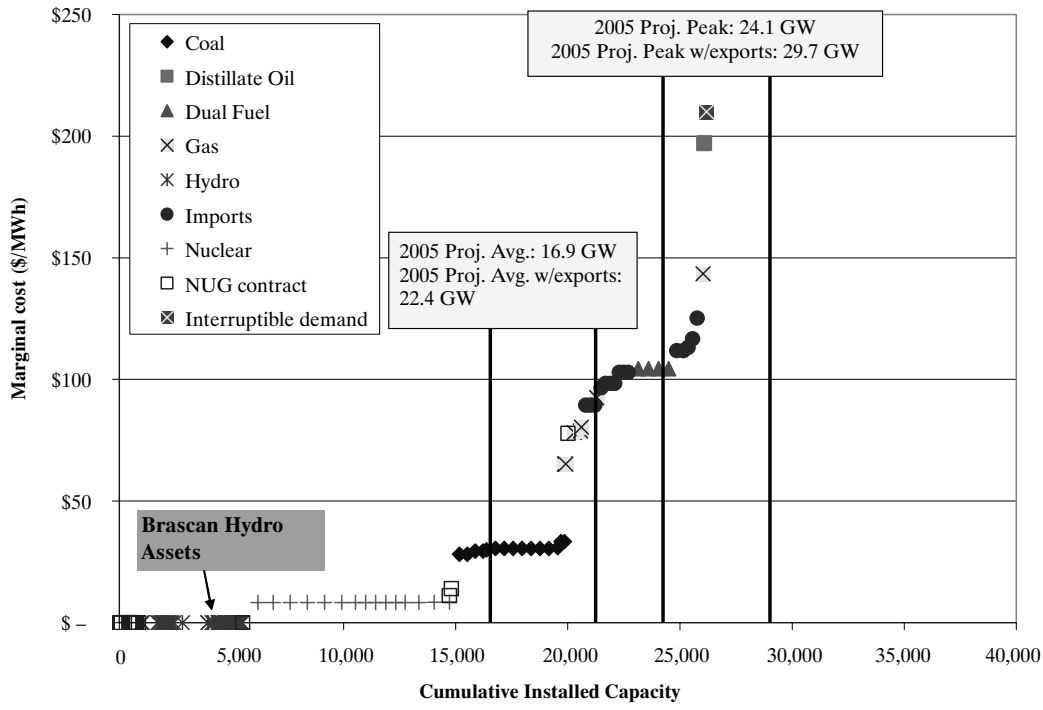
Project Name	Owner	Nuclear (MW)	Fossil (MW)	Renewable (MW)	Estimated In-service/ Retirement Date
Lakeview	OPG		(1,140)		April 2005
Pickering A Unit 1	OPG	515			September 2005
Renewable Energy RFP	Various			395	Before 2008
Lambton	OPG		(1,975)		Before 2008
Nanticoke	OPG		(3,920)		Before 2008
Thunder Bay	OPG		(310)		Before 2008
Atikokan	OPG		(215)		Before 2008
Intermediate load capacity RFP	Various		2,500		By June 2009
Bruce A Unit 3*	Bruce Power	(769)			January 2009 or earlier
Renewable Energy RFP-expected	Various			2,400	2011-2013
Bruce A Units 1 & 2	Bruce Power	1,540			After 2010
Pickering B Units 5-6-7**	OPG	(1,500)			End of 2013
Total		(214)	(5,060)	2,795	

* Bruce A Unit 3 is expected to be removed from service beginning January 1, 2009.

** As Pickering B Units 5, 6 and 7 pressure tubes are expected to reach the end of their life by 2013, the IMO assumed these units would be out of service by January 2014.

The following illustrative supply curve for the Ontario market graphs the cumulative installed capacity in the province by marginal cost:

Cumulative Installed Capacity in Ontario (MW) — 2005
Adjusted for generation unit availability,* includes import supply



Source: The IMO.

* Unadjusted for transmission constraints, adjusted for availability for thermal and nuclear units, and based on effective capacity for hydro units.

This chart illustrates the relative marginal cost advantage of hydroelectric generators, compared to other generators in Ontario. In all cases where coal, oil or gas generators set the MCP, it will always be above the marginal cost of hydroelectric generation. Hydroelectric stations can set the price either when (i) a hydroelectric station is able to bid strategically by shadow pricing to displace a higher priced coal, oil or gas facility; or when (ii) the lack of storage or water management guidelines dictate that that hydroelectric stations operate in run-of-the river mode.

Since market opening in Ontario, the following fuel types have set the market price:

Share of Real-Time MCP Set by Resource May 2002 — April 2004

	All hours	On-Peak Hours	Off-Peak Hours
Coal	54%	40%	66%
Oil/Gas	30%	45%	17%
Water	16%	15%	17%
	100%	100%	100%

Source: IMO, *Market Surveillance Panel Report,* November 2003 — April 2004.

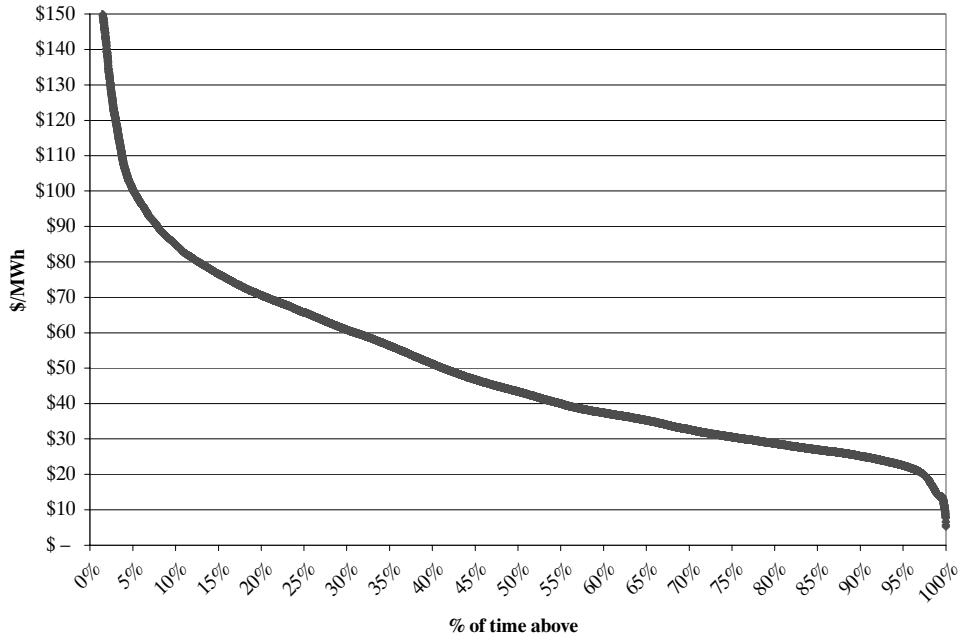
Brascan Power expects that as lower cost coal-fired capacity is eliminated from the province's baseload capacity mix and is replaced primarily with higher cost gas-fired capacity, these higher priced generating units will be establishing the MCP more often. Brascan Power believes that its assets, due to their low operating cost

structure, significant water storage and operating flexibility, are well positioned to capture some of these price increases resulting from a changing supply outlook in Ontario.

Pricing

The following graph shows the price duration curve for hourly Ontario market prices since market opening:

Ontario Hourly Electricity Price (HOEP) Duration Curve
(May 1, 2002 — November 9, 2004)



Source: The IMO.
Based on prices from May 1, 2002 (market opening date) through November 9, 2004.
Price statistics over this period are summarized in the boxes to the right. Truncated at $150/MWh.

Average	$ 52.1
5% percentile	$ 22.5
95% percentile	$ 100.4

This chart also shows the high prices that occurred in the market at times of peak demand and/or supply shortages. Brascan Power's Ontario assets that have significant water storage and fast response times are well positioned to capture these periods of high prices.

Ancillary Services

The IMO, as part of its responsibility to ensure the security and reliability of the grid in Ontario, procures ancillary services from generators in accordance with reliability standards by regional authorities such as the North American Electric Reliability Council ("NERC") and the Northeast Power Coordinating Council ("NPCC"). The following is a summary of some of the ancillary services procured by the IMO.

Operating Reserves: Sudden surges in demand or unanticipated reductions in supply or transmission can result in situations where electricity is needed on extremely short notice in order to maintain system power quality and supply reliability. Generators participate in the operating reserve market by offering immediately dispatchable capacity at a reserve price in addition to an energy price which is only paid if the generator is actually dispatched. If accepted for reserve, generators are paid the MCP for operating reserve. In cases where the IMO subsequently calls upon the capacity in reserve to provide electricity, generators are paid an additional energy payment, which is the highest of the generator's bid or the prevailing MCP. Operating reserve

requirements are based on the largest single contingency that could lead to supply shortages and typically between 1,350 MW and 2,100 MW of operating reserve is scheduled at any given time. Only generating units with rapid start-up capability, such as peaking hydroelectric stations and fossil fuel units operating at lower than maximum capacity, can compete in these markets.

Black-Start: In the event of a complete system failure, like the one that occurred on August 14, 2003 in Ontario and the U.S. northeast, generators that do not require electricity from the grid to restart their generating units play a key role in restoring the electricity. Certain of Brascan Power's power generating facilities are providing this service to the IMO under an 18-month contract that may be extended twice for the same term.

Brascan Power's flexible hydroelectric assets are particularly well suited to meet the IMO's requirements for ancillary services. Brascan Power expects to earn approximately $12 million per year from the sale of ancillary services to the Ontario market. This revenue is in addition to the revenue Brascan Power receives for the production and sale of electricity and provides an additional steady stream of cash flow to its earnings.

New York

Brascan Power recently entered the New York market with its acquisition of 71 hydroelectric power generating facilities totaling 674 MW of capacity and one 105 MW combined cycle gas-fired facility from Reliant Energy Inc. Revenues from the New York Hydro assets amount to approximately 25% of Brascan Power's 2003 total revenue on a pro forma basis. Below is a summary of Brascan Power's operations in New York:

Power Operation	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity[1] (MW)	Long-term Average Generation (GWh)	Third Party PPA
Hudson River Power	100%	4	12	34	237	915	No
St. Lawrence River Power	100%	5	30	55	223	1,096	No
Lake Ontario Power	100%	5	29	78	214	892	No
Carr Street	100%	0	1	3	105	30	No
Total		14	72	170	779	2,933	

(1) Reflects 100% of assets' capacity.

Market Development

In 1997, the NYISO was created to facilitate fair and open competition in the wholesale power market and create an electricity commodity market in which power could be purchased and sold on the basis of competitive bidding. It would also be responsible for ensuring the reliability of the New York power grid, including compliance with the planning and operating standards issued by NERC and the NPCC. In addition, the NYISO would administer the FERC-approved transmission tariff and the associated market rules, utilizing a bid process for electricity and transmission usage, and enabling New York's utilities and other market participants to offer electricity at competitive prices, rather than regulated rates.

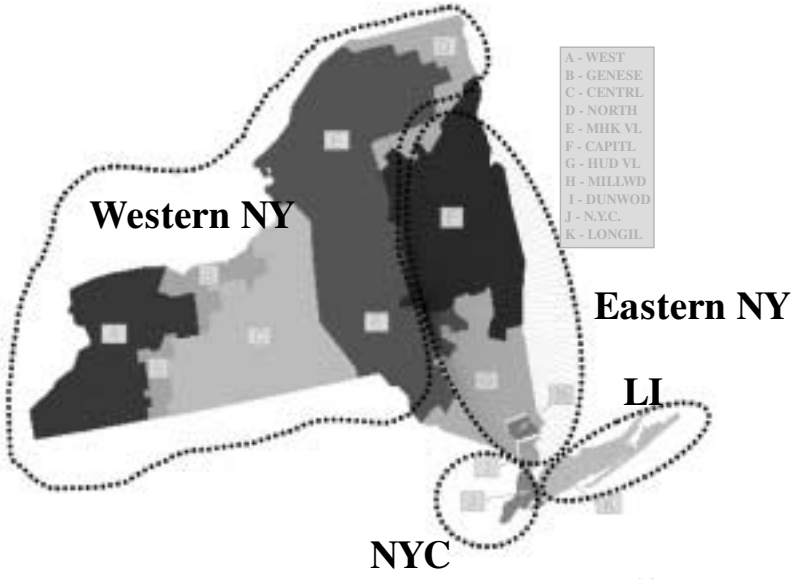
As part of the market implementation, a multi-year "rate/restructuring" plan was established for each of the individual electric utilities in New York. Key features were a commitment by the utility to divest certain of its power plants, a multi-year rate plan typically promising rate reductions for large industrial customers and lesser reductions for residential customers, and a timetable for introduction of retail competition.

Transmission Issues

The New York Power Pool is well interconnected with ties to New England, PJM and Canadian markets. New York has traditionally been a net importer with a significant amount of power coming from PJM. The flow of power is generally from west to east, however, there are transmission constraints that limit the amount of power that can be delivered downstate during On-Peak Hours. Consequently, the state is divided into multiple sub-regions that may be priced differently during congested periods.

NYISO Zones

Pricing zones within market areas



Map source: NYISO

The central east interface is the most constrained interface in New York, limiting economic transfers from Western New York, PJM, Ontario, and Québec to Eastern New York. Additional constraints exist between New York City and the rest of the state, as well as to Long Island.

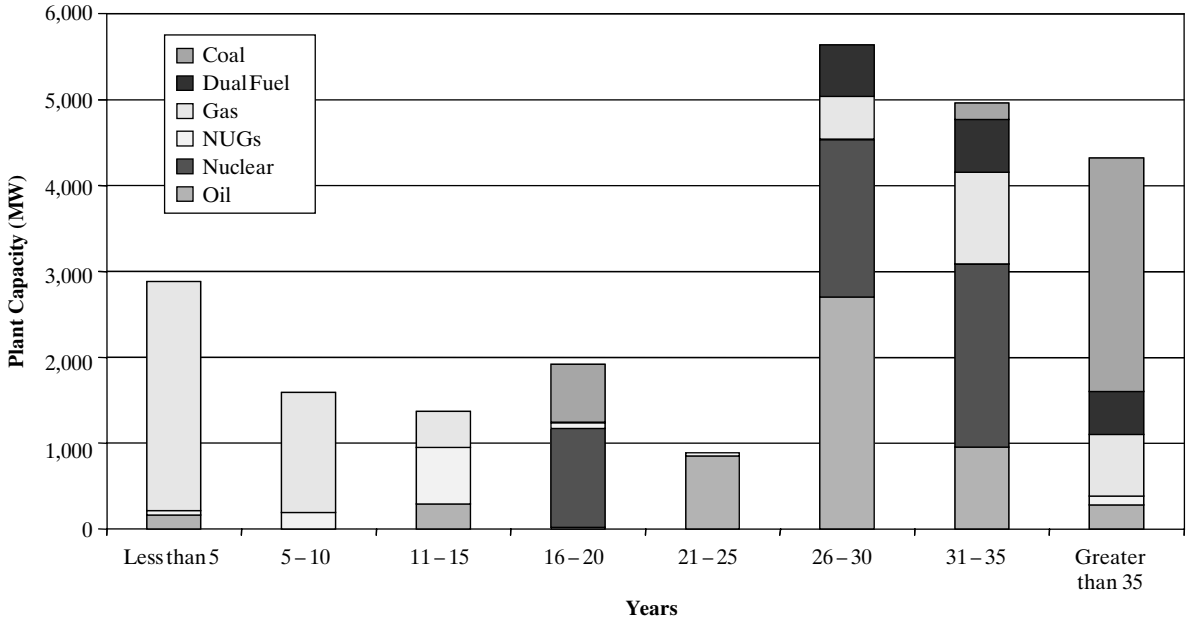
With the introduction of Locational Marginal Pricing ("LMP") in 2001, these transmission constraints have resulted in pricing differentials across these regions. LMP is a market pricing approach used to manage efficient use of the transmission system where congestion occurs on the bulk power grid. LMP provides a method of identifying where congestion occurs on the system and assigns the cost of that congestion to those locations. The prices include the cost of congestion and therefore reflects the true cost of delivering and supplying electricity at every location on the grid.

Sources of Electricity Supply

Although the NYISO divides the state into 11 zones for pricing purposes, transmission constraints within the State effectively determine four separate market areas, Western New York, Eastern New York, New York City ("NYC"), and Long Island ("LI"); each having a differing mix of installed capacity. The plants owned and operated by Brascan Power are in the western and eastern market areas. Plants in western and eastern New York benefit from their ability to export into the higher-priced NYC market when transmission capacity is available.

Operating capacity in New York State totals 37,489 MW. Of this capacity, 14,050 MW is in Western New York, 9,094 MW is in Eastern New York, 8,927 MW is in NYC, and 5,418 MW is in LI. New York's existing generation portfolio is heavily weighted towards gas and oil with these two resources accounting for approximately 58% of system capacity. These gas and oil plants tend to be old (approximately 76% of them were built before 1981) and thus relatively inefficient compared to newer combined cycle gas turbines and single cycle gas turbines. They also set the MCP in most hours, which has contributed to higher sustained electricity prices.

Distribution of Thermal Plants in New York by Age & Fuel Type



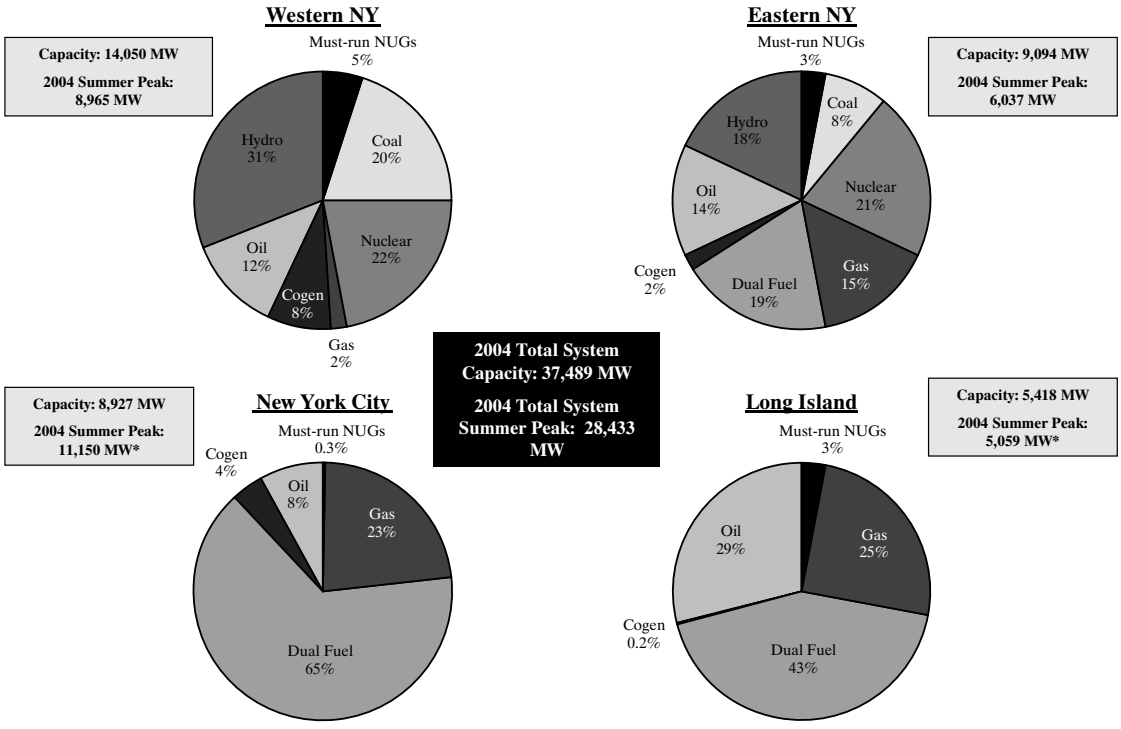
Sources: NYISO, Energy Velocity Suite.

NYC and LI lack cheap baseload capacity causing electricity prices to be typically more expensive in these two sub-regions as compared to the rest of New York. Price differentials are exacerbated when there is congestion on the transmission grid. The dominance of inefficient gas, oil, and dual-fuel peaking units in NYC draws in higher priced imports from the east and west to meet demand, resulting in upward price pressure in these regions. The NYC region is extremely constrained as in-city resources are insufficient to meet peak demand. LI has a similar profile, but has sufficient internal capacity to meet demand in the short-term. Expensive distillate plants, however, primarily meet peak demand. In the constrained NYC and LI zones, retirement of relatively expensive plants will likely occur in the form of conversion to efficient gas turbines due to reserve issues and site value.

Western New York and eastern New York have very similar resource profiles. Western New York has ample baseload resources and moderate load with capacity including nuclear, hydro, coal, and some oil and gas-fired units. Eastern New York also has moderate load and a greater proportion of mid-merit oil and gas-fired resources, which are more expensive.

The following outlines the capacity breakdown by region in New York State.

Regional Breakdown of Capacity and Peak Demand in New York in 2004 (MW)



* Peak load figures for NYC and Long Island are based on the NYISO forecasts for 2004. The ISO provides actual load data broken down for NYC and Long Island only with a 6-month lag.

Sources: NYISO, Energy Velocity Suite.

The New York market can also be supplied by (and can supply to) neighboring regions, including Ontario, PJM, Québec, and New England. Net imports into New York from Hydro-Québec are highly seasonal as they are a function of both rainfall and opportunity cost. Generally, power flows into New York during the spring and early summer when there is an abundance of hydro availability in Québec. Electricity flows stop and at times reverse during the winter when Hydro-Québec becomes a net importer due to the lack of hydro availability and peak heating demand. Historically, New York has been a net importer of cheap nuclear-generated power from Ontario, but due to the decreased nuclear capacity, fewer imports have been coming from Ontario over the last few years. Exports to Ontario have been increasing as the province has witnessed unusually strong demand over the last two years and some of the baseload nuclear facilities have experienced operational difficulties. Current plans to shut down approximately 7,500 MW of coal-fired capacity in Ontario by the end of 2007 may increase demand for exports to Ontario even further.

New York is currently a net exporter to NEPOOL during the winter months. Electricity flows from New England during other periods increase system reliability and shave peak prices in LI but have little effect on prices in western and eastern New York. As New York's largest power trading partner, PJM has typically been a net exporter into New York state across all months. Resources from PJM have higher marginal costs than the hydro assets owned and operated by Brascan Power.

It is currently unclear whether exports to New England will decrease over the next few years, as ISO-NE, in its annual transmission report of October 21, 2004, forecasts a tight supply situation in the next two to four years. While approximately 9,500 MW of capacity has been added since 1999, if no new plants were built and no existing plants were retired, New England would have a 156 MW supply deficit by 2006.

Imports to New York are also subject to seasonality due to the significant amount of hydro capacity in Ontario and Québec. Notably, imports from Hydro-Québec have been steadily decreasing while exports have increased over the last four years. This trend is expected to continue given the diminishing supply margins in Québec.

Increased power flows from PJM and New England into New York depend on the completion and/or successful commercialization of several transmission projects.

The Neptune Regional Transmission System ("Neptune RTS") was proposed in 2001 with the goal to link various points across the eastern seaboard between Nova Scotia and New Jersey. The first phase of the project is a High Voltage Direct Current line that links the PJM market with LI, which could bring in as much as 660 MW of capacity into the Long Island Power Authority ("LIPA") territory. On September 29, 2004, LIPA was authorized to enter into an agreement with Neptune RTS to construct the undersea cable, with commercial operation slated for June 30, 2007. Also of note is that LIPA has also stated its intention to issue a second RFP for another Atlantic cable to further diversify its resource mix. LIPA's move to give the "go ahead" to Neptune RTS shows the severity of the potential capacity shortage facing LI beyond 2006.

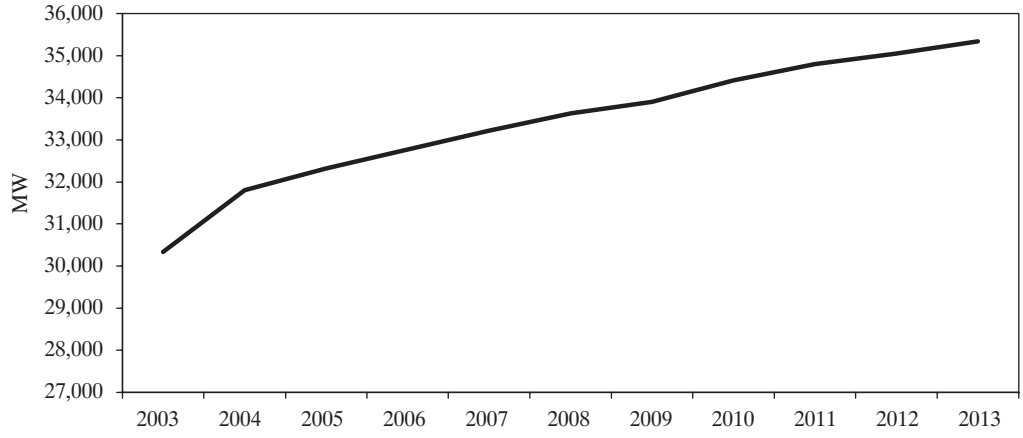
Another project in the region is the Empire Connection, a proposed 140-mile project running from Albany County to NYC. The US$750 million project would provide an additional 2,000 MW interconnection capacity to NYC, however, on February 27, 2004, an auction to sell capacity on the line was cancelled. While it is unclear what the next stage is, the NYISO approved the System Reliability Impact study in March 2004, and a subsequent application was made to the NYPSC in August 2004 for environmental compatibility and public need.

With the potential addition of these new transmission lines, new generation supply will be able to reach these constrained markets, providing additional opportunities for electricity sales.

Electricity Demand

New York is a summer peaking region. Peak demand in 2003 was 30,333 MW, which occurred in June. Projected annual load growth varies across market regions, ranging from 1.7% in LI to 0.8% in the west. During peak periods, NYC relies on imports from western and eastern New York to fill upwards of 20% of its needs.

NYISO Long-Term Forecast (2004-2013)



Source: NYISO 2004 Load and Capacity Data.

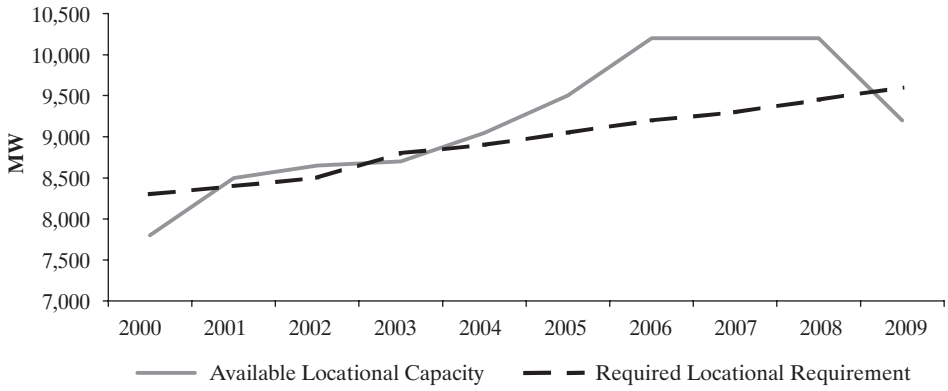
* 2004 Peak demand corresponds to 2004 ICAP results, based on normal weather, & summed over TO projection.

As with many other electricity markets in the U.S., announced new additions have declined significantly compared with projections made only 12-24 months ago. Based on the latest information from the NYPSC, the largest block of new capacity announced comes on-line in 2006 and 2007, amounting to about 3,000 MW. Total announced new capacity is 6,763 MW. Only 2,038 MW of new capacity is currently under construction with most

projects involving brownfield expansion or conversion of older fossil fuel facilities to more efficient gas facilities. A number of these projects have no projected in-service date or are in preliminary development.

The NYISO has recommended that additional capacity, predominantly in NYC and LI, be completed for 2008 and beyond in order to ensure that those regions do not fall below minimum reliability requirements. The amount of the incremental capacity should be a minimum of 500 to 1,000 MW each year, depending on the pace of load growth. The graph below illustrates this potential shortfall.

NYC Locational Capacity Requirement



Note: Does not include 127 MW of Special Case Resources.

Source: ISO Power Trends Report by the New York Independent System Operator, May 2004.

As the curve above indicates, NYC could fall below its locational requirement in 2009 and therefore creates a greater urgency to ensure that future generation is built. LI may fall below its locational requirements as early as 2005.

The tight supply-demand balance in the NYC/LI region is the primary driver of new capacity, as 73% of announced new projects in New York state are anticipated to be built in this area. Due to transmission constraints and the resulting market price premiums, developers appear to be eager to build in the NYC/LI area despite the greater expense and siting difficulties associated with plant construction.

Siting of new plants in New York, however, has become problematic due to the expiration of the Article X siting process, a streamlined siting procedure enacted in 1992. Article X expired in December 2002 and siting has since reverted to a more complex process. Since the expiry, no new plant proposals have been made. Although attempts to renew Article X have been unsuccessful, current plants in the Article X queue are allowed to proceed.

Given the required lead time in plant siting and construction, and the long permitting and approval process, it is likely that the majority of announced capacity will be delayed beyond its announced on-line date. The table below provides a summary of all projects on the Article X docket.

New Capacity Under the Article X Queue

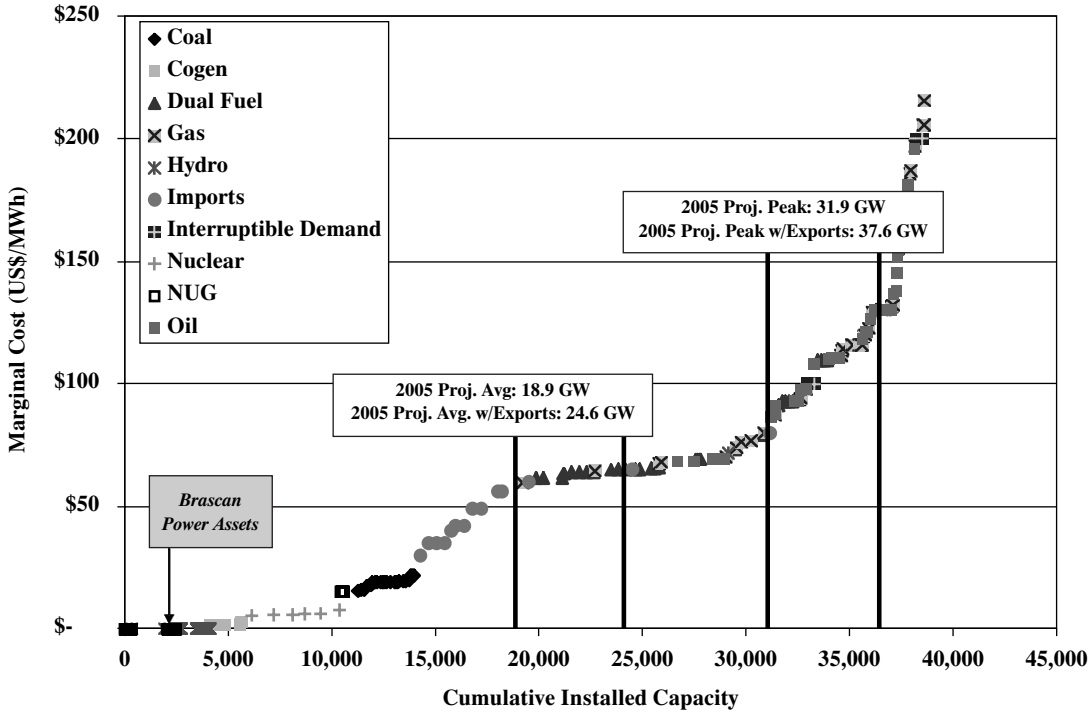
Project Name	Owner/Developer	Size (MW)	Fuel	Connecting Utility	Date of NYISO App.	Status of Article X	Proposed In-Service
Bethlehem Energy Center	PSEG Power NY	750	Gas	NM-NG	04/27/98	Certified 02/28/02	2005
East River Repowering	Consolidated Edison of NY	288	Gas	CONED	08/10/99	Certified 08/30/01	2004
Poletti Expansion	NYPA	500	Gas	CONED	04/30/99	Certified 10/02/02	2004
SCS Astoria Energy Phase I	SCS Energy LLC	500	Gas	CONED	11/16/99	Certified 11/21/01	2006
Total Under Construction		**2,038**					
Brookhaven Energy	American National Power	540	Gas	LIPA	11/22/99	Certified 08/14/02	2006
Bowline Point Unit 3	Mirant	750	Gas	CONED	10/13/99	Certified 03/25/02	?
Spagnoli Road CC Unit	Keyspan Energy Inc.	250	Gas	LIPA	05/17/99	Certified 05/08/03	2006
Wawayanda Energy Center	Calpine Eastern Corporation	540	Gas	NYPA	06/10/99	Certified 10/22/02	?
Astoria Repowering Phase I	Reliant Energy	367 net	Gas	CONED	07/13/99	Certified 06/25/03	2007
Astoria Repowering Phase II	Reliant Energy	173 net	Gas	CONED	08/18/00	Certified 06/25/03	2007
SCS Astoria Energy Phase II	SCS Energy LLC	500	Gas	CONED	11/16/99	Certified 11/22/01	?
Total Approved		**3,120**					
Empire State Newspring	Besicorp/Empire State	505	Gas	NM-NG	07/14/00	Appl Accepted 05/28/02	?
TransGas Energy	TransGas Energy, LLC	1,100	Gas	CONED	10/05/01	Appl accepted 6/05/03	2007
Total Projects with Applications Pending		**1,605**					
Grand Total Proposed Projects		**6,763**					

Source: ISO Power Trends Report by the NYISO, May 2004.

Capacity retirements, in the absence of new entries, would further tighten reserve margins and push prices higher. Units with low capacity factors would be displaced by more efficient generating technologies with lower fuel costs and higher capacity in the merit order, resulting in unit mothballing and retirement. The high cost of plant construction in New York, in combination with the uncertainty of the Article X siting process, suggests that even older capacity may be forced to stay on-line, at least in the NYC for the short to medium term. Although hydroelectric and nuclear facilities require periodic re-licensing, Brascan Power anticipates that existing nuclear and hydroelectric capacity will continue to operate over the next 15 years.

The following is the indicative supply curve across New York reflecting unit marginal costs:

Cumulative Capacity in New York (MW) — 2005
Adjusted for generation unit availability,* includes import supply



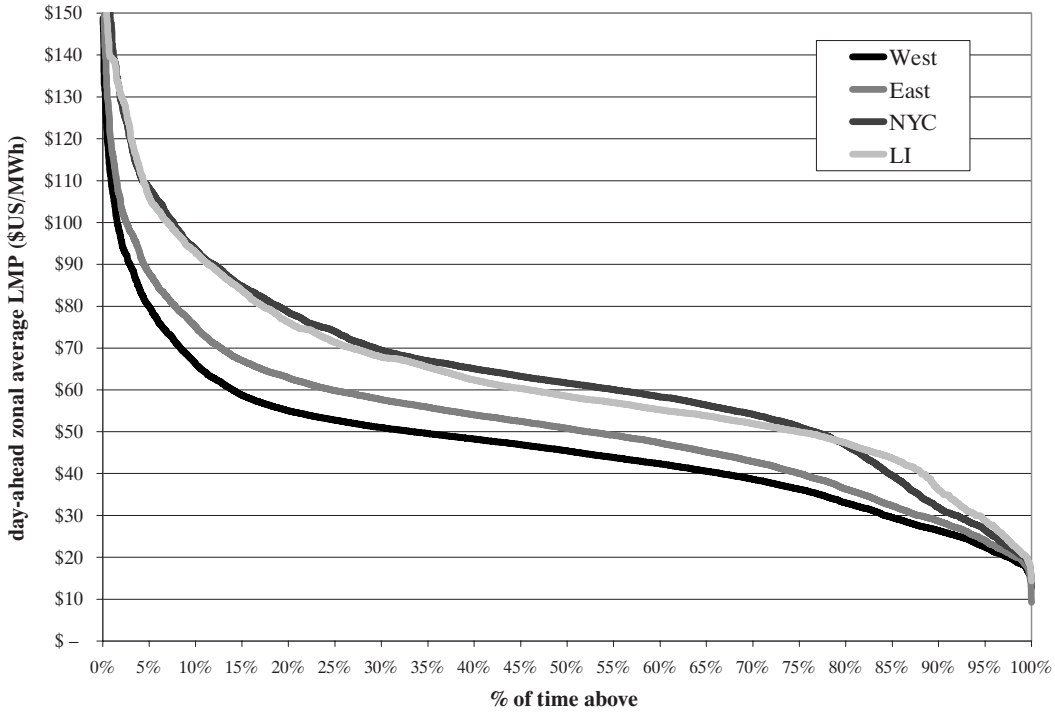
Sources: NYISO, Energy Velocity Suite.

* Unadjusted for transmission constraints, adjusted for availability for thermal and nuclear units, and based on effective capacity for hydro units.

Pricing

The following graph shows the price duration curve for hourly New York market prices in 2003:

New York Hourly Electricity Price Duration Curve
(January 1, 2003 — December 31, 2003, using day-ahead prices)



Source: NY-ISO. The Y-axis truncated at US$150/MWh.
Price statistics over this period are summarized below:

	West	East	NYC	LI
Average	US$46.6	US$51.9	US$ 63.7	US$ 62.6
95th percentile	US$79.8	US$87.8	US$108.1	US$106.1
5th percentile	US$22.4	US$24.0	US$ 26.6	US$ 28.7

Brascan Power's hydroelectric facilities in New York are extremely well positioned to capitalize on market opportunities, as few capacity additions are expected in western and eastern New York in the near-term, and those scheduled for the metropolitan areas are largely fossil-fuel based replacements of aging facilities. In any event, no new entrant will have marginal costs lower than hydroelectric generating assets in the region, which also face little risk of technological obsolescence. Brascan Power's New York assets also benefit from planned additional transmission capacity that will increase the capability of generators located in the western regions of the state to sell power into the higher-priced eastern regions.

Installed Capacity Market

In order to enhance reliability and prevent the loss of load due to resource inadequacy, the NYISO operates an installed capacity market (the "ICAP"). Through this market, generators are essentially paid an availability payment for having capacity available to the NYISO system for dispatch. The ICAP market provides an additional source of revenue for Brascan Power that complements the revenue it earns from being dispatched and selling power into the electricity market.

The NYISO holds semi-annual auctions for the supply of ICAP. Prices in the most recent auction held for Winter 2004/2005 for the New York Control Area (excluding LI and NYC) was US$5.93/kw-Month. Currently, Brascan Power expects to earn approximately US$6 million per year from the sale of ICAP and expects that this will increase over time as demand grows and supply becomes more constrained.

New England

Brascan Power entered the New England market in February 2002 when it acquired a hydroelectric generating system in northern Maine. Brascan Power now owns a total of 200 MW of generating capacity in New England, accounting for approximately 11% of its total power generated and 6% of 2003 total revenue on a pro forma basis. The following is a summary of Brascan Power's assets located in New England:

Production Centers	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity[1] (MW)	Long-term Average Generation (GWh)	Third Party PPA
New Hampshire Power*	100%	1	8	25	45	262	Yes[2]
White Mountain, NH	100%	0	1	1	25	184	Yes
Maine Power*	100%	2	7	32	129	748	Yes
Total	100%	3	16	58	199	1,194	

(1) Reflects 100% of assets' capacity.

(2) Pontook Generating Station, a 10 MW facility which is part of New Hampshire Power, is non-contracted.

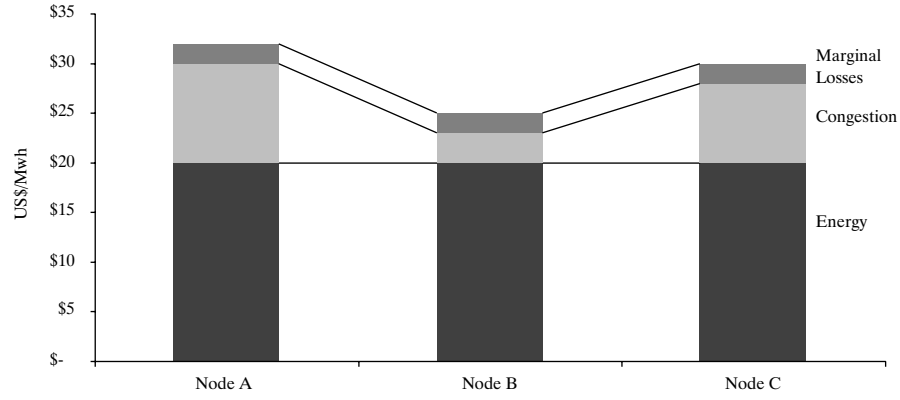
* Brascan Power's interest through the Fund is 50.1% of this amount.

Market Development

Created in 1997, following deregulation policies set out by FERC, ISO-NE is responsible for the day-to-day operation of New England's bulk power generation and transmission system; oversight and fair administration of the region's wholesale electricity markets, which first opened in 1999; and management of a comprehensive regional bulk power system planning process. The six-state region that ISO-NE serves includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

In New England, LMP has been implemented in order to manage the efficient use of the transmission system when congestion occurs on the bulk power grid. Three components are used in the calculation of the rate: energy, congestion and losses. The energy component is the cost to serve the next increment of demand at the specific location. However, if the transmission network is congested, the next increment of energy cannot be delivered from the cheapest available supply, therefore, the difference in cost of the energy component and cost of providing the additional more expensive energy is added onto the total cost. Since the LMP's are calculated at different nodes, prices may vary from location to location, as illustrated in the graph below.

Three Components of LMP



Sources of Electricity Supply

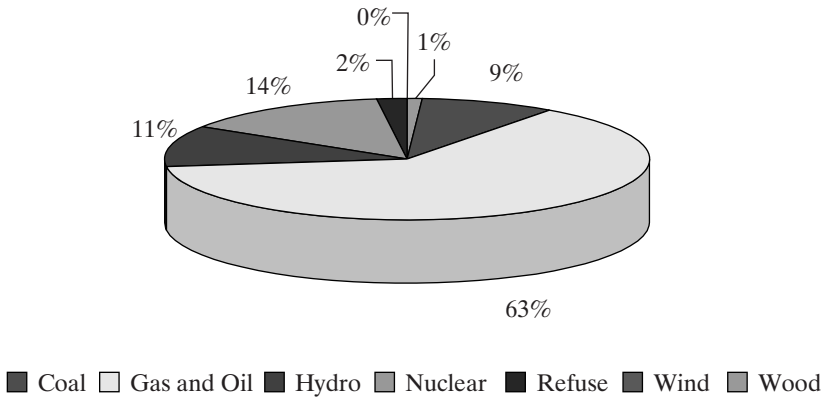
Gas and oil generating plants represent over 60% of NEPOOL capacity, and are used to meet intermediate and peak demand. In the mid-merit and on-peak hours, hydro shadow price off of gas and oil-fired units, resulting in a fairly smooth supply stack during the interval covering the majority of demand as shown here.

At 11% of system capacity, hydro plants do not represent a large share of system resources in New England. Although the relative share of hydroelectric capacity and energy is small, these assets play an important price-setting role in New England, at least for those plants with storage capability. This flexibility allows the hydro operator to maximize the revenue they can earn on the market.

The majority (63%) of New England's generation portfolio is natural gas, oil-fired or dual fuel (natural gas/oil). The rest of the supply capacity is comprised of nuclear (14%) and hydro (11%). Coal plants play a lesser role (9%), while the recent popularity of geothermal and wind projects continues to expand the role of alternative generation sources (3%). The demonstrated capacity by fuel type is shown in the table below:

Demonstrated Capacity by Fuel Type

2004 Summer Capacity



Source: CELT Report (2004).

The generation composition is not expected to change significantly over the next decade. However, the majority of additions are expected to be natural gas and oil facilities, which typically have higher marginal costs than those of hydroelectric generating facilities.

In 2003, New England remained a net importer of power, as 5,441 GWh of electricity was imported, or approximately 4.2% of the annual New England net energy load. New England was a net importer from Canada and a net exporter to New York. While the total net export to New York increased 8% over 2002, net imports from Canada dropped 42%, reflecting the low water conditions and tightening supply margins in Québec.

Electricity Demand

Peak demand in 2003 was 24,685 MW. Overall, ISO-NE expects load to grow at an average annual rate of 1.4% over the next ten years. ISO-NE's 2003 Regional Transmission Expansion Plan indicates that Boston (NEMA) is expected to be in line with the NEPOOL average at 1.3% through 2012. Load growth in Maine is expected to be at 1.2% through 2013, while load growth in New Hampshire is projected to be robust at 1.8% per annum over the next nine years.

Potential Changes to Supply

The total amount of announced new capacity scheduled to come on-line has been scaled back dramatically from levels announced in 2002. Developers currently project that approximately 9,000 MW of new generation capacity will come on-line before the end of 2008, but only 635 MW is currently under construction.

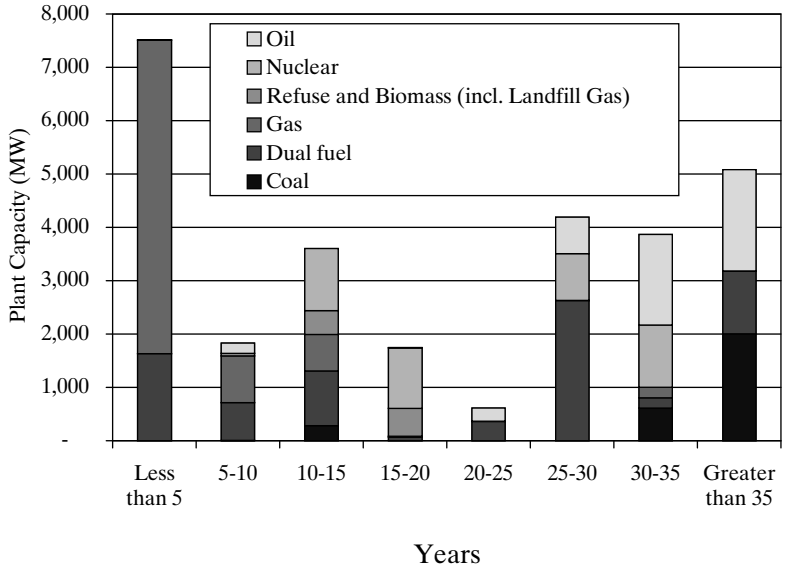
Developer	Plant name	State	Summer capacity (MW)	Expected online year	Status	Primary fuel
Catamount Energy	Glebe Mountain	VT	12.5	2005	Announced	Wind
Municipal Utility issued RFI	Lexington, Hartwell Avenue	MA	50.0	2005	Announced	Natural Gas
Pinpoint Power, LLC	Ridgebury Power	CT	10.0	2005	Announced	Other
University of New Hampshire	Univ. of NH — CHP	NH	7.5	2005	Announced	Natural Gas
Endless Energy	Little Equinox	VT	1.3	2005	Construction Permit	Wind
North Atlantic Energy Corp.	Seabrook	NH	60.0	2005	Construction Permit	Uranium
Entergy Corporation	Vermont Yankee Uprate	VT	78.0	2005	Construction Permit	Uranium
South Norwalk Electric Works	South Norwalk (SNEW)	CT	50.0	2005	Construction Permit (In Process)	Natural Gas
Evergreen Power	Bagley Mountain	ME	15.0	2005	Feasibility Study	Wind
Evergreen Power	Blueberry Barrens	ME	50.0	2005	Feasibility Study	Wind
Berkshire Wind Power LLC	Brodie Mountain Wind Power	MA	4.0	2005	Financing	Wind
EnXco	Hoosac Mountain Range	MA	7.5	2005	Financing	Wind
Endless Energy	Redington Mountain Wind Farm	ME	6.3	2005	Site/Municipal Permit	Wind
	Sub-total 2005 =		**352.1**			
GenPower	GenPower Athens	ME	40.0	2006	Announced	Wind
Public Service Company of NH	Northern Wood	NH	50.0	2006	Announced	Wind
Winergy	Provincetown	MA	7.2	2006	Announced	Wind
North Atlantic Energy Corp.	Seabrook	NH	21.0	2006	Announced	Uranium
Winergy	Nantucket Wind Farm	MA	323.4	2006	Construction Permit	Wind
Nantucket Wind, LLC	Cape Wind Turbine Generators	MA	155.6	2006	Construction Permit (In Process)	Wind
UPC Group	Hardscrabble Mountain	VT	3.8	2006	Feasibility Study	Wind
Brockton Power	Brockton Power LLC	MA	249.0	2006	Site/Municipal Permit	Natural Gas
East Haven Wind Farm	East Haven Wind Farm	VT	1.5	2006	Site/Municipal Permit (In Process)	Wind
	Sub-total 2006 =		**851.5**			
Loring Bioenergy	Searsport Cogen	ME	300.0	2007	Announced	Natural Gas
Winergy	Nantucket Wind Farm	MA	296.8	2007	Construction Permit	Wind
Calpine Corporation	Towantic Energy Center	CT	466.0	2007	Construction Permit	Natural Gas
UPC Group	Hardscrabble Mountain	VT	8.6	2007	Feasibility Study	Wind
Endless Energy	Redington Mountain Wind Farm	ME	6.8	2007	Feasibility Study	Wind
	Sub-total 2007 =		**1,078.2**			
Winergy	Davis Bank	MA	291.2	2008	Construction Permit	Wind
Winergy	Nantucket Wind Farm	MA	236.6	2008	Construction Permit	Wind
Connecticut Municipal Electric	Kleen Energy Project	CT	476.0	2008	Site/Municipal Permit	Natural Gas
	Sub-total 2008 =		**1,003.8**			
	Total =		**3,285.6**			

Source: Henwood Energy, New Entrants Database, as of November 2004.

Upon new entry, units with low capacity factors will be displaced by more efficient technology in the merit order. This can result in significant changes in plant profitability and ultimately lead to facility mothballing and retirement. Since announced new build in New England is primarily baseload combined cycle gas turbines, older (less efficient) units will slowly be pushed up the merit order stack and become uneconomic to maintain.

New England's fossil-fueled assets are comparatively old, and increased capital expenditures over the medium-term will be necessary to keep some of these units operational; thus, minimal energy market revenues may not be sufficient.

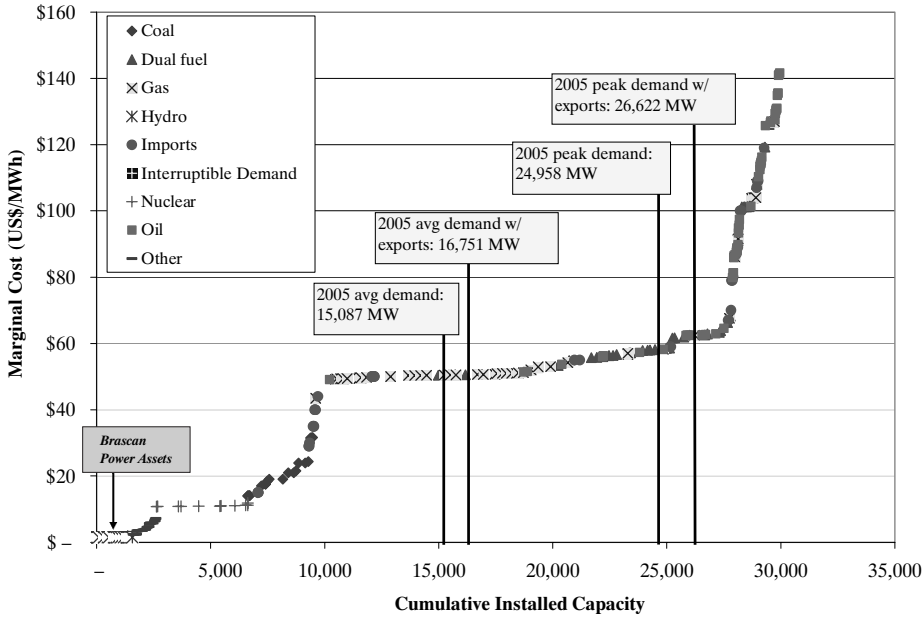
Distribution of Thermal Plants in New England by Age & Fuel Type



Sources: ISO-NE and Energy Velocity Suite.

The following is the indicative supply curve across New England reflecting unit marginal costs:

Cumulative Capacity in New England (MW) — 2005
Adjusted for generation unit availability,* includes import supply



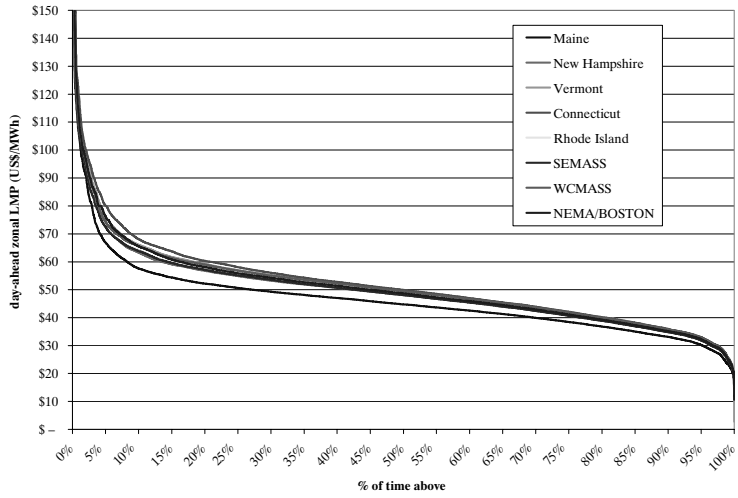
Sources: ISO-NE, 2004 CELT Report, and Energy Velocity Suite.

* Unadjusted for transmission constraints, adjusted for availability for thermal and nuclear units, and based on effective capacity for hydro units.

Pricing

The following graph shows the price duration curve for hourly New England market prices since the implementation of LMP.

New England Price Duration Curve
(March 2003 — October 2004)



Source: ISO-NE.

Based on prices from March 1, 2003 (SMD start date) through October 31, 2004. The Y-axis is truncated at US$150/MWh.

Price statistics over this period are summarized below:

	Maine	New Hampshire	Vermont	Connecticut	Rhode Island	SEMass	WCMass	NEMA/Boston
Average	US$46.6	US$49.8	US$51.7	US$52.5	US$50.3	US$49.9	US$51.3	US$50.8
95th percentile	US$66.9	US$72.8	US$75.8	US$80.0	US$72.6	US$72.5	US$74.4	US$76.3
5th percentile	US$30.2	US$31.9	US$33.0	US$33.0	US$32.1	US$31.9	US$32.8	US$32.2

While this graph indicates that there are some pricing differentials across markets in New England, the fact that almost 75% of the hours in all regions fall between US$40 – US$60/MWh reflects that gas-fired generators are setting price a high percent of the time in all of the New England regions.

Québec

Brascan Power has two systems in Québec that account for approximately 15% of total generation. Revenue earned from assets located in Québec was approximately 11% of 2003 total revenue on a pro forma basis. Brascan Power's assets located in Québec include:

Power Operation	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity(1) (MW)	Long-term Average Generation (GWh)	Third Party PPA
Lièvre River Power*	100%	1	3	10	238	1,418	Yes(2)
Pontiac Power	100%	2	2	7	28	210	Yes
Total		3	5	17	266	1,628	

(1) Reflects 100% of assets' capacity.

(2) Approximately 40% of Lièvre River Power is uncontracted.

* Brascan Power's interest through the Fund is 50.1% of this amount.

As Québec is still a regulated power market dominated by the provincial utility Hydro-Québec, Brascan Power will only pursue opportunities in this area that provide the opportunity to sell power into interconnected open markets such as Ontario or where Brascan Power can secure a long-term contract to sell power to Hydro-Québec at attractive rates.

Market Development

On May 1, 1997, Hydro-Québec opened its transmission system and wholesale electricity market to competition. A few months later, FERC issued a wholesale power marketer license to Hydro-Québec enabling it to negotiate the sale and purchase of electricity directly, based on the U.S. market price. As a result of this action, electricity producers in Québec now have the option to sell electricity outside Québec and to "wheel" it through Hydro-Québec's transmission lines at specified rates.

Current Market Structure

In 2000, Hydro-Québec implemented the separation of its operations into distribution, transmission and generation of electricity.

Hydro-Québec Production generates electricity and sells it on wholesale markets both inside and outside Québec. For the Québec market, Hydro-Québec Production supplies Hydro-Québec Distribution with a heritage pool of up to 165 TWh of electricity per year, at a fixed-price of 2.79 cents per kwh. Beyond this volume, it competes freely in response to Hydro-Québec Distribution's calls for tenders.

TransÉnergie owns and operates Hydro-Québec's transmission system, which has 18 interconnections allowing power interchange between Québec and the systems in Labrador, New Brunswick, Ontario and the U.S. Northeast. This division offers non-discriminatory access to Québec's transmission system to all customers on the wholesale market in northeastern United States. It also makes its interconnections available to customers both inside and outside Québec.

Québec's wholesale electricity market now consists of 11 distributors including Hydro-Québec Distribution, nine operators of municipal systems and one regional cooperative. With the opening of the wholesale market, all electricity consumers may purchase electricity in Québec or elsewhere. Hydro-Québec Distribution supplies domestic markets with electricity and ensures the reliability of the distribution system.

Electricity Supply and Demand

Source of Electricity Supply

Hydro-Québec is the dominant electricity supplier in Québec with a total installed capacity of 33,616 MW of which 93% is from hydroelectric resources

Over the past several years, Hydro-Québec has issued a number of RFP's to supply additional capacity to customers, including:

- In June 2003, Hydro-Québec Distribution issued an RFP for 1,000 MW of wind power;
- Hydro-Québec Distribution recently awarded six PPA contracts for wind energy projects with a combined generation capacity of 739.5 MW, to be commissioned between 2006 and 2012; and
- In October 2004, Hydro-Québec Distribution issued an RFP for 350 MW of new generation capacity from natural gas cogeneration. Final bids are due by March 15, 2005.

British Columbia

Brascan Power owns two power systems in British Columbia. Revenue earned from those assets was approximately 2% of 2003 total revenues on a pro forma basis. The Brascan Power assets in British Columbia include:

Power Operation	Ownership	River Systems	Generating Stations	Generating Units	Installed Capacity[1] (MW)	Long-term Average Generation[2] (GWh)	Third Party PPA
Powell River Energy*	50%	2	2	7	82	261	Yes
Pingston Power	50%	1	1	3	45	95	Yes
Total		3	3	10	127	356	

(1) Reflects 100% of assets' capacity.

(2) Reflects Brascan Power's proportionate share of generation.

* Brascan Power's interest through the Fund is 50.1% of this amount.

British Columbia Market Overview

The two major electricity utilities in British Columbia are BC Hydro and West Kootenay Power and Light Ltd. ("WKP"). BC Hydro, a crown corporation, is the major generator of power in British Columbia. It owns most of the transmission lines through BCTC and supplies directly or indirectly approximately 90% of the total electricity consumed in the province. The remaining load in British Columbia is served by WKP, which generates, transmits and distributes power in the southeast portion of the province.

Open access to the transmission system of BC Hydro has been available in British Columbia since January 1, 1996 and the WKP system since March 20, 1998. The terms and conditions of access are, in all material respects, identical to the pro forma tariff established by FERC Order 888. Although there have been various regulatory proceedings in which further restructuring of the electricity industry in BC has been contemplated, no other significant structural steps have been taken to encourage competition in the province. Thus, the bulk of retail load is served by either BC Hydro or WKP with the main exception being load served by eight municipal distribution utilities within the WKP service area and by the City of New Westminster within the BC Hydro service area. Independent power producers located in British Columbia may sell to BC Hydro or WKP or employ access to either transmission system to sell their generation outside the province.

The tolls and tariffs of BC Hydro and WKP are regulated by the BC Utilities Commission pursuant to the *Utilities Commission Act,* RSBC 1996, ch. 473, as is access to their respective transmission systems under their wholesale transmission tariffs.

Louisiana

Brascan Power owns a 75% interest in Louisiana Hydro Power in Vidalia, Louisiana. Revenues from Louisiana Hydro amounted to approximately 3% of 2003 total revenues on a pro forma basis.

Power Operations	Ownership	River System	Generating Station	Generating Units	Installed Capacity[1] (MW)	Long-Term Average Generation[2] (GWh)	Third Party PPA
Louisiana Hydro	75%	1	1	8	192	677	Yes

(1) Reflects 100% of assets' capacity.

(2) Reflects Brascan Power's proportionate share of generation.

Substantially all of the power produced by Louisiana Hydro is sold to Entergy, a U.S. energy company, through a PPA. The remaining power is sold directly to the city of Vidalia pursuant to another PPA. Both PPAs have substantially similar terms and are on a "pay if delivered" basis and expire on December 31, 2031.

BRASCAN POWER FINANCING STRATEGY

Brascan Power has access to equity capital through its shareholder, Brascan, and indirectly through the Fund, which is the largest power income fund in North America in terms of installed capacity and power generation. The Fund, which is 50.1% owned by Brascan Power, owns a number of power generating operations acquired by Brascan Power and currently has a market capitalization of approximately $800 million.

Brascan Power debt finances its operations with a combination of non-recourse asset backed debt and unsecured corporate debt, and endeavours to maintain access to financing of this nature in both Canada and the United States. Accordingly, it is Brascan Power's objective to maintain investment grade ratings for both non-recourse and project based financing as well as unsecured corporate debt. To date all debt issuances (both secured and unsecured) are rated BBB− through AA by at least one of the three agencies that rate Brascan Power's obligations. See "Credit Rating".

Brascan Power believes that this strategy results in a lower cost of capital and a more stable borrowing base by allowing the terms of project level debt to be specifically tailored to the attributes of each project, thereby optimizing the cost and level of debt at each project. The structural subordination of corporate debt is mitigated by the diversification of Brascan Power's assets, the relatively low level of non-consolidated debt and the absence of any material cross guarantees or cross collateralization.

As of September 30, 2004, outstanding debt included $1.8 billion of project level debt and US$200 million of corporate notes that are due in March 2005. The average maturity of the long-term project level debt, excluding the 2 year floating rate bridge facility which was put in place to acquire the New York Hydro Assets, is 15 years and the current average interest rate is 6.8%.

Brascan Power also maintains a line of credit with a Canadian chartered bank. The credit facility, which currently totals approximately $110 million, is used primarily to issue letters of credit required to facilitate Brascan Power's participation in the various power markets. Brascan Power expects to increase the total size of its credit facilities to approximately $250 million to reflect Brascan Power's expanded operations, including its recent entry into the New York power market.

REORGANIZATION

Due to the strategic importance of the power business to Brascan and its substantial growth, Brascan believes that it is appropriate to establish a "pure play" power company and that this will lead to enhanced investor clarity and a lower cost of capital. Accordingly, the Company has been established as a subsidiary of Brascan Power, and will acquire all of its power operations as part of the Reorganization. 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. Brascan Power will retain ownership of the non-core Investment Portfolio that is not related to the power operations.

The Reorganization will be effected through the transfer of the power assets from Brascan Power to the Company. The proposed plan of action would involve Brascan Power obtaining the contractual consents, assignments and replacement contracts required to transfer the power assets. Additionally, regulatory consents are required to transfer the power assets as a result of the regulated nature of the industry in certain jurisdictions. Brascan Power's operations in the United States are governed by the Federal Power Act. Under this Act, a reorganization which results in a change in the parent corporation of a licensed entity requires the approval of the Federal Energy Regulatory Commission. Brascan Power is also evaluating whether any approvals or filing requirements are necessary in connection with the Reorganization with the National Energy Board (Canada) in addition to any provincial or state boards or ministries. It is expected that the Reorganization will be completed within the next three years. Brascan Power expects to liquidate the Investment Portfolio over time, with the proceeds used to fund acquisitions and capital expenditures by the Company. The monetization of the Investment Portfolio will be executed in such a manner as to ensure the existing credit profile of Brascan Power is maintained. It is expected that Brascan Power will be wound up once the Reorganization is complete provided that this does not result in any specific reduction in credit ratings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF BRASCAN POWER

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected consolidated financial information appearing elsewhere in this Prospectus. See "Financial Statements". Historical results and trends should not be taken as indicative of future operations. The financial data in the following discussion is derived from the combined consolidated financial statements appearing elsewhere in this Prospectus, which have been prepared in accordance with Canadian generally accepted accounting principals ("Canadian GAAP").

Results for the three month and nine month periods ended September 30, 2004

Brascan Power reported net operating income of $77 million for the three months ended September 30, 2004, up from $52 million during the same period last year. Year to date, net operating income is $275 million, up 65% compared to last year.

Power generation was in line with Brascan Power's long-term average across most of Brascan Power's power systems during the third quarter and totalled 1,757 GWh, an increase of 18% over the same period last year. Year to date generation totalled 6,004 GWh compared to 4,444 GWh for the same period last year, an increase of 35%. This higher production was driven by a return to normal water conditions throughout most regions and the contribution from the generating stations acquired or commissioned in 2003 and 2004. As of September 30, 2004, most of our reservoirs were at expected levels, and long-term average generation remained the best estimate for the rest of the year.

Power revenue for the quarter increased significantly to $154 million, a 22% change over the same period last year. Year to date revenue from power operation totalled $504 million, an increase of 65% over last year. Higher revenues were driven by increased generation output and a series of optimization initiatives.

The following table summarizes the generation and net operating income of each of Brascan Power's geographic business segments:

Geographical Information

Generation (GWh)

	Three months ended September 30,			Nine months ended September 30,		
	2004	**2003**	**LTA[1]**	**2004**	**2003**	**LTA[1]**
Ontario	**733**	699	779	**2,555**	2,252	2,488
Québec	**367**	358	376	**1,381**	931	1,246
British Columbia	**97**	94	97	**294**	252	283
New England	**265**	195	276	**811**	457	887
New York	**16**	—	11	**16**	—	11
Other North America	**279**	146	223	**947**	552	890
	1,757	1,492	1,762	**6,004**	4,444	5,805

(1) Long-term average.

Net Operating Income

$ millions	Three months ended September 30, 2004	Three months ended September 30, 2003	Nine months ended September 30, 2004	Nine months ended September 30, 2003*
Ontario	**$ 42**	$ 34	**$150**	$ 97
Québec	**14**	10	**65**	27
British Columbia	**4**	3	**10**	8
New England	**10**	5	**36**	11
New York	**1**	—	**1**	—
Other North America	**6**	—	**13**	23
	$ 77	$ 52	**$275**	$166

* Restated. See Note 2 on page F-21.

Ontario

In Ontario, power generation contributed $42 million of net operating income during the third quarter compared to $34 million in the third quarter of 2003. Variance in net operating income is due to higher volumes as generation in Ontario increased to 733 GWh compared to 699 GWh for the same period last year. The increase is also the result of asset enhancement initiatives which had a positive impact on our average price.

Québec

In Québec, generation for both power systems during the third quarter was 367 GWh compared to 358 GWh for the same period last year. As in Ontario, asset enhancement initiatives from our Lievre River Power system also had a positive impact on prices received for our generation and as a result, net operating income increased by $4 million or 40% to $14 million.

British Columbia

In British Columbia, power generation contributed $4 million of net operating income for the quarter, up from $3 million for the same period last year. Generation for the period was stable at 97 GWh compared to 94 GWh for the previous year. The slight increase in net operating income can be explained by the annual increase in contract prices over the prior year.

New England

In New England, power generation contributed $10 million of net operating income compared to $5 million for the same period last year, primarily due to the increased generation from 195 GWh to 265 GWh resulting from higher water inflows and the acquisition of Brassua, Errol and Pontook's generating stations in November 2003.

New York

In New York, the acquisition of 71 hydroelectric power generating plants and 1 cogeneration facility on September 28, 2004 contributed $1 million of net operating income. Generation for the period was 16 GWh.

Other North America

Other power operations include our share of net income for Louisiana Hydro Electric Power and the net result of power sales to an affiliate.

Analysis of operating expenses

Operating and maintenance costs totaled $14 million for the three months ended September 30, 2004 and $43 million for the nine months ended September 30, 2004, compared with $14 million and $40 million,

respectively, for the same periods in 2003. This increase is the result of the addition of new facilities in 2003 and 2004 and a return to normal hydrology levels in 2004.

Property taxes and water rental for the third quarter of 2004 totalled $7 million compared to $4 million in the same quarter last year. Year-to-date expenses amounted to $21 million compared to the same period last year. These increases were a result of higher overall generation.

Fuel purchases consist of the costs for natural gas required for the cogeneration plants. These expenses amounted to $9 million for the three months ended September 30, 2004, consistent with $9 million for the same quarter in the prior year. Fuel purchases for the nine months ended September 30, 2004 were $26 million, compared to $25 million for the same period in the prior year. The slight increase is due to annual rate increases across suppliers for transportation.

Power purchases for the quarter ended September 30, 2004 were $47 million, a slight decrease from the $48 million in the same quarter in 2003. However, power purchases for the nine month period ended September 30, 2004 totaled $139 million, compared to $59 million for the same period in the prior year. This increase is a result of power procured on behalf of an affiliate of the Company for the full nine months in 2004, compared to only five months for the same period in 2003, and increases in the average price.

Related Party Transactions

The Company carried out various transactions with related parties during the year. The nature of these transactions is consistent with the prior year and includes energy sales, physical gas sales and receipt and payment of interest on deposits. All transactions are in the normal course of operations and are settled at prevailing market rates. Related parties are considered to be those under the common control of Brascan or parties over which Brascan can exercise significant influence. The following table summarizes all significant related party transactions for the three months and nine months ended September 30, 2004 and 2003:

millions	Three months ended September 30, 2004	Three months ended September 30, 2003	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Revenues				
Sale of power to Noranda Aluminum Inc.	**$39**	42	**118**	55
Physical gas sales to Noranda Inc.	**3**	4	**10**	15
Sale of power and financial transactions with Brookfield Properties Corporation	**4**	5	**11**	6
Sale of power to Katahdin Paper Company	**9**	7	**23**	12
Sale of power to Fraser New Hampshire	**2**	2	**6**	6
Tolling agreement with Fraser New Hampshire	**2**	—	**5**	—
Investment income and other				
Interest earned on demand deposits	**2**	(1)	**5**	(2)
Income from securities held with affiliated companies	**7**	9	**21**	27
Income from investments held with affiliated companies	**9**	11	**29**	33
	$77	$79	**$228**	$152
Expenses				
Income on interest rate swaps with Brascan Corporation	**—**	—	**(4)**	—
Interest expense on bridge facility with Brascan Corporation	**2**	3	**6**	7
	$ 2	$ 3	**$ 2**	$ 7

As a result, the following balance is receivable at September 30:

millions	2004	2003
Noranda	**$15**	$ 3
Brookfield	**2**	1
Katahdin	**5**	13
Fraser	**1**	1
	$23	$18

Sources of Liquidity and Capital Structure

Given the nature of our operations, the industry in which we operate and our contractual arrangements, our cash margin is stable and provides a strong credit profile. In addition to the risk of variable hydrology conditions, our risk with respect to liquidity arises from the financing required for acquisitions and significant capital projects.

We have access to the following sources from which to fund our capital program:

- Existing cash reserves;
- Strong cash flow from operations; and
- Additional available credit reserve facilities.

Brascan Power continues to have a strong balance sheet and healthy financial ratios. As at September 30, 2004, we maintained a current cash balance of $82 million.

We have been successful in securing long-term, asset-backed financing on most of our acquired facilities. These arrangements bring stability to our capital structure.

Capital Structure (composition of total structure)	As at September 30, 2004	As at December 31, 2003
Property specific borrowings and corporate term debentures	**48%**	47%
Future income taxes	**4%**	4%
Minority interest	**8%**	9%
Shareholders' equity	**40%**	40%
Total	**100%**	100%

In May 2004, US$110 million of the existing US$136 million bridge loan facility drawn for the acquisition of the Maine and New Hampshire Power systems was refinanced with a 10-year secured note bearing interest at a rate of 5.54% payable quarterly secured by a first ranking lien on all Great Lakes Hydro America ("GLHA") assets. No principal is due until maturity in 2014.

An amount of US$15 million of the remaining US$26 million Maine and New Hampshire Power bridge facility, was refinanced in September 2004 with senior notes secured by a first ranking lien on all GLHA assets. The notes bear an annual interest rate of 6.04% payable quarterly and principal is also due in full at maturity on May 28, 2014.

We also completed the issuance of $77 million of series A senior secured bonds with an annual interest rate of 4.4%. These bonds mature on September 23, 2009 and are secured by a first ranking lien on Lake Superior Power assets.

We also entered into a 24 month credit agreement for US$500 million for the acquisition of the New York assets. The agreement is secured by a first ranking lien on the New York Hydro Assets and bears an annual interest rate of LIBOR plus 100 basis points.

During the quarter we restructured our capital base through the issuance to Brascan of $1,100 million of subordinated convertible debentures and the payment of a dividend of $800 million, resulting in a net equity contribution of $300 million, which was used to fund a portion of the New York Hydro Assets acquisition.

The US $175 million Series 1 corporate debentures were repaid upon maturity in August 2004.

We provided covenants to certain of our lenders as do most borrowers. As at the date hereof, Brascan Power is in compliance with these covenants.

Significant Contractual Obligations Due by Period

($ in millions)	Total	In the final three months of 2004	In years 2005-2009	In years 2010-2014	In years 2015-2019	Beyond 2020
Long-term debt (CDN)	$1,000	$ 4	$193	$ 45	$ 51	$707
Long-term debt (USD)	$ 836	$ —	$711	$125	$ —	$ —

Financial Instruments

Guarantees

In the normal course of operations, the Company provides indemnifications that are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, service agreements, director/officer contracts and leasing transactions. These indemnification agreements may require the Company to compensate the counterparties for costs incurred as a result of various events, including environmental liabilities, changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount the Company could be required to pay to counterparties. Historically, the Company has not made any significant payments under such indemnifications and no amounts have been accrued in our consolidated financial statements with respect to these indemnification guarantees.

The Company issues letters of credit and parental guarantees. The maximum limit allowed under standby letters of credit and guarantees is $185 million, with a total of $139 million issued as of September 30, 2004. The terms of such obligations vary. Historically, the Company has not been obligated to make significant payments for these obligations. No amount was included in the Company's consolidated balance sheet for September 30, 2004 relating to these letters of credit and parental guarantees.

Derivative Instruments

The Company uses derivative financial instruments including commodity swaps, interest rate swaps, commodity and foreign exchange forward contracts to manage risk. Derivative financial instruments involve credit and market risk. Credit risk arises from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where the Company would incur a loss in replacing the defaulted transaction. The Company minimizes credit risk through the selection, monitoring and diversification of counterparties, use of the International Swaps and Derivatives Association (ISDA) documentation, collateral and other credit risk mitigation techniques. These risks are reviewed on a regular basis and the Company believes the exposures are manageable and not material in relation to its overall business operations.

a) Commodity derivative instruments

As at September 30, 2004, the energy and gas derivative contracts were comprised of contracts with deferred unrealized losses in excess of that recorded in the Company's accounts of $ 97 million (2003 — $53 million) as well as contracts with deferred unrealized gains in excess of that recorded in the Company's accounts of $ 80 million (2003 — $42 million).

b) Interest rate derivative instruments

The Company designates its interest rate swap agreements as hedges of the underlying debt. Interest expense is adjusted to include the payments made or received under the interest rate swaps. The total notional amount of principal underlying interest rate swap contracts in 2004 was $541 million (2003 — $794 million). These contracts have maturities varying from one to nineteen years, and have unrealized deferred gains in excess of that recorded in the Company's accounts of $1 million (2003 — $5 million) and unrealized deferred losses of $39 million (2003 — $13 million) in excess of that recorded in the Company's accounts.

c) Foreign exchange

At September 30, 2004, the Company held foreign exchange contracts with a notional amount of $377 million (2003 — $nil) at an average exchange rate of 1.273 (2003 — $nil) and unrealized deferred gains in excess of that recorded in the Company's accounts of $1 million (2003 — $nil) to manage its U.S. dollar exposures, of which $US 200 million was designated as a hedge of the net investments in foreign operations.

Change in Accounting Policies

Effective January 1, 2004, the Company adopted Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting. Realized and unrealized gains and losses on derivative financial instruments designated as hedges of financial risks are included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

Effective January 1, 2004, the Company adopted CICA Handbook section 3110, "Asset Retirement Obligations". Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. The Company does have asset retirement obligations associated with certain generating stations. The retirement date for these generating stations cannot be reasonably estimated and therefore the fair value of the associated liability cannot be estimated at this time. As a result, no liability has been accrued in these financial statements.

Selected Quarterly Information

	2004			2003				2002
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	CDN $ millions (except otherwise noted)							
Power generated (GWh)	1,757	2,090	2,157	1,835	1,492	1,589	1,363	1,135
Gross revenues[1]	$ 178	$ 187	$ 199	$ 163	$ 149	$ 123	$ 93	$ 100
Power revenues	154	169	180	142	126	106	74	78
Net operating income	77	92	105	75	52	67	47	55
Net income	36	35	52	19	24	31	23	29
Diluted income per share (dollars)	0.26	0.28	0.41	0.16	0.19	0.24	0.18	0.23

Variations in quarterly results are mainly related to the amount of electricity generated in any given quarter, which is in turn dependent on available water inflows. Other marketing and asset enhancement initiatives also impact the quarterly results.

(1) Power revenues and investment income.

Years ended December 31, 2001, 2002 and 2003

For the year ended December 31, 2003, Brascan Power reported net operating income of $241 million, down from $247 million in 2002 and up from $157 million from 2001. The decrease in net operating income from 2002 was the result of lower than average generation levels in the first half of the year and moderate summer temperatures impacting the average price realized on uncommitted power and the demand for ancillary services. Generation returned to average levels at most of the hydro facilities with improved water conditions in Ontario, Québec and the northeast United States during the last half of 2003. In particular, during the fourth quarter, the facilities in Ontario, Québec and New England all produced above long-term average.

Our operating income for both 2003 and 2002 was significantly higher than 2001 as a result of acquisitions made in 2002 such as Mississagi Power, New Hampshire Power, Lake Superior Power and Maine Power as well as increased asset enhancement initiatives.

Generation

Electricity generation for 2003 increased to 6,279 GWh compared to 5,584 GWh in 2002 and 3,959 GWh in 2001. The additional capacity available as a result of acquisitions made in 2002 and 2001 offset weaker hydrology.

Power delivered by geographic area for 2003, 2002 and 2001 is shown below:

Power Generated

(gigawatt hours)	2003	2002	2001
Ontario	**3,069**	2,531	1,793
Québec	**1,461**	1,585	1,418
New England	**710**	558	—
Other Power Operations	**1,039**	910	748
Total	**6,279**	5,584	3,959

Ontario

(gigawatt hours)	2003	2002	2001
Great Lakes Power — Generation	**1,542**	1,639	1,301
Mississagi Power	**636**	340	—
Valerie Falls Power	**30**	45	51
Lake Superior Power[1]	**861**	507	441
	3,069	2,531	1,793

(1) Includes electricity equivalents of contracted gas sales.

Power generated by Brascan Power's operations in Ontario increased to 3,069 GWh in 2003 from 2,531 GWh in 2002 and 1,793 GWh in 2001. This reflected the acquisition of Mississagi Power in May 2002, the acquisition of the remaining interest in Lake Superior Power in November 2002 and the completion of the Robert A. Dunford Station in May 2003.

In May 2002, Brascan Power acquired four hydroelectric generating stations located on the Mississagi River northeast of Sault Ste. Marie in northern Ontario from OPG for $346 million. These stations have a combined generating capacity of 488 MW and are being operated in conjunction with Brascan Power's other 12 hydroelectric stations in this area.

In November 2002, Brascan Power acquired Duke Energy's 50% interest in the Lake Superior Power cogeneration plant in Sault Ste. Marie, Ontario, increasing its ownership in this facility to 100%. The

consideration for this acquisition was $67 million, comprised of $30 million in cash and the assumption of $37 million of debt. Lake Superior Power is operated in conjunction with Brascan Power's hydroelectric power stations in northern Ontario. All of its electricity production is sold to OEFC under a long-term contract.

During 2002, Brascan Power substantially completed the 45 MW Robert A. Dunford hydroelectric generating station on the Michipicoten River near Wawa in northern Ontario, which was commissioned during the first quarter of 2003. This project, named after a former Chairman of Brascan Power, has been completed on schedule and under budget at a cost of $72 million. It replaces the older 28 MW High Falls generating station with a larger, more efficient station with increased peak period generating capability.

Québec

(gigawatt hours)	2003	2002	2001
Lièvre River Power	**1,284**	1,399	1,224
Pontiac Power	**177**	186	194
	1,461	1,585	1,418

Power generated by Brascan Power's operations in Québec fluctuated from a high of 1,585 GWh in 2002 to a low of 1,418 GWh in 2001 due to variations in water inflows.

New England

(gigawatt hours)	2003	2002	2001
Maine Power	**541**	477	—
New Hampshire Power	**169**	81	—
	710	558	—

Power generated by Brascan Power's operations in northeast United States increased by 27% from 558 GWh in 2002 to 710 GWh in 2003, reflecting a full year of generation for the assets acquired in February and May 2002 and the acquisition of three additional generating facilities in November 2003. Despite improving water conditions, inflows remained below long-term average at the beginning of the year and as a result, generation at the New England facilities remained below their long-term average.

In February 2002, Brascan Power acquired Maine Power, an integrated power generating and distributing system in northern Maine from Great Northern Paper Inc. for US $156.5 million. This system includes six hydroelectric generating stations located on the main and west branches of the Penobscot River with a combined generating capacity of 126 MW, as well as an interconnection with the NEPOOL. The expansion of this interconnection from 20 MW of capacity to 170 MW was completed during the first half of 2003 and facilitated the transmission of Maine Power's surplus generation into the NEPOOL.

In May 2002, Brascan Power expanded its presence in New England with the acquisition of six hydroelectric generating stations in northern New Hampshire from a local forest products company for US $33 million. These stations located on the Androscoggin River are being operated in conjunction with Brascan Power's six Maine Power stations.

The New Hampshire Power acquisition was made in conjunction with the purchase by Fraser Papers, an affiliate of Brascan, of certain pulp and paper facilities in that state. In 2003, Brascan Power started construction of a 25 MW cogeneration plant in Berlin, New Hampshire. This station provides electricity and steam for sale to Fraser Papers' pulp and paper facilities and was completed in April 2004.

Other Power Operations

(gigawatt hours)	2003	2002	2001
Louisiana HydroElectric Power	**669**	639	566
Pingston Creek	**61**	—	—
Powell River Energy	**267**	271	182
Brascan Énergética	**42**	—	—
Total	**1,039**	910	748

Power generated by Brascan Power's other power operations increased by 14% to 1,039 GWh in 2003 from 910 GWh in 2002 and 39% in 2001. These increases reflected improved water flows on the lower Mississippi River which increased power generation at Louisiana HydroElectric Power. Pingston Creek, our new facility in British Columbia generated 61 GWh since its completion in May 2003. Power generation at Powell River Energy, which was acquired in February 2001, increased by 49% due to a return to normal water levels and a full year of generation available to Brascan Power. Brascan Energética, our new facilities in Brazil, generated 42 GWh since their completion in the fourth quarter of 2003.

Income Analysis

($ millions)	2003	2002	2001
Revenue	**$448**	$340	$270
Net Operating Income			
Power generation	**215**	222	135
Transmission and distribution	**26**	25	22
	241	247	157
Investment income and other	**80**	92	105
Expenses	**224**	172	131
Net Income	**$ 97**	$167	$131

Brascan Power's net income for 2003 decreased to $97 million from $167 million in 2002 and $131 million in 2001 mainly as a result of poor hydrology conditions faced in 2003.

Revenue

Brascan Power strives to maximize the stability and predictability of power generating revenues through the use of PPAs to minimize the impact of price fluctuations, and through diversification of watersheds and water storage reservoirs to manage fluctuation in generation levels.

Total revenue for 2003 was $448 million compared with $340 million in 2002, an increase of 32% due to increased generation from additional capacity available during the year, and power sales to manage the loads of one of our affiliates.

Total power revenue for 2002 was $340 million compared with $270 million in 2001, an increase of 26% primarily due to the acquisitions of Mississagi Power, Maine Power and New Hampshire Power and better hydrology and electricity prices.

Due to the low-cost of hydroelectric power and the ability to increase generation during peak pricing periods, Brascan Power is able to generate attractive margins on its uncommitted capacity. Brascan Power's PPAs have an average duration of 13 years, and its counterparties are almost exclusively customers with long-standing credit history or investment grade ratings.

Net Operating Income

Net operating income consists of revenues from Brascan Power's power operations, net of operating and maintenance costs, fuel purchases for our cogeneration plant in northern Ontario, power purchases and municipal and other generation taxes on hydroelectric facilities.

During 2003, operating and maintenance costs increased to $62 million compared with $45 million in 2002 and $37 million in 2001. Operating and maintenance costs consist of labour, materials and administrative support. The increase in operating and maintenance costs is primarily attributable to the addition of new facilities in 2002 and 2003.

Fuel purchases consist of the costs for natural gas required for the Lake Superior Power cogeneration plant. Fuel purchases were $34 million in 2003 compared to $18 million in 2002 and $21 million in 2001. The increase in fuel purchases is due to the purchase of the remaining 50% interest in Lake Superior in November 2002.

Power purchases during 2003 amounted to $95 million compared to $14 million in 2002. The difference is the result of power procured on behalf of an affiliate of Brascan Power. Brascan Power had an obligation to serve all customers in its service area in northern Ontario until May 1, 2002, the date when the electricity market in Ontario opened to competition. As a result, Brascan Power purchased power from OPG as required to supplement its own generation. After May 1, 2002, this obligation ceased and, as a result, supplemental power purchases are no longer required.

Investment and Other Income

Investment and other income for 2003 was $80 million compared with $92 million in 2002 and $105 million in 2001. Investment and other income consists of dividend income from long-term investments and Brascan Power's securities portfolio, and interest on loans receivable. The decrease in investment and other income is attributed to lower average interest rates in Canada and the United States, the sale of securities and long-term investments and decreased loans receivable balances.

Expenses

Interest in 2003 was $93 million compared to $90 million in 2002 and $82 million in 2001. Interest expense consists of the costs related to servicing property specific borrowings and corporate term debt. The increase in interest expense is attributable to additional debt incurred from refinancing initiatives as well as additional debt incurred as a result of acquisitions. These costs were partially offset by decreasing interest rates.

Depreciation in 2003 was $55 million compared to $40 million in 2002 and $27 million in 2001. The increase is attributable to the acquisitions in 2003 and 2002.

Non-controlling interests increased to $22 million in 2003 compared with $18 million in 2002 and $12 million in 2001. Non-controlling interest consists of the allocation of income associated with the non-controlling interests in Brascan Power's consolidated entities. The increase is related to the higher earnings recorded by the Fund, which is 49.9% owned by other investors.

Power Generating Assets

The depreciated cost of Brascan Power's power generating assets increased from $1,357 million in 2001 to $2,139 million in 2003.

The increase in power generating assets is due to the acquisitions of 15 generating stations in Maine and New Hampshire, Mississagi Power as well as the remaining interest in Lake Superior Power.

Financial Assets

Brascan Power's accounts receivable and other assets increased to $422 million in 2003 from $186 million in 2002 and $336 million in 2001. The increase is due to increased funds on deposit resulting from the sales of securities and long-term investments.

Brascan Power's securities portfolio, which is comprised primarily of preferred shares of affiliated Canadian companies, decreased from $706 million in 2001 and $590 million in 2002 to $544 million in 2003. The composition of Brascan Power's securities portfolio by business sector at December 31, 2003, 2002 and 2001 is summarized below:

($ millions)	2003	2002	2001
Property	**$151**	$160	$270
Natural resources	**126**	161	152
Financial services & diversified	**242**	199	214
Other	**25**	70	70
	$544	$590	$706

The book values of Brascan Power's long-term investments and the underlying securities at December 31, 2003, 2002 and 2001 are shown below:

($ millions)	2003	2002	2001
Brascan Financial Corporation	**$195**	$195	$195
Noranda Inc.	**146**	146	146
Other investments	**103**	218	180
	$444	$559	$521

Liabilities

At December 31, 2003, Brascan Power's total debt was $1,603 million, as detailed in the following table:

($ millions)	2003	2002	2001	Interest Rates
Great Lakes Power Ltd.				
First Mortgage Bonds				
Series 1	**$ 384**	$ —	$ —	6.60%
Series 4	**—**	166	167	6.57%
Series 5	**—**	150	150	4.58%
Subordinated debt	**115**	—	—	7.8%
Great Lakes Power Trust				
Secured credit facility	**21**	8	15	Prime+Margin
First Mortgage Bonds				
Series 1	**50**	50	50	7.33%
Series 2	**25**	25	25	7.55%
Series 3	**25**	25	25	7.78%
Powell River	**38**	38	47	6.40%
Lake Superior Power	**13**	19	14	9.41%
Pontiac Power	**61**	62	63	10.52%
Valerie Falls	**32**	32	—	6.84%
Mississagi Power	**175**	151	—	6.92%
GLHA bridge facility	**177**	179	—	US Prime+150 bps
	1,116	905	556	
Corporate term debentures	**487**	593	596	8.3% - 9%
	$1,603	$1,498	$1,152	

The maturity schedule of Brascan Power's property specific borrowings is as follows:

($ millions)	Annual Repayments
2004	$ 235
2005	494
2006	4
2007	2
2008	2
Thereafter	866
	$1,603

Related Party Transactions

The Company carried out various transactions with related parties during the year. The nature of these transactions is consistent with prior year and includes energy sales, physical gas sales and receipt and payment of interest on deposits. All transactions are in the normal course of operations and are settled at prevailing market rates. Related parties are considered to be those under the common control of Brascan, or parties over which Brascan can exercise significant influence. The following table summarizes all significant related party transactions for the years ended December 31, 2001 to December 31, 2003:

millions	2003	2002	2001
Revenues			
Sale of power to Noranda Aluminum Inc.	**$ 92**	$—	$—
Physical gas sales to Noranda Inc.	**16**	3	—
Sale of power and financial transactions with Brookfield Properties Corporation	**18**	7	1
Sale of power to Katahdin Paper Company	**17**	33	—
Sale of power to Fraser New Hampshire	**8**	4	—
Tolling agreement with Fraser New Hampshire	**—**	—	—
Investment income and other			
Interest earned on demand deposits	**(1)**	(6)	3
Income from securities held with affiliated companies	**36**	39	48
Income from investments held with affiliated companies	**49**	7	3
	$235	$ 87	$ 55
Expenses			
Income on interest rate swaps with Brascan Corporation	**(3)**	—	—
Interest expense on bridge facility with Brascan Corporation	**10**	9	—
	$ 7	$ 9	$—

As a result, the following balance is receivable at December 31:

millions	2003	2002	2001
Noranda	**$15**	1	—
Brookfield	**2**	—	1
Katahdin	**5**	15	—
Fraser	**1**	1	—
	$23	17	1

Capital Base and Financial Position

($ millions)	2003	2002	2001
Subordinated convertible debentures	**$ 248**	$ 248	$ 248
Common shareholders equity	**1,134**	1,126	1,051
	$1,382	$1,374	$1,299

Brascan Power's capital base at December 31, 2003 of $1,382 million was comprised of common equity with a book value of $1,134 million or $11.19 per share and a further $248 million of subordinated convertible debentures. The convertible debentures mature September 2013 and interest and principal may be paid by Brascan Power in the form of its common shares. The debentures are therefore included as part of Brascan Power's capital base.

Regular dividends paid on Brascan Power's common shares in 2003, 2002 and 2001 amounted to $64.9 million.

Brascan Power's policy is to distribute surplus operating cash flows not required for investment in power generating facilities to its common shareholders in the form of regular quarterly and special dividend payments.

Financial Instruments

Guarantees

In the normal course of operations, the Company provides indemnifications that are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, service agreements, director/officer contracts and leasing transactions. These indemnification agreements may require the Company to compensate the counterparties for costs incurred as a result of various events, including environmental liabilities, changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount the Company could be required to pay to counterparties. Historically, the Company has not made any significant payments under such indemnifications and no amounts have been accrued in our consolidated financial statements with respect to these indemnification guarantees.

The Company issues letters of credit and parental guarantees. The maximum limit allowed under standby letters of credit and guarantees is $180 million (2002 — $180 million, 2001 — $180 million), with a total of $168 million issued as of December 31, 2003 (2002 — $159 million, 2001 — $93 million). The terms of such obligations vary. Historically, the Company has not been obligated to make significant payments for these obligations. No amount was included in the Company's consolidated balance sheet for December 31, 2003, 2002 and 2001 relating to these letters of credit and parental guarantees.

Derivative Instruments

The Company uses derivative financial instruments including commodity swaps, interest rate swaps, commodity and foreign exchange forward contracts to manage risk. Derivative financial instruments involve credit and market risk. Credit risk arises from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where the Company would incur a loss in replacing the defaulted transaction. The Company minimizes credit risk through the selection, monitoring and diversification of counterparties, use of the International Swaps and Derivatives Association (ISDA) documentation, collateral and other credit risk mitigation techniques. These risks are reviewed on a regular basis and the Company believes the exposures are manageable and not material in relation to its overall business operations.

a) Commodity derivative instruments

As at December 31, 2003, the energy and gas derivative contracts were comprised of contracts with deferred unrealized losses in excess of that recorded in the Company's accounts of $36 million (2002 — $71 million, 2001 — $nil) as well as contracts with deferred unrealized gains in excess of that recorded in the Company's accounts of $30 million (2002 — $38 million, 2001 — $31 million).

b) Interest rate derivative instruments

The Company designates its interest rate swap agreements as hedges of the underlying debt. Interest expense is adjusted to include the payments made or received under the interest rate swaps. The total notional amount of principal underlying interest rate swap contracts in 2003 was $772 million (2002 — $466 million, 2001 — $468 million). These contracts have maturities varying from one to nineteen years, and have unrealized deferred gains in excess of that recorded in the Company's accounts of $6 million (2002 — $8 million, 2001 — $26 million) and unrealized deferred losses of $16 million (2002 — $nil, 2001 — $nil) in excess of that recorded in the Company's accounts.

Change in Accounting Policy

Effective January 1, 2003 the Company adopted the requirements of the CICA Accounting Guideline 14, "Disclosure of Guarantees" (AcG 14), which requires additional disclosure about a guarantor's obligations under certain guarantees in the financial statements. AcG 14 defines a guarantee as a contract that contingently requires the guarantor to make payments to a guaranteed party based on (a) changes in the underlying economic characteristic that is related to an asset, liability or an equity security of the guaranteed party; (b) failure of another party to perform under an obligating agreement; or (c) failure of a third party to pay its indebtedness when due.

EARNINGS COVERAGE RATIOS

Brascan Power's (the Guarantor's) interest requirements, after giving effect to the issue of the Debentures, on a pro forma basis amount to $85 million for the year ended December 31, 2003 and $95 million for the twelve month period ended September 30, 2004, in each case, adjusted to reflect the issuance and repayment of long-term debt after the respective dates. Brascan Power's earnings before interest and income tax were $221 million, for the year ended December 31, 2003, which is 2.61 times Brascan Power's interest requirements on long term debt for the year then ended, and $309 million for the twelve month period ended September 30, 2004 which is 3.25 times Brascan Power's interest requirements on long-term debt.

The earnings coverage ratios in the preceding paragraph have been calculated without the annual carrying charges relating to the subordinated convertible debentures of Brascan Power. If the subordinated convertible debentures had been classified as debt, their pre-tax carrying charges would have been included in interest expense. If the carrying charges had been included in the calculations, the impact on the earnings coverage ratios for the twelve month periods ended September 30, 2004 and December 31, 2003 the ratios would be approximately 2.58 times and 2.22 times, respectively.

Further, if the $800 million subordinated convertible debentures issued in connection with the equity reorganization had been outstanding since January 1, 2003, the earnings coverage ratios for the twelve month periods ended September 30, 2004 and December 31, 2003, would be approximately 1.56 times and 1.16 times, respectively. Interest on these subordinated convertible debentures are payable in cash or shares at the option of the Company.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Company's Series 1 Debentures and Series 2 FRN Debentures and does not purport to be complete. Reference is made to the trust indenture dated December 16, 2004 between the Company, Bank of New York and BNY Trust Company of Canada (the "Trustee") as trustee for the holders of Debentures and additional series of debentures issued from time to time, an amended and restated first supplemental trust indenture dated January 26, 2005 between the

Company and the Trustee (collectively, the "Indenture") pursuant to which the Debentures are issued and outstanding, for the full text of the attributes of the Debentures.

General

An aggregate principal amount of $550,000,000 of Debentures, are issued and outstanding in two series: $450,000,000 principal amount of Series 1 Debentures and $100,000,000 principal amount of Series 2 FRN Debentures.

The principal of and interest on the Debentures is payable in lawful money of Canada.

The Debentures are not secured by any mortgage, pledge or other charge.

The Debentures are unconditionally guaranteed by Brascan Power as to the payment of principal, premium, if any, and interest thereon when and as the same shall become due and payable pursuant to a guarantee agreement made as of December 16, 2004 between Brascan Power as Guarantor and the Trustee (the "Guarantee"). The Guarantee will remain in place until such time as certain conditions with respect to its release are met. All covenants and obligations of the Guarantor in relation to the Guarantee shall apply only so long as the Guarantee remains in place.

The Indenture and the Guarantee are governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

The Guarantee

Pursuant to the Guarantee, the Guarantor has guaranteed the due and punctual payment of the principal, premium, if any, and interest on the Debentures when and as the same shall become due and payable, whether at maturity, upon redemption, acceleration or otherwise. The Guarantee ranks equally and ratably with all other existing and future unsecured and unsubordinated indebtedness for borrowed money of Brascan Power. The obligation of Brascan Power under the Guarantee is unconditional regardless of the enforceability of the Debentures or the Indenture and will not be discharged until the date at which all obligations of Brascan Power and the Company are satisfied regarding the transfer of all the assets and liabilities from Brascan Power to the Company, other than its Investment Portfolio, there does not exist an Event of Default on such date, and the Debentures will be rated by DBRS and S&P without the Guarantee at the same or better ratings on such date as with the Guarantee. Upon fulfillment of the aforementioned conditions, the Guarantee will terminate and sole recourse of holders of Debentures will be to the Company under the Indenture. The foregoing is a summary of the material attributes and characteristics of the Guarantee and is not complete. Reference is made to the Guarantee for the full text of the attributes of the Guarantee.

Rank and Subordination

The Debentures are direct unsecured obligations of the Company, ranking *pari passu* with all other existing and future unsecured and unsubordinated indebtedness of the Company.

Form and Denomination

The Debentures were issued in fully registered form only, in denominations of $1,000 and integral multiples thereof.

Each of the Series 1 Debentures and Series 2 FRN Debentures are represented in the form of two single global debentures (each, a "Global Debenture" and collectively, the "Global Debentures") held by, or on behalf of, CDS as depository of each Global Debenture for participants registered in the name of CDS or its nominee, and registration of ownership and transfers of the Debentures must be made through the depository system of CDS.

Interest

The Series 1 Debentures bear interest until (but not including) December 16, 2009 at a rate of 4.65% per annum payable semi-annually in arrears in equal instalments on June 16 and December 16 in each year, commencing June 16, 2005 until and including December 16, 2009.

If an interest payment date for the Series 1 Debentures is not a Business Day, then interest on the Series 1 Debentures will be payable on the next Business Day with the same effect as if payment were made on such interest payment date.

Interest on the Series 2 FRN Debentures is payable quarterly in arrears on March 18, June 18, September 18 and December 18 in each year, commencing March 18, 2005 until and including December 18, 2006. The Series 2 FRN Debentures bear interest until (but not including) the first quarterly interest payment date and from and after each quarterly interest payment date until (but not including) the next following quarterly interest payment date or the maturity date, as the case may be, (an "Interest Period") at a rate per annum equal to the 90 Day Bankers' Acceptance Rate on the date of issue or the quarterly interest payment date at the beginning of each Interest Period, as the case may be, plus 0.68%.

Interest on the Series 2 FRN Debentures is calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 365.

If an interest payment date for the Series 2 FRN Debentures is not a Business Day, then interest on the Series 2 FRN Debentures will be calculated to and payable on the next Business Day unless it would thereby fall into the next calendar month, in which event such interest payment date shall be brought forward to the immediately preceding Business Day.

Payment of Principal, Premium and Interest

As long as CDS or its nominee is the registered holder of a Global Debenture, CDS or its nominee, as the case may be, will be considered to be the sole owner of such Global Debenture for the purposes of receiving payments of interest on, premium, if any, on and principal of such Global Debenture. The Company expects that CDS or its nominee, upon receipt of any payment of principal, premium or interest in respect of a Global Debenture, will credit participants' accounts, on the date principal, premium or interest is payable, with payments in amounts proportionate to their respective interests in the principal amount of such Global Debenture as shown on the records of CDS or its nominee at the close of business on the second Business Day prior to the applicable interest payment date, with respect to the payment of interest, and at maturity, with respect to the payment of principal or premium, if any. The Company also expects that payments of principal, premium and interest by participants to the owners of beneficial interests in such Global Debenture held through such participants will be governed by standing instructions and customary practices, and will be the responsibility of such participants. The responsibility and liability of the Company in respect of Debentures represented by a Global Debenture is limited to making payment of any principal, premium and interest due on such Global Debenture to the Trustee.

Redemption and Purchase

At its option, the Company may redeem the Series 1 Debentures at any time and from time to time, by giving prior notice of not less than 30 days, and not more than 60 days, in whole or in part, on payment of a redemption price equal to the greater of (i) the Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption. If less than all of the Series 1 Debentures outstanding are to be redeemed at any time, the Series 1 Debentures will be redeemed on a proportionate basis. The Series 2 FRN Debentures are non-redeemable.

The Company may purchase Debentures in the open market or by tender or private contract at any price at any time if there does not exist an Event of Default at such time. Debentures purchased or redeemed by the Company will be cancelled and may not be reissued.

Modification of the Indenture, Guarantee and Debentures

The rights of holders of Debentures under the Indenture and the Guarantee may be modified in certain circumstances. For that purpose, among others, the Indenture and the Guarantee contain provisions making resolutions passed (i) at meetings of holders of Debentures by the affirmative votes of holders of 66⅔% of the outstanding Debentures voting thereat, or (ii) by instruments in writing signed by the holders of 66⅔% of the outstanding Debentures, binding upon holders of Debentures subject to the provisions of the Indenture and the Guarantee. If any modification will especially affect the rights of the holders of Debentures of a particular series in a manner or to an extent substantially differing from the effect on other series, that modification also will require separate approval as aforesaid by the holders of Debentures of such series.

Transfer

Transfers of beneficial ownership in Debentures represented by a Global Debenture must be effected through the records maintained by CDS or its nominee for such Global Debenture, with respect to interests of participants, and on the records of participants with respect to interests of persons other than participants. Beneficial owners who are not participants in the depository service of CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in such Global Debenture, may do so only through participants in the depository service of CDS.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Holders' Rights

Rights of a holder of a Debenture represented by a Global Debenture, including voting rights, must be exercised through a participant in accordance with the rules and procedures of CDS.

Trustee

BNY Trust Company of Canada**,** at its principal office in the City of Toronto, is the Trustee for the holders of all Debentures issued under the Indenture.

Covenants

The Indenture and the Guarantee contain, among others, covenants substantially to the following effect:

Limitation on Indebtedness

The Company and the Guarantor will not, and will not permit any Subsidiary to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Funded Indebtedness unless, after giving effect thereto, Funded Indebtedness, calculated on a consolidated basis, would not exceed 75% of Total Consolidated Capitalization.

Limitation concerning Merger, Consolidation and Certain Sales of Assets

Neither the Company nor the Guarantor may enter into any transaction, directly or indirectly through a Subsidiary, whereby all or substantially all of its undertaking, property and assets would become the property of any other person, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, or otherwise, provided that nothing contained in the Indenture prevents any such transaction if immediately before and after giving effect to such transaction, no Event of Default or event that with the passing of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing and:

(1) in the case of transaction entered into by the Company or the Guarantor relating to all or substantially all of its undertaking, property and assets, if the surviving or purchasing company (i) is organized under

the laws of Canada or any province thereof and (ii) and expressly and unconditionally assumes all the obligations under the Indenture or the Guarantee, as the case may be; or

(2) if such transaction is between or among, for so long as the Guarantee is in place, the Company or the Guarantor or any of their respective Subsidiaries and thereafter, the Company or any of its Subsidiaries.

Limitation on Liens

Neither the Company nor the Guarantor may create or permit to exist any lien on any present or future assets of the Company or the Guarantor to secure any borrowed money, or permit any Subsidiary of the Company or the Guarantor to create or permit to exist any lien on any present or future assets of such Subsidiary to secure any borrowed money, unless at the same time the Debentures are secured equally and ratably with such borrowed money, provided that this shall not apply to Permitted Encumbrances. Upon being advised by the Company in writing that security has been provided for the Debentures on an equal and ratable basis in connection with the grant to a third party of security for borrowed money and subsequently such security to the third party is released, the Trustee will forthwith release the security granted for the Debentures.

Limitation on Sale and Leaseback Transactions

Neither the Company nor the Guarantor may, or permit any of their respective Subsidiaries to, enter into any Sale and Leaseback Transaction unless:

(1) the Sale and Leaseback Transaction is entered into prior to, concurrently with, or within 180 days after the acquisition, the completion of construction (including any improvements on an existing property) or the commencement of commercial operations of the relevant property, and the Company, the Guarantor or such Subsidiary applies within 60 days after the sale an amount equal to the net proceeds of the sale (i) to the repayment of Indebtedness which is *pari passu* to the Debentures, (ii) to the redemption of the Debentures or (iii) to the reinvestment in its core business; or

(2) the Company, the Guarantor or such Subsidiary could otherwise grant a security interest on the property as a Permitted Encumbrance.

Provision of Financial Information

Each of the Company and the Guarantor will annually within 90 days (or such longer period as the Trustee in its discretion may consent), after the end of its fiscal year (at the date hereof December 31), furnish to the Trustee a copy of its consolidated financial statements and of the report of its auditors thereon which are furnished to its shareholders, and will furnish to the Trustee any other notice, statement or circular issued to its shareholders at the time they are so issued.

Within 90 days after the end of each fiscal year of the Company and of the Guarantor, and at any other time if requested by the Trustee, each of the Company and the Guarantor shall furnish the Trustee with a certificate stating that in the course of the performance by the signers thereof of their duties as officers or directors of the Company or the Guarantor, as the case may be, they would normally have knowledge of any default by the Company or the Guarantor in the performance their respective covenants under the Indenture or the Guarantee, as the case may be, or of any Event of Default and certifying that the Company or the Guarantor have complied with all covenants, conditions or other requirements contained in the Indenture or the Guarantee, as the case may be, the non-compliance with which would, with notification or with the lapse of time or otherwise, constitute an Event of Default thereunder, or, if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply.

Each of the Company and the Guarantor will quarterly within 45 days (or such longer period as the Trustee in its discretion may consent), after the end of its fiscal quarters, furnish to the Trustee a copy of its unaudited consolidated financial statements.

Limitation on Distributions

Neither the Company nor the Guarantor may, or permit any of their respective Subsidiaries to, suffer to exist any encumbrance or restriction on the ability of any Subsidiary of the Company or the Guarantor (i) to pay directly or indirectly dividends permitted by applicable law or make any other distributions in respect of its Capital Stock or pay any Indebtedness or other obligation owed to the Company, the Guarantor or any other such Subsidiary; (ii) to make loans or advances to the Company, the Guarantor or any other such Subsidiary; or (iii) to transfer any or all of its property or assets to the Company, the Guarantor or any other such Subsidiary.

Notwithstanding the foregoing, the Company, the Guarantor or any such Subsidiary may suffer to exist any such encumbrance or restriction (a) pursuant to any agreement in effect on the date of the Debentures as described in the Indenture or the Guarantee; (b) pursuant to an agreement relating to any Indebtedness incurred by such Subsidiary prior to the date on which such Subsidiary was acquired by the Company or the Guarantor and outstanding on such date and not incurred in anticipation of becoming a Subsidiary of the Company or the Guarantor; (c) pursuant to an agreement relating to any Limited Recourse Indebtedness; or (d) pursuant to an agreement effecting a renewal, refunding or extension of Indebtedness incurred pursuant to an agreement referred to in clauses (a) through (c) of this paragraph, provided however, that the provisions contained in such renewal, refunding or extension agreement relating to such encumbrance or restriction are no more restrictive in any material respect than the provisions contained in the agreement the subject thereof, as determined in good faith by the board of directors of the Company or the Guarantor.

Limitations on Debt and Preferred Stock of Subsidiaries

Neither the Company nor the Guarantor shall permit any of their respective Subsidiaries to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Indebtedness or issue any preferred stock except: (a) Inter-Company Indebtedness of the Subsidiary; (b) Limited Recourse Indebtedness of the Subsidiary; (c) Net Swap Exposure of the Subsidiary; (d) permitted Capital Lease Obligations of the Subsidiary; (e) purchase money obligations of the Subsidiary; and (f) any other Indebtedness of the Subsidiary (in addition to the Indebtedness referred to in paragraphs (a) to (e)) if, after giving effect to such other Indebtedness, the aggregate amount of all Indebtedness of all Subsidiaries permitted by this paragraph (f) only would not exceed 5% of consolidated Net Worth. For the purposes of this covenant, the assignment by the Company or the Guarantor to a third party of Inter-Company Indebtedness owing by a Subsidiary will be considered to be incurrence of Indebtedness by that Subsidiary.

Events of Default

Each of the following constitutes an Event of Default with respect to the Debentures under the Indenture and the Guarantee: (a) failure to pay principal of (or premium, if any, on) any Debenture or when due; (b) failure to pay any interest on any Debenture when due, continued for 30 days; (c) failure to perform or comply with the provisions described in "Limitations concerning Merger, Consolidation and Certain Sales of Assets"; (d) failure to perform any other covenant or agreement of the Company or the Guarantor under the Indenture or the Guarantee or the Debentures for the benefit of the holders of the Debentures continued for 60 days after written notice to the Company by the Trustee or holders of at least 25% in aggregate principal amount of outstanding Debentures; (e) default by the Company or the Guarantor in payment of principal of, premium, if any, on, or interest on any obligation for borrowed money (other than an obligation payable on demand or maturing less than 18 months from the creation or issue thereof) having an outstanding principal amount in excess of 5% of the Company's or the Guarantor's consolidated Net Worth in the aggregate at the time of default or in the performance of any other covenant of the Company or the Guarantor contained in any instrument under which such obligations are created or issued resulting in the acceleration of the final maturity of such obligations; (f) the rendering of a final judgment or judgments (not subject to appeal) against the Company or the Guarantor in an amount in excess of 5% of the consolidated Net Worth of the Company or the Guarantor which remains undischarged or unstayed for a period of 60 days after the date on which the right to appeal has expired; (g) the Guarantor defaults in the payment of any amounts payable by it under the Guarantee; and (h) certain events of bankruptcy, insolvency or reorganization affecting the Company or the Guarantor.

Subject to the provisions of the Indenture and the Guarantee relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture and the Guarantee at the request or direction of any of the holders, unless such holders shall have provided the Trustee with sufficient funds for the purpose of exercising such rights or powers. Subject to such provisions, the holders of a majority in aggregate principal amount of the outstanding Debentures will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

If an Event of Default other than an Event of Default described in clause (h) above shall occur and be continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Debentures may accelerate the maturity of all Debentures; provided, however, that after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of outstanding Debentures may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Indenture. If an Event of Default specified in clause (h) above occurs, the outstanding Debentures will ipso facto become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

No holder of any Debenture will have any right to institute any proceeding with respect to the Indenture, the Guarantee or for any remedy thereunder, unless such holder shall have previously given to the Trustee written notice of a continuing Event of Default and unless also the holders of at least 25% in aggregate principal amount of the outstanding Debentures shall have made written request and provided sufficient funds, to the Trustee to institute such proceedings as Trustee, and the Trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding Debentures a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a holder of a Debenture for enforcement of payment of the principal of and premium, if any, or interest on such Debenture on or after the respective due dates expressed in such Debenture.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in this Prospectus, in the Indenture and in the Guarantee. Reference is made to the Indenture and the Guarantee for the full definition of all such terms.

"90 Day Bankers' Acceptance Rate" with respect to any Interest Period means the average of the bid rates of interest (expressed as an annual percentage rate) rounded to the nearest one-hundred-thousandth of one percent (with .000005 percent being rounded up) for Canadian dollar bankers' acceptances with maturities of three months which appears on the Reuters Screen CDOR Page as of 10:00 a.m., Toronto time, on the first Business Day of such Interest Period; provided that if three or more such bid rates do not appear on the Reuters Screen CDOR Page at such time, the 90 Day Bankers' Acceptance Rate shall be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian dollar bankers' acceptances with maturities of three months for same day settlement as quoted by any three of the five largest Schedule I Banks (as defined in the *Bank Act* (Canada)) as may quote such a rate as of 10:00 a.m., Toronto, Ontario time, on the first Business Day of such Interest Period.

"Applicable Spread" means 24 basis points.

"Business Day" means a day, other than a Saturday, Sunday, or a statutory or civil holiday, on which banks are open for business in Toronto, Ontario.

"Canada Yield Price" means a price equal to the price of the Series 1 Debentures (or the portion thereof to be redeemed) calculated to provide a yield to maturity equal to the sum of the Government of Canada Yield, calculated at 10:00 a.m. (Toronto time) on the third Business Day preceding the redemption date, plus the Applicable Spread.

"Canadian GAAP" means, as at any date of determination, accounting principles generally accepted in Canada.

"Capital Lease Obligation" of any person means the obligation to pay rent or other payment amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such person in accordance with Canadian GAAP from time to time and which has a term to stated maturity of at least 18 months. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any person means any and all shares, units, interests, participations or other equivalents (however designated) of corporate stock or equity of such person.

"Common Shares" of any person means Capital Stock of such person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such person, to shares of Capital Stock of any other class of such person.

"Financial Instrument Obligations" means, with respect to any person, obligations for transactions arising under:

(1) any interest swap agreement, forward rate agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by such person where the subject matter of the same is interest rates or the price, value, or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt);

(2) any currency swap agreement, cross-currency agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by such person where the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates in effect from time to time; and

(3) any agreement, whether financial or physical, for the purchase, sale, exchange, making or taking of any commodity (including natural gas, oil, electricity, coal, emission credits or other energy products), any commodity swap agreement, floor, cap or collar agreement or commodity future or option or other similar agreements or arrangements, or any combination thereof, entered into or guaranteed by such person where the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity in effect from time to time;

to the extent of the net amount due or accruing due thereunder (determined by marking-to-market the same in accordance with their terms).

"Funded Indebtedness" means, for so long as the Guarantee is in place, Indebtedness of the Company, the Guarantor and their respective Subsidiaries and thereafter, Indebtedness of the Company and its Subsidiaries but excludes (i) any such Indebtedness that, on the date of issue or assumption of liability, has a term to maturity (including any right of extension or renewal) of 18 months or less, (ii) Inter-Company Indebtedness, and (iii) for so long as the Guarantee is in place, Qualifying Subordinated Indebtedness of the Company, the Guarantor and their respective Subsidiaries and thereafter, Qualifying Subordinated Indebtedness of the Company and its Subsidiaries.

"Government of Canada Yield" means, on any date, with respect to any Series 1 Debentures, as the case may be, the yield to maturity on such date, compounded semi-annually, which an assumed new issue of non-callable Government of Canada Bonds denominated in Canada dollars would carry if issued in Canada at 100% of its principal amount on such date, with a term to maturity as nearly as possible equal to the remaining term to maturity of such Debentures. The Government of Canada Yield will be the average (rounded to four decimal points) of the bid-side yields calculated in accordance with the terms of the Indenture.

"Indebtedness" of any person means (without duplication), whether recourse is to all or a portion of the assets of such person and whether or not contingent, obligations treated in accordance with Canadian GAAP from time to time as indebtedness, including: (i) every obligation of such person for money borrowed, (ii) every obligation of such person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such person, (iv) every obligation of such person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith), (v) the Net Swap Exposure of such person (vi) every Capital Lease Obligation of such person, (vii) the maximum fixed redemption or repurchase price of Redeemable Stock of such person at the time of determination, and (viii) every obligation of the type referred to in clauses (i) through (vii) of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or for which such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, excluding any obligation of another person in relation to Net Swap Exposure, the payment of which such person has guaranteed and which guarantee is included above as indebtedness in accordance with Canadian GAAP from time to time.

"Inter-Company Indebtedness" means (i) for so long as the Guarantee is in place, Indebtedness of the Company or the Guarantor to the Company, the Guarantor or any of their respective Subsidiaries and Indebtedness of any Subsidiary of the Company or the Guarantor to the Company, the Guarantor or another Subsidiary of the Company or the Guarantor and (ii) thereafter, Indebtedness of the Company to any of its Subsidiaries and Indebtedness of any Subsidiary of the Company to the Company or another Subsidiary of the Company.

"Limited Recourse Indebtedness" as applied to any Indebtedness of any person means any Indebtedness that is or was incurred to finance a specific facility or portfolio of facilities or the acquisition of financial assets, provided that if such Indebtedness is with recourse to, for so long as the Guarantee is in place, the Company, the Guarantor or any of their respective Subsidiaries, and recourse to such other entities as is available, and thereafter, to the Company or any of its Subsidiaries, and recourse to such other entities as is available, such recourse is on an unsecured basis to the Company or the Guarantor, as applicable, and is limited to certain liabilities or obligations of the specific facility or portfolio of facilities or financial assets, and provided further that such Indebtedness may be secured by a lien on only (i) the property that constitutes such facility, portfolio of facilities or financial assets, as the case may be, (ii) the income from and proceeds of such facility, portfolio of facilities or financial assets, as the case may be, (iii) the Capital Stock of any Subsidiary of the Company or the Guarantor, or other entity, as applicable, that owns an interest in such facility, portfolio of facilities or financial assets, or any interest that any such Subsidiary, or other entity, holds of any person owning any interest in such facility, portfolio of facilities or financial assets, and (iv) the contracts pertaining to such facility, portfolio of facilities or financial assets.

"Net Swap Exposure" means, for so long as the Guarantee is in place, the net position of Financial Instrument Obligations of the Company, the Guarantor and their respective Subsidiaries and thereafter, the net position of Financial Instrument Obligations of the Company and its Subsidiaries that are: (i) in excess of 18 months from the time the relevant calculation is made; and (ii) considered as indebtedness in accordance with Canadian GAAP from time to time.

"Net Worth" means the sum of the stated capital of the Common Shares and the Preferred Shares, the retained earnings and the principal amount of all Qualifying Subordinated Indebtedness of the Company and, for so long as the Guarantee is in place, of the Guarantor.

"Non-Controlling Interest" of any person means, at the time of any determination thereof, the amount that would be shown on a consolidated financial statement of such person at such time, prepared in accordance with Canadian GAAP at such time, of non-controlling interests owned by minority shareholders in such person's consolidated entities, and includes preferred shares, limited partnership interests and trust units.

"Permitted Encumbrances" means any of the following, with respect to, for so long as the Guarantee is in place, the Company, the Guarantor and their respective Subsidiaries and thereafter, the Company and its Subsidiaries:

1. any encumbrance existing as of the date of the first issuance of Debentures issued pursuant to the Indenture, or arising thereafter pursuant to contractual commitments entered into prior to such issuance;
2. any encumbrance created, incurred or assumed to secure any purchase money obligation;
3. any Capital Lease Obligation;
4. any encumbrance created, incurred or assumed to secure any Limited Recourse Indebtedness;
5. any encumbrance for collateral pledged (including parental guarantees) for Financial Instrument Obligations and energy purchase and sales agreements incurred in the ordinary course of business;
6. any encumbrance to secure any borrowed money if the sum of the amount of borrowed money secured by all encumbrances does not exceed the greater of 5% of the Company's or the Guarantor's consolidated Net Worth or $100 million;
7. any encumbrance in favour of any such Subsidiary;
8. any encumbrance on property of a corporation or any entity in which it has an interest which encumbrance exists at the time such corporation is merged into, or amalgamated or consolidated with the Company, the Guarantor or any such Subsidiary, or such property is otherwise directly or indirectly acquired by the Company, the Guarantor or any such Subsidiary, other than an encumbrance incurred in contemplation of such merger, amalgamation, consolidation or acquisition;
9. any encumbrance securing any Indebtedness to any bank or banks or other lending institution or institutions incurred in the ordinary course of business and for the purpose of carrying on the same, repayable on demand or maturing within 18 months of the date when such Indebtedness is incurred or the date of any renewal or extension thereof;
10. any encumbrance on or against cash or marketable debt securities pledged to secure Financial Instrument Obligations;
11. any encumbrance on or against cash or marketable debt securities in a sinking fund account established in support of a series of debentures issued pursuant to the Indenture;
12. any encumbrance or right of distress reserved in or exercisable under any lease for rent to which the Company, the Guarantor or any such Subsidiary is a party and for compliance with the terms of the lease;
13. any encumbrance reserved in or exercisable under any subdivision, site plan control, development, reciprocal, servicing, facility, facility cost sharing or similar agreements with a governmental entity currently existing or hereafter entered into (in accordance with the provisions of this Indenture) with a governmental authority, which do not materially interfere with the use of the property for the purposes for which it is held or materially detract from the value thereof;
14. encumbrances respecting encroachments by facilities on neighboring lands over the property which do not materially interfere with the use thereof for the purposes for which the property is held or materially detract from the value thereof;
15. permits, licenses, agreements, easements (including, without limitation, heritage easements and agreements relating thereto), restrictions, restrictive covenants, reciprocal rights, rights-of-way, public ways, rights in the nature of an easement and other similar rights in land granted to or reserved by other persons (including, without in any way limiting the generality of the foregoing, permits, licenses, agreements, easements, rights-of-way, sidewalks, public ways, and rights in the nature of easements or servitudes for sewers, drains, steam, gas and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables);

16. liens incurred in the ordinary course of business, other than in connection with the incurrence of Indebtedness, that do not individually or in the aggregate with all other Permitted Encumbrances materially detract from the value of the properties encumbered or materially interfere with their use in the ordinary course of business; and

17. any extension, renewal, alteration or replacement (or successive extensions, renewals, alterations or replacements) in whole or in part, of any encumbrance referred to in the foregoing clauses (1) through (16) inclusive, provided that the extension, renewal, alteration or replacement of such encumbrance is limited to all or any part of the same property that secured the encumbrance extended, renewed, altered or replaced (plus improvements on such property) and the principal amount of the Indebtedness secured thereby is not increased.

"Preferred Shares" of any person means Capital Stock of such person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such person, to shares of Capital Stock of any other class of such person.

"Qualifying Subordinated Indebtedness" of any person means Indebtedness of such person (i) which by its terms provides that the payment of principal of (and premium, if any) and interest on and all other payment obligations in respect of such Indebtedness shall be subordinate to the prior payment in full of the Debentures to at least the extent that no payment of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be made for so long as there exists any default in the payment of principal (or premium, if any) or interest on the Debentures or any other default that with the passing of time or the giving of notice, or both, would constitute an Event of Default with respect to the Debentures and (ii) which expressly by its terms gives such person the right to make payments of principal (and premium, if any) and interest and all other payment obligations in respect of such Indebtedness for so long as the Guarantee is in place, in equity of the Company, the Guarantor or any of their respective Subsidiaries and thereafter, in equity of the Company or any of its Subsidiaries.

"Redeemable Stock" of any person means any Capital Stock of such person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final stated maturity of the Debentures.

"Reuters Screen CDOR Page" shall mean the display designated as page "CDOR" on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for the purpose of displaying, among other things, Canadian dollar bankers' acceptance rates.

"Sale and Leaseback Transaction" of any person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such person of any property or asset of such person which has been or is being sold or transferred by such person after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset.

"Subsidiary" of any person means a corporation, partnership, limited partnership, trust or other entity 50% or more of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries of such person, excluding any publicly listed entities including, without limitation, for so long as it remains publicly listed, the Great Lakes Hydro Income Fund provided, however, that an involuntary delisting which is subsequently cured within 14 business days will not be considered a delisting for these purposes.

"Total Consolidated Capitalization" means (without duplication), in accordance with Canadian GAAP from time to time, on a consolidated basis, the sum of (i) Net Worth, (ii) for so long as the Guarantee is in place, Non-Controlling Interest of the Company, the Guarantor and their respective Subsidiaries and thereafter, Non-Controlling Interest of the Company and its Subsidiaries and (iii) Funded Indebtedness.

"Voting Stock" of any person means Capital Stock of such person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

CREDIT RATING

The Debentures have been assigned a rating of BBB (high) with a stable trend by DBRS and BBB with a stable outlook by S&P.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the above rating agencies rate debt instruments with ratings ranging from "AAA", which represent the highest quality of securities, to "D", which represent securities that are in payment default. Debt instruments that are rated in the BBB category by S&P exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. Debt instruments that are rated in the BBB category by DBRS are of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. A S&P rating may be modified by the addition of a plus "(+)" or minus "(−)" to show relative standing within the major rating categories. A DBRS rating may be modified by the addition of a "(high)" or "(low)" to indicate the relative standing of a credit within a particular rating category.

The ratings herein mentioned are not a recommendation to purchase, sell or hold the Debentures and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely by either or both of S&P and/or DBRS in the future if, in their judgment, circumstances so warrant.

Brascan Power is currently rated BBB (high) with a stable trend by DBRS and BBB with a stable outlook by S&P. Brascan Power is also currently rated Baa3 with a stable outlook by Moody's Investors Service, Inc. for the benefit of Brascan Power's outstanding U.S. public bondholders which mature February 2005.

PRO FORMA CONSOLIDATED CAPITALIZATION

The authorized capital of the Company consists of an unlimited number of common shares, and the authorized capital of Brascan Power consists of an unlimited number of Class A Preferred Shares and an unlimited number of common shares. As at September 30, 2004, there were 10 common shares of the Company issued and outstanding. As at September 30, 2004, there were 101,383,135 common shares and no Class A Preferred Shares of Brascan Power issued and outstanding.

The following table sets forth the pro forma consolidated capitalization of the Company before and after giving effect to the offering of the Debentures that occurred on December 16, 2004 and the Reorganization. This table should be read in conjunction with the financial statements contained elsewhere in this Prospectus.

	As at September 30, 2004	As at September 30, 2004 (after giving effect to the offering of Debentures, and the Reorganization)
		(in $ millions)
Shareholder's Equity (10 common shares outstanding; post reorganization — common shares and unsecured subordinated convertible notes)	$ 10	$ 840
Property Specific Borrowing		$1,808
Corporate term debentures	$ 0	$ 254
Series 1 Debentures		$ 400
Series 2 FRN Debentures		$ 100

DIRECTORS AND OFFICERS

As of February 14, 2005, the name, municipality of residence, positions with Brascan Power and principal occupation of each of the directors and executive officers of Brascan Power are as follows:

Name and Municipality of Residence	Offices with Brascan Power	Principal Occupation	Voting Securities of Subsidiaries[c]
ALEX G. BALOGH[a], ... Oakville, Ontario	Director since 1988	Chairman of the Board and Director of Falconbridge Limited, a natural resources company	—
JACK L. COCKWELL, ... Toronto, Ontario	Director since 1980	Group Chairman and Director of Brascan Corporation, an asset management company	—
RONALD J. DANIELS, ... Toronto, Ontario	Director since 2000	Dean, Faculty of Law University of Toronto	—
RICHARD DROUIN[a][e], O.C., Q.C., ... Montreal, Québec	Director since 2004	Chairman, Abitibi-Consolidated Inc.	—
BRIAN D. LAWSON[d], ... Toronto, Ontario	Director since 2004	Executive Vice-President and Chief Financial Officer, Brascan Corporation	3,700
HARRY A. GOLDGUT[b], ... Thornhill, Ontario	Director, since 1997 and Co-Chairman and Chief Executive Officer	Co-Chairman and Chief Executive Officer, Brascan Power	25,100
J. BRUCE FLATT, ... Toronto, Ontario	Director since 2003	President and Chief Executive Officer of Brascan Corporation	—
EDWARD C. KRESS[b], ... Toronto, Ontario	Director since 1991 and Chairman	Chairman, Brascan Power	20,000
O. ALLAN KUPCIS, ... Toronto, Ontario	Director since 2004	Chairman, Canadian Nuclear Association	—
SIDNEY A. LINDSAY[a], ... Toronto, Ontario	Director since 1991	President of Lindsay Consultants, a financial consulting firm	32,500
RICHARD LEGAULT[b], ... Gatineau, Québec	President and Chief Operating Officer	President and Chief Operating Officer, Brascan Power	2,000
COLIN L. CLARK, ... Ottawa, Ontario	Executive Vice-President, Development and Chief Technical Officer	Executive Vice-President, Development and Chief Technical Officer, Brascan Power	—
LAURENT CUSSON, ... Gatineau, Québec	Senior Vice-President, Operations	Senior Vice-President, Operations, Brascan Power	3,370

Name and Municipality of Residence	Offices with Brascan Power	Principal Occupation	Voting Securities of Subsidiaries[c]
ALAN V. DEAN, ... Toronto, Ontario	Senior Vice-President and Secretary	Senior Vice-President and Secretary, Brascan Power	—
DONALD TREMBLAY, ... Gatineau, Québec	Senior Vice-President and Chief Financial Officer	Senior Vice-President and Chief Financial Officer, Brascan Power	2,000
GILLES LAROCQUE, ... Gatineau, Québec	Vice-President, Corporate Finance	Vice-President, Corporate Finance, Brascan Power	—
PATRICIA BOOD, ... Ottawa, Ontario	Assistant Secretary	Vice-President of Legal Services and General Counsel, Brascan Power	—

(a) Member of the Audit Committee

(b) Current officer and director of the Company.

(c) Units in Great Lakes Hydro Income Fund

(d) Mr. Lawson is a director of American Resource Corporation Limited which was cease traded in May 2004 for failing to file its financial statements.

(e) Mr. Drouin has been a director of Stelco Inc. which is currently undergoing a court-supervised restructuring under the *Companies' Creditors Arrangement Act* (Canada).

Following the Reorganization the current officers and directors of Brascan Power will become the officers and directors of the Company.

Each director holds office until the next annual meeting of shareholders of the Company and Brascan Power respectively or until a successor is appointed. As a result of the going-private transaction of Brascan Power completed on March 2, 2001, none of the directors or officers owns any securities of the Company or of Brascan Power.

Each of the directors and executive officers of Brascan Power has been engaged for more than five years in his or her present principal occupation or in other capacities with the Company, Brascan Power or other organization (or predecessor thereof) in which he or she currently holds his or her principal occupation except the following:

Gilles Larocque. Prior to August 2003, Mr. Laroque was employed by Papier Masson Ltd.

Patricia Bood. Prior to March 2003, Ms. Bood was employed by Blake, Cassels & Graydon LLP.

EXECUTIVE COMPENSATION

The following tables present information about compensation of the "Named Executive Officers" of Brascan Power (determined in accordance with applicable rules):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Salary Paid ($)	Cash Bonus ($)	Variable Compensation[1]						Other Annual Compensation ($)[3]
				Awards						
				Deferred Share Units		Options		Restricted Share Appreciation Units (#)		
				($)	(#)[4]	($)	(#)	($)	(#)[5]	
Edward Kress, Chairman[2]	2003	290,000	—	—	—	48,800	15,000	—	—	4,209
	2002	290,000	—	120,000	6,040	117,000	37,500	—	—	4,504
	2001	290,000	—	120,000	6,267	117,500	37,500	—	—	4,163
Harry Goldgut, Co-Chairman and Chief Executive Officer[2]	2003	300,000	50,000	100,000	3,325	122,000	37,500	—	—	17,709
	2002	260,000	75,000	50,000	2,517	163,800	52,500	175,000	112,500	4,504
	2001	255,000	45,000	67,500	3,525	117,500	37,500	—	—	4,163
Richard Legault, President and Chief Operating Officer	2003	290,000	50,000	100,000	3,325	122,000	37,500	—	—	15,947
	2002	250,000	50,000	100,000	5,034	163,800	52,500	175,000	112,500	15,987
	2001	225,000	60,000	45,000	2,350	117,500	37,500	—	—	15,681
Donald Tremblay, Senior Vice President and Chief Financial Officer	2003	175,000	75,000	—	—	48,800	15,000	—	—	13,982
	2002	135,000	60,000	—	—	70,200	22,500	—	—	10,945
	2001	108,000	35,000	—	—	70,500	22,500	—	—	10,396
Colin Clark Executive Vice President, Development & Chief Technical Officer	2003	180,000	75,000	—	—	73,200	22,500	—	—	10,676
	2002	165,000	75,000	—	—	93,600	30,000	—	—	9,233
	2001	150,000	50,000	—	—	94,000	30,000	—	—	9,493

(1) Variable Compensation Awards are all issued in respect of Brascan's securities.

(2) Compensation paid by Brascan.

(3) Includes compensation amounts for car lease, car allowance for maintenance, parking, RRSP.

(4) These amounts represent the value of the options issued on the date of grant derived by application of the Black-Scholes option pricing model, discounted by 25% to reflect the five year vesting and one-year holding provisions of the MSOP.

(5) These amounts represent the notional value of restricted share appreciation units taking into account downside risk assumed, 5 year vesting provisions and ability to realize gains only upon cessation of employment.

PENSION PLAN TABLE

Brascan Power's subsidiaries have registered defined benefit and defined contribution plans, which provide its employees, upon their normal retirement age of 65 years, with a lifetime pension and a survivor pension of 60% of the employee's pension. Pensions under the defined benefit plan are equal to the product of 2% of the employee's highest five-year average annual eligible earnings less 0.7% of the average of the prior three years of earnings not in excess of the year's maximum pensionable earnings, multiplied by his or her years of credited service. The pension benefit is subject to the Income Tax Act maximum, which is currently $1,833.33 (in 2004) times years of credited service. Mr. Legault participates in BEMI's defined benefit plan. Mr. Clark participates

in Brascan Power's defined contribution plan. Messrs. Kress and Goldgut do not participate in a registered pension plan in Brascan Power. Mr. Kress participates in Brascan's pension plan.

Remuneration ($)	Years of Service				
	15	20	25	30	35
125,000	34,517	45,022	57,528	69,033	80,539
150,000	42,017	56,022	70,028	84,033	98,039
175,000	49,517	66,022	82,528	99,033	115,539
200,000	57,017	76,022	95,028	114,033	133,039
225,000	64,517	86,022	107,528	129,033	150,539
250,000	72,017	96,022	120,028	144,033	168,039
300,000	87,017	116,022	145,028	174,033	203,039
400,000	117,017	156,022	195,028	234,033	273,039

(1) The table above illustrates the estimated pension payable upon retirement from the registered and supplementary pension plans based on the specified best average salary and years of service.

(2) a. The compensation covered by the pension plans is the annual salary paid as described in the summary compensation table.

b. The compensation covered by the pension plans is in line with the compensation disclosed in the summary compensation table.

c. The pensions disclosed in the above table are based on the best 5 year average salary and the credited service at retirement. The pensions are payable for life with 60% of the pensions continuing to the member's spouse should he decease first. If the member does not have a spouse at retirement, the pensions are payable for life with a 10 year guarantee.

d. As at September 30, 2004, the executives had accrued the following credited service: Richard Legault, 15.06 years — Donald Tremblay, 10.75 years.

Compensation of Directors

Directors of Brascan Power and the Company who are not employees of Brascan Power, the subsidiaries thereof or Brascan are entitled to receive an annual director's fee of $20,000. The Chair of the Audit Committee receives an annual retainer of $3,000 effective July 1, 2003. Payments are made quarterly.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at September 30, 2004, no officer, director or employee or former officer, director or employee of the Company, Brascan Power or its subsidiaries is or has been indebted to the Company, Brascan Power or its subsidiaries (other than "routine indebtedness" under applicable Canadian securities laws) at any time since January 1, 2002.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or senior officer of the Company, Brascan Power or its subsidiaries and, to the knowledge of the Company, after reasonable inquiry, none of their respective associates nor any person who beneficially owns or exercises control or discretion over more than 10% of the outstanding shares of the Company or of Brascan Power, has any interest in any material contract to which the Company or Brascan Power is a party.

RISK FACTORS

The power operations of Brascan Power are subject to varying degrees of risk inherent in the ownership and operation of power generating facilities. The following represents a summary of the most relevant risk factors relating to Brascan Power's business.

Hydrology

The revenues generated by the power systems are proportional to the amount of electricity generated. The amount of electricity generated by the power systems is dependent upon available water flows. Accordingly, revenues and cash flows may be affected by low and high water flows in the watersheds. There can be no assurance that the long-term historical water availability will remain unchanged or that no material hydrologic event will impact the hydrologic conditions that exist within the watershed. Annual deviations from the long-term average can be significant. Brascan Power strives to mitigate the risk of variable hydrology conditions by acquiring and operating a portfolio of geographically diverse facilities. The diversified locations of our power generating assets assist in balancing the impact of generation fluctuations in any one geographic region. We also have access to hydrology insurance.

Equipment Failure

There is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could adversely affect revenues and cash flows. Although the power systems have operated in accordance with expectations, there can be no assurance that they will continue to do so. Nevertheless, this risk is substantially mitigated by the proven nature of hydroelectric technology, the design of the plants, the power systems' capital programs, adherence to prudent maintenance programs, comprehensive insurance and significant operational flexibility as a result of having generating units which can operate independently.

Foreign Exchange

The price paid for energy produced by our U.S. operations is denominated in U.S. dollars and, therefore, results may be affected by the fluctuations of the Canadian/U.S. dollar exchange rate over time. A material increase in the value of the Canadian dollar may negatively impact Brascan Power's cash flows. The U.S. operations' operating expenses and financing costs incurred are also denominated in U.S. dollars, thus providing a natural hedge. In addition, we may manage the risk associated with foreign exchange rate fluctuations by entering, from time to time, into forward foreign exchange contracts and engaging in other hedging strategies. To the extent that we engage in risk management activities related to foreign exchange rates, it will then be subject to credit risks associated with the counterparties with which it contracts.

Energy Trading and Spot Market Electricity

A significant portion of Brascan Power's revenue is tied, either directly or indirectly, to the spot market price for electricity. Electricity price volatility could have a material adverse effect on Brascan Power's business, operating results, financial condition or prospects.

Through its wholly-owned subsidiary BEMI, Brascan Power actively manages its energy production and sales, partly through physical and financial contracts minimizing the impact of price volatility. From time-to-time BEMI may take advantage of very short-term arbitrage opportunities when hourly prices diverge between interconnected markets in its area of operation. These activities are closely monitored through risk management policies. However, there is a transaction risk associated with these activities that could result in losses in extraordinary circumstances.

To minimize impact of price volatility, Brascan Power's objective is to derive its revenues primarily from PPAs and regulated rate base arrangements and to reduce the amount of non-contracted power by entering into short-term financial contracts. For the next two years, approximately 70% of Brascan Power's generation is contracted under PPA and short term financial contract. The remaining power is sold on a wholesale basis. Due to the low variable cost of hydroelectric power and the ability to concentrate generation during peak pricing

periods, we are able to generate attractive margins on uncommitted capacity. Brascan Power's PPAs have an average term of 13 years and counterparties are almost exclusively customers with long-standing credit history or investment grade ratings. Our policy is to use financial contracts which typically have a term of less than two years to lock in the future price of uncommitted power we are reasonably certain to generate. This approach provides an appropriate level of revenue stability, without exposure to undue risk of contractual shortfalls, and provides the flexibility to enhance profitability through the production of power during peak price periods.

Operating and Capital Expenditure Costs

In the future, Brascan Power's generation assets may require significant capital expenditures and its operations could be exposed to unexpected increases in operating costs such as increased operating labour costs, water rental costs and taxes. Brascan Power invests an average of $50 million annually to maintain the reliability of its asset base.

Insurance Limits

While Brascan Power believes that the its insurance coverage addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events are insured that could give rise to a loss or claim that may occur involving the assets or operations of Brascan Power.

Force Majeure

The occurrence of a significant event which disrupts the ability of Brascan Power's generation assets to produce or sell power for an extended period, including events which preclude existing customers from purchasing electricity, could have a material negative impact on the business of the Company. Brascan Power's generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at Brascan Power's generation assets or a generating plant owned by a third party to which the transmission assets are connected. In addition, many of Brascan Power's generation assets are located in remote areas which makes access for repair of damage difficult.

Dam Safety

The occurrence of dam failures at any of Brascan Power's hydroelectric generating stations could result in a loss of generating capacity, and repairing such failures could require Brascan Power to incur significant expenditures of capital and other resources. Such failures could result in Brascan Power being exposed to significant liability for damages. There can be no assurance that Brascan Power's dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Upgrading all dams to enable them to withstand all events could require Brascan Power to incur significant expenditures of capital and other resources. The consequences of dam failures could have a material adverse effect on Brascan Power's business, operating results, financial condition or prospects.

Health, Safety and Environmental Risks

The ownership and operation of Brascan Power's generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licenses, permits and other approvals will remain material to Brascan Power's business. Brascan Power has incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, from time to time Brascan Power may be unsuccessful in obtaining an important license, permit or other approval or become subject to government

orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Labour Relations

While labour relations at Brascan Power's generation assets have been stable to date and there have not been any disruptions in operations as a result of labour disputes with employees, the maintenance of a productive and efficient labour environment cannot be assured. In the event of a labour disruption such as a strike or lock out, the ability of the generation assets to generate income may be impaired. Brascan Power's current collective agreements expire periodically and there are no assurances that Brascan Power will be able to renew its collective agreement without a labour disruption.

Litigation

Although there are currently no material legal proceedings outstanding or threatened against Brascan Power or its assets, Brascan Power may become party to litigation in the future which could adversely affect its business.

Regulatory Regime and Rate Setting Risks

The transmission assets are subject to regulation. The OEB regulates the rates charged by electricity transmitters in Ontario. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on equity. Any changes in the rate structure for the transmission assets or any reallocation or redetermination by the OEB of Brascan Power's allowed costs relating to the transmission assets, could have a material adverse effect on Brascan Power's transmission revenues.

Brascan Power owns and operates distribution assets. Accordingly, Brascan Power is subject to business, operating, regulatory and environmental risks in respect of those assets, and may be adversely affected by their financial performance.

The operation of Brascan Power's generation assets is subject to regulation. Water rights are generally owned by governments which reserve the right to control water levels. Any new law or regulation could require additional expenditure to achieve or maintain compliance. Operations that are not currently regulated may become subject to regulation. Because legal requirements are frequently changed and are subject to interpretation, Brascan Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of Brascan Power's operations are regulated by government agencies that exercise discretionary power conferred by statutes. Because the scope of such authority is uncertain and may be inconsistently applied, Brascan Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

Governmental Permits

The failure of Brascan Power to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect Brascan Power's ability to generate income.

Structural Subordination

The majority of the business activities of Brascan Power is carried on by its subsidiaries. As such, the Debentures are effectively subordinated to all existing and future liabilities, including trade payables and other indebtedness, of Brascan Power's subsidiaries.

PROMOTER

Brascan Power is considered a promoter of the Company for the purposes of Canadian securities laws. Brascan Power owns 100% of all issued and outstanding voting and equity securities of the Company.

LEGAL PROCEEDINGS

There are no legal proceedings material to the Company or to Brascan Power to which the Company, Brascan Power, or any subsidiary thereof is a party, or of which any of their respective property is the subject matter, other than as disclosed in the notes to financial statements contained herein.

AUDITORS AND TRUSTEE

The auditors of the Company and of Brascan Power are Deloitte & Touche LLP, Chartered Accountants, Suite 1400, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2V1.

The Trustee for the holders of the Debentures is BNY Trust Company of Canada. Registers for the registration and transfer of the Debentures are kept at the principal office of the Trustee in the City of Toronto.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business or pursuant to an acquisition transaction, which have been entered into by the Company within the past two years or which are proposed to be entered into:

(b) the Trust Indenture referred to under "Description of the Debentures";

(c) the Guarantee referred to under "Description of the Debentures"; and

(d) the Amended and Restated First Supplemental Indenture referred to under "Description of the Debentures."

INDEX TO FINANCIAL STATEMENTS

AUDITORS' CONSENT

We have read the non-offering prospectus of Brascan Power Corporation (the "Company") dated March 16, 2005. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of the following:

- Our report dated February 19, 2004 (except as to Notes 19 a and b, which are as of December 10, 2004 and Note 19 c, which is as of March 16, 2005) to The Directors of Brascan Power Corporation and to The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.) on the consolidated balance sheets of Great Lakes Power Inc. as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2003.
- Our report dated December 10, 2004 (except as to Note 2, which is as of March 16, 2005) to the Directors of Brascan Power Corporation on the balance sheet of the Company as at September 30, 2004.
- Our report dated February 19, 2004 (except as to Notes 17 a and b, which are as of December 10, 2004 and Note 17 c, which is as of March 16, 2005) to The Directors of Brascan Power Corporation and to The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.) on the consolidated balance sheets of the Power Generating Division of Great Lakes Power Inc. as at December 31, 2003 and 2002 and the consolidated statements of income, equity and cash flows for each of the years in the three-year period ended December 31, 2003.
- Our report dated September 17, 2004 to The Directors of Brascan Power Corporation and to the Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.) on the Addendum to the Combined Financial Statements of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc. as at and for the year ended December 31, 2003.

Toronto, Canada
March 16, 2005

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this non-offering prospectus of Brascan Power Corporation of our report dated September 17, 2004, appearing in the prospectus.

(Signed) DELOITTE & TOUCHE LLP
March 16, 2005
Houston, Texas

AUDITORS' REPORT

To: The Directors of Brascan Power Corporation
And to: The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.)

We have audited the consolidated balance sheets of Great Lakes Power Inc. (the "Company") as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings, and cash flows for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 19, 2004 (except as to Note 19 a. and b., which are as of December 10, 2004 and note 19 c., which is as of March 16, 2005)

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

GREAT LAKES POWER INC.

CONSOLIDATED BALANCE SHEET

As at December 31
($ millions)

	Notes	2003	2002
ASSETS			
Cash and cash equivalents		**$ 31**	$ 10
Accounts receivable and other	3	**422**	186
Securities	4	**544**	590
Long-term investments	5	**444**	559
Power generating assets	6	**2,139**	2,155
		$3,580	$3,500
LIABILITIES			
Accounts payable and other		**$ 114**	$ 158
Property specific borrowings	8	**1,116**	905
Corporate term debentures	9	**487**	593
Future income tax liability	10	**152**	120
Non-controlling interests	11	**329**	350
Shareholders' equity	12	**1,382**	1,374
		$3,580	$3,500

See accompanying notes

GREAT LAKES POWER INC.

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31
($ millions, except per share amounts)

	Note	2003	2002	2001
Power revenue		**$ 448**	$ 340	$ 270
Net operating income				
Power Generation		**215**	222	135
Transmission & Distribution		**26**	25	22
		241	247	157
Investment and other income		**80**	92	105
		321	339	262
Expenses				
Interest		**93**	90	82
Depreciation		**55**	40	27
Non-controlling interests		**22**	18	12
Administrative costs		**23**	15	3
Non-cash taxes and other		**31**	9	7
		224	172	131
Net income		**$ 97**	$ 167	$ 131
Diluted net income per common share	13	**$ 0.77**	$ 1.32	$ 1.04

GREAT LAKES POWER INC.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31
($ millions)

	Note	2003	2002	2001
Retained earnings				
Balance, beginning of year		**$ 523**	$ 448	$ 398
Net income		**97**	167	131
Distributions to holders of common shares and equivalents	12	**(80)**	(80)	(81)
Adjustment for change in accounting policy		**—**	(8)	—
Share of Fund unit issue cost		**—**	(4)	—
Balance, end of year		**$ 540**	$ 523	$ 448

See accompanying notes

GREAT LAKES POWER INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31
($ millions)

	2003	2002	2001
Cash flow from operating activities			
Net income	**$ 97**	$ 167	$ 131
Add non-cash items			
Depreciation	**55**	40	27
Hydrological provisions	**—**	(3)	(17)
Tax and other	**34**	6	(5)
	186	210	136
Net change in non-cash working capital and other	**(60)**	27	47
	126	237	183
Financing and shareholder distributions			
Borrowings	**846**	405	249
Debt repayments	**(635)**	(54)	(110)
Issuance of fund units	**—**	103	78
Distributions:			
— Great Lakes Hydro Income Fund unitholders	**(29)**	(27)	(14)
— Common shares and equivalents	**(80)**	(80)	(81)
	102	347	122
Investing activities			
Securities purchases	**(108)**	(10)	(107)
Securities sales	**154**	125	51
Long-term investments	**115**	(36)	14
Loans and other receivables	**(205)**	171	(94)
Power generating assets	**(163)**	(834)	(178)
	(207)	(584)	(314)
Cash and cash equivalents			
Increase during the year	**21**	—	(9)
Balance, beginning of year	**10**	10	19
Balance, end of year	**$ 31**	$ 10	$ 10
Supplementary information			
Interest paid	**$ 95**	$ 85	$ 84
Taxes paid	**$ 16**	$ 16	$ 15

See accompanying notes

1. SUMMARY OF ACCOUNTING POLICIES

Business Operations

The Company is incorporated under the laws of Ontario develops and operates hydroelectric and other power generating facilities in Canada, the United States and Brazil and a transmission and distribution system in northern Ontario. The Company also conducts investment activities, which include the receipt of interest and dividends on the Company's financial assets as well as gains realized on investment transactions.

Principles of Consolidation

The consolidated financial statements include:

(i) the accounts of all subsidiaries and other controlled entities of Great Lakes Power Inc. (the "Company") including Great Lakes Power Limited, Great Lakes Hydro Income Fund (the "Income Fund"), Lake Superior Power, Valerie Falls Power, Hydro Pontiac Inc. ("Pontiac Power") and Highvale Power Corporation; and

(ii) the accounts of incorporated and unincorporated joint ventures and partnerships to the extent of the Company's proportionate interest in their respective assets, liabilities, revenue and expenses, including the Company's investment in Powell River Energy and Pingston Power. The Company owns a 75% non-controlling residual interest in Louisiana HydroElectric Power, which is equity accounted.

Investments

Partly owned businesses, where the Company is able to exercise significant influence, are carried on the equity method. Interests in jointly controlled entities are proportionately consolidated. Other long-term investments are carried at the lower of cost and net realizable value.

The excess of acquisition costs over the underlying net book values of the Company's investment is evaluated for impairment in conjunction with the evaluation of the carrying value of the investment. Management assesses the recoverability of its investment as a whole based on a review of the expected future operating income and cash flows of these investments on a discounted basis.

Revenue and Expense Recognition

Revenue from the sale of electricity, gas and steam is recorded based upon output delivered at rates as specified under contract terms or prevailing market rates. Investment income is recorded on the accrual basis, less a provision for uncollectible interest, fees, commissions or other amounts.

The Company maintains hydrological insurance which partially compensates for the effect of variations in streamflow when measured against long-term averages. Until May 1, 2002, the Company was rate regulated and maintained provisions to adjust for the effect of similar hydrology variations.

Power purchases are recorded upon delivery, are recorded as a reduction of total revenue and are included as a component of net operating income.

Securities

Securities are carried at the lower of cost and their estimated net realizable value with any valuation adjustments charged to income. This policy considers the Company's intent to hold an investment through periods where quoted market values may not fully reflect the underlying value of that investment. Accordingly, there are periods where the "fair value" or the "quoted market value" may be less than cost. In these circumstances, the Company reviews the relevant securities to determine if it will recover its carrying value within a reasonable period of time and adjusts it, if necessary. The Company also considers the degree to which estimation is incorporated into valuations and any potential impairment relative to the magnitude of the related portfolio.

Loans Receivable

Loans and notes receivable are carried at the lower of cost and estimated realizable value calculated based on expected future cash flows, discounted at market rates for assets with similar terms.

Financing Costs

Expenses related to the issuance of debt are amortized over the term of the debt. Expenses related to the issuance of the Company's shares are charged to retained earnings. Interest on funds used in construction and on development projects is capitalized.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes

The Company uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of the Company's financial affairs and its impact on taxable income and tax losses.

Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate for the year.

Pension Benefits and Employee Future Benefits

The cost of retirement benefits for the defined benefit plan and post-employment benefits is recognized as the benefits are earned by employees. The Company uses the accrued benefit method pro-rated on the length of service and management's best estimate assumptions to value its pension and other retirement benefits. Assets are valued at fair value for purposes of calculating the expected return on plan assets. Actuarial gains and losses are deferred and amortized over the expected average remaining service life of the employees covered under the plan. For the defined contribution plan, the Company expenses payments based on employee earnings.

Derivative Financial Instruments

The Company, principally through wholly owned Brascan Energy Marketing Inc., uses derivative financial instruments to manage commodity price risk and interest rate risk associated with the Company's production, operating and risk management activities. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows. The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on power generation commodity swaps designated as hedges are recorded on a settlement basis as an adjustment to power generation income. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. The fair value of the derivative that was deferred by the application of hedge accounting is recognized in income over the term of the original hedging relationship. Derivative financial instruments that are not designated as hedges are carried at estimated fair values and gains and losses arising from changes in fair values are recognize in income in the period the changes occur. The use of non-hedging derivative contracts is governed by documented risk management policies and approved limits. Derivative financial instruments of a financing nature are recorded at fair value determined on a credit adjusted basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Changes in Accounting Policies

Effective January 1, 2003 the Company adopted the requirements of the CICA Accounting Guideline 14, "Disclosure of Guarantees" (AcG 14), which requires additional disclosure about a guarantor's obligations under certain guarantees in the financial statements. AcG 14 defines a guarantee as a contract that contingently requires the guarantor to make payments to a guaranteed party based on (a) changes in the underlying economic characteristic that is related to an asset, liability or an equity security of the guaranteed party; (b) failure of another party to perform under an obligating agreement; or (c) failure of a third party to pay its indebtedness when due.

Future Accounting Policy Changes

The following future accounting policy changes may have an impact on the Company, although the impact, if any, has not been determined at this time. In July 2003, the CICA issued handbook section 1100, "Generally Accepted Accounting Principles". The section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The Company will implement the new section prospectively beginning on January 1, 2004. Due to prospective nature of this change, there is no impact on the Company's consolidated financial statements as of the implementation date.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" (AcG 15). AcG 15 provides guidance for applying the principles in Section 1590, "Subsidiaries", to those entities (defined as Variable Interest Entities (VIEs)), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack any of voting control, an obligation to absorb expected losses, or the right to share expected residual returns. AcG 15 requires consolidation of VIE'S by the Primary Beneficiary, which is defined as the party which has exposure to the majority of a VIE'S expected losses and/or expected residual returns. The Company is in the process of assessing the impact of the amended standard on the consolidated financial statements.

In November 2003, the Accounting Standards Board (AcSB) approved a revision to CICA Section 3860, "Financial Instruments: Disclosure and Presentation", to require certain obligations that must or could be settled with a variable number of the issuer's own equity instruments to be presented as a liability.

Effective January 1, 2004, the Company will adopt Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting.

In March 2003, the CICA issued Section 3110, "Asset Retirement Obligations", effective for financial statements issued for fiscal years beginning on or after January 1, 2004. Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. Section 3110 is not expected to have a material impact on the consolidated financial statements of the Company.

Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the 2003 presentation.

2. ACQUISITIONS

The Company acquired interests in one power generating asset in 2003, four power generating assets in 2002 and one power generating asset in 2001. All acquisitions have been accounted for using the purchase method of accounting and the results of their operations have been included in these consolidated financial statements from the date of acquisition.

In November 2003, the Company completed the acquisition of leasehold interests in three hydroelectric generating stations in New England for cash consideration of US$ 28 million. This acquisition includes two generating stations on the Androscoggin River in New Hampshire and one on the Moose River in Maine, having a combined generating capacity of 16.5 MW.

The fair value assigned to the assets acquired was as follows:

US$ millions	2003
Power generating assets	**$ 30**
Working Capital	**(2)**
Net assets acquired	**$ 28**
Consideration paid — $US	**$ 28**
Consideration paid — $CAN	**$ 37**

In February 2002, the Income Fund completed the acquisition of the hydroelectric generating system and related transmission facilities in northern Maine, USA for cash consideration of US$152 million and a promissory note of US$5 million payable to the seller. The system consists of six hydroelectric generating stations located on the Penobscot River with a combined generating capacity of approximately 126 MW and eleven water storage dams.

2. ACQUISITIONS (Continued)

The fair value assigned to the assets acquired was as follows:

US$ millions	2002
Power generating assets	$158
Working Capital	(1)
Net assets acquired	$157
Consideration paid — $US	$157
Consideration paid — $CAN	$250

In May 2002, the Income Fund completed the acquisition of a hydroelectric generating system located in New Hampshire for cash consideration of US$33 million. The system consists of six hydroelectric stations located on the Androscoggin River in New Hampshire, with a combined generating capacity of approximately 31 MW.

The fair value assigned to the power generating assets acquired was equal to the cash consideration paid.

In May 2002, the Company completed the acquisition of a hydroelectric generating system located in northern Ontario for cash consideration of $346 million. The system consists of four hydroelectric stations located on the Mississagi River with a combined generating capacity of approximately 488 MW and four water storage dams.

The fair value assigned to the assets acquired was as follows:

$ millions	2002
Power generating assets	$345
Working Capital	1
Net assets acquired	$346
Consideration paid	$346

In November 2002, the Company acquired the 50% interest which it did not own in the Lake Superior Power cogeneration station in northern Ontario for cash consideration of $30 million.

The net assets acquired as a result of the acquisition and the consideration given are as follows:

$ millions	2002
Assets acquired	
Current assets	$ 6
Power generating assets	61
Liabilities assumed	
Long-term debt	(37)
Net assets acquired	$ 30
Consideration paid	$ 30

In February 2001, the Income Fund acquired a 50% indirect interest in the Powell River Energy hydroelectric power generation and transmission facilities in southwestern British Colombia for cash consideration of $58 million.

2. ACQUISITIONS (Continued)

The net assets acquired as a result of the acquisition and the consideration given are as follows:

$ millions	2001
Assets acquired	
Power generating assets	$ 58
Goodwill	17
Liabilities assumed	
Future income tax liability	(17)
Net assets acquired	$ 58
Consideration paid	$ 58

3. ACCOUNTS RECEIVABLE AND OTHER

The composition of accounts receivable and other is as follows:

$ millions	2003	2002
Demand deposits with affiliates	**$161**	$(14)
Coal royalty receivables	**70**	70
Trade receivable	**132**	85
Prepaid interest and other	**59**	45
	$422	$186

The fair values of the Company's accounts receivable and other approximate their carrying values at December 31, 2003 and 2002 based on expected future cash flows from these assets, discounted at market rates for assets with similar terms and investment risks.

4. SECURITIES

The fair value of the Company's securities at December 31, 2003 was $552 million (2002 — $583 million). In determining fair values, quoted market prices are used where available and, where not available, management estimates the amounts which could be recovered over time or through a transaction with knowledgeable and willing third parties under no compulsion to act.

The securities consist of 46% (2002 — 68%) floating rate securities and 54% (2002 — 32%) fixed rate securities with an average yield of 4.5% (2002 — 6.4%).

Financial and investment transactions with affiliated companies are at conditions similar to arms length transactions. Affiliated companies include Brascan and its subsidiaries and equity accounted investees. At December 31, 2003, the carrying value of securities with affiliated companies amounted to $536 million (2002 — $536 million). In 2003, income from securities and loans with affiliated companies amounted to $36 million (2002 — $39 million, 2001 — $48 million).

5. LONG-TERM INVESTMENTS

Long-term investments include the Company's direct and indirect interests in Brascan Financial Corporation, Noranda Inc., Brascan Corporation and First Toronto Investments Limited.

The book values of the Company's long-term investments and the underlying securities at December 31, 2003 and 2002 are shown below:

$ millions	2003	2002
Brascan Financial Corporation	**$195**	$195
Noranda Inc.	**146**	146
Other investments	**103**	218
	$444	$559

5. LONG-TERM INVESTMENTS (Continued)

During 2003, the Company sold $134 million of investments and acquired $19 million of investments from Brascan Corporation for proceeds equal to carried value.

6. POWER GENERATING ASSETS

The composition of the Company's power generating assets at December 31, 2003 and 2002 by geographic area and asset type, are shown below:

$ millions	2003	2002
By geographical area:		
Ontario	**$ 920**	$ 937
Québec	**426**	429
Northeast United States	**296**	304
Other operations	**497**	485
	$2,139	$2,155
By asset type:		
Generation	**$1,964**	$1,846
Transmission	**167**	157
Distribution	**77**	69
Other	**23**	82
	2,231	2,154
Accumulated depreciation and amortization	**(388)**	(331)
	1,843	1,823
Investment in Lousiana HydroElectric	**296**	332
	$2,139	$2,155

Depreciation is based on the service lives of the assets which are generally 60 years for hydroelectric generation, 20 years for cogeneration and 40 years for transmission, distribution and other.

The Company's 75% residual interest in Louisiana HydroElectric Power's hydroelectric generating station and sediment control works is shown on an equity accounted basis. The Company's share of equity accounted earnings in 2003 was $18 million (2002 — $18 million; 2001 — $5 million).

The financial accounts of Louisiana HydroElectric Power for 2003, 2002 and 2001 are as follows:

$ millions	2003	2002	2001
Assets	**$1,357**	$1,604	$1,568
Property specific borrowings	**1,056**	1,273	1,261
Other liabilities	**129**	155	156
Operating revenues	**193**	209	187
Operating expenses	**50**	55	53
Net income	**26**	24	7

In the course of its operations, the Company has entered into agreements for the use of water, land and/or dams. Payment under those agreements depends on the amount of power generated. The various renewable agreements extend through the year 2008 for Great Lakes Power, 2044 for Valerie Falls Power, 2019 and 2020 for Pontiac Power, 2019 for Lièvre River Power, 2046 to 2066 for Mississagi Power, 2012 for Brassua Power, 2023 for Errol Power, 2032 for Pontook Power and 2031 for Louisiana HydroElectric Power. Substantially all of the water rights for Powell River Energy are perpetual.

7. JOINT VENTURES

The following amounts represent the Company's proportionate interest in incorporated and unincorporated joint ventures reflected in the Company's accounts. These amounts include Powell River Energy and Pingston Power in 2003. Powell River Energy in 2002 and Powell River Energy and Lake Superior Power in 2001 only.

$ millions	2003	2002	2001
Assets	**$ 93**	$ 59	$125
Liabilities	**54**	56	84
Operating revenues	**5**	9	46
Operating expenses	**1**	8	31
Net income	**3**	1	10
Cash flows from operating activities	**4**	2	16
Cash flows from investing activities	**(1)**	(1)	(60)
Cash flows from financing activities	**—**	(1)	37

8. PROPERTY SPECIFIC BORROWINGS

$ millions	2003	2002
Great Lakes Power Limited		
First Mortgage Bonds		
Series 1	**$ 384**	—
Subordinated	**115**	—
Series 4 (US$105)	**—**	$166
Series 5	**—**	150
	$ 499	$316
Great Lakes Power Trust		
Secured credit facility	**21**	8
First Mortgage Bonds		
Series 1	**50**	50
Series 2	**25**	25
Series 3	**25**	25
	$ 121	$108
Other Power Operations		
Property specific borrowings		
Pontiac Power	**61**	62
Valerie Falls Power	**32**	32
Powell River Energy	**38**	38
Lake Superior Power	**13**	19
Mississagi Power	**175**	151
Great Lakes Hydro America (US $136)	**177**	179
	$ 496	$481
	$1,116	$905

The fair value of the Company's property specific borrowings is $1,111 million (2002 — $927 million) based on current market prices for debt with similar terms and risks.

The $384 million First Mortgage Bonds Series 1 and the $115 million subordinated First Mortgage Bonds bear interest at the rate of 6.60% and 7.80% respectively, are due on June 16, 2023 and are secured by a charge on all present and future real property of the electricity power generating assets of Great Lakes Power. These bonds replaced the $316 million First Mortgage Bonds Series 4 and 5 bearing interest at respective rates of 6.57% and 4.58%, which matured June 16, 2003.

The Great Lakes Power Trust First Mortgage Bonds Series 1, 2 and 3 bear interest at 7.33%, 7.55% and 7.78%, respectively; and are due April 24, 2005, April 24, 2010 and April 24, 2015, respectively. These Mortgage Bonds are secured by charges on all present and future real and personal property of Great Lakes Power Trust, including the Lièvre River Power system. Great Lakes Power Trust is a wholly owned subsidiary of the Great Lakes Hydro Income Fund.

8. PROPERTY SPECIFIC BORROWINGS (Continued)

The $61 million Pontiac Power mortgage loans bear interest at a blended rate of 10.52%, amortized monthly to a maturity of December 1, 2020 and are secured by charges on the respective Pontiac Power generating assets.

The $32 million Valerie Falls First Mortgage Bond bears interest at 6.84%, with interest only payments semi-annually for the first 20 years and blended principal and interest payments for the remaining 20 years to a maturity of December 20, 2042.

The Company's proportionate share of the $75 million Powell River Energy first mortgage bond bears interest at 6.4%, is due July 24, 2009 and is secured by a charge on the respective Powell River Energy Inc operating assets. Great Lakes Power Trust owns 50% of Powell River Energy Inc.

The $13 million Lake Superior Power mortgage loan bears interest at 9.41%, amortizes annually to December 29, 2006 and is secured by a charge on the Company's Lake Superior Power cogeneration assets.

The $175 million Mississagi Power First Mortgage Bonds bear interest at 6.92% and mature on November 27, 2020. The Bonds are secured by a charge on all present and future real and personal property of Mississagi Power Trust, a subsidiary of Great Lakes Power Trust.

The US$136 million Great Lakes Hydro America ("GLHA") mortgage loan bears interest at US prime plus 150 basis points and matures on January 29, 2005. The loan is secured by a charge on all present and future real and personal property of GLHA and its subsidiaries. GLHA is a wholly owned subsidiary of Great Lakes Power Trust.

The Company has established a US$100 million loan facility with Brascan Corporation, its principal shareholder, which can be drawn down at any time, bearing interest at the prime rate and secured by the Company's residual interest in Louisiana HydroElectric Power. At either party's option, the facility may be drawn down and converted into a fixed-rate financing at 9.75% repayable in 2015.

Principal repayments on the Company's outstanding property specific borrowings due over the next five years and thereafter are as follows:

$ millions	**Annual Repayments**
2004	$ 8
2005	234
2006	4
2007	2
2008	2
Thereafter	866
	$1,116

9. TERM DEBENTURES

$ millions	**2003**	**2002**
Corporate debentures		
Series 1 (US $175)	**$227**	$277
Series 3 (US $200)	**260**	316
	$487	$593

The Series 1 debentures bear interest at the rate of 9.0% and are due in August 2004. The Series 3 debentures bear interest at 8.3% and are due March 2005. The fair value of the Company's term debentures is $487 million (2002 — $593 million) based on current market prices for debt with similar terms and risks.

10. FUTURE INCOME TAX LIABILITY

The Company's future income tax liability of $152 million (2002 — $120 million) is comprised principally of temporary differences relating to property, plant and equipment. This amount is net of a future tax asset of $8 million (2002 — $12 million) relating to unused non-capital losses. The difference between taxes calculated at the statutory rate and those recorded and reconciled is as follows:

$ millions	2003	2002	2001
Net income	**$ 97**	$167	$131
Combined income tax rates	**36%**	38%	41%
Statutory income tax rates applied to accounting income	**35**	63	54
Non-deductible expenses	**12**	2	1
Non-taxable dividends	**(29)**	(45)	(54)
Recognition of the benefit of tax losses	**—**	(16)	(7)
Change in tax rates	**13**	—	—
Provision for income taxes	**$ 31**	$ 4	($ 6)

11. NON-CONTROLLING INTERESTS

Non-controlling interests include preferred shares, limited partnership interests and trust units owned by minority shareholders in the Company's consolidated subsidiaries, as follows:

$ millions	2003	2002
Preferred shares issued by consolidated subsidiaries	**$ 90**	$ 90
Limited partnership interests of consolidated subsidiaries	**—**	4
Trust units issued by consolidated subsidiaries	**239**	256
	$329	$350

12. SHAREHOLDERS' EQUITY

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

$ millions	2003	2002
101,383,135 (2002 — 101,383,135, 2001 — 101,383,135) Common shares	**$ 603**	$ 603
Retained earnings	**540**	523
Cumulative translation adjustment	**(9)**	—
	1,134	1,126
Subordinated convertible debentures	**248**	248
	$1,382	$1,374

The subordinated convertible debentures mature September 30, 2013, bear interest at the prime rate subject to a minimum of 6% and a maximum of 8%, and are convertible at $10.00 per common share into 24.8 million common shares. Principal and interest are payable at the Company's option with common shares.

The Company is authorized to issue an unlimited amount of preferred shares, none of which are currently outstanding.

The following table summarizes the Company's distributions to common shareholders and equivalents:

$ million	2003	2002
Common share dividends	**$ 65**	$ 65
Convertible debt interest	**15**	15
	$ 80	$ 80

13. OTHER INFORMATION

$ million, except per share amounts	2003	2002	2001
Average diluted common share outstanding	**126.2**	126.2	126.2
Basic earning per share	**$ 0.81**	$ 1.50	$ 1.13

The Company's two largest customers accounted for 21% and 9%, respectively, of total revenues in 2003 (2002 — 8% and 7%, respectively, 2001 — 12% and 10% respectively).

During 2003, no hydrological provisions (2002 — nil, 2001 — $7 million) were applied against power purchase costs and no (2002 — $3 million, 2001 — $10 million) recovery of hydrological provisions was included in revenue from power operations.

14. COMMITMENTS AND CONTINGENCIES

The Company has entered into a power agency and guarantee agreement with the Great Lakes Power Trust (the "Trust"), in which the Company has a 50% indirect interest, for a term of 20 years. This agreement requires the Company to fund any deficiency amount between a guaranteed price for energy and the actual energy revenues earned by the Trust. The Company is entitled to receive any revenues in excess of the guaranteed amount.

In addition, the Company agreed to provide to the Income Fund hydrology credit facilities in the amount of $25 million for a period of 15 years, of which not more than $8 million is permitted to be advanced during any given year. Of this amount, Lièvre River Power has $15 million available until 2014 and Mississagi Power has $10 million available until 2019. These facilities bear interest at market rates.

The Company has entered into a 24 month agreement which commenced in May 2003 with an affiliate to supply the power requirement of one of its facilities in the US and to share, to a limited extent, in the profit and loss on the arrangement. During 2003, the Company sold power for $95 million under this arrangement and no amounts were due under the profit and loss sharing component.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by the Company in the management of interest rate and commodity exposures primarily related to the generation of electricity. It is the Company's policy to restrict the use of derivative financial instruments for trading or speculative purposes to within predetermined limits.

The Company formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking forward electricity sale derivatives to specific periods in which the Company anticipates generating electricity for sale. It is the Company's policy to formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of the hedged items.

The Company defers unrealized gains and losses on energy commodity contracts designated as hedges and records them as an adjustment to power revenues when the underlying hedged transaction is recorded. Commodity contracts not designated as hedges are recorded in accounts receivable or accounts payable at fair value with changes in fair value recorded in power revenue.

As at December 31, 2003, contracts designated as hedges had a net replacement cost determined based on quoted market rates of $7 million (2002 — $33 million), consisting of contracts with a positive mark-to-market of $30 million (2002 — $38 million) and contracts with a negative mark-to-market of $37 million (2002 — $71 million) The Company manages credit risks by entering into contracts with highly rated counterparties.

The Company enters into interest rate swaps on its long term debt. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

The Company designates its interest hedge agreements as hedges of the underlying debt. Interest expense is adjusted to include the payments made or received under the interest rate swaps. The total notional amount of principal underlying interest rate swap contracts in 2003 was $772 million (2002 — $466 million). These contracts have maturities varying from one to twenty years, and have a replacement value in excess of that recorded in the company's accounts of $6 million (2002 — $8 million) and replacement cost of $16 million (2002 — nil) in excess of that recorded in the company's accounts.

In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instruments, any realized or unrealized gain or loss on such derivative instruments is recognized in income. In the event a derivative instrument in a designated hedge relationship is sold, extinguished or matures prior to the termination of the related hedged item, any realized or unrealized gain or loss is recognized in income on the same basis as the underlying hedged item.

16. EMPLOYEE BENEFIT PLAN

The Company offers a number of pension plans to its employees. The Company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. As of December 31, 2003, the assets of the plans totaled $45 million (2002 — $40 million), accrued benefit obligation amounted to $60 million (2002 — $43 million) and the net accrued benefit liability was $1.8 million (2002 — $3 million). The benefit plan expense for 2003 was $2.4 million (2002 — $0.3 million, 2001 — $0.2 million). The investment rate of return was 7% (2002 — 7%, 2001 — 7%). The discount rate used was 6% (2002 — 6.75%; 2001 — 6.75%) with a rate of compensation increase of 3.5% (2002 — 3.8%; 2001 — 3.8%).

17. GEOGRAPHIC SEGMENTED INFORMATION

The Company operates in Canada and the United States.

Power revenues by country are as follows:

$ million	2003	2002	2001
Canada	**$ 293**	$ 288	$ 258
United States	**153**	52	12
Brazil	**2**	—	—
	$ 448	$ 340	$ 270

Net income by country is as follows:

$ million	2003	2002	2001
Canada	**$ 160**	$ 181	$ 120
United States	**42**	35	12
Other unallocated income (expenses)	**(105)**	(49)	(1)
	$ 97	$ 167	$ 131

Power generating assets by country are as follows:

$ million	2003	2002	2001
Canada	**$1,511**	$1,481	$1,027
United States	**593**	636	330
Brazil	**35**	38	—
	$2,139	$2,155	$1,357

Depreciation expense from power generating assets by country is as follows:

$ million	2003	2002	2001
Canada	**$ 48**	$ 34	$ 27
United States	**7**	6	—
	$ 55	$ 40	$ 27

18. GUARANTEES

In the normal course of operations, the Company and its consolidated subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services. The Company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the Company from making a reasonable estimate of the maximum potential amount that the Company could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the Company nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

19. SUBSEQUENT EVENTS

(a) On September 28, 2004 the Company completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York from Reliant Energy for approximately US$880 million. The acquisition has been accounted for using the purchase method.

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

(in US$ millions)	
Power generating assets, including intangibles	$ 876
Working capital	19
Pension obligation	(15)
	$ 880
In Cdn$ millions	$1,118

The acquisition was funded through:

(in US$ millions)	
Cash	$ 380
Bridge financing	500
	$ 880
In Cdn$ millions	$1,118

(b) Effective December 1, 2004, Great Lakes Power Inc. changed its legal name to Brascan Power Inc.

(c) On December 16, 2004, the Company's subsidiary Brascan Power Corporation closed a financing pursuant to a confidential offering memorandum prepared for the purpose of obtaining $500,000,000 of debt financing from institutional investors. The Company obtained $400,000,000 in unsecured debentures with an interest rate of 4.65% and maturing on December 16, 2009 and $100,000,000 in unsecured debentures with a floating rate maturing on December 18, 2006.

On March 16, 2005, the Company's subsidiary Brascan Power Corporation filed a prospectus with Canadian securities regulators as required under the terms of the offering memorandum.

GREAT LAKES POWER INC.
(since renamed Brascan Power Inc.)
CONSOLIDATED BALANCE SHEETS
(Cdn$ millions)

	September 30, 2004 (Unaudited)	December 31, 2003
ASSETS		
Cash and cash equivalents	**$ 82**	$ 31
Loans and other receivables	**261**	422
Securities	**544**	544
Long-term investments	**287**	444
Power generating assets	**3,328**	2,139
	$4,502	$3,580
LIABILITIES		
Accounts payable and other	**$ 185**	$ 114
Property specific borrowings	**1,808**	1,116
Corporate term debentures	**254**	487
Future income tax liability	**185**	152
Non-controlling interests	**329**	329
Shareholders' equity	**1,741**	1,382
	$4,502	$3,580

See accompanying notes

GREAT LAKES POWER INC.
(since renamed Brascan Power Inc.)

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)
(Cdn$ millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2004	**2003**	**2004**	**2003**
		Restated See Note 2		Restated See Note 2
Power revenue	**$ 154**	$ 126	**$ 504**	$ 305
Net operating income				
Power generating income	**72**	46	**254**	146
Transmission & distribution income	**5**	6	**21**	20
	77	52	**275**	166
Investment and other income	**24**	23	**62**	60
	101	75	**337**	226
Expenses				
Interest	**27**	25	**81**	70
Depreciation	**15**	13	**45**	40
Non-controlling interests	**5**	5	**24**	12
Administrative costs	**8**	6	**23**	17
Non-cash taxes and other	**10**	2	**41**	9
	65	51	**214**	148
Net income	**$ 36**	$ 24	**$ 123**	$ 78
Diluted income per common share	**$0.26**	$0.19	**$0.95**	$0.61

GREAT LAKES POWER INC.
(since renamed Brascan Power Inc.)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

(Unaudited)
(Cdn$ millions)

	Three months ended September 30,		Nine months ended September 30,	
	2004	**2003**	**2004**	**2003**
		Restated See Note 2		Restated See Note 2
Balance, beginning of period	**$ 587**	$ 537	**$ 540**	$ 523
Net income of the period	**36**	24	**123**	78
Distributions to holders of common shares and equivalents	**(822)**	(20)	**(862)**	(60)
Balance, end of period	**$(199)**	$ 541	**$(199)**	$ 541

See accompanying notes

GREAT LAKES POWER INC.
(since renamed Brascan Power Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(Cdn$ millions)

	Three months ended September 30,		Nine months ended September 30,	
	2004	**2003**	**2004**	**2003**
				Restated See Note 2
Cash flow from operating activities				
Net income	**$ 36**	$ 24	**$ 123**	$ 78
Add non-cash items				
Depreciation	**15**	13	**45**	40
Tax and other	**10**	7	**35**	(4)
Cash flow from operating activities	**61**	44	**203**	114
Net change in non-cash working capital and other	**33**	12	**65**	(15)
	94	56	**268**	99
Financing Activities and shareholder distributions				
Borrowings	**732**	117	**882**	516
Issuance of subordinated convertible debentures to shareholders	**1,100**	—	**1,100**	—
Debt repayments	**(260)**	(28)	**(416)**	(420)
Distributions:				
— Great Lakes Hydro Income Fund unitholders	**(7)**	(7)	**(22)**	(22)
— Common shares and equivalents	**(830)**	(20)	**(870)**	(60)
	735	62	**674**	14
Investing Activities				
Securities sales	**133**	—	**153**	169
Loans and other receivables	**190**	(111)	**174**	(213)
Power generating assets	**(1,140)**	(1)	**(1,218)**	(68)
	(817)	(112)	**(891)**	(112)
Cash and cash equivalents				
Increase during the period	**12**	6	**51**	1
Balance, beginning of period	**70**	5	**31**	10
Balance, end of period	**$ 82**	$ 11	**$ 82**	$ 11

See accompanying notes

GREAT LAKES POWER INC.
(since renamed Brascan Power Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)
(All currency figures in CDN $ millions)

1. SUMMARY OF ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements include the accounts of the Company consolidated with the accounts of all its subsidiaries. Reference is made to the Company's most recently issued Annual Report, which included information necessary or useful to understanding the Company's businesses and financial statement presentations. In particular, the Company's significant accounting policies and practices were presented as Note 1 to the Consolidated Financial Statements included in that report. The Company's accounting policies and methods of their application are consistent with those of the most recent annual financial statements, except as may be described elsewhere in these financial statements. The quarterly financial statements are unaudited. Financial information in this Interim Report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with generally accepted accounting principles.

The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The Company is incorporated under the laws of Ontario and develops, owns and operates hydroelectric and other power generating facilities principally in North America. The Company also conducts investment activities, which include the receipt of interest and dividends on the Company's financial assets as well as gains realized on investment transactions.

2. RESTATEMENT

The financial statements of the Company for the three months ended September 30, 2003 and the nine months ended September 30, 2003 have been restated principally due to the reversal of an accrual on a hydrology insurance claim that was not subsequently made and adjustment to the tax provision. The restatements have no impact on the previously reported net income for the three months ended September 30, 2003 and decreases previously reported net income for the nine months ended September 30, 2003 by $5.3 million ($0.04 diluted net income per share). This adjustment has no effect on the Company's net income or financial position for the year ended December 31, 2003.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2004, the Company adopted Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting. Realized and unrealized gains and losses on derivative financial instruments designated as hedges of financial risks are included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

Effective January 1, 2004, the Company adopted CICA Handbook section 3110, "Asset Retirement Obligations". Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. The Company does have asset retirement obligations associated with certain generating stations. The retirement date for these generating stations cannot be reasonably estimated and therefore the fair value of the associated liability cannot be estimated at this time. As a result, no liability has been accrued in these financial statements.

4. SECURITIES

Securities consist of investments of short-term nature and of demand promissory notes issued by Brascan Corporation.

5. SHAREHOLDERS' EQUITY

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

CDN$ millions	September 30, 2004	December 31, 2003
101,383,135 (2003 — 101,383,135) Common shares	**$ 603**	$ 603
Retained earnings (deficit)	**(199)**	540
Cumulative translation adjustment	**(11)**	(9)
	393	1,134
Subordinated convertible debentures	**1,348**	248
	$1,741	$1,382

During the quarter the Company issued to Brascan Corporation $1,100 million of subordinated convertible debentures and paid a dividend of $800 million, resulting in a net equity contribution of $300 million, which was used to fund a portion of the New York acquisition. These debentures bear an annual interest rate of 11.30%, payable quarterly, and mature on June 30, 2054. Interest paid on these debentures is recorded as a reduction of retained earnings.

6. ACQUISITION OF BRASCAN POWER NEW YORK

On September 28, 2004 the Company completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York from Reliant Energy for approximately US$880 million. 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 net assets acquired were as follows

(in US $ millions)	
Power generating assets, including intangibles	$ 876
Working capital	19
Pension obligation	(15)
	$ 880
In Cdn $ millions	$1,118

The acquisition was funded through:

(in US $ millions)	
Cash	$ 380
Bridge financing	500
	$ 880
In Cdn $ millions	$1,118

7. FINANCING ACTIVITIES

The Company refinanced US$110 million and US$15 million of the Great Lakes Hydro America (GLHA) bridge loan facility in May and September 2004 respectively with senior secured notes. The notes are secured by a first ranking lien on all GLHA assets, bear an annual interest rate of 5.54% and 6.04% respectively, are payable quarterly and mature on May 28, 2014.

7. FINANCING ACTIVITIES (Continued)

The Company arranged bridge financing of US$500 million for the acquisition of the New York assets. The agreement is secured by a first ranking lien on all New York assets, bears an annual interest rate of LIBOR plus 100 basis points and matures on September 28, 2006.

The Company also completed the issuance of $77 million of series A, fully amortized senior secured bonds bearing an annual interest rate of 4.4%. These bonds mature on September 23, 2009 and are secured by a first ranking lien on all Lake Superior Power assets.

The US$175 million Series 1 corporate debentures were repaid upon maturity in August 2004.

8. COMPARATIVE FIGURES

Certain of the prior period's comparative figures have been reclassified to conform to the current presentation.

9. GEOGRAPHIC SEGMENTED INFORMATION

The Company operates in Canada and the United States.

Power revenues by country are as follows:

	September 2004		September 2003	
$ million	**Q3**	**YTD**	**Q3**	**YTD**
Canada	$ 84	$300	$ 67	$202
US	59	203	59	103
Other unallocated income	11	1	—	—
	$154	$504	$126	$305

Depreciation expense from the power generating assets by country are as follows:

	September 2004		September 2003	
$ million	**Q3**	**YTD**	**Q3**	**YTD**
Canada	$ 12	$ 39	$ 11	$ 36
US	3	6	2	4
	$ 15	$ 45	$ 13	$ 40

Net income by country is as follows:

	September 2004		September 2003	
$ million	**Q3**	**YTD**	**Q3**	**YTD**
Canada	$ 40	$153	$ 34	$ 89
US	(5)	11	(8)	(2)
Other unallocated income (expenses)	1	(41)	(2)	(9)
	$ 36	$123	$ 24	$ 78

9. GEOGRAPHIC SEGMENTED INFORMATION (Continued)

Power generating assets by country are as follows:

$ million	September 2004	December 2003
Canada	$1,495	$1,511
US	1,764	593
Brazil	69	35
	$3,328	$2,139

10. SUBSEQUENT EVENT NOTE

a) Effective December 1, 2004, Great Lakes Power Inc. changed its legal name to Brascan Power Inc.

b) On December 16, 2004, the Company's subsidiary Brascan Power Corporation closed a financing pursuant to a confidential offering memorandum prepared for the purpose of obtaining $500,000,000 of debt financing from institutional investors. The Company obtained $400,000,000 in unsecured debentures with an interest rate of 4.65% and maturing on December 16, 2009 and $100,000,000 in unsecured debentures with a floating rate maturing on December 18, 2006.

On March 16, 2005, the Company's subsidiary Brascan Power Corporation filed a prospectus with Canadian securities regulators as required under the terms of the offering memorandum.

COMBINED FINANCIAL STATEMENTS FOR THE NEW YORK HYDRO ASSETS FOR THE YEAR ENDED DECEMBER 31, 2003.

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

(All currency amounts in these financial statements in United States dollars.)

INDEPENDENT AUDITORS' REPORT

To Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc.

We have audited the accompanying combined balance sheet of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc. (the Combined Companies), all of which are under common ownership and common management, as of December 31, 2003, and the related combined statements of operations, owners' net investment and comprehensive income and cash flows for the year ended December 31, 2003. These financial statements are the responsibility of the Combined Companies' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of the Combined Companies at December 31, 2003, and the combined results of their combined operations and their combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Signed) DELOITTE & TOUCHE LLP
Houston, Texas

September 17, 2004

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED BALANCE SHEET

December 31, 2003
(Thousands of Dollars)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 16,915
Accounts receivable, net of allowance of $102	11,332
Receivable from affiliates, net	870
Materials and supplies	1,978
Fuel inventory	292
Prepaid insurance and property taxes	9,778
Other current assets	402
Total current assets	41,567
Property, plant and equipment, net	536,224
Other assets:	
Other intangibles, net of accumulated amortization of $26,567	67,723
Other long-term assets	1
Total other assets	67,724
Total assets	$645,515
LIABILITIES AND OWNERS' NET INVESTMENT	
Current liabilities:	
Accounts payable	$ 7,206
Taxes payable	300
Accrued liabilities	2,053
Other current liabilities	2,682
Total current liabilities	12,241
Capital lease obligation	944
Other liabilities:	
Payable to affiliates, net	169,680
Benefits obligations	5,952
Other long-term liabilities	1,366
Total other liabilities	176,998
Total liabilities	190,183
Commitments and contingencies	
Total owners' net investment	455,332
Total liabilities and owners' net investment	$645,515

See Notes to the Combined Financial Statements

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED STATEMENT OF OPERATIONS

Year Ended December 31, 2003
(Thousands of Dollars)

Operating revenue	$117,926
Operating expenses:	
Fuel	29
Fuel — affiliate	12
Purchased power	938
Operation and maintenance	37,311
General and administrative	2,638
Taxes other than income taxes	23,576
Depreciation	10,351
Amortization	1,513
Total operating expenses	76,368
Operating income	41,558
Other, net	(21)
Interest expense, net	(20)
Income before income taxes	41,517
Income tax expense	243
Net income	$ 41,274

See Notes to the Combined Financial Statements

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED STATEMENT OF OWNERS' NET INVESTMENT AND COMPREHENSIVE INCOME

Year Ended December 31, 2003
(Thousands of Dollars)

	Owners' Net Investment	Retained (Deficit) Earnings	Total Owners' Net Investment	Comprehensive Income
Balance at December 31, 2002	$573,927	$(164,050)	$409,877	
Non-cash contribution of general and administrative expenses	2,638	—	2,638	
Non-cash contribution related to payment of environmental expenditures by owners	1,209	—	1,209	
Non-cash federal income tax contribution from owners	334	—	334	
Comprehensive income:				
Net income	—	41,274	41,274	$41,274
Comprehensive income				$41,274
Balance at December 31, 2003	$578,108	$(122,776)	$455,332	

See Notes to the Combined Financial Statements

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED STATEMENT OF CASH FLOWS

Year Ended December 31, 2003
(Thousands of Dollars)

Cash flows from operating activities:	
Net income	$ 41,274
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	11,864
Net amortization of contractual rights and obligations	10,687
Non-cash contribution of general and administrative expenses	2,638
Change in assets and liabilities:	
Accounts receivable, net	(2,977)
Fuel inventory, materials and supplies	(785)
Prepaid expenses and other current assets	314
Accounts payable	3,360
Receivable from/payable to affiliates, net	(2,478)
Accrued expenses and other current liabilities	296
Other long-term liabilities	(3,573)
Net cash provided by operating activities	60,620
Cash flows from investing activities:	
Capital expenditures	(14,552)
Net cash used in investing activities	(14,552)
Cash flows from financing activities:	
Payments on capital lease obligation	(65)
Receivable from/payable to affiliates, net	(35,716)
Net cash used in financing activities	(35,781)
Net change in cash and cash equivalents	10,287
Cash and cash equivalents, beginning of period	6,628
Cash and cash equivalents, end of period	$ 16,915
Supplemental disclosure of cash flow information:	
Cash paid for:	
Interest (net of amounts capitalized)	$ 65

See Notes to the Combined Financial Statements

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND BACKGROUND

These financial statements are presented on a combined basis and include Carr Street Generating Station, L.P. (Carr Street), Erie Boulevard Hydropower, L.P. (Erie), Orion Power New York GP II, Inc. (OPNY GP II), Orion Power Operating Services Coldwater, Inc. (OPOS Coldwater) and Orion Power Operating Services Carr Street, Inc. (OPOS Carr Street), all of which are under common ownership and common management. These entities are collectively referred to as "New York Hydro Operations."

Carr Street and Erie are Delaware limited partnerships. The partners of Carr Street and Erie are Orion Power New York GP, Inc., a Delaware corporation, and Orion Power New York LP, a Delaware limited partnership. Both partners are indirect wholly-owned subsidiaries of Orion Power Holdings, Inc. (Orion Power Holdings), a Delaware corporation. OPNY GP II is a direct wholly-owned subsidiary of Orion Power Holdings. OPOS Coldwater and OPOS Carr Street are Delaware corporations and indirect wholly-owned subsidiaries of Orion Power Holdings. Orion Power Holdings is a wholly-owned subsidiary of Reliant Energy, Inc. (Reliant Energy), which provides electricity and related services to retail customers primarily in Texas and generates and sells electricity and other related services in wholesale energy markets in various regions of the United States. Orion Power Holdings and its subsidiaries are collectively referred to as "Orion Power". Orion Power was acquired by Reliant Energy in February 2002.

Erie owns 70 hydroelectric generating plants totaling 672 megawatts (MW) located in upstate New York. Carr Street owns a 95 MW fossil-fueled, combined-cycle generation plant located in upstate New York. OPNY GP II owns two hydroelectric generating plants with a total capacity of 2 MW. OPOS Coldwater and OPOS Carr Street provide all operating and maintenance services, including labor, for Erie's hydroelectric plants and Carr Street's plant, respectively.

On May 18, 2004, Orion Power and Great Lakes Power Inc. signed a purchase and sale agreement providing for the sale of Orion Power's equity interests in New York Hydro Operations (Purchase and Sale Agreement). Great Lakes Power, Inc. is an indirect subsidiary of Brascan Corporation, a Canadian asset management company. The purchase price is $900 million in cash, subject to certain closing adjustments, such as changes in certain intercompany accounts and certain tax-related adjustments. The transaction is expected to close in the third quarter or early fourth quarter of 2004; however, the closing of the transaction is subject to regulatory and other conditions.

No direct ownership relations exist among all the various companies included in New York Hydro Operations; accordingly, owners' net investment is shown in lieu of stockholder's equity in the combined financial statements. The combined financial statements included herein have been prepared from Orion Power's historical accounting records.

The combined statement of operations includes all revenues and costs directly attributable to New York Hydro Operations. In connection with the pending sale of New York Hydro Operations, Reliant Energy performed an analysis of corporate general and administrative expenses incurred by Orion Power or Reliant Energy and its subsidiaries (such as management services, financial and accounting, cash management and treasury support, legal, information technology systems support, office management and human resources). Based on this analysis, Reliant Energy has estimated that $2,638 thousand of corporate general and administrative expenses should be allocated to New York Hydro Operations. Reliant Energy believes that this method of allocation is reasonable. However, this allocation is not necessarily indicative of what would have been incurred had New York Hydro Operations been an unaffiliated entity. The corporate general and administrative expense allocation was recorded as a non-cash equity contribution and is reported in the accompanying combined statement of operations as general and administrative expense. All significant intercompany transactions and balances within New York Hydro Operations are eliminated in the combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Use of Estimates and Market Risk and Uncertainties**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New York Hydro Operations is subject to risks associated with price movements of energy commodities and the credit risk associated with its commercial activities. New York Hydro Operations is also subject to risks relating to changes in laws and regulations; the outcome of pending lawsuits, governmental proceedings and investigations; the effects of competition; liquidity concerns in its markets; weather conditions; the creditworthiness or financial distress of its counterparties; political, legal, regulatory and economic conditions and developments; the successful operation of deregulating power markets and other items.

(b) **Revenues and Customer Concentration**

Revenues. New York Hydro Operations records gross revenue for energy sales under the accrual method and these revenues are generally recognized upon delivery. Electric power and other energy services are sold at market-based prices through existing

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

power exchanges or through third-party contracts. Energy sales and services not billed by month end are accrued based upon estimated energy and services delivered.

In 2001, Erie entered into a power purchase agreement with Niagara Mohawk Power Corporation (Niagara Mohawk) for three years. This power purchase agreement expires September 30, 2004. Under the terms of the power purchase agreement, Erie sells to Niagara Mohawk 100% of the energy, capacity and ancillary services produced by Erie's plants. As consideration, Erie receives capacity payments and electric revenue based on the amount of electric energy produced and sold to Niagara Mohawk. In addition, Erie and Niagara Mohawk share equally revenues from ancillary services.

In 1998, Carr Street entered into a capacity sale and tolling agreement (the sales agreement) with Constellation Power Source (CPS) for a period of five years. The sales agreement expired December 1, 2003 and subsequent to December 1, 2003 electric power is sold at market-based prices through existing power exchanges. Under the terms of the sales agreement, CPS provided all fuel to the Carr Street facility and received from the facility all of the capacity, electric energy and other products generated by the facility. As consideration, Carr Street received capacity payments, electric revenue based on the amount of electric energy produced and sold to CPS and certain start-up fees.

Customer Concentration. Revenues were primarily derived from two customers during 2003. The following table represents the gross revenues related to these customers for 2003 (in thousands, except percentages). The gross revenues are being offset by amortization of out-of-market contracts (see note 4).

Customer	Revenue	Percentage of total revenue
Niagara Mohawk	$123,051	96.9%
CPS	3,668	2.9%

The following table represents accounts receivable balances related to these customers as of December 31, 2003 (in thousands, except percentages):

Customer	Accounts receivable balance	Percentage of total accounts receivable
Niagara Mohawk	$11,172	97.7%

(c) **Property, Plant and Equipment and Depreciation Expense**

Property, plant and equipment is stated at cost. Cost of property, plant and equipment includes an allocation of Reliant Energy's purchase price of Orion Power based on the asset's fair market value as of February 2002. New York Hydro Operations expenses all repair and maintenance costs as incurred, including planned major maintenance. Depreciation is computed using the straight-line method over the estimated useful lives commencing when assets, or major components thereof, are either placed in service or acquired, as appropriate.

Property, plant and equipment includes the following as of December 31, 2003 (in thousands):

	Estimated Useful Lives (Years)	
Electric generation facilities	10-50	$230,596
Land	—	42,751
Land improvements	22-50	272,600
Assets under construction	—	9,476
Total		555,423
Accumulated depreciation		(19,199)
Property, plant and equipment, net		$536,224

New York Hydro Operations evaluates property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The determination of whether impairment has occurred is

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

based on an estimate of undiscounted cash flows attributable to the assets, as compared to the carrying value of the assets. A resulting impairment loss is highly dependent on the underlying assumptions. As of December 31, 2003, New York Hydro Operations performed impairment analyses of its property, plant and equipment. There were no impairments recognized during 2003.

(d) **Income Taxes**

OPNY GP II, OPOS Coldwater, OPOS Carr Street and the partners of Carr Street and Erie are included in the consolidated tax returns of Reliant Energy.

All items of income and expense of Carr Street and Erie are allocable to and reportable by the partners in their respective income tax returns. Accordingly, no provision has been made in the accompanying combined financial statements for federal and state income taxes for Carr Street and Erie. Carr Street's and Erie's combined pre-tax book income was $43,451 thousand during 2003.

In the accompanying combined financial statements, OPNY GP II, OPOS Coldwater and OPOS Carr Street calculate their income tax provision on a separate return basis. Pursuant to the tax sharing arrangement with Reliant Energy, Reliant Energy pays all federal income taxes on their behalf and is entitled to any related tax refunds. The difference between OPNY GP II's, OPOS Coldwater's and OPOS Carr Street's current federal income tax expense or benefit, as calculated on a separate return basis, and related amounts paid to or received from Reliant Energy, if any, are recorded as adjustments to owners' net investment in the combined balance sheet. During 2003, Reliant Energy made owners' contributions to OPNY GP II, OPOS Coldwater and OPOS Carr Street for deemed contributions related to current federal income taxes of $334 thousand.

OPNY GP II, OPOS Coldwater and OPOS Carr Street use the asset and liability method of accounting for deferred income taxes and measure deferred income taxes for all significant income tax temporary differences. Income tax temporary differences, which primarily relate to OPNY GP II depreciation temporary differences, were not material as of December 31, 2003. The current deferred income tax liabilities of $30 thousand as of December 31, 2003, is reported net in taxes payable in the combined balance sheet. There are no long-term deferred income tax assets/liabilities as of December 31, 2003. Deferred income tax expense was not material during 2003.

(e) **Cash and Cash Equivalents**

New York Hydro Operations records as cash and cash equivalents all highly liquid short-term investments with original maturities of three months or less.

(f) **Allowance for Doubtful Accounts**

Accounts receivable in the combined balance sheet are net of an allowance for doubtful accounts of $102 thousand at December 31, 2003. The net provision for doubtful accounts in the combined statement of operations for 2003 was $102 thousand. New York Hydro Operations accrues a provision for doubtful accounts based upon estimated percentages of uncollectible power generation revenues. New York Hydro Operations determines these percentages from counterparty credit ratings, historical collections, accounts receivable aging analyses and other factors. New York Hydro Operations reviews the provision and estimated percentages periodically and adjusts them as appropriate. New York Hydro Operations writes off accounts receivable balances against the allowance for doubtful accounts when it deems the receivable to be uncollectible.

(g) **Fuel Inventory and Materials and Supplies**

Fuel inventory and materials and supplies are held for consumption and are valued at the lower of weighted average cost or market.

(h) **Environmental Costs**

New York Hydro Operations expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. New York Hydro Operations expenses amounts that relate to an existing condition caused by past operations and that do not have future economic benefit. New York Hydro Operations records liabilities related to expected future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated. See note 7 for further discussion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Prepaid Insurance and Property Taxes**

Prepaid insurance and property taxes are costs paid in advance (but paid when due in the ordinary course of business) for insurance and property taxes. These costs are deferred and amortized, using the straight-line method, over the service period for which the prepayment pertains.

(j) **Accumulated Other Comprehensive Income**

There was no accumulated other comprehensive income as of December 31, 2003.

(k) **Changes in Accounting Principles and New Accounting Pronouncements**

As of August 11, 2004, no standard setting body or authoritative body has established new accounting pronouncements or changes to existing accounting pronouncements that would have a material impact to New York Hydro Operations' results of operations, financial position or cash flows, for which New York Hydro Operations had not already adopted and/or disclosed elsewhere in these notes.

3. RELATED-PARTY TRANSACTIONS

As of December 31, 2003, current net receivables from affiliates primarily related to cash advances to owners resulting from owners performing short-term cash management activities. As of December 31, 2003, long-term net payables to affiliates primarily related to a variety of long-term cash transfers with owners and generally do not bear interest. Pursuant to the Purchase and Sale Agreement, the net receivable from/payable to affiliates as of the closing date of the transaction shall be deemed to be cancelled.

In December 2003, Carr Street and Reliant Energy Services, Inc., a subsidiary of Reliant Energy, entered into an agreement whereby Reliant Energy Services, Inc. will purchase natural gas for the Carr Street facility. During 2003, these purchases were $12 thousand. This agreement will be terminated upon the sale of the New York Hydro Operations (discussed in note 1).

4. INTANGIBLES AND CONTRACTUAL RIGHTS AND OBLIGATIONS

The components of other intangible assets consist of the following as of December 31, 2003 (in thousands):

	Weighted Average Amortization Period (Years)	Carrying Amount	Accumulated Amortization
Air emissions regulatory allowances	38	$ 1,235	$ (3)
Contractual rights	3	36,055	(23,769)
FERC licenses	38	57,000	(2,795)
Total		$94,290	$(26,567)

New York Hydro Operations' measurement of the fair value of intangibles, except contractual rights, at the acquisition date was determined with the assistance of an independent third party appraiser.

New York Hydro Operations recognizes specifically identifiable intangibles, including air emissions regulatory allowances it has been issued or those it is entitled to be allocated during the remaining useful lives of the plants, contractual rights and obligations and FERC licenses for its hydroelectric plants, when specific rights and contracts are acquired. New York Hydro Operations amortizes air emissions regulatory allowances on a units-of-production basis as utilized. The amortization of FERC licenses are recorded on a straight-line basis over the lesser of their contractual or estimated useful lives. New York Hydro Operations has no intangible assets with indefinite lives recorded as of December 31, 2003. Therefore, all intangibles are subject to amortization.

4. INTANGIBLES AND CONTRACTUAL RIGHTS AND OBLIGATIONS (Continued)

Estimated amortization expense, excluding contractual rights and obligations (see below), existing at December 31, 2003 for the next five years is as follows (in thousands):

2004	$1,500
2005	1,500
2006	1,500
2007	1,500
2008	1,500
Total	$7,500

In connection with Reliant Energy's acquisition of Orion Power, New York Hydro Operations recorded the fair value of certain fuel and power contracts acquired. New York Hydro Operations estimated the fair value of the contracts using forward pricing curves as of the acquisition date over the life of each contract. Those contracts with positive fair value at the date of acquisition (contractual rights) were recorded to intangible assets and those contracts with negative fair value at the date of acquisition (contractual obligations) were recorded to other long-term liabilities in the combined balance sheet.

Contractual rights and contractual obligations are amortized to fuel expense and revenues, as applicable, based on the estimated realization of the fair value established on the acquisition date over the contractual lives. There may be times during the life of the contract when accumulated amortization exceeds the carrying value of the recorded assets or liabilities due to the timing of realizing the fair value established on the acquisition date.

New York Hydro Operations amortized $10,257 thousand and $1,249 thousand of contractual rights and contractual obligations, respectively, for a net amount of $9,008 thousand, during 2003.

Estimated amortization of contractual rights and contractual obligations existing at December 31, 2003 is as follows (in thousands):

	Contractual Rights	Contractual Obligations	Net Decrease (Increase) in Income
2004	$12,286	$(1,005)	$11,281
2005 and thereafter	—	—	—
Total	$12,286	$(1,005)	$11,281

5. CAPITAL LEASE OBLIGATION

In 1999, Erie entered into a capital lease arrangement for the land at the Watertown hydroelectric plant located in Potsdam, New York. This land houses a maintenance facility and a regional headquarter for the hydroelectric assets. The lease began at the completion of the facility in October 2000 and expires in 2015. Under the terms of the lease, the monthly payments are $10,500. Erie Boulevard has the option to purchase the land for $450,000 at the end of the lease term. As of December 31, 2003, the total remaining lease obligation is $1,009 thousand (of which $65 thousand is included in other current liabilities) with an implied interest rate of 6.2%.

6. PENSION AND POSTRETIREMENT BENEFITS

(a) **Pension**

New York Hydro Operations sponsors a noncontributory defined benefit pension plan covering certain union and non-union employees. The benefit payment is calculated either based on years of service with final average salary and covered compensation or in the form of a cash balance account which grows based on a percentage of annual compensation and accrued interest.

New York Hydro Operations' funding policy is to review amounts annually in accordance with applicable regulations in order to determine contributions necessary to achieve adequate funding of projected benefit obligations. New York Hydro Operations uses

6. PENSION AND POSTRETIREMENT BENEFITS (Continued)

a December 31 measurement date for its plan. The pension obligation and funded status are as follows for the year ended December 31, 2003 (in thousands):

Change in Benefit Obligation	
Benefit obligation, beginning of year	$15,798
Service cost	494
Settlement loss	825
Interest cost	1,087
Benefits paid	(2,615)
Actuarial loss	2,517
Benefit obligation, end of year	$18,106
Change in Plan Assets	
Fair value of plan assets, beginning of year	$ 9,735
Actual investment return	2,035
Employer contributions	2,422
Benefits paid	(2,615)
Fair value of plan assets, end of year	$11,577
Reconciliation of Funded Status	
Funded status	$(6,529)
Unrecognized prior service costs	734
Unrecognized actuarial loss	4,372
Net amount recognized	$(1,423)

The amounts recognized in the combined balance sheet are as follows as of December 31, 2003 (in thousands):

Accrued benefit cost	$(1,940)
Intangible assets	517
Net amount recognized	$(1,423)

The accumulated benefit obligation for the defined benefit plan was $13,517 thousand at December 31, 2003.

Net pension cost includes the following components for the year ended December 31, 2003 (in thousands):

Service cost — benefits earned during the period	$ 494
Interest cost on projected benefit obligation	1,087
Expected return on plan assets	(809)
Accounting settlement charge	599
Net amortization	245
Net pension cost	$ 1,616

The significant weighted average assumptions used to determine the pension benefit obligation include the following as of December 31, 2003:

Discount rate	6.25%
Rate of increase in compensation levels	4.50%

The significant weighted average assumptions used to determine the net pension cost include the following:

Discount rate	6.75%
Rate of increase in compensation levels	4.50%
Expected long-term rate of return on assets	8.50%

6. PENSION AND POSTRETIREMENT BENEFITS (Continued)

As of December 31, 2003, New York Hydro Operations' expected long-term rate of return on pension plan assets is developed based on third party models. These models consider expected inflation, current dividend yields, expected corporate earnings growth and risk premiums based on the expected volatility of each asset category. The expected long-term rates of return for each asset category are weighted to determine New York Hydro Operations' overall expected long-term rate of return on pension plan assets. In addition, peer data and historical returns are reviewed.

The pension plan weighted average asset allocations at December 31, 2003 and target allocation for 2004 by asset category are as follows:

	Percentage of Plan Assets at December 31, 2003	Target Allocation 2004
Domestic equity securities	55%	55%
International equity securities	15	15
Debt securities	30	30
Total	100%	100%

In managing the investments associated with the pension plan, the objective is to exceed, on a net-of-fee basis, the rate of return of a performance benchmark composed of the following indices:

Asset Class	Index	Weight
Domestic equity securities	Wilshire 5000 Index	55%
International equity securities	MSCI All Country World Ex-U.S. Index	15
Debt securities	Lehman Brothers Aggregate Bond Index	30
Total		100%

As a secondary measure, asset performance is compared to the returns of a universe of comparable funds, where applicable, over a full market cycle.

During 2003, New York Hydro Operations made cash contributions of $2,422 thousand. New York Hydro Operations expects cash contributions to approximate $254 thousand during 2004.

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows as of December 31, 2003 (in thousands):

Projected benefit obligation	$18,106
Accumulated benefit obligation	13,517
Fair value of plan assets	11,577

(b) **Savings Plan**

New York Hydro Operations participates in Orion Power's employee savings plan that is a tax-qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (Code), and includes a cash or deferred arrangement under Section 401(k) of the Code for substantially all of its employees.

Under the plan, participating employees may contribute a portion of their compensation, pre-tax or after-tax, generally up to a maximum of 18% of compensation. Union employees contribute based on their collective bargaining agreements. The savings plan's matching contribution of 50% of the first 4 percent to 6 percent of the participating employee match and any discretionary annual employer contribution will be made in cash.

The savings plan benefit expense was $381 thousand in 2003.

(c) **Postretirement Benefits**

New York Hydro Operations funds postretirement benefits on a pay-as-you-go basis and uses a December 31 measurement date for the plans.

6. PENSION AND POSTRETIREMENT BENEFITS (Continued)

Accumulated postretirement benefit obligation and funded status are as follows as of December 31, 2003 (in thousands):

Change in Benefit Obligation	
Benefit obligation, beginning of year	$ 4,014
Service cost	439
Interest cost	271
Participant contributions	5
Benefit payments	(426)
Actuarial gain	(824)
Benefit obligation, end of year	$ 3,479
Change in Plan Assets	
Fair value of plan assets, beginning of year	$ —
Employer contributions	421
Participant contributions	5
Benefits paid	(426)
Fair value of plan assets, end of year	$ —
Reconciliation of Funded Status	
Funded status	$(3,479)
Unrecognized actuarial gain	(1,091)
Net amount recognized	$(4,570)

Amounts recognized in the combined balance sheet for accrued benefit cost at December 31, 2003, was $4,570 thousand.

Net postretirement benefit cost includes the following components for the year ended December 31, 2003 (in thousands):

Service cost — benefits earned during the period	$439
Interest cost on accumulated postretirement benefit obligation	271
Net periodic benefit cost	$710

The significant weighted average assumptions used to determine the accumulated postretirement benefit obligation include the following as of December 31, 2003:

Discount rate	6.25%
Rate of increase in compensation levels	4.50%

The significant weighted average assumptions used to determine the accumulated postretirement benefit cost include the following for the year ended December 31, 2003:

Discount rate	6.75%
Rate of increase in compensation levels	4.50%

The following table shows the assumed health care cost trend rates used to measure the expected cost of benefits covered by the postretirement plan for the year ended December 31, 2003:

Health care trend rates assumed for 2004	10.50%
Rate to which the cost trend rate is assumed to gradually decline	5.50%
Year that the rate reaches the rate to which it is assumed to decline	2011

6. PENSION AND POSTRETIREMENT BENEFITS (Continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of December 31, 2003 (in thousands):

	One-Percentage Point	
	Increase	Decrease
Effect on service and interest cost	$ 82	$ (68)
Effect on accumulated postretirement benefit obligation	421	(357)

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 became law. This law introduced a prescription drug benefit, as well as a federal subsidy under certain circumstances to sponsors of retiree health care benefit plans. In January 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." This FASB staff position permits sponsors of postretirement health care plans that provide a prescription drug benefit to make a one time election to defer accounting for the effects of this law until the earlier of: (a) the issuance of authoritative guidance on accounting for the federal subsidy or (b) the occurrence of a significant event that would call for remeasurement of a plan's assets and obligations, such as a plan amendment, settlement or curtailment. New York Hydro Operations has elected to defer accounting for the effects of this law. The measurements of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost do not reflect the effect of this law. In May 2004, the FASB issued FASB Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." This FASB staff position supersedes FASB Staff Position No. 106-1 and is effective for New York Hydro Operations on July 1, 2004. FASB Staff Position No. 106-2 provides guidance on how to account for the effects of this law. New York Hydro Operations expects to incorporate the effects of this law in the next measurement of plan assets and obligations and estimates that the effects of this law will reduce net periodic postretirement benefit cost by approximately $100 thousand annually and will reduce accumulated postretirement benefit obligation by approximately $500 thousand.

(d) **Post-employment Benefits**

New York Hydro Operations provides subsidized post-employment benefits for medical and life insurance to union employees. New York Hydro Operations funds its post-employment benefits on a pay-as-you-go basis and uses a December 31 measurement date for the plans. For 2003, net post-employment benefit costs were $321 thousand.

(e) **Other Employee Matters**

As of December 31, 2003, approximately 76% of New York Hydro Operations' employees were subject to collective bargaining arrangements, of which contracts covering these employees will expire on May 31, 2006.

7. COMMITMENTS AND CONTINGENCIES

(a) **Lease Commitments**

New York Hydro Operations has entered into various non-cancelable operating lease arrangements for office space, storage space, office furniture and vehicles. These leases terminate at various dates through 2022. Future minimum payments due under these leases and the capital lease discussed in note 5 are as follows (in thousands):

	Capital Lease	Operating Leases
2004	$ 126	$ 613
2005	126	625
2006	126	329
2007	126	335
2008	126	342
2009 and thereafter	767	3,538
Subtotal	1,397	$5,782
Interest	(388)	
Total	$1,009	

Total rental expense for 2003 was $591 thousand.

7. COMMITMENTS AND CONTINGENCIES (Continued)

(b) **Property Tax Agreement With Niagara Mohawk**

As part of Orion Power's acquisition of the hydroelectric assets in 1999, New York Hydro Operations has entered into a tax savings sharing agreement with Niagara Mohawk. As part of this agreement, Niagara Mohawk will receive 25 percent of any funds received by New York Hydro Operations from the settlement of property tax litigation filed for the tax years 1994 through 1999, after expenses, not to exceed $20 million. Upon receipt of a settlement from the appropriate taxing authority, New York Hydro Operations will recognize a liability due to Niagara Mohawk for their 25 percent portion of the settlement proceeds. New York Hydro Operations has received favorable tax rulings from twelve local jurisdictions. Approximately $240 thousand was paid to Niagara Mohawk in 2003. There are three more property tax jurisdictions for which judgment from the local tax authorities is pending. Upon settlement of the disputes in these remaining jurisdictions, obligations under this agreement will terminate.

(c) **Guarantees**

New York Hydro Operations enters into contracts that include indemnification provisions. Examples of these contracts include purchase and sale agreements, commodity purchase and sale agreements, service agreements, lease agreements and procurement agreements. In general, these provisions indemnify the counterparty for matters such as breaches of representations and warranties and covenants contained in the contract and/or against certain specified liabilities. In the case of commodity purchase and sale agreements, generally damages are limited through liquidated damages clauses whereby the parties agree to establish damages as the costs of covering any breached performance obligations. New York Hydro Operations is unable to estimate its maximum potential amount under these provisions unless and until an event triggering payment under these provisions occurs. However, based on current information, New York Hydro Operations considers the likelihood of making any material payments under these provisions to be remote.

(d) **Environmental Matters**

Erie is liable under the terms of a consent order issued in 2000 with the New York State Department of Environmental Conservation for past releases of petroleum and other substances at one of its generation facilities. Based on Erie's evaluations with assistance from third-party consultants and engineers, Erie has developed a remediation plan. As of December 31, 2003, Erie has recorded the estimated liability for the remediation costs of $346 thousand.

(e) **Litigation and Claims**

New York Hydro Operations is involved in legal and other environmental proceedings before various courts and governmental agencies regarding matters arising in the ordinary course of business. Although New York Hydro Operations cannot predict the outcome of these matters, it believes that the effects on its combined financial statements, if any, from the disposition of these matters will not have a material adverse effect on its results of operations, financial condition or cash flows.

8. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

As of December 31, 2003, the fair values of financial instruments, including cash and cash equivalents, accounts receivable and capital lease obligation are equivalent to their carrying amounts in the combined balance sheet.

AUDITORS' REPORT

To: The Directors of Brascan Power Corporation
And to: The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.)

We have audited the Addendum to the Combined Financial Statements of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc. as at and for the year ended December 31, 2003. This financial information is the responsibility of the management of Brascan Power Inc. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial information.

In our opinion, this addendum, when read in conjunction with the Combined Financial Statements of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc. as at and for the year ended December 31, 2003 presents fairly, in all material respects, the financial information contained therein.

Toronto, Canada
September 17, 2004

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

ADDENDUM TO COMBINED FINANCIAL STATEMENTS OF CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC. AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2003

Reconciliation of United States Generally Accepted Accounting Principles to Canadian Generally Accepted Accounting Principles

The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The accounting principles adopted in these financial statements conform in all material respects to those generally accepted in Canada.

COMBINED INTERIM FINANCIAL STATEMENTS

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

(All currency amounts in these financial statements in United States dollars)

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED BALANCE SHEETS

(Thousands of Dollars)
(Unaudited)

	June 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,809	$ 16,915
Accounts receivable, net of allowance of $41 and $102	9,204	11,332
Receivable from affiliates, net	428	870
Materials and supplies	1,925	1,978
Fuel inventory	302	292
Prepaid insurance and property taxes	7,552	9,778
Other current assets	401	402
Total current assets	27,621	41,567
Property, plant and equipment, gross	557,447	555,423
Accumulated depreciation	(23,537)	(19,199)
Property, Plant and Equipment, net	533,910	536,224
Other assets:		
Other intangibles, net of accumulated amortization of $32,271 and $26,567	62,019	67,723
Other long-term assets	526	1
Total other assets	62,545	67,724
Total assets	$624,076	$645,515
LIABILITIES AND OWNERS' NET INVESTMENT		
Current liabilities:		
Accounts payable	$ 4,730	$ 7,206
Taxes payable	503	300
Accrued liabilities	1,525	2,053
Other current liabilities	1,284	2,682
Total current liabilities	8,042	12,241
Capital lease obligation	910	944
Other liabilities:		
Payable to affiliates, net	131,689	169,680
Benefits obligations	7,448	5,952
Other long-term liabilities	838	1,366
Total other liabilities	139,975	176,998
Total liabilities	148,927	190,183
Commitments and contingencies		
Total owners' net investment	475,149	455,332
Total liabilities and owners' net investment	$624,076	$645,515

See Notes to the Unaudited Combined Interim Financial Statements

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED STATEMENTS OF OPERATIONS

(Thousands of Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2004	**2003**
Operating revenue	$61,663	$59,570
Operating expenses:		
Fuel	249	—
Fuel — affiliate	457	—
Purchased power	522	446
Operation and maintenance	18,510	17,317
General and administrative	1,510	1,319
Taxes other than income taxes	11,834	11,667
Depreciation	4,338	4,941
Amortization	750	762
Total	38,170	36,452
Operating income	23,493	23,118
Other, net	3	(1)
Interest expense, net	(10)	(9)
Income before income taxes	23,486	23,108
Income tax expense	171	104
Net income	$23,315	$23,004

See Notes to the Unaudited Combined Interim Financial Statements

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

COMBINED STATEMENTS OF CASH FLOWS

(Thousands of Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2004	**2003**
Cash flows from operating activities:		
Net income	$ 23,315	$ 23,004
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,088	5,703
Net amortization of contractual rights and obligations	4,954	6,427
Non-cash contribution of general and administrative expenses	1,510	1,319
Amortization of deferred financing costs	—	302
Change in assets and liabilities:		
Accounts receivable, net	2,128	(2,428)
Fuel inventory, materials and supplies	43	—
Prepaid expenses and other current assets	1,702	1,787
Accounts payable	(2,273)	(2,096)
Receivable from/payable to affiliates, net	(4,566)	(128)
Accrued expenses and other current liabilities	(1,926)	(1,438)
Other long-term liabilities	968	(399)
Net cash provided by operating activities	30,943	32,053
Cash flows from investing activities:		
Capital expenditures	(2,024)	(2,900)
Net cash used in investing activities	(2,024)	(2,900)
Cash flows from financing activities:		
Payments on capital lease obligation	(34)	(32)
Receivable from/payable to affiliates, net	(37,991)	(28,970)
Net cash used in financing activities	(38,025)	(29,002)
Net change in cash and cash equivalents	(9,106)	151
Cash and cash equivalents, beginning of period	16,915	6,628
Cash and cash equivalents, end of period	$ 7,809	$ 6,779
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest (net of amounts capitalized)	$ 31	$ 33

See Notes to the Unaudited Combined Interim Financial Statements.

CARR STREET GENERATING STATION, L.P., ERIE BOULEVARD HYDROPOWER, L.P., ORION POWER NEW YORK GP II, INC., ORION POWER OPERATING SERVICES COLDWATER, INC. AND ORION POWER OPERATING SERVICES CARR STREET, INC.

NOTES TO UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS

1. BACKGROUND AND BASIS OF PRESENTATION

These financial statements are presented on a combined basis and include Carr Street Generating Station, L.P. (Carr Street), Erie Boulevard Hydropower, L.P. (Erie), Orion Power New York GP II, Inc. (OPNY GP II), Orion Power Operating Services Coldwater, Inc. (OPOS Coldwater) and Orion Power Operating Services Carr Street, Inc. (OPOS Carr Street), all of which are under common ownership and common management. These entities are collectively referred to as "New York Hydro Operations."

Carr Street and Erie are Delaware limited partnerships. The partners of Carr Street and Erie are Orion Power New York GP, Inc., a Delaware corporation, and Orion Power New York LP, a Delaware limited partnership. Both partners are indirect wholly-owned subsidiaries of Orion Power Holdings, Inc. (Orion Power Holdings), a Delaware corporation. OPNY GP II is a direct wholly-owned subsidiary of Orion Power Holdings. OPOS Coldwater and OPOS Carr Street are Delaware corporations and indirect wholly-owned subsidiaries of Orion Power Holdings. Orion Power Holdings is a wholly-owned subsidiary of Reliant Energy, Inc. (Reliant Energy), which provides electricity and related services to retail customers primarily in Texas and generates and sells electricity and other related services in wholesale energy markets in various regions of the United States. Orion Power Holdings and its subsidiaries are collectively referred to as "Orion Power". Orion Power was acquired by Reliant Energy in February 2002.

Erie owns 70 hydroelectric generating plants totaling 672 megawatts (MW) located in upstate New York. Carr Street owns a 95 MW fossil-fueled, combined-cycle generation plant located in upstate New York. OPNY GP II owns two hydroelectric generating plants with a total capacity of 2 MW. OPOS Coldwater and OPOS Carr Street provide all operating and maintenance services, including labor, for Erie's hydroelectric plants and Carr Street's plant, respectively.

On May 18, 2004, Orion Power and Great Lakes Power, Inc. signed a purchase and sale agreement providing for the sale of Orion Power's equity interests in New York Hydro Operations (Purchase and Sale Agreement). Great Lakes Power, Inc. is an indirect subsidiary of Brascan Corporation, a Canadian asset management company. The purchase price is $900 million in cash, subject to certain closing adjustments, such as changes in certain intercompany accounts and certain tax-related adjustments. The transaction is expected to close in the third quarter or early fourth quarter of 2004; however, the closing of the transaction is subject to regulatory and other conditions.

No direct ownership relations exist among all the various companies included in New York Hydro Operations; accordingly, owners' net investment is shown in lieu of stockholder's equity in the combined financial statements. The combined financial statements included herein have been prepared from Orion Power's historical accounting records.

The combined statements of operations include all revenues and costs directly attributable to New York Hydro Operations. In connection with the pending sale of New York Hydro Operations, Reliant Energy performed an analysis of corporate general and administrative expenses incurred by Orion Power or Reliant Energy and its subsidiaries (such as management services, financial and accounting, cash management and treasury support, legal, information technology systems support, office management and human resources). Based on this analysis, Reliant Energy has estimated that $1,510 thousand and $1,319 thousand of corporate general and administrative expenses should be allocated to New York Hydro Operations for the six months ended June 30, 2004 and 2003, respectively. Reliant Energy believes that this method of allocation is reasonable. However, these allocations are not necessarily indicative of what would have been incurred had New York Hydro Operations been an unaffiliated entity. The corporate general and administrative expense allocations were recorded as non-cash equity contributions and are reported in the accompanying combined interim statements of operations as general and administrative expense. All significant intercompany transactions and balances within New York Hydro Operations are eliminated in the combined financial statements.

The interim financial statements are unaudited, omit certain financial statement disclosures and should be read in conjunction with New York Hydro Operations' audited combined financial statements for the year ended December 31, 2003.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The interim financial statements reflect all normal recurring adjustments necessary, in management's opinion to present fairly the financial position and results of operations for the reported periods. Amounts reported for interim periods, however, may not be indicative of a full year period due to seasonal fluctuations in demand for energy and energy services, changes in energy commodity prices, timing of maintenance and other expenditures, dispositions, changes in interest expense and other factors.

2. RELATED PARTY TRANSACTIONS

As of June 30, 2004 and December 31, 2003, current net receivables from affiliates primarily related to cash advances to owners resulting from owners performing short-term cash management activities. As of June 30, 2004 and December 31, 2003, long-term net payables to affiliates primarily related to a variety of long-term cash transfers with owners and generally do not bear interest. Pursuant to the Purchase and Sale Agreement, the net receivable from/payable to affiliates as of the closing date of the transaction shall be deemed to be cancelled.

In December 2003, Carr Street and Reliant Energy Services, Inc., a subsidiary of Reliant Energy, entered into an agreement whereby Reliant Energy Services, Inc. will purchase natural gas for the Carr Street facility. During the six months ended June 30, 2004, these purchases were $457 thousand. This agreement will be terminated upon the sale of New York Hydro Operations (discussed in note 1).

During the six months ended June 30, 2003, there was a $966 thousand non-cash contribution related to the payment of environmental expenditures by the owners. During the six months ended June 30, 2004, there was a $5,008 thousand decrease in owners' net investment resulting from the non-cash conversion to owners' net investment of receivables from owners. See discussion in note 1 of non-cash contributions related to general and administrative expenses during the six months ended June 30, 2004 and 2003.

3. RETIREMENT PLANS

Net benefit cost for New York Hydro Operations' qualified retirement plans includes the following components (in thousands):

	Pension Benefits		Postretirement Benefits	
	Six Months Ended June 30,			
	2004	2003	2004	2003
Service cost	$ 388	$ 247	$174	$218
Interest cost	526	544	100	136
Expected return on plan assets	(390)	(405)	—	—
Accounting settlement charge	—	599	—	—
Net amortization	150	123	(30)	—
Net benefit cost	$ 674	$1,108	$244	$354

New York Hydro Operations expects cash contributions to its pension plans will be approximately $254 thousand during 2004. No contributions were made during the six months ended June 30, 2004.

4. COMMITMENTS

New York Hydro Operations enters into contracts that include indemnification provisions. Examples of these contracts include purchase and sale agreements, commodity purchase and sale agreements, service agreements, lease agreements and procurement agreements. In general, these provisions indemnify the counterparty for matters such as breaches of representations and warranties and covenants contained in the contract and/or against certain specified liabilities. In the case of commodity purchase and sale agreements, generally damages are limited through liquidated damages clauses whereby the parties agree to establish damages as the costs of covering any breached performance obligations. New York Hydro Operations is unable to estimate its maximum potential amount under these provisions unless and until an event triggering payment under these provisions occurs. However, based on current information, New York Hydro Operations considers the likelihood of making any material payments under these provisions to be remote.

5. CONTINGENCIES — LEGAL AND ENVIRONMENTAL MATTERS

Erie is liable under the terms of a consent order issued in 2000 with the New York State Department of Environmental Conservation for past releases of petroleum and other substances at one of its generation facilities. Based on Erie's evaluations with assistance from third-party consultants and engineers, Erie has developed a remediation plan. As of December 31, 2003 and June 30, 2004, Erie has recorded the estimated liability for the remediation costs of $346 thousand and $314 thousand, respectively.

New York Hydro Operations is involved in legal and other environmental proceedings before various courts and governmental agencies regarding matters arising in the ordinary course of business. Although New York Hydro Operations cannot predict the outcome of these matters, it believes that the effects on its combined financial statements, if any, from the disposition of these matters will not have a material adverse effect on its results of operations, financial condition or cash flows.

COMPILATION REPORT ON PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

To: The Directors of Brascan Power Corporation
And to: The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.)

We have read the accompanying unaudited pro forma consolidated statements of income of Great Lakes Power Inc. (since renamed Brascan Power Inc. and referred to herein as "GLPI" or "the Company") for the nine months ended September 30, 2004 and the year ended December 31, 2003 and have performed the following procedures:

1. Compared the figures in the columns captioned "GLPI" to the unaudited consolidated financial statements of the Company for the nine months ended September 30, 2004, and to the audited consolidated financial statements of the Company for the year ended December 31, 2003, respectively, and found them to be in agreement.
2. Compared the figures in the columns captioned "Reliant" (as converted to Canadian dollars) to the unaudited combined financial statements of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc. for the six month period ended June 30, 2004, and to the audited combined financial statements of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc., and Orion Power Operating Services Carr Street, Inc. for the year ended December 31, 2003, respectively, and found them to be in agreement.
3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:
   (a) the basis for determination of the pro forma adjustments; and
   (b) whether the pro forma financial statements comply as to form in all material respects with the securities acts of the provinces and territories of Canada (the "Acts") and the related regulations.

   The officials:
   (a) described to us the basis for determination of the pro forma adjustments, and
   (b) stated that the pro forma statements comply as to form in all material respects with the Acts and related regulations.
4. Read the notes to the pro forma consolidated statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "GLPI" and "Reliant" for the nine and six month periods ended September 30, 2004 and June 30, 2004, respectively, and for the year ended December 31, 2003, and found the amounts in the columns captioned "Pro Forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Toronto, Canada
March 16, 2005

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

GREAT LAKES POWER INC.

PROFORMA CONSOLIDATED STATEMENT OF INCOME

(Unaudited)
$ millions

	Nine months ended September 30, 2004				
	GLPI	**Reliant***		**Pro forma Adjustments**	**Pro forma consolidated**
		Note 4		Note 5	
POWER REVENUE	$ 504	$ 78	(a)	$ 52	**$ 634**
EXPENSES					
Operating and maintenance	43	23	(b)	10	**76**
Fuel and power purchases	165	2	(c)	—	**167**
Cash taxes and other	21	15	(b)	8	**44**
	275	38		34	**347**
Investment and other income	62	—		—	**62**
	337	38		34	**409**
EXPENSES					
Interest	81	—	(d)	12	**93**
Depreciation	45	6	(b)	3	**59**
			(e)	5	
Non-controlling interests	24	—		—	**24**
Administrative costs	23	2	(b)	1	**26**
Non-cash taxes and other	41	—		—	**41**
	214	8		21	**243**
Net income	$ 123	$ 30		$ 13	**$ 166**

*Reliant numbers were converted at a rate of $1.27 CDN/US.

See accompanying notes

GREAT LAKES POWER INC.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

$ millions
Year Ended December 31, 2003
(Unaudited)

	GLPI	Reliant*	Pro Forma Adjustments (See Note 5)		Pro Forma Consolidated
Power revenue	$ 448	$150		—	**$ 598**
				—	
Expenses				—	
Operating and maintenance	62	48		—	**110**
Fuel and power purchases	129	1		—	**130**
Cash taxes and other	16	33		—	**49**
Net operating income	241	68		—	**309**
Investment and other income	80	—		—	**80**
	321	68		—	**389**
Expenses					
Interest	93	—	(d)	16	**109**
Depreciation	55	15	(e)	7	**77**
Non-controlling interests	22	—		—	**22**
Administrative costs	23	—		—	**23**
Non-cash taxes and other	31	—		—	**31**
	224	15		23	**262**
Net income	$ 97	$ 53		$(23)	**$ 127**

* Reliant numbers were converted at a rate of $1.27 CDN/US

See accompanying notes

GREAT LAKES POWER INC.

NOTES TO PROFORMA CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Nine months ended September 30, 2004 and
Year ended December 31, 2003

1. BASIS OF PRESENTATION

The accompanying unaudited proforma consolidated statements of income of Great Lakes Power Inc. (''GLPI'') have been prepared in accordance with Canadian generally accepted accounting principles to give effect to the acquisition of Erie Boulevard Hydropower Limited Partnership, Carr Street Generating Station Limited Partnership, Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater Inc., and Orion Power Operating Services Carr Street known collectively as Reliant (''Reliant'') as though it had taken place as of January 1, 2003.

The assumptions used in the proforma consolidated statements of income are based on management's judgment as to the most probable set of economic conditions after giving effect to the acquisition of Reliant. The unaudited pro forma statements of income may not be indicative of the results that would have occurred if the acquisition of Reliant had occurred on January 1, 2003 or of the results which may be obtained in the future.

The proforma consolidated statements of income are presented solely to provide information to current public and prospective debt holders and may not be appropriate for other purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information contained in the accompanying proforma statements of income have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

(a) **Basis of Presentation**

The proforma consolidated statements of income include the accounts of all subsidiaries and other controlled entities of GLPI as well as Reliant.

(b) **Revenue and Expense Recognition**

Revenue from the sale of electricity, gas and steam is recorded based upon output delivered at rates specified under contract terms or prevailing market rates.

Power purchases are recorded upon delivery, and are included as a component of net operating income.

(c) **Income Taxes**

GLPI uses the assets and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse.

(d) **Use of Estimates**

The preparation of proforma statements of income in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. Actual results will differ from estimates.

3. ACQUISITION OF RELIANT

On September 28, 2004 the Company completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York from Reliant Energy for approximately US$880 million. The acquisition has been accounted for using the purchase method.

Nine months ended September 30, 2004 and Year ended December 31, 2003

3. ACQUISITION OF RELIANT (Continued)

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

(in US $ millions)	
Power generating assets, including intangibles	$ 876
Working capital	19
Pension obligation	(15)
	$ 880
In Cdn $ millions	$1,118

The acquisition was funded through:

(in US $ millions)	
Cash	$ 380
Bridge financing	500
	$ 880
In Cdn $ millions	$1,118

4. RELIANT FINANCIAL INFORMATION

Actual financial information for Reliant is only available until June 30, 2004. Therefore the numbers expressed are for the period of January 1, 2004 to June 30, 2004. The period of July 1, 2004 to September 28, 2004 is included in the column entitled *adjustments* for which the assumptions used are explained in note 5.

5. PROFORMA ADJUSTMENTS AND ASSUMPTIONS

(a) Revenue from Reliant for the period of July 1, 2004 to September 28, 2004 is made up of two components: generation from all of the hydroelectric generating units and generation from Carr Street, the cogeneration unit. Actual generation and revenue earned for the hydroelectric units for that three month period was used to prepare the proforma consolidated statement of income.

(b) Operating and maintenance, cash taxes and other as well as administrative costs and depreciation are assumed to be fixed and incurred evenly over a twelve month period. Therefore, the amounts for the three month period of July, 1 2004 to September 30, 2004 are a proration of actual expenses incurred by Reliant between January 1, 2004 and June 30, 2004.

(c) Fuel purchases for Carr St. generating facility are assumed to be nil for the period between July 1 and September 28, 2004 as it is assumed that no power was generated from Carr St. for that period.

(d) Interest expense has been increased by $12 million for the period from January 1, 2004 to September 30, 2004 and $16 million for the year ended December 31, 2003 to reflect additional debt relating to the financing of the Reliant acquisition. The increase relates to the external debt of US $500 million bridge financing obtained. The debt matures on September 28, 2006 and bears interest at a rate of LIBOR + 100 basis points or approximately 2.5% per annum.

(e) Depreciation is assumed to be higher than Reliant's actual expense as the assets were re-evaluated on acquisition and assumed a higher cost base. Amortization periods for the majority of assets vary between 40 and 60 years. In order to calculate the revised depreciation, it was assumed that the average number of years remaining on the acquired assets is 50 years and hence an additional $5 million of depreciation was taken for the period of January 1, 2004 to September 30, 2004 and $7 million for the year ended December 31, 2003.

(f) The quantity of electricity generated in any specific year may vary significantly resulting in significant variances with the amounts represented in the proforma consolidated statement of income. The proforma statement of income for the nine months ended September 30, 2004 has been prepared using actual data for the nine months ended September 30, 2004 for GLPI and for the six months ended June 30, 2004 for Reliant, adjusted under note 5a), b) and c).

(g) All power produced by Reliant was sold under a contract at below current market rates. The contract expired on September 30, 2004.

AUDITORS' REPORT

To: The Directors of Brascan Power Corporation

We have audited the balance sheet of Brascan Power Corporation ("the Company") as at September 30, 2004. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Company as at September 30, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
December 10, 2004 (except as to Note 2 which is as of March 16, 2005)

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

BRASCAN POWER CORPORATION

BALANCE SHEET

As at September 30, 2004

	2004
ASSETS	
Cash and cash equivalents	$10
	$10
Shareholders' equity	$10
	$10

See accompanying notes

BRASCAN POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

1. BASIS OF PRESENTATION

Brascan Power Corporation (the "Corporation") was incorporated under the laws of Ontario on June 22, 2002. The Corporation is authorized to issue an unlimited number of common shares.

The Corporation will acquire, sometime after the closing of the Offering Memorandum, Great Lakes Power Inc.'s (since renamed Brascan Power Inc.) operating entities. More specifically, the Corporation will acquire:

(i) The power generating assets of Great Lakes Power Limited, Great Lakes Power Inc.'s equity ownership position in Great Lakes Hydro Income Fund, Lake Superior Power, Valerie Falls Power, Hydro Pontiac Inc.; and

(ii) Great Lakes Power Inc.'s incorporated and unincorporated joint venture and partnership interests in Powell River Energy and Pingston Power and a 75% non-controlling residual interest in Louisiana HydroElectric Power, which is equity accounted.

As at September 30, 2004 the Corporation had no operations.

2. SUBSEQUENT EVENT

On December 16, 2004, the Corporation closed a financing pursuant to a confidential offering memorandum prepared for the purpose of obtaining $500,000,000 of debt financing from institutional investors. The Company obtained $400,000,000 in unsecured debentures with an interest rate of 4.65% and maturing on December 16, 2009 and $100,000,000 in unsecured debentures with a floating rate maturing on December 18, 2006.

On March 16, 2005, the Corporation filed a prospectus with Canadian securities regulators as required under the terms of the offering memorandum.

AUDITORS' REPORT

To: The Directors of Brascan Power Corporation
And to: The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.)

We have audited the divisional consolidated balance sheets of the Power Generating Division of Great Lakes Power Inc. (since renamed "Brascan Power Inc." and referred to herein as "the Company") as at December 31, 2003 and 2002 and the divisional consolidated statements of income, equity and cash flows for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these divisional consolidated financial statements present fairly, in all material respects, the financial position of the Power Generating Division of Great Lakes Power Inc. as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 19, 2004 (except as to Note 17 a and b,
which are as of December 10, 2004, and Note 17 c,
which is as of March 16, 2005)

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

DIVISIONAL CONSOLIDATED BALANCE SHEETS

As at December 31
($ millions)

	Note	2003	2002
ASSETS			
Cash and cash equivalents		**$ 31**	$ 10
Accounts receivable and other	**3**	**425**	189
Power generating assets	**4**	**2,109**	2,127
		$2,565	$2,326
LIABILITIES			
Accounts payable and other		**$ 163**	$ 207
Property specific borrowings	**6**	**1,116**	905
Corporate term debentures	**7**	**487**	593
Future income tax liability	**8**	**142**	110
Non-controlling interests	**9**	**331**	352
Division equity	**10**	**326**	159
		$2,565	$2,326

See accompanying notes

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.
DIVISIONAL CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31
($ millions)

	2003	2002	2001
Total revenues	**$ 448**	$ 340	$ 270
Net operating income			
Power Generation	**215**	222	135
Transmission & Distribution	**26**	25	22
	241	247	157
Investment and other income	**1**	—	10
	242	247	167
Expenses			
Interest	**93**	90	82
Depreciation	**57**	40	27
Non-controlling interests	**22**	18	12
Administrative costs	**23**	15	3
Non-cash taxes and other	**31**	36	29
	226	199	153
Net income	**$ 16**	$ 48	$ 14

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.
DIVISIONAL CONSOLIDATED STATEMENTS OF EQUITY
Years ended December 31
($ millions)

	2003	2002	2001
Division equity			
Balance, beginning of year	**$159**	$ 33	$ 47
Net income	**16**	48	14
Capital contributions	**240**	170	53
Distributions	**(80)**	(80)	(81)
Cumulative Translation Adjustment	**(9)**	—	—
Adjustment for change in accounting policy	**—**	(8)	—
Share of Fund unit issue cost	**—**	(4)	—
Balance, end of year	**$326**	$159	$ 33

See accompanying notes

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

DIVISIONAL CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31
($ millions)

	2003	2002	2001
Cash flow from operations			
Net income	**$ 16**	$ 48	$ 14
Add non-cash items			
Depreciation	**57**	40	27
Hydrological provisions	**—**	(3)	(17)
Tax and other	**34**	6	(5)
	107	91	19
Net change in non-cash working capital and other	**(60)**	54	69
	47	145	88
Financing and shareholder distributions			
Borrowings	**846**	405	249
Debt repayments	**(635)**	(54)	(110)
Capital contributions	**240**	170	53
Issuance of fund units	**—**	103	78
Distributions:			
— Great Lakes Hydro Income Fund unitholders	**(29)**	(27)	(14)
— Division equity and equivalents	**(80)**	(80)	(81)
	342	517	175
Investing activities			
Loans and other receivables	**(205)**	172	(94)
Power generating assets	**(163)**	(834)	(178)
	(368)	(662)	(272)
Cash and cash equivalents			
Increase during the year	**21**	—	(9)
Balance, beginning of year	**10**	10	19
Balance, end of year	**$ 31**	$ 10	$ 10
Supplementary information			
Interest paid	**$ 95**	$ 85	$ 84
Taxes paid	**$ 16**	$ 16	$ 15

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

NOTES TO DIVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Business Operations

Great Lakes Power Inc. (since renamed Brascan Power Inc. (“the Company”)) is incorporated under the laws of Ontario and develops and operates hydroelectric and other power generating facilities in Canada, the United States and Brazil and a transmission and distribution system in northern Ontario. The Company also invests in common and preferred shares of affiliated and third parties.

Basis of Presentation

These financial statements are divisional financial statements of the Company prepared to exclude its investment division activities from the power generation, transmission and distribution (the “Power Generating Division” or the “Division”). These divisional financial statements have been prepared in anticipation of a reorganization whereby, Brascan Power Corporation (“BPC”), a related company by virtue of common control, will acquire all of the operating businesses owned by Great Lakes Power Inc. including the power generating, distribution and transmission assets of Great Lakes Power Limited, the Company’s equity ownership interests in Great Lakes Hydro Income Fund, Lake Superior Power, Valerie Falls Power, and Hydro Pontiac Power Inc. It also intends to acquire the other investments in Powell River Energy, Louisiana Hydroelectric Power and Pingston Power. BPC will not acquire any of the other investments previously held by Great Lakes Power Inc.

The consolidated divisional financial statements include:

(i) the power generating, distribution and transmission accounts of all subsidiaries and other controlled entities of Great Lakes Power Inc. including Great Lakes Power Limited, Great Lakes Hydro Income Fund (the “Income Fund”), Lake Superior Power, Valerie Falls Power and Hydro Pontiac Inc. (“Pontiac Power”); and

(ii) the accounts of incorporated and unincorporated joint ventures and partnerships to the extent of the Division’s proportionate interest in their respective assets, liabilities, revenue and expenses, including the Company’s investment in Powell River Energy and Pingston Power. The Company owns a 75% non-controlling residual interest in Louisiana HydroElectric Power, which is equity accounted.

These consolidated divisional financial statements take into consideration the proceeds received by Great Lakes Power Inc. in respect of investments sold to fund the purchase of power generating assets and accounts for these as a capital contribution from the investment division of Great Lakes Power Inc.

Revenue and Expense Recognition

Revenue from the sale of electricity, gas and steam is recorded based upon output delivered at rates as specified under contract terms or prevailing market rates.

The Company maintains hydrological insurance which partially compensates for the effect of variations in streamflow when measured against long-term averages. Until May 1, 2002, the Company was rate regulated and maintained provisions to adjust for the effect of similar hydrology variations.

Power purchases are recorded upon delivery, are recorded as a reduction of total revenue and are included as a component of net operating income.

Loans Receivable

Loans and notes receivable are carried at the lower of cost and estimated realizable value calculated based on expected future cash flows, discounted at market rates for assets with similar terms.

Financing Costs

Expenses related to the issuance of debt are amortized over the term of the debt. Expenses related to the issuance of the Company’s shares are charged to retained earnings and have been allocated to the Division. Interest on funds used in construction and on development projects is capitalized.

Income Taxes

The Company uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of the Division’s financial affairs and its impact on taxable income and tax losses.

1. BASIS OF PRESENTATION (Continued)

Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate for the year. Gains and losses on translation of these items are included in income. The accounts of subsidiaries having a functional currency other than the Canadian dollar are translated using the current rate method. Gains or losses on translation are deferred and included in the cumulative translation adjustment account. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these subsidiaries are reported in the same manner.

Foreign currency denominated monetary assets and liabilities of the company and subsidiaries where the functional currency is the Canadian dollar are translated at the rate of exchange prevailing at period-end and revenues and expenses at average rates during the period. Gains or losses on translation of these items are included in the consolidated statement of income. Gains or losses on transactions which hedge these items are also included in the consolidated statement of income.

Pension Benefits and Employee Future Benefits

The cost of retirement benefits for the defined benefit plan and post-employment benefits is recognized as the benefits are earned by employees. The Company uses the accrued benefit method pro-rated on the length of service and management's best estimate assumptions to value its pension and other retirement benefits. Assets are valued at fair value for purposes of calculating the expected return on plan assets. Actuarial gains and losses are deferred and amortized over the expected average remaining service life of the employees covered under the plan. For the defined contribution plan, the Company expenses payments based on employee earnings.

Derivative Financial Instruments

The Company, principally through wholly owned Brascan Energy Marketing Inc., uses derivative financial instruments to manage commodity price risk and interest rate risk associated with the Division's production, operating and risk management activities. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows. The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on power generation commodity swaps designated as hedges are recorded on a settlement basis as an adjustment to power generation income. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. The fair value of the derivative that was deferred by the application of hedge accounting is recognized in income over the term of the original hedging relationship. Derivative financial instruments that are not designated as hedges are carried at estimated fair values and gains and losses arising from changes in fair values are recognize in income in the period the changes occur. The use of non-hedging derivative contracts is governed by documented risk management policies and approved limits. Derivative financial instruments of a financing nature are recorded at fair value determined on a credit adjusted basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Changes in Accounting Policies

Effective January 1, 2003 the Company adopted the requirements of the CICA Accounting Guideline 14,"Disclosure of Guarantees" (AcG 14), which requires additional disclosure about a guarantor's obligations under certain guarantees in the financial statements. AcG 14 defines a guarantee as a contract that contingently requires the guarantor to make payments to a guaranteed party based on (a) changes in the underlying economic characteristic that is related to an asset, liability or an equity security of the guaranteed party; (b) failure of another party to perform under an obligating agreement; or (c) failure of a third party to pay its indebtedness when due.

Future Accounting Policy Changes

The following future accounting policy changes may have an impact on the Division, although the impact, if any, has not been determined at this time. In July 2003, the CICA issued handbook section 1100, "Generally Accepted Accounting Principles". The section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of

1. BASIS OF PRESENTATION (Continued)

GAAP. The Company will implement the new section prospectively beginning on January 1, 2004. Due to prospective nature of this change, there is no impact on the Division's consolidated financial statements as of the implementation date.

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" (AcG 15). AcG 15 provides guidance for applying the principles in Section 1590, "Subsidiaries", to those entities (defined as Variable Interest Entities (VIEs)), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack any of voting control, an obligation to absorb expected losses, or the right to share expected residual returns. AcG 15 requires consolidation of VIE'S by the Primary Beneficiary, which is defined as the party which has exposure to the majority of a VIE'S expected losses and/or expected residual returns. The Company is in the process of assessing the impact of the amended standard on the divisional consolidated financial statements.

In November 2003, the Accounting Standards Board (AcSB) approved a revision to CICA Section 3860, "Financial Instruments: Disclosure and Presentation", to require certain obligations that must or could be settled with a variable number of the issuer's own equity instruments to be presented as a liability.

Effective January 1, 2004, the Company will adopt Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting.

In March 2003, the CICA issued Section 3110, "Asset Retirement Obligations", effective for financial statements issued for fiscal years beginning on or after January 1, 2004. Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. Section 3110 is not expected to have a material impact on the consolidated financial statements of the Division.

2. ACQUISITIONS

The Company acquired interests in one power generating asset in 2003, four power generating assets in 2002 and one power generating asset in 2001. All acquisitions have been accounted for using the purchase method of accounting and the results of their operations have been included in these consolidated financial statements from the date of acquisition.

In November 2003, the Company completed the acquisition of leasehold interests in three hydroelectric generating stations in New England for cash consideration of US$ 28 million. This acquisition includes two generating stations on the Androscoggin River in New Hampshire and one on the Moose River in Maine, having a combined generating capacity of 16.5 MW.

The fair value assigned to the assets acquired was as follows:

US$ millions	**2003**
Power generating assets	**$30**
Working Capital	**(2)**
Net assets acquired	**$28**
Consideration paid — $US	**$28**
Consideration paid — $CAN	**$37**

In February 2002, the Income Fund completed the acquisition of the hydroelectric generating system and related transmission facilities in northern Maine, USA for cash consideration of US$152 million and a promissory note of US$5 million payable to the seller. The system consists of six hydroelectric generating stations located on the Penobscot River with a combined generating capacity of approximately 126 MW and eleven water storage dams.

2. ACQUISITIONS (Continued)

The fair value assigned to the assets acquired was as follows:

US$ millions	2002
Power generating assets	$158
Working Capital	(1)
Net assets acquired	$157
Consideration paid — $US	$157
Consideration paid — $CAN	$250

In May 2002, the Income Fund completed the acquisition of a hydroelectric generating system located in New Hampshire for cash consideration of US$33 million. The system consists of six hydroelectric stations located on the Androscoggin River in New Hampshire, with a combined generating capacity of approximately 31 MW.

The fair value assigned to the power generating assets acquired was equal to the cash consideration paid.

In May 2002, the Company completed the acquisition of a hydroelectric generating system located in northern Ontario for cash consideration of $346 million. The system consists of four hydroelectric stations located on the Mississagi River with a combined generating capacity of approximately 488 MW and four water storage dams.

The fair value assigned to the assets acquired was as follows:

$ millions	2002
Power generating assets	$345
Working Capital	1
Net assets acquired	$346
Consideration paid	$346

In November 2002, the Company acquired the 50% interest which it did not own in the Lake Superior Power cogeneration station in northern Ontario for cash consideration of $30 million.

The net assets acquired as a result of the acquisition and the consideration given are as follows:

$ millions	2002
Assets acquired	
Current assets	$ 6
Power generating assets	61
Liabilities assumed	
Long-term debt	(37)
Net assets acquired	$ 30
Consideration paid	$ 30

In February 2001, the Income Fund acquired a 50% indirect interest in the Powell River Energy hydroelectric power generation and transmission facilities in southwestern British Columbia for cash consideration of $58 million.

2. ACQUISITIONS (Continued)

The net assets acquired as a result of the acquisition and the consideration given are as follows:

$ millions	2001
Assets acquired	
Power generating assets	**$ 58**
Goodwill	**17**
Liabilities assumed	
Future income tax liability	**(17)**
Net assets acquired	**$ 58**
Consideration paid	**$ 58**

3. ACCOUNTS RECEIVABLE AND OTHER

The composition of accounts receivable and other is as follows:

$ millions	2003	2002
Demand deposits with affiliates	**$236**	$ 61
Trade receivable	**130**	83
Prepaid interest and other	**59**	45
	$425	$189

The fair values of the Division's accounts receivable and other approximate their carrying values at December 31, 2003 and 2002 based on expected future cash flows from these assets, discounted at market rates for assets with similar terms and investment risks.

4. POWER GENERATING ASSETS

The composition of the Division's power generating assets at December 31, 2003 and 2002 by geographic area and asset type, are shown below:

$ millions	2003	2002
By geographical area:		
Ontario	**$ 920**	$ 937
Quebec	**426**	429
Northeast United States	**296**	304
Other operations	**467**	457
	$2,109	$2,127
By asset type:		
Generation	**$1,957**	$1,846
Transmission	**167**	157
Distribution	**77**	69
Other	**—**	54
	2,201	2,126
Accumulated depreciation and amortization	**(388)**	(331)
	1,813	1,795
Investment in Lousiana HydroElectric	**296**	332
	$2,109	$2,127

Depreciation is based on the service lives of the assets which are generally 60 years for hydroelectric generation, 20 years for cogeneration and 40 years for transmission, distribution and other.

4. POWER GENERATING ASSETS (Continued)

The Company's 75% residual interest in Louisiana HydroElectric Power's hydroelectric generating station and sediment control works is shown on an equity accounted basis. The Company's share of equity accounted earnings in 2003 was $18 million (2002 — $18 million; 2001 — $5 million).

The financial accounts of Louisiana HydroElectric Power for 2003, 2002 and 2001 are as follows:

$ millions	2003	2002	2001
Assets	**$1,357**	$1,604	$1,568
Property specific borrowings	**1,056**	1,273	1,261
Other liabilities	**129**	155	156
Operating revenues	**193**	209	187
Operating expenses	**50**	55	53
Net income	**26**	24	7

In the course of its operations, the Company has entered into agreements for the use of water, land and/or dams. Payment under those agreements depends on the amount of power generated. The various renewable agreements extend through the year 2008 for Great Lakes Power, 2044 for Valerie Falls Power, 2019 and 2020 for Pontiac Power, 2019 for Lièvre River Power, 2046 to 2066 for Mississagi Power, 2012 for Brassua Power, 2023 for Errol Power, 2032 for Pontook Power and 2031 for Louisiana HydroElectric Power. Substantially all of the water rights for Powell River Energy are perpetual.

5. JOINT VENTURES

The following amounts represent the Company's proportionate interest in incorporated and unincorporated joint ventures reflected in the Company's accounts. These amounts include Powell River Energy and Pingston Power in 2003, Powell River Energy in 2002 and Powell River Energy and Lake Superior Power in 2001 only.

$ millions	2003	2002	2001
Assets	**$93**	$59	$125
Liabilities	**54**	56	84
Operating revenues	**5**	9	46
Operating expenses	**1**	8	31
Net income	**3**	1	10
Cash flows from operating activities	**4**	2	16
Cash flows from investing activities	**(1)**	(1)	(60)
Cash flows from financing activities	**—**	(1)	37

6. PROPERTY SPECIFIC BORROWINGS

$ millions	2003	2002
Great Lakes Power Limited		
First Mortgage Bonds		
Series 1	**$ 384**	—
Subordinated	**115**	—
Series 4 (US$105)	**—**	$166
Series 5	**—**	150
	$ 499	$316
Great Lakes Power Trust		
Secured credit facility	**21**	8
First Mortgage Bonds		
Series 1	**50**	50
Series 2	**25**	25
Series 3	**25**	25
	$ 121	$108
Other Power Operations		
Property specific borrowings		
Pontiac Power	**61**	62
Valerie Falls Power	**32**	32
Powell River Energy	**38**	38
Lake Superior Power	**13**	19
Mississagi Power	**175**	151
Great Lakes Hydro America (US $136)	**177**	179
	$ 496	$481
	$1,116	$905

The fair value of the Company's property specific borrowings is $1,111 million (2002 — $927 million) based on current market prices for debt with similar terms and risks.

The $384 million First Mortgage Bonds Series 1 and the $115 million subordinated First Mortgage Bonds bear interest at the rate of 6.60% and 7.80% respectively, are due on June 16, 2023 and are secured by a charge on all present and future real property of the electricity power generating assets of Great Lakes Power. These bonds replaced the $316 million First Mortgage Bonds Series 4 and 5 bearing interest at respective rates of 6.57% and 4.58%, which matured June 16, 2003.

The Great Lakes Power Trust First Mortgage Bonds Series 1, 2 and 3 bear interest at 7.33%, 7.55% and 7.78%, respectively; and are due April 24, 2005, April 24, 2010 and April 24, 2015, respectively. These Mortgage Bonds are secured by charges on all present and future real and personal property of Great Lakes Power Trust, including the Lièvre River Power system. Great Lakes Power Trust is a wholly owned subsidiary of the Great Lakes Hydro Income Fund.

The $61 million Pontiac Power mortgage loans bear interest at a blended rate of 10.52%, amortized monthly to a maturity of December 1, 2020 and are secured by charges on the respective Pontiac Power generating assets.

The $32 million Valerie Falls First Mortgage Bond bears interest at 6.84%, with interest only payments semi-annually for the first 20 years and blended principal and interest payments for the remaining 20 years to a maturity of December 20, 2042.

The Company's proportionate share of the $75 million Powell River Energy first mortgage bond bears interest at 6.4%, is due July 24, 2009 and is secured by a charge on the respective Powell River Energy Inc operating assets. Great Lakes Power Trust owns 50% of Powell River Energy Inc.

The $13 million Lake Superior Power mortgage loan bears interest at 9.41%, amortizes annually to December 29, 2006 and is secured by a charge on the Company's Lake Superior Power cogeneration assets.

The $175 million Mississagi Power First Mortgage Bonds bear interest at 6.92% and mature on November 27, 2020. The Bonds are secured by a charge on all present and future real and personal property of Mississagi Power Trust, a subsidiary of Great Lakes Power Trust.

6. PROPERTY SPECIFIC BORROWINGS (Continued)

The US$136 million Great Lakes Hydro America ("GLHA") mortgage loan bears interest at US prime plus 150 basis points and matures on January 29, 2005. The loan is secured by a charge on all present and future real and personal property of GLHA and its subsidiaries. GLHA is a wholly owned subsidiary of Great LakesPower Trust.

The Company has established a US$100 million loan facility with Brascan Corporation, its principal shareholder, which can be drawn down at any time, bearing interest at the prime rate and secured by the residual interest in Louisiana HydroElectric Power. At either party's option, the facility may be drawn down and converted into a fixed-rate financing at 9.75% repayable in 2015.

Principal repayments on the outstanding property specific borrowings due over the next five years and thereafter are as follows:

$ millions	Annual Repayments
2004	$ 8
2005	234
2006	4
2007	2
2008	2
Thereafter	866
	$1,116

7. TERM DEBENTURES

$ millions	2003	2002
Corporate debentures		
Series 1 (US $175)	**$227**	$277
Series 3 (US $200)	**260**	316
	$487	$593

The Series 1 debentures bear interest at the rate of 9.0% and are due in August 2004. The Series 3 debentures bear interest at 8.3% and are due March 2005. The fair value of the term debentures is $487 million (2002 — $593 million) based on current market prices for debt with similar terms and risks.

8. FUTURE INCOME TAX LIABILITY

The Division's future income tax liability of $142 million (2002 — $110 million) is comprised principally of temporary differences relating to property, plant and equipment. This amount is net of a future tax asset of $8 million (2002 — $12 million) relating to unused non-capital losses. The difference between taxes calculated at the statutory rate and those recorded and reconciled is as follows:

$ millions	2003	2002	2001
Net income	**$16**	$48	$14
Combined income tax rates	**36%**	38%	41%
Statutory income tax rates applied to accounting income	**6**	18	6
Non-deductible expenses	**12**	3	1
Change in tax rates	**13**	—	—
Provision for income taxes	**$31**	$21	$ 7

9. NON-CONTROLLING INTERESTS

Non-controlling interests include preferred shares, limited partnership interests and trust units owned by minority shareholders in the Division's consolidated subsidiaries, as follows:

$ millions	2003	2002
Preferred shares issued by consolidated subsidiaries	**$ 90**	$ 90
Limited partnership interests of consolidated subsidiaries	**—**	4
Trust units issued by consolidated subsidiaries	**241**	258
	$331	$352

10. DIVISION EQUITY

As the Company sells the investments it owns, it injects the proceeds as a capital contribution to the Division's equity.

11. OTHER INFORMATION

The Company's two largest customers accounted for 21% and 9%, respectively, of total revenues in 2003 (2002 — 8% and 7%, respectively; 2001 — 12% and 10% respectively).

During 2003, no hydrological provisions (2002 — nil, 2001 — $7 million) were applied against power purchase costs and no (2002 — $3 million, 2001 — $10 million) recovery of hydrological provisions was included in revenue from power operations.

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into a power agency and guarantee agreement with the Great Lakes Power Trust (the "Trust"), in which the Company has a 50% indirect interest, for a term of 20 years. This agreement requires the Company to fund any deficiency amount between a guaranteed price for energy and the actual energy revenues earned by the Trust. The Company is entitled to receive any revenues in excess of the guaranteed amount.

In addition, the Company agreed to provide to the Income Fund hydrology credit facilities in the amount of $25 million for a period of 15 years, of which not more than $8 million is permitted to be advanced during any given year. Of this amount, Lièvre River Power has $15 million available until 2014 and Mississagi Power has $10 million available until 2019. These facilities bear interest at market rates.

The Company has entered into a 24 month agreement which commenced in May 2003 with an affiliate to supply the power requirement of one of its facilities in the US and to share, to a limited extent, in the profit and loss on the arrangement. During 2003, the Company sold power for $95 million under this arrangement and no amounts were due under the profit and loss sharing component.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized in the management of interest rate and commodity exposures primarily related to the generation of electricity. It is the Company's policy to restrict the use of derivative financial instruments for trading or speculative purposes to within predetermined limits.

The Company formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking forward electricity sale derivatives to specific periods in which the Company anticipates generating electricity for sale. It is the Company's policy to formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of the hedged items.

The Company defers unrealized gains and losses on energy commodity contracts designated as hedges and records them as an adjustment to power revenues when the underlying hedged transaction is recorded.

Commodity contracts not designated as hedges are recorded in accounts receivable or accounts payable at fair value with changes in fair value recorded in power revenue.

As at December 31, 2003, contracts designated as hedges had a net replacement cost determined based on quoted market rates of $7 million (2002 — $33 million), consisting of contracts with a positive mark-to-market of $30 million (2002 — $38 million) and contracts with a negative mark-to-market of $37 million (2002 — $71 million) The Company manages credit risks by entering into contracts with highly rated counterparties.

13. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Company enters into interest rate swaps on its long term debt. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

The Company designates its interest hedge agreements as hedges of the underlying debt. Interest expense is adjusted to include the payments made or received under the interest rate swaps. The total notional amount of principal underlying interest rate swap contracts in 2003 was $772 million (2002 — $466 million, 2001 — $468 million). These contracts have maturities varying from one to twenty years, and have a replacement value in excess of that recorded in the company's accounts of $6 million (2002 — $8 million, 2001 — $26 million) and replacement cost of $16 million (2002 — nil) in excess of that recorded in the company's accounts.

In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instruments, any realized or unrealized gain or loss on such derivative instruments is recognized in income. In the event a derivative instrument in a designated hedge relationship is sold, extinguished or matures prior to the termination of the related hedged item, any realized or unrealized gain or loss is recognized in income on the same basis as the underlying hedged item.

14. EMPLOYEE BENEFIT PLAN

The Company offers a number of pension plans to its employees. The Company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. As of December 31, 2003, the assets of the plans totaled $45 million (2002 — $40 million), accrued benefit obligation amounted to $60 million (2002 — $43 million), and the net accrued benefit liability was $1.8 million (2002 — $3 million). The benefit plan expense for 2003 was $2.4 million (2002 — $0.3 million, 2001 — $0.2 million). The investment rate of return was 7% (2002 — 7%, 2001 — 7%). The discount rate used was 6% (2002 — 6.75%; 2001 — 6.75%) with a rate of compensation increase of 3.5% (2002 — 3.8%; 2001 — 3.8%).

15. GEOGRAPHIC SEGMENTED INFORMATION

The Company operates in Canada; the United States Power revenues by country are as follows:

$ millions	2003	2002	2001
Canada	**$293**	$288	$258
United States	**153**	52	12
Brazil	**2**	—	—
	$448	$340	$270

Net income by country is as follows:

$ millions	2003	2002	2001
Canada	**$ 158**	$ 181	$120
United States	**42**	35	12
Other unallocated income (expenses)	**(184)**	(168)	(118)
	$ 16	$ 48	$ 14

Power generating assets by country are as follows:

$ millions	2003	2002
Canada	**$1,481**	$1,453
United States	**593**	636
Brazil	**35**	38
	$2,109	$2,127

15. GEOGRAPHIC SEGMENTED INFORMATION (Continued)

Depreciation expense from power generating assets by country is as follows:

$ millions	2003	2002	2001
Canada	**$50**	$34	$27
United States	**7**	6	—
	$57	$40	$27

16. GUARANTEES

In the normal course of operations, the Company and its consolidated subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services. The Company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the Company from making a reasonable estimate of the maximum potential amount that the Company could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the Company nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

17. SUBSEQUENT EVENTS

(a) On September 28, 2004 the Company completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York from Reliant Energy for approximately US$880 million. The acquisition has been accounted for using the purchase method.

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

(in US$ millions)	
Power generating assets, including intangibles	$ 876
Working capital	19
Pension obligation	(15)
	$ 880
In Cdn$ millions	$1,118

The acquisition was funded through:

(in US$ millions)	
Cash	$ 380
Bridge financing	500
	$ 880
In Cdn$ millions	$1,118

(b) Effective December 1, 2004, Great Lakes Power Inc. changed its legal name to Brascan Power Inc.

(c) On December 16, 2004, the Company's subsidiary Brascan Power Corporation closed a financing pursuant to a confidential offering memorandum prepared for the purpose of obtaining $500,000,000 of debt financing from institutional investors. The Company obtained $400,000,000 in unsecured debentures with an interest rate of 4.65% and maturing on December 16, 2009 and $100,000,000 in unsecured debentures with a floating rate maturing on December 18, 2006.

On March 16, 2005, the Company's subsidiary Brascan Power Corporation filed a prospectus with Canadian securities regulators as required under the terms of the offering memorandum.

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

DIVISIONAL CONSOLIDATED BALANCE SHEET

($ millions)
(Unaudited)

	September 30 2004	December 31 2003
ASSETS		
Cash and cash equivalents	$ 82	$ 31
Accounts receivable and other	262	425
Power generating assets	3,298	2,109
	$3,642	$2,565
LIABILITIES		
Accounts payable and other	$ 234	$ 163
Property specific borrowings	1,808	1,116
Corporate term debentures	254	487
Future income tax liability	175	142
Non-controlling interests	331	331
Division equity	840	326
	$3,642	$2,565

See accompanying notes

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

DIVISIONAL CONSOLIDATED STATEMENT OF INCOME

($ millions)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Power revenue	$154	$126	$504	$305
Net operating income				
Power Generation	72	46	254	146
Transmission & Distribution	5	6	21	20
	77	52	275	166
Investment and other income	8	—	12	—
	85	52	287	166
Expenses				
Interest	27	25	81	70
Depreciation	15	13	45	40
Non-controlling interests	5	5	24	12
Administrative costs	8	6	23	17
Non-cash taxes and other	10	2	41	9
	65	51	214	148
Net income	$ 20	$ 1	$ 73	$ 18

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

DIVISIONAL CONSOLIDATED STATEMENT OF EQUITY

($ millions)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Division equity				
Balance, beginning of period	$ 379	$159	$ 326	$159
Net income	20	1	73	18
Distributions	(822)	(20)	(862)	(60)
Capital contributions	1,249	206	1,303	229
Cumulative translation adjustment	14	—	—	—
Balance, end of period	$ 840	$346	$ 840	$346

See accompanying notes

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.

DIVISIONAL CONSOLIDATED STATEMENT OF CASH FLOWS

($ millions)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Cash flow from operations				
Net income	$ 20	$ 1	$ 73	$ 18
Add non-cash items				
Depreciation	15	13	45	40
Tax and other	10	7	35	(4)
	45	21	153	54
Net change in non-cash working capital and other	33	12	65	(15)
	78	33	218	39
Financing and shareholder distributions				
Borrowings	732	117	882	516
Issuance of convertible corporate debentures	1,100	—	1,100	—
Debt repayments	(260)	(28)	(416)	(420)
Capital contributions	149	23	203	229
Distributions:				
— Great Lakes Hydro Income Fund unitholders	(7)	(7)	(22)	(22)
— Division equity and equivalents	(830)	(20)	(870)	(60)
	884	85	877	243
Investing activities				
Loans and other receivables	190	(111)	174	(213)
Power generating assets	(1,140)	(1)	(1,218)	(68)
	(950)	(112)	(1,044)	(281)
Cash and cash equivalents				
Increase during the period	12	6	51	1
Balance, beginning of period	70	5	31	10
Balance, end of period	$ 82	$ 11	$ 82	$ 11

THE POWER GENERATING DIVISION OF GREAT LAKES POWER INC.
NOTES TO DIVISIONAL CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

Business Operations

Great Lakes Power Inc. (since renamed "Brascan Power Inc." ("the Company")) is incorporated under the laws of Ontario and develops and operates hydroelectric and other power generating facilities in Canada, the United States and Brazil and a transmission and distribution system in northern Ontario. The Company also invests in common and preferred shares of affiliates and third parties.

Basis of Presentation

These financial statements are divisional financial statements of the Company prepared to exclude its investment division activities and include only those activities related to power generation, transmission and distribution (the "Power Generating Division" or the "Division"). These divisional financial statements have been prepared in anticipation of a reorganization whereby, Brascan Power Corporation ("BPC"), a related company by virtue of common control, will acquire all of the operating businesses owned by Great Lakes Power Inc. including the power generating, distribution and transmission assets of Great Lakes Power Limited, the Company's equity ownership interests in Great Lakes Hydro Income Fund, Lake Superior Power, Valerie Falls Power and Hydro Pontiac Power Inc. It also intends to acquire the investments in Powell River Energy, Louisiana Hydroelectric Power and Pingston Power. BPC will not acquire any of the other investments previously held by Great Lakes Power Inc.

The divisional consolidated financial statements include:

(i) the power generating, distribution and transmission accounts of all subsidiaries and other controlled entities of Great Lakes Power Inc. including Great Lakes Power Limited, Great Lakes Hydro Income Fund (the "Income Fund"), Lake Superior Power, Valerie Falls Power and Hydro Pontiac Inc. ("Pontiac Power"); and

(ii) the accounts of incorporated and unincorporated joint ventures and partnerships to the extent of the Company's proportionate interest in their respective assets, liabilities, revenue and expenses, including the Company's investment in Powell River Energy and Pingston Power. The Company owns a 75% non-controlling residual interest in Louisiana HydroElectric Power, which is equity accounted.

These consolidated divisional financial statements take into consideration the proceeds received by Great Lakes Power Inc. in respect of investments sold to fund the purchase of power generating assets and accounts for these as a capital contribution from the investment division of Great Lakes Power Inc.

2. SUMMARY OF ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements include the accounts of the Division consolidated with the accounts of all its subsidiaries. Reference is made to the Company's most recently issued Annual Report, which included information necessary or useful to understanding the Company's businesses and financial statement presentations. In particular, the Company's significant accounting policies and practices relevant to the preparation of these financial statements were presented as Note 1 to the Consolidated Financial Statements included in that report. The Company's accounting policies and methods of their application are consistent with those of the most recent annual financial statements, except as may be described elsewhere in these financial statements. The quarterly financial statements are unaudited. Financial information in this Interim Report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with generally accepted accounting principles.

The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2004, the Company adopted Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting. Realized and unrealized gains and losses on derivative financial instruments designated as hedges of financial risks are included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Effective January 1, 2004, the Company adopted CICA Handbook section 3110, "Asset Retirement Obligations". Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. The Company does have asset retirement obligations associated with certain generating stations. The retirement date for these generating stations cannot be reasonably estimated and therefore the fair value of the associated liability cannot be estimated at this time. As a result, no liability has been accrued in these financial statements.

4. DIVISION EQUITY

During the quarter the Company restructured its capital base through the issuance to Brascan Corporation of $1,100 million of subordinated convertible debentures and the payment of a dividend of $800 million, resulting in a net equity contribution of $300 million, which was used to fund a portion of the New York acquisition. These debentures bear an annual interest rate of 11.30%, payable quarterly, and mature on June 30, 2054. Interest paid on these debentures is recorded as a reduction of equity.

5. ACQUISITION OF BRASCAN POWER NEW YORK

On September 28, 2004 the Company completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York from Reliant Energy for approximately US$880 million. 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 net assets acquired were as follows:

(in US $ millions)	
Power generating assets, including intangibles	$ 876
Working capital	19
Pension obligation	(15)
	$ 880
In Cdn $ millions	$1,118

The acquisition was funded through:

(in US $ millions)	
Cash	$ 380
Bridge financing	500
	$ 880
In Cdn $ millions	$1,118

6. FINANCING ACTIVITIES

The Company refinanced US$110 million and US$15 million of the Great Lakes Hydro America (GLHA) bridge loan facility in May and September 2004 respectively with senior secured notes. The notes are secured by a first ranking lien on all GLHA assets, bear an annual interest rate of 5.54% and 6.04% respectively, are payable quarterly and mature on May 28, 2014.

The Company arranged bridge financing of US$500 million for the acquisition of the New York assets. The agreement is secured by a first ranking lien on all New York assets, bears an annual interest rate of LIBOR plus 100 basis points and matures on September 28, 2006.

The Company also completed the issuance of $77 million of series A, fully amortizing senior secured bonds bearing an annual interest rate of 4.4%. These bonds mature on September 23, 2009 and are secured by a first ranking lien on all Lake Superior Power assets.

The US $175 million Series 1 corporate debentures were repaid upon maturity in August 2004.

7. GEOGRAPHIC SEGMENTED INFORMATION

The Division operates in Canada and the United States.

Power revenues by country are as follows:

	September 2004		September 2003	
$ million	**Q3**	**YTD**	**Q3**	**YTD**
Canada	$ 84	$300	$ 67	$202
US	59	203	59	103
Other unallocated income	11	1	—	—
	$154	$504	$126	$305

Depreciation expense from the power generating assets by country are as follows:

	September 2004		September 2003	
$ million	**Q3**	**YTD**	**Q3**	**YTD**
Canada	$ 12	$ 39	$ 11	$ 36
US	3	6	2	4
Others	—	—	—	—
	$ 15	$ 45	$ 13	$ 40

Net income by country is as follows:

	September 2004		September 2003	
$ million	**Q3**	**YTD**	**Q3**	**YTD**
Canada	$ 24	$103	$ 11	$ 29
US	(5)	11	(8)	(2)
Other unallocated income (expenses)	1	(41)	(2)	(9)
	$ 20	$ 73	$ 1	$ 18

Power generating assets by country are as follows:

$ million	**September 2004**	**December 2003**
Canada	$1,465	$1,482
US	1,764	592
Brazil	69	35
	$3,298	$2,109

8. SUBSEQUENT EVENTS

a) Effective December 1, 2004, Great Lakes Power Inc. changed its legal name to Brascan Power Inc.

b) On December 16, 2004, the Company closed a financing pursuant to a confidential offering memorandum prepared for the purpose of obtaining $500,000,000 of debt financing from institutional investors. The Company obtained $400,000,000 in unsecured debentures with an interest rate of 4.65% and maturing on December 16, 2009 and $100,000,000 in unsecured debentures with a floating rate maturing on December 18, 2006.

On March 16, 2005, the Company filed a prospectus with Canadian securities regulators as required under the terms of the offering memorandum.

COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To: The Directors of Brascan Power Corporation
And to: The Directors of Great Lakes Power Inc. (since renamed Brascan Power Inc.)

We have read the accompanying unaudited pro forma consolidated balance sheet of Brascan Power Corporation (the "Company") as at September 30, 2004 and the unaudited pro forma consolidated statements of income for the nine months then ended, and for the year ended December 31, 2003, and have performed the following procedures:

1. Compared the figures in the columns captioned "GLPI-PGD" to the unaudited divisional consolidated financial statements of the Power Generating Division of Great Lakes Power Inc. as at September 30, 2004 and for the nine months then ended, and the audited divisional consolidated financial statements of the Power Generating Division of Great Lakes Power Inc. for the year ended December 31, 2003, respectively, and found them to be in agreement.

2. Compared the figures in the columns captioned "Reliant" (as converted to Canadian dollars) to the unaudited combined financial statements of Carr Street Generating Station L.P., Erie Boulevard Hydropower L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc., and Orion Power Operating Services Carr Street Inc., for the six months ended June 30, 2004, and the audited combined financial statements of Carr Street Generating Station, L.P., Erie Boulevard Hydropower, L.P., Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater, Inc. and Orion Power Operating Services Carr Street, Inc. for the year ended December 31, 2003, respectively, and found them to be in agreement.

3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the pro forma financial statements comply as to form in all material respects with securities acts of the provinces and territories of Canada (the "Acts") and the related regulations.

   The officials:

   (a) described to us the basis for determination of the pro forma adjustments, and

   (b) stated that the pro forma statements comply as to form in all material respects with the Acts and related regulations.

4. Read the notes to the pro forma consolidated statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "GLPI-PGD" and "Reliant" as at September 30, 2004 and for the nine and six month periods ended September 30, 2004 and June 30, 2004, respectively, and for the year ended December 31, 2003, and found the amounts in the column captioned "Pro Forma Brascan Power Corporation" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Toronto, Canada
March 16, 2005

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

BRASCAN POWER CORPORATION

PROFORMA CONSOLIDATED BALANCE SHEET

($ millions)
As at September 30, 2004
(Unaudited)

	GLPI-PGD	Pro Forma Adjustments (Note 5)	Pro Forma Brascan Power Corporation
ASSETS			
Cash and cash equivalents	$ 82	$ —	**$ 82**
Loans and other receivables	262	—	**262**
Power generating assets	3,298	—	**3,298**
	$3,642	$ —	**$3,642**
LIABILITIES			
Accounts payables and other	$ 234	$ —	**$ 234**
Property specific borrowings	1,808	—	**1,808**
Corporate term debentures	254	—	**254**
Future income tax liability	175	—	**175**
Non-controlling interests	331	—	**331**
Shareholders' equity	840	—	**840**
	$3,642	$ —	**$3,642**

* Reliant numbers were converted at a rate of $1.27 CDN/US.

See accompanying notes

BRASCAN POWER CORPORATION

PROFORMA CONSOLIDATED STATEMENT OF INCOME

($ millions)
Nine months ended September 30, 2004
(Unaudited)

	GLPI-PGD	Reliant*	Pro forma Adjustments		Pro Forma Brascan Power Corporation
		Note 4	Note 5		
POWER REVENUE	$504	$ 78	(a)	$ 52	**$634**
EXPENSES					
Operating and maintenance	43	23	(b)	10	**76**
Fuel and power purchases	165	2	(c)	—	**167**
Cash taxes and other	21	15	(b)	8	**44**
	275	38		34	**347**
Investment and other income	12	—		—	**12**
	287	38		34	**359**
EXPENSES					
Interest	81	—	(d)	12	**93**
Depreciation	45	6	(b)	3	**59**
			(e)	5	
Non-controlling interests	24	—		—	**24**
Administrative costs	23	2	(b)	1	**26**
Non-cash taxes and other	41	—		—	**41**
	214	8		21	**243**
Net income	$ 73	$ 30		$ 13	**$116**

* Reliant numbers were converted at a rate of $1.27 Cdn/US.

See accompanying notes

BRASCAN POWER CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

($ millions)
Year ended December 31, 2003
(Unaudited)

	GLPI-PGD	Reliant*	Pro Forma Adjustments Note 5		Pro Forma Brascan Power Corporation
Power revenue	$448	$150		—	**$598**
				—	
Expenses				—	
Operating and maintenance	62	48		—	**110**
Fuel and power purchases	129	1		—	**130**
Cash taxes and other	16	33		—	**49**
	241	68		—	**309**
Investment and other income	1	—		—	**1**
	242	68		—	**310**
Expenses					
Interest	93	—	(d)	16	**109**
Depreciation	57	15	(e)	7	**79**
Non-controlling interests	22	—		—	**22**
Administrative costs	23	—		—	**23**
Non-cash taxes and other	31	—		—	**31**
	226	15		23	**264**
Net income	$ 16	$ 53		$(23)	**$ 46**

* Reliant numbers were converted at a rate of $1.27 CDN/US

See accompanying notes

BRASCAN POWER CORPORATION

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2004 and for the year ended December 31, 2003 (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements of Brascan Power Corporation ("BPC") have been prepared in accordance with Canadian generally accepted accounting principles to give effect to the reorganization of power generating assets within the Brascan Group resulting in BPC acquiring from its parent company, Brascan Power Inc. ("BPI"), the Power Generating Division of Great Lakes Power Inc. ("GLPI-PGD") and Erie Boulevard Hydropower Limited Partnership, Carr Street Generating Station Limited Partnership, Orion Power New York GP II, Inc., Orion Power Operating Services Coldwater Inc., and Orion Power Operating Services Carr Street ("Reliant") as though it had taken place as of January 1, 2003 for income statement purposes.

The assumptions used in these pro forma consolidated financial statements are based on management's judgment as to the most probable set of economic conditions after giving effect to the reorganization and acquisition of the Reliant assets. The unaudited pro forma financial statements may not be indicative of the results that would have occurred if the acquisition of Reliant had occurred on January 1, 2003 or of the results which may be obtained in the future.

The pro forma consolidated financial statements are presented solely to provide information to prospective debt holders and may not be appropriate for other purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information contained in the accompanying pro forma consolidated financial statements has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

(a) **Basis of Presentation**

The pro forma consolidated financial statements include the accounts of all subsidiaries and other controlled entities of BPC after the reorganization as well as the Reliant assets.

(b) **Revenue and Expense Recognition**

Revenue from the sale of electricity, gas and steam is recorded based upon output delivered at rates specified under contract terms or prevailing market rates.

Power purchases are recorded upon delivery, are recorded as a reduction of total revenue, and are included as a component of net operating income.

(c) **Income Taxes**

BPC uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse.

(d) **Use of Estimates**

The preparation of pro forma financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. Actual results will differ from estimates.

3. ACQUISITION OF RELIANT

On September 28, 2004 BPI completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York from Reliant Energy for approximately US$880 million. The acquisition has been accounted for using the purchase method.

3. ACQUISITION OF RELIANT (Continued)

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

	(in US $ millions)
Power generating assets, including intangibles	$ 876
Working capital	19
Pension obligation	(15)
	$ 880
In Cdn $ millions	$1,118

The acquisition was funded through:

	(in US $ millions)
Cash	$ 380
Bridge financing	500
	$ 880
In Cdn $ millions	$1,118

4. RELIANT FINANCIAL INFORMATION

Actual financial information for Reliant is available until June 30, 2004 the most recent quarter end prior to acquisition. Therefore the figures expressed in the proforma consolidated statement of income for the nine months ended September 30, 2004 are for the period of January 1, 2004 to June 30, 2004. The period of July 1, 2004 to September 28, 2004 is included in the column entitled pro forma *adjustments* for which the assumptions used are explained in note 5.

5. PROFORMA ADJUSTMENTS AND ASSUMPTIONS

(a) Revenue for the period of July 1, 2004 to September 28, 2004 has two components: generation from all of the hydroelectric generating units and generation from Carr Street, the cogeneration unit. Actual generation and revenue earned for the hydroelectric units for that three month period was used to prepare the proforma consolidated statement of income.

(b) Operating and maintenance, cash taxes and other as well as administrative costs and depreciation are assumed to be fixed and incurred evenly over a twelve month period. Therefore, the amounts for the three month period of July 1, 2004 to September 30, 2004 are a proration of actual expenses incurred by Reliant between January 1, 2004 to June 30, 2004.

(c) Fuel purchases for Carr St. generating facility are assumed to be nil for the period between July 1 and September 28, 2004 as it is assumed that no power was generated from Carr St. for that period.

(d) Interest expense has been increased by $12 million for the period from January 1, 2004 to September 30, 2004 and $16 million for the year ended December 31, 2003 to reflect additional debt relating to the financing of the Reliant acquisition. The increase relates to the external debt of US $500 million bridge financing obtained. The debt matures on September 28, 2006 and bear interest at a rate of LIBOR + 100 basis points or approximately 2.5% per annum.

(e) Depreciation is assumed to be higher than Reliant's actual expense as the assets were re-evaluated on acquisition and assumed a higher cost base. Amortization periods for the majority of assets vary between 40 and 60 years. In order to calculate the revised depreciation, it was assumed that the average number of years remaining on the acquired assets is 50 years and hence an additional $5 million of depreciation was taken for the period from January 1, 2004 to September 30, 2004 and $7 million for the year ended December 31, 2003.

(f) The pro forma consolidated financial statements have been prepared using actual data for the nine months ended September 30, 2004 for BPI and for the six months ended June 30, 2004 for Reliant, adjusted under note 5a), b) and c). The quantity of electricity generated in any specific year may vary significantly resulting in significant variances with the amounts represented in the pro forma consolidated financial statements. All power produced by Reliant was sold under a contract at below current market rates. The contract expired on September 30, 2004.

CERTIFICATE

Dated: March 16, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation likely to affect the value of the securities already issued.

BRASCAN POWER CORPORATION

(Signed) RICHARD LEGAULT
President and Chief Executive Officer

(Signed) DONALD TREMBLAY
Senior Vice President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) HARRY A. GOLDGUT
Director

(Signed) EDWARD C. KRESS
Director

THE PROMOTER

BRASCAN POWER INC.

(Signed) HARRY A. GOLDGUT
Co-Chairman and Chief Executive Officer