

Financial Statements

**Brascan Power Corporation**

March 31, 2005

# Brascan Power Corporation

## BALANCE SHEET

(in thousands of CDN dollars)

	March 31 2005	December 31 2004
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 549	\$ -
Interest receivable (note 3)	5,971	982
	6,520	982
Promissory notes (note 3)	547,110	497,110
Deferred financing fees	4,166	4,095
Future income tax asset	115	14
	\$ 557,911	\$ 502,201
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 100	\$ -
Interest payable	6,199	959
Taxes payable	33	23
Due to related parties	1,514	1,252
	7,846	2,234
Term debentures (note 4)	550,276	500,000
	558,122	502,234
<b>Shareholder's equity</b>	(211)	(33)
	\$ 557,911	\$ 502,201

See accompanying notes to the financial statements.

## STATEMENT OF DEFICIT

(in thousands of CDN dollars)

	3 months ended March 31 2005	16 days ended December 31 2004
	(unaudited)	
Deficit, beginning of period	\$ (33)	\$ -
Net loss for the period	(178)	(33)
Deficit, end of period	\$ (211)	\$ (33)

See accompanying notes to the financial statements.

# Brascan Power Corporation

## STATEMENT OF LOSS

(in thousands of CDN dollars)

For the 3 months ended March 31		2005
		(unaudited)
<b>REVENUES</b>		
Interest income (note 3)	\$	5,820
<b>EXPENSES</b>		
Interest		5,782
Amortization		283
Professional services		22
Other		10
		6,097
Net loss before income taxes		(277)
<b>INCOME TAX EXPENSE (RECOVERY)</b>		
Current		2
Future		(101)
		(99)
<b>NET LOSS</b>	\$	(178)

See accompanying notes to the financial statements.

# Brascan Power Corporation

## STATEMENT OF CASH FLOWS

(in thousands of CDN dollars)

For the 3 months ended March 31	2005
	(unaudited)
<b>OPERATING ACTIVITIES</b>	
Net loss	\$ (178)
Item not affecting cash:	
Amortization of deferred financing fees	283
Amortization of bond premium	(17)
Future income taxes	(101)
	(13)
Change in non-cash working capital items:	
Interest receivable	(4,989)
Accounts payable	100
Interest payable	5,240
Taxes payable	10
Due to related parties	262
	610
<b>INVESTING ACTIVITIES</b>	
Purchase of promissory notes	(50,000)
	(50,000)
<b>FINANCING ACTIVITIES</b>	
Issuance of term debentures	50,293
Financing fees paid	(354)
	49,939
<b>INCREASE IN CASH</b>	<b>549</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>-</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 549</b>
<b>Supplementary information</b>	
Interest paid during the period	\$ 820

See accompanying notes to the financial statements.

# **Brascan Power Corporation**

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2005  
(in thousands of CDN dollars)

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### **1. NATURE AND DESCRIPTION OF THE COMPANY**

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

The Corporation has plans to acquire Brascan Power Inc.'s ("BPI") operating entities. More specifically, under the terms of an offering memorandum, the Corporation is expected to acquire:

- (i) the power generating assets of Great Lakes Power Limited, which is wholly-owned by BPI, the 50.1% equity ownership position in Great Lakes Hydro Income Fund, and the 100% equity ownership positions in Lake Superior Power, Valerie Falls Power, Hydro Pontiac Inc., Highvale Power Corporation, Seine River Power Inc., Superior Wind Energy Inc., Brascan Energy Marketing Inc. ("BEMI"), Great Lakes Holding America Co., 1629350 Ontario Limited; and
- (ii) BPI'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.

The Corporation is a wholly-owned subsidiary of BPI.

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

### **2. BASIS OF PRESENTATION**

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

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

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

# **Brascan Power Corporation**

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

(in thousands of CDN dollars)

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### **3. PROMISSORY NOTES**

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

Interest charged to BPI during the period on all promissory notes was \$5,820, which is included in interest receivable as at March 31, 2005.

### **4. FINANCING ACTIVITIES**

On January 26, 2005 the Corporation issued \$50,000 of Series 1 Canadian debentures, which bear interest at 4.65% and are due on December 16, 2009. This offering was issued at a premium of \$293, which is being amortized over the life of the debentures. The total premium amortized to interest expense during the period was \$17.

The debentures are unconditionally guaranteed by BPI as to the payment of principal, premium, if any, and interest thereon when and as the same shall become due and payable.

### **5. SUBSEQUENT EVENT**

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