

Financial Statements

Brascan Power Corporation

December 31, 2004

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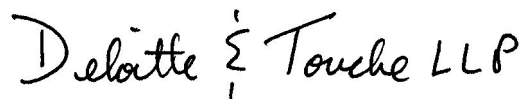
Auditors' Report

To the Shareholder of
Brascan Power Corporation

We have audited the balance sheet of Brascan Power Corporation (the "Corporation") as at December 31, 2004 and the statements of retained earnings, loss, and cash flows for the sixteen-day period then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements 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 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

Toronto, Ontario
February 16, 2005

Brascan Power Corporation

BALANCE SHEET

(in thousands of CDN dollars)

As at December 31		2004
ASSETS		
Current assets		
Interest receivable (note 3)	\$	982
		982
Promissory notes (note 3)		497,110
Deferred financing fees (note 5)		4,095
Future income tax asset (note 8)		14
	\$	502,201
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Interest payable (note 6)	\$	959
Income and capital taxes payable (note 8)		23
Due to related parties (note 4)		1,252
		2,234
Term debentures (note 6)		500,000
		502,234
Shareholder's equity (note 7)		(33)
	\$	502,201

See accompanying notes to the financial statements.

STATEMENT OF RETAINED EARNINGS

(in thousands of CDN dollars)

For the 16 day period ended December 31		2004
Retained earnings, beginning of the period	\$	-
Net loss for the period		(33)
Retained earnings, end of the period	\$	(33)

See accompanying notes to the financial statements.

Approved on behalf of Brascan Power Corporation:



Richard Legault
President and Chief Operating Officer



Donald Tremblay
Senior Vice-President and Chief
Financial Officer

Brascan Power Corporation

STATEMENT OF LOSS

(in thousands of CDN dollars)

For the 16 day period ended December 31 **2004**

REVENUES

Interest income (note 3)	\$	982
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EXPENSES

Interest expense (note 6)	959
Amortization of deferred financing fees (note 5)	47
Capital taxes	15
	1,021

INCOME TAX EXPENSE (RECOVERY) (Note 8)

Current	8
Future	(14)
	(6)

NET LOSS	\$	(33)
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See accompanying notes to the financial statements.

Brascan Power Corporation

STATEMENT OF CASH FLOWS

(in thousands of CDN dollars)

For the 16 day period ended December 31		2004
OPERATING ACTIVITIES		
Net loss	\$	(33)
Item not affecting cash:		
Amortization of deferred financing fees		47
Future income taxes		(14)
		-
Change in non-cash working capital items:		
Interest receivable		(982)
Interest payable		959
Income and capital taxes payable		23
Due to related parties		1,252
		1,252
INVESTING ACTIVITIES		
Issuance of promissory notes		(497,110)
		(497,110)
FINANCING ACTIVITIES		
Issuance of term debentures		500,000
Financing fees paid		(4,142)
		495,858
INCREASE (DECREASE) IN CASH		-
CASH, BEGINNING OF PERIOD		-
CASH, END OF PERIOD	\$	-

See accompanying notes to the financial statements.

Brascan Power Corporation
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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, upon the issuance of the term debentures as described in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All figures are reported in Canadian dollars.

The significant accounting policies are summarized below:

Deferred financing fees

Financing costs associated with the offering of the term debentures are capitalized as deferred financing fees and are amortized over the term of the financing.

Income taxes

Income taxes are calculated using the asset and liability method. Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes give rise to future income tax assets. These temporary differences are measured using the tax rates substantively enacted at the balance sheet date.

Brascan Power Corporation
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of 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 revenues and expenses during the period. During the period presented, management has made estimates and valuation assumptions including accruals and amortization. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates.

Financial instruments

The carrying amount of financial instruments included in current assets and current liabilities approximate fair value due to their short-term nature.

3. PROMISSORY NOTES

On December 16, 2004, the Corporation purchased two subordinated promissory notes from BPI, its parent entity. The first subordinated promissory note, for an amount of \$397,360,000, bears interest at 4.70% per annum payable semi-annually, and matures on December 16, 2009. The second promissory note, for an amount of \$99,750,000, bears interest at i) for the initial interest period from December 16, 2004 to March 18, 2005, the average of the 90 day bankers' acceptance rate and 180 day bankers' acceptance rate plus 0.73% and ii) for each interest period following March 18, 2005, the 90 day bankers' acceptance rate plus 0.73% payable quarterly, and matures on December 18, 2006. The fair value of the promissory notes as at December 31, 2004 approximates carrying value.

Interest charged to BPI during the period was \$981,979 and is included in interest receivable as at December 31, 2004.

4. RELATED PARTY TRANSACTIONS

During the period, BPI provided an advance to the Corporation in the amount of \$861,825. This advance is non-interest bearing and is due on demand. During the period, BEMI provided an advance to the Corporation in the amount of \$390,209. This advance is non-interest bearing and due on demand.

5. DEFERRED FINANCING FEES

In 2004, the Corporation incurred \$4,142,035 of financing fees which have been deferred and are being amortized over the term of the underlying debt. Amortization expense for 2004 totaled \$47,144.

Brascan Power Corporation
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

6. TERM DEBENTURES

	2004
Corporate debentures	
Series 1	\$ 400,000,000
Series 2	100,000,000
	\$ 500,000,000

The \$400,000,000 Series 1 Canadian debentures bear interest at 4.65% and are due on December 16, 2009.

The \$100,000,000 Series 2 Canadian debentures bear interest at Canadian Deposit Offering Rate ("CDOR") plus 68 basis points and are due on December 18, 2006.

The fair value of the Corporation's term debentures is \$500,000,000 based on current market prices for debt with similar terms and risks.

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 pursuant to a guarantee agreement (the "Guarantee Agreement").

7. SHAREHOLDER'S EQUITY

The Corporation issued ten common shares to BPI for consideration of \$1. The number of authorized shares is unlimited.

8. INCOME TAXES

The Corporation's future income tax asset of \$14,000 is comprised of temporary differences relating to reserves net of unused non-capital losses. The difference between taxes calculated at the statutory rate and those recorded is reconciled as follows:

	2004
Net income before income tax	\$(39,000)
Statutory income tax rate	36%
Statutory income tax rates applied to accounting income	(14,000)
Large capital tax	8,236
Provision for income taxes	\$(5,804)

For the period ended December 31, 2004, the Corporation's current tax expense was \$8,236 and future income tax recovery was \$14,000.

The Corporation has \$820,000 in non-capital losses which expire in 2014 and \$3,310,000 of undeducted financing expenses available to offset taxable income, if any, in future years.

Brascan Power Corporation
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

8. COMMITMENTS AND CONTINGENCIES

The Corporation may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business which the Corporation believes would not reasonably be expected to have a material adverse effect on the financial condition of the Corporation.

In the normal course of operations, the Corporation executes agreements that provide for indemnification and guarantees to third parties in transactions such as debt issuances. The nature of substantially all of the indemnification undertakings prevents management from making a reasonable estimate of the maximum potential amount the Corporation 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.

9. SUBSEQUENT EVENT

On January 27, 2005, the Corporation issued an additional \$50,000,000 in Series 1 Canadian unsecured term debentures. These debentures bear interest at 4.65% and will mature on December 16, 2009, and are also guaranteed under the Guarantee Agreement.