

Brookfield Power Corporation

2005 Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

FEBRUARY 9, 2006

OVERVIEW

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

Brookfield Power Corporation was incorporated and organized under the Business Corporations Act (Ontario) on June 20, 2002 and is a wholly owned subsidiary of Brookfield Power Inc. (formerly Brascan Power Inc.) ("Brookfield Power").

The Company was established as a financing subsidiary of Brookfield Power and commenced its activities on December 16, 2004. It will acquire all of the power operations of Brookfield Power as part of a reorganization which will occur in the future as the necessary contractual and regulatory approvals are received. It is expected that this reorganization will be completed within the next two years. Brookfield Power, through predecessor companies, has conducted a number of business activities, including power generation, merchant banking and investment banking. As a result, Brookfield Power's assets are comprised of a blend of power generating and investment assets. Following the reorganization, Brookfield Power will retain ownership of the non-core investment assets that are not related to the power operations and the Company will own all of the power operations currently owned by Brookfield Power.

Presently, the Company has no significant assets or liabilities other than the subordinated promissory notes and term debentures and has no employees and no subsidiaries.

Additional information relating to Brookfield Power can also be found on its website at www.brookfieldpower.com and on the SEDAR website. Unless expressly indicated otherwise, all amounts are reflected in Canadian dollars.

OPERATING RESULTS

The net loss of the Company for the year ended December 31, 2005 totaled \$0.8 million. Interest revenue of \$24.3 million corresponds to the interest charged to Brookfield Power on the promissory notes of \$547.1 million. Interest expense of \$24.1 million relates to the Series 1 and 2 debentures issued by the Company. These debentures are unconditionally guaranteed by Brookfield Power and the guarantee will remain in place until certain conditions are met.

PROVISION FOR INCOME TAXES

For the year ended December 31, 2005, the Company's future income tax recovery was \$0.5 million. Taxes are accounted for under the asset and liability method.

CAPITAL STRUCTURE AND FINANCING

In April 2005, the Company obtained a US \$200 million revolving unsecured credit facility for general corporate purposes which can be drawn upon in Canadian or US dollars. The credit facility is due on April 29, 2008 and ranks pari passu with all senior unsecured indebtedness of the Company and Brookfield Power. The facility bears a floating interest rate and is unconditionally guaranteed by Brookfield Power. The guarantee will remain in place until such time as certain conditions with respect to its release are met.

SHAREHOLDER'S EQUITY

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2005, there was 1 common share of the Company issued and outstanding. The Company has not paid dividends.

CONTRACTUAL OBLIGATIONS

As at December 31, 2005, the Company's significant contractual obligations are due in the following periods:

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

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

Series 1 Canadian debentures totaling \$450 million are due on December 16, 2009.

Series 2 Canadian debentures totaling \$100 million are due on December 18, 2006.

TOTAL ASSETS

The total assets of \$552.9 million at December 31, 2005 are mainly composed of promissory notes issued by Brookfield Power.

SOURCES OF LIQUIDITY

As at December 31, 2005, the Company maintained a current cash balance of \$0.1 million in addition to USD\$200 million of availability on its credit facilities.

<i>CDN\$ millions</i>	<i>Year ended December 31, 2005</i>
Cash, beginning of year	\$ -
Provided by (used in)	
Operating activities	1.3
Investing activities	(50.0)
Financing activities	48.8
Cash, end of year	\$ 0.1

Operating activities - Cash flows from operating activities totaled \$1.3 million for the year ended December 31, 2005 due to changes in the working capital balances year over year.

Investing activities - In the first quarter of 2005, an additional \$50 million of promissory notes were issued by Brookfield Power.

Financing activities - In January 2005, \$50 million in term debentures were issued at a premium of \$0.3 million. Financing fees on the issuance totaled \$1.5 million.

RELATED PARTY TRANSACTIONS

As at December 31, 2005, the Company has an advance from Brookfield Power in the amount of \$2.5 million. This advance is non-interest bearing and due on demand.

All of the promissory notes owing to the Company have been issued by Brookfield Power, the sole shareholder of the Company.

CRITICAL ACCOUNTING ESTIMATES

The financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in Note 2 (Summary of Significant Accounting Policies) of the 2005 annual audited financial statements are considered critical accounting estimates as defined in National Instrument 51-102. Key estimates for the Company include determination of accruals, amortization and valuation of tax assets. Actual results could differ from those estimates.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to the Company's significant accounting policies during the year ended December 31, 2005. Refer to Note 2 (Summary of Significant Accounting Policies) of the 2005 annual audited financial statements for details of all significant accounting policies applicable to the Company.

BUSINESS RISKS

All of the revenue of the Company consists of interest received on the promissory notes issued by Brookfield Power, its sole shareholder. The financial statements and management discussion and analysis of Brookfield Power are available on the SEDAR website at www.sedar.com under Brookfield Power Corporation.

Following the completion of the reorganization, the risk factors identified in the Final Prospectus dated March 16, 2005 relating to Brookfield Power will apply to the Company. Those risks include, amongst others, hydrology, equipment failure, foreign exchange and energy price fluctuations.

The Company is exposed to credit risk in the event of non-performance by Brookfield Power related to the promissory notes. This risk is significantly reduced by the investment grade issuer ratings which have been assigned to Brookfield Power.

SUMMARY OF QUARTERLY RESULTS

Interest revenues for the fourth quarter of 2005 of \$6.2 million were offset by interest expense of \$6.1 million and amortization of deferred financing fees of \$0.4 million. After an income tax recovery of \$0.1 million, the net loss for the quarter was \$0.2 million.

CERTIFICATION OF INTERIM FILINGS

Form 52-109F1– Certification of Annual Filings is attached to this document on SEDAR. The Company has evaluated the effectiveness of its disclosure controls and procedures as at December 31, 2005 and concluded positively on their effectiveness.

This Company's financial analysis and review contains forward-looking statements concerning the Company's business and operations. Forward looking statements can be identified by the use of words, such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements involve assumptions and, known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the forward statements. More details relating to risk factors can be found in the section entitled Business Risks on page 2.

Examples of such statements include, but are not limited to factors relating to production and the business, financial position, operations and prospects for the Company. They include (1) the Company's level of generation; (2) the Company's cost of production; (3) interest rates as they bear on the Company's indebtedness; (4) planned capital expenditures; (5) the impact of changes in the Canadian dollar on the Company's costs and results of operations; (6) the negotiation of collective agreements with its unionized employees; (7) business and economic conditions; (8) the legislation governing air emissions, discharges into water, waste, hazardous materials and workers' health and safety as well as the impact of future legislation and regulations on expenses, capital expenditures and restrictions on operations; and (9) regulatory investigations, claims, lawsuits and other proceedings. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied in the forward-looking statements contained herein, and as such, you are cautioned not to place undue reliance on these forward looking statements.

These forward-looking statements represent our views as of the date of this MD&A. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to April 10, 2006, the date of this MD&A.



Donald Tremblay
Executive Vice President and Chief Financial Officer
April 10, 2006