MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The information provided in this management discussion and analysis is intended to provide you with an assessment of our performance for the third quarter and the first nine months of 2005 and the comparable periods of last year, while also serving to give you a framework for understanding our competitive advantages, the long-term growth trends of our business and the ability of our assets to deliver strong and stable cash flows. It should be read in conjunction with the unaudited quarterly consolidated financial statements and the consolidated financial statements contained in the most recent annual report of Brascan Power Inc. Additional information can also be found on our website at www.brascanpower.com and on the SEDAR website.

Effective January 1, 2005, our functional and reporting currency changed from Canadian ("CDN") to United States ("US") dollars. Unless expressly indicated otherwise, all amounts are reflected in US dollars.

We own or operate 130 hydroelectric power generating stations located on 43 river systems and 2 cogeneration plants with an installed capacity of 3,385 MW, capable of generating in excess of 12,000 GWh of electricity annually.

Our power generating operations are located in the regionally interconnected markets of Ontario, Québec, New England and New York, as well as British Columbia, Louisiana and Brazil[1]. We also own a regulated transmission and distribution business in Ontario. The transmission and distribution business consists of approximately 722km of 44kv to 230kv transmission lines and includes a low voltage distribution system consisting of approximately 1,700km of low voltage lines and 14 distribution stations that service approximately 11,400 customers. Some of our 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 we own a 50.1% interest. We are a wholly-owned subsidiary of Brookfield Asset Management ("Brookfield"), formerly known as Brascan Corporation. Brookfield is a global asset management company focused on property, power and infrastructure assets and is listed on the Toronto and New York Stock Exchanges under the symbol BAM.

We are focused on delivering long-term sustainable cash flows through the operation of low-cost hydroelectric power generating facilities. We strive to maximize the stability and predictability of power generating revenues through the use of fixed price contracts which serve to minimize the impact of price fluctuations, and through diversification of watersheds and water storage reservoirs to manage fluctuation in generation levels. While 70% of our power is under contract for the next year, we will still benefit from the higher price energy environment by opportunistically dispatching our non-contracted power. With our average contracted price being less than $55/MWh in a current pricing environment of approximately $85/MWh, we will continue to benefit as earlier contracts roll off, and electricity prices remain high.

PERFORMANCE MEASUREMENT

We focus principally on net operating income for performance measurement because it is tangible and reflects the value of our assets. Net operating income consists of revenues from our power operations, net of operating and maintenance costs, fuel purchases for the cogeneration plants, power purchases, selling, marketing and administration expenses and municipal and other generation taxes on our facilities. Net operating income is a non-GAAP basis of performance measurement. Interest and financing fees, interest on capital securities, depreciation and amortization, provision for income taxes and non-controlling interest expense are deducted from net operating income to obtain net income.

[1] The Brazil common shares are owned by Brookfield Asset Management. We have an investment in preferred shares in these facilities. Results of operations are not included in our consolidated financial statements.

SUMMARY OF OPERATING RESULTS

Net operating income for the third quarter totalled $83 million, compared to $79 million for the corresponding quarter of 2004, an increase of $4 million. During the quarter, lower generation in Ontario, Québec and Louisiana negatively impacted net operating income by $16 million compared to 2004. However, we achieved improvements over last year by opportunistically dispatching available generation and benefiting from higher energy prices. These improvements partly offset the shortfall in generation. The acquisition of the New York assets in September 2004, as well as the Hydro Kennebec, West Delaware, Piney, Deep Creek and Bear Swamp facilities in 2005 contributed an additional $23 million to net operating income.

Financial results for the period ended September 30, 2005 compared to 2004 are shown in the following table:

NET OPERATING INCOME	Three months ended September 30		Nine months ended September 30	
US$ millions	**2005**	2004[1]	**2005**	2004[1]
Revenue	**$ 139**	$ 149	**$ 568**	$ 487
Net operating income				
Power generation	**77**	75	**318**	262
Transmission and distribution	**6**	4	**18**	16
	$ 83	$ 79	**$ 336**	$ 278

(1) All 2004 comparatives have been restated to reflect the adoption of revisions to Section 3860, Financial Instruments- Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities.

Overall generation from existing assets at the beginning of 2004 totalled 1,312 GWh for the quarter, 23% below our long-term average and 21% below 2004. Generation was mostly affected by below average water flows in our Ontario, Québec and Louisiana power systems.

GENERATION	Three months ended September 30			Nine months ended September 30			Annual long-term average
Gigawatt hours	**2005**	2004[1]	Long-term average[2]	**2005**	2004[1]	Long-term average[2]	
Ontario	**564**	733	778	**2,036**	2,555	2,484	3,262
Québec	**250**	367	403	**1,109**	1,380	1,256	1,639
British Columbia	**130**	107	121	**421**	415	405	523
New England	**258**	229	240	**813**	740	767	1,010
Louisiana	**110**	227	152	**731**	834	757	903
Existing assets	**1,312**	1,663	1,694	**5,110**	5,924	5,669	7,337
Acquisitions - 2005	**105**	-	115	**330**	-	351	418
Acquisitions - 2004	**525**	95	522	**2,207**	173	2,242	3,027
	1,942	1,758	2,331	**7,647**	6,097	8,262	10,782

(1) 2004 comparative generation has been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

(2) Adjusted long-term average for date of acquisition of the facilities.

OPERATIONS REVIEW

REVENUE *US$ millions*	Three months ended September 30 **2005**	2004[1]	Nine months ended September 30 **2005**	2004[1]
Ontario	**$ 40**	$ 40	**$ 127**	$ 137
Québec	**13**	14	**58**	58
British Columbia	**5**	5	**16**	15
New England	**16**	11	**50**	38
New York	**36**	1	**131**	1
Louisiana	**18**	33	**113**	127
Other businesses	**11**	45	**73**	111
	$ 139	$ 149	**$ 568**	$ 487

(1) 2004 comparative revenues have been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

Revenues for the quarter totalled $139 million, a decrease of $10 million compared to the same quarter of last year. The New York assets acquired in late September of 2004 and the West Delaware, Piney and Deep Creek facilities acquired in 2005 contributed $36 million to revenues in the current quarter.

Despite a decrease in power generated of 169 GWh in Ontario, revenues for the third quarter of 2005 remained the same as the corresponding quarter of the previous year. The combination of higher energy prices and the efficiency of the dispatch strategy, in addition to the favourable impact of the Canadian dollar exchange rate, counterbalanced the effect of below average water inflows in Ontario.

Revenues from the Québec operations totalled $13 million for the quarter, representing a decrease of 7% as compared to 2004. Higher energy prices obtained from the Lièvre Power system offset most of the impact of the decrease in generation from 367 GWh to 250 GWh during the period.

Revenues for the third quarter of 2005 in New England increased by 45% or $5 million, as compared to the same period of the prior year. The acquisition of the Hydro Kennebec, Bear Swamp and Fife Brook facilities contributed 84 GWh and $5 million in additional revenues.

In Louisiana, revenues for the quarter decreased by 45% to $18 million (2004 - $33 million) as a result of lower generation.

Revenues from other power operations include revenue from the Transmission and Distribution business, which contributed $9 million to the quarterly revenues, an increase of $2 million over the same period last year. The net decrease of $34 million in revenues from other businesses is primarily due to the termination of the sales contract with an affiliate, in May 2005.

Operating and maintenance expenses totalled $26 million, compared to $14 million in the same quarter of the prior year. Water rental and property taxes totalled $9 million for the third quarter versus $8 million in 2004. Selling, marketing and administration expenses for the period totalled $9 million, compared to $6 million in the same quarter in 2004. These increases are mainly attributable to acquisitions and assets commissioned during 2004 and 2005, including the addition of the New York facilities in September 2004.

Fuel purchases consist of the cost of natural gas required for the cogeneration plants and power purchases to supply a power sales contract to an affiliate. Fuel purchases decreased from $43 million in the third quarter of 2004 to $11 million in 2005. This decrease is primarily the result of the termination of the affiliate sales contract, which contributed $36 million to the reduction in fuel purchase costs in the third quarter of 2005. Additional fuel costs of approximately $3 million were incurred in 2005 (2004 - $nil) for the operation of the Carr Street cogeneration plant, which was part of the New York assets acquired in September 2004.

NET (LOSS) INCOME

Net income before interest on capital securities for the third quarter totalled $5 million, compared to $28 million for the same quarter last year.

US$ millions	Three months ended September 30		Nine months ended September 30	
	2005	2004[(1)]	**2005**	2004[(1)]
Net operating income	**$ 83**	$ 79	**$ 336**	$ 278
Investment income (expense) and other	**(7)**	19	**44**	49
	76	98	**380**	327
Interest and financing fees	**56**	43	**166**	129
Depreciation and amortization	**25**	14	**77**	46
(Recovery of) provision for income taxes	**(10)**	8	**(6)**	31
Non-controlling interests	**-**	5	**15**	27
Net income before interest on capital securities	**5**	28	**128**	94
Interest on capital securities	**31**	5	**88**	11
Net (loss) income	**$ (26)**	$ 23	**$ 40**	$ 83
Diluted net (loss) income per share	**$ (0.26)**	$ 0.18	**$ 0.37**	$ 0.70
Basic net (loss) income per share	**$ (0.26)**	$ 0.23	**$ 0.39**	$ 0.82

(1) All 2004 comparatives have been restated to reflect the adoption of revisions to Section 3860, Financial Instruments- Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities.

INVESTMENT INCOME

Investment and other income decreased by $26 million in the third quarter of 2005 to an expense of $7 million, when comparing to the third quarter of 2004. This is primarily due to a foreign exchange loss of $14 million realized during the period, versus a gain on foreign exchange of $3 million that was recorded in the corresponding quarter of the prior year. In addition, investment and other income, for the three month period ended September 30, 2004, included $7 million of income from investments held in First Toronto Equities ("FTEI"), which was transferred to Brookfield on July 1, 2005.

INTEREST AND FINANCING FEES

Interest and financing fees increased by $13 million from the same period in the prior year. The majority of the increase is due to the $500 million bridge financing obtained to acquire the New York assets in late September of 2004. The increase in interest and financing fees in Louisiana is related to interest payable on a note due to an affiliate of Brascan Power.

US$ MILLIONS	Three months ended September 30		Nine months ended September 30	
	2005	2004[(1)]	**2005**	2004[(1)]
Ontario	**$ 9**	$ 9	**$ 28**	$ 24
Québec	**3**	2	**17**	8
British Columbia	**2**	2	**6**	5
New England	**2**	2	**6**	6
New York	**8**	-	**21**	-
Louisiana	**26**	22	**69**	65
Other businesses	**6**	6	**19**	21
Total	**$ 56**	$ 43	**$ 166**	$ 129

(1) 2004 comparative interest and financing fees have been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization in the third quarter of 2005 totalled $25 million compared to $14 million for the same period in 2004. This increase of $11 million is primarily attributable to depreciation of the New York assets acquired in the third quarter of 2004, as well as depreciation of power generating facilities acquired in 2005, combined with the impact of the stronger Canadian dollar.

US$ millions	Three months ended September 30		Nine months ended September 30	
	2005	2004[1]	**2005**	2004[1]
Ontario	**$ 6**	$ 6	**$ 17**	$ 17
Québec	**2**	2	**6**	6
British Columbia	**1**	1	**2**	2
New England	**3**	2	**9**	6
New York	**7**	-	**20**	-
Louisiana	**4**	2	**16**	11
Other businesses	**2**	1	**7**	4
Total	**$ 25**	$ 14	**$ 77**	$ 46

(1) 2004 comparative depreciation and amortization have been restated to reflect the adoption of Accounting Guideline 15, Consolidation of Variable Interest Entities.

NON-CONTROLLING INTERESTS

Non-controlling interests consist of the allocation of income associated with the non-controlling interests in our consolidated entities. The decrease of $5 million in non-controlling interests, relative to the third quarter of 2004, is primarily due to lower net income from the Fund and from the Louisiana operations. The portion of the Fund's net income attributed to the non-controlling interest is $2 million for the quarter, which was completely offset by the non-controlling interest portion of the net loss of $2 million in Louisiana HydroElectric.

INTEREST ON CAPITAL SECURITIES

Following the retroactive adoption of CICA Handbook Section 3860, a large portion of the interest on the subordinated convertible debentures, which we refer to as the capital securities, is recorded through the consolidated statement of operations. Interest on the capital securities totalled $31 million for the three month period ended September 30, 2005, compared to $5 million for the same period in 2004. This increase is the result of the interest on the CDN $1,100 million capital securities, which were issued to Brookfield during the third quarter of 2004, and subsequently converted to US currency on April 1, 2005 for a total amount of $909 million.

BALANCE SHEET

SECURITIES AND LONG-TERM INVESTMENTS

Securities and long-term investments decreased by $422 million to $295 million as at September 30, 2005 (December 31, 2004 - $717 million) primarily due to the sale and amalgamation of wholly-owned FTEI. An additional investment in Brazil in the amount of $75 million was made during the second quarter of 2005.

POWER GENERATING AND OTHER ASSETS

Power generating and other assets as of September 30, 2005 totalled $3,768 million, compared to $3,586 million at December 31, 2004, an increase of $182 million. This increase is attributable to the acquisitions of West Delaware, Hydro Kennebec, Bear Swamp, and Piney and Deep Creek totalling $125 million. We also continued to invest in several capital projects during the quarter to preserve and enhance the reliability of our operations. Significant capital projects during the nine months ended September 30, 2005 included the transmission reinforcement project ($25 million), the Northern Ontario wind power projects ($26 million), the Shikwamka dam rebuild ($36 million), the Weldon conversion project in Maine ($7 million) and the Cedar Dam project on the Lièvre River in Québec ($5 million). These capital additions were offset by the sale of the White Mountain energy cogenerator in the second quarter of 2005 for proceeds of $34 million, the strengthening of the Canadian currency and depreciation for the first nine months of the year.

CAPITAL STRUCTURE AND FINANCING

We continue to maintain investment grade issuer ratings from DBRS (BBB High) and Standard and Poor's (BBB) resulting from a prudent level of low-cost asset financing and modest levels of corporate debt. The long-life nature of our assets allows us to finance our assets with non-recourse debt with minimal near-term maturities.

COMPOSITION OF CAPITAL STRUCTURE	**As at September 30 2005**	As at December 31 2004[1]
Credit facilities, property specific borrowings, and corporate term debentures	**60%**	60%
Other long-term liabilities	**5%**	5%
Non-controlling interests	**5%**	6%
Shareholders' equity and debt portion of capital securities	**30%**	29%
Total	**100%**	100%

(1) All 2004 comparatives have been restated to reflect the adoption of revisions to Section 3860, Financial Instruments-Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities.

Overall, our capital structure as at September 30, 2005 is fairly consistent with that as of December 31, 2004. At September 30, 2005, our weighted average interest rate and term to maturity for long-term debt were 7.0% and 9.1 years respectively. After giving effect to the recent Lièvre River financing, discussed below, the average duration of debt is 10.3 years with an average interest rate of 7.1%.

On January 27, 2005, we issued an additional CDN $50 million in Series 1 Canadian unsecured term debentures. These debentures bear interest at 4.65% and mature on December 16, 2009. The $200 million Series 3 corporate debentures were repaid upon maturity in March 2005.

On February 11, 2005, we issued CDN $35 million of Senior Secured Series 1 First Mortgage bonds. These bonds are secured by a first ranking lien on the Pingston Power Joint Venture assets, bear interest at a rate of 5.28% payable semi-annually, and mature on February 11, 2015.

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

On April 27, 2005, Great Lakes Power Trust ("GLPT") redeemed the CDN $100 million of First Mortgage Bonds using a CDN $125 million bridge facility, at a floating rate of bankers' acceptance plus 60 basis points. In addition to the repayment of the GLPT First Mortgage Bonds, the proceeds of the bridge facility were used to pay the yield maintenance payment due to the early redemption and to repay the $11 million Great Lakes Hydro America bridge loan facility.

On October 6 2005, the Fund completed a private placement of CDN $225 million of senior secured bonds maturing in 20 years and bearing an interest rate of 5.6% per annum. The bonds are secured by the Lièvre Power System and were used to repay the CDN $125 million bridge loan and all outstanding amounts on the CDN $50 million bank facility. The CDN $50 million bank facility was also terminated on October 6, 2005 and replaced by a CDN $25 million credit facility secured by the Lièvre Power System.

We provided covenants to certain of our lenders as do most borrowers. As of September 30, 2005, we are in compliance with all our covenants.

SHAREHOLDERS' EQUITY AND DEBT PORTION OF CAPITAL SECURITIES

On March 31, 2005, we issued an additional 129,024 common shares to Brookfield as non-cash consideration for the acquisition of the common shares of Harmony Wind. In the third quarter of 2005, we issued another 59 common shares to Brookfield as non-cash consideration for the acquisition of its common shares in FTEI. As at September 30, 2005, we had 101,512,218 common shares issued and outstanding.

On June 30, 2005, we repaid the CDN $248 million capital securities and issued capital securities totaling $200 million to Brookfield. These capital securities bear an annual interest rate of 11.3% payable quarterly and mature on June 30, 2054. These capital securities are convertible in full, at the option of Brookfield, any time prior to the maturity date, at $23.98 per common share, into 8.3 million common shares. Principal and interest are payable at our option with common shares.

Dividends paid totalled $14 million in the third quarter of 2005.

Our policy is to distribute surplus operating cash flows not required for investment in power generating facilities to our shareholders.

LIQUIDITY AND CAPITAL RESOURCES

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 facilities.

We continue to have a strong balance sheet and healthy financial ratios. As at September 30, 2005, we maintained a current cash and cash equivalents balance of $124 million. These factors, combined with the additional available resources noted above, make liquidity for us a negligible risk factor.

Given our historical profitability and our ability to manage expenses, we believe that our current resources are adequate to meet our requirements for working capital and capital expenditures through the foreseeable future.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations as of September 30, 2005:

US$ millions	Total	In years 2005-2009	In years 2010-2014	In years 2015-2019	Beyond 2020
Credit facility	$ 34	$ 34	$ -	$ -	$ -
Debt	2,832	1,145(1)	142	53	1,492
Total	$ 2,866	$ 1,179	$ 142	$ 53	$ 1,492

(1) This balance includes the New York bridge facility in the amount of $500 million, as well as $388 million of term debentures, which mature in 2006 and 2009 respectively. It is the intention of the Company to refinance these amounts upon maturity.

OFF-BALANCE SHEET ARRANGEMENTS

GUARANTEES

In the normal course of operations, we 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. We have also agreed to indemnify our directors and certain of our officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount that we 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, we have made no significant payments under such indemnification agreements.

We provide guarantees as described in Note 23 of the 2004 annual consolidated financial statements. There have been no material changes for the period ended September 30, 2005 to the disclosures related to the guarantees.

DERIVATIVE INSTRUMENTS

We use derivative financial instruments including commodity swaps 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 we would incur a loss in replacing the defaulted transaction. We minimize 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 we believe the exposures are manageable and not material in relation to the overall business operations.

a) Commodity derivative instruments

As at September 30, 2005, the energy and gas derivative contracts were comprised of contracts with deferred unrealized losses in excess of that recorded in our accounts of $294 million (2004 - $36 million) as well as contracts with deferred unrealized gains in excess of that recorded in the our accounts of $31 million (2004 - $22 million). These derivative contracts have been designated as cash flow hedges and qualify for hedge accounting under the hedge accounting rules. Gains or losses on these contracts will be recorded in earnings in the same period as the revenues from delivery of power and sale of gas.

b) Interest rate derivative instruments

The Company does not hold any interest rate derivative instruments at quarter end given that the benchmark yield rate lock agreement was terminated on September 30, 2005. As at September 30, 2005, the Company had unrealized deferred losses recorded in the Company's account of $2 million and unrealized deferred gains of $nil.

c) Foreign exchange derivative instruments

As at September 30, 2005, we no longer hold any foreign exchange contracts (2004 - $296 million). For the third quarter of 2005, Canadian denominated liabilities in the amount of $461 million were designated as a hedge of the net investment in Canadian operations.

Our derivative financial instruments are discussed more fully in the 2004 annual consolidated financial statements.

RELATED PARTY TRANSACTIONS

All related party transactions are consistent with the type of transactions disclosed in the notes to the December 31, 2004 consolidated financial statements. The following table summarizes all significant year-to-date related party transactions:

US$ millions	Nine months ended September 30	
	2005	2004
Revenues		
Sale of power to Noranda Aluminum Inc.	**$ 49**	$ 89
Physical gas sales to Noranda Inc.	**1**	7
Sale of power and financial transactions with Brookfield Properties Corporation	**3**	9
Sale of power to Katahdin Paper Company	**19**	17
Sale of power and tolling agreement with Fraser New Hampshire	**7**	5
	$ 79	$ 127
Investment income and other		
Interest earned on demand deposits and promissory notes with Brookfield	**$ 11**	$ 4
Income from securities with affiliated companies	**11**	16
Income from investments with affiliated companies	**8**	22
	$ 30	$ 42
Expenses		
Interest expense on note payable to Trilon Bancorp Inc.	**$ 4**	$ -
Interest expense on bridge facility with Brookfield	**-**	4
Profit sharing with Noranda Aluminum Inc.[1]	**(4)**	(11)
	$ -	$ (7)

[1] *Included in power purchases*

As at September 30, 2005, we have demand deposits and promissory notes held with Brookfield totalling $20 million and $26 million respectively (December 31, 2004 - $372 million and $26 million). We also had an $11 million bridge facility with Brookfield as of December 31, 2004 that was repaid during the second quarter of 2005.

As at September 30, 2005 we have a net receivable from TBI totalling $514 million (December 31, 2004 - $nil). Included within this net balance is a $173 million note payable, which resulted from the FTEI amalgamation. Prior to the amalgamation, this debt eliminated upon consolidation.

On April 25, 2005, we sold our 25 megawatt cogeneration power plant located in Berlin, New Hampshire to Fraser Papers Inc., a related party through common ownership, for total consideration of $34 million. The gain on the sale totalled $1 million.

CRITICAL ACCOUNTING ESTIMATES

The consolidated 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 1 (Summary of Accounting Policies) of the 2004 consolidated financial statements are considered critical accounting estimates as defined in regulation 51-102. Key estimates include determination of accruals, purchase price allocations, useful lives, asset impairment testing and those relevant to the defined benefit pension and non-pension benefit plans. 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 those estimates.

CHANGES IN ACCOUNTING POLICIES

TRANSLATION OF FOREIGN CURRENCIES

Effective January 1, 2005, our functional currency changed from the CDN dollar to the US dollar as a result of the increase in US dollar denominated activity in the operations as compared to prior years. For additional information on the impact of the change in functional currency, please refer to Note 2 of the September 30, 2005 consolidated financial statements.

CAPITAL SECURITIES

On January 1, 2005, the Company adopted the revisions to CICA Handbook Section 3860, *Financial Instruments – Disclosure and Presentation* on the classification of financial instruments as debt or equity, with retroactive restatement of prior periods. The new rules require that capital securities that are convertible into a variable number of common shares at the Company's option and interest payments on the capital securities that can be paid by way of a variable number of common shares at the Company's option, be classified as liabilities. The Company reclassified the CDN $248 million capital securities to liabilities and included it in debt portion of capital securities due to the fact that the principal and interest is convertible into a variable number of common shares. These securities were repaid on June 30, 2005. The Company also reclassified CDN $1,096 million of the CDN $1,100 million capital securities maturing in June 2054 to debt portion of capital securities due to the fact that the interest may be paid in a variable number of common shares. These securities were converted to a US dollar equivalent on April 1, 2005. For the year ended December 31, 2004, a total of $43 million of the interest expense on the capital securities has been reclassified from shareholders' equity to interest expense on the Consolidated Statement of Operations (nine month and three month periods ended September 30, 2004 – $11 million and $5 million, respectively), with the remainder recognized through retained earnings. This change did not impact earnings per share or net income available to common shareholders since capital securities interest expense was deducted from net income in determining those measures in the prior year.

VARIABLE INTEREST ENTITIES

On January 1, 2005, we adopted Accounting Guideline 15, *Consolidation of Variable Interest Entities* ("AcG 15"), issued by the Canadian Institute of Chartered Accountants ("CICA"). A Variable Interest Entity ("VIE") is any type of legal structure not controlled by voting equity, but rather by contractual or other financial arrangements. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that absorbs the majority of the expected losses, received the majority of the expected residual returns, or both. As a result of the adoption of this new standard, Great Lakes Hydro Income Fund, of which we own a 50.1% interest, is now fully consolidating its proportionate joint venture interests in Powell River Energy Inc. ("PREI") and Powell River Energy Partnership ("PREP"), versus the 50% proportionate consolidation method previously used. We are also fully consolidating our 75% residual interest in Louisiana HydroElectric Power ("LAH"), versus the equity accounting method previous used. The consolidation of these entities did not have an impact on our net income. All 2004 financial comparatives included within these consolidated financial statements have been restated to reflect the full consolidation of PREI, PREP and LAH. For more information on the impact of the consolidation of the Variable Interest entities please refer to Note 2 of the September 30, 2005 consolidated financial statements.

BUSINESS RISKS

The following represents a summary of the most relevant risk factors relating to our business. This summary contains only certain risk factors and is not all-inclusive.

HYDROLOGY

The revenues generated by the power systems are proportional to the amount of electricity generated. The amount of electricity generated by the hydroelectric 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 hydrology conditions that exist within the watershed. Annual deviations from the long-term average can be significant. We strive 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 net operating income. 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 CDN operations is denominated in CDN dollars and, therefore, results may be affected by the fluctuations of the Canadian dollar exchange rate over time. A material decrease in the value of the Canadian dollar may negatively impact our net operating income. The CDN operations' operating expenses and financing costs incurred are also denominated in CDN 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 PRICE FLUCTUATIONS

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

Through our wholly-owned subsidiary BEMI, we actively manage our energy production and sales, partly through physical and financial contracts, minimizing the impact of price volatility. Our objective is to derive our revenues primarily from power purchase agreements ("PPAs") and regulated rate base arrangements and to reduce the amount of non-contracted power by entering into short-term financial contracts. Over the next year, 70% of our generation is contracted under PPA and short term financial contracts. 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. Our PPAs have an average term of 14 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. 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. 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.

The following table sets forth our contract profile over the next ten years:

Years ended December 31	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 to 2015**
Generation (GWh)								
Contracted	7,532	6,882	4,389	3,434	3,433	2,753	2,006	1,703
Uncontracted	3,193	3,836	6,322	7,288	7,289	7,968	8,715	9,018
	10,725	10,718	10,711	10,722	10,722	10,721	10,721	10,721
Contracted revenues (US $millions)	500	490	360	319	320	294	261	247
Price ($/MWh)	66	71	82	93	93	107	130	145

CONSOLIDATED QUARTERLY RESULTS

Variations in quarterly results are correlated with 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.

US $ millions (except otherwise noted)			**2005**				2004[(1)]	2003[(1)]
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Power generated (GWh)	**1,942**	2,822	2,883	2,268	1,758	2,137	2,202	1,793
Power revenues	**139**	200	229	181	149	164	174	107
Net operating income	**83**	119	134	87	79	94	105	52
Net income before interest on capital securities	**5**	55	68	20	33	26	40	N/A
Net income (loss)	**(26)**	26	40	(7)	23	23	37	15
Basic net income per share	**(0.26)**	0.26	0.40	(0.07)	0.23	0.23	0.36	0.12
Diluted net income per share	**(0.26)**	0.22	0.33	(0.07)	0.18	0.20	0.31	0.12

[1] All 2004 comparatives have been restated following the retroactive adoption of revisions to Section 3860, Financial Instruments- Disclosure and Presentation and Accounting Guideline 15, Consolidation of Variable Interest Entities. The 2003 comparatives have not been restated.

ANNUAL INFORMATION FORM

Our Annual Information Form can be accessed on SEDAR at www.sedar.com.

CERTIFICATION OF INTERIM FILINGS

Form 52-109FT2 – Certification of Interim Filings During Transition Period is attached to this document on SEDAR.

FORWARD-LOOKING STATEMENTS

Our financial analysis and review contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, weather conditions, interest rates, availability of equity and debt financing and other risks. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Donald Tremblay
Senior Vice President and Chief Financial Officer
November 14, 2005