

During the three months ended December 31, 2004, BNN Split Corp. generated income available for distribution of \$3.2 million, compared with \$2.3 million during the same period last year. Investment income for this period increased from \$2.5 million to \$3.3 million due principally to dividends received on 3 million additional Brascan Class A Limited Voting shares acquired in March, 2004. Operating expenses decreased to \$80,000 in 2004 compared to \$0.2 million in 2003. For the quarter ended December 31, 2004, the company paid dividends of \$2.9 million and \$0.3 million to its Preferred and Capital shareholders respectively, compared with \$1.9 million and \$0.6 million for the same period in 2003.

The Board of Directors declared dividends of \$0.390625, \$0.309375 and \$0.01367 per Preferred share Class A, Class AA Series I and Capital share of the company, respectively, payable on March 7, 2005 to holders of record on February 22, 2005.

The net asset value per unit, consisting of one Preferred share and one Capital share, was \$79.85 at December 31, 2004, based on a Brascan share price of \$43.15 at that date.

BNN Split Corp. owns a portfolio consisting of 17,418,000 Class A Limited Voting shares of Brascan Corporation ("Brascan shares") in order to generate quarterly fixed cumulative preferential dividends for the holders of the company's Preferred shares and to enable the holders of the company's Capital shares to participate in any capital appreciation of Brascan shares.

Brascan Corporation is an asset management company with a focus on property, power and other infrastructure assets. The company has direct investments of US\$19 billion and a further US\$7 billion of assets under management. This includes 70 premier office properties and over 120 power generating plants. The company is listed on the New York and Toronto stock exchanges under the symbol BNN and BNN.a, respectively.

On behalf of the Board of Directors,



Bruce K. Robertson
President and Chief Executive Officer
February 10, 2005

Management's Discussion and Analysis

Operating Results

BNN Split Corp. (the "company") generated income available for distribution for the three months ended December 31, 2004, of \$3.2 million compared with \$2.3 million during the same period last year. Investment income increased to \$3.3 million for the first three months of fiscal 2004 from \$2.5 million in 2003 due principally to dividends received on 3 million additional Brascan Class A Limited Voting shares ("Brascan shares") acquired in March, 2004. Operating expenses in the quarter were \$80,000 compared to \$0.2 million in the first quarter of 2003.

For the quarter ended December 31, 2004, the company paid dividends of \$2.0 million and \$0.3 million to its Preferred Class A and Capital shareholders, respectively, compared to \$2.0 million and \$0.6 million for the same period in 2003. The company also paid an initial dividend to its Senior Preferred Class AA Series 1 shareholders of \$0.9 million.

The following table summarizes selected consolidated financial information of the company for the three months ended December 31, 2004 and 2003 and for the 3 previous years ended September 30:

<i>\$thousands, except per share amounts</i>	Three Months Ended December 31		Years Ended September 30		
	2004	2003	2004	2003	2002
Investment income	\$ 3,283	\$ 2,503	\$ 11,397	\$ 9,729	\$ 9,622
Income available for distribution on capital and Class A shares net of dividends paid on capital shares	—	(282)	(3,892)	267	339
Total assets	354,936	244,805	354,931	245,088	244,821
Total long-term liabilities	238,700	125,000	238,700	125,000	125,000
Capital share dividends paid per share	0.03	0.06	0.25	0.30	0.06
Preference share dividends paid per share					
Class A	\$ 0.39	\$ 0.39	\$ 1.56	\$ 1.56	\$ 1.56
Class AA	0.31	—	0.54	—	—

A summary of the eight recently completed quarters is as follows:

<i>\$thousands, except per share amounts</i>	2005	2004				2003			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Investment income	\$ 3,283	\$ 3,227	\$ 3,166	\$ 2,501	\$ 2,503	\$ 2,506	\$ 2,409	\$ 2,407	
Income available for distribution on capital and Class A shares net of dividends paid on capital shares	\$ —	\$ (324)	\$ (156)	\$ (104)	\$ (282)	\$ (94)	\$ 136	\$ 96	

Liquidity and Capital Resources

The company is a single-purpose investment company and does not require a large amount of capital to fund operating expenses. However, the company maintains a small amount of cash and an operating line of credit to fund such expenses from time to time.

At the end of the first quarter, on account of the recent financing, the company had \$11.1 million of cash and cash equivalents.

Preferred shareholders have the right to surrender their shares for retraction at any time. As Preferred shares are tendered for retraction, the company will ordinarily try to find a purchaser under the remarketing agreement. If no purchasers can be found, the transaction will be funded from the proceeds of disposition of the investment portfolio or an additional offering of Preferred shares.

The net asset value per unit, consisting of one Preferred share and one Capital share, was \$79.85 based on a Brascan share price of \$43.15 as at December 31, 2004.

Corporate Outlook

The outlook for the company is positive. During the first quarter of 2005, the market price of Brascan shares on the TSX increased by over 13% from \$38.13 on September 30, 2004 to \$43.15 on December 31, 2004. In addition, Brascan increased its quarterly dividend by 4% in 2004. Both of these events are positive for the company, providing further support and growth for our shareholders.

Review of Interim Financial Statements

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not reviewed these financial statements.

On behalf of the Board of Directors,



Sachin G. Shah
Chief Financial Officer
February 10, 2005

Forward-Looking Statements

This interim report contains forward-looking statements concerning the company's business and operations. The company cautions that, by their nature, forward-looking statements involve risk and uncertainty and the company's actual results could differ materially from those expressed or implied in such statements. Reference should be made to the company's most recent Annual Information Form for a description of the major risk factors.

Balance Sheets

<i>(unaudited)</i> \$thousands	December 31 2004	September 30 2004
Assets		
Cash and cash equivalents	\$ 11,107	\$ 11,102
Securities ⁽²⁾	343,829	343,829
	\$ 354,936	\$ 354,931
Liabilities		
Accounts payable	\$ 60	\$ 55
Preferred shares ⁽³⁾	238,700	238,700
Shareholders' Equity		
Share capital ⁽³⁾	123,950	123,950
Deficit	(7,774)	(7,774)
	\$ 354,936	\$ 354,931

Consolidated Statements of Income and Deficit

<i>(unaudited)</i> \$thousands	Three months ended December 31	
	2004	2003
Revenue		
Investment	\$ 3,283	\$ 2,503
Expenses		
Operating	80	231
Income available for distribution	3,203	2,272
Dividends paid on Preferred shares	(2,942)	(1,954)
Income available for distribution on capital and Class A shares	261	318
Dividends paid on capital shares	(261)	(600)
	—	(282)
Deficit, beginning of period	(7,774)	(3,882)
Deficit, end of period	\$ (7,774)	\$ (4,164)
Dividends per Class A preferred share	\$ 0.3906	\$ 0.3906
Dividends per Class AA preferred share	\$ 0.3094	\$ —

Consolidated Statements of Cash Flows

<i>(unaudited)</i> \$thousands	Three months ended December 31	
	2004	2003
Cash flow from operating activities available for distribution	\$ 3,203	\$ 2,272
Deduct non-cash items:		
Working capital	5	(1)
	3,208	2,271
Cash flow from (used in) financing activities		
Dividends paid on:		
Preferred shares	(2,942)	(1,954)
Capital shares	(261)	(600)
	(3,203)	(2,554)
Increase (decrease) in cash and cash equivalents	5	(283)
Cash and cash equivalents balance, beginning of period	11,102	659
Cash and cash equivalents balance, end of period	\$ 11,107	\$ 376

Notes to the Consolidated Financial Statements

- (1) **Basis of Presentation**
The company is an investment company holding a portfolio of securities consisting of Class A Limited Voting shares of Brascan Corporation ("Brascan"). The company was incorporated under the laws of the Province of Ontario on July 12, 2001.
- (2) **Securities**
The company accounts for its investment in Brascan on a cost basis and accordingly will recognize dividends in the year of receipt. The portfolio consists of 17,418,000 Class A Voting shares.
- (3) **Share Capital**
The authorized share capital of the company consists of an unlimited number of preferred shares, capital shares and common shares. As at December 31, 2004, the following preferred shares were issued and outstanding and have been included in liabilities:
- | | | December 31, 2004 |
|-----------|-------------------------|-----------------------|
| 5,000,000 | 6.25% Class A | \$ 125,000,000 |
| 3,200,000 | 4.95% Class AA Series I | 80,000,000 |
| 1,348,000 | Class AA Series II | 33,700,000 |
| | | \$ 238,700,000 |
- The issued and outstanding share capital consists of:
- | | | December 31, 2004 |
|-----------|-----------------------|-----------------------|
| 9,548,000 | Capital shares | \$ 123,950,000 |
| 100 | Class A Voting shares | 100 |
| | | \$ 123,950,100 |
- The capital shares of the company are required to maintain a one-to-one ratio with the total preferred shares outstanding. As a result, the capital shares were split to reflect the preferred share issue in the prior year.

Enquiries

Enquiries relating to the operations of the company should be directed to the company's Head Office:

BNN Split Corp.
Suite 300, P.O. Box 770
BCE Place, 181 Bay Street
Toronto, Ontario M5J 2T3
Telephone: (416) 363-9491
Facsimile: (416) 363-2856
Website: www.bnnsplit.ca

Enquiries relating to dividends, address changes and share certificates should be directed to the company's Transfer Agent:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: (416) 643-5500 or
(800) 387-0825 (toll free throughout North America)
Facsimile: (416) 643-5501
Website: www.cibcmellon.com
E-mail: inquiries@cibcmellon.com