

Financial Statements

BROOKFIELD POWER CORPORATION

March 31, 2006

BROOKFIELD POWER CORPORATION

BALANCE SHEET

<i>thousands of CDN dollars</i>	note	March 31 2006 <i>(unaudited)</i>	December 31 2005
Assets			
<i>Current assets</i>			
Cash		\$ 261	\$ 72
Interest receivable		6,285	1,072
Promissory note		99,750	99,750
		106,296	100,894
Promissory notes		447,360	447,360
Deferred financing fees		3,944	4,137
Derivative asset	4	1,096	-
Future income tax asset		638	511
		\$ 559,334	\$ 552,902
Liabilities and Shareholder's Equity			
<i>Current liabilities</i>			
Interest payable		\$ 6,247	\$ 1,045
Taxes payable		9	15
Due to related parties		2,922	2,483
Term debenture		100,000	100,000
		109,178	103,543
Term debentures		450,217	450,232
Derivative liability	4	1,096	-
		560,491	553,775
Shareholder's deficit		(1,157)	(873)
		\$ 559,334	\$ 552,902

See accompanying notes to the financial statements

APPROVED ON BEHALF OF BROOKFIELD POWER CORPORATION



Richard Legault
Director



Harry A. Goldgut
Director

BROOKFIELD POWER CORPORATION

STATEMENT OF DEFICIT

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended March 31	
	2006	2005
Deficit, beginning of period	\$ (873)	\$ (33)
Net loss for the period	(284)	(178)
Deficit, end of period	\$ (1,157)	\$ (211)

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

STATEMENT OF LOSS

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended March 31	
	2006	2005
Revenues		
Interest	\$ 6,267	\$ 5,820
Expenses		
Interest	6,265	5,782
Amortization of deferred financing fees	366	283
Other	41	32
	6,672	6,097
	(405)	(277)
Income tax expense (recovery)		
Current	6	2
Future	(127)	(101)
	(121)	(99)
Net loss	\$ (284)	\$ (178)

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

STATEMENT OF CASH FLOWS

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended March 31	
	2006	2005
Operating activities		
Net loss	\$ (284)	\$ (178)
Items not affecting cash		
Amortization of deferred financing fees	366	283
Amortization of debenture premium	(15)	(17)
Derivative asset	(1,096)	-
Derivative liability	1,096	-
Future income taxes	(127)	(101)
Net change in non-cash working capital		
Interest receivable	(5,213)	(4,989)
Accounts payable	-	100
Interest payable	5,202	5,240
Taxes payable	(6)	10
Due to related parties	439	262
	362	610
Investing activities		
Purchase of promissory notes	-	(50,000)
	-	(50,000)
Financing activities		
Issuance of term debentures	-	50,293
Financing fees paid	(173)	(354)
	(173)	49,939
Increase in cash	189	549
Cash, beginning of period	72	-
Cash, end of period	\$ 261	\$ 549
Supplementary information		
Interest paid during period	\$ 1,078	\$ 820
Cash taxes paid	\$ 15	-

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2006
(unaudited)

1. NATURE AND DESCRIPTION OF THE COMPANY

Brookfield Power Corporation (the "Company") was incorporated under the laws of Ontario on June 20, 2002. The activities of the Company commenced on December 16, 2004, upon the issuance of the term debentures.

The Company is a wholly owned subsidiary of Brookfield Power Inc. ("BPI").

The Company has plans to acquire BPI's operating entities. More specifically, under the terms of an offering memorandum, the Company is expected to acquire all of the operating entities owned by BPI, including:

- (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., Brookfield Energy Marketing Inc., Brookfield Power US Holding America Co., Beaver Power Corporation; and
- (ii) BPI's incorporated and unincorporated joint venture and partnership interests in Powell River Energy, Pingston Power, and Bear Swamp Power, and a 75% non-controlling residual interest in Louisiana Hydro Power.

2. BASIS OF PRESENTATION

The Company'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 2005 annual audited 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, 2005.

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 the opinion of management, these unaudited interim financial statements reflect any adjustments (consisting of normal recurring adjustments) that are necessary to fairly state the results for the periods presented. 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.

BROOKFIELD POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2006
(unaudited)

3. CREDIT FACILITY

On March 8, 2006, the Company signed an agreement to increase its revolving unsecured credit facility from US \$200 million to US \$300 million and to extend the due date from April 2008 to April 2009. All other terms of the facility remain unchanged.

As a result of the extension of the due date, the deferred financing fees related to this credit facility are now being amortized over a longer period to match the new term.

As at March 31, 2006, there were no direct borrowings under this credit facility but the Company has drawn CDN \$160.5 million under this credit facility in the form of letters of credit.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward-starting interest rate swap agreements with major financial institutions on behalf of other subsidiaries of Brookfield Power that do not currently maintain the necessary credit facilities to execute agreements of this nature. The agreements, which have a notional amount totaling \$300 million, are intended to lock in a fixed interest rate on \$314 million of long-term debt to finance, once completed, a wind power facility currently in construction.

On the same date, the Company entered into offsetting forward-starting interest rate swap agreements with the subsidiaries of Brookfield Power that anticipate issuing the fixed rate debt. As a result of these offsetting positions, the Company will pay to or receive from its related parties amounts that exactly offset its rights and obligations under the forward-starting interest rate swaps with the third party financial institutions.

As of March 31, 2006, the fair value of the swaps with third parties of \$1.1 million was recognized as a derivative asset with the corresponding gain reflected in net income. At the same time, the fair value of the swaps with related parties of \$(1.1) million was recognized as a derivative liability with the corresponding loss reflected in net income. The net impact of the revaluation of all swaps on the Company's net income for the period ended March 31, 2006 was \$nil.

5. SUBSEQUENT EVENT

On April 11, 2006, the Company signed an agreement to increase its revolving unsecured credit facility by US \$50 million to US \$350 million. No other terms of the facility were amended.