

BROOKFIELD POWER CORPORATION

Renewal Annual Information Form

March 23, 2007

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form may contain forward-looking statements concerning the business and operations of Brookfield Power Corporation (the “**Company**”) and Brookfield Power Inc. (“**Brookfield Power**”). 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-looking statements.

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 and Brookfield Power. They include (1) the level of generation; (2) energy prices; (3) the cost of production; (4) interest rates as they bear on indebtedness; (5) planned capital expenditures; (6) the impact of changes in the exchange rate on costs and results of operations; (7) the negotiation of collective agreements with unionized employees; (8) business and economic conditions; (9) 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 taxation, expenses, capital expenditures and restrictions on operations; and (10) 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 Annual Information Form. While the Company anticipates that subsequent events and developments may cause their 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 the date of this Annual Information Form.

CORPORATE STRUCTURE

Name, Address and Incorporation

Brookfield Power Corporation (the “**Company**”), was incorporated and organized under the *Business Corporations Act* (Ontario) on June 20, 2002. The articles of the Company were subsequently amended on December 20, 2005 to change its name from Brascan Power Corporation.

The Company has no employees and no subsidiaries. At present, the Company has no significant assets or liabilities other than promissory notes and long term debt.

The Company is a wholly-owned subsidiary of Brookfield Power Inc. (“**Brookfield Power**”). Brookfield Power is not a reporting issuer and is not required to file its own Annual Information Form. However, as the Company’s parent, Brookfield Power, provided a guarantee of the Company’s debentures, as described under “Material Contracts” on page 38 of this Annual Information Form, information relating to Brookfield Power has been included in this Annual Information Form.

Brookfield Power was amalgamated on March 2, 2001 with 1458103 Ontario Limited under the *Business Corporations Act* (Ontario) to become Great Lakes Power Inc. Its articles were amended to change its authorized capital and its name to Brascan Power Inc. and, on January 27, 2006, its name was subsequently changed to Brookfield Power Inc.

The head and registered office of both the Company and Brookfield Power is at BCE Place, 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario, M5J 2T3, with a corporate office at 480, boulevard de la Cité, Gatineau, Québec J8T 8R3.

Brookfield Power is a wholly-owned subsidiary of Brookfield Asset Management Inc. (“**Brookfield**”), formerly Brascan Corporation. An asset management company focused on property, power and infrastructure assets, Brookfield has approximately US\$70 billion of assets under management. It is co-listed on the Toronto and New York Stock Exchanges under the symbol BAM.

Due to the strategic importance of the power business to Brookfield and its substantial growth, Brookfield established the Company as a subsidiary of Brookfield Power. The Company intends to acquire all of Brookfield Power’s power operations as part of a reorganization. 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 be a “pure play” power company. The reorganization will enhance investor clarity and lower the Company’s cost of capital. See page 23 for further details of the reorganization.

All financial information in this Annual Information Form is expressed in Canadian dollars, unless otherwise noted. Certain figures contained in this document are reported in U.S. dollars due to the fact that Brookfield Power is a functional and reporting U.S. dollar entity.

Please see the Glossary on page 43 for certain definitions and other industry terms used in this Annual Information Form.

Intercorporate Relationships

The following is a list of Brookfield Power's main operating subsidiaries as at December 31, 2006 indicating the jurisdiction of organization and the percentage of voting securities owned, or over which control or direction is exercised, by Brookfield Power. The Company has no subsidiaries.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>	<u>Percentage of Voting Securities Owned or Controlled</u>
Great Lakes Hydro Income Fund ⁽¹⁾	Québec	50.1%
Hydro Pontiac Inc.	Québec	100%
Beaver Power Corporation	Ontario	100%
Brookfield Energy Marketing Inc.	Ontario	100%
Brookfield Energy Marketing LP	Ontario	100%
Brookfield Power Wind Prince LP	Ontario	100%
GLP Pingston Creek Limited Partnership	Ontario	100%
Great Lakes Power Limited	Ontario	100%
Lake Superior Power Limited Partnership	Ontario	100%
Valerie Falls Limited Partnership	Ontario	100%
Bear Swamp Power Company LLC	Delaware	50%
Carr Street Generating Station, L.P.	Delaware	100%
Erie Boulevard Hydropower L.P.	Delaware	100%
Hawks Nest Hydro LLC	Delaware	100%
Rumford Falls Hydro LLC	Delaware	100%
Hydro Kennebec LP	New York	100%
West Delaware Hydro Associates L.P.	New York	100%
Catalyst Old River Hydroelectric Limited Partnership	Louisiana	75% ⁽²⁾

⁽¹⁾ Great Lakes Hydro Income Fund ("Fund") is a publicly traded reporting issuer on the Toronto Stock Exchange trading under the stock symbol GLH.UN. More information regarding the Fund may be found on the Fund's SEDAR profile at www.sedar.com. This list does not include the main operating subsidiaries of the Fund.

⁽²⁾ Non-voting interests.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

The following is a summary of developments in the business of the Company and Brookfield Power since January 2004.

In the first quarter of 2004, Brookfield Power completed the construction of a US\$34 million, 25 MW, natural oil-fired cogeneration facility in New Hampshire. The electricity and steam produced by this facility was provided to the pulp and paper facilities of Fraser Papers Inc. in Berlin and Gorham, under a 10-year tolling agreement. This facility was sold to Fraser Papers Inc. in 2005.

In May 2004, Brookfield Power, through its subsidiary, the Great Lakes Hydro Income Fund, refinanced US\$125 million of the bridge facility for its power operations in New England with senior secured notes. The notes are secured by a first ranking lien on all New England assets, bear an annual average interest rate of 5.60% and mature on May 28, 2014.

In September 2004, Brookfield Power, through wholly-owned subsidiary Lake Superior Power Limited Partnership, completed a \$77 million, 4.394% private placement bond issuance, maturing in 2009. The bonds are secured by the Lake Superior Power assets in northern Ontario.

In September 2004, Brookfield Power acquired 71 hydroelectric power generating plants totaling 674 MW of installed capacity and a 105 MW cogeneration facility in upstate New York. These hydroelectric power plants generate approximately 3,000 GWh of energy annually. For more information, please see the Business Acquisition Report filed by Brookfield Power on December 10, 2004 at www.sedar.com. The acquisition was partly funded by a US\$500 million bridge term loan facility secured by the majority of the acquired assets. This facility was repaid in December 2005 with the proceeds of a private placement of three series of senior secured notes, maturing in 12, 20 and 25 years totaling US\$550 million. The notes issued in 2005 bear a weighted average interest rate of 5.8% per annum and are secured by the majority of the New York hydro assets.

In December 2004, the Company raised \$500 million through the issuance of debentures on a private placement basis as follows: \$400 million of Series 1, 4.65% fixed rate debentures, and \$100 million of Series 2, CDOR plus 68 basis points floating rate debentures. The proceeds of the offering were used to repay Brookfield Power's Series 2 and 3 corporate debentures totaling US\$375 million and for general corporate purposes. The Series 1 debentures mature in 2009 and the Series 2 debentures were repaid in December 2006.

In late January 2005, the Company raised \$50 million through the issuance, on a private placement basis, of additional Series 1 debentures on the same terms and conditions as the original Series 1 debentures issued in December 2004. The proceeds of the offering were used for general corporate purposes.

In January 2005, Brookfield Power added 15.4 MW of installed capacity in the State of Maine by acquiring the leasehold interests in the Hydro-Kennebec facility, and 7.5 MW of installed capacity in the State of New York by acquiring the leasehold interests in the West Delaware Tunnel Outlet facility. The facilities produce on average 115 GWh of electricity annually.

In February 2005, Brookfield Power, through wholly-owned subsidiary GLP Pingston Creek Limited Partnership, and Canadian Hydro Developers Inc. issued \$70 million of senior secured Series 1 first mortgage bonds. These bonds are secured by the Pingston Creek Hydro Joint Venture assets, bear interest at a rate of 5.28% and mature on February 11, 2015.

In April 2005, Brookfield Power acquired the 28 MW Piney facility located in Pennsylvania and the 20 MW Deep Creek facility in Maryland. The facilities produce on average 100 GWh of electricity annually.

In April 2005, the \$100 million bonds secured against the Lièvre Operations assets were repaid and replaced with a bridge loan. The bridge loan was repaid in October 2005 with the proceeds of a private placement of \$225 million of senior secured bonds maturing in 20 years and bearing interest of 5.56% per annum. The bonds are secured by the Lièvre Operations assets.

In May 2005, Brookfield Power and Emera Inc. entered into a 50-50 joint venture and acquired the 600 MW Cockwell pumped storage hydroelectric generating facility in northern Massachusetts (formerly known as Bear Swamp). The acquisition also included Fife Brook, a conventional 10 MW hydroelectric generating station.

In July 2005, Brookfield Power exchanged all of its common and preferred shares in wholly-owned First Toronto Equities Inc. for preferred shares in a newly amalgamated company, Trilon Bancorp Inc. that is wholly-owned by Brookfield. Brookfield Power also purchased all of the preferred shares of The Catalyst Group from Trilon Bancorp Inc. for US\$75 million, which shares had been owned by First Toronto Equities Inc. In August 2005, Brookfield Power redeemed all of its preferred shares in First Toronto Equities Inc. for US\$689 million.

In December 2005, Brookfield Power sold its coal properties and all related assets and liabilities including any future royalty revenue stream, to Highvale Coal GP Ltd., an affiliated company, for \$10 million.

In December 2005, Brookfield Power substantially completed an \$80 million upgrade of its transmission line in northern Ontario. The project included the replacement of 164 km of transmission lines and related transformer station modifications and has been included in Brookfield Power's rate base for its transmission assets for 2006.

In December 2005, Brookfield Power, through its subsidiary the Great Lakes Hydro Income Fund, commenced commercial operation of a new 9 MW hydroelectric station at its Cedar Dam facility on the Lièvre River in Québec, a \$23.6 million project. The facility produces on average 63 GWh of electricity annually.

In February 2006, Brookfield Power acquired Beaver Power Corporation's four hydroelectric generating facilities in northern Ontario (including the Carmichael Falls facility) totaling approximately 50 MW of installed capacity. The facilities produce on average 212 GWh of electricity annually. In July 2006, Brookfield Power sold the Carmichael Falls hydroelectric generating station to the Great Lakes Hydro Income Fund, which has 20 MW of installed capacity and produces on average 86 GWh of electricity annually.

In April 2006, the Company increased its credit facility from US\$200 million to US\$350 million and extended its term to April 2009.

In June 2006, Brookfield Power acquired two hydroelectric generating facilities totaling 39 MW of installed capacity. Located on the Androscoggin River in Maine, the Rumford Falls facilities produce on average 274 GWh of electricity annually.

In October 2006, Brookfield Power acquired the Hawks Nest hydro facility in West Virginia. Located on the New River, this facility has a total installed capacity of 102 MW and produces on average 529 GWh of electricity annually.

In November 2006, Brookfield Power completed both phases of the Prince Wind Energy Project, located northwest of Sault Ste. Marie, Ontario. The Prince Wind Energy Project comprises 126 wind turbines extending over nearly 20,000 acres, has a total installed capacity of 189 MW and produces on average 534 GWh of electricity annually. In July 2006, Brookfield Power, through wholly-owned subsidiary Brookfield Power Wind Prince LP, completed a \$300 million non-revolving term credit facility expiring in August 2007 for the purposes of the construction, commissioning and operation of the Prince Wind Energy Project.

In November 2006, Brookfield Power, through its subsidiary, Great Lakes Hydro Income Fund, completed a term loan facility in the amount of \$32 million maturing in November 2011 and bearing interest at a rate of 4.753% with interest and principal payable quarterly commencing in February 2007. A final balance of \$12 million will be payable at the maturity of the facility.

Also in November 2006, the Company issued two series of unsecured notes for total proceeds of \$350 million as follows: \$200 million 5.25% notes, Series 3 due November 5, 2018; and \$150 million 5.84% notes, Series 4 due November 5, 2036. Both series of notes were issued pursuant to the Company's US\$750 million Short Form Base Shelf Prospectus dated September 28, 2006. The Series 3 and 4 unsecured notes are unconditionally guaranteed by Brookfield Power and are ranked equally with all other unsubordinated indebtedness of the Company. The net proceeds were used to repay the \$100 million Series 2 debentures which matured in December 2006 and the remainder was used for general corporate purposes.

In February 2007, Brookfield Power purchased two, 3 MW run-of-river hydroelectric stations on the Raquette River in Potsdam, NY. The Hewittville and Unionville stations, producing on average 35 GWh of electricity annually, are adjacent to existing Company operations on the same river.

DESCRIPTION OF THE BUSINESS

General

Brookfield Power owns or operates 127 hydroelectric power generating stations located on 40 river systems, one wind farm, one pumped storage facility and two thermal plants with an aggregate installed capacity of 3,575 MW. Brookfield Power expects to generate on average approximately 11,000 GWh of electricity per year from these facilities.

Brookfield Power also manages the facilities owned or operated by Brookfield's subsidiary, Brascan Energetica, S.A., in Brazil, which consist of 13 hydroelectric facilities with an installed capacity of 223 MW capable of producing 1,154 GWh of power annually. Brascan

Energética's assets are not included in Brookfield Power's consolidated financial statements and therefore information on those operations is not included in this Annual Information Form.

Some of Brookfield Power's assets are owned through its subsidiary, the Great Lakes Hydro Income Fund, a publicly traded reporting issuer on the Toronto Stock Exchange, of which Brookfield Power owns a 50.1% interest. More information regarding Great Lakes Hydro Income Fund may be found at www.greatlakeshydro.com or www.sedar.com.

Brookfield Power has operations in the regionally interconnected markets of Ontario, Québec, New York, New England (Maine, Massachusetts and New Hampshire) and PJM (Pennsylvania, New Jersey, Maryland and West Virginia), with other power operations in British Columbia and Louisiana and a regulated electrical transmission and distribution business in Ontario.

Brookfield Power conducts all of its energy marketing through a wholly-owned subsidiary, Brookfield Energy Marketing Inc. ("**BEMI**"), located in Gatineau, Québec. BEMI operates in the wholesale energy markets in both Canada and the United States. BEMI optimizes the revenue of Brookfield Power's generating assets by managing their dispatch, selling power in the wholesale markets and entering into short-term financial contracts and power purchase agreements in accordance with Brookfield Power's overall business strategy. BEMI's energy marketing activities are closely monitored through a risk management policy to minimize potential transaction risk.

Operating Characteristics

The following is a summary of Brookfield Power's power generating operations.

Markets	Power Operations	River Systems	Generating Stations	Generating Units	Installed Capacity ⁽¹⁾ Megawatts	Annual Generation ⁽²⁾ Gigawatt Hours	Storage Gigawatt Hours
Hydroelectric							
Quebec	Lièvre Operations	1	4	12	249	1,492	
	Pontiac Operations	2	2	7	28	195	
		3	6	19	277	1,687	584
Ontario	Mississagi Operations	3	6	11	499	797	
	Sault Hydro Operations	2	5	11	203	906	
	Wawa Hydro Operations	5	10	16	195	921	
		10	21	38	897	2,624	519
British Columbia	Powell River Energy	2	2	7	82	523	
	Pingston Creek	1	1	3	45	89	
		3	3	10	127	612	158
New England*	New England Southern Operations	2	11	32	94	551	
	New England Northern Operations	3	8	34	146	850	
		5	19	66	240	1,401	506
New York	Hudson River Operations	5	13	35	245	940	
	St. Lawrence River Operations	5	32	57	229	1,131	
	Lake Ontario Operations	5	29	78	214	892	
		15	74	170	688	2,963	541
PJM**	Hudson River Operations	3	3	9	150	629	-
Louisiana	Louisiana Hydro	1	1	8	192	903	-
Brazil	Brascan Energetica ⁽³⁾	10	13	29	223	1,011	-
Total		50	140	349	2,794	11,830	2,308
Wind							
Ontario	Prince Wind Energy	-	1	126	189	534	-
Total		-	1	126	189	534	-
Other							
Ontario	Lake Superior - Thermal	-	1	3	110	-	-
New York	Carr Street - Thermal	-	1	3	105	-	-
New England*	Cockwell - Pumped Storage	-	1	2	600	-	3
Total		-	3	8	815	-	-
Total		50	144	483	3,798	12,364	2,311

* Facilities in the States of Maine, Massachusetts and New Hampshire.

** Facilities in the States of Maryland, Pennsylvania and West Virginia.

(1) Installed capacity reflects 100% of asset capacity.

(2) Annual generation is based on long-term average hydrological and wind data.

(3) Brascan Energetica is owned by Brookfield Asset Management and managed by Brookfield Power. It is not included in the consolidated financial statements of Brookfield Power.

Generation

The following are the generation statistics by market for Brookfield Power's operations for the years ended December 31, 2005 and 2006:

Years ended December 31 (GWh)	Long-term Average (LTA)	Actual Production		Variance to	
		2006	2005	LTA	2005
Existing capacity as at December 31, 2004					
Ontario	2,412	1,898	1,766	(514)	132
Quebec	1,702	2,033	1,475	331	558
British Columbia	612	633	659	21	(26)
New England	1,024	1,144	1,172	120	(28)
New York	2,903	3,602	3,025	699	577
Louisiana	903	712	813	(191)	(101)
Total existing capacity as at December 31, 2004	9,556	10,022	8,910	466	1,112
Acquisitions – during 2006 ⁽¹⁾	456	472	-	16	472
Acquisitions – during 2005	227	238	166	11	72
Total hydroelectric operations	10,239	10,732	9,076	493	1,656
Other power generation ⁽¹⁾	1,198	1,267	1,108	69	159
Total generation	11,437	11,999	10,184	562	1,815

⁽¹⁾ Long-term average is adjusted to reflect the date of acquisition of the facilities.

"Other power generation" reporting segment consists of the activities of Brookfield Power's wind business, thermal stations and pumped storage facility.

Revenues

The following are the revenues by market for Brookfield Power's operations for the years ended December 31, 2005 and 2006:

HYDROELECTRIC GENERATION

Years ended December 31 (GWh and \$ millions)	2006				2005			
	Actual Production	Revenues	Operating Costs	Net operating income	Actual Production	Revenues	Operating Costs	Net operating income
Ontario	2,059	\$ 151	\$ 41	\$ 110	1,766	\$ 117	\$ 37	\$ 80
Quebec	2,033	119	24	95	1,475	75	21	54
New England	1,438	82	27	55	1,274	63	25	38
New York	3,857	229	69	160	3,089	195	71	124
Other	1,345	145	27	118	1,472	153	27	126
Total	10,732	\$ 726	\$ 188	\$ 538	9,076	\$ 603	\$ 181	\$ 422
Per MWh		\$ 68	\$ 18	\$ 50		\$ 66	\$ 20	\$ 46

OTHER POWER GENERATION

Years ended December 31 (GWh and \$ millions)	2006				2005			
	Actual Production	Revenues	Operating Costs	Net Operating Income	Actual Production	Revenues	Operating Costs	Net Operating Income
Cogeneration ⁽¹⁾	901	\$ 75	\$ 44	\$ 31	921	\$ 66	\$ 45	\$ 21
Pumped storage	267	25	22	3	187	21	18	3
Wind power	99	7	2	5	-	-	-	-
Power Sales to an affiliate	-	-	-	-	-	49	58	(9)
Total	1,267	\$ 107	\$ 68	\$ 39	1,108	\$ 136	\$ 121	\$ 15

⁽¹⁾ Includes gas resale power equivalent.

Additional information on the financial performance of Brookfield Power and the Company is available in their respective financial statements, which can be accessed at www.sedar.com under the Company's publicly filed documents.

Description of Operations

The following is a summary of the hydroelectric and wind power generation as well as other operations owned or operated directly or indirectly by Brookfield Power, including those owned through its 50.1% interest in the Great Lakes Hydro Income Fund.

Hydroelectric - Quebec

Lièvre Operations consist of four generating stations on the Lièvre River having a combined installed capacity of 249 MW. This system has interconnections with the Québec and the Ontario power grids. A portion of the power produced by Lièvre Operations is contracted to a newsprint mill located in Gatineau, Québec under a contract expiring in 2008. Power from the Cedar Dam facility is sold to Hydro-Québec under a contract which expires in 2030. The remaining power is sold under short term contract or into administered markets.

Pontiac Operations consist of two hydroelectric generating stations on tributaries of the Ottawa River in western Québec, with a combined installed capacity of 28 MW. Pontiac Operations have entered into two power contracts with Hydro-Québec for the sale of all power produced by the facilities. The contracts each have a term of 25 years expiring in 2020 and 2019, respectively.

Hydroelectric - Ontario

Wawa Hydro Operations are located in northern Ontario. They include ten generating stations located on five river systems. The installed capacity of Wawa Hydro Operations, including two of the recently acquired Beaver Power generating stations, is 195 MW. All power

produced by the two Beaver Power facilities, having an installed capacity of 39 MW, is sold to the Ontario Electricity Financial Corporation (“**OEFC**”) under two power purchase agreements expiring in 2042 and 2046. Wawa Hydro Operations also include the 10 MW Valerie Falls facility on the Seine River, which is party to a power purchase agreement with the OEFC expiring in 2044. Power produced by all the other facilities in Wawa Hydro Operations is sold into the Ontario administered market.

Sault Hydro Operations are located in northern Ontario near Sault Ste. Marie. They include five generating stations located on two river systems. The installed capacity of the Sault Hydro Operations is 203 MW. All power produced by the Sault Hydro Operations is sold into the Ontario administered market.

Mississagi Operations are located in northern Ontario. They include six generating stations on three river systems with an installed capacity of 499 MW, including two of the recently acquired Beaver Power generating stations. All power produced by the four generating stations located on the Mississagi River, having an installed capacity of 488 MW, is sold into the Ontario administered market. All power produced by the two Beaver Power facilities, having an installed capacity of 11 MW, is sold under two power purchase agreements to the OEFC expiring in 2039 and 2041.

Hydroelectric - British Columbia

Pingston Creek is a joint venture between Brookfield Power and Canadian Hydro Developers Inc. The 45 MW Pingston Creek hydroelectric generating station is located near the town of Revelstoke, in south central British Columbia. All power produced by the facility is sold under a power purchase agreement to British Columbia Hydro and Power Authority (“**BC Hydro**”) expiring in 2023.

Powell River Energy has two hydroelectric generating stations with seven generating units having a combined installed capacity of 82 MW. These facilities are located near Powell River, British Columbia. Powell River Energy is owned 49.9% by the Great Lakes Hydro Income Fund and 50.1% by Catalyst Paper Corporation (formerly Norske Skog) (“**Catalyst**”). All electricity generated by Powell River Energy is sold to Catalyst pursuant to a power purchase agreement expiring in 2011.

Hydroelectric - New England

New England Northern Operations include eight hydroelectric facilities containing 34 generating units with an aggregate installed capacity of 146 MW. Six of the facilities, with an installed capacity of 127 MW, are located on the Penobscott River in northern Maine. All power produced from these facilities is sold to an affiliated paper mill under a power purchase agreement expiring in 2015.

The Brassua facility, on the Moose River, has an installed capacity of 4 MW. All power produced by the facility is sold under a power purchase agreement to Central Maine Power Company expiring in 2009. The lease for the facility expires in 2012.

The Hydro Kennebec facility, on the Kennebec River, has an installed capacity of 15 MW. All power produced by the facility is sold under a power purchase agreement to Central Maine Power Company. The power purchase agreement and the lease for the facility expire in 2009.

New England Southern Operations include 11 hydroelectric facilities containing 32 generating units with an aggregate installed capacity of 94 MW. Six of the hydroelectric facilities, having an aggregate installed capacity of 31 MW, are located on the Androscoggin River. All power produced by these facilities is sold to an affiliated paper mill owned by Fraser Papers Inc. under a power purchase agreement expiring in 2012.

Two other facilities are located on the Androscoggin River in New Hampshire. The Errol facility has an installed capacity of 3 MW. All power produced by this facility is sold to Public Service of New Hampshire under a power purchase agreement that expires in 2023. The lease for that facility also expires in 2023. The Pontook facility has an installed capacity of 11 MW. All power produced by the facility is sold into the New England administered market.

The Fife Brook hydroelectric generating facility located on the Deerfield River in northern Massachusetts, owned as a joint venture between Brookfield Power and Emera Inc., has an installed capacity of 10 MW. The facility sells its power into the New England administered market.

The recently acquired Rumford Falls assets located on the Androscoggin River in Maine added two hydroelectric generating facilities with a combined installed capacity of 39 MW. All power produced by these facilities is sold into the New England administered market.

Hydroelectric - New York and PJM

St. Lawrence River Operations are located in upstate New York. They include 32 hydroelectric generating facilities located on five river systems with a total installed capacity of 229 MW. All power produced by the facilities is sold into the New York administered market, except for the power produced by the Hewittville and Unionville stations on the Raquette River, which power is sold to the Niagara Mohawk Power Corp. under a power purchase agreement expiring in 2018.

Lake Ontario Operations consist of 29 hydroelectric generating facilities located in upstate New York on five river systems. The installed capacity of the system is 214 MW. All power produced by the facilities is sold into the New York administered market.

Hudson River Operations consist of 16 hydroelectric generating facilities, 13 of which are located in upstate New York on five river systems and three of which are located in the PJM administered market on three river systems. The installed capacity of the system is 395 MW. All power produced by the 13 facilities in upstate New York is sold into the New York administered market. The power produced by the Piney and Deep Creek facilities is sold to the PJM administered market. All power produced by the Hawks Nest facility in West Virginia is sold under a power purchase agreement expiring in 2021.

Hydroelectric - Louisiana

Louisiana Hydro operates a hydroelectric generating station on a diversion of the Mississippi River near the Town of Vidalia, Louisiana. Brookfield Power holds a 75% residual interest in the facility. The hydroelectric generating station has an installed capacity of 192 MW, making it one of the largest run-of-the-river stations in the world. Louisiana Hydro has entered into an agreement with the U.S. Army Corps of Engineers providing for the flow of water required for the facility. This agreement expires in 2031.

Substantially all of the power produced by the facility is sold to Entergy Louisiana, Inc., a wholly-owned subsidiary of Entergy Inc., under a power purchase agreement expiring in 2031. The remaining power is sold directly to the Town of Vidalia pursuant to a power purchase agreement expiring in 2031.

Wind – Ontario

The Prince Wind Energy Project, completed in November 2006, comprises 126 wind turbines extending over nearly 20,000 acres. With a total installed capacity of 189 MW, Prince is currently the largest wind farm in Canada. The Prince Wind Energy Project is located northwest of Sault Ste. Marie, in Northern Ontario. All power produced by the Project is sold to the Ontario Power Authority under two power purchase agreements expiring in 2026 and 2028.

Other – Thermal

Lake Superior Operations consist of one combined cycle cogeneration facility with 110 MW of installed capacity located in Sault Ste. Marie, Ontario. Lake Superior Operations sells its power under a power purchase agreement with the OEFC expiring in 2014. Lake Superior Operations has a gas supply agreement with each of Petro Canada Inc. and Talisman Energy Inc. for the purchase of natural gas required to operate the facility. The agreements expire in 2009 and 2008, respectively.

Carr Street Operations consist of a 105 MW dual fired combined-cycle station located in East Syracuse, New York. This facility, predominately used to meet power needs at times of peak demand, does not have long-term gas supply contracts. All power produced by the facility is sold into the New York administered market. The lease for the facility expires in 2022.

Other – Pumped Storage

The Cockwell (formerly Bear Swamp) pumped storage hydroelectric generating facility, owned as a joint venture between Brookfield Power and Emera Inc., is located on the Deerfield River in northern Massachusetts and contains two generating units with an installed capacity of 600 MW. The facility sells its power into the New England administered market and under short term contracts. A portion of the power and capacity produced from this facility is sold to the Long Island Power Authority under a power purchase agreement expiring in April 2021.

Other - Transmission and Distribution

Brookfield Power's transmission and distribution operations in Ontario include 16 transmission stations with approximately 550 km of 44-kV to 230-kV transmission lines. It comprises part of the Ontario administered grid and includes a low voltage distribution system consisting of approximately 1,800 km of low voltage lines and 11 distribution stations that service approximately 11,500 customers. Daily operation of the transmission and distribution business is conducted from Brookfield Power's control centre located in Sault Ste. Marie, Ontario. Brookfield Power's transmission and distribution business is a regulated utility that earns regulated cash flows under a cost of service framework that serves to provide additional overall stability to its cash flows.

Brookfield Power has completed the construction of an \$80 million upgrade to its transmission line in northern Ontario. The project included the replacement of 164 km of transmission line and related transformer station modifications. In addition to the upgrade, the new line is equipped with a fiber optic communications cable to complete the link between Sault Ste. Marie and Wawa for improved data transmission and communications among Brookfield Power's facilities in the region. This initiative increased the overall reliability and power flow capacity of this portion of Brookfield Power's northern Ontario transmission system.

Safety, Health and the Environment

Brookfield Power, including the Company, has adopted a Health and Safety Policy and an Environmental Policy requiring all employees, contractors, agents and others involved in its operations to comply with established safety, health and environmental practices.

Brookfield Power strives to achieve excellence in safety performance and to be recognized as an industry leader in accident prevention.

Brookfield Power's environmental practices are based on the fundamental values of accountability, partnership and open communication. Brookfield Power accepts the responsibility entrusted to it to manage natural resources in ways that ensure sustainable development. Brookfield Power's approach protects and enhances the ecosystems and communities affected by its activities.

Employee and Labour Relations

Brookfield Power employs more than 700 people throughout its operations across North America. Approximately 42% of Brookfield Power's employees are covered by collective agreements negotiated with three different labour unions. Agreements with the Power Workers Union and the Society of Energy Professionals are in place for certain employees working in the Brookfield Power operating centres in Ontario, including Transmission and Distribution, Wawa Hydro Operations, Sault Hydro Operations, Lake Superior Operations and Mississagi Operations. The International Brotherhood of Electrical Workers represents certain employees in the Lièvre Operations and Pontiac Operations in Québec, as well as in some of its New York operations including St. Lawrence River Operations, Hudson River Operations and Lake Ontario Operations.

The labour contracts with the International Brotherhood of Electrical Workers in Brookfield Power's Québec operations expire in 2010. The collective agreement with the International Brotherhood of Electrical Workers local 97 in Brookfield Power's New York operations expires in 2012 while the agreement with the Power Workers Union local 459 in our Piney and Deep Creek facilities in the New York operations will expire on May 14, 2007.

Several of the collective agreements in Brookfield Power's Ontario operations expired in 2006. The collective agreement in place with the Power Workers Union in Mississagi Operations was successfully renewed for a four year period ending on March 31, 2010. The other agreement in place with the Society of Energy Professionals in Mississagi Operations was also renewed for a four year period. Brookfield Power is currently negotiating with the Power Workers Union the collective agreements in place in Lake Superior Operations and with Brookfield Power subsidiary Great Lakes Power Limited (which includes Sault Hydro Operations, Wawa Hydro Operations and Transmission and Distribution).

Financing Strategy

Brookfield Power has access to equity capital through its shareholder, Brookfield, and indirectly through its subsidiary, the Great Lakes Hydro Income Fund, which is the largest power

income fund in North America in terms of installed capacity and power generation. Great Lakes Hydro Income Fund had a market capitalization exceeding \$925 million as at December 31, 2006.

Brookfield Power finances its operations with a combination of non-recourse asset backed debt and unsecured corporate debt and endeavours to maintain access to financing of this nature in both Canada and the United States. Accordingly, it is Brookfield Power's objective to maintain investment grade ratings for both non-recourse and project based financing as well as unsecured corporate debt. To date all debt issuances (both secured and unsecured) are rated BBB by at least one of the three agencies that rate Brookfield Power's obligations. See "Ratings" on page 29 for further details.

Brookfield Power believes that this strategy results in a lower cost of capital and a more stable borrowing base by allowing the terms of project level debt to be specifically tailored to the attributes of each project, thereby optimizing the cost and level of debt at each project. The structural subordination of corporate debt is mitigated by the diversification of Brookfield Power's assets, the relatively low level of non-consolidated debt and the absence of any material cross guarantees or cross collateralization.

As of December 31, 2006, outstanding debt for Brookfield Power included US\$1.8 billion of project level debt with an average maturity of 15 years and current average interest rate of 6.4% and a US\$808 million finance debt obligation which has an implicit interest rate of 10.30% due on November 1, 2031. The outstanding debt of the Company includes \$450 million of fixed rate unsecured debentures due in December 2009, and two fixed rate medium term notes of \$200 million and \$150 million due in November 2018 and 2036 respectively.

The Company also maintains a line of credit with various Canadian chartered banks. The credit facility, which totaled US\$350 million as of December 31, 2006, is used primarily to issue letters of credit required to facilitate Brookfield Power's participation in the various power markets. Some of Brookfield Power's subsidiaries also maintain lines of credit for their operations.

Great Lakes Hydro Income Fund also has access to \$30 million of committed credit facilities, which ensures adequate liquidity to fund its operations.

Economic Dependence

Details of all significant agreements entered into by Brookfield Power or the Company upon which their business is substantially dependent are described in the section entitled "Description of Operations" on page 10 of this Annual Information Form. In addition, Brookfield Power facilities operate under various water power leases or Federal Energy Regulatory Commission ("FERC") licenses, which provide, in addition to other regulatory permits and licenses, the necessary authorization to generate hydroelectric power in accordance with their terms. They typically have lengthy durations with varying expiry dates and renewal rights.

BUSINESS ENVIRONMENT

The North American Electricity Industry

Overview

The North American electricity industry has been characterized by significant change over the past several decades, as several jurisdictions in both Canada and the United States have opened their electricity markets to competition. While the pace of deregulation has differed from region to region, wholesale electricity trading markets have developed, access to transmission systems has been afforded, and a number of electric utilities have been restructured in response to state mandated efforts to move towards competition. Additionally, independent power producers have had the opportunity to increase their generating portfolios in markets where asset sales have been either mandated by the regulator, or opportunities have materialized through consolidation or rationalization.

In Canada, Ontario and Alberta are the only provinces to have opened their electricity markets to full retail competition, while the provinces of Québec, British Columbia and New Brunswick have restructured their electric utilities to some extent. New York and most of New England and the mid Atlantic states have taken steps to open up their retail electricity markets to competition. As deregulation has achieved varying degrees of success, market rules for deregulation have continued to be refined.

As Brookfield Power principally operates in the regionally interconnected markets of Ontario, New York, Québec, New England (Maine, Massachusetts and New Hampshire) and PJM (Pennsylvania, New Jersey, Maryland and West Virginia) and its asset base is predominantly composed of low cost, hydroelectric generating facilities, it is well positioned to take advantage of opportunities to sell its electricity products at attractive prices net of transmission costs in these regions. Additionally, Brookfield Power has sought to capitalize on opportunities in these markets by making strategic acquisitions and drawing upon the skills of its marketing group to maximize its energy revenue.

Electricity Demand and Dispatch

Demand for electricity is non-uniform and varies due to seasonal and daily variations. Electricity demand can be broken into three principal components: (i) a baseload component which represents the minimum level of electricity required regardless of season or time of day (such as industrial demand); (ii) an intermediate component reflecting the generally higher demand for electricity during daylight hours (commercial, industrial and residential demand for lighting, computers, etc.); and (iii) a peaking component which tracks the coincident pattern of electricity use throughout a region and is affected by variables such as weather (cooling demand in summer, heating demand in winter). The demand volatility associated with this peaking component is what gives rise to rapidly changing prices which can be exploited by low-cost responsive generation assets.

Competitive Dispatch of Generating Assets in Deregulated Markets

In order for electricity demand to be adequately satisfied by electricity supply in competitive markets, the various market operators (Independent Electricity System Operator of Ontario (“**IESO**”) in Ontario, New York Independent System Operator (“**NYISO**”) in New York State, the ISO New England Inc. (“**ISO-NE**”) in New England and the PJM Interconnection (“**PJM**”) in Pennsylvania, New Jersey and Maryland) conduct a bid-offer process which serves to schedule, or dispatch, the levels of generation or imports required to meet total demand.

Depending on the market rules, generators will bid their generation into the market based on a demand curve which has been established by the market operator, dictating the generation that will be required in order to meet expected demand. As the generators bid into the market, a “merit order” is established, and bids are ordered from the lowest bid to the highest bid up to the point where the generation required to meet demand is filled by the bidding generators. The generator who is able to fill the last remaining block of generation at the lowest price becomes the price setter for the market and establishes the market clearing price. Once that price has been established, all generators who are dispatched (i.e. those who bid at or below the market clearing price) are paid the market clearing price by the system operator.

Hydroelectric facilities with storage capacity, such as certain of Brookfield Power’s assets in Ontario, New England and New York, are able to take advantage of opportunities when prices are high by releasing water stored in reservoirs and generating additional electricity to meet market demand.

Hydroelectric plants in competitive markets have significant advantages given their comparatively low-cost of producing electricity. The relative competitiveness of different generation technologies is determined by scale, operating flexibility and fixed and variable operating costs.

Electricity Price Drivers

In competitive electricity markets, power prices can fluctuate significantly due to a number of factors:

- Demand — amount of energy consumers require at a given time. This varies by time of day, by geographic region, and is influenced by weather patterns. Over time, demand is also impacted by economic development and growth, and conservation initiatives.
- Supply — amount of energy available to meet demand, reserve margin requirements and ancillary service requirements. This can come from either generating assets which are located close to the source of the demand, or can be transmitted from other geographic locations.
- Commodity Prices — higher prices of natural gas or oil or coal, for example, can lead to higher power prices as generating units bid into the market to recover their costs (i.e. higher commodity costs traditionally mean higher market bids).

As a result of rising commodity prices, in markets where generation servicing intermediate load (generation electricity consumers) is predominantly fossil fuel based, market clearing prices will most likely increase. In markets where new generation is supplied by combined cycled natural gas facilities, power prices will reflect their higher fuel costs.

Brookfield Power's uncontracted hydroelectric assets are uniquely positioned to benefit from market price volatility. Brookfield Power believes that these assets will continue to provide superior returns over time as future growth in demand gives rise to a need for additional supply and/or results in higher market prices. Brookfield Power expects that new supply will likely be dominated by higher-cost generators, such as natural gas-fired generation, which will have positive long-term implications for margins enjoyed by low-cost hydroelectric generators such as Brookfield Power.

Energy Markets in which Brookfield Power Operates

Brookfield Power operates in the regionally interconnected wholesale markets of Ontario, New York, New England (Maine, Massachusetts and New Hampshire) and PJM (Pennsylvania, New Jersey, Maryland and West Virginia), as well as in the provinces of Quebec and British Columbia and state of Louisiana, the latter three being electricity markets characterized by few market participants and highly centralized electricity procurement regions.

Ontario

Approximately 32% of Brookfield Power's long term average electricity production is generated from assets located in Ontario.

Ontario's electricity market is now described as a hybrid market, having both regulated and competitive characteristics.

The IESO functions as the centralized electricity system coordinator, responsible for operating the wholesale real-time power market and directing the operations of the IESO administered grid in Ontario and maintaining the security and reliability of electricity supply. Generators like Brookfield Power sell electricity at competitive prices into the Ontario wholesale market and are able to sell energy into the interconnected markets of Quebec and Ontario.

Additionally, the IESO, as part of its responsibility to ensure the security and reliability of the grid in Ontario, procures ancillary services from generators in accordance with reliability standards set by regional authorities such as the North American Electric Reliability Council and the Northeast Power Coordinating Council.

New York

Approximately 24% of the total Brookfield Power long term average generation is associated with its New York facilities.

The NYISO operates the wholesale power and ancillary markets. In addition, the NYISO administers the FERC-approved transmission tariff and the associated market rules, utilizing a

bid process for electricity and transmission usage and enabling New York's utilities and other market participants to offer electricity at competitive prices, rather than regulated rates.

Locationally-based marginal pricing has been implemented in order to manage the efficient use of the transmission system when congestion occurs on the bulk power grid. Since locationally-based marginal pricing is calculated at different nodes, prices may vary from one location to another in New York.

To maintain reliability and prevent the loss of load due to resource inadequacy, the NYISO also operates an installed capacity market, holding semi annual auctions. Through this market, generators are essentially paid an availability payment for having capacity available to the NYISO system for dispatch.

PJM

Three of Brookfield Power's hydroelectric facilities are within the PJM Interconnection ("PJM") administered market and account for less than 5% of long term average generation produced by Brookfield Power.

PJM administers the electricity market for approximately 51 million customers in all or parts of 14 mid-Atlantic states, and has a peak generating capacity of nearly 145,000 MW. It is the world's largest wholesale electricity market. Like other markets in the United States, PJM operates energy, capacity and ancillary products markets.

Similarly to the NYISO, the PJM energy market uses locational marginal pricing, which reflects the value of energy at the specific location and hour the energy is delivered. The market consists of a day-ahead market and a real time market.

Retail power suppliers in PJM's market are required to own or control electric generating capacity resources as a percentage of their peak demand. They meet these obligations through bilateral contracts or through participation in the PJM capacity market. PJM's capacity market consists of daily, monthly and multi-monthly capacity credit markets. The daily capacity market allows retail power suppliers to match capacity resources with short-term shifts in retail demand. The monthly and multi-monthly capacity markets allow retail suppliers to match longer term obligations with capacity requirements.

New England

Brookfield Power owns 840 MW of installed capacity in New England, accounting for approximately 13% of its total power generated, based on long term average.

The ISO-NE is responsible for the day-to-day operation of New England's bulk power generation and transmission system, oversight and fair administration of the region's wholesale electricity markets and management of a comprehensive regional bulk power system planning process. The six-state region that ISO-NE serves includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. The market consists of a day-ahead market and a real time market.

The ISO-NE also operates an installed capacity market, holding annual auctions. This market provides an additional source of revenue for Brookfield Power that complements the revenue it earns from being dispatched and selling power into the electricity market. The ISO-NE capacity market is evolving into a locationally-based market, with the first locational capacity market scheduled to begin on February 1, 2008, for delivery June 1, 2010. During the interim period, system-wide prices have been fixed at \$3.05/kW month in 2007-2008, \$3.75/kW month in 2008-2009 and \$4.10/kW month in 2009-2010. After the transition period, ISO-NE will hold annual and monthly reconfiguration auctions for capacity.

Québec

Brookfield Power has two systems in Québec that account for approximately 14% of total long term average power generation. Québec is still a regulated power market dominated by the provincial utility.

Lièvre River Operations in Quebec has interconnections with the Québec and the Ontario power grids. Although a portion of the power produced by the Lièvre River Operations is sold under power purchase agreements, some power is sold in the IESO administered market in Ontario. Power may also be sold under short term contract or delivered into the New England or New York markets through the Hydro-Québec transmission network. TransÉnergie, which owns and operates Hydro-Québec's transmission system, offers non-discriminatory access to Quebec's transmission system to all customers on the wholesale market in northeastern United States.

Brookfield Power pursues opportunities in this area that provide the ability to sell power into interconnected open markets, such as Ontario, or where Brookfield Power can secure contracts to sell power to third parties at attractive rates.

British Columbia

Brookfield Power jointly owns two power systems in British Columbia, accounting for approximately 5% of its long term average production.

British Columbia is still a regulated power market dominated by British Columbia Hydro and Power Authority (“**BC Hydro**”), a crown corporation which is the major generator and supplier of electricity consumed in the province. Independent power producers located in British Columbia may sell to BC Hydro or another transmission system owner or employ access to either transmission system to sell their generation outside the province. Brookfield Power's facilities in British Columbia sell their power under a power purchase agreement. Brookfield Power pursues opportunities in this area to build facilities with secure power purchase agreements to sell power to third parties at attractive rates.

Louisiana

Brookfield Power owns a 75% residual interest in one power facility in Louisiana, accounting for approximately 7% of its long term average production.

Louisiana is still a regulated power market dominated by the local utility, Entergy Louisiana. The Louisiana facility sells its power under a power purchase agreement.

Competitive Strengths

Brookfield Power benefits from the following competitive strengths:

Affiliation with Brookfield. As a 100% owned subsidiary of Brookfield, Brookfield Power benefits from the financial strength and managerial expertise of its parent. Brookfield considers power generation to be one of its core business segments and is committed to the continued success and growth of Brookfield Power's operations.

Storage Capacity. Brookfield Power has the equivalent of approximately 2,300 GWh of storage capacity throughout its portfolio, providing the ability to avoid spillage, manage water resources and capture higher prices in the market.

Experienced Management Team. The management team has substantial experience and has a consistent track record of successfully growing both its asset base and cash flows.

Interconnected Markets. The majority of Brookfield Power's power generating facilities are located in the northeastern U.S. and Canada. The New York, New England (Maine, Massachusetts and New Hampshire), PJM (Pennsylvania, New Jersey, Maryland and West Virginia), Ontario and Québec power markets are all interconnected, allowing power generated in one of these markets to be sold into any of the other markets. Having generation assets in all of these regions allows Brookfield Power to capture pricing opportunities that exist between markets or allows Brookfield Power to re-supply its customers from those markets.

Energy Marketing Expertise. Brookfield Power's centralized energy marketing group works to enhance returns from its existing generation assets while employing a prudent risk management strategy to limit transaction risks. Brookfield Power's energy marketing operations also provide valuable market intelligence regarding pricing dynamics, regulatory systems and market participants, which serves to support the growth strategy by targeting the most attractive markets.

Revenue Stability. Brookfield Power endeavours to maximize the stability and predictability of its power generating revenues by contracting future power sales to minimize the impact of price fluctuations, by diversifying watersheds and by utilizing water storage reservoirs to minimize fluctuations in annual generation levels. As more particularly described in the "Risks" section on page 25 under the title "Energy Price Fluctuations", Brookfield Power actively manages its energy production and sales, partly through physical and financial contracts, mitigating the impact of price volatility.

Strong Competitive Position. Brookfield Power is one of the lowest cost generators of electricity in North America. Brookfield Power's generating facilities operate in competitive, bid based markets where the hourly price of electricity is a function of instantaneous supply and demand that favours low-cost producers. With virtually no fuel costs and minimal overhead and

maintenance costs, Brookfield Power's hydroelectric assets are competitively positioned relative to other types of generation supply.

Geographic Diversity. Brookfield Power's power generating facilities are located in seven distinct power markets reducing the impact of individual market or regulatory risk. The regional diversity of its hydroelectric plants, located on 40 different river systems, materially mitigates the risk of encountering lower overall hydrology.

Financial Strength and Attractive Debt Maturity Profile. Brookfield Power has investment grade issuer ratings from Dominion Bond Rating Service, Standard & Poor's Rating Services, and Fitch Ratings. With the intent of preserving these ratings, Brookfield Power pursues a conservative approach to its capitalization maintaining a prudent level of low-cost limited recourse project financing and modest levels of corporate debt. The long-life nature of its assets allows Brookfield Power to finance these assets with long-term limited recourse debt, with minimal near-term maturities.

REORGANIZATION

Due to the strategic importance of the power business to Brookfield and its substantial growth, Brookfield established the Company as a subsidiary of Brookfield Power, and the Company intends to acquire all of Brookfield Power's power operations as part of a reorganization (the "**Reorganization**"). Brookfield Power 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 Portfolio that is not related to the power operations and the Company will be a "pure play" power company. The Reorganization will enhance investor clarity and lower the Company's cost of capital.

The Reorganization will be effected through the transfer of Brookfield Power's power operations to the Company. The proposed plan of action would involve Brookfield Power obtaining the contractual consents, assignments and replacement contracts required to transfer the power operations. Additionally, regulatory consents are required to transfer the power operations as a result of the regulated nature of the industry in certain jurisdictions. Brookfield Power's operations in the United States are governed by the Federal Power Act. Under this Act, a reorganization which results in a change in the parent corporation of a licensed entity requires the approval of the Federal Energy Regulatory Commission. Brookfield Power will also obtain any necessary approvals or complete any filing requirements with the National Energy Board (Canada) in addition to any provincial or state boards or ministries. Brookfield Power expects to liquidate the Investment Portfolio over time, with the proceeds used to fund acquisitions and capital expenditures by the Company. Upon the completion of the Reorganization, and provided certain other conditions are met, the guarantee Brookfield Power provides with respect to the Company's debentures will be discharged. See "Material Contracts" on page 38 for further details.

RISK FACTORS

The power operations of Brookfield Power are subject to varying degrees of risk inherent in the ownership and operation of power generating facilities. The following represents a summary of the most relevant risk factors relating to the business.

Hydrology

The revenues generated by the power systems are directly correlated to the amount of electricity generated. The amount of electricity generated by the 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 a material hydrologic event will not impact the hydrological conditions that exist within the watershed. Brookfield Power strives to mitigate the risk of variable hydrology conditions by acquiring and operating a portfolio of geographically diverse facilities across six regions in North America. The diversified locations of its power generating assets assist in balancing the impact of generation fluctuations in any one geographic region. Brookfield Power also has access to hydrology insurance. Overall, revenues and cash flows may not necessarily be affected by fluctuations in power generation resulting from variable water conditions.

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 Canadian operations is denominated in Canadian dollars and, therefore, results may be affected by the fluctuations of the Canadian / U.S. dollar exchange rate over time. A material decrease in the value of the Canadian dollar may negatively impact Brookfield Power's net operating income. The Canadian operations' operating expenses and financing costs incurred are also denominated in Canadian dollars, thus providing a natural hedge. In addition, Brookfield Power 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 it engages 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 Brookfield Power's revenue is tied, either directly or indirectly, to the spot market price for electricity in the compatible electricity market it operates in. Electricity price volatility could have a material adverse effect on Brookfield Power's business, operating results, financial condition or prospects. Brookfield Power endeavours to maximize the stability and predictability of its power generating revenues by contracting future power sales to minimize the impact of price fluctuations, by diversifying watersheds and by utilizing water storage reservoirs to minimize fluctuations in annual generation levels.

Brookfield Power actively manages its energy production and sales, partly through physical and financial contracts, mitigating the impact of price volatility. As at December 31, 2006, Brookfield Power's power purchase agreements have an average term of 12.6 years and counterparties are almost exclusively customers with long standing credit history or investment grade ratings. Brookfield Power's policy is to use financial contracts, which typically have a term of up to 30 months, to lock in the future price of uncommitted power it is reasonably certain to generate. Of the energy expected to be generated in 2007, 82% is under contract and 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.

Regulatory Regime and Governmental Permits

The operation of Brookfield Power's generation assets is subject to regulation. Water rights are generally owned by governments which reserve the right to control water levels. Any new law or regulation could require additional expenditure to achieve or maintain compliance. Operations that are not currently regulated may become subject to regulation. Because legal requirements are frequently changing and are subject to interpretation, Brookfield Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of Brookfield Power's operations are regulated by government agencies that exercise discretionary power conferred by statutes. Because the scope of such authority is uncertain and may be inconsistently applied, Brookfield Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. The failure of Brookfield Power to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect Brookfield Power's ability to generate income.

Credit

Brookfield Power is exposed to credit-related losses in the event of the non-performance by counterparties to power purchase agreements, financial instruments and physical electricity and gas trades. Credit risks arise from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where Brookfield Power would incur a loss in replacing the defaulted transaction. Brookfield Power minimizes credit risk with counterparties to financial instruments and physical electricity and gas trades through the selection, monitoring

and diversification of counterparties, use of standard trading contracts, collateral and other credit risk mitigation techniques. As well, Brookfield Power's power purchase agreements are almost exclusively with customers having long standing credit history or investment grade ratings.

Labour Relations

While labour relations have been stable to date and there have not been any disruptions in operations as a result of labour disputes with employees, the maintenance of a productive and efficient labour environment cannot be assured. In the event of a labour disruption such as a strike or lock out, the ability of the generation assets to generate income may be impaired. Brookfield Power's current collective agreements expire periodically and there are no assurances that Brookfield Power will be able to renew its collective agreements without a labour disruption.

Rate Setting Risks

The transmission assets in Ontario are subject to regulation. The OEB regulates the rates charged by electricity transmitters in Ontario. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on equity. Any changes in the rate structure for the transmission assets or any reallocation or redetermination by the OEB of Brookfield Power's allowed costs relating to the transmission assets, could have a material adverse effect on Brookfield Power's transmission revenues.

Brookfield Power also owns and operates distribution assets. Accordingly, Brookfield Power is subject to business, operating, regulatory and environmental risks in respect of those assets, and may be adversely affected by their financial performance.

Operating and Capital Expenditure Costs

In the future, Brookfield Power's generation assets may require significant capital expenditures and its operations could be exposed to unexpected increases in operating costs such as increased operating labour costs, water rental costs and taxes. Annually, Brookfield Power invests a significant amount to maintain the reliability of its asset base.

Insurance Limits

While Brookfield Power believes that its insurance coverage addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events are insured that could give rise to a loss or claim that may occur involving the assets or operations of Brookfield Power.

Force Majeure

The occurrence of a significant event which disrupts the ability of Brookfield Power's generation assets to produce or sell power for an extended period, including events which preclude existing customers from purchasing electricity, could have a material negative impact on the business. Brookfield Power's generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at Brookfield Power's generation assets or a generating plant owned by a third party to which the transmission assets are connected. In addition, many of Brookfield Power's generation assets are located in remote areas which makes access for repair of damage difficult.

Dam Safety

The occurrence of dam failures at any of Brookfield Power's hydroelectric generating stations could result in a loss of generating capacity and repairing such failures could require Brookfield Power to incur significant expenditures of capital and other resources. Such failures could result in Brookfield Power being exposed to significant liability for damages. Although Brookfield Power has a dam safety program and invests a significant amount to maintain the reliability of its asset base, there can be no assurance that Brookfield Power's dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Upgrading all dams to enable them to withstand all events could require Brookfield Power to incur significant expenditures of capital and other resources. The consequences of dam failures could have a material adverse effect on Brookfield Power's business, operating results, financial condition or prospects.

Health, Safety and Environmental Risks

The ownership and operation of Brookfield Power's generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future laws or amendments enacted) and the requirements of licenses, permits and other approvals will remain material to Brookfield Power's business. Brookfield Power has incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. Brookfield Power has also adopted policies requiring compliance with established safety, health and environmental practices. Nevertheless, from time to time it is possible that Brookfield Power may be unsuccessful in obtaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and

workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Litigation

In the normal course of its operations, Brookfield Power and the Company become involved in various legal actions, typically involving claims relating to personal injuries, property damage, property taxes, land rights and contract disputes. The Company maintains adequate provisions for its outstanding or pending claims. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on the financial position or results of operation of Brookfield Power or the Company in a particular quarter or fiscal year. Brookfield Power and the Company believe that they are not currently involved in any litigation, claims or proceedings in which an adverse outcome would have a material adverse effect on their consolidated financial position or results.

CAPITAL BASE AND DIVIDEND POLICY

The authorized capital of the Company consists of an unlimited number of common shares. There is one common share of the Company issued and outstanding. The Company has not issued dividends to date.

The authorized capital of Brookfield Power consists of an unlimited number of Class A preference shares ("**Class A Preference Shares**") and an unlimited number of common shares. There are 101,512,218 common shares and no Class A Preference Shares issued and outstanding.

The following is a summary of certain provisions attaching to or affecting the Class A Preference Shares as a class. The Class A Preference Shares may be issued from time to time in one or more series. The board of directors of Brookfield Power will fix the number of shares in each series and the provisions attached to each series before issue. The Class A Preference Shares rank senior to the common shares of Brookfield Power and any other shares ranking junior to the Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Brookfield Power, whether voluntary or involuntary, or in the event of any other distribution of assets of Brookfield Power among its shareholders for the purpose of winding-up its affairs. Each series of Class A Preference Shares ranks on a parity with every other series of Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Brookfield Power, whether voluntary or involuntary, or in the event of any other distribution of assets of Brookfield Power among its shareholders for the purpose of winding-up its affairs. Brookfield Power shall not delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A Preference Shares as a class or create preference shares ranking in priority to or on parity with the Class A Preference Shares except by special resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of the Class A Preference Shares duly called for that purpose, in accordance with the provisions of the articles of Brookfield Power. Each holder of

Class A Preference Shares entitled to vote at a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, has one vote in respect of each \$25.00 of the issue price of each Class A Preference Share held by such holder.

Dividends on Brookfield Power's common shares are paid quarterly in February, May, August and November of each year. The quarterly dividend was increased to its current level of \$0.13 per share in 2006. Special dividends are periodically considered and paid from retained earnings in excess of Brookfield Power's needs.

There exist, in certain circumstances, direct restrictions on the ability of Brookfield Power to pay dividends as well as indirect restrictions, insofar as there are restrictions on its subsidiaries in making distributions to Brookfield Power.

RATINGS

The debentures issued by the Company pursuant to the Trust Indenture (discussed at page 38 of this Annual Information Form) have been assigned a rating of BBB (high) with a stable trend by DBRS and BBB by S&P and Fitch.

Brookfield Power is currently rated BBB (high) with a stable trend by DBRS, BBB with a stable outlook by S&P and BBB- by Fitch with a stable outlook. Rating agencies have also assigned separate ratings for Brookfield Power's non-recourse debt secured against its operating assets.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the above rating agencies rate debt instruments with ratings ranging from "AAA", which represents the highest quality of securities, to "D", which represents securities that are in payment default. Debt instruments that are rated in the BBB category by S&P exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. Debt instruments that are rated in the BBB category by DBRS are of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. Debt instruments that are rated in the BBB category by Fitch are of good credit quality and there are currently expectations of low credit risk. The capacity for all payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this category. A S&P and Fitch rating may be modified by the addition of a plus "(+)" or minus "(-)" to show relative standing within the major rating categories. A DBRS rating may be modified by the addition of a "(high)" or "(low)" to indicate the relative standing of a credit within a particular rating category.

The ratings herein mentioned are not a recommendation to purchase, sell or hold the debt and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period of time or that the ratings

will not be revised or withdrawn entirely by any or all of S&P, DBRS and/or Fitch in the future if, in their judgment, circumstances so warrant.

DIRECTORS AND OFFICERS

The directors of the Company and Brookfield Power are as follows:

The Company:

<u>Name, Province and Country of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>	<u>Fund Ownership</u>
ALEX G. BALOGH ^(a) , Ontario, Canada	Director since 2005	Corporate director	–
SIDNEY A. LINDSAY ^{(a)(b)} , Ontario, Canada	Director since 2005	President of Lindsay Consultants, a financial consulting firm	32,500
BRIAN D. LAWSON ^(a) , Ontario, Canada	Director since 2005	Managing Partner and Chief Financial Officer, Brookfield	4,700
EDWARD C. KRESS, Ontario, Canada	Director since 2002	Group Chairman, Brookfield Power	20,000
HARRY A. GOLDGUT, Ontario, Canada	Director since 2002	Chairman and Chief Executive Officer, Brookfield Power	37,700
RICHARD LEGAULT, Québec, Canada	Director since 2004	President and Chief Operating Officer, Brookfield Power	2,830

- ^(a) Member of the Audit Committee.
^(b) Chairman of the Audit Committee

Brookfield Power:

<u>Name, Province and Country of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>	<u>Fund Unit Ownership</u>
BRYAN K. DAVIS, Ontario, Canada	Director since 2005	Managing Partner, Finance, Brookfield	–
HARRY A. GOLDGUT, Ontario, Canada	Director since 2001	Chairman and Chief Executive Officer, Brookfield Power	37,700
BRIAN D. LAWSON, Ontario, Canada	Director since 2004	Managing Partner and Chief Financial Officer, Brookfield	4,700
RICHARD LEGAULT, Québec, Canada	Director since 2005	President and Chief Operating Officer, Brookfield Power	2,830
DONALD TREMBLAY, Québec, Canada	Director since 2005	Executive Vice-President and Chief Financial Officer, Brookfield Power	2,800

The executive officers of the Company and Brookfield Power are as follows:

<u>Name, Province and Country of Residence</u>	<u>Officer Title</u>	<u>Principal Occupation</u>	<u>Fund Ownership</u>
EDWARD C. KRESS, Ontario, Canada	Group Chairman	Group Chairman, Brookfield Power	20,000
HARRY A. GOLDGUT, Ontario, Canada	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer, Brookfield Power	37,700
RICHARD LEGAULT, Québec, Canada	President and Chief Operating Officer	President and Chief Operating Officer, Brookfield Power	2,830
DONALD TREMBLAY, Québec, Canada	Executive Vice-President and Chief Financial Officer	Executive Vice-President and Chief Financial Officer, Brookfield Power	2,800
COLIN L. CLARK, Ontario, Canada	Executive Vice-President, Chief Technical Officer	Executive Vice-President, Chief Technical Officer, Brookfield Power	–
LAURENT CUSSON, Québec, Canada	Executive Vice-President, North American Operations and Development	Executive Vice-President, North American Operations and Development, Brookfield Power	3,370
BEN VAUGHAN, Ontario, Canada	Senior Vice-President and Chief Investment Officer	Senior Vice-President and Chief Investment Officer, Brookfield Power	–
STEVE RIEDEL, Ontario, Canada	Vice-President, Corporate Finance	Vice-President, Corporate Finance, Brookfield Power	–
GILLES LAROCQUE, Québec, Canada	Vice-President, Business Systems and Information Technology	Vice-President, Business Systems and Information Technology, Brookfield Power	–
PATRICIA BOOD, Ontario, Canada	Secretary, Vice-President of Legal Services and General Counsel	Vice-President of Legal Services and General Counsel, Brookfield Power	–
ALAN V. DEAN, Ontario, Canada	Assistant Secretary	Senior Vice-President and Secretary, Brookfield	–

Each director holds office until the next annual meeting of shareholders of the Company or until a successor is appointed. As the Company and Brookfield Power are private companies, none of the directors or officers owns any securities in either company.

Each of the directors and executive officers has been engaged for more than five years in his or her present principal occupation with the Company, Brookfield Power or other organization (or predecessor thereof) in which he or she currently holds his or her principal occupation except the following:

<i>Alex G. Balogh</i>	Prior to April 2003, Mr. Balogh was Chairman of Falconbridge Limited, a natural resources company.
<i>Ben Vaughan</i>	Prior to February 2006, Mr. Vaughan was employed by Brookfield.
<i>Steve Riedel</i>	Prior to June 2006, Mr. Riedel was employed by Brookfield.
<i>Gilles Larocque</i>	Prior to August 2003, Mr. Larocque was employed by Papier Masson Ltée

EXECUTIVE COMPENSATION

The named executive officers of the Company consist of: Edward C. Kress, Group Chairman; Harry A. Goldgut, Chairman and Chief Executive Officer; Richard Legault, President and Chief Operating Officer; Donald Tremblay, Executive Vice President and Chief Financial Officer and Colin L. Clark, Executive Vice President, Chief Technical Officer (collectively, the “**Named Executive Officers**”). Those same Named Executive Officers are the named executive officers of Brookfield Power.

Mr. Kress and Mr. Goldgut are employees of Brookfield and are remunerated by that company. Mr. Legault, Mr. Tremblay and Mr. Clark are employed by BEMI and receive their remuneration from BEMI.

The following table presents information about compensation of the Named Executive Officers of the Company (determined in accordance with applicable rules):

Summary Compensation Table

Name and Principal Position	Year	Annual Salary Paid	Cash Bonus	Variable Compensation Awards ⁽¹⁾						All Other Compensation
				Deferred Share Units		Options		Restricted Share Appreciation Units		
				(\$)	(#)	(\$)	(#) ⁽⁴⁾	(\$)	(#) ⁽⁵⁾	
Edward Kress, Group Chairman ⁽²⁾	2006	295,000	—	—	—	145,500	10,000	—	—	—
	2005	290,000	—	—	—	85,000	10,000	—	—	—
	2004	290,000	—	—	—	50,000	10,000	—	—	—
Harry Goldgut, Chairman and Chief Executive Officer ⁽²⁾	2006	350,000	90,000	135,000	2,305.72	363,750	25,000	—	—	15,750
	2005	325,000	70,000	105,000	1,709.54	212,500	25,000	—	—	14,625
	2004	310,000	75,000	75,000	1,632	375,000	75,000	—	—	13,950
Richard Legault, President and Chief Operating Officer ⁽⁷⁾	2006	350,000	112,500	112,500	2,008.93	363,750	25,000	—	—	15,750
	2005	325,000	87,500	87,500	1,424.62	637,500	75,000	—	—	—
	2004	300,000	75,000	200,000 ⁽⁶⁾ 75,000	3,693 ⁽⁶⁾ 1,632	875,000	175,000	—	—	—
Donald Tremblay, Executive Vice President and Chief Financial Officer ⁽⁷⁾	2006	225,000	90,000	—	—	218,250	15,000	—	—	10,125
	2005	205,000	90,000	210,000 ⁽⁶⁾	3,877 ⁽⁶⁾	102,000	12,000	—	—	—
	2004	185,000	85,000	—	—	50,000	10,000	—	—	—
Colin Clark Executive Vice President and Chief Technical Officer ⁽⁷⁾	2006	228,000	70,000	—	—	116,400	8,000	—	—	10,260
	2005	223,500	70,000	—	—	59,500	7,000	—	—	24,113
	2004	200,000	75,000	—	—	50,000	10,000	—	—	13,855

(1) Variable Compensation Awards are all issued in respect of Brookfield Asset Management Inc.'s securities.

(2) Compensation paid by Brookfield Asset Management Inc.

- (3) Includes compensation for Registered Retirement Savings Plan and Defined Contribution Plan.
- (4) These amounts represent the value of the options issued on the date of grant derived by application of the Black-Scholes option pricing model, discounted by 25% to reflect the five year vesting and one-year holding provisions of the MSOP.
- (5) These amounts represent the notional value of restricted share appreciation units taking into account downside risk assumed, 5 year vesting provisions and ability to realize gains only upon cessation of employment.
- (6) Allocation of Deferred Share Units for conversion of future service pension benefits. Mr. Legault and Mr. Tremblay agreed to waive their rights to future pension and other retirement benefits in respect of future service and to voluntarily with draw from participating in the Administrator's registered defined benefit pension plan. In return, they received Deferred Share Units under Brookfield Asset Management Inc's Restricted Share Unit Plan.
- (7) Compensation paid by BEMI.

Termination of Employment, Change in Responsibility and Employment Contracts

None of the Company's or Brookfield Power's executive officers have any change of control arrangement or other compensatory plan, contract or arrangement with their employers.

Composition of the Compensation Committee

The Company does not have a Compensation Committee.

Directors and officers of the Company or Brookfield Power who are employees of Brookfield are remunerated by Brookfield. The executive compensation policies of Brookfield are set out in Brookfield's most recent Management Information Circular which is located at www.sedar.com.

The directors and executive officers of the Company and Brookfield Power who are employed by Brookfield Power are paid by a Brookfield Power subsidiary. The Chief Financial Officer and Chief Operating Officer of Brookfield Power, in conjunction with Brookfield, review, design and determine the competitiveness of the executive officers' compensation plans.

Report on Executive Compensation

The key components of the Company's and Brookfield Power's executive officer compensation are base salary, short-term incentive plans, retirement security and long-term incentive plans. Base salaries are based on individual performance, responsibility and experience to ensure that they reflect the contribution of each officer. Short-term incentives are designed to provide an amount of variable compensation which is linked to individual and business performance.

Performance Graph

The shares of the Company and Brookfield Power are not publicly traded.

Compensation of Directors

Directors who are not members of management or otherwise employed by Brookfield Power, Brookfield or subsidiaries are entitled to receive an annual director's fee of \$10,000. The Company paid an amount of \$10,000 to the two independent directors in compensation for their

services as directors during the third and fourth quarters of the fiscal year ended December 31, 2006.

Directors of the Company or Brookfield Power who are employees of Brookfield Power, Brookfield or subsidiaries thereof are not entitled to receive a director's fee.

PENSION PLAN

Brookfield Power and BEMI sponsor a defined benefit pension plan and a defined contribution pension plan. Mr. Legault and Mr. Tremblay participated in the defined benefit plan until December 31, 2005 while Mr. Clark participated in the defined contribution plan until December 31, 2005. Since January 1st, 2006, none of these BEMI executives participate in a pension plan sponsored by Brookfield Power, BEMI or Brookfield. Mr. Kress and Mr. Goldgut do not participate in any pension plan sponsored by Brookfield Power or BEMI. Mr. Kress participates in Brookfield's pension plan.

The defined benefit pension plan provides its employees, upon their normal retirement age of 65 years or upon early retirement at the time when age plus service is equal to or greater than 85 years, with a pension payable for the individual's life and 60% of that pension continuing to the individual's spouse upon his death. If the employee does not have a spouse at retirement, the lifetime pension is payable for the individual's life with a 10-year guarantee. If the employee retires prior to the age of 65, a temporary bridge benefit is also payable.

The annual pension payable to Mr. Legault and Mr. Tremblay under the defined benefit pension plan when they reach age 65 or when their age plus service is equal to 85 years amounts to \$69,200 and \$31,100 respectively.

AUDIT COMMITTEE INFORMATION

The following information is provided for the Company in accordance with Form 52-110F2 under National Instrument 52-110 – Audit Committees (“NI 52-110”) of the Canadian Securities Administrators.

Audit Committee Charter

The Audit Committee Terms of Reference are attached as Schedule A to this Annual Information Form.

Composition of the Audit Committee

In fiscal year 2006, the Audit Committee for the Company was composed of the following three directors: Sidney Lindsay (Chairman), Alex Balogh, and Brian Lawson. Mr. Balogh and Mr. Lindsay are considered “independent” (as such term is defined in NI 52-110). Mr. Lawson is not considered “independent” as he is an employee of Brookfield. Each member of the Audit Committee is financially literate, i.e., has the ability to read and understand financial

statements. Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Terms of Reference.

Pre-Approval Policies and Procedures

The Company is required to comply with Brookfield's written policy on auditor independence for audit and non-audit services for the Company.

External Auditor Service Fees (by Category)

For the years ended December 31, 2005 and 2006, the auditors of the Company billed fees to the Company as of those dates detailed below:

	2005 (\$)	2006 (\$)
Audit Fees	\$36,697	\$26,350
Audit-Related Fees	\$391,368	\$143,018
Tax Fees	-	-
All other Fees ⁽¹⁾	\$64,274	\$79,341

⁽¹⁾ Translation fees.

Audit Fees

Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

CORPORATE GOVERNANCE DISCLOSURE

The Board of the Company encourages sound corporate governance practices designed to promote the well-being and ongoing development of the Company, having always as its ultimate objective the best long-term interests of the Company and the enhancement of value for its shareholder. The Board also believes that sound corporate governance benefits the Company and the communities in which Brookfield Power operates.

The Board is of the view that the Company's corporate governance policies and practices, outlined below, are consistent with the guidelines for improved corporate governance in Canada

as prescribed in National Instrument 58-101 – Disclosure of Corporate Governance Practices of the Canadian Securities Administrators.

Board of Directors

The Board of the Company is currently composed of six directors. A director is considered to be independent if he or she meets the conditions of section 1.4 of NI 52-110. The following two directors are considered to be independent of the Company:

- Alex Balogh; and
- Sidney Lindsay.

Directors who are not independent of the Company and the basis for that determination are as follows:

- Brian Lawson is Managing Director and Chief Financial Officer of Brookfield, the shareholder of Brookfield Power;
- Ed Kress is Group Chairman of Brookfield Power;
- Harry Goldgut is Chairman and Chief Executive Officer of Brookfield Power; and
- Richard Legault is President and Chief Operating Officer of Brookfield Power.

Directorships

The following director of the Company is also a director of another reporting issuer:

- Sidney Lindsay is a director of Wilmington Capital Management.

Orientation and Continuing Education

Three of the directors of the Company, including the two independent members, Sidney Lindsay and Alex Balogh, are members of the Brookfield Power's business advisory board. The remaining three directors of the Company are executive officers of Brookfield or Brookfield Power. As members of the business advisory board, the independent board members of the Company participate in specific briefing sessions on the industry and company initiatives from appropriate senior personnel to help directors better understand Brookfield Power's strategies and operations. They are also invited to participate in guided tours of Brookfield Power's facilities. New directors are provided with comprehensive information about the Company and its affiliates. They have the opportunity to meet and participate in working sessions with management to obtain insight into the operations of the Company and its affiliates.

Ethical Business Conduct

The Board promotes the highest ethical business conduct. Brookfield Power has adopted a Code of Business Conduct and Ethics (“**Code**”), a copy of which can be found at www.sedar.com. The Code provides guidelines to ensure that all employees and directors of Brookfield Power and the Company respect its commitment to conduct business relationships with respect, openness and integrity. Brookfield Power management provided instruction to the employees on the Code in 2005. A hotline has been set-up for employees to report activities which they feel are not consistent with the spirit and intent of the Code. Monitoring of calls is managed by an independent third party called the Network.

Nomination of Directors

The directors are expected to have the highest personal and professional ethics and values and be committed to advancing the best interests of the Company. The Company became a reporting issuer in 2005 and at that time expanded its Board to include independent members and to form an Audit Committee. The Company assessed potential independent directors and recommended potential candidates for nomination to the Board of the Company.

Compensation

The Board sets the compensation and benefits of the independent directors by seeking to ensure that the compensation and benefits reflect the responsibilities and risks involved in being a director and align the interests of the directors with the best interests of the Company.

Other Board Committees

Other than the Audit Committee of the Company, the Board has no other standing committees.

Assessments

The Board conducts informal assessments of its performance and makes changes based on feedback. Upon the Reorganization of the Company to assume the operating business of Brookfield Power, the Board intends on conducting an annual formal self-survey.

PRINCIPAL HOLDERS OF VOTING SECURITIES

Brookfield Power owns 100% of all issued and outstanding voting and equity securities of the Company.

Brookfield directly and indirectly owns 100% of all issued and outstanding voting and equity securities of Brookfield Power.

PROMOTER

Brookfield Power is considered a promoter of the Company for the purposes of Canadian securities laws.

LEGAL PROCEEDINGS

There are no legal proceedings material to the Company or Brookfield Power to which the Company or Brookfield Power is a party, or of which any of their respective property is the subject matter.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No officer, director or employee or former officer, director or employee of the Company or Brookfield Power is or has been indebted to the Company or Brookfield Power (other than “routine indebtedness” under applicable Canadian securities laws) at any time since January 1, 2005.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the three-year period ending December 31, 2006 and during the current financial year up to the date hereof, no director or senior officer of the Company or Brookfield Power and, to the knowledge of the Company or Brookfield Power, after reasonable inquiry, none of their respective associates nor any person or company or any of its affiliates who beneficially own or exercise control or discretion over more than 10% of the outstanding shares of the Company or Brookfield Power, have any interest in any transaction that has materially affected or will materially affect the Company or Brookfield Power.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company and Brookfield Power within the most recently completely financial year, or before the most recently completed financial year but are still in effect:

- (a) the Trust Indenture (the “**Trust Indenture**”) dated December 16, 2004 between the Company, BNY Trust Company of New York and BNY Trust Company of Canada (the “**Trustee**”), the Amended and Restated First Supplemental Indenture dated January 26, 2005 (“**Amended and Restated First Supplemental Indenture**”) and the Amended and Restated Second Supplemental Indenture dated October 27, 2006 (“**Amended and Restated Second Supplemental Indenture**”) between the Company and the Trustee (the Trust Indenture, the Amended and Restated First Supplemental Indenture and the Amended and Restated Second Supplemental Indenture collectively, the “**Indenture**”); and

- (b) the Guarantee Agreement made as of December 16, 2004 between Brookfield Power and the Trustee (the “**Guarantee**”).

Copies of these documents have been filed on SEDAR as material contracts and are available at www.sedar.com.

The Indenture

The Trust Indenture provides for the issuance of one or more series of unsecured debentures of the Company by way of supplemental indenture. The Company entered into the First Supplemental Indenture dated as of December 16, 2004 to provide for the issue of \$400 million aggregate principal amount of Series 1 Debentures and \$100 million aggregate principal amount of Series 2 Debentures and to establish the terms, provisions and conditions of such Debentures. The Company then entered into the Amended and Restated First Supplemental Indenture on January 26, 2005 to increase the aggregate principal amount of Series 1 Debentures by way of the issue of an additional \$50 million principal amount of Series 1 Debentures. Reference is made to the Indenture for the full text of the attributes of the Indenture. The Company entered into an Amended and Restated Second Supplemental Indenture dated October 27, 2006 to provide for the issue of \$200 million aggregate principal amount of Series 3 Debentures and \$150 million aggregate principal amount of Series 4 Debentures and to establish the terms, provisions and conditions of such Debentures.

The Guarantee

Pursuant to the Guarantee, Brookfield Power has guaranteed the due and punctual payment of the principal, premium, if any, and interest on the Debentures when and as the same shall become due and payable, whether at maturity, upon redemption, acceleration or otherwise. The Guarantee ranks equally and ratably with all other existing and future unsecured and unsubordinated indebtedness for borrowed money of Brookfield Power. The obligation of Brookfield Power under the Guarantee is unconditional regardless of the enforceability of the Debentures or the Indenture and will not be discharged until the date at which all obligations of Brookfield Power and the Company are satisfied regarding the transfer of all the assets and liabilities from Brookfield Power to the Company, other than its Investment Portfolio, there does not exist an event of default on such date, and the Debentures will be rated by DBRS and S&P without the Guarantee at the same or better ratings on such date as with the Guarantee. Upon fulfillment of the aforementioned conditions, the Guarantee will terminate and sole recourse of holders of Debentures will be to the Company under the Indenture. Reference is made to the Guarantee for the full text of the attributes of the Guarantee.

AUDITORS

Deloitte & Touche LLP, Chartered Accountants, Suite 1400, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2V1, is the auditor of the Company and Brookfield Power and is independent within the meaning of the rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Deloitte & Touche LLP was appointed in 2004 as auditors of the Company and has been the auditors of Brookfield Power and affiliates since 1981.

ADDITIONAL INFORMATION

Additional information relating to the Company and Brookfield Power may be found on at www.sedar.com under the Company's publicly filed documents.

Additional financial information is provided in the Company's and Brookfield Power's respective financial statements and Management's Discussion & Analysis for their most recently completed financial year.

SCHEDULE A – AUDIT COMMITTEE MANDATE

Approved by the Board of Directors on June 15, 2005

A committee of the board of directors of Brookfield Power to be known as the Audit Committee (the “**Committee**”) shall have the following terms of reference:

Membership And Chairperson

Following each annual meeting of shareholders, the board of directors of Brookfield Power (the “**board**”) shall appoint from its number three or more directors (the “**members**”) to serve on the Committee until the close of the next annual meeting of shareholders of Brookfield Power or until the member ceases to be a director, resigns or is replaced, whichever first occurs. Any member may be removed from office or replaced at any time by the board.

A majority of the members of the Audit Committee shall be non-management directors who are not currently officers or employees of Brookfield Power or its affiliates, or who have not been officers or employees of Brookfield Power or its affiliates during the past five years. A majority of the members of the Audit Committee shall be directors who are resident Canadians. Each member of the Audit Committee shall, in the judgment of the board, be financially literate.

The board shall appoint one of the directors as the chairperson of the Committee. If the chairperson is absent from a meeting, the members shall select a chairperson from those in attendance to act as chairperson of the meeting.

Responsibilities

The Committee shall review and, where appropriate, recommend for approval by or report to the board, on the following:

- (i) interim financial statements;
- (ii) audited annual financial statements, in conjunction with the report of the external auditor;
- (iii) public disclosure documents containing audited or unaudited financial information, including any prospectus, the annual information form and management’s discussion and analysis of financial condition and results of operations;
- (iv) the effectiveness of management’s policies and practices concerning financial reporting and any proposed changes in major accounting policies; and
- (v) any report which accompanies published financial statements (to the extent such a report discusses financial condition or operating results) for consistency of disclosure with the financial statements themselves.

In addition, the Committee shall consider other matters of a financial nature as directed by the board.

Meetings

Meetings of the Committee may be called by the chairperson of the Committee or by the Chairman and Chief Executive Officer of Brookfield Power. Meetings shall be called not less than once quarterly.

The powers of the Committee shall be exercisable by a meeting at which a quorum is present or by a resolution in writing signed by all members of the Committee. A quorum shall be not less than a majority of the members of the Committee from time to time. Subject to the foregoing, the Business Corporations Act (Ontario) and the by-laws, and unless otherwise determined by the board, the Committee shall have the power to fix its quorum and to regulate its procedure.

Notice of each meeting shall be given to each member, and to the Chairman and Chief Executive Officer of Brookfield Power. Notice of meeting may be given verbally or by letter, telex, telegram, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.

Matters decided by the Committee shall be decided by majority vote.

Other

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.

The Secretary of Brookfield Power shall be appointed the Secretary of the Committee.

The Committee shall report to the board on its proceedings, reviews undertaken and any associated recommendations.

GLOSSARY

The following terms used in this Annual Information Form have the meanings set forth below unless otherwise indicated.

“**Amended and Restated First Supplemental Indenture**” means the amended and restated first supplemental trust indenture dated January 26, 2005 between the Company and the Trustee.

“**Amended and Restated Second Supplemental Indenture**” means the amended and restated second supplemental trust indenture dated October 27, 2006 between the Company and the Trustee.

“**BC Hydro**” means British Columbia Hydro and Power Authority.

“**BEMI**” means Brookfield Energy Marketing and includes Brookfield Energy Marketing Inc. and Brookfield Energy Marketing LP, both affiliates of the Company, as the case may be.

“**Brookfield**” means Brookfield Asset Management Inc.

“**Brookfield Power**” means Brookfield Power Inc. and, unless the context otherwise requires, its subsidiaries.

“**capacity**” means the amount of electric power delivered or required for which a generator, turbine, transformer, transmission circuit, station, or system is rated by the manufacturer.

“**Catalyst**” means Catalyst Paper (formerly Norske Skog).

“**Code**” means Brookfield Power’s Code of Business Conduct and Ethics.

“**Company**” means Brookfield Power Corporation.

“**DBRS**” means Dominion Bond Rating Service Limited.

“**Debentures**” means the \$450 million, \$200 million and \$150 million of fixed rate unsecured debentures that are due in December 2009, November 2018 and 2036 respectively.

“**energy**” means the capacity for doing work. Forms of energy include: thermal, mechanical, electrical and chemical. Energy may be transformed from one form into another. Electrical energy is usually measured in kilowatthours, while heat energy is usually measured in British thermal units.

“**FERC**” means the Federal Energy Regulatory Commission.

“**Fitch**” means Fitch Ratings.

“**Fund**” means Great Lakes Hydro Income Fund.

“**generation**” means the process of producing electric energy by transforming or connecting other forms of energy such as steam, heat or falling water.

“**gigawatt**” or “**GW**” means one billion watts.

“**gigawatt hour**” or “**GWh**” means one gigawatt hour equals one million kilowatt hours. A kilowatt hour (KWh) is equivalent to the energy consumed by a 100 watt light bulb burning for 10 hours.

“**grid**” means a synchronized transmission network that delivers electricity from generating stations to local distributors and other large users at high voltage.

“**Guarantee**” means the Guarantee Agreement made as of December 16, 2004 between Brookfield Power and the Trustee.

“**hydroelectric plant**” means a plant in which the turbine generators are driven by falling water.

“**IESO**” means Independent Electricity System Operator of Ontario.

“**Indenture**” means collectively the Trust Indenture and the Amended and Restated First Supplemental Indenture and the Amended and Restated Second Supplemental Indenture.

“**installed capacity**” means the measure of a power station’s electric generating capacity at full production, usually measured in megawatts (MW).

“**Investment Portfolio**” means the portfolio of securities, and long-term corporate investments, which are held by Brookfield Power.

“**ISO-NE**” means the Independent System Operator for New England.

“**kilowatt**” or “**kW**” means a unit of electrical power equal to one thousand watts.

“**kilowatt-hour**” or “**kWh**” means a unit of electrical energy, which is equivalent to one kilowatt of power, used for one hour. One kilowatt-hour is equal to 1,000 watt- hours. An average household will use between 800 - 1300 kWh per month depending upon geographical area.

“**LBMP**” means Locationally-Based Marginal Pricing.

“**long-term average**” or “**LTA**” means the total energy generated annually by a power station, averaged over a period of time of full operation or since the start of full operation, or less, measured in gigawatt hours (GWh).

“**megawatt**” or “**MW**” means one megawatt equals one thousand kilowatts. A kilowatt is the electrical energy required to turn on ten 100 watt light bulbs and is equivalent to 1.34 horsepower.

“**megawatt-hour**” or “**MWh**” means one million watt-hours of electric energy. A unit of electrical energy which equals one megawatt of power used for one hour.

“**Named Executive Officers**” means Edward C. Kress, Harry A. Goldgut, Richard Legault, Donald Tremblay and Colin L. Clark.

“**NI 52-110**” means National Instrument 52-110 — Audit Committees of the Canadian Securities Administrators.

“**NYISO**” means the New York Independent System Operator.

“**OEB**” means the Ontario Energy Board.

“**OEFC**” means Ontario Electricity Financial Corporation.

“**PJM**” means the Pennsylvania, New Jersey and Maryland Interconnection, an independent system operator.

“**power**” means a term usually meant to imply both capacity and energy.

“**Renewable Resource**” means a power source that is continuously or cyclically renewed by nature, i.e. solar, wind, hydroelectric, geothermal, biomass or similar sources of energy.

“**Reorganization**” means the transfer of all of the power operations of Brookfield Power, except the Investment Portfolio, to the Company.

“**S&P**” means Standard and Poor’s Rating Service, a division of the McGraw Hill Companies Corporation, Inc.

“**system**” means a combination of generation transmission and distribution components comprising an electric utility or group of utilities.

“**Trustee**” means BNY Trust Company of Canada.

“**Trust Indenture**” means the trust indenture dated December 16, 2004 between the Company, BNY Trust Company of New York and the Trustee.