

Financial Statements

BROOKFIELD POWER CORPORATION

June 30, 2006

Cautionary Statement Regarding Forward-Looking Statements

These financial statements may contain forward-looking statements concerning the Company's business and operations. Forward looking statements involve assumptions and known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the forward statements. Such risk factors include, but are not limited to, the anticipated acquisition of Brookfield Power Inc.'s (BPI) operating entities and factors relating to BPI identified in the Company's annual information form dated July 21, 2006 which has been filed on www.sedar.com. 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, readers are cautioned not to place undue reliance on these forward-looking statements.

BROOKFIELD POWER CORPORATION

BALANCE SHEET

<i>thousands of CDN dollars</i>	note	June 30 2006	December 31 2005
		<i>(unaudited)</i>	
Assets			
<i>Current assets</i>			
Cash		\$ -	\$ 72
Accounts receivable and other		47	-
Interest receivable		1,046	1,072
Promissory note from Brookfield Power Inc.		99,750	99,750
		100,843	100,894
Promissory notes from Brookfield Power Inc.		447,360	447,360
Deferred financing fees		3,654	4,137
Derivative asset	4	10,844	-
Future income tax asset		746	511
		\$ 563,447	\$ 552,902
Liabilities and Shareholder's Equity			
<i>Current liabilities</i>			
Bank indebtedness		\$ 40	\$ -
Accounts payable and other		33	15
Interest payable		1,032	1,045
Due to related parties		2,776	2,483
Term debentures		100,000	100,000
		103,881	103,543
Term debentures		450,203	450,232
Derivative liability	4	10,844	-
		564,928	553,775
Shareholder's deficit		(1,481)	(873)
		\$ 563,447	\$ 552,902

See accompanying notes to the financial statements

APPROVED ON BEHALF OF BROOKFIELD POWER CORPORATION



Richard Legault
Director



Harry A. Goldgut
Director

BROOKFIELD POWER CORPORATION

STATEMENT OF DEFICIT

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Deficit, beginning of period	\$ (1,157)	\$ (211)	\$ (873)	\$ (33)
Net loss for the period	(324)	(234)	(608)	(412)
Deficit, end of period	\$ (1,481)	\$ (445)	\$ (1,481)	\$ (445)

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

STATEMENT OF LOSS

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Revenues				
Interest	\$ 6,432	\$ 6,077	\$ 12,699	\$ 11,897
Expenses				
Interest	6,457	6,053	12,722	11,835
Amortization of deferred financing fees	373	320	739	603
Other	40	66	81	98
	6,870	6,439	13,542	12,536
	(438)	(362)	(843)	(639)
Income tax (recovery) expense				
Current	(6)	2	-	4
Future	(108)	(130)	(235)	(231)
	(114)	(128)	(235)	(227)
Net loss	\$ (324)	\$ (234)	\$ (608)	\$ (412)

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

STATEMENT OF CASH FLOWS

<i>thousands of CDN dollars</i> <i>(unaudited)</i>	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Operating activities				
Net loss	\$ (324)	\$ (234)	\$ (608)	\$ (412)
Items not affecting cash				
Amortization of deferred financing fees	373	320	739	603
Amortization of debenture premium	(14)	(15)	(29)	(32)
Derivative asset	(9,748)	-	(10,844)	-
Derivative liability	9,748	-	10,844	-
Future income taxes	(108)	(130)	(235)	(231)
Income before non-cash working capital items	(73)	(59)	(133)	(72)
Interest receivable	5,239	5,008	26	19
Prepaid expenses	(16)	-	(16)	-
Accounts receivable	(17)	-	(17)	-
Taxes receivable	(8)	-	(14)	-
Accounts payable	33	(100)	33	-
Taxes payable	(15)	(29)	(15)	(19)
Interest payable	(5,215)	(4,958)	(13)	282
Due to related parties	(146)	705	293	967
	(218)	567	144	1,177
Investing activities				
Purchase of promissory notes	-	-	-	(50,000)
	-	-	-	(50,000)
Financing activities				
Issuance of term debentures	-	-	-	50,293
Financing fees paid	(83)	(593)	(256)	(947)
	(83)	(593)	(256)	49,346
(Decrease) increase in cash	(301)	(26)	(112)	523
Cash, beginning of period	261	549	72	-
(Bank indebtedness) cash, end of period	\$ (40)	\$ 523	\$ (40)	\$ 523
Supplementary information				
Interest paid during period	\$ 11,686	\$ 11,027	\$ 12,764	\$ 11,847
Cash taxes paid	22	9	37	9

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006
(unaudited)

1. NATURE AND DESCRIPTION OF THE COMPANY

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

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

The Company intends to acquire BPI's operating entities. More specifically, the Company is expected to acquire all of the operating entities owned by BPI, including:

- the power generating assets of Great Lakes Power Limited, which is wholly owned by BPI, the 50.1% equity ownership position in Great Lakes Hydro Income Fund, and the 100% equity ownership positions in Lake Superior Power, Valerie Falls Power, Hydro Pontiac Inc., Highvale Power Corporation, Seine River Power Inc., Brookfield Energy Marketing Inc., Brookfield Power US Holding America Co., Beaver Power Corporation; and
- BPI's incorporated and unincorporated joint venture and partnership interests in Powell River Energy, Pingston Power, and Bear Swamp Power, and a 75% non-controlling residual interest in Louisiana Hydro Power.

2. BASIS OF PRESENTATION

The Company's unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to interim financial statements. All amounts are reported in thousands of Canadian dollars, except as otherwise noted. These unaudited interim financial statements should be read in conjunction with the 2005 annual audited financial statements.

These unaudited financial statements have been prepared on a basis consistent with the disclosed audited financial statements for the fiscal year ended December 31, 2005.

The preparation of these unaudited interim financial statements requires management to make assumptions and estimates that affect the amounts reported in the financial statements and the notes. In the opinion of management, these unaudited interim financial statements reflect any adjustments (consisting of normal recurring adjustments) that are necessary to fairly state the results for the periods presented. Actual results could differ from these estimates. The results reported in these financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

BROOKFIELD POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(unaudited)

3. CREDIT FACILITY

The Company increased its revolving unsecured credit facility from US \$200 million to US \$350 million and extended the due date from April 2008 to April 2009. All other terms of the facility remain unchanged.

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

As at June 30, 2006, there were no borrowings under this credit facility but the Company has issued CDN \$167.0 million in the form of letters of credit under this credit facility.

4. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

As of June 30, 2006, the fair value of the swaps with third parties of \$10.8 million was recognized as a derivative asset with the corresponding gain reflected in net income. At the same time, the fair value of the swaps with related parties of \$(10.8) million was recognized as a derivative liability with the corresponding loss reflected in net income. The net impact of the revaluation of all swaps on the Company's net income for the period ended June 30, 2006 was \$nil.