

Financial Statements

BROOKFIELD POWER CORPORATION

September 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	September 30 2006	December 31 2005
		<i>(unaudited)</i>	
Assets			
<i>Current assets</i>			
Cash		\$ 146	\$ 72
Accounts receivable and other		28	-
Interest receivable		6,334	1,072
Promissory note from Brookfield Power Inc.		99,750	99,750
		106,258	100,894
Promissory notes from Brookfield Power Inc.		447,360	447,360
Deferred financing fees		3,517	4,137
Derivative asset	3	4,858	-
Future income tax asset		980	511
		\$ 562,973	\$ 552,902
Liabilities and Shareholder's Deficit			
<i>Current liabilities</i>			
Accounts payable and other		\$ 216	\$ 15
Interest payable		6,424	1,045
Due to related parties		3,251	2,483
Term debentures		100,000	100,000
		109,891	103,543
Term debentures		450,188	450,232
Derivative liability	3	4,858	-
		564,937	553,775
Shareholder's deficit		(1,964)	(873)
		\$ 562,973	\$ 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		Nine months ended	
	2006	2005	2006	2005
Deficit, beginning of period	\$ (1,481)	\$ (445)	\$ (873)	\$ (33)
Net loss for the period	(483)	(209)	(1,091)	(621)
Deficit, end of period	\$ (1,964)	\$ (654)	\$ (1,964)	\$ (654)

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 September 30		Nine months ended September 30	
	2006	2005	2006	2005
Revenue				
Interest	\$ 6,574	\$ 6,154	\$ 19,273	\$ 18,051
Expenses				
Interest	6,862	6,081	19,584	17,916
Amortization of deferred financing fees	380	438	1,119	1,041
Other	49	(34)	130	64
	7,291	6,485	20,833	19,021
	(717)	(331)	(1,560)	(970)
Income tax (recovery) expense				
Current	-	2	-	6
Future	(234)	(124)	(469)	(355)
	(234)	(122)	(469)	(349)
Net loss	\$ (483)	\$ (209)	\$ (1,091)	\$ (621)

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 September 30		Nine months ended September 30	
	2006	2005	2006	2005
Operating activities				
Net loss	\$ (483)	\$ (209)	\$ (1,091)	\$ (621)
Items not affecting cash				
Amortization of deferred financing fees	380	438	1,119	1,041
Amortization of debenture premium	(15)	(14)	(44)	(46)
Derivative asset	5,986	-	(4,858)	-
Derivative liability	(5,986)	-	4,858	-
Future income taxes	(234)	(124)	(469)	(355)
Income before non-cash working capital items	(352)	91	(485)	19
Accounts receivable and other	19	(20)	(28)	(20)
Interest receivable	(5,288)	(5,321)	(5,262)	(5,302)
Accounts payable and other	183	5	201	(14)
Interest payable	5,392	4,981	5,379	5,263
Due to related parties	475	348	768	1,315
Net change in non-cash working capital	781	(7)	1,058	1,242
	429	84	573	1,261
Investing activities				
Purchase of promissory notes	-	-	-	(50,000)
	-	-	-	(50,000)
Financing activities				
Issuance of term debentures	-	-	-	50,293
Financing fees paid	(243)	(468)	(499)	(1,415)
	(243)	(468)	(499)	48,878
Increase (decrease) in cash	186	(384)	74	139
(Bank indebtedness) cash, beginning of period	(40)	523	72	-
Cash, end of period	\$ 146	\$ 139	\$ 146	\$ 139
Supplementary information				
Interest paid during period	\$ 1,485	\$ 1,113	\$ 14,249	\$ 12,960
Cash taxes paid	4	-	41	9

See accompanying notes to the financial statements

BROOKFIELD POWER CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 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:

- (i) the power generating assets of Great Lakes Power Limited, which is wholly owned by BPI, the 50.1% equity ownership position in Great Lakes Hydro Income Fund, and the 100% equity ownership positions in Lake Superior Power, Valerie Falls Power, Hydro Pontiac Inc., Highvale Power Corporation, Seine River Power Inc., Brookfield Energy Marketing Inc., Brookfield Power US Holding America Co., Beaver Power Corporation; and
- (ii) BPI's incorporated and unincorporated joint venture and partnership interests in 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 have been 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
September 30, 2006
(unaudited)

3. 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 under 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 September 30, 2006, the fair value of the swaps with third parties of (\$4.9) million was recognized as a derivative liability with the corresponding loss reflected in net loss. At the same time, the fair value of the swaps with related parties of \$4.9 million was recognized as a derivative asset with the corresponding gain reflected in net loss. The net impact of the revaluation of all swaps on the Company's net income for the period ended September 30, 2006 was \$nil.

4. SUBSEQUENT EVENT

On November 1, 2006, the Company issued two series of medium term notes totalling \$350 million. Series 3, in the amount of \$200 million, matures in 2018. Series 4, in the amount of \$150 million, becomes due in 2036. Both notes are unsecured, rank pari passu with all other existing debt, and have semi-annual interest payments of 5.25% and 5.84%, respectively. Proceeds from these notes will be used to repay the \$100 million debenture due in December 2006 and the remaining amount will be invested in additional promissory notes from BPI, who will use the funds for general corporate purposes.