Q3 – 2006 Management's Discussion and Analysis

BROOKFIELD POWER CORPORATION

September 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The management's discussion and analysis ("MD&A") for the third quarter of 2006 has been prepared in compliance with the requirements of the Canadian Securities National Instrument 51-102, to the extent that they apply. The MD&A provides a framework for understanding Brookfield Power Corporation's (the "Company") business activities and is intended to complement and supplement the Company's financial statements. The MD&A should be read in conjunction with those financial statements.

Brookfield Power Corporation was incorporated and organized under the Business Corporations Act (Ontario) on June 20, 2002 and is a wholly owned subsidiary of Brookfield Power Inc. ("Brookfield Power").

The Company was established as a financing subsidiary of Brookfield Power and commenced its activities on December 16, 2004. It intends to acquire all of the power operations of Brookfield Power as part of a reorganization which is expected to occur in the future. Brookfield Power, through predecessor companies, 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 expected reorganization, Brookfield Power will retain ownership of the non-core investment assets that are not related to the power operations and the Company will own all of the power operations currently owned by Brookfield Power.

Presently, the Company has no significant assets or liabilities other than the subordinated promissory notes and term debentures, and has no employees and no subsidiaries.

Additional information relating to Brookfield Power can also be found on its website at www.brookfieldpower.com and on the SEDAR website. Unless expressly indicated otherwise, all amounts are reflected in Canadian dollars.

OPERATING RESULTS

The net loss of the Company for the quarter ended September 30, 2006 totaled $0.5 million. Interest revenue of $6.6 million corresponds to the interest income earned from Brookfield Power on the promissory notes of $547.1 million. Interest expense of $6.9 million relates to the Series 1 and 2 debentures issued by the Company. These debentures are unconditionally guaranteed by Brookfield Power and the guarantee will remain in place until certain conditions are met. Included in interest expense is $0.3 million of stand-by charges related to the Company's credit facility.

PROVISION FOR INCOME TAXES

For the quarter ended September 30, 2006, the Company recognized a future income tax recovery of $0.2 million. Taxes are accounted for under the asset and liability method.

TOTAL ASSETS

The total assets of $563.0 million at September 30, 2006 consist mainly of promissory notes issued by Brookfield Power.

SHAREHOLDER'S DEFICIT

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2006 and the date of this MD&A, there was 1 common share of the Company issued and outstanding. The Company has not paid dividends.

CONTRACTUAL OBLIGATIONS

As at September 30, 2006, the Company's significant contractual obligations are due in the following periods:

CDN$ millions	*Total*	*2006*	*2007*	*2008*	*2009*
Term debentures	$ 550	$ 100	$ -	$ -	$ 450
Interest [1]	$68.2	$6.3	$20.9	$20.9	$20.1

[1] The annual interest obligation relates to the $450 million Series 1 and $100 million Series 2 debentures. The annual interest rate on the Series 1 debentures is 4.65%. The annual interest rate on the Series 2 debentures is calculated using a floating interest rate of Canadian Deposit Offering Rate ("CDOR") plus 68 basis points. CDOR was assumed to be 4.35% for the remainder of 2006, resulting in a forecasted rate of 5.03%.

Series 1 Canadian debentures totaling $450 million are due on December 16, 2009.
Series 2 Canadian debentures totaling $100 million are due on December 18, 2006.

INTEREST RATE SWAP AGREEMENT

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 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.

RELATED PARTY TRANSACTIONS

As at September 30, 2006, the Company has an advance from Brookfield Power and some of its affiliates in the amount of $3.3 million. This advance is non-interest bearing, unsecured, and due on demand.

All of the promissory notes owed to the Company have been issued by Brookfield Power, the sole shareholder of the Company.

SHELF PROSPECTUS

During the quarter, the Company issued a short form base shelf prospectus that will allow the Company to issue up to USD$750 million over the 25-month term of the prospectus. These funds can be used for general corporate purposes, including, but not limited to, the repayment of loans with Brookfield Power or the repayment of corporate debt. The Company has incurred costs totaling $0.2M as a result of the prospectus issuance, which have been capitalized and included in financing fees on the Company's balance sheet.

Following the issuance of the prospectus, and subsequent to the quarter end, 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 Brookfield Power, who will use the funds for general corporate purposes.

CRITICAL ACCOUNTING ESTIMATES

The financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in Note 2 (Summary of Significant Accounting Policies) of the 2005 annual audited financial statements are considered critical accounting estimates as defined in National Instrument 51-102. Key estimates for the Company include determination of accruals, amortization and valuation of tax assets. Actual results could differ from those estimates.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to the Company's significant accounting policies during the quarter ended September 30, 2006. Refer to Note 2 (Summary of Significant Accounting Policies) of the 2005 annual audited financial statements for details of all significant accounting policies applicable to the Company.

Business Risks

All of the revenue of the Company consists of interest received on the promissory notes issued by Brookfield Power, its sole shareholder. The financial statements and management discussion and analysis of Brookfield Power are available on the SEDAR website at www.sedar.com under Brookfield Power Corporation.

Following the completion of the expected reorganization, the risk factors identified in the Annual Information Form dated July 21, 2006 relating to Brookfield Power will apply to the Company. Those risks include, amongst others, hydrology, equipment failure, foreign exchange and energy price fluctuations.

The Company is exposed to credit risk in the event of non-performance by Brookfield Power related to the promissory notes. This risk is significantly reduced by the quality and stability of Brookfield Power's operations, as reflected by its investment grade issuer ratings.

Annual Information Form

The Company prepares an Annual Information Form which can be accessed on SEDAR at www.sedar.com.

Certification of Interim Filings

Form 52-109F2 – Certification of Interim Filings is attached to this document on SEDAR.

Forward-Looking Statements

This Company's financial analysis and review contains forward-looking statements concerning the Company's business and operations. 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 statements. More details relating to risk factors can be found in the Business Risks section of this document.

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. They include (1) the Company's level of generation; (2) the Company's cost of production; (3) interest rates as they bear on the Company's indebtedness; (4) planned capital expenditures; (5) the impact of changes in the Canadian dollar on the Company's costs and results of operations; (6) the negotiation of collective agreements with its unionized employees; (7) business and economic conditions; (8) 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 expenses, capital expenditures and restrictions on operations; and (9) 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 undo reliance on these forward looking statements.

These forward-looking statements represent our views as of the date of this MD&A. While the Company anticipates that subsequent events and developments may cause the Company's 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 November 11, 2006, the date of this MD&A.

Review of Interim Financial Statements

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Donald Tremblay
Executive Vice President and Chief Financial Officer
November 11, 2006