CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006

Attached are the consolidated financial statements of Brookfield Power Inc.
Brookfield Power Inc. is a subsidiary of Brookfield Asset Management Inc. and provides certain guarantees for the operations and debt of Brookfield Power Corporation.

BROOKFIELD POWER INC.
CONSOLIDATED BALANCE SHEET

US millions	note	**March 31 2006** *(unaudited)*	December 31 2005
Assets			
Current assets			
Cash and cash equivalents	4	**$ 117**	$ 100
Accounts receivable and other		**266**	281
Short-term investments	5	**159**	267
		542	648
Due from related parties		**686**	689
Other assets	3, 6	**976**	899
Long-term investments	7	**154**	140
Power generating assets	3	**3,104**	2,992
		$ 5,462	$ 5,368
Liabilities			
Current liabilities			
Accounts payable and other		**$ 223**	$ 217
Current portion of property specific borrowings and term debentures		**114**	112
		337	329
Due to related party		**105**	177
Property specific borrowings		**1,714**	1,659
Term debentures and other		**1,242**	1,246
Future income tax and other long-term liabilities	9	**303**	242
Debt portion of capital securities		**1,104**	1,104
		4,805	4,757
Non-controlling interests		**256**	255
Shareholders' equity	10	**401**	356
		$ 5,462	$ 5,368

See accompanying notes to the consolidated financial statements.

Approved on behalf of Brookfield Power Inc.:

Richard Legault
Director

Harry A. Goldgut
Director

BROOKFIELD POWER INC.
CONSOLIDATED STATEMENT OF INCOME

(unaudited) *US millions*		Three months ended March 31 **2006**		2005
Revenues	**$**	**262**	$	229
Net operating income				
Power generation		**191**		127
Transmission and distribution		**6**		7
		197		134
Investment income and other		**8**		29
		205		163
Expenses				
Interest and financing fees		**58**		52
Interest on capital securities		**31**		28
Depreciation and amortization		**29**		26
Non-controlling interests		**8**		10
Provision for income taxes		**22**		7
		148		123
Net income	**$**	**57**	$	40

See accompanying notes to the consolidated financial statements.

BROOKFIELD POWER INC.
CONSOLIDATED STATEMENT OF DEFICIT

(unaudited) *US millions*		Three months ended March 31 **2006**		2005
Deficit, beginning of period	**$**	**(215)**	$	(222)
Net income		**57**		40
Distributions to holders of common shares and capital securities		**(13)**		(13)
Deficit, end of period	**$**	**(171)**	$	(195)

See accompanying notes to the consolidated financial statements.

BROOKFIELD POWER INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)		Three months ended March 31	
US millions	note	**2006**	2005
Operating activities			
Net income		**$ 57**	$ 40
Add (deduct) non-cash items			
Depreciation and amortization		**29**	26
Non-controlling interests		**8**	10
Tax and other		**21**	(3)
		115	73
Net change in non-cash working capital		**21**	66
		136	139
Financing activities and shareholder distributions			
Borrowings		**-**	73
Debt repayments		**(4)**	(204)
Distributions:			
- Non-controlling interest distributions		**(7)**	(6)
- Common shareholder distributions		**(13)**	(13)
		(24)	(150)
Investing activities			
Change in demand deposits	5	**111**	144
Additions to long-term investments	7	**(14)**	(6)
Additions to existing power generating assets		**(43)**	(37)
Acquisition of business	3	**(74)**	(21)
Due from related parties, net		**(72)**	-
Other assets		**(3)**	(25)
		(95)	55
Cash and cash equivalents			
Increase		**17**	44
Balance, beginning of period		**100**	142
Balance, end of period		**$ 117**	$ 186
Supplementary information			
Interest paid		**$ 45**	$ 21
Taxes paid		**$ 3**	$ 4

See accompanying notes to the consolidated financial statements.

BROOKFIELD POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006
(all unaudited figures, in US$ millions, unless otherwise noted)

1. NATURE AND DESCRIPTION OF THE COMPANY

Brookfield Power Inc. (the "Company") is incorporated under the laws of Ontario and develops and operates hydroelectric and other power generating facilities in Canada and the United States and a transmission and distribution system in northern Ontario. The Company also conducts investment activities, which include the receipt of interest and dividends on the Company's financial assets as well as gains and losses realized on investment transactions. The Company is wholly owned directly or indirectly by Brookfield Asset Management Inc. ("Brookfield").

Effective January 27, 2006, the Company changed its name from Brascan Power Inc. to Brookfield Power Inc.

2. SUMMARY OF ACCOUNTING POLICIES

The Company's unaudited interim consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles applicable to interim consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2005 annual consolidated financial statements.

These unaudited interim consolidated 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 consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and the accompanying notes. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments (which include normal, recurring adjustments) that are necessary to state fairly the results for the periods presented. During the periods presented, management has made a number of estimates and valuation assumptions in the determination of accruals, useful lives, asset impairment, purchase price allocations and pension amounts. Actual results could differ from these estimates and the results reported for the interim periods presented are not necessarily indicative of results that may be expected for the full year.

3. ACQUISITION

Beaver Power

On February 17, 2006, the Company acquired Beaver Power Corporation and its four hydroelectric generating stations in Northern Ontario, with a total generating capacity of approximately 50 MW, for CDN $85 million. Generating facilities are located on the Groundhog River, Shekak River, Serpent River and Aux Sables River. The acquisition has been accounted for using the purchase method and results of operations have been included in these consolidated financial statements from the date of acquisition.

The preliminary assignment of fair values to the assets acquired is as follows:

millions		
Power generating assets	$	**106**
Intangible assets		**94**
Total assets acquired	$	**200**

The acquisition was funded through:

millions		
Cash	$	**74**
Assumed future income tax liability		**54**
Assumed debt		**72**
Consideration paid	$	**200**

In the preparation of these consolidated financial statements, the purchase consideration has been allocated on a preliminary basis to the fair value of the assets acquired and liabilities assumed based on management's best estimates and taking into account all of the relevant information available at the time the consolidated financial statements were prepared. The Company expects that the actual amounts for some of the assets and liabilities may vary from the amounts presented as the allocation is finalized.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

millions	**March 31 2006**	December 31 2005
Cash	**$ 83**	$ 60
Short-term deposits	**34**	40
	$ 117	$ 100

5. SHORT-TERM INVESTMENTS

The decrease in short-term investments is due to the decrease in demand deposits with affiliates of $108 million to $4 million, which is the result of the Beaver Power Corporation acquisition and the timing of cash flow requirements. See note 3 for further details.

6. OTHER ASSETS

millions	**March 31, 2006**			December 31, 2005
	Cost	**Accumulated amortization**	**Net book Value**	Net book value
Power purchase agreements (PPA)	**$ 176**	**$ 13**	**$ 163**	$ 166
FERC licences	**41**	**4**	**37**	38
Deferred financing fees	**77**	**31**	**46**	47
Other depreciable assets	**100**	**1**	**99**	7
	394	**49**	**345**	258
Accrued levelized revenues	**544**	**-**	**544**	543
Commodity derivatives	**16**	**-**	**16**	27
Deferred loss on commodity derivatives	**4**	**-**	**4**	6
Cash held in escrow	**58**	**-**	**58**	56
Other	**9**	**-**	**9**	9
	$ 1,025	**$ 49**	**$ 976**	$ 899

Other depreciable assets include intangible assets in the amount of $92 million related to the preliminary allocation of the Beaver Power purchase price. See note 3 for further details.

7. LONG-TERM INVESTMENTS

During the quarter, the Company invested $14 million in preferred shares of Brascan Brazil Ltd., a wholly owned subsidiary of Brookfield that owns, develops and operates hydroelectric generation plants in Brazil, thereby increasing the Company's total preferred share investment in Brascan Brazil Ltd. to $149 million.

8. FINANCING ACTIVITIES

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

9. FUTURE INCOME TAX AND OTHER LONG-TERM LIABILITIES

Future income tax and other long-term liabilities are comprised of:

millions	**March 31 2006**	December 31 2005
Future income tax liability	**$ 186**	$ 116
Accrued levelized expenses	**74**	74
Commodity derivatives	**22**	34
Deferred gain on commodity derivatives	**3**	-
Pension and employee future benefits	**18**	18
	$ 303	$ 242

The Company offers a number of pension plans to its employees, as well as certain health care, dental care, life insurance and other benefits to certain retired employees pursuant to Company policy. The total benefit cost for these plans for the three months ended March 31, 2006 totaled $1 million (Q1 2005 - $1 million).

The increase in future income tax liability is primarily due to the acquisition of Beaver Power. See note 3 for further details.

10. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares, of which the following were issued and outstanding as at March 31:

millions (except for share amounts)	**March 31 2006**	December 31 2005
101,512,218 (2005 - 101,512,218)		
Common shares	**$ 422**	$ 422
Deficit	**(171)**	(215)
Contributed surplus	**199**	197
Cumulative translation adjustment	**(54)**	(53)
	396	351
Capital securities	**5**	5
	$ 401	$ 356

An amount of $2 million (Q1 2005 - $nil) was recorded in contributed surplus for Brookfield options and deferred share units issued under the Company's stock based compensation plan.

The significant elements that gave rise to the change in the cumulative translation adjustment during the period are as follows:

millions	**2006**
Balance, beginning of period	**$ (53)**
Foreign exchange effect on net investment in self-sustaining operations	**(4)**
Impact of sale of foreign net investments	**(2)**
Impact of hedging activities	**5**
Balance, end of period	**$ (54)**

11. FINANCIAL RISK MANAGEMENT

The Company uses derivative financial instruments including commodity and interest rate swaps and forward commodity and forward foreign exchange contracts to manage risk. Derivative financial instruments involve credit and market risk.

(a) Commodity price

The Company enters into energy derivative contracts primarily to manage the price risk associated with the sale of generated power at spot prices. The Company also enters into gas derivative contracts for the sale of gas purchased under long-term contracts that is not required in its operations. Non-hedging commodity swap settlements and unrealized gains and losses are recorded in power generation revenue. A net gain of $1 million has been recorded in the 2006 first quarter consolidated statement of income (Q1 2005 - $3 million loss). The current portion of the recorded fair value of the non-hedging commodity swap liability is $21 million (2005 - $34 million) and the current portion of the recorded fair value of the non-hedging commodity swap asset is $16 million (2005 - $25 million).

millions	**March 31, 2006**		December 31, 2005	
Gain / (loss)	**Recorded fair value of non-hedging swaps**	**Fair value of all swaps**	Recorded fair value of non-hedging swaps	Fair value of all swaps
Energy and gas derivatives				
Forward contracts and swaps				
Commodity derivative asset	**$ 32**	**$ 38**	$ 52	$ 15
Commodity derivative liability	**(43)**	**(151)**	(68)	(204)
	$ (11)	**$ (113)**	$ (16)	$ (189)

(b) Interest rate

On March 22, 2006, the Company entered into forward-starting interest rate swaps with a notional amount totaling $300 million to hedge the interest rate risk associated with the anticipated issuance of fixed rate debt. Where the contracts are designated as an eligible hedge relationship they are accounted for on an accrual basis.

(c) Foreign exchange

On February 7, 2006, the Company entered into forward foreign exchange contracts to hedge the cash flow variability associated with anticipated foreign currency denominated capital expenditure purchases. The contracts are designated as an eligible hedging relationship and, as such, any associated gains or losses are recorded as an adjustment to the hedged capital expenditures when they are recorded. The total notional amount of the forwards as at March 31, 2006 was $160 million.

Derivatives that are not designated as an eligible hedge relationship are carried at fair value with changes in fair value recorded in earnings in the period in which they occur.

These risks are reviewed on a regular basis and the Company believes the exposures are manageable and not material in relation to its overall business operations.

12. GEOGRAPHIC SEGMENTED INFORMATION

The Company owns and operates hydroelectric and co-generation assets in both Canada and the United States with operations in seven distinct geographic regions across North America: Ontario, Quebec, British Columbia, New England, New York, Louisiana and Other. The "Other" reporting segment consists of the activities of the Company's transmission and distribution business, the Company's co-generating stations, the Company's pump storage facility, the Company's wholly owned holding companies and, for 2005, the transactions with Noranda. These seven regions represent the Company's reportable segments, which are used to manage the business, and are based on the location of the underlying generating and infrastructure facilities. The accounting policies of these reportable segments are the same as those described in notes 2 and 3 of the 2005 annual consolidated financial statements.

The Company analyzes the performance of its operating segments based on net operating income which consists of revenues from the Company's power operations, net of operating and maintenance costs, fuel purchases for its co-generation plants, power purchases, marketing and administration expenses and municipal and other generation taxes on its facilities. Net operating income is not a measure of performance under Canadian generally accepted accounting principles; however, management uses this measure to assess the operating performance of its reportable segments.

Three months ended March 31, 2006

millions	Ontario	Quebec	British Columbia	New England	New York	Louisiana	Other	Total
Revenue	**$ 49**	**$ 46**	**$ 5**	**$ 22**	**$ 66**	**$ 35**	**$ 39**	**$ 262**
Net operating income	**42**	**43**	**4**	**18**	**53**	**29**	**8**	**197**
Depreciation and amortization	**5**	**2**	**1**	**3**	**6**	**6**	**6**	**29**
Interest and financing fees	**10**	**4**	**2**	**2**	**8**	**24**	**8**	**58**

Three months ended March 31, 2005

millions	Ontario	Quebec	British Columbia	New England	New York	Louisiana	Other	Total
Revenue	$ 34	$ 22	$ 5	$ 16	$ 49	$ 52	$ 51	$ 229
Net operating income	28	19	4	12	32	46	(7)	134
Depreciation and amortization	3	2	1	3	6	6	5	26
Interest and financing fees	9	3	2	2	6	22	8	52

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has commitments and provides guarantees as described in note 27 of the 2005 annual consolidated financial statements. There have been no further material changes for the period ended March 31, 2006.

On January 11, 2006, the Company entered into an agreement to acquire two hydroelectric generating facilities in Maine from Rumford Falls Power Company, owned by NewPage Corporation, for cash consideration of $144 million. These two run-of-the-river merchant facilities are located on the Androscoggin River and have the capacity to generate approximately 270 GWh of energy per year. This transaction, which is subject to various closing conditions (including regulatory approval), is expected to close in the second quarter of 2006.

14. SUBSEQUENT EVENTS

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

15. COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform to the 2006 presentation.