CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 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	**June 30 2006** *(unaudited)*	December 31 2005
Assets			
Current assets			
Cash and cash equivalents	4	**$ 113**	$ 100
Accounts receivable and other		**229**	282
Short-term investments	5	**160**	267
		502	649
Due from related parties		**703**	689
Long-term investments		**154**	140
Power generating assets	3	**3,357**	2,992
Other assets	3	**1,013**	898
		$ 5,729	$ 5,368
Liabilities			
Current liabilities			
Accounts payable and other		**$ 258**	$ 215
Demand notes payable	7	**163**	-
Current portion of property specific borrowings and term debentures		**114**	112
		535	327
Note payable to related party		**99**	177
Property specific borrowings	3	**1,759**	1,659
Term debentures and other		**1,260**	1,246
Future income tax and other long-term liabilities	3	**287**	244
Debt portion of capital securities		**1,104**	1,104
		5,044	4,757
Non-controlling interests		**263**	255
Shareholders' equity	8	**422**	356
		$ 5,729	$ 5,368

See accompanying notes to the consolidated financial statements.

Approved on behalf of Brookfield Power Inc.:

Richard Legault
Director

Donald Tremblay
Director

BROOKFIELD POWER INC.
CONSOLIDATED STATEMENT OF INCOME

(unaudited) *US millions*	Three months ended June 30 **2006**	2005	Six months ended June 30 **2006**	2005
Revenues	**$ 221**	$ 200	**$483**	**$** 429
Net operating income				
Power generation	**145**	114	**335**	241
Transmission and distribution	**8**	5	**14**	12
	153	119	**349**	253
Investment income and other	**5**	22	**14**	51
	158	141	**363**	304
Expenses				
Interest and financing fees	**60**	58	**118**	110
Interest on capital securities	**31**	29	**62**	57
Depreciation and amortization	**32**	26	**61**	52
Non-controlling interests	**12**	5	**20**	15
(Recovery of) provision for income taxes	**(12)**	(3)	**10**	4
	123	115	**271**	238
Net income	**$ 35**	$ 26	**$ 92**	$ 66

See accompanying notes to the consolidated financial statements.

BROOKFIELD POWER INC.
CONSOLIDATED STATEMENT OF DEFICIT

(unaudited) *US millions*	Three months ended June 30 **2006**	2005	Six months ended June 30 **2006**	2005
Deficit, beginning of period	**$ (171)**	$ (195)	**$ (215)**	$ (222)
Net income	**35**	26	**92**	66
Distributions to holders of common shares and capital securities	**(14)**	(13)	**(27)**	(26)
Deficit, end of period	**$ (150)**	$ (182)	**$ (150)**	$ (182)

See accompanying notes to the consolidated financial statements.

BROOKFIELD POWER INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *US millions*	note	Three months ended June 30 **2006**	 2005	Six months ended June 30 **2006**	 2005
Operating activities					
Net income		**$ 35**	$ 26	**$ 92**	$ 66
Add (deduct) non-cash items					
Depreciation and amortization		**32**	26	**61**	52
Non-controlling interests		**12**	5	**20**	15
Tax and other		**(21)**	(15)	**-**	(18)
		58	42	**173**	115
Net change in non-cash working capital	9	**69**	(88)	**91**	(22)
		127	(46)	**264**	93
Financing activities and shareholder distributions					
Borrowings		**-**	302	**-**	375
Demand notes	7	**163**	-	**163**	-
Debt repayments		**(11)**	(300)	**(15)**	(504)
Distributions:					
- Non-controlling interest distributions		**(9)**	(15)	**(16)**	(21)
- Common shareholder distributions		**(14)**	(13)	**(27)**	(26)
		129	(26)	**105**	(176)
Investing activities					
Change in demand deposits	5	**(11)**	132	**100**	276
Securities sales		**-**	79	**-**	79
Additions to long-term investments		**-**	(69)	**(14)**	(75)
Additions to power generating assets		**(107)**	(31)	**(150)**	(68)
Acquisition of business	3	**(146)**	(92)	**(220)**	(113)
Proceeds on sale of power generating assets		**-**	36	**-**	36
Due from related parties, net		**(6)**	-	**(78)**	-
Other assets		**7**	48	**4**	23
		(263)	**103**	**(358)**	158
Effect of foreign exchange rate changes on cash and cash equivalents		**3**	(1)	**2**	(1)
Cash and cash equivalents					
(Decrease) increase in cash and cash equivalents		**(4)**	30	**13**	74
Balance, beginning of period		**117**	186	**100**	142
Balance, end of period		**$ 113**	$ 216	**$ 113**	$ 216
Supplementary information					
Interest paid		**$ 134**	$ 187	**$ 179**	$ 208
Taxes paid		**$ 1**	$ 1	**$ 4**	$ 5

See accompanying notes to the consolidated financial statements.

BROOKFIELD POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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 audited 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 Company accounts for business combinations using the purchase method of accounting which establishes specific criteria for the recognition of intangible assets separately from goodwill. The excess of the cost of the acquisition over the fair value of the net assets acquired, including both tangible and intangible assets, has been allocated to goodwill, which is included in other assets. The company periodically evaluates the carrying value of these amounts for impairment. Any impairment is charged against income at that time. No amounts have been charged to income for the current period or for the year to date.

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, levelized accounting, mark-to-market and derivatives, 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. ACQUISITIONS

On February 17, 2006, the Company acquired four hydroelectric generating stations in Northern Ontario, with a total generating capacity of approximately 50 MW, for CDN $85 million (US$ 74 million) in cash. 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 assignment of fair values to the net assets acquired is as follows:

millions		
Power generating assets	$	**111**
Power purchase agreement		**68**
Goodwill		**33**
Future income tax liability		**(60)**
Assumed debt		**(78)**
Net assets acquired	$	**74**

On June 8, 2006, the Company completed the acquisition of two hydroelectric generating facilities in New England for $146 million in cash. These two run-of-the-river merchant facilities are located on the Androscoggin River and have a total capacity of 39 MW. 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	$	**103**
Intangible assets		**43**
Total assets acquired	$	**146**

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 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 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	**June 30 2006**	December 31 2005
Cash	**$ 76**	$ 60
Short-term deposits	**37**	40
	$ 113	$ 100

5. SHORT-TERM INVESTMENTS

millions	**June 30 2006**	December 31 2005
Securities		
Real estate	**$ 55**	$ 52
Financial services and diversified	**56**	55
Other	**22**	22
Demand deposits	**-**	112
Promissory notes	**27**	26
	$ 160	$ 267

6. FINANCING ACTIVITIES

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.

7. DEMAND NOTES PAYABLE

The demand notes payable represent amounts owed to Brookfield that were borrowed in order to complete the New England acquisition. See note 3 for further details of the acquisition. The demand notes payable are unsecured.

8. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares, of which the following were issued and outstanding as at June 30:

millions (except for share amounts)	**June 30 2006**	December 31 2005
101,512,218 (2005 - 101,512,218)		
Common shares	**$ 422**	$ 422
Deficit	**(150)**	(215)
Contributed surplus	**198**	197
Cumulative translation adjustment	**(53)**	(53)
	417	351
Capital securities	**5**	5
	$ 422	$ 356

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	**(19)**
Impact of hedging activities	**19**
Balance, end of period	**$ (53)**

9. CHANGE IN NON-CASH WORKING CAPITAL

The change in non-cash working capital is comprised of the following:

	Three months ended June 30		Six months ended June 30	
millions	**2006**	2005	**2006**	2005
Accounts receivable and other	**$ 37**	$ 45	**$ 53**	$ 39
Accounts and other payables	**37**	(138)	**43**	(71)
Effect of foreign exchange	**(5)**	5	**(5)**	10
	$ 69	$ (88)	**$ 91**	$ (22)

10. 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 for the quarter and $2 million for the year to date has been recorded in the 2006 second quarter consolidated statement of income (Q2 2005 year to date - $7 million loss). The current portion of the recorded fair value of the non-hedging commodity swap asset is $14 million (2005 - $25 million) and the current portion of the recorded fair value of the non-hedging commodity swap liability is $27 million (2005 - $34 million).

millions	**June 30, 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	**$ 22**	**$ 9**	$ 52	$ 15
Commodity derivative liability	**(43)**	**(97)**	(68)	(204)
	$ (21)	**$ (88)**	$ (16)	$ (189)

(b) Interest rate

On March 22, 2006, the Company entered into forward-starting interest rate swaps with a notional amount totalling CDN$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. As of June 30, 2006, the unrecorded gain on the interest rate swaps was $10 million (2005 - $nil).

(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 designated as hedges as at June 30, 2006 was $118 million (2005 - $nil).

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. As at June 30, 2006, the total notional amount of foreign exchange derivatives not designated for hedging purposes was $42 million (2005 - $nil).

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.

11. GEOGRAPHIC SEGMENTED INFORMATION

The Company owns and operates hydroelectric and co-generation assets in both Canada and the United States with operations in six distinct geographic regions across North America: Ontario, Quebec, British Columbia, New England, New York and Louisiana. 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 pumped storage facility, the Company’s wholly owned holding companies and, for 2005, the transactions with Noranda Aluminum Inc. These seven categories 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.

Revenues	Three months ended June 30		Six months ended June 30	
millions	**2006**	2005	**2006**	2005
Ontario	**$ 41**	$ 26	**$ 90**	$ 60
Quebec	**23**	22	**69**	44
British Columbia	**7**	6	**12**	11
New England	**17**	17	**39**	33
New York	**54**	45	**120**	94
Louisiana	**40**	43	**75**	95
Other	**39**	41	**78**	92
	$ 221	$ 200	**$ 483**	$ 429

Net operating income	Three months ended June 30		Six months ended June 30	
millions	**2006**	2005	**2006**	2005
Ontario	**$ 34**	$ 20	**$ 76**	$ 48
Quebec	**20**	20	**62**	39
British Columbia	**6**	4	**10**	8
New England	**12**	13	**30**	25
New York	**40**	35	**93**	67
Louisiana	**34**	37	**63**	83
Other	**7**	(10)	**15**	(17)
	$ 153	$ 119	**$ 349**	$ 253

Depreciation and amortization	Three months ended June 30		Six months ended June 30	
millions	**2006**	2005	**2006**	2005
Ontario	**$ 8**	$ 4	**$ 12**	$ 7
Quebec	**3**	2	**5**	4
British Columbia	**1**	1	**2**	2
New England	**3**	3	**6**	6
New York	**6**	6	**12**	12
Louisiana	**6**	6	**12**	12
Other	**5**	4	**12**	9
	$ 32	$ 26	**$ 61**	$ 52

Interest and financing fees	Three months ended June 30		Six months ended June 30	
millions	**2006**	2005	**2006**	2005
Ontario	**$ 10**	$ 8	**$ 20**	$ 17
Quebec	**4**	10	**8**	13
British Columbia	**3**	2	**5**	4
New England	**2**	2	**4**	4
New York	**8**	7	**16**	14
Louisiana	**24**	22	**48**	43
Other	**9**	7	**17**	15
	$ 60	$ 58	**$ 118**	$ 110

12. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has commitments, contingencies and guarantees as described in note 27 of the 2005 annual consolidated financial statements.

In June 2006, Brookfield Power entered into an agreement to acquire two hydroelectric generating facilities in the northeast United States. This transaction is subject to various closing conditions, including regulatory approval, and is expected to close in the second half of 2006.

There have been no further material changes during the period ended June 30, 2006.

13. SUBSEQUENT EVENTS

On July 4, 2006, the Company sold the Carmichael Falls generating station to Great Lakes Hydro Income Fund, an affiliated company, for proceeds of CDN$53 million. The Carmichael Falls Generating station was part of the assets acquired on February 17, 2006 and consists of a 20MW hydroelectric facility located on the Groundhog River in Northern Ontario (see note 3 for additional information on the acquisition). The sale is effective July 1, 2006.

On July 21, 2006, the Company signed an agreement with a syndicate of Canadian banks for a new CDN$300 million credit facility to serve as financing for the construction of the Prince wind farm project in Ontario. The facility can be drawn in Canadian funds, bearing interest at either Canadian prime rate or CDOR rate plus applicable margin, or in US funds, bearing interest at either the Canadian base rate or LIBOR plus applicable margin, is secured by Prince's assets, and will mature no later than July 20, 2008.

14. COMPARATIVE FIGURES

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