Brascade Corporation

2006 Annual Report

Brascade Corporation

Brascade Corporation holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies in the Brookfield Asset Management group. The common shares of Brascade are held by Brookfield Asset Management, an asset management company focussed on property, power and infrastructure assets.

Directors

John P. Barratt [1]
Corporate Director

Alan V. Dean
Senior Vice-President,
Corporate Affairs,
Brookfield Asset Management Inc.

James L. Kelly [1]
Corporate Director

Edward C. Kress
Chairman, Business Advisory Board
Brookfield Power Inc.

Duncan A. McAlpine [1]
Corporate Director

[1] Member of the Audit Committee

Officers

Edward C. Kress
Chairman and President

Sachin G. Shah
Vice-President and Chief Financial Officer

Lisa W. Chu
Vice-President and Controller

Alan V. Dean
Vice-President and Secretary

Contents

REPORT TO SHAREHOLDERS

Brascade Corporation (“Brascade”) reported net income for the year ended December 31, 2006 of $169 million, compared to $1,285 million in 2005. The 2006 results include a gain of $142 million on the disposition of Brascade's remaining common shares of Falconbridge Limited ("Falconbridge").

The 2005 results included $1,160 million in gains from the restructuring and partial monetization of Brascade’s investment in the mining and metal sector, held through Falconbridge, net of tax and other non-cash items. The 2005 results also included an $87 million contribution from that investment, which was substantially sold during the third quarter of 2005. Following the sale of substantially all of Brascade's interest in Falconbridge in August 2005, the company no longer records any equity income from mining and metals investments.

During the third quarter of 2006, the company converted Cdn. $75 million Falconbridge convertible debentures at a conversion price of Cdn. $27.55 per common share to 2,722,323 Falconbridge common shares. This conversion increased the number of Falconbridge common shares owned by the company to approximately 4.0 million. Following this conversion, the company tendered all its Falconbridge common shares to the offer made by Xstrata plc for Cdn. $62.50 per Falconbridge common share, for approximately $226 million in proceeds and a gain of $142 million.

Forest product investments contributed a net loss of $16 million for 2006, compared with income of $74 million for 2005. Panelboard investments contributed income of $37 million, which was a strong performance but lower than the $87 million contributed in 2005 as oriented strandboard prices came off their record high levels. Paper investments generated a loss of $53 million, arising mainly from closure of a pulp mill in New Hampshire and the writedown of an investment in a US paper company. The loss from these operations in 2005 was $13 million.

Amalgamation with Diversified Canadian Financial II Corp.

On January 1, 2007, Brascade amalgamated with Diversified Canadian Financial II Corp. (“DCF II”) and Diversified Canadian Holdings Inc. (“DCHI”) to continue as an Ontario Corporation under the name Brascade Corporation. This amalgamation was approved by the shareholders of all three companies on December 13, 2006.

Prior to this amalgamation, DCF II owned a portfolio of preferred shares issued by companies in the Brookfield Asset Management Group. Except for the preferred shares of the amalgamating companies which were cancelled on amalgamation, this portfolio of preferred shares is now held by Brascade and includes preferred shares of Brookfield Asset Management Inc., BPO Properties Ltd. and Brookfield Properties Corporation. The financial results of Brascade for the year ended December 31, 2006 do not include the financial results for that period of either DCF II or DCHI. The financial impact of the amalgamation will be reflected in Brascade's results for the first quarter of 2007.

In conjunction with this amalgamation, holders of the Class I senior preferred shares, Series B of Brascade (the “Brascade Series B Preferred Shares”) resident in Canada were entitled to elect by December 20, 2006 to receive either $40.00 in cash in Canadian funds per Brascade Series B Preferred Share they then held, which was the redemption price for these shares as at January 1, 2007; or 1.6 senior preferred shares of the amalgamated company having a redemption price of $25.00 per share in Canadian funds and paying quarterly dividends based on an annual rate of 4.70%. Residents of jurisdictions outside Canada and Canadian residents who failed to make an election by December 20, 2006 automatically received on amalgamation $40.00 in cash per Brascade Series B Preferred Share they then held.

Also in conjunction with this amalgamation, holders of the Class A preference shares of DCF II (the "DCF II Senior Preferred Shares") resident in Canada were entitled to elect by December 20, 2006 to receive either $25.00 in cash in Canadian funds per DCF II Senior Preferred Share they then held, which was the redemption price for these shares as at January 1, 2007; or one senior preferred share of the amalgamated company, as described above. Residents of jurisdictions outside Canada and Canadian residents who failed to make an election by December 20, 2006 automatically received on amalgamation $25.00 in cash per DCF II Senior Preferred Share they then held.

As a result of these elections, 522,486 Brascade Series B Preferred Shares and 3,865,812 DCF II Senior Preferred Shares were redeemed for cash at the rate of C$40.00 and C$25.00 per share, respectively, representing a total redemption payment of C$117.6 million. A further 3,581,677 Brascade Series B Preferred Shares held by DCF II and DCHI were cancelled on amalgamation.

Holders of 1,160,375 Brascade Series B Preferred Shares and 4,134,188 DCF II Senior Preferred Shares elected to exchange their shares for the new Class 1 senior preference shares, Series A of the amalgamated corporation (the "Brascade Series A Preferred Shares") at the conversion rate of 1.6 and 1.0 per share, respectively. As a result, a total of 5,990,785 Brascade Series A Senior Preferred Shares were issued on amalgamation. The Brascade Series A Preferred Shares commenced trading on the Toronto Stock Exchange at the start of business on January 4, 2007, under the stock symbol BCA.PR.A.

On behalf of the Board:

Edward C. Kress
Chairman and President

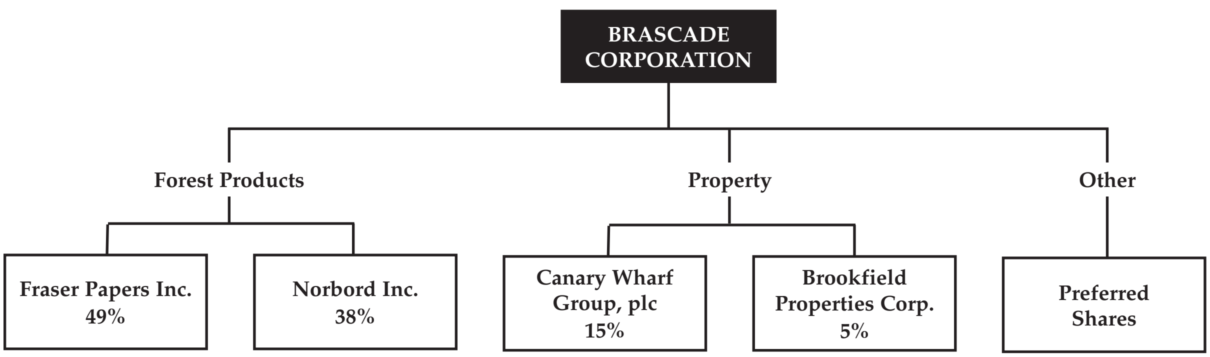
March 15, 2007

MANAGEMENT’S DISCUSSION & ANALYSIS

Brascade Corporation (“Brascade” or “the company”) holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies within the Brookfield Asset Management group. Brascade amalgamated with Diversified Canadian Financial II Corp. ("DCF II") and Diversified Canadian Holdings Inc. ("DCHI") on January 1, 2007. The financial results of Brascade for the year ended December 31, 2006 do not include the financial results for that period for either DCF II or DCHI.

Brascade’s principal investments as at December 31, 2006 are a 49% common share interest in Fraser Papers Inc. (“Fraser Papers”), a specialty paper and lumber company with operations in Canada and the United States; a 38% common share interest in Norbord Inc. (“Norbord”), a lumber and panelboard company with operations in Canada, the U.S.A. and the United Kingdom; a 15% ordinary share interest in Canary Wharf Group, plc (“Canary Wharf”), which owns a complex of commercial properties in London, United Kingdom; and a 5% common share interest in Brookfield Properties Corporation ("Brookfield Properties"), a commercial property company with operations in Canada and the United States. Following the amalgamation on January 1, 2007, Brascade's investment will include a preferred share portfolio, consisting of preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Properties.

Brascade’s investment ownership interests in these investments are shown in the following chart:



The following analysis describes the components of Brascade’s revenues and expenses in 2006, the related assets and liabilities, and the business environment for its operations.

The company's functional currency is the United States dollar ("U.S. dollar"), because most of its revenues are denominated in that currency and a significant portion of its investments have the U.S. dollar as its functional currency. Accordingly, its financial results are reported in U.S. dollars, and all financial information is presented in U.S. dollars unless otherwise indicated.

All financial data included in Management's Discussion & Analysis have been presented in accordance with Canadian generally accepted accounting principles.

The information in this section should be read in conjunction with the company's audited consolidated financial statements, which are included on pages 10 through 17 of this report. Additional information, including the company’s Annual Information Form, is available on SEDAR’s web site at *www.sedar.com*.

INCOME ANALYSIS

Brascade reported net income for the year ended December 31, 2006 of $168.9 million, compared to $1.3 billion for the year ended December 31, 2005.

Results for 2005 include a $1.2 billion gain from the disposition of substantially all of Brascade’s investments in the mining and metals sector. On August 14, 2005, the company sold approximately 73 million common shares of Falconbridge Limited (“Falconbridge”) to Xstrata plc ("Xstrata") for proceeds of approximately $1.7 billion, including $1.3 billion of cash and $375 million of convertible debentures of Xstrata. Brascade’s remaining 1% interest in Falconbridge is included in Securities as at December 31,

2005. Falconbridge is the continuing company resulting from the amalgamation of Noranda Inc. with its subsidiary Falconbridge Limited in June 2005.

During the third quarter of 2006, the company converted Cdn. $75.0 million Falconbridge convertible debentures at a conversion price of Cdn. $27.55 per common share to 2,722,323 Falconbridge common shares. This conversion increased the number of Falconbridge common shares owned by the company to approximately 4.0 million. Following this conversion, the company tendered all its 4.0 million Falconbridge common shares to the offer made by Xstrata for Cdn. $62.50 per Falconbridge common share, for approximately $226 million in proceeds and a gain of $142 million.

Following the sale of substantially all of Brascade's interest in Falconbridge in August 2005, the company no longer records any equity income from mining and metals investments. These investments contributed $87.0 million for the first nine months of 2005.

Brascade's investments in the forest product sector contributed a loss of $16.4 million for the year, compared with income of $74.0 million in 2005, when oriented strandboard prices were at record high levels. Panelboard investments contributed income of $36.6 million, which was a strong performance but lower than the $87 million contributed in 2005 as oriented strandboard prices came off their record high levels. Paper investments generated a loss of $53.0 million, arising mainly from closure of a pulp mill in New Hampshire and the writedown of an investment in a US paper company. The loss from these operations in 2005 was $13 million.

A foreign exchange gain of $5.0 million was recorded in 2006, compared to a loss of $10.6 million in 2005. The gain and loss resulted from converting the company's Canadian dollar and British pound denominated monetary assets and liabilities to United States dollars.

Other income, which included interest on the company's investment in Falconbridge convertible debentures, investment loans and loans made to affiliates, dividend income and a revaluation gain on the exchangeable debentures issued by Brascade that are exchangeable into 20 million Norbord common shares, was $93.9 million for 2006 compared to $32.7 million for 2005. The Norbord exchangeable debentures allow the holder to exchange the debentures into a fixed number of shares at the holder's option, at any time prior to maturity. Upon receipt of a notice to exchange the debentures into shares, Brascade has the right to satisfy this exchange obligation by either delivery of the shares or by a payment equal to the market value of the fixed number of shares to be delivered. In addition, at any time after September 30, 2009, Brascade has the option to redeem the debentures by delivery of a fixed number of shares, up to a maximum of 20 million shares, or by a payment equal to the market value of the fixed number of shares, or by any combination thereof.

Interest expense includes $27.4 million (2005 - $25.6 million) in respect of the Norbord exchangeable debentures, $26.8 million (2005 - $18.9 million) related to the retractable preferred shares dividend payment, as well as $nil (2005 - $13.3 million) on the company's term debt that was repaid in 2005. During the second quarter, Norbord paid a special dividend of Cdn. $1.00 per common share. As a result, interest expense on the exchangeable debenture includes an $18 million (2005 - $16 million) pass through of the special dividend to the holders of the exchangeable debentures.

Balance Sheet Analysis

Brascade's long-term investments at December 31, 2006 consisted of a 49% common share interest in Fraser Papers, a 38% common share interest in Norbord, a 15% ordinary share interest in Canary Wharf and a 5% interest in Brookfield Properties acquired in December 2006.

During the second quarter of 2005, Falconbridge repurchased approximately 64 million common shares in exchange for $1.25 billion of retractable preferred shares and issued 132.8 million common shares upon amalgamating with its major operating subsidiary. As a result, Brascade's common share interest in Falconbridge declined from 73.5 million (25%) to 44.6 million (12%), and the company received $569 million of the retractable preferred shares which were included in Securities.

On August 11, 2005, Brascade received approximately $230 million in proceeds on the redemption by Falconbridge of $569 million of these retractable preferred shares. During the third quarter of 2005, Brascade acquired 29.8 million common shares of Falconbridge from Brookfield, which increased the company's direct ownership of Falconbridge common shares to 74.4 million or approximately 20% of the common shares. As consideration for this acquisition, Brascade issued to Brookfield approximately 5.5 million junior preferred shares and approximately 21.0 million common shares. Brascade subsequently sold approximately 73.1 million Falconbridge common shares to Xstrata for proceeds of approximately $1.7 billion, including $1.3 billion cash and $375 million of convertible debentures of Xstrata. As a result, the company's common share interest declined to 1.3 million shares or approximately 1%. The debentures were then sold to a common control company.

During the third quarter of 2006, the company converted Cdn. $75.0 million Falconbridge convertible debentures at a conversion price of Cdn. $27.55 per common share to 2,722,323 Falconbridge common shares. This conversion increased the number of Falconbridge common shares owned by the company to approximately 4.0 million. Following this conversion, the company tendered all its 4.0 million Falconbridge common shares to the offer made by Xstrata for Cdn. $62.50 per Falconbridge common share, for approximately $226 million in proceeds and a gain of $142 million. Further information on Falconbridge is available through its web site at *www.falconbridge.com*.

During 2006, the company received a £46 million or $87 million (2005 - £106 million or $183 million) cash dividend from its investment in Canary Wharf, which is shown as a reduction of the company's investment in this asset.

During 2006, the company acquired additional 0.6 million Norbord common shares for total consideration of $5 million, increasing our interest from 37% to 38%. Further information on Norbord is available through its web site at *www.norbord.com*.

During 2006, the company acquired additional 1.0 million Fraser Papers common shares for total consideration of $5.9 million, increasing our interest from 46% to 49%. Further information on Fraser Papers is available through its web site at *www.fraserpapers.com*.

In December 2006, the company acquired 12.4 million common shares of Brookfield for total consideration of $470 million, representing an ownership interest of 5%. Further information on Brookfield Properties is available through its web site at *www.brookfieldproperties.com.*

Loans receivable include an investment loan made by the company during the year of $53 million with an annual yield of approximately 12%, and funds due on demand from companies under common control, which bear interest at the prime rate.

Accounts payable includes $152 million representing the debentures exchangeable into 20 million Norbord common shares, which will mature on September 30, 2029.

The company's retractable preferred shares are retractable at the option of the holder and, accordingly, are recorded as liabilities.

Liquidity and Capital Resources

Brascade's cash flow from operations was $46.4 million for 2006, compared to $47.5 million for 2005. Cash flow used in financing activities was $105 million, compared to $1.8 billion for 2005, reflecting $1.9 billion of share redemptions funded by proceeds received from the sale of Falconbridge. Cash flow from investing activities amounted to $58.6 million during 2006, compared to $1.7 billion for 2005.

During 2005, Brascade issued to Brookfield approximately 5.5 million junior preferred shares and approximately 21.0 million common shares for the acquisition of approximately 30 million Falconbridge common shares. Subsequent to the sale of the 20% interest in Falconbridge to Xstrata, Brascade used the cash proceeds from the sale to redeem 58.3 million of the Class 2 junior preferred shares for approximately $1.8 billion.

During 2005, Brascade also redeemed approximately 1.6 million of the company's Class 1 Senior Preferred Shares Series B for approximately $53.0 million. In addition, Brascade repaid term debt by issuing approximately 9.6 million Class 2 junior preferred shares.

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains funds on deposit and securities which, with varying degrees of timing, can be liquidated and utilized to fund cash requirements. The company has issued $438.6 million of retractable preferred shares that are held directly or indirectly by its sole common shareholder. The remaining $38.0 million of retractable preferred shares issued are held by other holders, and satisfaction of any retractions can be made through the company's general cash resources or through the proceeds from the sale of assets.

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of the company by payment periods:

		Payments Due by Period			
US$ millions	Total	Less Than One Year	1-3 Years	4-5 Years	After 5 Years
Retractable preferred shares(1)	$476.6	$ 476.6	—	—	—

(1) Retractable at the option of the holder.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The company accounts for its long-term corporate investments in Norbord and Fraser Papers on the equity basis. The excess of acquisition costs over the net underlying book value of these investments has been allocated to goodwill. The company evaluates the carrying values of this excess for potential impairment on a regular basis in conjunction with its review of the carrying values of its overall investments. The company's investments in Canary Wharf and Brookfield Properties are accounted for under the cost method, with dividends generally being recognized as income on the record date. Dividends received in excess of the company’s share of post-acquisition earnings are treated as a reduction of the company’s investment.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; assessing other than temporary impairments of long-term investments; tax and other provisions; and fair values for disclosure purposes.

CHANGES IN ACCOUNTING POLICY ADOPTED DURING 2006

Effective January 1, 2006 the company adopted the following new accounting policy. This change was the result of changes to the Canadian Institute of Chartered Accountants (“CICA”) Handbook, Accounting Guidelines (“AcG”) and Emerging Issues Committee Abstracts (“EIC”).

Implicit Variable Interests

On January 1, 2006, the company adopted CICA Emerging Issues Committee Abstract No. 157, Implicit Variable Interests under AcG-15 (EIC-157). This EIC clarifies that implicit variable interests are implied financial interests in an entity that changes in the fair value of the entity’s net assets exclusive of variable interests. An implicit variable interest is similar to an explicit variable interest except that it involves absorbing and/or receiving variability indirectly from the entity. The identification of an implicit variable interest is a matter of judgement that depends on the relevant facts and circumstances. The implementation of this EIC did not have a material impact on our consolidated financial position or results of operations.

FUTURE CHANGES IN ACCOUNTING POLICIES

In 2005, the CICA issued four new accounting standards: Handbook Section 1530, Comprehensive Income (Section 1530), Handbook Section 3855, Financial Instruments – Recognition and Measurement (Section 3855), Handbook Section 3865, Hedges (Section 3865) and Handbook Section 3861, Financial Instruments – Disclosure and Presentation (Section 3861), which provides disclosure and presentation requirements related to the aforementioned standards. These new standards became effective for the company on January 1, 2007.

Comprehensive Income

Section 1530 introduces Comprehensive Income and represents changes in Shareholders' Equity during a period arising from transactions and other events with non-owner sources. Other comprehensive income (OCI) includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments.

The Consolidated Financial Statements will include a Consolidated Statements of Comprehensive Income while the cumulative amount, Accumulated Other Comprehensive Income (AOCI), will be presented as a new category of Shareholders' Equity in the Consolidated Balance Sheets.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities held-for-trading will be measured at fair value with gains and losses recognized in Net income. Available-for-sale financial assets will be measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in OCI. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instrument or other contracts but are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments will be recognized in Net income, except for derivatives that are designated as cash flow hedges, the fair value change for which will be recognized in OCI.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this "fair value option" must have reliably measurable fair values.

Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Hedges

Section 3865 specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in Net income. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion will be recognized in Net income. The amounts recognized in AOCl will be reclassified to Net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments will be recognized in OCI and the ineffective portion is recognized in Net income.

For hedging relationships existing prior to adopting Section 3865 that are continued and qualify for hedge accounting under the new standard, the transition accounting is as follows: (1) Fair value hedges – any gain or loss on the hedging instrument is recognized in the opening balance of retained earnings on transition and the carrying amount of the hedged item is adjusted by the cumulative change in fair value that reflects the designated hedged risk and the adjustment is included in the opening balance of retained earnings on transition; (2) Cash flow hedges and hedge of a net investment in a self-sustaining foreign operation – any gain or loss on the hedging instrument that is determined to be the effective portion is recognized in AOCl and the ineffectiveness in the past periods is included in the opening balance of retained earnings on transition.

Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to Net income over the remaining term of the hedged item for fair value hedges, and for cash flow hedges it will be recognized in AOCl and reclassified to Net income in the same period during which the hedged item affects Net income. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses are recognized in the opening balance of retained earnings on transition.

Impact of adopting Sections 1530, 3855, 3861 and 3865

The transition adjustment attributable to the following will be recognized in the opening balance of retained earnings as at January 1, 2007: (i) financial instruments that we will classify as held-for-trading, which includes exchangeable debentures, and that were not previously recorded at fair value; (ii) the difference in the carrying amount of loans and deposits prior to January 1, 2007, and the carrying amount calculated using the effective interest rate from inception of the loan; (iii) the ineffective portion of cash flow hedges; (iv) deferred gains and losses on discontinued hedging relationships that do not qualify for hedge accounting under the new standards.

Adjustments arising due to remeasuring financial assets classified as available-for-sale and the effective portion of cash flow hedges will be recognized in the opening balance of AOCI.

Variability In Variable Interest Entities

On September 15, 2006, the EIC issued Abstract No. 163, Determining the Variability to be Considered in Applying AcG-15 (EIC-163). This EIC provides additional clarification on how to analyze and consolidate VIEs. EIC-163 will be effective for the company on April 1, 2007. However, the impact is not expected to be material to our consolidated financial position or results of operations.

Summary of Financial Information

The following table summarizes selected consolidated financial information of the company for the eight recently completed quarters:

US$ millions, except per share amounts	2006 Q4	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	2005 Q2	2005 Q1
Income (loss)	$ 13.7	$ 168.4	$ 42.7	$ (0.7)	$ 18.1	$ 780.5	$ 460.6	$ 83.6
Net income (loss)	$ 4.2	$ 158.7	$ 15.8	$ (9.8)	$ 9.0	$ 770.2	$ 433.1	$ 72.4
Net income (loss) per common share	$ 0.09	$ 3.45	$ 0.34	$ (0.21)	$ 0.20	$ 19.74	$ 17.32	$ 2.90

Net income during the fourth quarter of 2006 was $4.2 million compared to an income of $9.0 million in the same period of 2005, due mainly to lower contribution from panelboard operations and other offsetting factors.

Disclosure Controls and Procedures

Brascade maintains appropriate information systems, procedures and controls to ensure that new information disclosed externally is compete, reliable and timely. The company's Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the company's disclosure controls and procedures (as defined in "Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings") as at December 31, 2006 and have concluded that the disclosure controls and procedures are operating effectively.

Business Risks and Outlook

Brascade’s forest product investments are cyclical. Fluctuations in the general level of economic activity in the world’s major economies influence the demand for and prices of the various products produced by its investee companies, although the cycles for individual products may be at different phases at any time. Brascade’s earnings from this sector are particularly sensitive to changes in the prices of panelboards and paper. Brascade’s commercial property investments are subject to general economic conditions as well as risks specifically associated with the commercial property market. Brascade believes that the current environment is favourable for the operations of its investee companies. A further discussion on the risks associated with each of the company's investments is included in Management’s Discussion and Analysis in each of their respective annual reports, which can be accessed through SEDAR or through their web sites as provided earlier in this report.

Sachin G. Shah
Vice President and Chief Financial Officer

March 15, 2007

This report contains “forward-looking statements”. The words “believe”, “expect”, “anticipate”, “intend”, “estimate” and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time-to-time in the company’s continuous disclosure documents. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche, LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements set out on pages 11 through 17 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversee's management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.

Toronto, Canada
March 15, 2007

Sachin G. Shah
Vice-President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders:

We have audited the consolidated balance sheets of Brascade Corporation as at December 31, 2006 and 2005 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Toronto, Canada
March 15, 2007

Deloitte & Touche, LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31 *US$ millions*	Note	2006	2005
Assets			
Loans receivable	2	$ 205.1	$ 214.8
Securities	2	167.4	434.9
Investment in Norbord Inc.	3	177.5	199.3
Investment in Fraser Papers Inc.	3	149.5	196.9
Investment in Canary Wharf Group, plc	3	256.2	342.3
Investment in Brookfield Properties Corporation	3	470.3	—
		$ 1,426.0	$ 1,388.2
Liabilities			
Accounts payable		$ 156.2	$ 217.4
Retractable preferred shares	5	476.6	478.2
Shareholders' equity	6	793.2	692.6
		$ 1,426.0	$ 1,388.2

On behalf of the Board:

Edward C. Kress
Director

John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31 *US$ millions, except per share amounts*	Note	2006	2005
Income			
Equity income from Falconbridge Limited		$ —	$ 87.0
Equity income from Norbord Inc.		36.6	87.2
Equity loss from Fraser Papers Inc.		(53.0)	(13.2)
Foreign exchange gain (loss)		5.0	(10.6)
Other income		93.9	32.7
Gain on disposition of investment	3	141.6	1,159.7
		224.1	1,342.8
Expenses			
Interest expense		54.2	57.9
Corporate		1.0	0.2
		55.2	58.1
Net income		$ 168.9	$ 1,284.7
Net income per common share		$ 3.67	$ 38.05

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31 *US$ millions*	Note		**2006**		2005
Deficit, beginning of year		**$**	**(331.3)**	$	(1,008.8)
Purchase of Falconbridge shares	3		**—**		(332.2)
Net income for the year			**168.9**		1,284.7
			(162.4)		(56.3)
Common share dividend			**(105.0)**		(275.0)
Deficit, end of year		**$**	**(267.4)**	$	(331.3)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 *US$ millions*		**2006**		2005
Cash flow from (used in) operating activities				
Dividends received	**$**	**81.5**	$	96.0
Other income, net of expenses		**(35.1)**		(48.5)
		46.4		47.5
Cash flow from (used in) financing activities				
Common share dividend paid		**(105.0)**		(275.0)
Share redemption		**—**		(1,860.7)
Loan from affiliated company		**—**		375.0
		(105.0)		(1,760.7)
Cash flow from (used in) investing activities				
Investment in Fraser Papers Inc.		**(5.9)**		(5.9)
Investment in Norbord Inc.		**(4.7)**		—
Investment in Brookfield Properties Corporation		**(470.3)**		—
Proceeds on sale of Falconbridge Limited		**225.7**		1,327.3
Dividend received from Canary Wharf Group, plc		**87.0**		183.0
Securities		**181.6**		333.8
Loans receivable		**45.2**		(125.0)
		58.6		1,713.2
Net change and closing cash balance	**$**	**—**	$	—

1. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of Presentation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, CWG Holdings (Bermuda) Limited and Brookfield Holdings (Luxembourg) S.A., and effective January 1, 2005, these consolidated financial statements exclude the accounts of wholly-owned NIED Holdings Limited as described under "Changes in Accounting Policies (i) Consolidation of Variable Interest Entities, AcG 15".

The company's functional currency is U.S. dollars. The company adopted the U.S. dollar as the reporting currency.

Loans Receivable

Loans receivable are carried at the lower of cost and estimated net realizable value determined based on expected future cash flows, discounted if necessary at market rates for loans of similar terms and investment risks.

Securities

Securities are carried at the lower of cost and net realizable value. Preferred and common share dividends are recorded on the record date.

Long-Term Corporate Investments

The company accounts for its long-term corporate investments in Falconbridge Limited ("Falconbridge"), Norbord Inc. ("Norbord"), and Fraser Papers Inc. ("Fraser Papers") on the equity basis for periods under significant influence. The excess of acquisition costs over the underlying net book value of these investments is considered to be goodwill. The company periodically evaluates the carrying value of this excess for potential impairment in conjunction with its review of the carrying values of its overall investments.

The company accounts for its investment in Canary Wharf Group, plc ("Canary Wharf") and Brookfield Properties Corporation ("Brookfield Properties") on the cost basis with dividends generally being recognized as income on the record date. Dividends received in excess of the company's share of post acquisition earnings are treated as a reduction of the company's investment.

Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities of the company are translated at the rate of exchange prevailing at the period end and revenues and expenses at average rates during the period. Gains and losses on translation of these items are included in the consolidated statement of operations. Foreign currency gains and losses on the company's long-term investments are included in the cumulative translation adjustment account, which is a separate component of shareholders' equity.

Deferred Financing Costs

Costs incurred in connection with the arrangement of financing are deferred in other assets and charged to income over the term of the related financing.

Exchangeable Debentures

The exchangeable debentures, issued by a company no longer consolidated by Brascade, are carried at fair value determined based on the quoted market value of the shares subject to the exchange and translated into US dollars at period end rates. Brascade records the effect of this adjustment in income.

Statement of Cash Flows

The company places surplus cash on deposit with Brookfield Asset Management Inc. at market interest rates. These deposits are available on demand and are used by the company to fund its cash requirements. As the company does not maintain its own stand alone banking facilities, the statement of cash flow is reconciled to nil.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; assessing other than temporary impairments of long-term investments; tax and other provisions; and fair values for disclosure purposes. Actual results could differ from those estimates.

Changes in Accounting Policy Adopted During 2006

Effective January 1, 2006 the company adopted the following new accounting policy. This change was the result of changes to the Canadian Institute of Chartered Accountants ("CICA") Handbook, Accounting Guidelines ("AcG") and Emerging Issues Committee Abstracts ("EIC").

Implicit Variable Interests
On January 1, 2006, the company adopted CICA Emerging Issues Committee Abstract No. 157, Implicit Variable Interests under AcG-15 (EIC-157). This EIC clarifies that implicit variable interests are implied financial interests in an entity that changes in the fair value of the entity's net assets exclusive of variable interests. An implicit variable interest is similar to an explicit variable interest except that it involves absorbing and/or receiving variability indirectly from the entity. The identification of an implicit variable interest is a matter of judgement that depends on the relevant facts and circumstances. The implementation of this EIC did not have a material impact on our consolidated financial position or results of operations.

Future Changes in Accounting Policies

In 2005, the CICA issued four new accounting standards: Handbook Section 1530, Comprehensive Income (Section 1530), Handbook Section 3855, Financial Instruments – Recognition and Measurement (Section 3855), Handbook Section 3865, Hedges (Section 3865) and Handbook Section 3861, Financial Instruments – Disclosure and Presentation (Section 3861), which provides disclosure and presentation requirements related to the aforementioned standards. These new standards became effective for the company on January 1, 2007.

Comprehensive Income
Section 1530 introduces Comprehensive Income and represents changes in Shareholders' Equity during a period arising from transactions and other events with non-owner sources. Other comprehensive income (OCI) includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments.

The Consolidated Financial Statements will include a Consolidated Statements of Comprehensive Income while the cumulative amount, Accumulated Other Comprehensive Income (AOCI), will be presented as a new category of Shareholders' Equity in the Consolidated Balance Sheets.

Financial Instruments – Recognition and Measurement
Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities held-for-trading will be measured at fair value with gains and losses recognized in Net income. Available-for-sale financial assets will be measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in OCI. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instrument or other contracts but are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments will be recognized in Net income, except for derivatives that are designated as cash flow hedges, the fair value change for which will be recognized in OCI.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this "fair value option" must have reliably measurable fair values.

Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Hedges
Section 3865 specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in Net income. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective,

will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion will be recognized in Net income. The amounts recognized in AOCl will be reclassified to Net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments will be recognized in OCI and the ineffective portion is recognized in Net income.

For hedging relationships existing prior to adopting Section 3865 that are continued and qualify for hedge accounting under the new standard, the transition accounting is as follows: (1) Fair value hedges – any gain or loss on the hedging instrument is recognized in the opening balance of retained earnings on transition and the carrying amount of the hedged item is adjusted by the cumulative change in fair value that reflects the designated hedged risk and the adjustment is included in the opening balance of retained earnings on transition; (2) Cash flow hedges and hedge of a net investment in a self-sustaining foreign operation – any gain or loss on the hedging instrument that is determined to be the effective portion is recognized in AOCl and the ineffectiveness in the past periods is included in the opening balance of retained earnings on transition.

Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to Net income over the remaining term of the hedged item for fair value hedges, and for cash flow hedges it will be recognized in AOCl and reclassified to Net income in the same period during which the hedged item affects Net income. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses are recognized in the opening balance of retained earnings on transition.

Impact of adopting Sections 1530, 3855, 3861 and 3865
The transition adjustment attributable to the following will be recognized in the opening balance of retained earnings as at January 1, 2007: (i) financial instruments that we will classify as held-for-trading, which includes exchangeable debentures, and that were not previously recorded at fair value; (ii) the difference in the carrying amount of loans and deposits prior to January 1, 2007, and the carrying amount calculated using the effective interest rate from inception of the loan; (iii) the ineffective portion of cash flow hedges; (iv) deferred gains and losses on discontinued hedging relationships that do not qualify for hedge accounting under the new standards.

Adjustments arising due to remeasuring financial assets classified as available-for-sale and the effective portion of cash flow hedges will be recognized in the opening balance of AOCI.

Variability In Variable Interest Entities
On September 15, 2006, the EIC issued Abstract No. 163, Determining the Variability to be Considered in Applying AcG-15 (EIC-163). This EIC provides additional clarification on how to analyze and consolidate VIEs. EIC-163 will be effective for the company on April 1, 2007. However, the impact is not expected to be material to our consolidated financial position or results of operations.

2. Loans Receivable and Securities

Loans receivable include an investment loan made by the company during the year of $53 million, with an annual yield of 12%, and funds due on demand from companies under common control.

In the year ended December 31, 2006, net investment income earned on balances with affiliates amounted to $15.2 million (2005 - $4.1 million).

The fair value of the loans receivable and securities approximated their carrying value as at December 31, 2006 and 2005.

3. Long-Term Corporate Investments

US$ millions	Accounting	Ownership	**December 31 2006**	December 31 2005
Norbord				
Common shares	Equity accounted	38%	**$ 177.5**	$ 199.3
Fraser Papers				
Common shares	Equity accounted	49%	**149.5**	196.9
Canary Wharf				
Ordinary shares	Cost	15%	**256.2**	342.3
Brookfield Properties Corporation				
Common shares	Cost	5%	**470.3**	—
			$ 1,053.5	$ 738.5

During the second quarter of 2005 there was a substantial reorganization of Falconbridge which involved the repurchase by Falconbridge (formerly Noranda) of approximately 64 million common shares in exchange for $1.25 billion of preferred shares and the subsequent issuance of 132.8 million shares to minority shareholders of Falconbridge to effect the privatization. As a result, Brascade received $569 million retractable preferred shares in exchange for 28.9 million common shares and the company's common share interest in Falconbridge decreased to 12% from 25%. During the year, Brascade acquired 29.8 million common shares of Falconbridge from Brookfield, which increased the company's direct ownership of Falconbridge common shares to 74.4 million or approximately 20% of the common shares. Since this related party transaction did not result in a substantive change in ownership, the investment was recorded at carried value and the differences in consideration recorded as a charge to retained earnings. The company subsequently sold 73 million common shares, or substantially all of its remaining 20% ownership for proceeds of $1.7 billion, consisting of $1.3 billion cash and a $375 million convertible debenture. The debenture was transferred to a company under common control as repayment of a loan payable balance. These transactions resulted in an aggregate gain of $1,162 million. Falconbridge redeemed $228 million of the $569 million retractable preferred shares previously received by the company as part of the exchange. The company's remaining investment in these preferred shares is included in Securities as at December 31, 2005.

During the third quarter of 2006, the company converted Cdn. $75.0 million Falconbridge convertible debentures at a conversion price of Cdn. $27.55 per common share to 2,722,323 Falconbridge common shares. This conversion increased the number of Falconbridge common shares owned by the company to approximately 4.0 million. Following this conversion, the company tendered all its 4.0 million Falconbridge common shares to the offer made by Xstrata for Cdn. $62.50 per Falconbridge common share, for approximately $226 million in proceeds and a gain of $142 million.

The company owns 54,423,303 common shares (2005 - 53,804,885) of Norbord, which represents a 38% interest (2005 - 37%). The company has pledged 20,000,000 common shares of Norbord as security for the exchangeable debentures described in Note 1.

The company owns 14,413,896 common shares (2005 - 13,439,596) of Fraser Papers, representing a 49% interest (2005 - 46%).

The company owns 96,113,970 ordinary shares (2005 - 96,113,970) of Canary Wharf, representing a 15% interest (2005 - 15%).

During the fourth quarter of 2006, the company acquired 12,375,000 common shares of Brookfield Properties at $38 per share, representing a 5% interest.

4. Term Debt

The term debt due to a common control company, bears interest at 6.5% was repaid on September 15, 2005 by issuing 9,568,070 Class 2 Junior Preferred Shares. Interest expense on this debt amounted to $nil (2005 - $13.3 million).

5. Retractable Preferred Shares

The company's Authorized Share Capital includes two classes of retractable preferred shares:

(i) Unlimited Class 1 Senior Preferred shares issuable in series; and

(ii) Unlimited Class 2 Junior Preferred shares issuable in series;

Years ended		**December 31**	December 31
US$ millions, except number of shares		**2006**	2005
5,264,536	Class 1 Senior Preferred Shares, Series B (2005 - 5,264,536)	**$ 180.0**	$ 181.6
9,568,070	Class 2 Junior Preferred Shares, Series A (2005 - 9,568,070)	**296.6**	296.6
		$ 476.6	$ 478.2

The retractable preferred shares are retractable at the option of the holder and, accordingly, are liabilities for accounting purposes.

The following rights and privileges apply to the outstanding Class 1 Senior Preferred shares:

(i) entitlement to cumulative quarterly dividends calculated on the issue price of C$40.00 per share at a variable rate, equal to 1 1/2% plus 1/2 of the average daily prime lending rate of a specified Canadian chartered bank, subject to a minimum rate on an annual basis of 8%;

(ii) in the case of the Senior Preferred shares Series B, redeemable at the option of the company or the holder at C$40.00 per share plus accrued and unpaid dividends thereon.

The following rights and privileges apply to the outstanding Class 2 Junior Preferred Shares:

(i) entitlement to non-cumulative quarterly dividends calculated on the issue price of $31.00 per share at 4%, as and when declared by the board of directors of the company; and

(ii) redeemable at the option of the company or the holder at any time at $31.00 per share plus declared and unpaid dividends thereon.

6. Shareholders' Equity

The company's authorized share capital also includes an unlimited number of common shares.

Issued and Outstanding:

US$ millions, except number of shares		**December 31 2006**	*December 31* 2005
46,040,326	Common shares (2005 - 46,040,326)	**$ 1,044.3**	$ 1,044.3
	Deficit	**(267.4)**	(331.3)
	Cumulative translation adjustment	**16.3**	(20.4)
		$ 793.2	$ 692.6

The common shares of the company are redeemable at the option of the holder for 95% of the net asset value at the time of redemption.

7. Income Taxes

The company qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada) (the "Act"), and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances.

The company's dividend income is not subject to income taxes under Part I of the Act; consequently, the company has no effective taxable income. However, the company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received. This tax is fully refundable upon payment of sufficient dividends.

As the company has the intention and ability to qualify as a mutual fund corporation to manage its affairs in such a way as to transfer any tax liability to its shareholders, no provision for income tax has been made.

8. Other Information

(a) The company and its associates arrange investment transactions between themselves without transaction costs and all such transactions are at normal market terms.

(b) The components of basic earnings per share are summarized in the following table:

Years ended *US$ millions, except number of shares*	***December 31*** **2006**	*December 31* 2005
Net income	**$ 168.9**	$ 1,284.7
Preferred share dividends	**—**	—
Net income attributable to common shareholders	**$ 168.9**	$ 1,284.7

(c) Cash interest paid was $36.5 million (2005 - $54.4 million).

9. Subsequent Event

On January 1, 2007, Brascade amalgamated with Diversified Canadian Financial II Corp. ("DCF II") and Diversified Canadian Holdings Inc. ("DCHI") to continue as an Ontario corporation under the name Brascade Corporation. Prior to this amalgamation, both DCF II and DCHI owned a portfolio of preferred shares of related companies totalling $94 million. As a result of the amalgamation, the book value of total assets will increase by approximately $300 million, primarily reflecting additional preferred share securities and loan deposits held by the predecessor companies. The impact of this amalgamation will be reflected in Brascade's results in the first quarter of 2007.

CORPORATE INFORMATION

Head Office

Brascade Corporation
BCE Place, 181 Bay Street
Suite 300. P.O. Box 762
Toronto, Ontario M5J 2T3
Telephone: 416-363-9491
Facsimile: 416-363-2856

Year End

December 31

Transfer Agent

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: 416-643-5500 or
1-800-387-0825
(Toll-free within North America)
Facsimile: 416-643-5501
Web site: www.cibcmellon.com
E-mail: inquiries@cibcmellon.com

Stock Exchange Listings

The Senior Preferred Shares, Series A of Brascade are listed on the Toronto Stock Exchange under the symbol **BCA.PR.A**.

Brascade Corporation

BCE Place, 181 Bay Street
Suite 300, P.O. Box 762
Toronto, Ontario
M5J 2T3

Printed in Canada