BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(Unaudited)

Brookfield Renewable Power Inc. (formerly Brookfield Power Inc. and Brookfield Power Corporation through amalgamation) is a subsidiary of Brookfield Asset Management Inc.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED BALANCE SHEETS

$US millions	notes	**September 30 2008** *(unaudited)*	December 31 2007
Assets			
Current assets			
Cash and cash equivalents	8	**$ 98**	$ 61
Accounts receivable and other		**237**	259
Derivative assets	6	**38**	31
Due from related party	4	**211**	108
Short-term investments		**166**	176
		750	635
Due from related party	4	**1,888**	751
Long-term investments		**364**	350
Power generating assets	3	**4,161**	4,053
Other assets	6	**1,021**	1,102
		$ 8,184	$ 6,891
Liabilities			
Current liabilities			
Accounts payable and other		**$ 219**	$ 192
Derivative liabilities	6	**40**	52
Credit facilities		**-**	12
Current portion of property specific borrowings and other long-term debt		**185**	55
		444	311
Due to related party	4	**1,509**	101
Property specific borrowings	3	**2,536**	2,691
Other long-term debt		**1,580**	1,630
Future income tax liability		**213**	134
Debt portion of capital securities	4	**-**	1,103
Other long-term liabilities	6	**240**	355
		6,522	6,325
Non-controlling interests		**232**	217
Shareholder's equity	10	**1,430**	349
		$ 8,184	$ 6,891

See accompanying notes to the consolidated financial statements.

Approved on behalf of Brookfield Renewable Power Inc.:

/s/ Richard Legault

Richard Legault
President and
Chief Executive Officer

/s/ Donald Tremblay

Donald Tremblay
Executive Vice-President and
Chief Financial Officer

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)		Three months ended September 30		Nine months ended September 30	
$US millions	note	**2008**	2007	**2008**	2007
Revenues		**$ 289**	$ 179	**$ 946**	$ 679
Operating expenses (excluding depreciation and amortization)					
Operations, maintenance and administration		**57**	47	**158**	133
Fuel and power purchases		**23**	23	**67**	60
Property, capital and other generation taxes		**24**	13	**62**	47
		185	96	**659**	439
Investment and other income		**11**	4	**10**	20
Unrealized derivative gain (loss)	6	**136**	(4)	**50**	(33)
		332	96	**719**	426
Expenses					
Interest and financing fees		**79**	73	**236**	210
Interest on capital securities		**-**	31	**31**	93
Depreciation and amortization		**42**	37	**127**	111
Non-controlling interests		**11**	(4)	**65**	-
Provision for (recovery of) income taxes		**52**	(14)	**42**	14
		184	123	**501**	428
Net income (loss)		**$ 148**	$ (27)	**$ 218**	$ (2)

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF DEFICIT

(Unaudited)		Three months ended September 30		Nine months ended September 30	
$US millions	note	**2008**	2007	**2008**	2007
Deficit, beginning of period, as previously reported		**$ (658)**	$ (190)	**$ (261)**	$ (162)
Transitional adjustment for financial instruments		**-**	-	**-**	(27)
Impact of amalgamation	4	**(2)**	-	**(441)**	-
Net income (loss)		**148**	(27)	**218**	(2)
Distributions to holder of common shares and capital securities		**(14)**	(14)	**(42)**	(40)
Deficit, end of period		**$ (526)**	$ (231)	**$ (526)**	$ (231)

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited) *$US millions*	Three months ended September 30 **2008**	 2007	Nine months ended September 30 **2008**	 2007
Net income (loss)	**$ 148**	$ (27)	**$ 218**	$ (2)
Available-for-sale financial assets				
Unrealized (losses) gains on available-for-sale financial assets, net of income taxes of $nil and $nil (2007 - $nil and $nil) for the three and nine month periods ended September 30	**(2)**	-	**(2)**	1
	(2)	-	**(2)**	1
Foreign currency translation				
Unrealized foreign currency translation (losses) gains of self-sustaining foreign operations	**(68)**	54	**(71)**	107
Net unrealized gains (losses) on hedges of investments in self-sustaining foreign operations	**10**	(32)	**20**	(74)
	(58)	22	**(51)**	33
Derivatives designated as cash flow hedges				
Unrealized net gains on derivatives designated as cash flow hedges, net of income taxes of $(23) and $(5) (2007 – ($4) and ($10)) for the three and nine month periods ended September 30	**54**	9	**11**	26
Recognition in income of (gains) losses on derivatives designated as cash flow hedges, net of income taxes of $nil and $nil (2007 $nil and $5) for the three and nine month periods ended September 30	-	(5)	**5**	(18)
	54	4	**16**	8
Other comprehensive (loss) income	**(6)**	26	**(37)**	42
Comprehensive income (loss)	**$ 142**	$ (1)	**$ 181**	$ 40

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

(Unaudited) *$US millions*	Three months ended September 30 **2008**	 2007	Nine months ended September 30 **2008**	 2007
Accumulated other comprehensive loss, beginning of period	**$ (53)**	$ (40)	**$ (22)**	$ (55)
Transitional adjustment for financial instruments	**-**	-	**-**	(1)
Other comprehensive (loss) income	**(6)**	26	**(37)**	42
Accumulated other comprehensive loss, end of period	**$ (59)**	$ (14)	**$ (59)**	$ (14)

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)		Three months ended September 30		Nine months ended September 30	
$US millions	notes	**2008**	2007	**2008**	2007
Operating activities					
Net income (loss)		**$ 148**	$ (27)	**$ 218**	$ (2)
Add (deduct) non-cash items:					
Depreciation and amortization		**42**	37	**127**	111
Unrealized derivative (gain) loss		**(136)**	4	**(50)**	33
Non-controlling interests		**11**	(4)	**65**	-
Future income taxes		**48**	(13)	**24**	11
Other		**2**	8	**25**	22
		115	5	**409**	175
Net change in non-cash working capital	11	**145**	35	**129**	30
		260	40	**538**	205
Financing activities and shareholder distributions					
Borrowings		**23**	-	**140**	225
Debt repayments		**(8)**	(8)	**(89)**	(31)
Due to/from related party		**-**	49	**(13)**	36
Issuance of common shares	10	**-**	-	**200**	-
Distributions:					
- To non-controlling interests		**(20)**	(10)	**(47)**	(92)
- To common shareholder and holder of capital securities		**(14)**	(14)	**(42)**	(40)
Contribution from non-controlling interest		**7**	-	**7**	-
		(12)	17	**156**	98
Investing activities					
Additions to long-term investments		**(15)**	(117)	**(15)**	(152)
Additions to power generating assets		**(34)**	(38)	**(91)**	(82)
Acquisitions of power generating assets	7	**-**	(33)	**(48)**	(49)
Acquisition of business	7	**(22)**	(1)	**(269)**	(4)
Disposition of business	3	**-**	-	**92**	-
Due to/from related party		**(150)**	115	**(269)**	-
Other assets		**(49)**	(7)	**(54)**	(48)
		(270)	(81)	**(654)**	(335)
Effect of foreign exchange rate changes on cash and cash equivalents		**(2)**	2	**(3)**	6
Cash and cash equivalents					
(Decrease) increase		**(24)**	(22)	**37**	(26)
Balance, beginning of period		**122**	77	**61**	81
Balance, end of period		**$ 98**	$ 55	**$ 98**	$ 55
Supplementary information					
Interest paid		**$ 25**	$ 49	**$ 210**	$ 239
Taxes paid		**$ 3**	$ 3	**$ 8**	$ 9

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008

1. NATURE AND DESCRIPTION OF THE COMPANY

Brookfield Renewable Power Inc. (the "Company"), formed upon the amalgamation of Brookfield Power Inc. ("BPI") and Brookfield Power Corporation ("BPC"), is incorporated under the laws of Ontario and develops and operates hydroelectric, wind and other power generating facilities in Canada, the United States and Brazil as well as an electricity distribution system in Northern Ontario. The Company is wholly owned by Brookfield Asset Management Inc. ("Brookfield").

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's unaudited interim consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to interim consolidated financial statements. All amounts are reported in United States dollars, unless otherwise noted. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual audited consolidated financial statements.

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, valuation of financial instruments including derivatives, useful lives, asset impairment, future income tax liabilities, 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.

These unaudited interim consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2007.

3. RELATED PARTY TRANSACTIONS

On March 12, 2008, the Company completed the transfer of its electricity transmission operations located in Northern Ontario to Brookfield Infrastructure Partners L.P. ("BIP"), a related party through common ownership, for a total value of CDN$213 million consisting of CDN$88 million in cash for the transmission assets plus the transfer of CDN$120 million in debt and consideration for working capital of CDN$5 million. The transaction was recorded at carrying value and, as a result, the $45 million difference between the exchange amount and the carrying value was treated as a gain on disposition with a related party and booked to contributed surplus, a component of shareholder's equity.

During the third quarter of 2008, the Company finalized its working capital adjustment. This resulted in a CDN$2 million repayment to BIP which was recorded directly as a subsequent adjustment to deficit.

4. AMALGAMATION

On March 31, 2008, BPI and its former wholly owned subsidiary, BPC, amalgamated into one entity and changed its name to Brookfield Renewable Power Inc. All assets and liabilities of BPI and BPC have been assumed by the Company. As part of the amalgamation, the $1,109 million of capital securities owed to Brookfield and $446 million in short-term US$ denominated balances owed to the Company by Brookfield, outstanding as at December 31, 2007, were replaced with a promissory note receivable from Brookfield of $1,508 million (CDN$1,548 million), a promissory note payable to Brookfield in the amount of $780 million (CDN$800 million) and $1,391 million in preferred shares.

In addition, the Company issued a $689 million (CDN$708 million) promissory note to Brookfield. The issuance of this promissory note was treated as a return of capital, with the amount applied first against contributed surplus ($248 million) and the excess amount charged to deficit ($441 million).

The $1,508 million (CDN$1,548 million) promissory note receivable bears no interest and is repayable at any time at the Company's option.

The two promissory notes issued by the Company totalling $1,469 million bear no interest and mature on February 28, 2048. The notes are subordinate to the Company's term debentures, medium-term notes and corporate credit facilities. At the Company's option, the notes can be repaid at any time with a variable number of common shares based on the fair value of the common shares at the repayment date.

The 57,077,112 preferred shares that were issued have a value of $1,391 million, are non-cumulative and non-voting, with dividends payable at the Company's discretion. They can be redeemed at the Company's option at any time for CDN$25 per share and have preference over common shares upon liquidation.

Upon amalgamation, the 108,339,336 common shares issued and outstanding to Brookfield were exchanged for 2,488,278 common shares of the amalgamated company.

The impacts of the amalgamation on the Company's accounts of this non-cash transaction are summarized in the table below:

$US millions	**Net financial impact**
	Dr/(Cr)
Due from related party – short-term	$ (446)
Promissory note receivable [1]	1,508
Promissory notes payable [2]	(1,469)
Capital securities – debt portion	1,103
Capital securities – equity portion	6
Preferred shares	(1,391)
Contributed surplus [3]	248
Deficit [3]	441

[1] Included in Due from related party – long-term on the balance sheet
[2] Included in Due to related party – long-term on the balance sheet
[3] Revised during the third quarter of 2008 as a result of the CDN$2 million working capital adjustment (Note 3)

5. CAPITAL MANAGEMENT

On January 1, 2008, the Company adopted CICA Handbook Section 1535, Capital Disclosures. This section requires disclosure of the Company's objectives, policies and processes for managing capital, the quantitative data about what the Company regards as capital, whether any capital requirements have been met, and if not, the consequences of such non-compliance.

The Company's primary capital management objective is to ensure the sustainability of its capital to support continuing operations, meet its financial obligations, allow for growth opportunities and provide stable dividends to its common shareholder. The Company manages its capital to maintain an investment grade credit rating while providing its shareholder with a prudent use of leverage to enhance returns and ensure access to incremental borrowings needed to fund new growth initiatives.

The Company manages its capital structure in accordance with changes in economic conditions. Generally, acquisitions and developments are funded with external borrowings and equity. In order to adjust the capital structure, the Company may elect to adjust the dividend amount paid to its common shareholder, increase or reduce the equity participation in new and existing operations, adjust the level of capital spending or issue new preferred or common shares.

The Company manages its capital in order to maintain a debt to capitalization ratio below 75%. As at September 30, 2008, the ratio was 58% (December 31, 2007 – 72%). The table below presents the detail of the Company's capitalization and the calculation of the ratio:

$US millions	**September 30 2008**	December 31 2007
Debt		
Credit facilities	**$ -**	$ 12
Property specific borrowings	**2,639**	2,727
Other long-term debt	**1,662**	1,649
	4,301	4,388
Shareholder's equity	**1,430**	349
Capital securities	**-**	1,103
Promissory notes	**1,417**	-
Non-controlling interest	**232**	217
Total capitalization	**$ 7,380**	$ 6,057
Debt to capitalization	**58%**	72%

The change in the debt to capitalization ratio during the nine months ended September 30, 2008 is linked to changes in the Company's capital structure resulting from the amalgamation described in note 4. In addition, there was a $200 million contribution to equity by Brookfield in January 2008. There were no changes in the Company's approach to capital management during the period.

The Company has provided covenants to certain of its lenders for its corporate debentures and corporate credit facility. The covenants are centered on meeting minimum debt to capitalization ratios.

Subsidiaries of the Company have provided covenants to certain of their lenders for their property specific borrowings. These covenants vary from one agreement to another and include ratios that address debt service coverage. Certain lenders have also put in place requirements that oblige the Company and its subsidiaries to maintain debt and capital expenditure reserve accounts. The consequences to the subsidiaries as a result of being offside of their covenants could include a limitation to the distributions to the Company.

As at September 30, 2008, the Company was in compliance with all covenants.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

On January 1, 2008, the Company adopted CICA Handbook Sections 3862 and 3863, Financial Instruments – Disclosures and Presentation. These sections replace section 3861 Financial Instruments – Disclosure and Presentation and place an increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed.

The Company classifies its financial assets and liabilities as outlined below:

Cash and cash equivalents are designated as financial assets held for trading and are measured at fair value through net income (loss) at each period end.

Short-term investments and long-term investments are classified as available-for-sale and are recorded at fair value with changes in fair value recorded through other comprehensive (loss) income ("OCI") at each period end. Where the quoted market price in an active market is not readily determinable, the investment is presented at cost.

Accounts receivable and other as well as due from related party are classified as loans and receivables, accounts payable and other, credit facilities, due to related party, property specific borrowings, other long-term debt, other long-term liabilities and debt portion of capital securities are classified as other financial liabilities, and each are measured at fair value at inception and, except for certain related party transactions, are subsequently measured at amortized cost using the effective interest method.

All derivatives are recorded on the balance sheet at fair value. Fair value adjustments on these instruments are included in net income (loss), unless the instruments are designated as part of a cash flow hedge relationship, in which case they are reported in OCI. Gains and losses related to hedge ineffectiveness are included either in unrealized derivative gain (loss) or investment and other income on the statement of net income (loss), depending on the nature of the underlying transaction.

The carrying value approximates fair value for the Company's financial assets and liabilities, with the exception of certain short and long-term investments which are held at cost, as well as property specific borrowings and other long-term debt (excluding the finance debt obligation), whose fair values at September 30, 2008 were $2,632 million and $849 million, respectively (December 31, 2007 - $2,854 million and $848 million, respectively). Fair value is calculated based on current market prices for debt with similar terms and risks.

The Company has exposure to the following risks from its use of financial instruments: market risk, credit risk and liquidity risk. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing and anticipated risks, commitments or obligations based on its past experience.

Market Risk

Market risk, the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, is comprised of the following:

(a) Commodity Prices

Commodity price risk is managed through Power Purchase Agreements ("PPA") and energy contracts. Approximately 50% of the Company's generation is sold pursuant to PPAs with an average remaining duration of 10 years. The Company's generation not sold under PPAs is delivered to wholesale power markets at the prevailing market price. The Company enters into energy derivative contracts to manage the price risk associated with these transactions. The use of such contracts is governed by an established risk management policy that, among other things, sets specific transaction limits. At a hedge's inception and on an ongoing basis, the Company formally assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In addition to financial contracts, the Company's commodity derivatives also include a long-term PPA with the Long Island Power Authority ("LIPA"), which was determined to be a non-financial derivative.

Commodity derivative assets and liabilities are recorded at their fair values based on the fair value method of accounting, using quoted market prices or, in their absence, a valuation model using third-party indications and forecasts. At September 30, 2008 and December 31, 2007, the current and long-term portions of the fair value of the Company's commodity derivative assets and liabilities and the fair value methodologies used to calculate those values were as follows:

$US millions	**September 30 2008**	December 31 2007
Short-term derivative assets	**$ 38**	$ 31
Long-term derivative assets	**105**	167
Short-term derivative liabilities	**(40)**	(52)
Long-term derivative liabilities	**(129)**	(253)
	$ (26)	$ (107)
Fair value methodology		
Net position determined using actively quoted prices	**$ (13)**	$ (10)
Net position determined using observable data or market corroboration	**74**	13
Net position determined using extrapolated data	**(87)**	(110)
	$ (26)	$ (107)

The net position determined using actively quoted prices relates to our gas contracts and is based on prices listed on the New York Mercantile Exchange ("NYMEX"). The net position of the Company's participation in electricity markets is determined using observable data or market corroboration which mainly consists of broker quotes. The Company's LIPA contract's net position is determined using extrapolated data. The current methodology uses observable data up to 2012 where the market is sufficiently liquid. Beyond that point, where there is insufficient liquidity in the electricity market to continue to use observable data, the remaining term of the contract is valued using management's best estimate of long-term market gas prices and heat rate to convert natural gas into electricity. As at September 30, 2008, a change of $1/MMBtu in natural gas prices and a change of 1.0 in MMBtu/MWh in heat rate beyond 2012, with all other variables remaining constant, would have decreased or increased the LIPA contract's net position by $24 million and $21 million, respectively.

The change in the fair values of the Company's commodity derivatives are a result of the current fluctuating price environment for power and fossil fuels.

For the three and nine month periods ended September 30, 2008, the realized component of the Company's commodity derivatives included in revenues was a $4 million gain and $nil, respectively (2007 - $2 million gain and $8 million gain, respectively).

For the three and nine month periods ended September 30, 2008, the Company's unrealized commodity derivative gain was $136 million and $50 million, respectively. The detail of this gain is as follows:

	Three months ended September 30		Nine months ended September 30	
$US millions	**2008**	2007	**2008**	2007
Gain (loss) related to the LIPA contract	**$ 51**	$ (10)	**$ 33**	$ (27)
Gain on commodity derivatives not qualifying for hedge accounting	**77**	4	**19**	-
Gain (loss) related to the long-term PPA with an industrial company owned by Brookfield	**4**	1	**(3)**	(7)
Gain related to hedge ineffectiveness on derivatives qualifying for hedge accounting	**4**	1	**1**	1
	$ 136	$ (4)	**$ 50**	$ (33)

The unrealized gain included in OCI for the third quarter and year-to-date of 2008 related to the Company's commodity derivatives, net of the reclass to net income (loss) of gains or losses on derivatives that settled during the period, was $58 million and $21 million, net of tax, respectively (2007 – $11 million gain and $6 million gain, respectively).

For the three months ended September 30, 2008, a $7 increase or decrease in the market price of power per MWh on the financial instruments recorded in the interim consolidated financial statements, with all other variables remaining constant, would have decreased or increased net income (loss) by $18 million and decreased or increased OCI by $32 million. A $7/MWh change has been used as a sensitivity analysis measure as it is estimated to correspond to a change of $1/MMBtu in natural gas prices in markets where power prices are set by the price of natural gas.

(b) Interest Rates

Fluctuations in interest rates could impact the Company's cash flows, primarily on the interest payable related to the Company's variable rate debt, which is limited to property specific borrowings that have a total principal value of $711 million. As such, the Company and its subsidiaries will, from time to time, enter into agreements designed to minimize the exposure to interest rate fluctuations on these debts. As at September 30, 2008, contracts were outstanding with a total notional value of $466 million and a fair value asset and liability of $3 million and $10 million, respectively (December 31, 2007 - $nil and $1 million, respectively), which was calculated using a valuation model using actively quoted interest rates. As a result of interest rate swap agreements being in place, the Company has only $245 million of debt that is subject to a variable interest rate and the risks associated therein. For the three and nine months ended September 30, 2008, the loss included in OCI related to the interest rate swaps was $4 million and $5 million, net of the reclass to net income (loss) of gains or losses on interest rate swaps that settled during the period, net of tax, respectively, (2007 - $7 million loss and $2 million gain, respectively). See note 9 for more information.

For the three months ended September 30, 2008, a 100 basis point rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a nominal change in the Company's net income (loss) and a $16 million gain or loss in the Company's OCI.

(c) Foreign Exchange

The Company, as a U.S. dollar functional currency entity, is exposed to foreign exchange risk on the translation of the accounts of its Canadian and Brazilian self-sustaining operations. In order to mitigate this risk, the Company designates certain monetary liabilities as hedges against its investment in self-sustaining foreign operations. In addition, the Company monitors the risk associated with foreign exchange rate fluctuations and, from time to time, may enter into forward foreign exchange contracts or action other hedging strategies. Derivatives that are not designated in an eligible hedge relationship are carried at fair value with changes in fair value recorded in net income (loss) in the period in which they occur.

The Company is also exposed to foreign exchange risk arising on the translation of foreign monetary assets and liabilities recorded in its integrated operations. Gains and losses arising on the translation of these operations have a direct impact on the Company's investment and other income.

For the three month period ended September 30, 2008, a 1 cent increase or decrease in the Canadian dollar against the U.S. dollar on the Company's Canadian dollar denominated financial assets and liabilities, assuming that all other variables had remained the same, would have resulted in a $5 million and a $11 million increase or decrease in net income (loss) and OCI, respectively. The impact of this potential fluctuation is mitigated in full or in part by the Company's hedges of its investment in self-sustaining foreign operations. In addition, a 1 cent increase or decrease in the Brazilian real against the U.S. dollar on the Company's Brazilian real denominated financial assets and liabilities would have resulted in approximately $1 million increase or decrease in OCI.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. The Company's cash flows could be negatively impacted in the event of non-performance by counterparties to its financial and physical electricity and gas contracts. The Company minimizes credit risk with counterparties to financial instruments and physical electricity and gas transactions through the selection, monitoring and diversification of counterparties, and the use of standard trading contracts, collateral and other credit risk mitigation techniques. In addition, the Company's PPAs are almost exclusively with customers having long standing credit history or investment grade ratings, which limit the risk of non-collection.

As at September 30, 2008, over 95% of the Company's trade accounts receivable of $135 million (December 31, 2007 - $173 million) were current and included a total allowance for doubtful accounts of $4 million (December 31, 2007 - $3 million), which represented less than 3% of total trade accounts receivable, and was entirely related to two specific, non-recurring transactions. The quality of the Company's counterparties and the high-level of current accounts receivable mitigate the Company's exposure to credit risk.

In order to engage in energy trading activities, the Company uses collateral deposits and treasury bills as requested by counterparties, the amount of which varies based on the valuation of transactions that are outstanding, as well as the Company's credit rating. As at September 30, 2008, the Company had total outstanding collateral deposits and liabilities of $17 million and $19 million, respectively (December 31, 2007 - $14 million and $nil, respectively). Due to the fact that these deposits were cash or cash equivalents in nature, their fair value is equal to their carrying value.

Liquidity Risk

Liquidity risk is the risk the Company cannot meet a demand for cash or fund an obligation when due. Liquidity risk is mitigated by the Company's cash and cash equivalent balances, its access to significant un-drawn credit facilities and through the use and management of short-term investments and amounts due from a related party. Accounts payable and other and interest expense are paid with cash flow from operations. The Company believes that its current resources are adequate to meet its requirements for working capital.

The Company is subject to risk associated with debt financing, including the ability to refinance its debt at maturity. This risk is mitigated by the long-term duration of the Company's debt secured by high quality assets. Although the Company remains relatively unaffected by the current global financial market crisis, the Company remains prudent and is already preparing for the refinancing of the Powell River facility property specific debt and the corporate debentures which come due in July and December 2009, respectively. Although the Company believes that refinancing these debts will be relatively straightforward given the quality of its assets and their ensuing cash flows, the process is likely going to take slightly longer than usual given current market conditions.

The cash obligations related to the Company's financial liabilities as at September 30, 2008 were:

$US millions	Less than 1 year	2-5 years	More than 5 years	Total
Accounts payable and other	$ 219	$ -	$ -	$ 219
Derivative liabilities [(1)]	11	6	-	17
Long-term debt				
Property specific borrowings	103	889	1,682	2,674
Finance debt obligation	5	207	570	782
Corporate and other debt	77	423	384	884
Promissory notes	-	-	1,417	1,417
Interest expense [(2)]				
Property specific borrowings	153	575	942	1,670
Finance debt obligation	81	303	550	934
Corporate and other debt	43	109	260	412
Total	$ 692	$ 2,512	$ 5,805	$ 9,009

[(1)] Derivative liabilities exclude amounts related to the PPAs with LIPA and the affiliate of Brookfield due to the fact that these have been determined to be non-financial derivatives.

[(2)] Represents aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on rates in effect on September 30, 2008.

7. ACQUISITIONS

Acquisitions that represent business combinations have been accounted for using the purchase method of accounting and the results of the acquired operations have been included in these interim consolidated financial statements from the date of acquisition.

On March 31, 2008, the Company completed the acquisition of a hydroelectric generating facility in Minnesota for cash consideration of $48 million. This 18 MW run-of-the-river merchant facility is located on the Mississippi River and has the capacity to generate on average approximately 104 GWh of energy per year.

The assignment of fair values to the net assets acquired was as follows:

$US millions	
Power generating assets	**$ 46**
Other assets	**2**
Net assets acquired	**$ 48**

On April 28, 2008, the Company completed the acquisition of 99% of the common shares and 100% of the Series C preferred shares of Itiquira Energética S.A. ("Itiquira"), from NRG Energy Inc. for a total cost of $302 million (including transaction costs and working capital adjustment of $14 million). Itiquira owns a 156 MW hydroelectric generating facility located in the state of Mato Grosso in Brazil. This facility has the capacity to generate approximately 940 GWh of energy per year. All the power produced by the facility is sold under a long-term PPA.

On August 25, 2008, the Company completed the purchase of the remaining 1% of the common shares and 100% of the Series A preferred shares of Itiquira for a total cost of $22 million (R$37.6 million), which was allocated mainly to power generating assets.

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

$US millions	
Cash	**$ 55**
Accounts receivable and other	**12**
Power generating assets	**436**
Accounts payable	**(7)**
Future income tax liability	**(59)**
Assumed debt	**(113)**
Net assets acquired	**$ 324**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were composed of the following:

$US millions	**September 30 2008**	December 31 2007
Cash	**$ 65**	$ 59
Short-term deposits	**33**	2
	$ 98	$ 61

9. FINANCING ACTIVITIES

In February 2008, the Company entered into interest rate swap agreements on behalf of two of its subsidiaries in order to lock in the interest payments on the variable portion of the property specific debt issued in May and December 2007. The notional value of each of the swap agreements was $95 million.

At September 30, 2008, the amount included in other long-term assets related to these two swaps was $2 million (2007 – $nil). For the three and nine months ended September 30, 2008, the component included in OCI related to these two swaps was a $1 million loss and a $1 million gain, net of tax, respectively (2007 - $nil and $nil, respectively). See note 6 for more information on the Company's interest rate risk management policies and activities.

On June 24, 2008, the Company completed a $120 million financing related to the Itiquira acquisition. The financing matures in December 2009, is secured by the power generating assets of Itiquira, and bears an interest rate of 1.10% plus U.S. Libor per annum from closing to December 31, 2008, 1.20% plus U.S. Libor per annum from January 2009 to June 2009 and 1.30% plus U.S. Libor per annum from July 2009 to maturity.

On July 29, 2008, the Company filed a base shelf prospectus with the Ontario Securities Commission for up to $750 million of debt securities.

On August 15, 2008, Twin Cities Finance LP, a subsidiary of the Company, issued series 1 senior secured notes in the amount of $25 million, which mature in August 2012 and bear interest at 6.01%. The notes are secured by the hydroelectric power generating assets of Twin Cities Hydro LLC, a subsidiary of the Company.

On August 21, 2008, Sao Pedro Energetica S.A., a subsidiary of the Company, entered into a credit facility in the amount of R$185 million ($115 million) by way of advances. The credit facility is secured by the power generating assets of Itiquira and expires in December 2009. The credit facility bears an interest rate of 1.00% plus the Interbank Deposit Certificate ("CDI") from closing to December 30, 2008, 1.10% plus CDI from December 31, 2008 to June 30, 2009 and 1.20% plus CDI from July 1, 2009 to December 23, 2009.

10. SHAREHOLDER'S EQUITY

The Company is authorized to issue an unlimited number of common shares. On January 24, 2008, Brookfield injected $200 million of capital into the Company. In return, Brookfield received 6,827,118 common shares in the Company. Through the amalgamation process of BPI and BPC, the 108,339,336 common shares outstanding at March 31, 2008 were exchanged for 2,488,278 common shares of the amalgamated company.

As at September 30, 2008, 2,488,278 common shares were issued and outstanding (December 31, 2007 – 101,512,218). The Company is also authorized to issue an unlimited number of preferred shares, of which 57,077,112 were outstanding as at September 30, 2008 (December 31, 2007 – $nil):

$US millions	note	**September 30 2008**	December 31 2007
Common shares		**$ 622**	$ 422
Preferred shares	4	**1,391**	-
Deficit		**(526)**	(261)
Contributed surplus	4	**2**	204
Accumulated other comprehensive loss		**(59)**	(22)
		1,430	343
Equity component of capital securities	4	**-**	6
		$ 1,430	$ 349

11. CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital was composed of the following:

	Three months ended September 30		Nine months ended September 30	
$US millions	**2008**	2007	**2008**	2007
Accounts receivable and other	**$ 115**	$ (4)	**$ 44**	$ (131)
Accounts payable and other	**31**	41	**98**	188
Effect of foreign exchange	**(1)**	(2)	**(13)**	(27)
	$ 145	$ 35	**$ 129**	$ 30

12. SEGMENTED INFORMATION

The Company operates mostly renewable power assets which include high quality conventional hydroelectric generating assets located in Canada, the United States and Brazil, a pumped storage hydroelectric facility located in the United States and a wind farm located in Canada. The Company also operates two combined cycle natural gas generating stations, an electricity distribution business in Northern Ontario and, up to March 12, 2008, an electricity transmission business also located in Northern Ontario. These segments represent the Company's reportable segments, which are used to manage the business. The accounting policies of these reportable segments are the same as those described in notes 2 and 3 of the 2007 annual audited consolidated financial statements and note 2 of these interim consolidated financial statements.

The Company analyzes the performance of its operating segments based on operating cash flow, which consists of revenues from the Company's power operations, net of operating and maintenance costs, fuel purchases for its cogeneration plants, power purchases, marketing and administration expenses and municipal and other generation taxes on its facilities. Operating cash flow is not a measure of performance under Canadian GAAP; however, management uses this measure to assess the operating performance of its reportable segments.

Three months ended September 30, 2008

$US millions	**Hydroelectric** **Canada**	**United States**	**Brazil**	**Pumped storage**	**Wind**	**Total Renewable Power**	**Other**	**2008**
Revenues	**$ 105**	**$ 115**	**$ 15**	**$ 24**	**$ 7**	**$ 266**	**$ 23**	**$ 289**
Operating cash flow	**77**	**79**	**11**	**10**	**3**	**180**	**5**	**185**
Interest and financing fees	**18**	**39**	**6**	**2**	**4**	**69**	**10**	**79**

Three months ended September 30, 2007

$US millions	Hydroelectric Canada	United States	Brazil	Pumped storage	Wind	Total Renewable Power	Other	2007
Revenues	$ 55	$ 63	$ -	$ 21	$ 9	$ 148	$ 31	$ 179
Operating cash flow	34	34	-	7	7	82	14	96
Interest and financing fees	19	35	-	2	5	61	12	73

Nine months ended September 30, 2008

$US millions	**Hydroelectric** **Canada**	**United States**	**Brazil**	**Pumped storage**	**Wind**	**Total Renewable Power**	**Other**	**2008**
Revenues	**$ 305**	**$ 437**	**$ 28**	**$ 67**	**$ 29**	**$ 866**	**$ 80**	**$ 946**
Operating cash flow	**234**	**327**	**20**	**27**	**21**	**629**	**30**	**659**
Interest and financing fees	**57**	**117**	**11**	**5**	**12**	**202**	**34**	**236**

Nine months ended September 30, 2007

$US millions	Hydroelectric Canada	United States	Brazil	Pumped storage	Wind	Total Renewable Power	Other	2007
Revenues	$ 189	$ 326	$ -	$ 49	$ 26	$ 590	$ 89	$ 679
Operating cash flow	133	230	-	14	20	397	42	439
Interest and financing fees	53	104	-	3	14	174	36	210

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has commitments, contingencies and guarantees as described in note 28 of the 2007 annual audited consolidated financial statements.

The Company and its subsidiaries also issue letters of credit under the various credit facilities to be used for general corporate purposes, which include, but are not limited to, guarantees for debt service reserve accounts and collateral for energy trading purposes. As at September 30, 2008, the Company had $161 million in letters of credit outstanding (December 31, 2007 - $139 million).

As of September 30, 2008, the total nominal amount of Parental Guarantees (“PGs”) issued was CDN$329 million (December 31, 2007 – CDN$286 million). However, the Company’s credit covenants require that the mark-to-market of PGs issued be lower than CDN$350 million. As of September 30, 2008, the mark-to-market exposure of the PGs issued was CDN$34 million (December 31, 2007 - CDN$55 million). Historically, the Company has not been obligated to make significant payments for these guarantees. No amount was included in the Company’s consolidated balance sheet for September 30, 2008 and December 31, 2007 relating to these guarantees.

There have been no other material changes to the Company’s commitments, contingencies and guarantees since December 31, 2007.

14. FUTURE ACCOUNTING POLICY CHANGES

Goodwill and Intangible Assets – Handbook Section 3064

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles by profit-oriented enterprises. The new section will be applicable to the Company's financial statements beginning January 1, 2009. The Company is currently evaluating the impact of this pronouncement on its financial statements.

Adoption of International Financial Reporting Standards ("IFRS")

The AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Canadian Securities Administrators ("CSA") in Staff Notice 52-321 - *Early adoption of International Financial Reporting Standards, use of US GAAP and reference to IFRS-IASB* also indicated that it would be prepared to provide exemptive relief to a Canadian reporting issuer permitting it to prepare its financial statements in accordance with IFRS for financial periods beginning before January 1, 2011. The Company applied to the CSA for exemptive relief to prepare its financial statements in accordance with IFRS for periods earlier than January 1, 2011.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the cash flows generated by the Company, the adoption of IFRS will result in changes to the reported financial position and results of operations of the Company, the effects of which will be material.

15. SUBSEQUENT EVENTS

Itiquira – Acquisition of 100% of Series B Preferred Shares

The purchase of 100% of the Series B preferred shares in Itiquira that were held by an external party was completed on October 7, 2008 for cash consideration of $69 million (R$153 million), including transaction costs of $2 million (R$5 million). This acquisition was financed with the credit facility entered into in August 2008 as described in note 9.

The Company now owns 100% of the issued and outstanding shares in Itiquira.

Distribution Rate Decision

On October 30, 2008, the Ontario Energy Board ("OEB") issued its decision in the distribution rate application of Great Lakes Power Limited, a subsidiary of the Company. As part of its decision, the OEB approved the Company's request for an annual revenue requirement of approximately CDN$17 million which the OEB made effective as of September 1, 2007. In another part of the decision, the OEB denied the recovery of approximately CDN$15 million relating to amounts which the Company accrued since 2002 in respect of its distribution rate mitigation plan and associated revenue deferrals that were not recovered through its approved distribution rates. The Company intends to appeal this portion of the decision, and has accordingly not reversed these accruals.