
Brookfield Investments Corporation

2007 ANNUAL REPORT

Brookfield Investments Corporation

Brookfield Investments Corporation (formerly 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 Brookfield Investments are held by Brookfield Asset Management, a global asset manager focused on property, power and infrastructure assets.

DIRECTORS

John P. Barratt¹
Corporate Director

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

James L. Kelly¹
Corporate Director

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

Duncan A. McAlpine¹
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

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REPORT TO SHAREHOLDERS

Brookfield Investments Corporation ("the company"), formerly Brascade Corporation, reported a net loss for the year ended December 31, 2007 of \$72 million, compared to net income of \$169 million in 2006.

The results for 2007 reflect a \$39 million net loss from the company's forest product investments and \$45 million of unrealized foreign exchange losses, as described further below. The 2006 results included a \$141 million gain from the disposition of the company's remaining investments in the mining and metal sector.

Panelboard investments, held through Norbord Inc., contributed a net loss of \$18 million for 2007, compared with an income contribution of \$37 million in 2006. The loss in 2007 reflects continued pressure on oriented strandboard prices in North America due to weak housing starts in the United States and OSB oversupply, partly offset by improved price performance for Norbord's panelboard products in Europe.

Other forest product investments, held through Fraser Papers Inc., contributed a net loss of \$21 million for 2007, compared to \$53 million last year. The loss for 2007 includes a one-time restructuring charge related to the closing of two paper mills and the impact of higher costs for energy and fibre, partly offset by a gain on the sale of Fraser Papers' interest in the Acadian Timber Income Fund and a one-time tax recovery.

The unrealized foreign exchange loss of \$45 million resulted mainly from the impact of the stronger Canadian dollar on the conversion of the company's Canadian dollar denominated monetary assets and liabilities to United States dollars, which is the company's functional and reporting currency.

In November 2007, the company changed its name from Brascade Corporation to Brookfield Investments Corporation to reflect its emerging role as an investment company within the Brookfield Asset Management group. The company currently holds common share interests in the following Brookfield group companies, Brookfield Properties Corporation, Canary Wharf plc, Fraser Papers Inc. and Norbord Inc., as well as a portfolio of preferred shares issued by companies in the Brookfield group. The company's Class 1 Senior Preferred Shares, Series A, commenced trading on the Toronto Stock Exchange under the new name and new stock symbol, BNA.PR.A, on February 21, 2008.

On behalf of the Board:



Edward C. Kress
Chairman and President

March 20, 2008

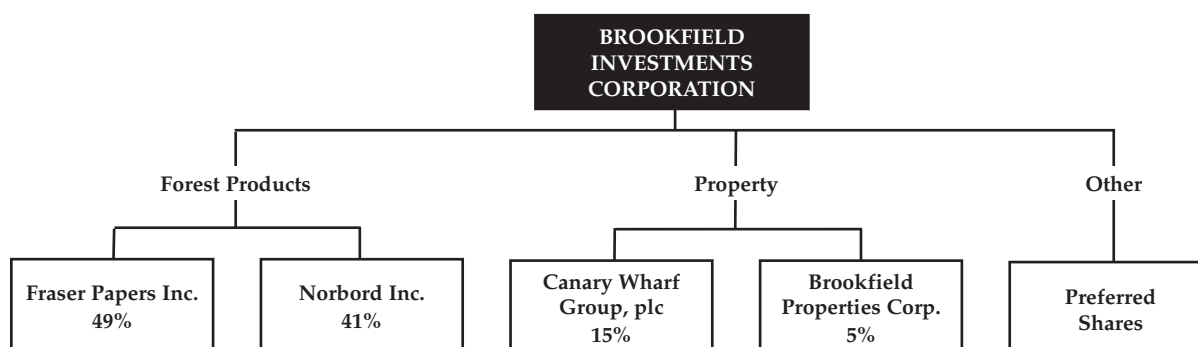
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of our annual report includes management's discussion and analysis of our financial results ("MD&A") for 2007. The MD&A is intended to provide you with an assessment of our performance during 2007 compared to 2006, as well as information on our financial position and other relevant matters.

Brookfield Investments Corporation ("Brookfield Investments" 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 Corporation amalgamated with Diversified Canadian Financial II Corp. and Diversified Canadian Holdings Inc. on January 1, 2007. Brookfield Investments changed its name from Brascade Corporation on November 26, 2007 to reflect its emerging role as an investment company within the Brookfield group.

Brookfield Investments' principal investments as at December 31, 2007 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 41% 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% ownership 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. Brookfield Investments also holds a preferred share portfolio, consisting of preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Properties.

Brookfield Investments' ownership interests in these investments are shown in the following chart:



The following analysis describes the components of the company's revenues and expenses in 2007, 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 their 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 MD&A 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 9 through 18 of this report. Additional information, including the company's Annual Information Form, is available on the company's website at www.brookfieldinvestments.com and on SEDAR's web site at www.sedar.com.

INCOME ANALYSIS

Brookfield Investments reported a net loss of \$72 million for 2007, compared to net income of \$169 million in 2006. The results for 2007 were largely impacted by a \$39 million net loss from the company's forest product equity investments and \$45 million of unrealized foreign exchange losses, as described further below. The 2006 results included a \$141 million gain from the disposition of the company's remaining investments in the metal and mining sector. The company's investments in the forest product sector contributed a net loss of \$39 million for the year ended December 31, 2007 compared with a loss of \$16 million for 2006. Panelboard investments, held through Norbord, contributed a net loss of \$18 million for 2007, compared with an income contribution of \$37 million last year. The loss for 2007 reflects continued pressure on oriented strandboard prices in North America due to weak housing starts in the United States and OSB oversupply, partly offset by improved price performance for Norbord's panelboard products in Europe. Other forest product investments, held through Fraser Papers, contributed a net loss of \$21 million, compared to a loss of \$53 million for 2006 which included several non-recurring items. The loss for 2007 includes a one-time restructuring charge related to the closing of two paper machines and the impact of higher costs from energy and fibre, partly offset by a gain on the sale of Fraser Papers' interest in the Acadian Timber Income Fund and a one-time tax recovery.

A foreign exchange loss of \$45 million was recorded in 2007, compared with a gain of \$5 million for 2006. The loss resulted from converting the company's Canadian dollar and British pound denominated monetary assets and liabilities to United States dollars.

Other income, which includes interest on the company's investment in loans made to affiliates, dividend income and a revaluation gain on the exchangeable debentures issued by the company that are exchangeable into 20 million Norbord common shares, was \$51 million for 2007 compared to \$94 million for 2006.

Interest expense includes \$10 million (2006 - \$27 million) in respect of the exchangeable debentures, as well as \$28 million (2006 - \$27 million) related to the retractable preferred shares dividend payments.

BALANCE SHEET ANALYSIS

Brookfield Investments' long-term investments at December 31, 2007 consisted of a 49% common share interest in Fraser Papers, a 41% 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 first quarter of 2007, Brascade Corporation amalgamated with Diversified Canadian Financial II Corp ("DCF II"). and Diversified Canadian Financial Holdings Inc. ("DCH I"). As a result of this amalgamation, the company increased its portfolio of preferred shares issued by companies in the Brookfield Asset Management group, having a carried value of \$294 million, from \$156 million at December 31, 2006.

During 2007, the company increased its ownership of Norbord from 38% to 41%

Further information on Norbord is available through its web site at www.norbord.com.

Further information on Fraser Papers is available through its web site at www.fraserpapers.com.

Further information on Brookfield Properties is available through its web site at www.brookfieldproperties.com.

Loans receivable include funds on deposit with Brookfield, which bear interest at the prime rate and are available on demand.

Accounts payable includes \$161 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

Brookfield Investments' cash flow from operations was \$17 million for 2007, compared to \$46 million for 2006. Cash flow used in financing activities was \$101 million, compared to \$105 million for 2006. Cash flow from investing activities amounted to \$84 million during 2007, compared to \$59 million for 2006.

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. Of the company's retractable preferred shares, \$581 million are held directly or indirectly by its sole common shareholder and the remaining \$127 million are held by other holders. 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:

US\$ millions	Payments Due by Period				
	Total	Less Than One Year	1 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾	\$ 708	\$ 708	—	—	—

(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 investments in Canary Wharf and Brookfield Properties are accounted for as available-for-sale securities, 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.

CHANGES IN ACCOUNTING POLICIES ADOPTED DURING 2007

Financial Instruments

The CICA issued four new accounting standards: Handbook Section 1530, *Comprehensive Income* (Section 1530), Handbook Section 3251, *Equity* (Section 3251), Handbook Section 3855, *Financial Instruments – Recognition and Measurement* (Section 3855) 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.

(i) Comprehensive Income

Section 1530 introduces Comprehensive Income which 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, unrealized gains and losses on derivatives designated to hedge self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Annual Consolidated Financial Statements include a Statement of Comprehensive Income. Accumulated Other Comprehensive Income ("AOCI"), is presented as a new category of Shareholders' Equity in the Consolidated Balance Sheets.

(ii) *Equity*

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements of this section are in addition to those noted above in Section 1530. This standard requires the disclosure of both the changes in equity during the periods presented and the components of equity as at the end of the periods presented. As a result of adopting this standard, AOCI has been presented as a separate component of common equity.

(iii) *Financial Instruments – Recognition and Measurement and Financial Instruments – Disclosure and Presentation*

Section 3855 and Section 3861 establish 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 the company becomes 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. Transaction costs related to held-for-trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Financial liabilities held-for-trading are measured at fair value with gains and losses recognized in income in the period in which they arise. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCI in the period in which they arise. 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. The company classifies financial instruments using their applicable default categories except when, in the opinion of management, alternative classification results in a more relevant accounting treatment of the specific instrument.

Derivative instruments are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments are recognized in Net Income, except for effective derivatives that are designated as cash flow hedges and hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation not classified as held-for-trading, the fair value change for which are 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.

The company accounts for securities transactions using trade date accounting. Other significant accounting implications arising on adoption of Section 3855 include 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.

Impact of Adopting Sections 1530, 3251, 3855 and 3861

The company recorded a transition adjustment effective January 1, 2007, attributable to the following: (i) a decrease of \$8 million to opening deficit for financial instruments classified as held-for-trading; (ii) recognition of \$16 million in AOCI related to the unrealized gain on available-for-sale financial instruments and equity accounted OCI; (iii) reclassification of \$16 million of net foreign currency gains to AOCI, previously classified as the cumulative translation adjustment in Shareholders’ Equity. The impact during the year is described in the Consolidated Statements of Comprehensive Income.

Accounting Changes

Effective January 1, 2007 the company adopted CICA Handbook Section 1506, *Accounting Changes*. The new standard sets out the conditions that must be met for a change in accounting policy to be applied in accordance with GAAP, specifies how such changes should be applied and requires disclosure of the impact of changes in accounting policies. The standard also specifies that changes in accounting estimates be recognized prospectively in net income and requires disclosure of the impact of a change in estimate on the current and future periods. The adoption of this standard did not have a material impact to the consolidated financial statements.

Variability In Variable Interest Entities

On September 15, 2006, the Emerging Issues Committee 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 arrangements identified as potential variable interests. EIC-163 was effective for the company on April 1, 2007. The implementation of EIC-163 did not have a material impact on the consolidated financial position or results of operations.

Debt Instruments with Embedded Derivatives

On March 5, 2007, the Emerging Issues Committee issued Abstract No. 164, *Convertible and Other Debt Instruments with Embedded Derivatives* (EIC-164). The EIC provides guidance on how the issuer should account for and the financial statement presentation of the instrument, embedded derivatives within the hybrid instrument, the future tax aspects of the instrument and how the instrument is to be treated in earnings per share computations. The implementation of EIC-164 did not have a material impact on the consolidated financial position or results of operations.

AMALGAMATION WITH DIVERSIFIED CANADIAN FINANCIAL II CORP.

On January 1, 2007, Brascade Corporation 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 (now Brookfield Investments). 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 Brookfield Investments and includes preferred shares of Brookfield Asset Management Inc., BPO Properties Ltd. and Brookfield Properties Corporation. The company's financial results for the year ended December 31, 2006 do not include the financial results for that period of either DCF II or DCHI.

In conjunction with this amalgamation, holders of the Class I senior preferred shares, Series B of Brascade Corporation (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\$118 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 "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 Series A Senior Preferred Shares were issued on amalgamation. The 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. Following the changes in the name of the company to Brookfield Investments, the Series A Preferred Shares commenced trading on the TSX under the company's new name and a new stock symbol, BNA.PR.A, on February 21, 2008.

SUMMARY OF FINANCIAL INFORMATION

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

<i>US\$ millions, except per share amounts</i>	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income (loss)	\$ (4)	\$ 24	\$ (58)	\$ 5	\$ 14	\$ 168	\$ 43	\$ (1)
Net income (loss)	\$ (14)	\$ 14	\$ (68)	\$ (4)	\$ 4	\$ 159	\$ 16	\$ (10)
Net income (loss) per common share	\$ (0.29)	\$ 0.30	\$ (1.47)	\$ (0.09)	\$ 0.09	\$ 3.45	\$ 0.34	\$ (0.21)

Net loss during the fourth quarter of 2007 was \$14 million compared to net income of \$4 million in the same period of 2006. The net loss in the fourth quarter of 2007 reflects the loss contributed by the company's forest product investments, as well as unrealized foreign exchange losses on monetary assets and liabilities.

DISCLOSURE CONTROLS AND PROCEDURES

Brookfield Investments maintains appropriate information systems, procedures and controls to ensure that new information disclosed externally is compete, reliable and timely. The company's President 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, 2007 and have concluded that the disclosure controls and procedures are operating effectively.

BUSINESS RISKS AND OUTLOOK

Brookfield Investments' 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. The company's earnings from this sector are particularly sensitive to changes in the prices of panelboards and paper. The company's commercial property investments are subject to general economic conditions as well as risks specifically associated with the commercial property market. 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 at www.SEDAR.com or through their web sites as provided earlier in this report.



Sachin G. Shah
Vice President and Chief Financial Officer
March 20, 2008

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 10 through 18 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, oversees 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.



Sachin G. Shah
Vice-President and Chief Financial Officer

Toronto, Canada
March 20, 2008

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BROOKFIELD INVESTMENTS CORPORATION

We have audited the consolidated balance sheets of Brookfield Investments Corporation as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive income (loss), accumulated other comprehensive (loss) income, 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, 2007 and 2006 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
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 20, 2008

CONSOLIDATED BALANCE SHEETS

<i>Years ended December 31 (US\$ millions)</i>	<i>Note</i>	2007	2006
Assets			
Loans receivable	4	\$ 230	\$ 205
Securities	4	294	167
Investment in Norbord Inc.	5	181	178
Investment in Fraser Papers Inc.	5	129	150
Investment in Canary Wharf Group, plc	5	256	256
Investment in Brookfield Properties Corporation	5	357	470
		\$ 1,447	\$ 1,426
Liabilities			
Accounts payable		\$ 162	\$ 156
Retractable preferred shares	6	708	477
Shareholders' equity	7	577	793
		\$ 1,447	\$ 1,426

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	2007	2006
Income			
Equity (loss) income from Norbord Inc.		\$ (18)	\$ 37
Equity loss from Fraser Papers Inc.		(21)	(53)
Foreign exchange (loss) gain		(45)	5
Other income		51	94
Gain on disposition		—	141
		(33)	224
Expenses			
Interest expense		38	54
Corporate		1	1
		(39)	55
Net (loss) income		\$ (72)	\$ 169
Net (loss) income per common share	7	\$ (1.55)	\$ 3.67

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)¹

Years ended December 31 (US\$ millions)

	2007	2006
Net (loss) income	\$ (72)	\$ 169
Other comprehensive (loss) income		
Foreign currency translation	(18)	37
Unrealized loss on available-for-sale securities	(134)	—
	(152)	37
Comprehensive (loss) income	\$ (224)	\$ 206

¹ Refer to Note 1 for impact of new accounting policies related to financial instruments

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME¹

Years ended December 31 (US\$ millions)

	2007	2006
Transition adjustment - January 1, 2007	\$ 32	\$ —
Other comprehensive (loss) income	(152)	37
Balance, end of year	\$ (120)	\$ 37

¹ Refer to Note 1 for impact of new accounting policies related to financial instruments

CONSOLIDATED STATEMENTS OF DEFICIT

<i>Years ended December 31 (US\$ millions)</i>	2007	2006
Deficit, beginning of year	\$ (267)	\$ (331)
Change in accounting policy ¹	(8)	—
Net income (loss)	(72)	169
	(347)	(162)
Common share dividend	—	(105)
Deficit, end of year	\$ (347)	\$ (267)

1 Refer to Note 1 for impact of new accounting policies related to financial instruments

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years ended December 31 (US\$ millions)</i>	2007	2006
Cash flow from (used in) operating activities		
Net income (loss)	\$ (72)	\$ 169
Adjusted for the following non-cash items		
Excess of equity loss over dividends received	61	84
Gain on disposition of investment	—	(142)
Net change in non-cash working capital balances	28	(65)
	17	46
Cash flow used in financing activities		
Common share dividend paid	—	(105)
Share redemption	(101)	—
	(101)	(105)
Cash flow from (used in) investing activities		
Investment in Fraser Papers Inc.	(1)	(6)
Investment in Norbord Inc.	(42)	(5)
Proceeds on sale of Falconbridge Limited	—	226
Investment in Brookfield Properties Corporation	—	(470)
Dividend recieved from Canary Wharf Group, plc	—	87
Securities	—	182
Loans receivable	127	45
	84	59
Net change and closing cash balance	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 of Brookfield Investments (formerly Brascade Corporation) include the accounts of the company and its wholly-owned subsidiary, CWG Holdings (Bermuda) Limited and Brookfield Holdings (Luxembourg) S.A.

The company's functional and reporting currency is U.S. dollars.

Loans Receivable

Loans receivable are carried at amortized cost using the effective interest method less applicable allowances for doubtful accounts.

Securities

Securities are classified as available-for-trade financial instruments and are recorded at fair value. Equity instruments that do not have a quoted market price from an active market are carried at cost.

Long-Term Corporate Investments

The company accounts for its long-term corporate investments in 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") as available-for-sale securities 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 in other comprehensive income, which is a separate component of shareholders' equity.

Deferred Financing Costs

Costs incurred in connection with the arrangement of financing of held-for-trading financial instruments are expensed as incurred. For other financial instruments, transaction trading costs are capitalized on initial recognition and amortized using the effective interest method.

Exchangeable Debentures

The exchangeable debentures, issued by a company no longer consolidated by Brookfield Investments are classified as held-for-trading and accordingly the carrying value is adjusted to reflect the market value of the underlying shares subject to the exchange and translated into U.S. dollars at period end rates. The company records the effect of this adjustment in income.

Statements 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. Actual results could differ from those estimates.

CHANGES IN ACCOUNTING POLICIES ADOPTED DURING 2007

Financial Instruments

The CICA issued four new accounting standards: Handbook Section 1530, *Comprehensive Income* (Section 1530), Handbook Section 3251, *Equity* (Section 3251), Handbook Section 3855, *Financial Instruments – Recognition and Measurement* (Section 3855) 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.

(i) *Comprehensive Income*

Section 1530 introduces Comprehensive Income which 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, unrealized gains and losses on derivatives designated to hedge self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Annual Consolidated Financial Statements include a Statement of Comprehensive Income. Accumulated Other Comprehensive Income ("AOCI"), is presented as a new category of Shareholders' Equity in the Consolidated Balance Sheets.

(ii) *Equity*

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements of this section are in addition to those noted above in Section 1530. This standard requires the disclosure of both the changes in equity during the periods presented and the components of equity as at the end of the periods presented. As a result of adopting this standard, AOCI has been presented as a separate component of common equity.

(iii) *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 the company becomes 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. Transaction costs related to held-for-trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Financial liabilities held-for-trading are measured at fair value with gains and losses recognized in income in the period in which they arise. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCI in the period in which they arise. 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. The company classifies financial instruments using their applicable default categories except when, in the opinion of management, alternative classification results in a more relevant accounting treatment of the specific instrument.

Derivative instruments are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments are recognized in Net Income, except for effective derivatives that are designated as cash flow hedges and hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation, the fair value change for which are 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.

The company accounts for securities transactions using trade date accounting. Other significant accounting implications arising on adoption of Section 3855 include 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.

Impact of Adopting Sections 1530, 3251, 3855 and 3861

The company recorded a transition adjustment effective January 1, 2007, attributable to the following: (i) a decrease of \$8 million to opening deficit for financial instruments classified as held-for-trading; (ii) recognition of \$16 million in AOCI related to the unrealized gain on available-for-sale financial instruments and equity accounted OCI; (iii) reclassification of \$16 million of net foreign currency gains to AOCI, previously classified as the cumulative translation adjustment in Shareholders' Equity. The impact during the year is described in the Consolidated Statements of Comprehensive Income.

Accounting Changes

Effective January 1, 2007 the company adopted CICA Handbook Section 1506, *Accounting Changes*. The new standard sets out the conditions that must be met for a change in accounting policy to be applied in accordance with GAAP, specifies how such changes should be applied and requires disclosure of the impact of changes in accounting policies. The standard also specifies that changes in accounting estimates be recognized prospectively in net income and requires disclosure of the impact of a change in estimate on the current and future periods. The adoption of this standard did not have a material impact to the consolidated financial statements.

Variability In Variable Interest Entities

On September 15, 2006, the Emerging Issues Committee 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 arrangements identified as potential variable interests. EIC-163 was effective for the company on April 1, 2007. The implementation of EIC-163 did not have a material impact on the consolidated financial position or results of operations.

Debt Instruments with Embedded Derivatives

On March 5, 2007, the Emerging Issues Committee issued Abstract No. 164, *Convertible and Other Debt Instruments with Embedded Derivatives* (EIC-164). The EIC provides guidance on how the issuer should account for and the financial statement presentation of the instrument, embedded derivatives within the hybrid instrument, the future tax aspects of the instrument and how the instrument is to be treated in earnings per share computations. The implementation of EIC-164 did not have a material impact on the consolidated financial position or results of operations.

FUTURE CHANGES IN ACCOUNTING POLICIES

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosure and Presentation* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards are effective for fiscal years beginning January 1, 2008. Management is in the process of assessing the impact of the disclosure to the consolidated financial statements.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard is effective for fiscal years beginning January 1, 2008. Management is in the process of assessing the impact of the disclosure to the consolidated financial statements.

2. REORGANIZATION

On January 1, 2007, Brascade Corporation ("Brascade") amalgamated with Diversified Canadian Financial II Corp. ("DCF II") and Diversified Canadian Holdings Inc. ("DCHI"), and continued under the name of Brascade Corporation. At the time of the amalgamation, Brascade owned a 49% common share interest in Fraser Papers Inc, a 38% common share interest in Norbord Inc., a 15% ordinary share interest in Canary Wharf Group, plc, a 5% common share interest in Brookfield Properties Corporation, and a portfolio of preferred shares issued by companies in the Brookfield Asset Management group. DCF II also owned a portfolio of preferred shares issued by companies in the Brookfield Asset Management group.

In conjunction with the amalgamation, holders of the Class 1 senior preferred shares, Series B of Brascade (the "Brascade Series B Preferred Shares") resident in Canada were entitled to elect to receive either C\$40.00 in cash per Brascade Series B Preferred Share they then held, or 1.6 senior preferred shares of the amalgamated company having a redemption price of C\$25.00 per share and paying quarterly dividends based on an annual rate of 4.70%. Residents of jurisdictions outside Canada automatically received on amalgamation C\$40.00 in cash per Brascade Series B Preferred Share they then held.

In conjunction with the amalgamation, holders of the Class A preference shares of DCF II (the "DCF II Senior Preferred Shares") resident in Canada were entitled to elect to receive either C\$25.00 in cash per DCF II Senior Preferred Share they then held, or one senior preferred share of the amalgamated company, as described above. Residents of jurisdictions outside Canada automatically received on amalgamation C\$25.00 in cash per Brascade Series B Preferred Share they then held.

As a result of the 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\$118 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 "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 Series A Preferred Shares were issued on amalgamation. The Series A Preferred Shares commenced trading on the Toronto Stock Exchange at the start of the business on January 4, 2007, under the stock symbol BCA.PR.A. The stock symbol for these shares was changed to BRN.PR.A on February 21, 2008.

As a result of the amalgamation, the company's loans receivable and securities increased by \$99 million and \$117 million respectively.

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instruments is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the company has immediate access. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market-based inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the company looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using possible alternative assumptions will not result in significantly different fair values.

Fair Value of Financial Instruments

As described in Note 1, financial instruments classified or designated as held-for-trading or available-for-sale are typically carried at fair value on the Consolidated Balance Sheets. Equity instruments designated as available-for-sale that do not have a quoted market price from an active market are carried at cost. The carrying amount of available-for-sale financial assets that do not have a quoted market price was \$256 million at December 31, 2007. Any changes in the fair values of financial instruments classified as held-for-trading

or available-for-sale are recognized in Net Income or OCI, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in AOCI are reclassified to Net Income when the underlying security is either sold or there is a decline in value that is considered to be other than temporary. Available-for-sale securities measured at fair value or cost are assessed for impairment at each reporting date. As at December 31, 2007, unrealized losses in the fair values of available-for-sale securities measured at fair value amounted to \$134 million. Unrealized gains and losses for debt securities are primarily due to changing interest rates and for equity securities, are due to changes in market prices and foreign exchange movements. As at December 31, 2007, the company did not consider any investments to be other than temporarily impaired, as the company has the ability and intent to hold them until the fair value recovers.

Interest on available-for-sale financial assets is calculated using the effective interest method and recognized in the income statement as part of investment and other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of investment and other income when the company's right to receive payment is established.

4. LOANS RECEIVABLE AND SECURITIES

Loans receivable include funds due on demand from companies under common control.

In the year ended December 31, 2007, net investment income earned on balances with affiliates amounted to \$29 million (2006 - \$15 million).

The fair value of the loans receivable and securities approximated their carrying value as at December 31, 2007 and 2006.

5. LONG-TERM CORPORATE INVESTMENTS

The company owns 60,219,612 common shares (2006 - 54,423,303) of Norbord, which represents a 41% interest (2006 - 38%). The company has pledged 20,000,000 common shares of Norbord as security for the exchangeable debentures described in Note 1.

The company owns 14,561,696 common shares (2006 - 14,413,896) of Fraser Papers, representing a 49% interest (2006 - 49%).

The company owns 96,113,970 ordinary shares (2006 - 96,113,970) of Canary Wharf, representing a 15% interest (2006 - 15%).

The company owns 18,562,500 common shares (2006 - 18,562,500) of Brookfield Properties Corp. representing a 5% interest (2006 - 5%).

6. 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 1 Junior Preferred shares issuable in series.

<i>US\$ millions, except number of shares</i>		December 31 2007	December 31 2006
5,990,785	Class 1 Senior Preferred Shares, Series A (2006 - nil)	\$ 150	\$ —
17,999,718	Class 1 Junior Preferred Shares, Series A (2006 - nil)	558	—
—	Class 1 Senior Preferred Shares, Series B (2006 - 5,264,536)	—	180
—	Class 2 Junior Preferred Shares, Series A (2006 - 9,568,070)	—	297
		\$ 708	\$ 477

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\$25.00 per share at a fixed rate of 4.70% per annum.
- (ii) in the case of the Senior Preferred shares Series A, redeemable at the option of the company or the holder at C\$25.00 per share plus accrued and unpaid dividends thereon.

The following rights and privileges apply to the outstanding Class 1 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.

7. SHAREHOLDERS' EQUITY

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

Issued and Outstanding:

<i>US\$ millions, except number of shares</i>		December 31 2007	December 31 2006
46,040,326	Common shares (2006 - 46,040,326)	\$ 1,044	\$ 1,044
	Deficit	(347)	(267)
	Accumulated other comprehensive income (loss)	(120)	—
	Cumulative translation adjustment	—	16
		(467)	(251)
		\$ 577	\$ 793

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.

8. 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.

9. RELATED PARTY TRANSACTION

Fraser Papers, an equity accounted investment sold its interest in Acadian Timber Income Fund to Brookfield Asset Management, the company's ultimate parent and owner of all of the common shares of the company. A gain of \$19 million has been included in current year operations.

10. RISK MANAGEMENT

The company is exposed to foreign currency risk through its foreign denominated monetary assets and liabilities. The company endeavours to match assets and liabilities in the same currency where possible. Unmatched positions are not mitigated through the use of derivative contracts.

11. OTHER INFORMATION

- (a) The company and its associated arrange investment transactions between themselves without transaction costs and all such transactions are at normal market terms.
- (b) Cash interest paid was \$63 million (2006 - \$37 milion).

CORPORATE INFORMATION

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YEAR END

December 31

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STOCK EXCHANGE LISTINGS

The Class 1 Senior Preferred Shares, Series A, of Brookfield Investments Corporation are listed on the Toronto Stock Exchange under the symbol **BRN.PR.A**

Brookfield Investments Corporation

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