
Brookfield Investments Corporation

2010 ANNUAL REPORT

Brookfield Investments Corporation

Brookfield Investments Corporation holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies in the Brookfield group. The common shares of Brookfield Investments Corporation are held by Brookfield Asset Management Inc., a global asset manager focused on property, power and infrastructure assets.

DIRECTORS

John P. Barratt¹
Corporate Director

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

Howard Driman¹
Director of Finance
UIA Federations Canada

James R. Kelly¹
Corporate Director

Edward C. Kress
Group Chairman, Power
Brookfield Asset Management Inc.

OFFICERS

Edward C. Kress
Chairman and President

Sachin G. Shah
Vice-President and Chief Financial Officer

Lisa W. Chu
Vice-President and Controller

Loretta M. Corso
Vice-President and Secretary

1. Member of the Audit Committee

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FORWARD-LOOKING INFORMATION

This annual report contains forward-looking information concerning the company's business and operations. The words "expects", "believes", "continue", "intends", "objective", "likely", and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "can", "may", "will", "would", "should" or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to our conversion plan for the adoption of International Financial Reporting Standards ("IFRS"), anticipated changes to our reported financial position and results of operations due to the adoption of IFRS, differences related to equity accounted investments as a result of the implementation of IFRS, potential differences in product cycles, the value of our investments, future income taxes, our ability to generate stable income returns and capital appreciation, fund cash requirements, satisfy share retractions, finance our obligations, determine fair values and other statements with respect to the company's beliefs, outlooks, plans, expectations and intentions.

Although the company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking information and 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 achievement expressed or implied by such forward-looking information and statements.

Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include general economic conditions, the behavior of financial markets including fluctuations in interest and exchange rates, the availability of equity and debt financing and other risks and factors detailed from time to time in the company's other documents filed with the Canadian securities regulators.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to the company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking information or statements, whether written or oral, that may be as a result of new information, future events or otherwise.

REPORT TO SHAREHOLDERS

Brookfield Investments Corporation reported a net loss of \$24 million for the year ended December 31, 2010 compared with a net loss of \$130 million for 2009. The current year's net results includes \$41 million of non-cash foreign exchange losses, compared with \$13 million of foreign exchange losses in the prior year. The prior year also includes a one-time \$67 million loss on the permanent impairment of the company's investment in Fraser Papers Inc.

Operating Results

The company's investment in Brookfield Europe L.P. contributed income of \$13 million in 2010 (2009 – \$9 million). Panelboard investments, held through Norbord Inc., contributed a net income of \$2 million for 2010, compared to a loss of \$8 million in 2009. The investment in Fraser Papers Inc. was written off in late 2009, and therefore had no impact to the 2010 results, compared to a net loss of \$123 million in 2009 which includes a \$67 million provision.

Dividend and interest income for 2010 was \$33 million, compared to \$29 million in 2009. Dividend payments, classified as interest expense, totalled \$29 million in 2010, compared to \$30 million in 2009.

Other loss for 2009 of \$11 million was recorded due mainly to the revaluation of the company's Norbord exchangeable debentures, which were settled in the second quarter of 2009.

On behalf of the Board:



Edward C. Kress
Chairman and President
April 7, 2011

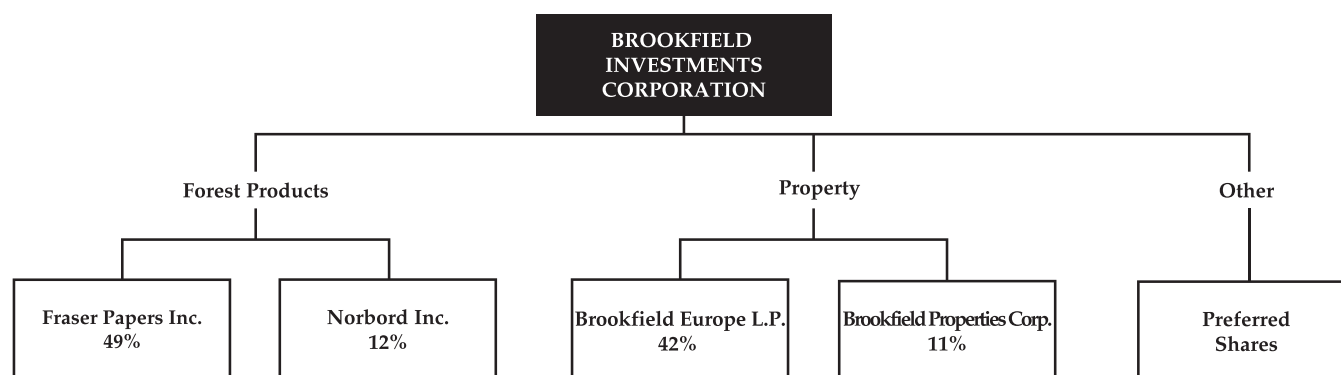
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of our annual report includes management's discussion and analysis of our financial results ("MD&A") for 2010. The MD&A is intended to provide you with an assessment of our performance during 2010 compared to 2009, 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 group.

Brookfield Investments' principal investments as at December 31, 2010 are a 12% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the United States and the United Kingdom; a 42% limited partnership interest in Brookfield Europe L.P. ("Brookfield Europe"), which owns commercial office properties and property developments in Europe; and an 11% 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 49% common share interest in Fraser Papers Inc. ("Fraser Papers"), a specialty paper and lumber company with operations in Canada and the United State, which was written off in 2009. Brookfield Investments also holds a preferred share portfolio, including preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Properties Corporation.

The company's 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 2010, 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 24 through 33 of this annual report. Additional information, is available on the company's web site at www.brookfieldinvestments.com and on SEDAR's web site at www.sedar.com.

INCOME ANALYSIS

Brookfield Investments reported a net loss of \$24 million for the year ended December 31, 2010 compared with a net loss of \$130 million for 2009. The current year's net results includes \$41 million of non-cash foreign exchange losses, compared with \$13 million of foreign exchange losses in the prior year. The prior year also includes a one-time \$67 million loss on the permanent impairment of the company's investment in Fraser Papers Inc.

The company's investment in Brookfield Europe contributed income of \$13 million in 2010 (2009 – \$9 million). Panelboard investments, held through Norbord Inc., contributed a net income of \$2 million for 2010, compared to a loss of \$8 million in 2009. The investment in Fraser Papers Inc. was written off in late 2009, and therefore had no impact to the 2010 results, compared to a net loss of \$123 million in 2009 which includes a \$67 million provision.

Dividend and interest income for 2010 was \$33 million, compared to \$29 million in 2009. Dividend payments, classified as interest expense, totalled \$29 million in 2010, compared to \$30 million in 2009.

Other loss for 2009 of \$11 million was recorded due mainly to the revaluation of the company's Norbord exchangeable debentures, which were settled in the second quarter of 2009.

BALANCE SHEET ANALYSIS

Brookfield Investments' long-term investments at December 31, 2010 consisted of a 12% common share interest in Norbord, a 42% limited partnership interest in Brookfield Europe and an 11% common share interest in Brookfield Properties.

The company's investment in Brookfield Properties increased by \$301 million during 2010 due to a \$5.42 increase in Brookfield Properties' share price from \$12.13 to \$17.55 per share at December 31, 2010, with a corresponding adjustment recorded in other comprehensive income.

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

Further information on Brookfield Properties can be found on its web site at www.brookfieldproperties.com.

Deposits payable includes funds on deposit with and borrowed from Brookfield, which bear interest at the prime rate on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand.

The company holds a preferred share portfolio which provides stable cash flow and a source of capital to support its operations and future activities. The fair value of the portfolio as at December 31, 2010, was \$266 million compared with \$262 million at December 31, 2009. The composition of the company's securities portfolio as at December 31, 2010, is summarized below:

<i>US\$ millions, except number of shares</i>			Total Carrying	
Security	Class	Shares	Value	Held at ⁽¹⁾
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 106	Cost
BPO Properties Ltd.	Series K preferred shares	236	97	Cost
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	28	Fair Value
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	18	Cost
BPO Properties Ltd.	Series M preferred shares	760,000	11	Fair Value
BPO Properties Ltd.	Series J preferred shares	317,100	5	Fair Value
Brookfield Properties Corporation	Class AAA Series K preferred shares	20,000	1	Fair Value
			\$ 266	

(1) Securities held at cost do not have a quoted price in an actively traded market

LIQUIDITY AND CAPITAL RESOURCES

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains funds on deposit and securities which, with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, \$667 million of the company's retractable preferred shares. The remaining \$41 million of retractable preferred shares are held by other holders, and satisfaction of any retractions can be made through the company's general cash resources or through the proceeds from the sale of assets.

The company's investments and deposits generated cash proceeds of \$33 million from the receipt of dividends and interest for the year ended December 31, 2010, compared with \$29 million for the same period in 2009. Income from investments was utilized primarily for the payment of interest on the Norbord exchangeable debentures, which totalled \$nil for the year ended December 31, 2010 (2009 – \$2 million), and dividends related to retractable preferred shares issued by the company, which totalled \$29 million for the year ended December 31, 2010 (2009 – \$28 million).

Dividends received from equity accounted investments are not included in income for accounting purposes as they are treated as a return of capital and therefore reduce the balance of the underlying investment.

The company generated \$4 million of cash flow in operating activities for the year ended December 31, 2010, compared with \$1 million utilized for the same period in 2009. Cash flow used in investing activities amounted to \$nil for the year ended December 31, 2010, compared with \$350 million utilized for the same period in 2009 in the acquisition of Brookfield Properties common shares.

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	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 150	\$ 150	\$ —	\$ —	\$ —
Junior	\$ 558	\$ 558	\$ —	\$ —	\$ —

(1) Retractable at the option of the holder, as described above under Liquidity and Capital Resources

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The company accounts for its long-term corporate investments in Norbord, Fraser Papers and Brookfield Europe on the equity basis. The excess of acquisition costs over the net underlying book value of these investments is considered to be goodwill. No goodwill has been recorded in the financial statements for the years ended December 31, 2010 and 2009. 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.

In making decisions, Brookfield views its joint interests in Norbord collectively, rather than viewing its investment through the company as separate from its other holdings. Brookfield and the company hold shares in Norbord which collectively provide it with control of the underlying entity. Brookfield and the company share common officers who are privy to information that is available to a controlling shareholder and who have an ability to influence the strategic, financing, investing and operating activities of Norbord. Brookfield is the sole shareholder of the company, as well as the holder of 52% of Norbord common shares. Accordingly, the company's investment in Norbord is not viewed in isolation from Brookfield's holdings in Norbord.

In determining the appropriate accounting treatment for its interest in Norbord, the company considered classification of its interest in Norbord as an available-for-sale security which would result in changes in fair value recorded in other comprehensive income. This treatment seemed inappropriate given that the company's sole common shareholder has the ability to influence the underlying operations and that its officers share in insider information. Furthermore, using the market price to determine carrying value could result in a potentially misleading outcome whereby Norbord was generating net losses but extraneous factors such as perception of its industry's viability, liquidity position, future earnings capacity, capitalization and strategic position for future growth were increasing its share price. As a result, the company determined that equity accounting is the appropriate method to account for its investment in Norbord.

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.

SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected consolidated financial information of the company for the years ended December 31, 2010, 2009 and 2008:

<i>US\$ million, except per share amounts</i>	Years ended December 31		
	2010	2009	2008
Income (loss)	\$ 7	\$ (50)	\$ 124
Net (loss) income	(24)	(130)	55
Net (loss) income per common share	(0.52)	(2.82)	1.19
Total assets	1,448	1,133	1,062
Total long-term liabilities	708	700	681
Preferred share dividends paid per share			
Class 1 Senior Preferred Series A	\$ 1.14	\$ 1.03	\$ 1.10
Class 1 Junior Preferred Series A	1.24	1.24	1.24

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>	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(Loss) income	\$ (10)	\$ 29	\$ 28	\$ (40)	\$ —	\$ (73)	\$ 22	\$ 1
Net (loss) income	\$ (17)	\$ 22	\$ 17	\$ (46)	\$ (73)	\$ (82)	\$ 32	\$ (7)
Net (loss) income per common share	\$ (0.36)	\$ 0.46	\$ 0.37	\$ (0.99)	\$ (1.59)	\$ (1.77)	\$ 0.70	\$ (0.16)

Net loss during the fourth quarter of 2010 was \$17 million compared to a net loss of \$73 million in the same period of 2009. The net loss in the fourth quarter of 2010 is mainly attributable to foreign exchange revaluation losses whereas the net loss in the fourth quarter of 2009 is mainly attributable to a \$67 million provision against the company's investment in Fraser Papers.

The company's outstanding common and retractable preferred shares are as follows:

	December 31, 2010	December 31, 2009
Common shares	46,040,326	46,040,326
Class 1 Senior Preferred Series A	5,989,785	5,990,785
Class 1 Junior Preferred Series A	17,999,718	17,999,718

RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At December 31, 2010, securities included \$266 million (December 31, 2009 – \$262 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable includes funds on deposit with and borrowed from Brookfield, which bear interest at the prime rate on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand. Dividend and interest income during the year from related party securities and deposits totalled \$33 million (2009 – \$29 million).

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company has developed and is in the process of implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control and the modification of existing systems, in addition to other related business matters. This plan remains on track and the company expects to complete its implementation of this plan prior to the filing of its first financial statements prepared under IFRS. Overall responsibility for the implementation and success of the company's conversion plan rests with the company's senior financial management who report to and are overseen by the company's Audit Committee.

(i) Significant differences between IFRS and Canadian GAAP

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

A detailed analysis of the differences between IFRS and the company's current accounting policies under Canadian GAAP is currently in process. At this time, the following significant differences between Canadian GAAP and IFRS have been identified by the company:

- *Available-for-sale equity securities not traded in an active market*
From time-to-time, the company holds investments in equity securities classified as available-for-sale that do not have a quoted price in an active market. Under Canadian GAAP these securities are recorded at cost. However, under IFRS where the fair value of such securities can be reliably measured, such securities are recorded at their estimated fair value. Changes in fair value are recorded within comprehensive income in the period of change. This difference has no material impact to the financial statements.
- *Differences related to equity accounted investments*
The company has determined that it has significant influence over certain of its investments and accordingly uses the equity method to account for these investments. These investments include Norbord, Fraser Papers, and Brookfield Europe. Under IFRS the company expects to continue to equity account for these investments, however, the equity earnings or losses the company recognizes related to its investment in these companies will be determined in accordance with IFRS. The company expects that Brookfield Europe will account for its investment properties at fair value under IAS

40 *Investment Property*. Accordingly, any change in the fair value of the investment properties held by Brookfield Europe L.P. will be recorded in income by the company in the period of the change, the impact of which may be materially different than would otherwise be reported under Canadian GAAP. Other differences identified by these investees in determining their results in accordance with IFRS will also affect both the company's equity earnings and carrying amounts of its investments.

The impact of the differences relating to equity accounted investments will have the following impact to the balance sheets at January 1, 2010 and December 31, 2010:

<i>US\$ million</i>	January 1, 2010	December 31, 2010
Investment in Brookfield Europe L.P.	\$ 213	\$ 238
Investment in Norbord Inc.	(42)	(43)
	\$ 171	\$ 195
Retained earnings	\$ 151	\$ 182
Accumulated other comprehensive income	20	13
	\$ 171	\$ 195

Additional differences significant to the company may be identified as the company finalizes its analysis.

(ii) *IFRS 1 First-time Adoption of International Financial Reporting Standards*

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and provides limited optional exemptions in specified areas of certain standards from this general requirement. However, we do not expect such exemptions to be significant to our adoption of IFRS.

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. The company is also subject to exchange rate risk since its earnings from Brookfield Europe are denominated in pounds sterling and certain securities and loan positions are held in Canadian dollars. 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.

OTHER MATTERS

Audit Committee

As a venture issuer that is not required to prepare an information circular or an annual information form, we are required by section 6.2 of National Instrument 52-110 – Audit Committees ("NI 52-110") to make the disclosure regarding our Audit Committee of our Board of Directors required by Form 52-110F2 in our annual MD&A. This disclosure is attached hereto as Appendix A.

Corporate Governance

As a venture issuer that is not required to prepare an information circular or an annual information form, we are required by section 2.2 of National Instrument 58-101 – Disclosure of Corporate Governance Practices (“NI 58-101”) to make certain corporate governance disclosure required by Form 58-101F2 in our annual MD&A. This disclosure is attached hereto as Appendix B.

A handwritten signature in black ink, appearing to read 'S. G. Shah'.

Sachin G. Shah
Vice-President and Chief Financial Officer
April 7, 2011

APPENDIX A

COMPOSITION OF THE AUDIT COMMITTEE

Chairman: John P. Barratt

Other Members: Howard Driman and James R. Kelly

The Board has determined that all members of the Audit Committee are independent and financially literate as defined by NI 52-110. With respect to requirements set forth in Parts 3 and 5 of NI 52-110, we are relying on the exemption in Section 6.1 of NI 52-110 (the “Instrument”).

AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of the company’s most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors of the company.

RELIANCE ON CERTAIN EXEMPTIONS

At no time since the commencement of the company’s most recently completed financial year has the company relied on the exemption in section 2.4 of MI 52-110 (De Minimis Non-audit Services), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)

The external auditor of the Company for the year ended December 31, 2010 was Deloitte & Touche LLP (“Deloitte & Touche”), Chartered Accountants, Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2V1. Deloitte & Touche is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The following table provides information about the aggregate fees billed to the Company for professional services rendered by Deloitte & Touche during the years ended December 31, 2010 and 2009:

<i>(US\$ thousands)</i>	2010	2009
Audit Fees	\$ 54	\$ 54
Audit – Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	\$ 54	\$ 54

Audit Fees

Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

Audit – Related Fees

Audit-related fees are for assurance and related services, such as due diligence services, that are traditionally performed by the external auditor. More specifically, these services include, among others: assistance in preparing due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

Tax Fees

Tax fees are principally for assistance in tax return preparation and tax advisory services.

All Other Fees

All other fees include fees for translation, litigation and advisory support services.

A copy of the charter of the Audit Committee is attached to this Appendix A as Schedule 1.

EXEMPTION

NI 52-110 exempts issuers listed on the TSX Venture Exchange (the “Exchange”) from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of the Instrument. As a result, the members of the Committee are not required to be either “independent” or “financially literate” within the meaning of the Instrument; however, the company is required to provide on an annual basis, the disclosure regarding its Audit Committee made in this MD&A. All of the Committee members are independent and financially literate. See the disclosure above under the heading “Composition of the Audit Committee”.

SCHEDULE 1 TO APPENDIX A

CHARTER OF THE AUDIT COMMITTEE

A committee of the board of directors (the “Board”) of Brookfield Investments Corporation (the “Corporation”) to be known as the Audit Committee (the “Committee”) shall have the following terms of reference:

MEMBERSHIP AND CHAIRPERSON

Following each annual meeting of shareholders, the Board of the Corporation shall appoint from its number three or more directors (the “Members” and each a “Member”) to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the Board and any Member may be removed from office or replaced at any time by the Board. All of the Members of the Committee will be Independent Directors unless exempt from the independence requirements set out in Multilateral Instrument 52-110 - *Audit Committees*. In addition, every Member will be Financially Literate. Members may not serve on more than two other public company audit committees, except with the prior approval of the Board.

The Board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

RESPONSIBILITIES

The Committee shall:

- (a) oversee the work of the Corporation’s external auditor (the “auditor”) engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation;
- (b) review and evaluate the auditor’s independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;
- (c) where appropriate, terminate the auditor;
- (d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;
- (e) review the terms of the auditor’s engagement and the appropriateness and reasonableness of the proposed audit fees;
- (f) at least annually, obtain and review a report by the auditor describing:
 - (i) the auditor’s internal quality-control procedures; and
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability Board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;
- (g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of

Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;

- (h) review and evaluate the lead partner of the auditor;
- (i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;
- (j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:
 - (i) planning and staffing of the audit;
 - (ii) any material written communications between the auditor and management;
 - (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
 - (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;
 - (v) whether or not the auditor has received the full co-operation of management of the Corporation;
 - (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
 - (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
 - (viii) all critical accounting policies and practices to be used by the Corporation;
 - (ix) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; and
 - (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response;
- (k) approve, if permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service;
- (l) resolve any disagreements between management and the auditor regarding financial reporting;
- (m) review, and, where appropriate, recommend for approval by the Board, the following:
 - (i) audited annual financial statements, in conjunction with the report of the external auditor;
 - (ii) interim financial statements;
 - (iii) annual and interim management discussion and analysis of financial condition and results of operation;
 - (iv) reconciliations of the annual or interim financial statement; and

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- (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;
 - (n) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statement), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of “pro forma” or “adjusted” non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
 - (o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation’s financial statements;
 - (p) review disclosures made to the Committee by the President or Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation’s internal control over financial reporting which are reasonably likely to adversely affect the Corporation’s ability to record, process, summarize and report financial information, and any fraud involving management or other employees;
 - (q) review the effectiveness of management’s policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;
 - (r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;
 - (s) meet privately with the person responsible for the Corporation’s internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;
 - (t) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation’s internal audit and review the significant reports to management prepared by the internal auditor and management’s responses;
 - (u) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer’s financial statements and periodically assess the adequacy of these procedures;
 - (v) review periodically, the Corporation’s policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;
 - (w) review periodically, the status of taxation matters of the Corporation;
 - (x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;
 - (y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may

have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;

(z) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and

(aa) consider other matters of a financial nature as directed by the Board.

REPORTING

The Committee will regularly report to the Board on:

the auditor's independence;

(a) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

(b) the performance of its internal audit function;

(c) the adequacy of the Corporation's internal controls and disclosure controls;

(d) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;

(e) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;

(f) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and

(g) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

COMPLAINTS PROCEDURE

The Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

ASSESSMENT

At least annually, the Committee will review its effectiveness in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the Board.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT

The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation, without the Board's approval, at any time. The Committee has the authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

MEETINGS

Meetings of the Committee may be called by any Member, the Chairman of the Board, the President or Chief Financial Officer of the Corporation or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act (Ontario) and the by-laws, and unless otherwise determined by the Board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the Board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally or by letter, facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"Financially Literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"Independent Director" means a director who has been affirmatively determined by the Board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

- (a) is or was an employee or executive officer, or whose immediate family member is or was an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;
- (b) is receiving or has received, or whose immediate family member is receiving or has received, during any 12-month period within the last three years more than Cdn\$75,000 in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not

contingent in any way on continued service), is not independent;

- (c) is or was affiliated with or employed by, or whose immediate family member is or was employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment relationship with the auditor;
- (d) is or was employed as, or whose immediate family member is or was employed as, an executive officer of another company (or its parent or a subsidiary) where any of the present (at the time of review) executive officers of the Corporation serve or served on that company's (or its parent's or a subsidiary's) compensation committee, is not independent until three years after the end of such service or the employment relationship; and
- (e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company (or its parent or a subsidiary) that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years exceeds the greater of US\$1 million or 2% of such other company's consolidated gross revenues, in each case, is not independent until three years after falling below such threshold.

Additionally, an Independent Director for the purpose of the Committee specifically may not:

- (a) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or
- (b) be an affiliated person of the Corporation (within the meaning of applicable rules and regulations).

For the purposes of the definition of Independent Director, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In addition to the requirements for independence set out in paragraph (c) above, Members must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee for a determination as to whether this association affects the Member's status as an Independent Director.

This charter of the Audit Committee was reviewed and approved by the board of directors of the Corporation on April 7, 2011.

APPENDIX B

MANDATE OF THE BOARD

The mandate of the board of directors of the company (the “Board”) is to supervise the conduct of the affairs of the company directly and through its committees. In so doing, the Board endeavours to always act in the best interests of the company. In carrying out its responsibilities, the Board appoints the senior executives of the company and meets with them on a regular basis to receive and consider reports on the company’s business. Along with those matters which must by law be approved by the Board, key strategic decisions are also submitted by management to the Board for approval.

In addition to approving specific corporate actions, the Board reviews and approves the reports issued to shareholders, including annual and interim financial statements, as well as materials prepared for shareholders’ meetings. The Board also approves the company’s overall business strategies and annual business plans for achieving its objectives.

The Board’s mandate is set out in a written Charter which is renewed and approved annually. The Board’s Charter is reproduced in full in Schedule 1 to this Appendix B.

The Board meets at least once in each quarter, with additional meetings held when appropriate. Meeting frequency changes depending on the opportunities or risks facing the company. During 2010, the Board of Directors held four regular meetings, and its Audit Committee met four times.

APPOINTMENT OF DIRECTORS

The company supports the appointment of directors nominated by its voting shareholder, independent directors and directors drawn from senior management. This combination leads to a healthy exchange in Board deliberations, resulting in objective, well-balanced and informed discussion and decision making. Nominees for election to the Board are reviewed by the Board.

New directors are supplied with comprehensive information about the company and its major investments. Directors are provided with opportunities to meet individually in work sessions with senior management to obtain further insight into the operations of the company, and are involved on a regular basis in discussions with management. Individual directors are also free to consult with members of senior management whenever so required and to engage outside advisers with Board authorization.

Director compensation is reviewed annually by the Board. The Board also periodically assesses the size and composition of the Board and its committees, reviews the effectiveness of the Board’s operations and its relations with management and assesses the performance of the directors.

COMPOSITION OF THE BOARD

The Board consists of five members. Three of the five directors, Messrs. John Barratt, Howard Driman and James Kelly, are considered by the company to be independent, that is, free from any interests in or relationships with the company’s major shareholders and management. Messrs. Barratt and Kelly are also directors of BAM Split Corp., a company listed on the TSX, which owns approximately 8.5% of the shares of Brookfield. Mr. Driman is also a director of BAM Investments Corp., a company listed on the TSX Venture Exchange, which owns approximately 9.0% of the shares of Brookfield, including the 8.5% of the shares of Brookfield held by BAM Split Corp.

The other two directors, Messrs. Edward Kress and Alan Dean, are current and former officers or directors of Brookfield and certain of its subsidiaries and are considered by the company to be related directors. The Board believes that the composition of the Board fairly represents the investment in the company by its major shareholders and by the minority shareholders of the company.

The Board's three independent directors meet in private sessions at the conclusion of all regularly scheduled Board meetings under the leadership of the independent director who is also the Chairman of the Board's Audit Committee, who is also an independent director.

RELATIONSHIP WITH MANAGEMENT

Each year, the Board discusses the company's strategic initiatives and business plans with management. The Board's annual approval of the business plan constitutes the mandate for management to conduct the affairs of the company, with material deviations being reported and considered as appropriate by the Board.

In addition to the reports presented to the Board at its meetings, the Board is also kept informed by management of important corporate developments on a regular basis. The directors periodically assess the quality, completeness and timeliness of this information, particularly insofar as it relates to identifying the principal risks facing the company and the initiatives being taken to manage these risks. The Board also meets independently of management from time to time.

Since the company has no dedicated management or administrative staff, it has not adopted a written code of business conduct. The directors and officers of the company who are also officers of Brookfield are subject to a written Code of Business Conduct and Ethics that has been adopted by the board of directors of that company. A copy of this code is available on the web site of Brookfield at www.brookfield.com at *Corporate/Conduct Guidelines* and is filed on SEDAR at www.sedar.com.

SCHEDULE 1 TO APPENDIX B

BOARD OF DIRECTORS CHARTER

1. ROLE OF THE BOARD

The role of the board of directors (the “Board”) of Brookfield Investments Corporation (the “Corporation”) is to oversee, directly and through its committees, the business and affairs of the Corporation, which are conducted by its officers and employees under the direction of the Chief Executive Officer (“CEO”). In doing so, the Board acts at all times with a view to the best interests of the Corporation and its shareholders.

The Board is appointed by the Corporation’s sole voting shareholder to oversee management, with the objective of advancing the best interests of the shareholders by enhancing shareholder value in a manner that recognizes the concerns of other stakeholders in the Corporation, including its employees, suppliers, customers and the communities in which it operates.

2. AUTHORITY AND RESPONSIBILITY

The Board meets regularly to review reports by management on the Corporation’s performance. In addition to the general supervision of management, the Board performs the following functions:

- (a) strategic planning – overseeing the strategic planning process within the Corporation and, at least annually, reviewing, approving and monitoring the strategic plan for the Corporation including fundamental financial and business strategies and objectives;
- (b) risk assessment – assessing the major risks facing the Corporation and reviewing, approving and monitoring the manner of managing those risks;
- (c) CEO – to the extent applicable, developing a position description for the CEO including the corporate objectives that the CEO is responsible for meeting and selecting, evaluating and compensating the CEO;
- (d) senior management – to the extent applicable, overseeing the selection, evaluation and compensation of senior management and monitoring succession planning;
- (e) communications and disclosure policy – adopting a communications and disclosure policy for the Corporation, including ensuring the timeliness and integrity of communications to shareholders and establishing suitable mechanisms to receive stakeholder views;
- (f) corporate governance – developing the Corporation’s approach to corporate governance, including developing a set of corporate governance principles and guidelines applicable to the Corporation;
- (g) internal controls – reviewing and monitoring the controls and procedures within the Corporation to maintain its integrity including its disclosure controls and procedures, and its internal controls and procedures for financial reporting and compliance; and
- (h) maintaining integrity – on an ongoing basis, satisfying itself as to the integrity of the CEO and executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

3. COMPOSITION AND PROCEDURES

- (a) Sizes of Board and selection process – The directors of the Corporation are appointed each year by the sole voting shareholder. The Board proposes a slate of nominees to the shareholder for election.
- (b) Qualifications – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the shareholders of the Corporation. They

should possess skills and competencies in areas that are relevant to the Corporation's activities. At least 50% of the directors will be independent directors based on the rules and guidelines of applicable stock exchanges and securities regulatory authorities.

- (c) Director orientation – The Corporation's management team is responsible for providing an orientation and education program for new directors.
- (d) Meetings – The Board has at least four scheduled meetings a year. The Board is responsible for its agenda. Materials for each meeting are distributed to the directors in advance of the meetings.

At the conclusion of each regularly scheduled meeting, the independent directors meet without management and related directors present. The directors have appointed the Chairman of its Audit Committee to chair these meetings.

- (e) Committees – The Board has established one standing committee, the Audit Committee, to assist it in discharging its responsibilities. Special committees are established from time to time to assist the Board in connection with specific matters. The chair of the Audit Committee reports to the Board following meetings of the committee. The terms of reference of the Audit Committee are reviewed annually by the Board.
- (f) Evaluation – The Board performs an annual evaluation of the effectiveness of the Board as a whole, its committees and the contributions of individual directors. In addition, the Audit Committee assesses its performance annually.
- (g) Compensation – The Board reviews annually the compensation for non-management directors. In reviewing the adequacy and form of compensation, the Board seeks to ensure that the compensation reflects the responsibilities and risks involved in being a director of the Corporation and aligns the interests of the directors with the best interests of the shareholder.
- (h) Access to independent advisors – The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Corporation. Any director may, subject to the approval of the Chairman of the Board, retain an outside advisor at the expense of the Corporation.

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 Canadian generally accepted accounting principles, 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 24 through 33 in accordance with Canadian generally accepted auditing standards 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 the Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversee management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.

Toronto, Canada
April 7, 2011



Sachin G. Shah
Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BROOKFIELD INVESTMENTS CORPORATION

We have audited the accompanying consolidated financial statements of Brookfield Investments Corporation (the "Company"), which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of operations, comprehensive income, accumulated other comprehensive income (loss), deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

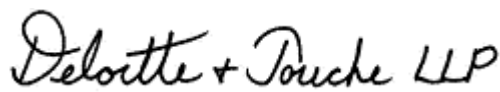
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
April 25, 2011



Chartered Accountants
Licensed Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<i>As at December 31 (US\$ millions)</i>	Note	2010	2009
Assets			
Securities	3	\$ 266	\$ 262
Investments			
Brookfield Properties Corporation	4	973	672
Brookfield Europe L.P.	4	127	119
Norbord Inc.	4	82	80
		\$ 1,448	\$ 1,133
Liabilities			
Deposits payable	3	\$ 35	\$ 5
Accounts payable	7	11	9
Retractable preferred shares	5	708	700
Shareholders' equity	6	694	419
		\$ 1,448	\$ 1,133

On behalf of the Board:



Edward C. Kress
Director



John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>Years ended December 31 (US\$ millions, except per share amounts)</i>	<i>Note</i>	2010	2009
Income			
Equity accounted income from Brookfield Europe L.P.		\$ 13	\$ 9
Equity accounted income (loss) from Norbord Inc.		2	(8)
Equity accounted loss from Fraser Papers Inc.		—	(56)
Dividend and interest income		33	29
Foreign exchange loss		(41)	(13)
Other loss		—	(11)
		7	(50)
Expenses			
Interest	5	29	30
Provision for impairment		—	67
		29	97
Net loss before income taxes		(22)	(147)
Income tax (expense) recovery	7	(2)	17
Net loss		\$ (24)	\$ (130)
Net loss per common share	6	\$ (0.52)	\$ (2.82)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>Years ended December 31 (US\$ millions)</i>	2010	2009
Net loss	\$ (24)	\$ (130)
Other comprehensive income (loss)		
Foreign currency translation	(5)	9
Available-for-sale securities	305	186
Equity accounted other comprehensive income (loss)	(1)	3
	299	198
Comprehensive income	\$ 275	\$ 68

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

<i>Years ended December 31 (US\$ millions)</i>	2010	2009
Balance, beginning of year	\$ (204)	\$ (402)
Other comprehensive income	299	198
Balance, end of year	\$ 95	\$ (204)

CONSOLIDATED STATEMENTS OF DEFICIT

<i>Years ended December 31 (US\$ millions)</i>	2010	2009
Deficit, beginning of year	\$ (421)	\$ (291)
Net loss	(24)	(130)
Deficit, end of year	\$ (445)	\$ (421)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years ended December 31 (US\$ millions)</i>	<i>Note</i>	2010	2009
Cash flow from (used in) operating activities			
Net loss		\$ (24)	\$ (130)
Adjusted for the following:			
Equity accounted (income) losses		(15)	55
Provision for impairment		—	67
Future income tax provisions		2	(17)
Net change in non-cash items		41	24
		4	(1)
Cash flow used in investing activities			
Investment in Brookfield Properties		—	(350)
		—	(350)
Cash and deposits receivable (payable)			
Increase / (decrease) prior to foreign exchange revaluations		4	(351)
Impact of foreign exchange		(34)	5
Balance, beginning of year		(5)	341
Balance, end of year		\$ (35)	\$ (5)

Supplemental information

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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 ("Canadian GAAP").

Basis of Presentation

These consolidated financial statements of Brookfield Investments Corporation ("Brookfield Investments" or the "company") include the accounts of the company and its wholly-owned subsidiaries BPO LCB Inc. and Brookfield Investments International Corporation. All intercompany transactions and balances have been eliminated.

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

Deposits Payable

Deposits payable, net of funds receivable, are carried at amortized cost using the effective interest method less applicable allowances for doubtful accounts. The company places surplus cash on deposit with and borrowed from its parent, Brookfield Asset Management Inc. ("Brookfield") at market interest rates. These deposits are available on demand and are used by the company to fund its cash requirements.

Securities

Securities are classified as available-for-sale 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"), Fraser Papers Inc. ("Fraser Papers") and Brookfield Europe L.P. ("Brookfield Europe") 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 Brookfield Properties Corporation ("Brookfield Properties") as available-for-sale securities with dividends generally being recognized as income on the record date.

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 income. 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.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP 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.

Future Changes in Accounting Policies

(i) International Financial Reporting Standards ("IFRS")

The Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company has developed and is in the process of implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control and the modification of existing systems, in addition to other related business matters.

(ii) Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2010, the CICA issued three new accounting standards, Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after November 1, 2011 although adoption in 2011 is permitted to facilitate the transition to IFRS in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date and Section 1602 established standards for the accounting and presentation of non-controlling interest. These standards must be adopted concurrently with Section 1582.

2. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument 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 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.

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 \$221 million at December 31, 2010 (December 31, 2009 – \$221 million). Any changes in the fair values of financial instruments classified as held-for-trading or available-for-sale are recognized in net income or other comprehensive income, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in accumulated other comprehensive income 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, 2010, unrealized losses in the fair values of available-for-sale securities measured at fair value amounted to \$17 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, 2010, the company did not consider any investments to be other than temporarily impaired.

Dividends on available-for-sale equity instruments are recognized as part of investment and other income when the company's right to receive payment is established. 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.

Considering the hierarchy included within Section 3862, all of the company's assets measured at fair value are categorized as Level 1, whereby the fair value measurements are determined using quoted prices (unadjusted) in active markets.

3. SECURITIES AND DEPOSITS PAYABLE

Deposits payable include funds payable to companies under common control, net of funds due from the same parties.

As at December 31, 2010, the balance included receivables of \$483 million denominated in British pounds, payable of \$321 million denominated in Canadian dollars and payable of \$198 million denominated in U.S. dollars.

The company holds a preferred share portfolio which provides stable cash flow and a source of capital to support its operations and future activities. The carrying value of the portfolio as at December 31, 2010 was \$266 million compared with \$262 million at December 31, 2009. The composition of the company's securities portfolio as at December 31, 2010 and 2009 is summarized below:

December 31, 2010				
<i>US\$ millions, except number of shares</i> Security	Class	Shares	Total Carrying Value	Held At ⁽¹⁾
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 106	Cost
BPO Properties Ltd.	Series K preferred shares	236	97	Cost
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	28	Fair Value
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	18	Cost
BPO Properties Ltd.	Series M preferred shares	760,000	11	Fair Value
BPO Properties Ltd.	Series J preferred shares	317,100	5	Fair Value
Brookfield Properties Corporation	Class AAA Series K preferred shares	20,000	1	Fair Value
			\$ 266	
December 31, 2009				
<i>US\$ millions, except number of shares</i> Security	Class	Shares	Total Carrying Value	Held At ⁽¹⁾
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 106	Cost
BPO Properties Ltd.	Series K preferred shares	236	97	Cost
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	27	Fair Value
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	18	Cost
BPO Properties Ltd.	Series M preferred shares	760,000	9	Fair Value
BPO Properties Ltd.	Series J preferred shares	317,100	4	Fair Value
Brookfield Properties Corporation	Class AAA Series K preferred shares	20,000	1	Fair Value
			\$ 262	

(1) Securities held at cost do not have a quoted price in an actively traded market

During the year ended December 31, 2010, net investment income earned on balances with affiliates amounted to \$33 million (2009 – \$29 million).

The fair value of the deposits payable approximated their carrying value as at December 31, 2010 and 2009.

4. LONG-TERM CORPORATE INVESTMENTS

The company owns 55,404,605 common shares (2009 – 55,404,605) of Brookfield Properties, representing an 11% interest (2009 – 11%).

The company owns 24,754,879 common shares (2009 – 24,754,879) of Fraser Papers, representing a 49% interest (2009 – 49%).

The company owns 5,203,402 common shares (2009 – 5,203,402) of Norbord, which represents a 12% interest (2009 – 12%). The market value of the investment in Norbord amounted to \$76 million as at December 31, 2010 (December 31, 2009 – \$72 million).

The company owns a 42% (2009 – 42%) limited partnership interest in Brookfield Europe.

5. RETRACTABLE PREFERRED SHARES

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

- (i) unlimited Class 1 Senior Preferred shares issuable in series; and
- (ii) unlimited Class 1 Junior Preferred shares issuable in series.

<i>US\$ millions, except number of shares</i>	December 31	December 31
	2010	2009
5,989,785 Class 1 Senior Preferred Shares, Series A (2009 – 5,990,785)	\$ 150	\$ 142
17,999,718 Class 1 Junior Preferred Shares, Series A (2009 – 17,999,718)	558	558
	\$ 708	\$ 700

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; and
- (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.

The dividend payments on the preferred shares of \$29 million (2009 – \$28 million) are classified as interest expense.

6. SHAREHOLDERS' EQUITY

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

Issued and Outstanding:

	December 31 2010	December 31 2009
<i>US\$ millions, except number of shares</i>		
46,040,326 Common shares (2009 – 46,040,326)	\$ 1,044	\$ 1,044
Deficit	(445)	(421)
Accumulated other comprehensive income (loss)	95	(204)
	\$ 694	\$ 419

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

7. INCOME TAXES

Brookfield Investments 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 is generally subject to a tax at 33 1/3% under Part IV of the Act on taxable dividends received. This tax is fully refundable upon payment of sufficient dividends.

The company's future tax liability relates primarily to temporary differences in subsidiary companies that are not mutual fund corporations. These temporary differences are principally comprised of differences between the carrying amount and the tax basis of share investments and loans.

Included in the future income tax liability balance of \$11 million are future income tax assets of \$3 million related to non-capital losses available to reduce taxable income which may arise in the future. The future income tax assets relate to non-capital losses which expire over the next 20 years.

The effective tax rate of 9.0% differs from the statutory rate of 31.0% due to the non-recognition of certain temporary differences due to its mutual fund corporation status and non-taxable/non-deductible items including dividends, gains and losses related to sales transactions and foreign exchange translations.

	December 31 2010	December 31 2009
Statutory income tax rate	31.0%	33.0%
Tax receivable at statutory rate	\$ (7)	\$ (48)
Increase (reductions) in income tax expense resulting from:		
Dividends recorded not subject to tax	(9)	(8)
Non-(taxable) deductible equity pickup from subsidiaries	(4)	16
Non-deductible interest on preferred shares	7	8
Other	15	15
Tax expense (recovery) recorded	\$ 2	\$ (17)

8. RISK MANAGEMENT

The company's investments expose it to a variety of market risks, including interest rate risk, foreign exchange risk, equity risk and liquidity risk.

Market risk arises from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The company is exposed to market risk through its securities and long-term investments. The following is a description of these risks and how management evaluates and monitors the exposure to them.

Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates, including changes in the risk-free rate and credit spreads. The company is exposed to interest rate risk through its investments in floating rate securities and loans receivable.

Based on the company's net floating interest rate position, a 50 basis point increase (decrease) in interest rates across all currencies and maturities would increase (decrease) the company's net income for the year ended December 31, 2010 by approximately \$1.2 million (2009 – \$1.3 million) before tax.

Foreign Exchange Risk

Foreign exchange risk is the risk of variability due to changes in spot and forward rates, and the volatility of currency exchange rates. The company is exposed to currency risk in respect of foreign denominated securities and deposits payable.

The company is subject to foreign currency risk on the distributions resulting from investments in foreign denominated securities and loans receivable. The company mitigates the adverse effects of changes in the foreign currency by borrowing and issuing preferred shares denominated in foreign currencies.

A one per cent increase in the U.S. dollar against the Canadian dollar in which the company operated would increase the company's net income by approximately \$4.7 million (2009 – \$4.4 million) before tax. Similarly, a 1% increase in the U.S. dollar against the British pound in which the company operates would decrease the company's net income by approximately \$4.8 million (2009 – \$5.0 million) before tax.

Equity Risk

Equity risk is the risk of loss due to movements in equity prices. The company's primary exposure to equity risk is through its investments in securities and long-term investments in Brookfield Properties. A one percent change in the market value would change the fair value of the company's equity investments recorded in other comprehensive income by \$10.2 million (2009 – \$7.1 million), before tax.

Liquidity Risk

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains a portfolio of securities and has funds on deposit, which with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, \$667 million (2009 – \$660 million) of the company's retractable preferred shares. The remaining \$41 million (2009 – \$40 million) of retractable preferred shares are held by third parties, and satisfaction of any retractions can be made through the company's general cash resources or through proceeds from the sale of assets.

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

<i>US\$ millions</i>	Payments Due by Period				
	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 150	\$ 150	\$ —	\$ —	\$ —
Junior	\$ 558	\$ 558	\$ —	\$ —	\$ —

(1) Retractable at the option of the holder, as described above under Liquidity and Capital Resources

9. RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At December 31, 2010, securities included \$266 million (December 31, 2009 – \$262 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable includes funds on deposit with and borrowed from Brookfield, which bear interest at the prime rate on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand. Dividend and interest income during the year from related party securities and deposits totalled \$33 million (2009 – \$29 million). Transactions conducted with related parties are recorded at the exchange amounts.

10. CAPITAL MANAGEMENT

The company's objective is to provide its shareholders with stable income returns and capital appreciation. The company's assets are financed primarily with common shares and \$708 million of retractable preferred shares. The authorized share capital of the company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2010, there were 46,040,326 common shares, 5,989,785 Class 1 Series A Senior preferred shares, and 17,999,718 Class 1 Series A Junior preferred shares issued and outstanding. Other than 1,000 Class I Series A Senior preferred shares which were redeemed during 2010, there have been no other changes in the company's issued and outstanding capital during the years ended December 31, 2010 and 2009.

11. OTHER INFORMATION

- (i) The company and its associates arrange investment transactions between themselves without transaction costs and all such transactions are at normal market terms.
- (ii) Cash interest paid for the year ended December 31, 2010 was \$29 million (2009 - \$30 million).

CORPORATE INFORMATION

HEAD OFFICE

Brookfield Investments Corporation

Brookfield Place, 181 Bay Street

Suite 300. P.O. Box 762

Toronto, Ontario M5J 2T3

Telephone: 416-363-9491

Facsimile: 416-363-2856

www.brookfieldinvestments.com

TRANSFER AGENT

CIBC Mellon Trust Company

P.O. Box 7010

Adelaide Street Postal Station

Toronto, Ontario M5C 2W9

Telephone: 416-643-5500 or

1-800-387-0825

(Toll-free within North America)

Facsimile: 416-643-5501

Web site: *www.cibcmellon.com*

E-mail: *inquiries@cibcmellon.com*

YEAR END

December 31

STOCK EXCHANGE LISTING

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

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