

Brookfield Investments Corporation

2012

Annual Report

Brookfield Investments Corporation

Brookfield Investments Corporation holds investments in the property and forest products 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 alternative asset manager operating assets with a focus on property, renewable power, infrastructure and private equity.

CONTENTS

Report to Shareholders	2
Management's Discussion & Analysis	3
Consolidated Balance Sheets	26
Consolidated Statements of Operations	27
Consolidated Statements of Comprehensive Income (Loss)	27
Consolidated Statements of Changes in Equity	28
Consolidated Statements of Cash Flows	29
Notes to Consolidated Financial Statements	30
Corporate Information	Back Cover

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking information concerning the Brookfield Investment Corporation business and operations. The words “expect”, “believe”, “continue”, “intend”, “objective” 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” or “could” are predictions of or indicate future events, trends or prospects or identify forward-looking information. Forward-looking information in this annual report includes information with respect to the following: the impact of newly-adopted accounting principles on our accounting policies and period-to-period comparisons, 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 our beliefs, outlooks, plans, expectations and intentions.

Although we believe 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 our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements 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 our 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 us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, we undertake 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 net income of \$48 million, or \$0.95 per common share, for the year ended December 31, 2012 compared with \$70 million, or \$1.52 per common share, in 2011. The decrease in net income is primarily a result of a lower amount of valuation gains in the current year from the company's indirect investment in Canary Wharf Group plc, which is held through Brookfield Europe. This was partially offset by improved earnings from the company's forest product investments, which are benefitting from the ongoing U.S. housing recovery.

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'E. Kress', with a stylized, flowing script.

Edward C. Kress
Chairman and President
March 28, 2013

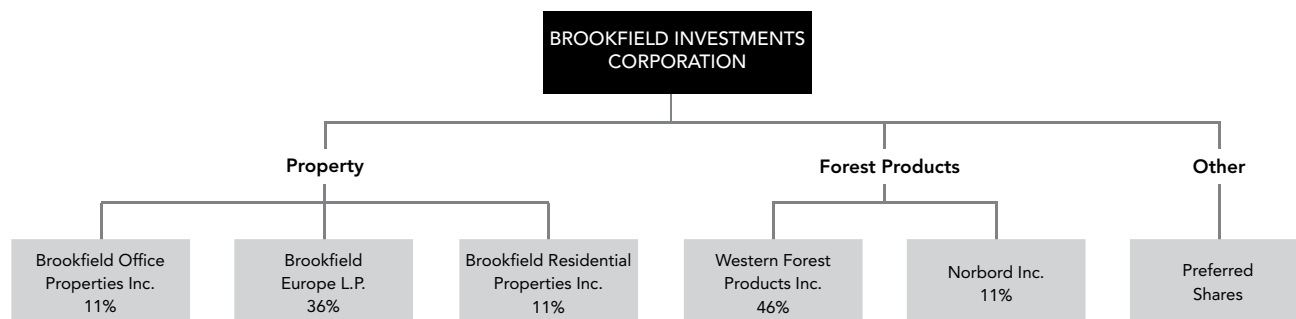
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of our annual report includes management's discussion and analysis of our financial results ("MD&A") for 2012. The MD&A is intended to provide you with an assessment of our performance during 2012 compared to 2011, as well as information on our financial position and other relevant matters.

Brookfield Investments Corporation ("Brookfield Investments" or the "company") holds investments in the property and forest products sectors, as well as a portfolio of preferred shares issued by companies within the Brookfield Asset Management Inc. ("Brookfield") group.

Brookfield Investments' principal investments in the property sector are: an 11% common share interest in Brookfield Office Properties Inc. ("Brookfield Office Properties"), a commercial property company with operations in the United States, Canada and Australasia; a 36% limited partnership interest in Brookfield Europe L.P. ("Brookfield Europe"), which owns commercial office properties and property developments in Europe and a 11% interest common share interest in Brookfield Residential Properties Inc. ("Brookfield Residential Properties"), a land developer and homebuilder with operations throughout North America. The company's investments in the forest product sector are comprised of: a 46% economic interest in Western Forest Products Inc. ("Western"), an integrated Canadian Forest products company manufacturing timberlands and producing lumber in coastal British Columbia; and an 11% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the United States and the United Kingdom. Brookfield Investments also holds a preferred share portfolio, including preferred shares.

The company's organizational structure is shown in the following chart:



On April 15, 2013, Brookfield restructured its property operations through the formation and spin-off of a 7.6% interest in Brookfield Property Partners L.P. ("Brookfield Property Partners") to its shareholders. The company contributed its direct interest in Brookfield Office Properties and BPO Properties as well as its Brookfield Office Properties preferred shares for a 10.6% interest in Brookfield Property Partners. The company's 36% investment, Brookfield Europe also contributed certain of its assets to Brookfield Property Partners in exchange for an 8.9% interest in Brookfield Property Partners. Following the completion of these transactions, the company's direct and indirect interest in Brookfield Property Partners is 13.8%.

The following analysis describes the components of the company's revenues and expenses in 2012, the related assets and liabilities, and the business environment for its operations.

The U.S. dollar is the company's functional and presentation currency. All financial information is presented in U.S. dollars unless otherwise indicated. All financial data included in the MD&A have been presented in accordance with International Financial Reporting Standards.

The information in this section should be read in conjunction with the company's audited consolidated financial statements, which are included on pages 26 through 39 of this annual report. Additional information is available on the company's website at www.brookfieldinvestments.com and on SEDAR's website at www.sedar.com.

ANALYSIS OF NET INCOME

(US\$ millions)	Years ended December 31	
	2012	2011
Investment income		
Equity accounted income	\$ 32	\$ 67
Dividend and interest income		
Brookfield Office Properties	31	31
Other securities	13	9
Disposition gain	8	—
Foreign exchange (loss) income	(1)	3
	83	110
Interest expense	(29)	(30)
Net income before income taxes	54	80
Income tax expense	(6)	(10)
Net income	\$ 48	\$ 70

Investment Income

Investment income consists of income earned on the company's equity accounted investments, as well as dividends and interest income generated from the company's investment portfolio.

The company earned \$32 million of equity accounted income in 2012 compared to \$67 million in 2011. The current year included a \$14 million (2011 - \$6 million) dividend received on the company's indirect investment in Canary Wharf group, which is held through Brookfield Europe, as well as a \$7 million (2011 - \$59 million) increase in fair value of Canary Wharf's investment properties. Panelboard investments, held through Norbord, contributed \$8 million (2011 - loss of \$1 million), primarily driven by increased prices and improved volumes. The company also recorded \$8 million (2011 - \$nil) of income on our proportion share of Western Forest Products' net income, which was acquired in December 2011.

Dividend and interest income includes dividends on the company's investment securities and preferred share portfolio and interest on deposits receivable. During 2012, the company received \$31 million of dividend income on its investment in Brookfield Office Properties, consistent with the prior year. Dividends and interest earned on the company's other securities increased by \$4 million to \$13 million as a result of a higher amount of deposits receivable in the current year.

On December 4, 2012, the company disposed of 20.4 million non-voting shares of Western Forest Products, generating \$23 million of proceeds and realized an \$8 million disposition gain.

Interest Expense

Interest expense includes dividend payments on the company's retractable preferred shares, which were \$29 million in 2012, compared to \$30 million in the prior year.

Foreign Currency Revaluation

Certain of the company's deposits receivable and payable are denominated in currencies other than the U.S. dollar, which are converted into the U.S. dollar for reporting purposes. The larger amount of foreign currency revaluation losses in the prior year is a result of fluctuations in the value of the U.S. dollar relative to these other currencies in the prior year as well as a larger notional exposure to foreign currencies.

Income Tax Expense

Income tax expense of \$6 million (2011 – \$10 million) was recorded in 2012. This lower amount of income tax expense in the current period is the result of a decreased amount of taxable income generated by the investment portfolio.

BALANCE SHEET ANALYSIS

(US\$ millions)	December 31, 2012	December 31, 2011
Investment portfolio		
Property		
Brookfield Office Properties	\$ 943	\$ 866
Brookfield Europe	502	465
Brookfield Residential	245	44
Forest products		
Western Forest Products	159	165
Norbord	79	70
Other securities	224	217
Deposits receivable, net	180	243
	2,332	2,070
Accounts payable	1	2
Retractable preferred shares	1,142	1,125
Deferred tax liabilities	58	55
Equity	\$ 1,131	\$ 888

Investment Portfolio

The company's investment portfolio consists of an 11% common share interest in Brookfield Office Properties, a 36% limited partnership interest in Brookfield Europe, an 11% common share interest in Brookfield Residential Properties, a 46% economic interest in Western, an 11% common share interest in Norbord, and a preferred share portfolio.

The company classifies its investment in Brookfield Office Properties as an available-for-sale security and records its investment at fair value with changes in value recorded in other comprehensive income. The company's investment in Brookfield Office Properties consists of 55 million common shares, which increased in value by \$77 million during 2012 due to a \$1.38 increase in the fair value of Brookfield Office Properties' share price from \$15.64 to \$17.02 per share. Further information on Brookfield Office Properties can be found on its website at www.brookfieldofficeproperties.com.

The company classifies its investment in Brookfield Residential Properties as an available-for-sale security and records Brookfield Residential Properties at fair value with changes in value recorded in other comprehensive income. During the fourth quarter of 2012, the company acquired additional eight million common shares for total consideration of \$111 million and increased its ownership interest from 6% to 11%. The share price of Brookfield Residential Properties increased from \$7.82 to \$17.92 per share resulting in a \$90 million increase in the value of the investment. Further information on Brookfield Residential Properties is available through its website at www.brookfieldrp.com.

The company's forest product investments include 205.5 million non-voting common shares and 7.5 million voting common shares of Western Forest Products Inc. ("Western"). Further information on Western is available through its website at www.westernforest.com.

The company's investment in Norbord consists of 4.8 million common shares. Further information on Norbord is available through its website at www.norbord.com.

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 portfolio is classified as available-for-sale with changes in value recorded in other comprehensive income. The carrying value of the portfolio as at December 31, 2012 was \$224 million compared with \$217 million at December 31, 2011. The composition of the company's securities portfolio is summarized below:

(US\$ millions, except number of shares)		Shares	Carrying Value	
			December 31, 2012	December 31, 2011
Security	Class			
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	49	46
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	35	34
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	12	10
BPO Properties Ltd.	Series M preferred shares	760,000	10	9
BPO Properties Ltd.	Series J preferred shares	317,100	4	4
Brookfield Office Properties Inc.	Class AAA Series K preferred shares	20,000	1	1
			\$ 224	\$ 217

Deposits Receivable and Payable

Deposits receivable and payable include funds on deposit with and borrowed from Brookfield, which bear interest at CDOR on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances. The deposits are due on demand.

Retractable Preferred Shares

Retractable preferred shares consist of \$151 million (2011 – \$146 million) Senior Preferred shares and \$991 million (2011 – \$979 million) Junior Preferred shares. The company issued 17.2 million Class 1 Junior Preferred Series B shares during 2011. The Senior and Junior Preferred shares are retractable at the option of the holder.

Deferred Tax Liabilities

Deferred tax liabilities relate primarily to temporary differences between the carrying value and tax value of investments within the investment portfolio.

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, Brookfield, holds, directly and indirectly, \$1,099 million of the company's retractable preferred shares. The remaining \$43 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 generated cash proceeds of \$44 million during the year ended 2012 from the receipt of dividends and interest, compared with \$40 million in 2011. Income from investments was utilized primarily for the payment of dividends related to retractable preferred shares issued by the company, which totalled \$29 million in 2012 (2011 – \$30 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 \$15 million cash flow in operating activities during 2012, compared with \$16 million in 2011.

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

<i>Number of shares</i>	December 31, 2012	December 31, 2011
Common shares	49,847,899	49,847,899
Class 1 Senior Preferred Series A	5,987,195	5,989,095
Class 1 Junior Preferred Series A	17,999,718	17,999,718
Class 1 Junior Preferred Series B	17,200,000	17,200,000

CONTRACTUAL OBLIGATIONS

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	\$ 151	\$ 151	\$ —	\$ —	\$ —
Junior	\$ 991	\$ 991	\$ —	\$ —	\$ —

(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 investments in Brookfield Europe, Western and Norbord using the equity method of accounting. The excess of acquisition costs over the net underlying book value of these investments is considered to be goodwill and is recorded within the investment. 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 Western and 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 common 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.

The company holds a 46% economic interest in Western at the end of 2012. Brookfield exercises control over a 68% economic interest in Western and views its joint interests in Western collectively. Brookfield and the company share officers who are privy to the information that is available to a controlling shareholder and who have the ability to influence the strategic, financing and operating activities of Western. Accordingly, the company's investment in Western is not viewed in isolation from Brookfield's holdings in Western.

In determining the appropriate accounting treatment for its interest in Western and Norbord, the company considered classification of its interest both Western and Norbord as available-for-sale securities 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 insider information. Furthermore, using the market price to determine carrying value could

result in a potentially misleading outcome if either Western or 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 both Western and Norbord.

The company does not exercise significant influence over its investments in Brookfield Office Properties and Brookfield Residential Properties, and accordingly, classifies these investments as available-for-sale securities.

The preparation of financial statements in conformity with International Financial Reporting Standards 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, 2012, 2011 and 2010:

<i>Years ended December 31 (US\$ millions, except per share amounts)</i>	2012	2011	2010
Investment income	\$ 83	\$ 110	\$ 80
Net income	48	70	4
Net income per common share	0.95	1.52	0.09
Total assets	2,332	2,072	1,645
Total liabilities	1,201	1,182	775
Preferred share dividends paid per share			
Class 1 Senior Preferred Series A	\$ 1.18	\$ 1.15	\$ 1.14
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>	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment income (loss)	\$ 32	\$ 31	\$ 16	\$ 4	\$ (8)	\$ 50	\$ 9	\$ 59
Net income (loss)	19	23	9	(3)	(16)	37	2	47
Net income (loss) per common share	0.36	0.47	0.17	(0.05)	(0.35)	0.81	0.04	1.02

The company's investment income consists of equity accounted income and dividend and interest income from the company's investment portfolio and fluctuates due to the amount of equity earnings recorded in a period as well as for changes in interest rates on the company's floating rate investments. Investment income in the third quarter of 2012 and 2011, include \$11 million and \$6 million of dividends on Brookfield Europe's investment in Canary Wharf, respectively. The first quarter of 2011 includes a \$49 million increase in the fair value of Brookfield Europe's investment in Canary Wharf, which is recorded at fair value.

RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At December 31, 2012, securities included \$224 million (December 31, 2011 – \$217 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable include funds on deposit with and borrowed from Brookfield, which bear interest at CDOR 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 2012 from related party securities and deposits totalled \$44 million (2011 – \$40 million).

FUTURE CHANGES IN ACCOUNTING STANDARDS

(i) *Consolidated Financial Statements, Joint Ventures and Disclosures*

In May 2011, the IASB issued three standards: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11"), and IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), and amended two standards: IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new and amended standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted if all the respective standards are simultaneously applied.

IFRS 10 replaces IAS 27 and SIC-12, *Consolidation-Special Purpose Entities* ("SIC-12"). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude it controls an investee: power over the investee's financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 requires continuous reassessment of changes in an investor's power over the investee and changes in the investor's exposure or rights to variable returns. We have yet determined the impact of IFRS 10 and the amendments to IAS 27 on our consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS's. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement and account for their interest using the equity method of accounting under IAS 28. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 12 integrates the disclosure requirements of interests in other entities and requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity, and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12.

(ii) *Fair Value Measurements*

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(iii) *Presentation of Items of Other Comprehensive Income*

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements*: ("IAS 1"). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to equity. Income tax on items of Other Comprehensive Income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. We do not expect the amendments to IAS 1 to have a material impact on our consolidated financial statements.

(iv) *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The company is currently assessing the impact of IFRS 9, 10, 11, 12 and 13 and the amendments to IAS 27 and 28 on its consolidated financial statements.

BUSINESS RISKS AND OUTLOOK

Brookfield Investments' 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. The company's forest product investments are cyclical. Fluctuations in the general level of economic activity in the world's major economies influence the demand for and prices of the various products produced by its investee companies, although the cycles for individual products may be at different phases at any time. The company's earnings from this sector are particularly sensitive to changes in the prices of panelboards and paper. 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 websites as provided earlier in this report.

OTHER MATTERS

Compensation of Directors

Directors of the company who are not full-time employees of either the company or an affiliate of the company are entitled to receive an annual retainer of C\$8,500, with no additional meeting attendance fees. Directors are also reimbursed for travel and other out-of-pocket expenses incurred in connection with attending Board and committee meetings. Directors' compensation arrangements are approved by the Board. The company paid a total of C\$25,500 to the three independent directors during 2012. Messrs. Barratt, Driman and Kelly each received total director's fees of C\$8,500 in 2012 and received no other compensation from the company. Messrs. Dean and Kress received no compensation from the company for serving as a director in 2012.

Executive Compensation

No cash compensation was paid or is payable by the company or its subsidiaries to executive officers of the company in their capacities as such during or in respect of the financial years ended December 31, 2012 and 2011. Brookfield provides management and administrative services to the company but the company did not make any payments to Brookfield during 2012 or 2011 in respect of those services. Mr. Gorgi and Mmes. Chu and Corso are employees of Brookfield and are remunerated by that company. None of their compensation from Brookfield is attributable to their services as executive officers of the company. Since our executive officers are compensated and, other than Mr. Kress, employed by Brookfield, the Board of Directors of the company does not have a compensation committee and does not engage compensation consultants or advisors. Brookfield's compensation policies and practices focus on long-term incentives and are intended to encourage management to make decisions and take actions that will create long-term sustainable cash flow growth and result in improvement in long-term shareholder value as reflected in the increase in the value of Brookfield's Class A Limited Voting Shares. Brookfield has developed formal policies that encourage management to consider the risks related to their decisions and actions and to make decisions and take actions accordingly. Details regarding these policies and on Brookfield's approach to executive compensation generally are set out in "Part Five — Report on Executive Compensation" starting on page 37 of Brookfield's Management Information Circular dated March 20, 2013 which is available on Brookfield's website at www.brookfield.com and SEDAR at www.sedar.com. The Board of Directors has not identified any risks with the company's compensation policies and practices that are reasonably likely to have a material adverse effect on the company.

Audit Committee

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

Additional Information

Additional information relating to the company is available on SEDAR at www.sedar.com.



Derek Gorgi
Vice-President and Chief Financial Officer
March 28, 2013

APPENDIX A

AUDIT COMMITTEE INFORMATION

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 in NI 52-110. Both Messrs. Driman and Kelly are Chartered Accountants. Messrs. Barratt and Kelly have extensive senior level financial management experience with major Canadian public companies. Mr. Driman has extensive financial management experience with charitable foundations and private investment companies.

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.

EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)

The external auditor of the Company for the year ended December 31, 2012 was Deloitte LLP ("Deloitte"), Chartered Accountants, Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2V1. Deloitte & Touche is independent of the company 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 during the years ended December 31, 2012 and 2011:

<i>(US\$ thousands)</i>	2012	2011
Audit Fees	\$ 65	\$ 54
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	\$ 65	\$ 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.

A copy of the charter of the Audit Committee is attached to this Appendix A as Schedule 1. Among other things, this Charter requires that the Audit Committee approve, if permitted by law, the appointment of the company's external auditor to provide any audit service or non-prohibited non-audit service.

EXEMPTION

The company is not relying on the exemption in section 6.1 of NI 52-110 regarding composition of the Audit Committee and its reporting obligations that is available to the company as a venture issuer.

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 "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
 - (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;

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- (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, practices and procedures concerning financial reporting and oversee management responsible for financial reporting and the internal audit function;
 - (r) 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;
 - (s) 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;
 - (t) 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;
 - (u) review periodically, the status of taxation matters of the Corporation;
 - (v) set clear policies for hiring partners and employees and former partners and employees of the external auditor;
 - (w) 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;
 - (x) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and
 - (y) consider other matters of a financial nature as directed by the Board.

REPORTING

The Committee will report at least annually to the Board on:

- (a) the auditor's independence;
- (b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;
- (c) the performance of the Corporation's internal audit function;
- (d) the adequacy of the Corporation's internal controls and disclosure controls;
- (e) 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;
- (f) its review of any other public disclosure document including the annual and interim management's discussion and analysis of financial condition and results of operations;
- (g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and
- (h) 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. This Charter will be reproduced in full as an appendix to the Corporation's annual report.

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 March 28, 2013.

APPENDIX B

CORPORATE GOVERNANCE INFORMATION

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 acts always 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 2012, 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 recommended by Brookfield, the company’s sole 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, at the expense of the company, with Board authorization.

Director compensation is reviewed annually by the Board, taking into account the risks and responsibilities involved in being a director of the company, the requirement to participate in scheduled and special Board meetings, expected participation on committees of the Board and the compensation paid to directors of comparable companies. 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 direct or indirect or relationships with which could, or could reasonably be expected to interfere with the director’s exercise of independent judgment. Messrs. Barratt, Kelly and Kress are also directors of BAM Split Corp., a company listed on the TSX, which owns approximately 8.6% of the shares of Brookfield. Mr. Kress is also a director of BAM Investments Corp., a company listed on the TSX Venture Exchange, which owns approximately 9.1% of the shares of Brookfield, including the

8.6% of the shares of Brookfield that BAM Investments Corp. holds through BAM Split Corp. Mr. Driman is not standing for re-election as a director of BAM Investments Corporation at its 2012 annual meeting of shareholders. Mr. Driman is also a director of West Street Capital Corporation a company listed on the TSX Venture Exchange. 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 sole common shareholder 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.

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 and the independent members of the Board have the authority to call meetings of the Board at any 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 website 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 IFRS, 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 LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements set out on pages 26 through 39 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 30, 2013



Derek Gorgi
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, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2012 and December 31, 2011, 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 International Financial Reporting Standards, 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 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 entity'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 Brookfield Investments Corporation as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

The signature of Deloitte LLP is written in a stylized, cursive script.

Toronto, Canada
April 30, 2013

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<i>(US\$ millions)</i>	Note	December 31 2012	December 31 2011
Assets			
Current assets			
Deposits receivable	3	\$ 180	\$ 243
Securities	4	224	217
Non-current assets			
Investments – Securities			
Brookfield Office Properties Inc.	5	943	866
Brookfield Residential Properties Inc.	5	245	44
Investments – Associates			
Brookfield Europe L.P.	5	502	465
Western Forest Products Inc.	5	159	165
Norbord Inc.	5	79	70
		\$ 2,332	\$ 2,070
Liabilities			
Current liabilities			
Accounts payable		\$ 1	\$ 2
Retractable preferred shares	6	1,142	1,125
Deferred taxes	8	58	55
Equity	7	1,131	888
		\$ 2,332	\$ 2,070

See accompanying notes to the consolidated financial statements

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>	2012	2011
Investment income			
Equity accounted income	5	\$ 32	\$ 67
Dividend and interest income		44	40
Disposition gain		8	—
Foreign exchange (loss) income		(1)	3
		83	110
Expenses			
Interest	6	(29)	(30)
Net income before income taxes		54	80
Income tax expense	8	(6)	(10)
Net income		\$ 48	\$ 70
Net income per common share	7	\$ 0.95	\$ 1.52

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Loss)

<i>Years ended December 31 (US\$ millions)</i>	2012	2011
Net income	\$ 48	\$ 70
Other comprehensive income (loss)		
Foreign currency translation	26	4
Available-for-sale securities - fair value changes	174	(129)
Equity accounted other comprehensive (loss) income	(3)	3
Deferred income tax	(2)	—
	195	(122)
Comprehensive income (loss)	\$ 243	\$ (52)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Common	Disposition		Accumulated Other Comprehensive	
<i>Year ended December 31, 2012 (US\$ millions)</i>	Note	Shares	Gain	Deficit	(Loss) Income	Total
Balance as at December 31, 2011	2	\$1,081	\$ 35	\$ (167)	\$ (61)	\$ 888
Changes in period						
Net income		—	—	48	—	48
Other comprehensive income (loss)						
Foreign currency translation		—	—	—	26	26
Available-for-sale securities - fair value changes		—	—	—	174	174
Equity accounted other comprehensive loss		—	—	—	(3)	(3)
Deferred tax income tax		—	—	—	(2)	(2)
		—	—	48	195	243
Balance as at December 31, 2012		\$1,081	\$ 35	\$ (119)	\$ 134	\$ 1,131

		Common	Disposition		Accumulated Other Comprehensive	
<i>Year ended December 31, 2011 (US\$ millions)</i>	Note	Shares	Gain	Deficit	Income (Loss)	Total
Balance as at December 31, 2010	2	\$1,044	\$ —	\$ (235)	\$ 61	\$ 870
Change in accounting policy		—	—	(2)	—	(2)
Changes in period						
Net income		—	—	70	—	70
Other comprehensive income (loss)						
Foreign currency translation		—	—	—	4	4
Available-for-sale securities - fair value changes		—	—	—	(129)	(129)
Equity accounted other comprehensive income		—	—	—	3	3
Disposition gain on Brookfield Europe L.P.		—	35	—	—	35
Equity issuance		37	—	—	—	37
		37	35	68	(122)	18
Balance as at December 31, 2011		\$1,081	\$ 35	\$ (167)	\$ (61)	\$ 888

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years ended December 31 (US\$ millions)</i>	Note	2012	2011
Cash flow from (used in) operating activities			
Net income		\$ 48	\$ 70
Adjusted for the following:			
Equity accounted income		(32)	(67)
Disposition gain		(8)	—
Future income tax provisions		5	10
Net change in non-cash working capital and other		2	3
		15	16
Cash flow from financing activities			
Preferred share issuance		—	414
Common share issuance		—	37
		—	451
Cash flow from (used in) investing activities			
Investment in Brookfield Residential Properties Inc.		(111)	(57)
Proceeds from sale of investment in Norbord Inc.		—	6
Proceeds from sale of Western Forest Products Inc.		23	—
Investment in Western Forest Products Inc.		—	(162)
Investment in Brookfield Europe L.P.		—	8
		(88)	(205)
Cash and deposits receivable (payable)			
Increase prior to foreign exchange revaluations		(73)	262
Impact of foreign exchange		10	8
Balance, beginning of year		243	(27)
Balance, end of year	12	\$ 180	\$ 243

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Brookfield Investments Corporation ("Brookfield Investments" or the "company") holds investments in the property and forest products sectors, as well as a portfolio of preferred shares issued by companies within the Brookfield Asset Management Inc. group. The company is listed on the TSX Venture exchange under the symbol BRN.PR.A. Brookfield Investments was formed by articles of amalgamation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the company is Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of Compliance

These consolidated financial statements represent the first annual financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the company on March 28, 2013.

(B) Basis of Presentation

The consolidated financial statements of Brookfield Investments are prepared on a going concern basis. They include the accounts of the company and its wholly-owned subsidiaries BPY Holdings 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.

(C) Adoption of Accounting Standard

Income Taxes

The IASB made amendments to IAS 12, Income Taxes ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, Investment Property. The amendments, effective for annual periods beginning on or after January 1, 2012, introduced a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The company has determined that the rebuttable presumption introduced by the amendments to IAS 12 has been overcome for most of its investment properties and has continued to measure deferred taxes on these assets on the basis that the carrying amount of investment properties will be recorded through use. The impact of these amendments on the consolidated financial statements was a reduction in retained earnings of \$2 million as at January 1, 2011.

(D) Deposits Receivable and Payable

Deposits receivable (payable), net of funds payable (receivable) are carried at cost, which approximates fair value. The company places surplus cash on deposit and borrows funds 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. Deposits receivable are classified as loans and receivable, while deposits payable are classified as other financial liabilities.

(E) Securities

Securities are classified as available-for-sale financial instruments and are recorded at fair value with the exception of equity instruments that are not traded in an active market for which a fair value cannot be reliably measured. Such equity investments are measured at cost.

Dividends received on securities are recognized in net income on the record date.

(F) Investments

Investments include investments in associates, which are accounted for using the equity method of accounting and investment securities which are classified as available-for-sale securities.

The company accounts for its long-term investments in Brookfield Europe L.P. ("Brookfield Europe"), Western Forest Products Inc. ("Western") and Norbord Inc. ("Norbord") as associates and accordingly utilizes the equity method of accounting. Interests in investments in associates are initially recognized at cost. If the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is in excess of the company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the company's interest in an investee is adjusted for the company's share of comprehensive income and distributions of the investee.

The company accounts for its investment in Brookfield Office Properties Inc. ("Brookfield Office Properties") and Brookfield Residential Properties Inc. ("Brookfield Residential Properties") as available-for-sale securities with dividends recognized in net income on the record date.

(G) Retractable Preferred Shares

The retractable preferred shares are retractable at the option of the holder, and accordingly are liabilities for accounting purposes. They are classified as other financial liabilities and thus are carried at amortized cost.

(H) Dividend and Interest Income

Dividends from the company's available-for-sale securities are recognized in net income on the record date. Interest income on the company's deposits receivable is recognized in net income when earned.

(I) 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 net income. Foreign currency gains and losses on the company's investments in associates are included in other comprehensive income, which is a separate component of equity.

(J) Critical Judgements and Estimates

The preparation of financial statements in conformity with IFRS requires management to make critical judgements, 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 objective evidence of impairment of equity accounted investments in Brookfield Europe, Norbord and Western; tax and other provisions; and fair values. Critical judgments also include the determination of the level of influence the company exercises over its investments when determining the appropriate basis of accounting for its investments.

(K) Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Current and deferred income tax relating to items recognized directly in equity are also recognized in equity. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is

reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

(L) Future Changes in Accounting Policies

(i) Consolidated Financial Statements, Joint Ventures and Disclosures

In May 2011, the IASB issued three standards: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11"), and IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), and amended two standards: IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new and amended standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted if all the respective standards are simultaneously applied.

IFRS 10 replaces IAS 27 and SIC-12, *Consolidation-Special Purpose Entities* ("SIC-12"). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude it controls an investee: power over the investee's financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 requires continuous reassessment of changes in an investor's power over the investee and changes in the investor's exposure or rights to variable returns. We have yet determined the impact of IFRS 10 and the amendments to IAS 27 on our consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS's. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement and account for their interest using the equity method of accounting under IAS 28. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. We have not yet determined the impact of IFRS 11 and the amendments to IAS 28 on our consolidated financial statements.

IFRS 12 integrates the disclosure requirements of interests in other entities and requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity, and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12.

(ii) *Fair Value Measurements*

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(iii) *Presentation of Items of Other Comprehensive Income*

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements*: ("IAS 1"). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to equity. Income tax on items of Other Comprehensive Income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(iv) *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The company is currently assessing the impact of IFRS 9, 10, 11, 12 and 13 and the amendments to IAS 27 and 28 on consolidated financial statements.

3. DEPOSITS RECEIVABLE AND DEPOSITS PAYABLE

Deposits receivable and payable include the company's cash balances, as well as funds receivable from (payable to) companies under common control, net of funds due to (from) the same parties.

As at December 31, 2012, the balance included \$nil British pounds (December 31, 2011 – receivables of \$485 million), receivable of \$522 million (December 31, 2011 – payables \$4 million) denominated in Canadian dollars and payables of \$342 million (December 31, 2011 – \$238 million) denominated in U.S. dollars.

The fair value of the deposits receivable (payable) approximated their carrying value as at December 31, 2012 and December 31, 2011.

4. SECURITIES

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, 2012 was \$224 million compared with \$217 million at December 31, 2011.

In accordance with IFRS 7, *Financial Instruments: Disclosures*, \$50 million (December 31, 2011 – \$48 million) of the company's securities measured at fair value are categorized as Level 1, whereby the fair value measurements are determined using unadjusted quoted prices in active markets. Securities of \$61 million (December 31, 2011 – \$56 million) are measured at estimated fair values categorized as Level 2, whereby the fair value measurements are determined using observable market-based inputs such as a liquidity premium and dividend yield on securities with similar characteristics. The remaining \$113 million (December 31, 2011 – \$113 million) are recorded at cost, as the company cannot reliably measure their fair value.

The composition of the company's securities portfolio as at December 31, 2012 and December 31, 2011 is summarized below:

(US\$ millions, except number of shares)		Shares	Carrying Value	
			December 31	December 31
Security	Class		2012	2011
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	49	46
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	35	34
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	12	10
BPO Properties Ltd.	Series M preferred shares	760,000	10	9
BPO Properties Ltd.	Series J preferred shares	317,100	4	4
Brookfield Office Properties Inc.	Class AAA Series K preferred shares	20,000	1	1
			\$ 224	\$ 217

5. INVESTMENTS

Investments consist of available-for-sale securities and equity accounted investments.

Available-for-sale securities are recorded at fair value using unadjusted quoted prices in active markets, with changes in value recorded in other comprehensive income. Equity accounted associates are originally recorded at cost and are adjusted for the company's proportionate share of equity accounted comprehensive income and dividends received. The following table summarizes the company's investments at December 31, 2012 and 2011:

(millions, except %)		Accounting	Ownership		Carrying Value	
		Methodology	shares/ownership %		(U.S.)	
			2012	2011	2012	2011
Brookfield Office Properties Inc.	Available-for-sale		55.4/11%	55.4/11%	\$ 943	\$ 866
Brookfield Residential Properties Inc.	Available-for-sale		13.7/11%	5.7/6%	245	44
					1,188	910
Brookfield Europe LP	Associate investment		n/a/36%	n/a/36%	502	465
Western Forest Product	Associate investment		213.1/46%	233.4/49%	159	165
Norbord	Associate investment		4.8/11%	4.8/11%	79	70
					740	700
Total					\$ 1,928	\$ 1,610

The company's parent company, Brookfield, controls Norbord and Western and collectively views its joint interests in Norbord and Western. Brookfield and the company share common offices who are privy to information that is available to a controlling shareholder and as such the company exercises significant influence over Norbord and Western. As a result, the company accounts for Norbord and Western using the equity method of accounting.

The following table presents the gross assets and liabilities of the company's investments in associates:

(US\$ millions)	December 31, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Brookfield Europe	\$ 1,880	\$ 491	\$ 1,859	\$ 567
Norbord	1,115	729	1,070	770
Western	608	249	606	266
Total	\$ 3,603	\$ 1,469	\$ 3,535	\$ 1,603

The following table presents the revenue and net income of the company's investments in associates:

(US\$ millions)	Year ended December 31, 2012			Year ended December 31, 2011		
	Revenue	Net Income	Share of Net Income	Revenue	Net Income (Loss)	Share of Net Income (Loss)
Brookfield Europe	\$ 98	\$ 44	\$ 16	\$ 108	\$ 186	\$ 67
Norbord	1,149	72	8	965	(11)	(1)
Western	926	17	8	862	24	1
Total	\$ 2,173	\$ 133	\$ 32	\$ 1,935	\$ 199	\$ 67

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.

(US\$ millions, except number of shares)	December 31 2012	December 31 2011
5,987,195 Class 1 Senior Preferred Shares, Series A (2011 – 5,989,095)	\$ 151	\$ 146
17,999,718 Class 1 Junior Preferred Shares, Series A (2011 – 17,999,718)	558	558
17,200,000 Class 1 Junior Preferred Shares, Series B (2011 – 17,200,000)	433	421
	\$ 1,142	\$ 1,125

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 Series A 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 following rights and privileges apply to the outstanding Class 1 Junior Preferred Series B shares:

- (i) entitlement to cumulative quarterly dividends calculated on the issue price of C\$25.00 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 C\$25.00 per share plus declared and unpaid dividends thereon.

The dividend payments on the preferred shares of \$29 million (2011 – \$30 million) are classified as interest expense.

7. EQUITY

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

<i>(US\$ millions)</i>	December 31 2012	December 31 2011
Common shares	\$ 1,081	\$ 1,081
Disposition gain	35	35
Deficit	(119)	(167)
Accumulated other comprehensive income (loss)	134	(61)
	\$ 1,131	\$ 888

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. There were 49,847,899 common shares outstanding as at December 31, 2012 (December 31, 2011 – 49,847,899).

8. 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 deferred 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 deferred income tax liability balance of \$58 million are deferred income tax assets of \$5 million related to non-capital losses that are available to reduce taxable income which may arise in the future.

The effective tax rate of 11% differs from the statutory rate of 27% 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.

The major components of income tax expense (recovery) include the following:

<i>(US\$ millions)</i>	December 31 2012	December 31 2011
Total current income tax expense (recovery)	\$ 1	\$ —
Total deferred income tax expense	5	10
Total income tax expense	\$ 6	\$ 10

<i>(US\$ millions)</i>	December 31 2012	December 31 2011
Statutory income tax rate	27%	28%
Tax receivable at statutory rate	\$ 14	\$ 24
(Reductions) increase in income tax expense resulting from:		
Non-taxable dividends	(7)	(11)
Income subject to capital gains rates	(10)	(9)
Non-deductible interest on preferred shares	8	8
Other	1	(2)
Tax expense recorded	\$ 6	\$ 10

Deferred income tax assets and liabilities as at December 31, 2012 and December 31, 2011 relate to the following:

<i>(US\$ millions)</i>	December 31 2012	December 31 2011
Non-capital losses	\$ 5	\$ 1
Difference in basis	(63)	(56)
Total net deferred tax liability	\$ (58)	\$ (55)
Deferred income tax asset	\$ 5	\$ 1
Deferred income tax liability	(63)	(56)
Total net deferred tax liability	\$ (58)	\$ (55)

The following table details the expiry date of the deferred tax assets:

<i>(US\$ millions)</i>	December 31 2012	December 31 2011
After 2027	\$ 6	\$ 1
	\$ 6	\$ 1

The sources of deferred tax balances and movements are as follows:

<i>(US\$ millions)</i>	Recognized in			
	December 31 2011	Income	Equity	Other December 31 2012
Deferred tax assets related to non-capital losses	\$ 1	\$ (1)	\$ —	\$ 5
Deferred tax assets related to difference in tax and book basis, net	(56)	(4)	(2)	(1)
	\$ (55)	\$ (5)	\$ (2)	\$ 4

<i>(US\$ millions)</i>	Recognized in			
	January 1 2011	Income	Equity	December 31 2011
Deferred tax assets related to non-capital losses	\$ 3	\$ (2)	\$ —	\$ 1
Deferred tax assets related to difference in tax and book basis, net	(43)	(8)	(5)	(56)
	\$ (40)	\$ (10)	\$ (5)	\$ (55)

The company has unrecognized capital losses of approximately \$150 million (2011– \$171 million) which can be carried forward indefinitely.

9. 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, 2012 by approximately \$2.0 million (2011 – \$2.3 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 \$0.6 million (2011 – \$5.7 million) before tax. Similarly, a one percent increase in the U.S. dollar against the British pound in which the company operated would incur \$nil impact to the company's net income (2011 – \$4.8 million decrease) 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 Office Properties and Brookfield Residential. 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 \$13.0 million (2011 – \$10.1 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, \$1,099 million (December 31, 2011 – \$1,085 million) of the company's retractable preferred shares. The remaining \$43 million (December 31, 2011 – \$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:

(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	\$ 151	\$ 151	\$ —	\$ —	\$ —
Junior	\$ 991	\$ 991	\$ —	\$ —	\$ —

(1) Retractable at the option of the holder, as described above in Note 7

10. RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At December 31, 2012, securities included \$224 million (December 31, 2011 – \$217 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 \$44 million (2011 – \$40 million). Transactions conducted with related parties are recorded at the exchange amounts.

11. 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 \$1,142 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, 2012, there were 49,847,899 common shares, 5,987,195 Class 1 Series A Senior Preferred Shares, 17,999,718 Class 1 Series A Junior Preferred Shares and 17,200,00 Class 1 Series B Junior Preferred Shares issued and outstanding. During 2012, the company redeemed 1,900 Class 1 Series A Senior Preferred Shares.

12. 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, 2012 was \$31 million (2011 - \$28 million).

13. SUBSEQUENT EVENT

On March 15, 2013, Brookfield announced the spin-off of its commercial property assets into Brookfield Property Partners, which occurred on April 15, 2013. As part of the transaction, the company exchanged its direct investment in Brookfield Office Properties and certain of its preferred share portfolio for a 10.6% economic interest in Brookfield Property Partners.

CORPORATE INFORMATION

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Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company

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**

DIRECTORS

John P. Barratt¹

Corporate Director

Howard Driman¹

Director of Finance

UIA Federations Canada

James R. Kelly¹

Corporate Director

Edward C. Kress

Group Chairman, Power

Brookfield Asset Management Inc.

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Chairman and President

Derek Gorgi

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

