

Brookfield Investments Corporation

STOCK SYMBOL: BRN.PR.A (TSX)

Q1/2008 INTERIM REPORT TO SHAREHOLDERS **FOR THE THREE MONTHS ENDED MARCH 31, 2008**

To The Shareholders:

Brookfield Investments Corporation today announced net income for the three months ended March 31, 2008 of \$57 million, compared to a net loss of \$4 million for the same period last year. The results for the first quarter of 2008 reflect other income of \$105 million, as described further below, partly offset by a \$23 million net loss from the company's forest product investments.

OPERATING RESULTS

Panelboard investments, held through Norbord Inc., contributed a net loss of \$13 million for the first three months of 2008, compared with a net loss of \$6 million for the same period last year. Prices for oriented strandboard dropped to their lowest levels since 2001, reflecting weaker U.S. housing starts, poor weather and new OSB capacity coming on stream. Other forest product investments, held through Fraser Papers Inc., contributed a net loss of \$10 million, compared to a net loss of \$5 million last year. Improvements during the first quarter of 2008 at pulp and paper operations were more than offset by losses in lumber operations caused by weak lumber markets and high input prices.

Other income for the first quarter of 2008 was \$105 million, up from \$18 million last year due mainly to a \$31 million interim dividend declared by Canary Wharf Group and a \$64 million revaluation gain on the Norbord exchangeable debentures.

CORPORATE

The company's Board of Directors declared the regular quarterly dividend of C\$0.29375 per share on its Senior Preferred shares, Series A payable on June 30, 2008 to shareholders of record on June 20, 2008.

On behalf of the Board of Directors,



Edward C. Kress
Chairman and Chief Executive Officer
May 14, 2008

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

This section of our interim report includes management's discussion and analysis of the financial results ("MD&A") of Brookfield Investments Corporation (the "company") for the most recent period. The MD&A is intended to provide you with an assessment of our performance over the first three months of 2008 and the comparable period in the prior year, as well as our financial position, performance objectives and future prospects. The financial data included in this section were prepared in accordance with Canadian generally accepted accounting principles.

The information in this section should be read in conjunction with our unaudited consolidated financial statements, which are included on pages 5 through 10 of this report and the MD&A and consolidated financial statements contained in our most recent annual report. Additional information is available on SEDAR's web site at www.sedar.com.

The company's principal investments as at March 31, 2008 are a 49% common share interest in Fraser Papers Inc. ("Fraser Papers"), a specialty paper and lumber company with operations in Canada and the United States; a 42% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the U.S.A. and the United Kingdom; a 15% ownership interest in Canary Wharf Group, plc ("Canary Wharf"), which owns a complex of commercial properties in London, United Kingdom; and a 5% common share interest in Brookfield Properties Corporation ("Brookfield Properties"), a commercial property company with operations in Canada and the United States. Brookfield Investments also holds a preferred share portfolio, consisting of preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Properties.

INCOME ANALYSIS

Brookfield Investments Corporation reported net income of \$57 million for the first three months of 2008, compared to a net loss of \$4 million in the first three months of 2007. The results for the first quarter of 2008 reflect other income of \$105 million, as described further below, partly offset by a \$23 million net loss from the company's forest product investments.

The company's investments in the forest product sector consists of a 42% interest in Norbord and a 49% interest in Fraser Papers. These investments contributed a net loss of \$23 million for the three months ended March 31, 2008 compared with a net loss of \$11 million for the same period of 2007. Panelboard investments, held through Norbord, contributed a net loss of \$13 million for the first three months of 2008, compared with a loss of \$6 million for the same period last year. Prices for oriented strandboard dropped to their lowest levels since 2001, reflecting weaker U.S. housing starts, poor weather and new OSB capacity coming on stream. Other forest product investments, held through Fraser Papers, contributed a net loss of \$10 million, compared to a loss of \$5 million last year. Improvements during the first quarter of 2008 at pulp and paper operations were more than offset by losses in lumber operations caused by weak lumber markets and high input prices.

A foreign exchange gain of \$3 million was recorded in the first three months of 2008, compared with a loss of \$2 million for the same period in 2007. The gain and loss resulted from converting the company's Canadian dollar and British pound denominated monetary assets and liabilities to United States dollars.

Other income, which includes interest on the company's investment in loans made to affiliates, dividend income, and a revaluation gain on the exchangeable debentures issued by the company that are exchangeable into 20 million Norbord common shares, was \$105 million for the three months ended March 31, 2008 compared to \$18 million for the same period in 2007. Dividend income for the first quarter of 2008 includes a \$31 million interim dividend declared by Canary Wharf Group.

Interest expense includes \$3 million in respect of the exchangeable debentures, as well as \$7 million related to the retractable preferred shares dividend payment.

BALANCE SHEET ANALYSIS

The company's long-term investments at March 31, 2008 consisted of a 49% common share interest in Fraser Papers, a 42% common share interest in Norbord, a 15% ordinary share interest in Canary Wharf and a 5% common share interest in Brookfield Properties.

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

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

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

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

Accounts payable includes \$98 million representing the debentures exchangeable into 20 million Norbord common shares, which will mature on September 30, 2029.

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

LIQUIDITY AND CAPITAL RESOURCES

The company's cash flow from operations was \$7 million for the three months ended March 31, 2008, compared to \$1 million for the same period in 2007. Cash flow used in financing activities amounted to \$nil during the three months ended March 31, 2008, compared to \$101 million for the same period in 2007. Cash flow used in investing activities amounted to \$7 million during the three months ended March 31, 2008, compared to \$100 million generated for the same period in 2007.

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains funds on deposit and securities, which with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, \$591 million of the company's retractable preferred shares. The remaining \$113 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.

CONTRACTUAL OBLIGATIONS

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

US\$ millions	Payments Due by Period				
	Total	Less Than One Year	1-3 Years	4-5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾	\$704	\$704	\$ —	\$ —	\$ —

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

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

SUMMARY FINANCIAL INFORMATION

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

US\$ million, except per share amounts	2008		2007				2006		
	Q1	Q4	Q3	Q2	Q1		Q4	Q3	Q2
Income (loss)	\$ 85	\$ (4)	\$ 24	\$ (58)	\$ 5		\$ 13.7	\$ 168.4	\$ 42.7
Net income (loss)	\$ 57	\$ (14)	\$ 14	\$ (68)	\$ (4)		\$ 4.2	\$ 158.7	\$ 15.8
Net income (loss) per common share	\$ 1.24	\$ (0.29)	\$ 0.30	\$ (1.47)	\$ (0.09)		\$ 0.09	\$ 3.45	\$ 0.34

Net income during the first quarter of 2008 was \$57 million compared to a loss of \$4 million for the same period in 2007. The net income in the first quarter of 2008 reflects the loss contributed from the company's forest product investments, offset by an interim dividend declared by Canary Wharf and a revaluation gain on the exchangeable debentures issued by the company.

BUSINESS RISKS AND OUTLOOK

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. The company's commercial property investments are subject to general economic conditions as well as risks specifically associated with the commercial property market. Despite current economic conditions, Brookfield Investments Corporation believes that, over the longer term, the environment is favourable for the operations of its investees. A further discussion on the risks associated with each of our investments is included in Management's Discussion and Analysis in each of their respective annual reports, which can be accessed through SEDAR at www.sedar.com or through their web sites as provided earlier in this report.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not reviewed these financial statements.



Sachin G. Shah
Vice-President and Chief Financial Officer

May 14, 2008

Note:

This interim report contains forward-looking statements concerning the company's business and operations. The company cautions that, by their nature, forward-looking statements involve risk and uncertainty and the company's actual results could differ materially from those expressed or implied in such statements. Reference should be made to the company's most recent Annual Information Form for a description of the major risk factor.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(unaudited)</i>	<i>Three months ended March 31</i>	
<i>US\$ millions, except per share amounts</i>	<i>2008</i>	<i>2007</i>
Income		
Equity loss from Norbord Inc.	\$ (13)	\$ (6)
Equity loss from Fraser Papers Inc.	(10)	(5)
Foreign exchange gain (loss)	3	(2)
Other income	105	18
	85	5
Expenses		
Interest	10	9
Current income taxes	1	—
Future income taxes	17	—
	28	9
Net income (loss)	\$ 57	\$ (4)
Net income (loss) per common share	\$ 1.24	\$ (0.09)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(unaudited)</i>	<i>Three months ended March 31</i>	
<i>US\$ millions</i>	<i>2008</i>	<i>2007</i>
Net income (loss)	\$ 57	\$ (4)
Other comprehensive income (loss)		
Foreign currency translation	3	(11)
Available-for-sale securities	(2)	9
	1	(2)
Comprehensive income (loss)	\$ 58	\$ (6)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

<i>(unaudited)</i>	<i>Three months ended March 31</i>	
<i>US\$ millions</i>	<i>2008</i>	<i>2007</i>
Balance, beginning of period	\$ (120)	\$ —
Transition adjustment - January 1, 2007	—	32
Other comprehensive income (loss)	1	(2)
Balance, end of period	\$ (119)	\$ 30

CONSOLIDATED STATEMENTS OF DEFICIT

<i>(unaudited)</i>		<i>Three months ended March 31</i>	
<i>US\$ millions</i>	Note	2008	2007
Deficit, beginning of period		\$ (347)	\$ (267)
Change in accounting policy	2	1	(8)
Net income (loss) for the period		57	(4)
Deficit, end of period		\$ (289)	\$ (279)

CONSOLIDATED BALANCE SHEETS

<i>US\$ millions</i>	Note	March 31 2008	December 31 2007
		<i>(unaudited)</i>	
Assets			
Loans receivable		\$ 208	\$ 230
Securities		286	294
Investment in Norbord Inc.		168	181
Investment in Fraser Papers Inc.		149	129
Investment in Canary Wharf Group, plc		256	256
Investment in Brookfield Properties Corporation		358	357
Accounts receivable		31	—
		\$ 1,456	\$ 1,447
Liabilities			
Accounts payable		\$ 99	\$ 162
Future tax liability		17	—
Retractable preferred shares	3	704	708
Shareholders' equity	4	636	577
		\$ 1,456	\$ 1,447

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> US\$ millions	<i>Three months ended March 31</i>	
	2008	2007
Cash flow from (used in) operating activities		
Net income (loss)	\$ 57	\$ (4)
Adjusted for the following non-cash items		
Excess of equity loss over dividends received	29	16
Net change in non-cash working capital balances	(79)	(11)
	7	1
Cash flow used in financing activities		
Share redemption	—	(101)
	—	(101)
Cash flow from (used in) investing activities		
Investment in Fraser Papers Inc.	(29)	—
Investment in Norbord Inc.	(6)	(3)
Loans receivable	28	103
	(7)	100
Net change and closing cash balance	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Reference is made to the most recently issued Annual Report of the company, which includes information necessary or useful for understanding the company's businesses and financial statement presentation. In particular, the company's significant accounting policies and practices are presented as Note 2 to the Consolidated Financial Statements included in that Report, and have been consistently applied in the preparation of these interim financial statements.

The interim financial statements are unaudited. Financial information in this interim report reflects any adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with Canadian generally accepted accounting principles.

The results reported in these financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current period's presentation.

2. CHANGES IN ACCOUNTING POLICIES

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosure and Presentation* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the company on January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the company on January 1, 2008.

Inventories

In June 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was a \$1 million increase of opening retained earnings.

3. RETRACTABLE PREFERRED SHARES

	<i>March 31</i>	<i>December 31</i>
<i>US\$ millions, except number of shares</i>	2008	2007
5,990,785 Class 1 Senior Preferred Shares, Series A (2007 – 5,990,785)	\$ 146	\$ 150
17,999,718 Class 1 Junior Preferred Shares, Series A (2007 – 17,999,718)	558	558
	\$ 704	\$ 708

4. SHAREHOLDERS' EQUITY

	<i>March 31</i>	<i>December 31</i>
<i>US\$ millions, except number of shares</i>	2008	2007
46,040,326 Common shares (2007 – 46,040,326)	\$ 1,044	\$ 1,044
Deficit	(289)	(347)
Accumulated other comprehensive income	(119)	(120)
	(408)	(467)
	\$ 636	\$ 577

5. RISK MANAGEMENT

The company's investments expose it to a variety of market risks, including currency risk, interest rate risk, and equity 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 three months ended March 31, 2008 by approximately \$0.3 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 loans receivable.

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 (decrease) in the U.S. dollar against all the currencies in which the company operates would increase (decrease) the company's net income for the three months ended March 31, 2008 by approximately \$0.9 million before tax, primarily from exposure to the Canadian dollar and British pound.

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, long-term investments and Norbord exchangeable debentures. A one percent change in equity markets would change the fair value of the company's equity investments recorded in other comprehensive income and net income by \$4.1 million and \$1.0 million, respectively, before tax.

6. 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, \$704 million of retractable preferred shares and \$98 million of long-term exchangeable debentures. 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 March 31, 2008, there were 46,040,326 common shares issued and outstanding, 5,990,785 Class 1 Series A Senior preferred shares, and 17,999,718 Class 1 Series A Junior preferred shares. There have been no changes in the company's issued and outstanding capital during the three months ended March 31, 2008.

CORPORATE INFORMATION

Brookfield Investments Corporation

Enquires relating to the operations of the company should be directed to the company's Head Office:

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

CIBC Mellon Trust Company

Questions about shareholdings, dividends, address changes or lost certificates should be directed to CIBC Mellon Trust Company:

P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: 416-643-5500 or
1-800-387-0825
Facsimile: 416-643-5501

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