

Brookfield Investments Corporation

INTERIM REPORT Q1 2011

STOCK SYMBOL : BRN.PR.A (TSX Venture Exchange)

Brookfield Investments Corporation reported net income of \$47 million for the three months ended March 31, 2011 compared with a net loss of \$42 million in the same period in the prior year. Net income per common share was \$1.02 compared to a loss of \$0.91 in the prior year. The current quarter includes a \$49 million gain on the company's indirect investment in Canary Wharf Group plc, which is held through its investment in Brookfield Europe L.P. The prior period includes \$46 million of non-cash foreign exchange losses.

Dividend and interest income for the first three months of 2011 was \$10 million, compared to \$8 million for the same period in 2010. Dividend payments, classified as interest expense, totalled \$7 million for the first three months of 2011, consistent with the payment in 2010. Panelboard investments, held through Norbord Inc., contributed \$nil for the first three months of 2011, compared to a net loss of \$1 million for the same period in 2010. The company's investment in Brookfield Europe L.P. contributed \$3 million of income in the first quarter of 2010.

On behalf of the Board:



Edward C. Kress
Chairman and President
May 25, 2011

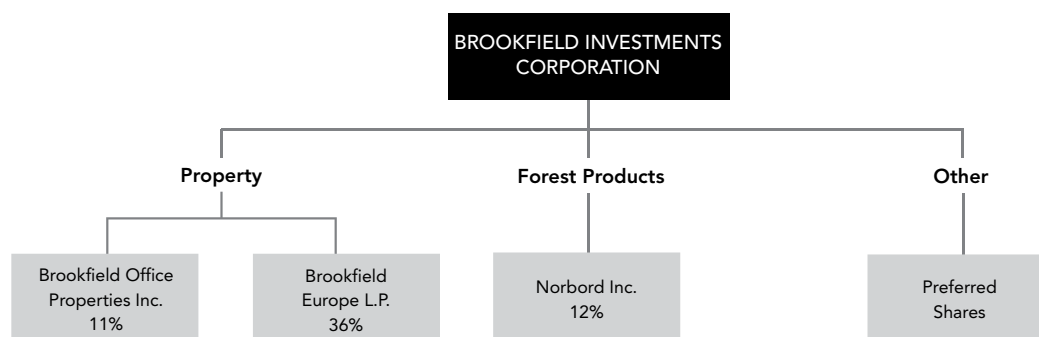
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of our interim report includes management's discussion and analysis of our financial results ("MD&A") 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 2011 and the comparable period in the prior year, 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. group.

Brookfield Investments' principal investments are a 11% common share interest in Brookfield Office Properties Inc. ("Brookfield Office Properties"), a commercial property company with operations in Canada and the United States; a 36% limited partnership interest in Brookfield Europe L.P. ("Brookfield Europe"), which owns commercial office properties and property developments in Europe; and a 12% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the United States and the United Kingdom; Brookfield Investments also holds a preferred share portfolio, including preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Office Properties.

The company's ownership interests in these investments are shown in the following chart:



The following analysis describes the components of the company's revenues and expenses for the first three months of 2011, the related assets and liabilities, and the business environment for its operations as at March 31, 2011.

The company's functional currency is the United States dollar ("U.S. dollar"), because most of its revenues are denominated in that currency and a significant portion of its investments have the U.S. dollar as their functional currency. Accordingly, its financial results are reported in U.S. dollars, and all financial information is presented in U.S. dollars unless otherwise indicated.

All financial data included in 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 unaudited consolidated financial statements, which are included on pages 10 through 21 of this interim report. Additional information is available on the company's web site at www.brookfieldinvestments.com and on SEDAR's web site at www.sedar.com.

INCOME ANALYSIS

Brookfield Investments reported net income of \$47 million for the three months ended March 31, 2011 compared with a net loss of \$42 million in the same period in the prior year. Net income per common share was \$1.02 compared to a loss of \$0.91 in the prior year. The current quarter includes a \$49 million gain on the company's indirect investment in Canary Wharf Group plc, which is held through its investment in Brookfield

Dividend and interest income for the first three months of 2011 was \$10 million, compared to \$8 million for the same period in 2010. Dividend payments, classified as interest expense, totalled \$7 million for the first three months of 2011, consistent with the payment in 2010. Panelboard investments, held through Norbord Inc., contributed \$nil for the first three months of 2011, compared to a net loss of \$1 million for the same period in 2010. The company's investment in Brookfield Europe L.P. contributed \$3 million of income in the first quarter of 2010.

BALANCE SHEET ANALYSIS

Brookfield Investments' long-term investments at March 31, 2011 consisted of an 11% common share interest in Brookfield Office Properties, a 36% limited partnership interest in Brookfield Europe, and a 12% common share interest in Norbord.

The company classifies its investment in Brookfield Office Properties as an available-for-sale security and records the 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 shares and increased by \$3 million during the first three months of 2011 due to a \$0.06 increase in the fair value of Brookfield Office Properties' share price from \$17.55 to \$17.61 per share, with a corresponding adjustment recorded in other comprehensive income. Further information on Brookfield Office Properties can be found on its web site at www.brookfieldofficeproperties.com.

During the first quarter of 2011, the company decreased its ownership in Brookfield Europe from 42% to 36% following an equity issuance in which the company did not participate. As a result, a dilution gain of \$35 million was recorded directly to equity.

The company's investment in Norbord consists of 5 million common shares. Further information on Norbord is available through its web site at www.norbord.com.

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.

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 fair value of the portfolio as at March 31, 2011 was \$243 million compared with \$234 million at December 31, 2010. The composition of the company's securities portfolio is summarized below:

			Carrying Value	
<i>US\$ millions, except number of shares</i>				
Security	Class	Shares	March 31, 2011	December 31, 2010
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	62	57
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	36	28
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	14	12
BPO Properties Ltd.	Series M preferred shares	760,000	12	11
BPO Properties Ltd.	Series J preferred shares	317,100	5	5
Brookfield Office Properties Inc.	Class AAA Series K preferred shares	20,000	1	1
			\$ 243	\$ 227

LIQUIDITY AND CAPITAL RESOURCES

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains funds on deposit and securities which, with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, \$669 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 and deposits generated cash proceeds of \$10 million from the receipt of dividends and interest for the three months ended March 31, 2011, compared with \$8 million for the same period in 2010. Income from investments was utilized primarily for the payment of dividends related to retractable preferred shares issued by the company, which totalled \$7 million for the three months ended March 31, 2011 (2010 – \$7 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 reduced the balance of the underlying investment.

The company generated \$3 million of cash flow in operating activities for the three months ended March 31, 2011, compared with \$1 million generated for the same period in 2010. Cash flow from financing activities amounted to \$65 million for the three months ended March 31, 2011 (2010 – \$nil), which related to a special distribution from Brookfield Europe following the disposition of Brookfield Europe's construction operations.

CONTRACTUAL OBLIGATIONS

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

		Payments Due by Period			
<i>US\$ millions</i>	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 154	\$ 154	\$ —	\$ —	\$ —
Junior	\$ 558	\$ 558	\$ —	\$ —	\$ —

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

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

The company does not exercise significant influence over its investment in Brookfield Office Properties.

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 three months ended March 31, 2011 and 2010, and for the years ended December 31, 2010, 2009 and 2008:

	IFRS	IFRS	IFRS	C GAAP	C GAAP
	Three months ended March 31		Years ended December 31		
<i>US\$ millions, except per share amounts</i>	2011	2010	2010	2009	2008
Investment income (loss)	\$ 59	\$ (36)	\$ 39	\$ (50)	\$ 124
Net income (loss)	47	(42)	4	(130)	55
Net income (loss) per common share	1.02	(0.91)	0.09	(2.82)	1.19
Total assets	1,749	1,450	1,645	1,133	1,062
Preferred share dividends paid per share					
Class 1 Senior Preferred Series A	\$ 0.30	\$ 0.28	\$ 1.14	\$ 1.03	\$ 1.10
Class 1 Junior Preferred Series A	0.31	0.31	1.24	1.24	1.24

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

US\$ millions, except per share amounts	IFRS					C GAAP		
	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Investment income (loss)	\$ 59	\$ 6	\$ 32	\$ 37	\$ (36)	\$ —	\$ (73)	\$ 22
Net income (loss)	47	(3)	24	25	(42)	(73)	(82)	32
Net income (loss) per common share	1.02	(0.06)	0.52	0.54	(0.91)	(1.59)	(1.77)	0.70

Net income during the first quarter of 2011 was \$47 million compared to a net loss of \$42 million for the same period in 2010. Net income in the first quarter of 2011 is mainly attributable to a \$49 million increase in the fair value of Brookfield Europe's investment in Canary Wharf. The first quarter of 2010 includes \$46 million of foreign exchange revaluation losses. The third and fourth quarter of 2009 include foreign exchange losses of \$50 million and a \$67 million write-off of the company's investment in Fraser Papers, respectively.

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

	March 31, 2011	December 31, 2010
Common shares	46,040,326	46,040,326
Class 1 Senior Preferred Series A	5,989,785	5,989,785
Class 1 Junior Preferred Series A	17,999,718	17,999,718

RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At March 31, 2011, securities included \$243 million (December 31, 2010 – \$227 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 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 the first three months of 2011 from related party securities and deposits totalled \$10 million (2010 – \$8 million).

During the first quarter of 2011, Brookfield Europe completed an equity issuance in which the company did not participate and accordingly diluted its ownership from 42% to 36%. The company recorded a \$35 million gain on the dilution directly in equity.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards will replace Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the company has adopted IFRS effective January 1, 2011 and has prepared the interim financial statements using IFRS. Prior to the adoption of IFRS, the company's financial statements were prepared in accordance with Canadian GAAP. The company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

(i) Significant differences between IFRS and Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure.

The following discussion highlights the significant new standards that the company has adopted under IFRS and the effect on the comparative period results of operations and financial position as previously reported under Canadian GAAP as well as the possible effects going forward.

- *Available-for-sale equity securities not traded in an active market*
From time-to-time, the company holds investments in equity securities classified as available-for-sale that do not have a quoted price in an active market. Under Canadian GAAP these securities were recorded at cost. Under IFRS where the fair value of such securities can be reliably measured, such securities are recorded at their estimated fair value with changes in fair value recorded in other comprehensive income.
- *Differences related to equity accounted investments*
The company exercises significant influence over Brookfield Europe and Norbord and accordingly uses the equity method to account for these investments. Under IFRS, the company continues to equity account for these investments, however, the equity earnings or losses the company recognizes related to its investment in these companies are determined in accordance with IFRS as opposed to the amount determined under Canadian GAAP. Brookfield Europe accounts for its investment properties at fair value under IAS 40 *Investment Property*. In addition, Brookfield Europe records its investment in Canary Wharf at fair value under IFRS, whereas it was previously held at cost under Canadian GAAP. Accordingly, any changes in the fair value of investment properties held by Brookfield Europe and of its investment in Canary Wharf are recorded in net income. Other differences identified by these investees in determining their results in accordance with IFRS will also affect both the company's equity earnings and carrying amounts of its investments.

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

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and provides limited optional exemptions in specified areas of certain standards from this general requirement. The company has elected to reset the cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010 with the offset recorded to retained earnings. The company did not elect any additional optional exemptions on adoption of IFRS.

FUTURE CHANGES IN ACCOUNTING POLICIES

(i) Financial instruments

IFRS 9 *Financial instruments* ("IFRS 9") was issued by the International Accounting Standard 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, 2013. The company has not yet determined the impact of IFRS 9 on its financial statements.

(ii) Income Taxes

In December 2010, 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. The amendments introduce 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 amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The company has not yet determined the impact of the amendments to IAS 12 on its 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 web sites as provided earlier in this report.



Derek E. Gorgi
Vice-President and Chief Financial Officer
May 25, 2011

FORWARD-LOOKING INFORMATION

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

Although the company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking information and statements because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking information and statements.

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

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i> US\$ millions	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Deposits receivable	4	\$ 45	\$ —	\$ 3
Securities	5	243	227	190
Non-current assets				
Investments - Securities				
Brookfield Office Properties Inc.	6	976	973	672
Investments - Associates				
Brookfield Europe L.P.	6	405	366	332
Norbord Inc.	6	80	79	79
		\$ 1,749	\$ 1,645	\$ 1,276
Liabilities				
Current liabilities				
Deposits payable	4	\$ —	\$ 27	\$ —
Retractable preferred shares	7	712	708	700
Deferred taxes		54	40	36
Equity	8	983	870	540
		\$ 1,749	\$ 1,645	\$ 1,276

On behalf of the Board:



Edward C. Kress
Director



John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(unaudited)</i>		Three months ended March 31	
<i>US\$ millions, except per share amounts</i>	<i>Note</i>	2011	2010
Investment income			
Equity accounted income from Brookfield Europe L.P.		\$ 49	\$ 3
Equity accounted loss from Norbord Inc.		—	(1)
Dividend and interest income		10	8
Foreign exchange loss		—	(46)
		59	(36)
Expenses			
Interest	7	7	7
Net income (loss) before income taxes		52	(43)
Income tax (expense) recovery		(5)	1
Net income (loss)		\$ 47	\$ (42)
Net income (loss) per common share	8	\$ 1.02	\$ (0.91)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(unaudited)</i>		Three months ended March 31	
<i>US\$ millions</i>		2011	2010
Net income (loss)		\$ 47	\$ (42)
Other comprehensive income			
Foreign currency translation		10	(21)
Available-for-sale securities		19	197
Equity accounted other comprehensive income (loss)		6	(1)
Deferred income tax		(4)	1
		31	176
Comprehensive income		\$ 78	\$ 134

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i>				Accumulated	
<i>US\$ millions</i>				Other	
<i>Three months ended March 31, 2011</i>	Common	Disposition		Comprehensive	
	Shares	Gain	Deficit	Income	Total
Balance as at December 31, 2010	\$ 1,044	\$ —	\$ (235)	\$ 61	\$ 870
Changes in period					
Net income	—	—	47	—	47
Other comprehensive income					
Foreign currency translation	—	—	—	10	10
Available-for-sale securities	—	—	—	19	19
Equity accounted other comprehensive income	—	—	—	6	6
Deferred income tax	—	—	—	(4)	(4)
Disposition of Brookfield Europe	—	35	—	—	35
	—	35	47	31	113
Balance as at March 31, 2011	\$ 1,044	\$ 35	\$ (188)	\$ 92	\$ 983

<i>(unaudited)</i>				Accumulated	
<i>US\$ millions</i>				Other	
<i>Three months ended March 31, 2010</i>	Common			Comprehensive	
	Shares	Deficit		Loss	Total
Balance as at January 1, 2010	\$ 1,044	\$ (239)		\$ (265)	\$ 540
Changes in period					
Net loss	—	(42)		—	(42)
Other comprehensive income					
Foreign currency translation	—	—		(21)	(21)
Available-for-sale securities	—	—		197	197
Equity accounted other comprehensive loss	—	—		(1)	(1)
Deferred income tax	—	—		1	1
	—	(42)		176	134
Balance as at March 31, 2010	\$ 1,044	\$ (281)		\$ (89)	\$ 674

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i>		Three months ended March 31	
<i>US\$ millions</i>	Note	2011	2010
Cash flow from (used in) operating activities			
Net income (loss)		\$ 47	\$ (42)
Adjusted for the following:			
Equity accounted income		(49)	(2)
Income tax provisions		5	(1)
Net change in non-cash items		—	46
		3	1
Cash flow from financing activities			
Brookfield Europe		65	—
		65	—
Cash and deposits receivable (payable)			
Increase prior to foreign exchange revaluations		68	1
Impact of foreign exchange		4	(41)
Balance, beginning of period		(27)	3
Balance, end of period	11	\$ 45	\$ (37)

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. Brookfield Investments was formed by articles of amalgamation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of Compliance

These consolidated financial statements of the company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

As these interim financial statements are the company's first financial statements prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements for the comparative annual period.

Certain information that has not changed from the information disclosed in the company's 2010 Canadian GAAP annual financial statements has not been included in these interim financial statements. This information can be found in the notes to the company's 2010 annual Canadian GAAP financial statements. These interim financial statements should be read in consideration of the IFRS transition disclosures included in Note 3 to these financial statements and the additional annual disclosures included herein.

These financial statements were authorized for issuance by the Board of Directors of the company on May 25, 2011, and have been prepared by and are the responsibility of the company's management. The company's independent auditor has not reviewed these financial statements.

(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 BPO LCB Inc. and Brookfield Investments International Corporation. All intercompany transactions and balances have been eliminated. The company's functional and reporting currency is U.S. dollars.

(C) 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 with and borrowed from its parent, Brookfield Asset Management Inc. ("Brookfield") at market interest rates. These deposits are available on demand and are used by the company to fund its cash requirements.

(D) 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 can not be reliably measured.

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

(E) 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") 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") as an available-for-sale security with dividends recognized in net income on the record date.

(F) 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.

(G) 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 and Norbord; tax and other provisions; and fair values. Actual results could differ from those estimates.

(H) Future Changes in Accounting Policies

(i) Financial instruments

IFRS 9 *Financial instruments* ("IFRS 9") was issued by the 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, 2013. The company has not yet determined the impact of IFRS 9 on its financial statements.

(ii) Income Taxes

In December 2010, 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* ("IAS 40"). The amendments introduce 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 amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The company has not yet determined the impact of the amendments to IAS 12 on its financial statements.

3. TRANSITION TO IFRS

The company has adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS the company prepared its financial statements in accordance with Canadian GAAP. The company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Accordingly, the company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. The company's transition date is January 1, 2010 (the "transition date") and the company has prepared its opening IFRS balance sheet at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 1. The company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements.

(A) Elected exemptions from full retrospective application

These consolidated financial statements have been prepared in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The company has elected to reset the cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010 with the offset recorded to retained earnings. The company did not elect any additional exemptions on adoption of IFRS.

(B) Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 the company has applied the mandatory exception to full retrospective application of IFRS regarding estimates. Specifically, hindsight was not used to create or revise estimates and accordingly the estimates previously made by the company under Canadian GAAP are consistent with their application under IFRS.

(C) Significant differences between IFRS and Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has no impact on the cash flows generated by the company, however, the adoption of IFRS resulted in changes to the reported financial position and results of operations of the company.

The following tables and discussion highlight the significant new standards that the company has adopted under IFRS and the effect on the comparative period results of operations and financial position as previously reported under Canadian GAAP as well as the possible effects going forward.

(i) Reconciliation of equity as reported under Canadian GAAP to IFRS

The following is a reconciliation of the company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at the transition date:

January 1, 2010 US\$ millions	Note	Common Shares	Deficit	Accumulated Other Comprehensive Loss	Total Equity
As reported under Canadian GAAP		\$ 1,044	\$ (421)	\$ (204)	\$ 419
Deposits receivable and securities	(a)	—	15	(79)	(64)
Investments - Associates	(b)	—	210	2	212
Foreign currency translation	(c)	—	(17)	17	—
Deferred income tax	(d)	—	(26)	(1)	(27)
As reported under IFRS		\$ 1,044	\$ (239)	\$ (265)	\$ 540

The following is a reconciliation of the company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at March 31, 2010:

<i>US\$ millions</i>	Note	Common Shares	Deficit	Accumulated Other Comprehensive Loss	Total Equity
As reported under Canadian GAAP		\$ 1,044	\$ (467)	\$ (30)	\$ 547
Deposits receivable and securities	(a)	—	15	(65)	(50)
Investments - Associates	(b)	—	214	(11)	203
Foreign currency translation	(c)	—	(17)	17	—
Deferred income tax	(d)	—	(26)	—	(26)
As reported under IFRS		\$ 1,044	\$ (281)	\$ (89)	\$ 674

The following is a reconciliation of the company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at December 31, 2010:

<i>US\$ millions</i>	Note	Common Shares	Deficit	Accumulated Other Comprehensive Income	Total Equity
As reported under Canadian GAAP		\$ 1,044	\$ (445)	\$ 95	\$ 694
Deposits receivable and securities	(a)	—	15	(46)	(31)
Investments - Associates	(b)	—	242	(4)	238
Foreign currency translation	(c)	—	(17)	17	—
Deferred income tax	(d)	—	(30)	(1)	(31)
As reported under IFRS		\$ 1,044	\$ (235)	\$ 61	\$ 870

a) *Available-for-sale equity securities not traded in an active market*

From time-to-time, the company holds investments in equity securities classified as available-for-sale that do not have a quoted price in an active market. Under Canadian GAAP these securities were recorded at cost. Under IFRS, where the fair value of equity securities not actively traded can be reliably measured, they are recorded at their estimated fair value with changes in fair value recorded in other comprehensive income.

b) *Differences related to equity accounted investments*

The company exercises significant influence over Brookfield Europe and Norbord and accordingly uses the equity method to account for these investments. Under IFRS, the company continues to equity account for these investments, however, the equity earnings or losses the company recognizes related to its investment in these companies are determined in accordance with IFRS as opposed the Canadian GAAP. Brookfield Europe accounts for its investment properties at fair value under IAS 40. In addition, Brookfield Europe records its investment in Canary Wharf at fair value under IFRS, whereas it was previously held at cost under Canadian GAAP. Accordingly, any changes in the fair value of investment properties held by Brookfield Europe and of its investment in Canary Wharf are recorded in net income. Other differences identified by these investees in determining their results in accordance with IFRS will also affect both the company's equity earnings and carrying amounts of its investments.

c) *Cumulative Translation Differences*

The company has elected to reset the previously accumulative cumulative translation account, which is included in accumulative other comprehensive income in equity, to zero at the transition date.

d) *Deferred Taxes*

The decrease in equity related to deferred taxes reflects the change in temporary difference resulting from the effect of the IFRS and Canadian GAAP adjustments described.

(ii) *Reconciliation of net income as reported under Canadian GAAP to IFRS*

The following is a reconciliation of the company's net income reported in accordance with Canadian GAAP to its net income in accordance with IFRS for the year ended December 31, 2010 and the three months ended March 31, 2010:

<i>US\$ millions</i>	Three months ended March 31, 2010	Year ended December 31, 2010
As reported under Canadian GAAP	\$ (46)	\$ (24)
Investments - Associates	4	32
Deferred income tax	—	(4)
As reported under IFRS	\$ (42)	\$ 4

(iii) *Reconciliation of comprehensive income as reported under Canadian GAAP to IFRS*

The following is a reconciliation of the company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010 and the three months ended March 31, 2010:

<i>US\$ millions</i>	Three months ended March 31, 2010	Year ended December 31, 2010
As reported under Canadian GAAP	\$ 128	\$ 275
Securities	14	33
Investments - Associates	(9)	26
Deferred income tax	1	(4)
As reported under IFRS	\$ 134	\$ 330

4. 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 March 31, 2011, the balance included receivables of \$563 million (December 31, 2010 – \$483 million) denominated in British pounds, payables of \$330 million (December 31, 2010 – \$312 million) denominated in Canadian dollars and payables of \$188 million (December 31, 2010 – \$198 million) denominated in U.S. dollars.

The fair value of the deposits receivable (payable) approximated their carrying value as at March 31, 2011 and December 31, 2010.

5. 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 March 31, 2011 was \$243 million compared with \$227 million at December 31, 2010 and \$190 million at January 1, 2010.

In accordance with IFRS 7 *Financial Instruments: Disclosures*, \$54 million (December 31, 2010 – \$45 million, January 1, 2010 – \$40 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 \$76 million (December 31, 2010 – \$69 million, January 1, 2010 – \$37 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, 2010 – \$113 million, January 1, 2010 – \$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 March 31, 2011, December 31, 2010 and January 1, 2010 is summarized below:

US\$ millions, except number of shares			Carrying Value		
			March 31, 2011	December 31, 2010	January 1, 2010
Security	Class	Shares			
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	62	57	31
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	36	28	27
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	14	12	6
BPO Properties Ltd.	Series M preferred shares	760,000	12	11	9
BPO Properties Ltd.	Series J preferred shares	317,100	5	5	4
Brookfield Office Properties Inc.	Class AAA Series K preferred shares	20,000	1	1	—
			\$ 243	\$ 227	\$ 190

6. INVESTMENTS

Investments consist of available-for-sale securities and investments in associates.

The company holds 55,404,605 common shares (2010 – 55,404,605) of Brookfield Office Properties, representing an 11% interest (2010 – 11%) at \$976 million (2010 – \$973 million). The company classifies its investment in Brookfield Office Properties as an available-for-sale security and records the investment at fair value with changes in value recorded in other comprehensive income.

The company owns a 36% (2010 – 42%) limited partnership interest in Brookfield Europe at \$405 million (2010 – \$366 million). During the quarter, the company decreased its ownership in Brookfield Europe from 42% to 36% following an equity issuance in which the company did not participate. As a result, a dilution gain of \$35 million was recorded directly to equity.

The company owns 5,203,402 common shares (2010 – 5,203,402) of Norbord, representing a 12% interest (2010 – 12%) at \$80 million (2010 – \$79 million). The company's parent company, Brookfield, controls Norbord and views its joint interests in Norbord collectively. Brookfield and the company share common offices who are privy to information that is available to a controlling shareholder and as a result the company exercises significant influence over Norbord. The market value of the investment in Norbord amounted to \$81 million as at March 31, 2011 (December 31, 2010 – \$76 million).

The following table presents the gross assets and liabilities of our investments in associates:

(US\$ millions)	March 31, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Brookfield Europe	\$ 1,889	\$ 768	\$ 2,004	\$ 1,133	\$ 2,148	\$ 1,359
Norbord	1,123	778	1,118	787	1,105	784
Total	\$ 3,012	\$ 1,546	\$ 3,122	\$ 1,920	\$ 3,253	\$ 2,143

The following table presents the gross and net income of our investments in associates:

(US\$ millions)	Three months ended March 31, 2011			Year ended December 31, 2010			Three months ended March 31, 2010		
	Revenue	Net Income (Loss)	Share of Net Income	Revenue	Net Income	Share of Net Income	Revenue	Net Income (Loss)	Share of Net Income (Loss)
Brookfield Europe	\$ 33	\$ 135	\$ 49	\$ 470	\$ 107	\$ 45	\$ 52	\$ 7	\$ 3
Norbord	253	(2)	—	962	13	2	197	(7)	(1)
Total	\$ 286	\$ 133	\$ 49	\$ 1,432	\$ 120	\$ 47	\$ 249	\$ —	\$ 2

7. RETRACTABLE PREFERRED SHARES

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

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

<i>US\$ millions, except number of shares</i>	March 31, 2011	December 31, 2010	January 1, 2010
5,989,785 Class 1 Senior Preferred Shares, Series A (2010 – 5,989,785)	\$ 154	\$ 150	\$ 142
17,999,718 Class 1 Junior Preferred Shares, Series A (2010 – 17,999,718)	558	558	558
	\$ 712	\$ 708	\$ 700

The retractable preferred shares are retractable at the option of the holder and, accordingly, are considered liabilities for accounting purposes.

The following rights and privileges apply to the outstanding Class 1 Senior Preferred shares:

- (i) entitlement to cumulative quarterly dividends calculated on the issue price of C\$25.00 per share at a fixed rate of 4.70% per annum; and
- (ii) in the case of the Senior Preferred shares Series A, redeemable at the option of the company or the holder at C\$25.00 per share plus accrued and unpaid dividends thereon.

The following rights and privileges apply to the outstanding Class 1 Junior Preferred shares:

- (i) entitlement to non-cumulative quarterly dividends calculated on the issue price of \$31.00 per share at 4%, as and when declared by the Board of Directors of the company; and
- (ii) redeemable at the option of the company or the holder at any time at \$31.00 per share plus declared and unpaid dividends thereon.

During the three months ended March 31, 2011, the dividend payments on the preferred shares which are classified as interest expense, were \$7 million (2010 – \$7 million).

8. EQUITY

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

Issued and Outstanding:

<i>US\$ millions</i>	March 31, 2011	December 31, 2010	January 1, 2010
Common shares	\$ 1,044	\$ 1,044	\$ 1,044
Disposition gain	35	—	—
Deficit	(188)	(235)	(239)
Accumulated other comprehensive income (loss)	92	61	(265)
	\$ 983	\$ 870	\$ 540

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 46,040,326 common shares outstanding as at March 31, 2011 (December 31, 2010 – 46,040,326).

9. RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At March 31, 2011, securities included \$243 million (December 31, 2010 – \$227 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 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 the first three months of 2011 from related party securities and deposits totalled \$10 million (2010 – \$8 million).

During the first quarter of 2011, Brookfield Europe completed an equity issuance in which the company did not participate and accordingly diluted its ownership from 42% to 36%. The company recorded a \$35 million gain on the dilution directly in equity.

10. CAPITAL MANAGEMENT

The company's objective is to provide its shareholders with stable income returns and capital appreciation. The company's assets are financed primarily with common shares and \$712 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 March 31, 2011, there were 46,040,326 common shares, 5,989,785 Class 1 Series A Senior preferred shares, and 17,999,718 Class 1 Series A Junior preferred shares issued and outstanding. There have been no changes in the company's issued and outstanding capital during the three months ended March 31, 2011 and 2010.

11. OTHER INFORMATION

Cash dividend received for the three months ended March 31, 2011 was \$10 million (March 31, 2010 – \$9 million). Cash interest paid for the three months ended March 31, 2011 was \$7 million (March 31, 2010 – \$7 million).

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PERIOD END

March 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**

Brookfield Investments Corporation

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