

Brookfield Investments Corporation

INTERIM REPORT Q2 2011

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

Brookfield Investments Corporation reported net income of \$2 million or \$0.04 per common share for the three months ended June 30, 2011, compared to \$25 million or \$0.54 per share for the same period in the prior year. The current quarter includes \$2 million of unrealized foreign exchange losses compared to \$13 million of unrealized foreign exchange gains for the same period in 2010. Net income in the prior year also included a \$10 million mark-to-market gain on the company's European commercial office properties which are held through its investment in Brookfield Europe L.P.

Dividend and interest income increased by \$2 million to \$10 million for the three months ended June 30, 2011. Dividend payments of \$8 million on the company's retractable preferred shares, which are classified as interest expense, were consistent with the prior period. The company's investment in Brookfield Europe L.P. contributed \$1 million of net income, whereas in the prior year it contributed \$12 million, which included the \$10 million unrealized gain noted above. Panelboard investments, held through Norbord Inc., contributed \$nil for the second quarter of 2011, compared to a net income of \$4 million for the same period in 2010.

On behalf of the Board:



Edward C. Kress
Chairman and President
August 24, 2011

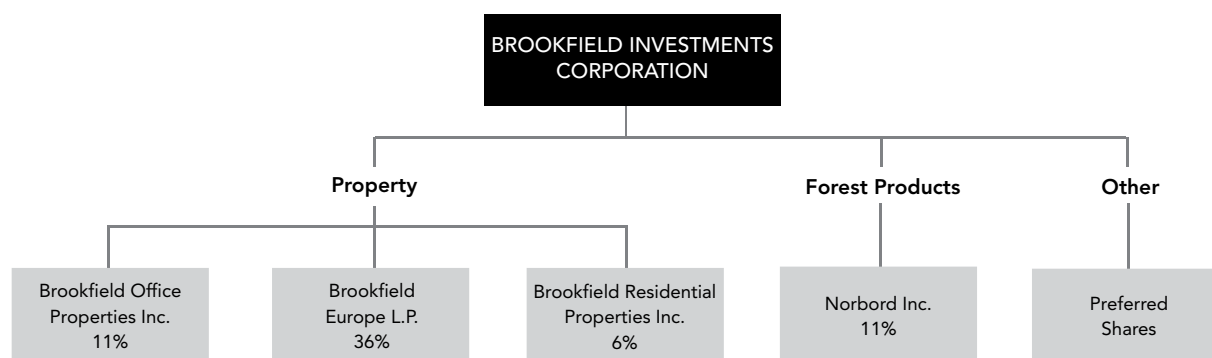
MANAGEMENT'S DISCUSSION & ANALYSIS

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 second quarter 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: an 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; a 6% interest common share interest in Brookfield Residential Properties Inc. ("Brookfield Residential Properties"), a land developer and homebuilder with operations throughout North America; 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 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 three months ended June 30, 2011, the related assets and liabilities, and the business environment for its operations as at June 30, 2011.

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 unaudited consolidated financial statements, which are included on pages 11 through 23 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 Corporation reported net income of \$2 million or \$0.04 per common share for the three months ended June 30, 2011, compared to \$25 million or \$0.54 per share for the same period in the prior year. The current quarter includes \$2 million of unrealized foreign exchange losses compared to \$13 million of unrealized foreign exchange gains for the same period in 2010. Net income in the prior year also included a \$10 million mark-to-market gain on the company's European commercial office properties which are held through its investment in Brookfield Europe L.P.

Dividend and interest income increased by \$2 million to \$10 million for the three months ended June 30, 2011. Dividend payments of \$8 million on the company's retractable preferred shares, which are classified as interest expense, were consistent with the prior period. The company's investment in Brookfield Europe L.P. contributed \$1 million of net income, whereas in the prior year it contributed \$12 million, which included the \$10 million unrealized gain noted above. Panelboard investments, held through Norbord Inc., contributed \$nil for the second quarter of 2011, compared to a net income of \$4 million for the same period in 2010.

BALANCE SHEET ANALYSIS

Brookfield Investments' long-term investments at June 30, 2011 consisted of an 11% common share interest in Brookfield Office Properties, a 36% limited partnership interest in Brookfield Europe, a 6% common share interest in Brookfield Residential Properties, and an 11% common share interest in Norbord.

The company classifies its investments in Brookfield Office Properties and Brookfield Residential Properties as available-for-sale securities and records them 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 \$93 million during the second quarter of 2011 due to a \$1.68 increase in the fair value of Brookfield Office Properties' share price from \$17.61 to \$19.29 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 second quarter of 2011, the company acquired 6 million common shares of Brookfield Residential Properties, representing a 6% ownership interest, for consideration of \$57 million. Further information on Brookfield Residential Properties is available through its web site at **www.brookfieldrp.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 June 30, 2011 was \$241 million compared with \$227 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	June 30, 2011	December 31, 2010
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	61	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	13	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
			\$ 241	\$ 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, Brookfield, holds, directly and indirectly, \$669 million of the company's retractable preferred shares. The remaining \$44 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 June 30, 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 \$8 million for the three months ended June 30, 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 \$2 million of cash flow in operating activities for the three months ended June 30, 2011, compared with \$1 million for the same period in 2010. Cash flow used in investing activities amounted to \$51 million for the three months ended June 30, 2011 (2010 – \$nil), which related to the acquisition of 6 million Brookfield Residential Properties common shares and partial disposition of Norbord common shares.

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	\$ 155	\$ 155	\$ —	\$ —	\$ —
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 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 six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009 and 2008:

	IFRS	IFRS	IFRS	C GAAP	C GAAP
	Six months ended June 30		Years ended December 31		
<i>US\$ millions, except per share amounts</i>	2011	2010	2010	2009	2008
Investment income (loss)	\$ 68	\$ 1	\$ 39	\$ (50)	\$ 124
Net income (loss)	49	(17)	4	(130)	55
Net income (loss) per common share	1.06	(0.37)	0.09	(2.82)	1.19
Total assets	1,848	1,392	1,645	1,133	1,062
Preferred share dividends paid per share					
Class 1 Senior Preferred Series A	\$ 0.60	\$ 0.57	\$ 1.14	\$ 1.03	\$ 1.10
Class 1 Junior Preferred Series A	0.62	0.62	1.24	1.24	1.24

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

	IFRS						C GAAP	
	2011		2010				2009	
<i>US\$ millions, except per share amounts</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Investment income (loss)	\$ 9	\$ 59	\$ 6	\$ 32	\$ 37	\$ (36)	\$ —	\$ (73)
Net income (loss)	2	47	(3)	24	25	(42)	(73)	(82)
Net income (loss) per common share	0.04	1.02	(0.06)	0.52	0.54	(0.91)	(1.59)	(1.77)

Net income during the second quarter of 2011 was \$2 million compared to a net income of \$25 million for the same period in 2010. Net income in the second quarter is mainly attributable to \$10 million of dividend and interest income offset by \$8 million of interest expense. The second quarter of 2010 includes \$13 million of foreign exchange gains. The first quarter of 2011 includes 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:

	June 30, 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 June 30, 2011, securities included \$241 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 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 the second quarter of 2011 from related party securities and deposits totalled \$10 million (2010 – \$8 million).

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 in association with its sole common shareholder, 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 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, 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.

(iii) *Employee Benefits*

In June 2011, the IASB made amendments to IAS 19, *Employee Benefits* ("IAS 19") that requires entities to provide their obligation resulting from the provision for defined benefit plans and how those obligations affect its financial position, financial performance and cash flow. The amendment provides several improvements, including: eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from remeasurement to be recognized in other comprehensive income, and enhancing the disclosure of the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with earlier application permitted. The company has not yet determined the impact of these amendments on its financial statements.

(iv) *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 Ventures* ("IFRS 11"), IFRS 12, *Disclosures of Involvement with 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 also early 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, 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. The company has not yet determined the impact of IFRS 10 and the amendments to IAS 27 on its consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interest in Joint Ventures* and SIC-31, *Joint 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 IFRSs. 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, *Investments in Associates and Joint Venturers*. 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. The company has not yet determined the impact of IFRS 11 and the amendments to IAS 28 on its consolidated financial statements.

IFRS 12 integrates the disclosure requirements on interests in other entities and requires a parent company to disclose information about significant judgements 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 IFRS 12. The company has not yet determined the impact of IFRS 12 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 price of panelboards. 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
August 24, 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

(unaudited)

US\$ millions	Note	June 30, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Deposits receivable	4	\$ —	\$ —	\$ 3
Securities	5	241	227	190
Non-current assets				
Investments - Securities				
Brookfield Office Properties Inc.	6	1,069	973	672
Brookfield Residential Properties Inc.	6	56	—	—
Investments - Associates				
Brookfield Europe L.P.	6	408	366	332
Norbord Inc.	6	74	79	79
		\$ 1,848	\$ 1,645	\$ 1,276
Liabilities				
Current liabilities				
Deposits payable	4	\$ 3	\$ 27	\$ —
Retractable preferred shares	7	713	708	700
Deferred taxes		54	40	36
Equity	8	1,078	870	540
		\$ 1,848	\$ 1,645	\$ 1,276

On behalf of the Board:



Edward C. Kress
Director



John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)		Three months ended June 30		Six months ended June 30	
US\$ millions, except per share amounts	Note	2011	2010	2011	2010
Investment income					
Equity accounted income from Brookfield Europe L.P.		\$ 1	\$ 12	\$ 50	\$ 15
Equity accounted income from Norbord Inc.		—	4	—	3
Dividend and interest income		10	8	20	16
Foreign exchange (loss) income		(2)	13	(2)	(33)
		9	37	68	1
Expenses					
Interest	7	8	7	15	14
Net income (loss) before income taxes		1	30	53	(13)
Income tax recovery (expense)		1	(5)	(4)	(4)
Net income (loss)		\$ 2	\$ 25	\$ 49	\$ (17)
Net income (loss) per common share	8	\$ 0.04	\$ 0.54	\$ 1.06	\$ (0.37)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Loss)

(unaudited)		Three months ended June 30		Six months ended June 30	
US\$ millions		2011	2010	2011	2010
Net income (loss)		\$ 2	\$ 25	\$ 49	\$ (17)
Other comprehensive income (loss)					
Foreign currency translation		1	(5)	11	(26)
Available-for-sale securities		90	(69)	109	128
Equity accounted other comprehensive income (loss)		—	—	6	(1)
Deferred income tax		2	2	(2)	3
		93	(72)	124	104
Comprehensive income (loss)		\$ 95	\$ (47)	\$ 173	\$ 87

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i>				Accumulated	
<i>US\$ millions</i>				Other	
<i>Three months ended June 30, 2011</i>	Common	Disposition		Comprehensive	
	Shares	Gain	Deficit	Income	Total
Balance as at April 1, 2011	\$ 1,044	\$ 35	\$ (188)	\$ 92	\$ 983
Changes in period					
Net income	—	—	2	—	2
Other comprehensive income					
Foreign currency translation	—	—	—	1	1
Available-for-sale securities	—	—	—	90	90
Equity accounted other comprehensive income	—	—	—	—	—
Deferred income tax	—	—	—	2	2
	—	—	2	93	95
Balance as at June 30, 2011	\$ 1,044	\$ 35	\$ (186)	\$ 185	\$ 1,078

<i>(unaudited)</i>				Accumulated	
<i>US\$ millions</i>				Other	
<i>Three months ended June 30, 2010</i>	Common			Comprehensive	
	Shares	Deficit		Loss	Total
Balance as at April 1, 2010	\$ 1,044	\$ (281)		\$ (89)	\$ 674
Changes in period					
Net income	—	25		—	25
Other comprehensive income (loss)					
Foreign currency translation	—	—		(5)	(5)
Available-for-sale securities	—	—		(69)	(69)
Equity accounted other comprehensive loss	—	—		—	—
Deferred income tax	—	—		2	2
	—	25		(72)	(47)
Balance as at June 30, 2010	\$ 1,044	\$ (256)		\$ (161)	\$ 627

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i>				Accumulated Other Comprehensive	
<i>US\$ millions</i>	Common Shares	Disposition Gain	Deficit	Income	Total
<i>Six months ended June 30, 2011</i>					
Balance as at December 31, 2010	\$ 1,044	\$ —	\$ (235)	\$ 61	\$ 870
Changes in period					
Net income	—	—	49	—	49
Other comprehensive income					
Foreign currency translation	—	—	—	11	11
Available-for-sale securities	—	—	—	109	109
Equity accounted other comprehensive income	—	—	—	6	6
Deferred income tax	—	—	—	(2)	(2)
Disposition of Brookfield Europe L.P.	—	35	—	—	35
	—	35	49	124	208
Balance as at June 30, 2011	\$ 1,044	\$ 35	\$ (186)	\$ 185	\$ 1,078

<i>(unaudited)</i>				Accumulated Other Comprehensive	
<i>US\$ millions</i>	Common Shares	Deficit	Loss		Total
<i>Six months ended June 30, 2010</i>					
Balance as at January 1, 2010	\$ 1,044	\$ (239)	\$ (265)		\$ 540
Changes in period					
Net loss	—	(17)	—		(17)
Other comprehensive income (loss)					
Foreign currency translation	—	—	(26)		(26)
Available-for-sale securities	—	—	128		128
Equity accounted other comprehensive loss	—	—	(1)		(1)
Deferred income tax	—	—	3		3
	—	(17)	104		87
Balance as at June 30, 2010	\$ 1,044	\$ (256)	\$ (161)		\$ 627

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i>		Three months ended June 30		Six months ended June 30	
<i>US\$ millions</i>	Note	2011	2010	2011	2010
Cash flow from (used in) operating activities					
Net income (loss)		\$ 2	\$ 25	\$ 49	\$ (17)
Adjusted for the following:					
Equity accounted income		(1)	(16)	(50)	(18)
Income tax provisions		(1)	5	4	4
Net change in non-cash items		2	(13)	2	33
		2	1	5	2
Cash flow from financing activities					
Brookfield Europe L.P.		—	—	65	—
		—	—	65	—
Cash flow (used in) from investing activities					
Brookfield Residential Properties Inc.		(57)	—	(57)	—
Norbord Inc.		6	—	6	—
		(51)	—	(51)	—
Cash and deposits receivable (payable)					
Increase prior to foreign exchange revaluations		(49)	1	19	2
Impact of foreign exchange		1	7	5	(34)
Balance, beginning of period		45	(37)	(27)	3
Balance, end of period	11	\$ (3)	\$ (29)	\$ (3)	\$ (29)

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

The accounting policies the company expects to adopt in its financial statements as at and for the year ending December 31, 2011 are disclosed in Note 2 of the company's interim financial statements as at and for the three months ended March 31, 2011. 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 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") were included in the company's financial statements as at and for the three months ended March 31, 2011.

These interim financial statements should be read in conjunction with the company's 2010 annual financial statements and in consideration of the IFRS transition disclosures included in Note 3 to these financial statements and the additional annual disclosures required under IFRS included in the company's financial statements as at and for the three months ended March 31, 2011.

These financial statements were authorized for issuance by the Board of Directors of the company on August 24, 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) Changes in Accounting Policies

(i) Related party disclosures

On November 4, 2009, the International Accounting Standards Board ("IASB") issued a revised version of *International Accounting Standards 24, Related Party Disclosures* ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the predecessor standard. The revised standard is effective for annual periods beginning on or after January 1, 2011. The implementation of IAS 24 did not have a material impact to the Company's interim consolidated financial statements.

(C) 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.

(iii) *Employee Benefits*

In June 2011, the IASB made amendments to IAS 19, *Employee Benefits* ("IAS 19") that requires entities to provide their obligation resulting from the provision for defined benefit plans and how those obligations affect its financial position, financial performance and cash flow. The amendment provides several improvements, including; eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from remeasurement to be recognized in other comprehensive income and enhancing the disclosure of the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with earlier application permitted. The company has not yet determined the impact of these amendments on its financial statements.

(iv) *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 Ventures* ("IFRS 11"), IFRS 12, *Disclosures of Involvement with 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 also early 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, 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. The Company has not yet determined the impact of IFRS 10 and the amendments to IAS 27 on its consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interest in Joint Ventures* and SIC-31, *Joint 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 IFRSs. 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, *Investments in Associates and Joint Ventures*. 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. The Company has not yet determined the impact of IFRS 11 and the amendments to IAS 28 on its consolidated financial statements.

IFRS 12 integrates the disclosure requirements on interests in other entities and requires a parent company to disclose information about significant judgements 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 IFRS 12. The Company has not yet determined the impact of IFRS 12 on its consolidated 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:

<i>January 1, 2010</i> <i>US\$ millions</i>	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 June 30, 2010:

<i>US\$ millions</i>	Note	Common Shares	Deficit	Accumulated Other Comprehensive Loss	Total Equity
As reported under Canadian GAAP		\$ 1,044	\$ (450)	\$ (106)	\$ 488
Deposits receivable and securities	(a)	—	15	(59)	(44)
Investments - Associates	(b)	—	223	(14)	209
Foreign currency translation	(c)	—	(17)	17	—
Deferred income tax	(d)	—	(27)	1	(26)
As reported under IFRS		\$ 1,044	\$ (256)	\$ (161)	\$ 627

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 and six months ended June 30, 2010:

<i>US\$ millions</i>	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
As reported under Canadian GAAP	\$ 17	\$ (29)	\$ (24)
Investments - Associates	9	13	32
Deferred income tax	(1)	(1)	(4)
As reported under IFRS	\$ 25	\$ (17)	\$ 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 and six months ended June 30, 2010:

<i>US\$ millions</i>	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
As reported under Canadian GAAP	\$ (59)	\$ 69	\$ 275
Securities	6	20	33
Investments - Associates	6	(3)	26
Deferred income tax	—	1	(4)
As reported under IFRS	\$ (47)	\$ 87	\$ 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 June 30, 2011, the balance included receivables of \$565 million (December 31, 2010 – \$483 million) denominated in British pounds, payables of \$326 million (December 31, 2010 – \$312 million) denominated in Canadian dollars and payables of \$242 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 June 30, 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 June 30, 2011 was \$241 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 \$74 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 June 30, 2011, December 31, 2010 and January 1, 2010 is summarized below:

US\$ millions, except number of shares			Carrying Value		
			June 30, 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	61	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	13	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	—
			\$ 241	\$ 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 Inc., representing an 11% interest (2010 – 11%) at \$1,069 million (2010 – \$973 million). The company classifies its investment in Brookfield Office Properties Inc. as an available-for-sale security and records the investment at fair value with changes in value recorded in other comprehensive income.

During the second quarter, the company acquires 5,673,431 common shares of Brookfield Residential Properties Inc., representing a 6% interest at \$57 million, pursuant to the rights offering by Brookfield Office Properties Inc.

The company owns a 36% (2010 – 42%) limited partnership interest in Brookfield Europe L.P. at \$408 million (2010 – \$366 million). During the first quarter, the company decreased its ownership in Brookfield Europe L.P. 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 4,809,051 common shares (2010 – 5,203,402) of Norbord Inc. ("Norbord"), representing an 11% interest (2010 – 12%) at \$74 million (2010 – \$79 million). The company's parent company, Brookfield Asset Management Inc. ("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 \$60 million as at June 30, 2011 (December 31, 2010 – \$76 million).

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>	June 30, 2011	December 31, 2010	January 1, 2010
5,989,785 Class 1 Senior Preferred Shares, Series A (2010 – 5,989,785)	\$ 155	\$ 150	\$ 142
17,999,718 Class 1 Junior Preferred Shares, Series A (2010 – 17,999,718)	558	558	558
	\$ 713	\$ 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 six months ended June 30, 2011, the dividend payments on the preferred shares which are classified as interest expense, were \$15 million (2010 – \$14 million).

8. EQUITY

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

Issued and Outstanding:

<i>US\$ millions</i>	June 30, 2011	December 31, 2010	January 1, 2010
Common shares	\$ 1,044	\$ 1,044	\$ 1,044
Disposition gain	35	—	—
Deficit	(186)	(235)	(239)
Accumulated other comprehensive income (loss)	185	61	(265)
	\$ 1,078	\$ 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 June 30, 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 June 30, 2011, securities included \$241 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 six months of 2011 from related party securities and deposits totalled \$20 million (2010 – \$16 million).

During the first quarter of 2011, Brookfield Europe L.P. 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 \$713 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 June 30, 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 and six months ended June 30, 2011 and 2010.

11. OTHER INFORMATION

Cash dividend received for the six months ended June 30, 2011 was \$20 million (June 30, 2010 – \$19 million). Cash interest paid for the six months ended June 30, 2011 was \$15 million (June 30, 2010 – \$14 million).

CORPORATE INFORMATION

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PERIOD END

June 30

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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