

Brookfield Investments Corporation

INTERIM REPORT Q1 2012

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

Brookfield Investments Corporation reported net loss of \$3 million or \$0.05 per common share for the three months ended March 31, 2012 compared with net income of \$47 million or \$1.02 per common share for the same period in 2011. The net loss in the current period is the result of the company's share of an impairment of a loan held within Brookfield Europe L.P., whereas the prior year included a higher amount of mark-to-market gains recorded on Brookfield Europe's investment in Canary Wharf.

On behalf of the Board:

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

Edward C. Kress
Chairman and President
May 24, 2012

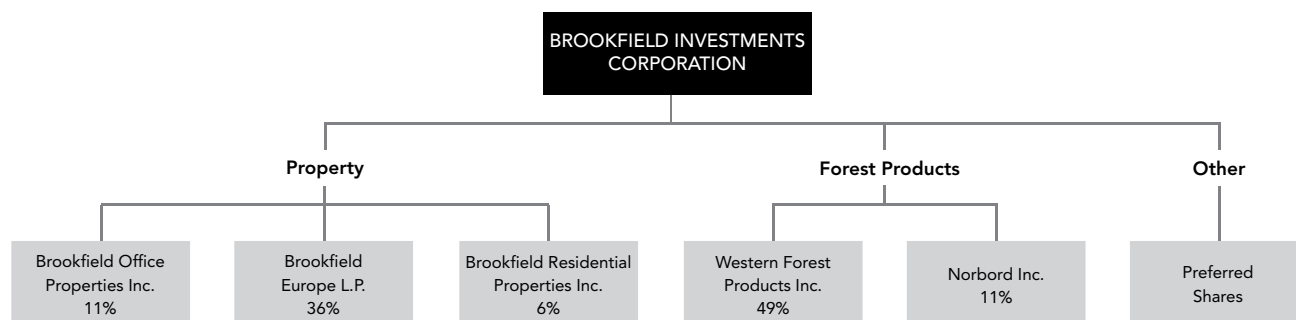
MANAGEMENT'S DISCUSSION & ANALYSIS

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 2012 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. ("Brookfield") group.

Brookfield Investments' principal investments in the property sector are: an 11% common share interest in Brookfield Office Properties Inc. ("Brookfield Office Properties"), a commercial property company with operations in the United States, Canada and Australasia; a 36% limited partnership interest in Brookfield Europe L.P. ("Brookfield Europe"), which owns commercial office properties and property developments in Europe and a 6% interest common share interest in Brookfield Residential Properties Inc. ("Brookfield Residential Properties"), a land developer and homebuilder with operations throughout North America. The company's investments in the forest product sector are comprised of: a 49% economic interest in Western Forest Products Inc. ("Western"), an integrated Canadian forest products company manufacturing timberlands and producing lumber in coastal British Columbia; and an 11% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the United States and the United Kingdom. Brookfield Investments also holds a preferred share portfolio, including preferred shares.

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



The following analysis describes the components of the company's revenues and expenses for the first three months of 2012, the related assets and liabilities, and the business environment for its operations as at March 31, 2012.

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

The information in this section should be read in conjunction with the company's audited consolidated financial statements, which are included on pages 11 through 18 of this interim report. Additional information is available on the company's website at www.brookfieldinvestments.com and on SEDAR's website at www.sedar.com.

ANALYSIS OF NET INCOME

(US\$ millions)	Three months ended March 31	
	2012	2011
Investment income		
Equity accounted (loss) income	\$ (7)	\$ 49
Dividend and interest income		
Brookfield Office Properties	8	8
Other securities	3	2
	4	59
Interest expense	7	7
Net (loss) income before income taxes	(3)	52
Income tax expense	—	5
Net (loss) income	\$ (3)	\$ 47

Investment Income

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

The company recorded \$7 million of equity accounted losses in 2012, compared to \$49 million of equity accounted income for the same period in the prior year. The current period loss was primarily the result of the impairment of a loan held within Brookfield Europe, which is secured by a real estate portfolio, whereas the prior year included a higher amount of mark-to-market gains on Brookfield Europe's investment in Canary Wharf.

Dividend and interest income includes dividends on the company's investment securities and preferred share portfolio and interest on deposits receivable. During the first three months of 2012, the company received \$8 million of dividend income on its investment in Brookfield Office Properties, consistent with the prior year. Dividends and interest earned on the company's other securities increased by \$1 million to \$3 million as a result of a higher amount of deposits receivable in the current period.

Interest Expense

Interest expense includes dividend payments on the company's retractable preferred shares, which were \$7 million in the first three months of 2012, consistent with the same period in 2011.

Foreign Currency Revaluation

Certain of the company's deposits receivable and payable are denominated in currencies other than the U.S. dollar, which are converted into the U.S. dollar for reporting purposes. The larger amount of foreign currency revaluation losses in the prior year is a result of fluctuations in the value of the U.S. dollar relative to these other currencies in the prior year as well as a larger notional exposure to foreign currencies. Foreign currency revaluation in the current period was \$nil (2011 – \$nil).

Income Tax Expense

Income tax expense of \$nil (2011 – \$5 million) was recorded in the first three months of 2012. The higher amount of income tax expense in the prior period is the result of an increased amount of taxable income generated by the investment portfolio.

BALANCE SHEET ANALYSIS

(US\$ millions)	March 31, 2012	December 31, 2011
Investment portfolio		
Property		
Brookfield Office Properties	\$ 966	\$ 866
Brookfield Europe	472	465
Brookfield Residential	59	44
Forest products		
Western Forest Products	169	165
Norbord	70	70
Other securities	225	217
Deposits receivable, net	260	243
	2,221	2,070
Accounts payable	2	2
Retractable preferred shares	1,139	1,125
Deferred tax liabilities	55	55
Equity	\$ 1,025	\$ 888

Investment Portfolio

The company's investment portfolio consists of an 11% common share interest in Brookfield Office Properties, a 36% limited partnership interest in Brookfield Europe, a 6% common share interest in Brookfield Residential Properties, a 49% economic interest in Western, an 11% common share interest in Norbord, and a preferred share portfolio.

The company classifies its investment in Brookfield Office Properties as an available-for-sale security and records its investment at fair value with changes in value recorded in other comprehensive income. The company's investment in Brookfield Office Properties consists of 55.4 million common shares, which increased in value by \$100 million during the first three months of 2012 due to a \$1.79 increase in the fair value of Brookfield Office Properties' share price from \$15.64 to \$17.43 per share. Further information on Brookfield Office Properties can be found on its web site at www.brookfieldofficeproperties.com.

The company classifies its investment in Brookfield Residential Properties as an available-for-sale security and records Brookfield Residential Properties at fair value with changes in value recorded in other comprehensive income. The company's investment in Brookfield Residential Properties consists of 5.7 million common shares, which increase in value by \$15 million during the first quarter of 2012 due to a \$2.71 increase in the fair value of Brookfield Residential Properties' share price from \$7.82 to \$10.53 per share. Further information on Brookfield Residential Properties is available through its web site at www.brookfieldrp.com.

The company's investment in Western consists of 225.9 million non-voting common shares and 7.5 million voting common shares, representing a 49% economic interest. The company exercises significant influence over Western and accordingly utilizes the equity method of accounting for its investment in Western. Further information on Western is available through its web site at www.westernforest.com.

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

The company holds a preferred share portfolio which provides stable cash flow and a source of capital to support its operations and future activities. The portfolio is classified as available-for-sale with changes in value recorded in other comprehensive income. The carrying value of the portfolio as at March 31, 2012 was \$225 million compared with \$217 million at December 31, 2011. The composition of the company's securities portfolio is summarized below:

			Carrying Value	
(US\$ millions, except number of shares)				
Security	Class	Shares	March 31, 2012	December 31, 2011
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	50	46
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	35	34
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	12	10
BPO Properties Ltd.	Series M preferred shares	760,000	10	9
BPO Properties Ltd.	Series J preferred shares	317,100	4	4
Brookfield Office Properties Inc.	Class AAA Series K preferred shares	20,000	1	1
			\$ 225	\$ 217

Deposits Receivable and Payable

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

Retractable Preferred Shares

Retractable preferred shares consist of \$150 million (2011 – \$146 million) Senior Preferred shares and \$989 million (2011 – \$979 million) Junior Preferred shares. The Senior and Junior Preferred shares are retractable at the option of the holder.

Deferred Tax Liabilities

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

LIQUIDITY AND CAPITAL RESOURCES

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains funds on deposit and securities which, with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder, Brookfield, holds, directly and indirectly, \$1,097 million of the company's retractable preferred shares. The remaining \$42 million of retractable preferred shares are held by other holders, and satisfaction of any retractions can be made through the company's general cash resources or through the proceeds from the sale of assets.

The company's investments generated cash proceeds of \$11 million during the three months ended March 31, 2012 from the receipt of dividends and interest, compared with \$10 million for the same period in 2011. 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 first three months ended March 31, 2012 (2011 – \$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 reduce the balance of the underlying investment.

The company generated \$3 million of cash flow in operating activities during the three months ended March 31, 2012, consistent with the same period in 2011.

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

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

CONTRACTUAL OBLIGATIONS

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

(US\$ millions)	Payments Due by Period				
	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 150	\$ 150	\$ —	\$ —	\$ —
Junior	\$ 989	\$ 989	\$ —	\$ —	\$ —

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The company accounts for its investments in Brookfield Europe, Western and Norbord using the equity method of accounting. The excess of acquisition costs over the net underlying book value of these investments is considered to be goodwill and is recorded within the investment. The company evaluates the carrying values of this excess for potential impairment on a regular basis in conjunction with its review of the carrying values of its overall investments.

In making decisions, Brookfield views its joint interests in Western and Norbord collectively rather than viewing its investment through the company as separate from its other holdings.

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

The company owns a 49% economic interest in Western. Brookfield exercises control over a 75% economic interest in Western and views its joint interests in Western collectively. Brookfield and the company share officers who are privy to the information that is available to a controlling shareholder and who have the ability to influence the strategic, financing and operating activities of Western. Accordingly, the company's investment in Western is not viewed in isolation from Brookfield's holdings in Western.

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; assessing other than temporary impairments of long-term investments; tax and other provisions and fair values.

SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected consolidated financial information of the company for the three months ended March 31, 2012 and 2011:

<i>Three months ended March 31 (US\$ millions, except per share amounts)</i>	2012	2011
Investment income	\$ 4	\$ 59
Net (loss) income	(3)	47
Net (loss) income per common share	(0.05)	1.02
Total assets	2,221	1,749
Preferred share dividends paid per share		
Class 1 Senior Preferred Series A	\$ 0.29	\$ 0.30
Class 1 Junior Preferred Series A	0.31	0.31

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

	2012	2011				2010		
<i>(US\$ millions, except per share amounts)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Investment income	\$ 4	\$ 8	\$ 29	\$ 11	\$ 59	\$ 24	\$ 22	\$ 24
Net (loss) income	(3)	(16)	37	2	47	(3)	24	25
Net (loss) income per common share	(0.05)	(0.35)	0.81	0.04	1.02	(0.06)	0.52	0.54

The company's investment income consists of equity accounted income and dividend and interest income from the company's investment portfolio and fluctuates due to the amount of equity earnings recorded in a period as well as for changes in interest rates on the company's floating rate investments. Investment income in the third quarter of 2011 includes a \$6 million of dividend on Brookfield Europe's investment in Canary Wharf. The first and third quarter of 2011 includes a \$49 million and \$10 million increase in the fair value of the company's share in Brookfield Europe's investment in Canary Wharf, which is recorded at fair value.

RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At March 31, 2012, securities included \$225 million (December 31, 2011 – \$217 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable include funds on deposit with and borrowed from Brookfield, which bear interest at CDOR on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand. Dividend and interest income during the first three months of 2012 from related party securities and deposits totalled \$11 million (2011 – \$10 million).

FUTURE CHANGES IN ACCOUNTING STANDARDS

(i) Consolidated Financial Statements, Joint Ventures and Disclosures

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

IFRS 10 replaces IAS 27 and SIC-12, *Consolidation-Special Purpose Entities* ("SIC-12"). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude it controls an investee: power over the investee's financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 requires continuous reassessment of changes in an investor's power over the investee and 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-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable 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. 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 of interests in other entities and requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity, and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12. The company has not yet determined the impact of IFRS 12 on its consolidated financial statements.

(ii) *Fair Value Measurements*

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The company has not determined the impact of IFRS 13 on its consolidated financial statements.

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

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

(iv) *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

BUSINESS RISKS AND OUTLOOK

Brookfield Investments' commercial property investments are subject to general economic conditions as well as risks specifically associated with the commercial property market. The company is also subject to exchange rate risk since its earnings from Brookfield Europe are denominated in pounds sterling and certain securities and loan positions are held in Canadian dollars. The company's forest product investments are cyclical. Fluctuations in the general level of economic activity in the world's major economies influence the demand for and prices of the various products produced by its investee companies, although the cycles for individual products may be at different phases at any time. The company's earnings from this sector are particularly sensitive to changes in the prices of panelboards and paper. A further discussion on the risks associated with each of the company's investments is included in Management's Discussion and Analysis in each of their respective annual reports, which can be accessed through SEDAR at www.sedar.com or through their websites as provided earlier in this report.

Additional Information

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



Derek Gorgi

Vice-President and Chief Financial Officer

May 24, 2012

FORWARD-LOOKING INFORMATION

This interim report contains forward-looking information concerning the Brookfield Investment Corporation business and operations. The words "expect", "believe", "intend", "objective" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "can", "may", "will", "would" or "could" are predictions of or indicate future events, trends or prospects or identify forward-looking information. Forward-looking information in this interim report includes information with respect to the following: the impact of newly-adopted accounting principles on our accounting policies and period-to-period comparisons, potential differences in product cycles, the value of our investments, future income taxes, our ability to generate stable income returns and capital appreciation, fund cash requirements, satisfy share retractions, finance our obligations, determine fair values and other statements with respect to our beliefs, outlooks, plans, expectations and intentions.

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

		(unaudited) March 31 2012	December 31 2011
US\$ millions	Note		
Assets			
Current assets			
Deposits receivable	3	\$ 260	\$ 243
Securities	4	225	217
Non-current assets			
Investments – Securities			
Brookfield Office Properties Inc.	5	966	866
Brookfield Residential Properties Inc.	5	59	44
Investments – Associates			
Brookfield Europe L.P.	5	472	465
Western Forest Products Inc.	5	169	165
Norbord Inc.	5	70	70
		\$ 2,221	\$ 2,070
Liabilities			
Current liabilities			
Accounts payable		\$ 2	\$ 2
Retractable preferred shares	6	1,139	1,125
Deferred taxes		55	55
Equity	7	1,025	888
		\$ 2,221	\$ 2,070

See accompanying notes to the consolidated financial statements

On behalf of the Board:



Edward C. Kress
Director



John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31

(unaudited)

US\$ millions, except per share amounts

	2012	2011
Investment income		
Equity accounted (loss) income	\$ (7)	\$ 49
Dividend and interest income	11	10
	4	59
Expenses		
Interest	7	7
Net income before income taxes	(3)	52
Income tax expense	—	5
Net (loss) income	\$ (3)	\$ 47
Net (loss) income per common share	\$ (0.05)	\$ 1.02

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31

(unaudited)

US\$ millions

	2012	2011
Net (loss) income	\$ (3)	\$ 47
Other comprehensive income		
Foreign currency translation	17	10
Available-for-sale securities - fair value changes	123	19
Equity accounted other comprehensive income	—	6
Deferred income tax	—	(4)
	140	31
Comprehensive income	\$ 137	\$ 78

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i> <i>US\$ millions</i>	Common Shares	Disposition Gain	Deficit	Accumulated Other Comprehensive (Loss) Income	Total
<i>Three months ended March 31, 2012</i>					
Balance as at December 31, 2011	\$1,081	\$ 35	\$(167)	\$ (61)	\$ 888
Changes in period					
Net loss	—	—	(3)	—	(3)
Other comprehensive income					
Foreign currency translation	—	—	—	17	17
Available-for-sale securities - fair value changes	—	—	—	123	123
	—	—	(3)	140	137
Balance as at March 31, 2012	\$1,081	\$ 35	\$(170)	\$ 79	\$1,025

<i>(unaudited)</i> <i>US\$ millions</i>	Common Shares	Disposition Gain	Deficit	Accumulated Other Comprehensive Income	Total
<i>Three months ended March 31, 2011</i>					
Balance as at January 1, 2011	\$1,044	\$ —	\$(235)	\$ 61	\$ 870
Change in accounting policy	—	—	(2)	—	(2)
Changes in period					
Net income	—	—	47	—	47
Other comprehensive income					
Foreign currency translation	—	—	—	10	10
Available-for-sale securities - fair value changes	—	—	—	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	\$(190)	\$ 92	\$ 981

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31

(unaudited)

(US\$ millions)

	2012	2011
Cash flow from (used in) operating activities		
Net (loss) income	\$ (3)	\$ 47
Adjusted for the following:		
Equity accounted loss (income)	7	(49)
Future income tax provisions	—	5
Net change in non-cash working capital and other	(1)	—
	3	3
Cash flow from financing activities		
Brookfield Europe	—	65
	—	65
Cash and deposits receivable		
Increase prior to foreign exchange revaluations	3	68
Impact of foreign exchange	14	4
Balance, beginning of period	243	(27)
Balance, end of period	\$ 260	\$ 45

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011.

The interim financial statements should be read in conjunction with the most recently issued Annual Report of the company which includes information necessary or useful to understanding the company's businesses and financial statement presentation. In particular, the company's significant accounting policies were presented as Note 2 to the Consolidated Financial Statements for the fiscal year ended December 31, 2011 included in that report, and have been consistently applied in the preparation of these interim financial statements, except as noted in 2(B) below.

The interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

These financial statements were authorized for issuance by the Board of Directors of the company on May 24, 2012.

(B) Change in Accounting Policy

Income Taxes

The IASB made amendments to IAS 12, *Income Taxes* ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, *Investment Property*. The amendments, which are effective for annual periods beginning on or after January 1, 2012, introduced a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The impact of on the amendments on the consolidated financial statements is a reduction in retained earnings of \$2 million as at January 1, 2011.

(C) Future Changes in Accounting Standards

(i) Consolidated Financial Statements, Joint Ventures and Disclosures

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

IFRS 10 replaces IAS 27 and SIC-12, *Consolidation-Special Purpose Entities* ("SIC-12"). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude if it controls an investee: power over the investee's financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee and its exposure or rights to variable 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, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement and account for their interest using the equity method of accounting under IAS 28. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. 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 judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12. The company has not yet determined the impact of IFRS 12 on its consolidated financial statements.

(ii) Fair Value Measurements

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The company has not determined the impact of IFRS 13 on its consolidated financial statements.

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

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

(iv) *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, 2015. The company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

3. DEPOSITS RECEIVABLE

As at March 31, 2012, the balance included receivables of \$501 million (December 31, 2011 – \$485 million) denominated in British pounds, payables of \$4 million (December 31, 2011 – \$4 million) denominated in Canadian dollars and payables of \$237 million (December 31, 2011 – \$238 million) denominated in U.S. dollars.

4. SECURITIES

The company holds a preferred share portfolio which provides stable cash flow and a source of capital to support its operations and future activities. The carrying value of the portfolio as at March 31, 2012 was \$225 million compared with \$217 million at December 31, 2011.

5. INVESTMENTS

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

The company holds 55,404,605 common shares (December 31, 2011 – 55,404,605) of Brookfield Office Properties, representing an 11% interest (December 31, 2011 – 11%) at \$966 million (December 31, 2011 – \$866 million).

The company holds 5,673,431 common shares (December 31, 2011 – 5,673,431) of Brookfield Residential Properties, representing a 6% interest (December 31, 2011 – 6% interest) at \$59 million (December 31, 2011 – \$44 million).

The company classifies its investment in Brookfield Office Properties and Brookfield Residential Properties as available-for-sale securities and records the investments at fair value with changes in value recorded in other comprehensive income.

The company owns a 36% (December 31, 2011 – 36%) limited partnership interest in Brookfield Europe at \$472 million (December 31, 2011 – \$465 million).

The company owns 225,938,515 (December 31, 2011 – 225,938,515) non-voting common shares and 7,500,000 (2011 – 7,500,000) voting common shares of Western, representing a 49% economic interest (December 31, 2011 – 49%).

The company owns 4,809,051 common shares (December 31, 2011 – 4,809,051) of Norbord, representing an 11% interest (December 31, 2011 – 11%) at \$70 million (December 31, 2011 – \$70 million). The market value of the investment in Norbord amounted to \$55 million as at March 31, 2012 (December 31, 2011 – \$38 million).

6. RETRACTABLE PREFERRED SHARES

The company is authorized to issue an unlimited amount of Class 1 Senior Preferred shares and Class 1 Junior Preferred shares and consists of the following:

<i>(US\$ millions, except number of shares)</i>	March 31	December 31
	2012	2011
5,987,195 Class 1 Senior Preferred Shares, Series A (2011 – 5,989,095)	\$ 150	\$ 146
17,999,718 Class 1 Junior Preferred Shares, Series A (2011 – 17,999,718)	558	558
17,200,000 Class 1 Junior Preferred Shares, Series B (2011 – 17,200,000)	431	421
	\$ 1,139	\$ 1,125

7. EQUITY

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

The common shares of the company are redeemable at the option of the holder for 95% of the net asset value at the time of redemption. There were 49,847,899 common shares outstanding as at March 31, 2012 (December 31, 2011 – 49,847,899).

CORPORATE INFORMATION

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PERIOD END

March 31

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Corporate Director

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

Howard Driman¹
Director of Finance
UIA Federations Canada

James R. Kelly¹
Corporate Director

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Group Chairman, Power
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*Canadian Stock Transfer Company Inc. acts as
the Administrative Agent for CIBC Mellon Trust
Company*

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

OFFICERS

Edward C. Kress
Chairman and President

Derek Gorgi
Vice-President and Chief Financial Officer

Lisa W. Chu
Vice-President and Controller

Loretta M. Corso
Vice-President and Secretary

1. Member of the Audit Committee

