

Brookfield Investments Corporation

INTERIM REPORT Q3 2012

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

Brookfield Investments Corporation reported net income of \$23 million or \$0.47 per common share for the three months ended September 30, 2012 compared with net income of \$37 million or \$0.81 per common share for the same period in 2011. The company received an \$11 million distribution from its UK property operations in the current quarter, representing a \$5 million increase over the prior year, and benefited from increased prices and improved volumes within its forest products operations. Net income in the same quarter in the prior year included \$21 million of foreign currency translation gains compared to \$3 million of foreign currency losses in the current quarter.

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'E. Kress', with a stylized flourish at the end.

Edward C. Kress
Chairman and President
November 22, 2012

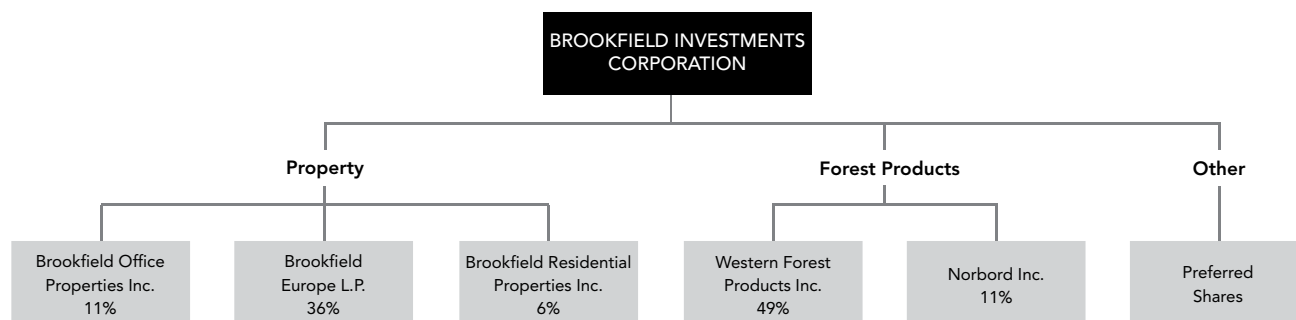
MANAGEMENT'S DISCUSSION & ANALYSIS

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 third quarter 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 three months ended September 30, 2012, the related assets and liabilities, and the business environment for its operations as at September 30, 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 unaudited consolidated financial statements, which are included on pages 11 through 19 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 September 30		Nine months ended September 30	
	2012	2011	2012	2011
Investment income				
Equity accounted income	\$ 23	\$ 19	\$ 20	\$ 69
Dividend and interest income				
Brookfield Office Properties	9	8	25	25
Other securities	2	2	7	5
Foreign exchange (loss) income	(3)	21	(1)	19
	31	50	51	118
Interest expense	8	8	22	23
Net income before income taxes	23	42	29	95
Income tax expense	—	5	—	9
Net income	\$ 23	\$ 37	\$ 29	\$ 86

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 \$23 million of equity accounted income for the three months ended September 30, 2012, compared to \$19 million for the same period in the prior year. The current year income included a \$11 million (2011 – \$6 million) dividend received on the company's indirect investment in Canary Wharf group, which is held through Brookfield Europe, as well as a \$5 million (2011 – \$10 million) increase in the fair value of Canary Wharf's commercial properties, which are recorded at fair value. Panelboard investments, held through Norbord, contributed \$3 million (2011 – \$nil) for the third quarter of 2012, primarily driven by increased prices and improved volumes.

Dividend and interest income includes dividends on the company's investment securities and preferred share portfolio and interest on deposits receivable. During the third quarter of 2012, the company received \$9 million of dividend income on its investment in Brookfield Office Properties, \$1 million higher compared to the prior year.

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 gains 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 \$3 million loss (2011 – \$21 million gain).

Interest Expense

Interest expense reflects dividend payments on the company's retractable preferred shares, which were \$8 million in the third quarter of 2012, consistent with the same period in 2011.

Income Tax Expense

Income tax expense of \$nil (2011 – \$5 million) was recorded in the third quarter of 2012.

BALANCE SHEET ANALYSIS

(US\$ millions)	September 30, 2012	December 31, 2011
Investment portfolio		
Property		
Brookfield Office Properties	\$ 918	\$ 866
Brookfield Europe	498	465
Brookfield Residential	79	44
Forest products		
Western Forest Products	168	165
Norbord	73	70
Other securities	224	217
Deposits receivable, net	271	243
	2,231	2,070
Accounts payable	2	2
Retractable preferred shares	1,147	1,125
Deferred tax liability	55	55
Equity	\$ 1,027	\$ 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 decreased in value by \$47 million during the third quarter of 2012 due to a \$0.85 decrease in the fair value of Brookfield Office Properties' share price from \$17.41 to \$16.56 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 during the third quarter of 2012 due to a \$17 million increase in the fair value of Brookfield Residential Properties' share price from \$10.88 to \$13.96 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 September 30, 2012 was \$224 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	September 30, 2012	December 31, 2011
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 113	\$ 113
BPO Properties Ltd.	Series K preferred shares	236	49	46
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	35	34
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	12	10
BPO Properties Ltd.	Series M preferred shares	760,000	10	9
BPO Properties Ltd.	Series J preferred shares	317,100	4	4
Brookfield Office Properties Inc.	Class AAA Series K preferred shares	20,000	1	1
			\$ 224	\$ 217

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 \$152 million (2011 – \$146 million) Senior Preferred shares and \$995 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, \$1,104 million of the company's retractable preferred shares. The remaining \$43 million of retractable preferred shares are held by other holders, and satisfaction of any retractions can be made through the company's general cash resources or through the proceeds from the sale of assets.

The company's investments generated cash proceeds of \$11 million during the three months ended September 30, 2012 from the receipt of dividends and interest, an increase of \$1 million compared to 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 \$8 million for the three months ended September 30, 2012 (2011 – \$8 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 September 30, 2012, an increase of \$1 million compared to the same period last year.

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

	September 30, 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	\$ 152	\$ 152	\$ —	\$ —	\$ —
Junior	\$ 995	\$ 995	\$ —	\$ —	\$ —

(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 nine months ended September 30, 2012 and 2011; and for the years ended December 31, 2011, 2010, and 2009.

	Nine months ended September 30		Years ended December 31		
	IFRS	IFRS	IFRS	IFRS	CGAAP ¹
<i>(US\$ millions, except per share amounts)</i>	2012	2011	2011	2010	2009
Investment income	\$ 51	\$ 99	\$ 107	\$ 80	\$ (37)
Net income (loss)	29	86	70	4	(130)
Net income (loss) per common share	0.59	1.86	1.52	0.09	(2.82)
Total assets	2,231	1,512	2,070	1,645	1,133
Preferred share dividends paid per share					
Class 1 Senior Preferred Series A	\$ 0.88	\$ 0.90	\$ 1.15	\$ 1.14	\$ 1.03
Class 1 Junior Preferred Series A	0.93	0.93	1.24	1.24	1.24

1) Financial information for 2009 is presented in accordance with Canadian GAAP

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>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Investment income	\$ 31	\$ 16	\$ 4	\$ 8	\$ 29	\$ 11	\$ 59	\$ 24
Net income (loss)	23	9	(3)	(16)	37	2	47	(3)
Net income (loss) per common share	0.47	0.17	(0.05)	(0.35)	0.81	0.04	1.02	(0.06)

The company's investment income consists of equity accounted income and dividend and interest income from the company's investment portfolio and fluctuates due to the amount of equity earnings recorded in a period as well as for changes in interest rates on the company's floating rate investments. Investment income in the third quarter of 2012 and 2011 includes a \$11 million and \$6 million of dividend on Brookfield Europe's investment in Canary Wharf respectively. The first and third quarter of 2011 and third quarter of 2012 includes a \$49 million, \$10 million and \$5 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 September 30, 2012, securities included \$224 million (December 31, 2011 – \$217 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable include funds on deposit with and borrowed from Brookfield, which bear interest at CDOR on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand. Dividend and interest income during the third quarter 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.

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.

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

(ii) Fair Value Measurements

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard

requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(iii) Presentation of Items of Other Comprehensive Income

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to equity. Income tax on items of other comprehensive income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. 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 is currently assessing the impact of IFRS 9, 10, 11, 12, and 13 and the amendments to IAS 27 and 28 on its consolidated financial statements.

BUSINESS RISKS AND OUTLOOK

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

Additional Information

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



Derek Gorgi
Vice-President and Chief Financial Officer
November 22, 2012

FORWARD-LOOKING STATEMENTS AND INFORMATION

This interim report contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Brookfield Investment Corporation, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “seeks”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”.

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

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behavior of financial markets, including fluctuations in interest and foreign exchanges rate; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; changes in tax laws, catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Brookfield Investment Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, 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	September 30, 2012	December 31, 2011
Assets			
Current assets			
Deposits receivable	3	\$ 271	\$ 243
Securities	4	224	217
Non-current assets			
Investments – Securities			
Brookfield Office Properties Inc.	5	918	866
Brookfield Residential Properties Inc.	5	79	44
Investments – Associates			
Brookfield Europe L.P.	5	498	465
Western Forest Products Inc.	5	168	165
Norbord Inc.	5	73	70
		\$ 2,231	\$ 2,070
Liabilities			
Current liabilities			
Accounts payable		\$ 2	\$ 2
Retractable preferred shares	6	1,147	1,125
Deferred tax liability		55	55
Equity	7	1,027	888
		\$ 2,231	\$ 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

(unaudited)	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
US\$ millions, except per share amounts	2012	2011	2012	2011
Investment income				
Equity accounted income	\$ 23	\$ 19	\$ 20	\$ 69
Dividend and interest income	11	10	32	30
Foreign exchange (loss) income	(3)	21	(1)	19
	31	50	51	118
Expenses				
Interest	8	8	22	23
Net income before income taxes	23	42	29	95
Income tax expense	—	5	—	9
Net income	\$ 23	\$ 37	\$ 29	\$ 86
Net income per common share	\$ 0.47	\$ 0.81	\$ 0.59	\$ 1.87

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Loss)

(unaudited)	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
US\$ millions	2012	2011	2012	2011
Net income	\$ 23	\$ 37	\$ 29	\$ 86
Other comprehensive (loss) income				
Foreign currency translation	18	(7)	24	4
Available-for-sale securities - fair value changes	(28)	(348)	94	(239)
Equity accounted other comprehensive (loss) income	(2)	(2)	(5)	4
Deferred income tax	—	1	(3)	(1)
	(12)	(356)	110	(232)
Comprehensive income (loss)	\$ 11	\$ (319)	\$ 139	\$ (146)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) US\$ millions	Common	Disposition		Accumulated Other Comprehensive	
Three months ended September 30, 2012	Shares	Gain	Deficit	Income	Total
Balance as at July 1, 2012	\$1,081	\$ 35	\$ (161)	\$ 61	\$1,016
Changes in period					
Net income	—	—	23	—	23
Other comprehensive income (loss)					
Foreign currency translation	—	—	—	18	18
Available-for-sale securities - fair value changes	—	—	—	(28)	(28)
Equity accounted other comprehensive loss	—	—	—	(2)	(2)
Deferred income tax	—	—	—	—	—
	—	—	23	(12)	11
Balance as at September 30, 2012	\$1,081	\$ 35	\$ (138)	\$ 49	\$1,027

See accompanying notes to the consolidated financial statements

(unaudited) US\$ millions	Common	Disposition		Accumulated Other Comprehensive	
Three months ended September 30, 2011	Shares	Gain	Deficit	Income (Loss)	Total
Balance as at July 1, 2011	\$1,044	\$ 35	\$(188)	\$ 185	\$1,076
Changes in period					
Net income	—	—	37	—	37
Other comprehensive income (loss)					
Foreign currency translation	—	—	—	(7)	(7)
Available-for-sale securities - fair value changes	—	—	—	(348)	(348)
Equity accounted other comprehensive loss	—	—	—	(2)	(2)
Deferred income tax	—	—	—	1	1
	—	—	37	(356)	(319)
Balance as at September 30, 2011	\$1,044	\$ 35	\$(151)	\$ (171)	\$ 757

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Accumulated Other Comprehensive	
(unaudited) US\$ millions	Common Shares	Disposition Gain	Deficit	(Loss) Income	Total
Nine months ended September 30, 2012					
Balance as at December 31, 2011	\$1,081	\$ 35	\$ (167)	\$ (61)	\$ 888
Changes in period					
Net income	—	—	29	—	29
Other comprehensive income (loss)	—	—	—		
Foreign currency translation	—	—	—	24	24
Available-for-sale securities - fair value changes	—	—	—	94	94
Equity accounted other comprehensive (loss)	—	—	—	(5)	(5)
Deferred income tax	—	—	—	(3)	(3)
	—	—	29	110	139
Balance as at September 30, 2012	\$1,081	\$ 35	\$ (138)	\$ 49	\$1,027

See accompanying notes to the consolidated financial statements

(unaudited) US\$ millions	Common	Disposition		Accumulated Other Comprehensive	
Nine months ended September 30, 2011	Shares	Gain	Deficit	Income (Loss)	Total
Balance as at December 31, 2010	\$1,044	\$ —	\$(235)	\$ 61	\$ 870
Change in accounting policy	—	—	(2)	—	(2)
Changes in period					
Net income	—	—	86	—	86
Other comprehensive income (loss)					
Foreign currency translation	—	—	—	4	4
Available-for-sale securities - fair value changes	—	—	—	(239)	(239)
Equity accounted other comprehensive income	—	—	—	4	4
Deferred income tax	—	—	—	(1)	(1)
Disposition of Brookfield Europe	—	35	—	—	35
	—	35	84	(232)	(113)
Balance as at September 30, 2011	\$1,044	\$ 35	\$(151)	\$ (171)	\$ 757

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) US\$ millions	Three months ended		Nine months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Cash flow from (used in) operating activities				
Net income	\$ 23	\$ 37	\$ 29	\$ 86
Adjusted for the following:				
Equity accounted income	(23)	(19)	(20)	(69)
Income tax provisions	—	5	—	9
Net change in non-cash items	3	(21)	1	(19)
	3	2	10	7
Cash flow from financing activities				
Brookfield Europe L.P.	—	—	—	65
	—	—	—	65
Cash flow (used in) from investing activities				
Brookfield Residential Properties Inc.	—	—	—	(57)
Norbord Inc.	—	—	—	6
	—	—	—	(51)
Cash and deposits receivable (payable)				
Increase	3	2	10	21
Foreign currency revaluation	19	10	18	15
Balance, beginning of period	249	(3)	243	(27)
Balance, end of period	\$ 271	\$ 9	\$ 271	\$ 9

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 November 22, 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.

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.

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.

(ii) Fair Value Measurements

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

(iii) Presentation of Items of Other Comprehensive Income

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to

equity. Income tax on items of other comprehensive income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. 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 is currently assessing the impact of IFRS 9, 10, 11, 12 and 13, and the amendments to IAS 27 and 28 on its consolidated financial statements.

3. DEPOSITS RECEIVABLE

As at September 30, 2012, the balance included receivables of \$4 million (December 31, 2011 – \$485 million) denominated in British pounds, receivables of \$500 million (December 31, 2011 – payable \$4 million) denominated in Canadian dollars and payables of \$233 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 September 30, 2012 was \$224 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 \$918 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 \$79 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 \$498 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 \$73 million as at September 30, 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>	September 30, 2012	December 31, 2011
5,987,195 Class 1 Senior Preferred Shares, Series A (2011 – 5,989,095)	\$ 152	\$ 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)	437	421
	\$ 1,147	\$ 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 September 30, 2012 (December 31, 2011 – 49,847,899).

CORPORATE INFORMATION

HEAD OFFICE

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TRANSFER AGENT

CIBC Mellon Trust Company

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Montreal, Quebec H3B 3K3

Telephone: 416-682-3860 or

1-800-387-0825

(Toll-free within North America)

Facsimile: 1-888-249-6189

Web site: www.canstockta.com

E-mail: inquiries@canstockta.com

PERIOD END

September 30

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**

DIRECTORS

John P. Barratt¹

Corporate Director

Howard Driman¹

Director of Finance

UIA Federations Canada

James R. Kelly¹

Corporate Director

Edward C. Kress

Corporate Director

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

