
Brookfield Investments Corporation

INTERIM REPORT Q3 2015

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

Brookfield Investments Corporation (the "company") reported net income of \$17 million or \$0.35 per common share for the three months ended September 30, 2015, compared to a loss of \$6 million or \$0.13 per common share in the same quarter last year. Current quarter net income benefitted from the contribution of earnings on our increased investment in our residential development operations. In addition, the prior year included a \$16 million foreign exchange loss on the revaluation of investments, compared to a \$2 million loss in the current period. Net income on a nine-month basis was \$200 million or \$4.01 per share compared to \$110 million or \$2.20 per share in the prior year quarter. Net income on a nine-month basis in the current year includes \$164 million of transactional gains compared to gains of \$92 million in the comparative period.

Other comprehensive loss was \$82 million during the quarter and \$256 million on a year-to-date basis in 2015, compared to a loss of \$36 million and \$106 million in the three and nine-month comparative periods in 2014, respectively. The current period reflects a decrease in market prices of the company's investment portfolio and negative foreign currency revaluation from our non-U.S. equity accounted investment relative to the prior year. Comprehensive income, which consists of net income and other comprehensive loss, was a loss of \$65 million for the three months ended September 30, 2015 and \$56 million on a year-to-date basis, compared to a loss of \$42 million and income of \$4 million in 2014, respectively, reflecting the variations in net income and other comprehensive income discussed above.

On behalf of the Board:



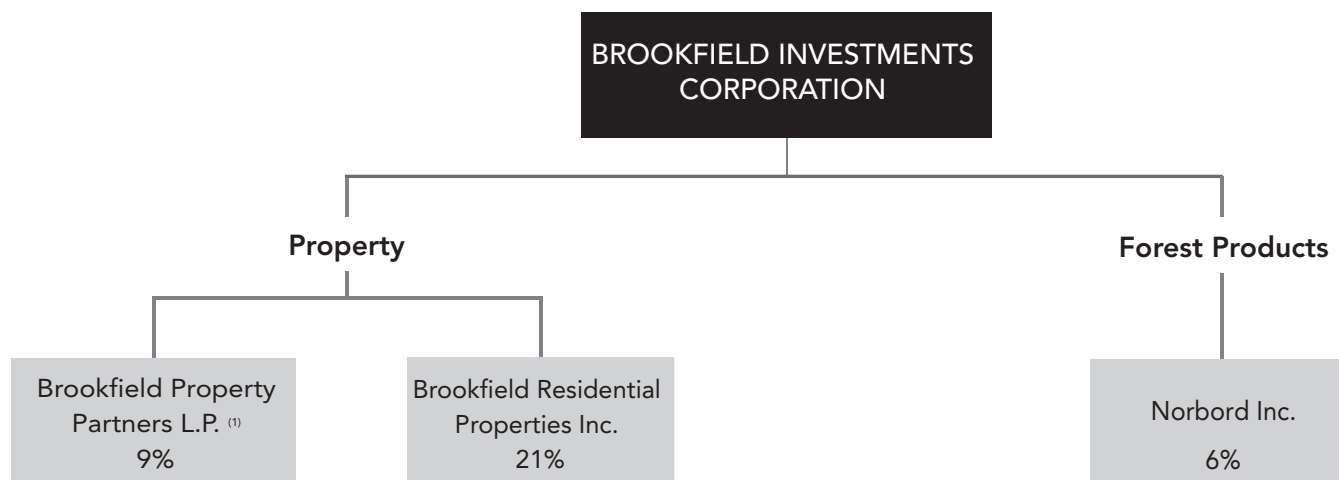
Edward C. Kress
Chairman and President
November 26, 2015

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 2015 and the comparable period in the prior year, as well as information on our financial position and other relevant matters. This MD&A should be read in conjunction with our 2014 Annual Report.

Brookfield Investments Corporation ("Brookfield Investments" or the "company") holds investments in the property and forest products sectors. Brookfield Asset Management Inc. ("Brookfield") is the company's sole common shareholder and owns more than \$1.0 billion of the company's retractable preferred shares.

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



⁽¹⁾ Indirectly held

This management's discussion and analysis is dated September 30, 2015.

The following analysis describes the components of the company's revenues and expenses for the third quarter of 2015, the related assets and liabilities, and the business environment for its operations as at September 30, 2015.

The U.S. dollar is the company's functional and presentation currency. All financial information is presented in U.S. dollars unless otherwise indicated. A significant portion of the company's assets and its Class 1 Senior Preferred Shares Series A, Class 1 Junior Preferred Shares Series B are denominated in Canadian dollars. As a result, changes in the rate of the exchange between the Canadian dollar and U.S. dollar will impact our operating results and financial position. Changes in the average rate of exchange will impact the value at which results are included in consolidated net income, whereas changes in spot rates will impact the values at which non-U.S. assets and liabilities are included in our consolidated balance sheet.

All financial data included in the MD&A has been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The information in this section should be read in conjunction with the company's consolidated financial statements, which are included on pages 9 through 15 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	
	2015	2014	2015	2014
Investment income				
Brookfield Property Partners distributions ⁽¹⁾	\$ 17	\$ 17	\$ 52	\$ 50
Brookfield Residential Properties	8	—	8	—
Dividend income	1	3	25	11
Interest Income	1	2	5	7
	27	22	90	68
Realized and unrealized gains (losses)	—	(3)	164	92
Foreign exchange loss	(2)	(16)	(26)	(16)
	25	3	228	144
Interest expense	(7)	(8)	(21)	(22)
Net income before income taxes	18	(5)	207	122
Income tax expense	(1)	(1)	(7)	(12)
Net income (loss)	\$ 17	\$ (6)	\$ 200	\$ 110

⁽¹⁾ The company's investment in BPY is classified as an available-for-sale security and is held through two equity accounted associates

Investment Income

Investment income consists of income earned on the company's equity accounted investments, as well as dividend and interest income generated from the company's investment portfolio. The company received \$17 million of distributions from its equity accounted investment in Brookfield Property Partners L.P. ("BPY") during the quarter, consistent with the prior year quarter. As of June 30, 2015, the company commenced equity accounting for its investment in Brookfield Residential Properties Inc. ("Brookfield Residential") following the increase in its investment from 12% to 21%, generating \$8 million of investment income in the current year quarter. Dividend and interest income includes dividends on the company's securities and preferred share portfolio and interest on deposits receivable. Dividend income on a nine-month basis in 2015 includes a \$22 million special dividend from Brookfield Residential, which was received in the first quarter of 2015, prior to the commencement of equity accounting.

Realized and Unrealized Gains (Losses)

Realized and unrealized gains were \$nil during the quarter and \$164 million year to date, compared to a loss of \$3 million in the third quarter of 2014 and a gain of \$92 million year to date in 2014. On June 30, 2015, the company purchased 10.0 million additional shares of Brookfield Residential from Brookfield at a price of \$24.25 per share, increasing the company's ownership in Brookfield Residential from 12% to 21% and commenced equity accounting for this investment. The company previously accounted for its investment in Brookfield Residential as an available-for-sale security and reclassified \$164 million of unrealized gains from other comprehensive income to net income, based on the difference between fair value and the historic cost of the company's previously held investment.

In the first quarter of 2014, the company disposed of 46.5 million Western Forest Products Inc. ("Western") common shares. The company recorded a realized gain of \$92 million in 2014 as part of the disposition, including a \$3 million loss in the prior year quarter.

Interest Expense

Interest expense includes dividend payments on the company's retractable preferred shares, which were \$7 million in the third quarter of 2015, largely consistent with the prior year quarter.

Foreign Currency Revaluation

Certain of the company's deposits receivable and payable and retractable preferred shares are denominated in currencies other than the U.S. dollar, which are converted into the U.S. dollar for reporting purposes. Foreign currency revaluation in the third quarter of 2015 resulted in a \$2 million loss (2014 – \$16 million loss).

Income Tax Expense

Income tax expense of \$1 million (2014 – \$1 million) was recorded in the third quarter of 2015, reflecting a consistent level of taxable income recognized in the prior year.

BALANCE SHEET ANALYSIS

<i>(US\$ millions)</i>	September 30, 2015	December 31, 2014
Investment portfolio		
Property	\$ 2,098	\$ 1,893
Forest products	69	107
	2,167	2,000
Other securities	30	40
Deposits receivable, net	273	599
	2,470	2,639
Accounts payable and other liabilities	10	7
Loans payable	13	10
Retractable preferred shares	993	1,057
Deferred income tax liabilities	79	82
Equity	\$ 1,375	\$ 1,483

Investment Portfolio

The investment portfolio is classified as available-for-sale with changes in value recorded in other comprehensive income. The company's investment portfolio consists of the following securities:

<i>(millions, except %)</i>	Accounting Methodology	Ownership shares/ownership %		Carrying Value	
		Sep. 30, 2015	Dec. 31, 2014	Sep. 30, 2015	Dec. 31, 2014
Brookfield Property Partners L.P. ⁽¹⁾	Associate	n/a/9%	n/a/9%	\$ 1,524	\$ 1,564
Brookfield Residential Properties Inc. ⁽²⁾	Associate	23.7/21%	13.7/12%	574	329
				2,098	1,893
Norbord Inc.	Available-for-sale	4.8/6%	4.8/9%	69	107
Total				\$ 2,167	\$ 2,000

⁽¹⁾ The company's investment in Brookfield Property Partners L.P. is held through two equity accounted investments in BPY I L.P. and BPY II L.P., which account for the BPY units as available-for-sale securities

⁽²⁾ Accounted for as an available-for-sale security as of December 31, 2014

The company's investment in BPY consists of a 9% economic interest or 65.5 million equity units of BPY. The investment is held indirectly through the company's interest in two equity accounted investments: BPY I L.P. and BPY II L.P., which had an aggregate carrying value of \$1,524 million at the end of the third quarter of 2015.

On March 13, 2015, Brookfield completed the privatization of Brookfield Residential, acquiring all of the shares it did not previously own or control at a price of \$24.25 per share. On June 30, 2015, the company purchased 10.0 million additional shares of Brookfield Residential from Brookfield at a price of \$24.25 per share, increasing the company's ownership in Brookfield Residential from 12% to 21%. Following the acquisition, the company exercises significant influence over Brookfield Residential and commenced equity accounting for the investment. The company's previously held 12% interest was reclassified from available-for-sale securities to equity accounted investments as of June 30, 2015.

The company's investment in Norbord consists of 4.8 million common shares, which decreased in value by \$38 million during the third quarter of 2015 due to a \$6.72 decrease in Norbord's share price from \$20.96 to \$14.24 per share.

The company's preferred share portfolio consists of the following preferred shares:

(US\$ millions, except number of shares)		Shares		Carrying Value	
Security	Class	Sep. 30, 2015	Dec. 31, 2014	Sep. 30, 2015	Dec. 31, 2014
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	350,000	\$ 26	\$ 31
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	850,000	4	9
				\$ 30	\$ 40

Dividends on these preferred shares are denominated in Canadian dollars, therefore the decrease in value reflects the decrease in the value of the Canadian dollar relative to the U.S. dollar.

Subsequent to quarter end on November 30, 2015, the company sold all of its Brookfield Class A Series 14 and 15 preferred shares to wholly owned subsidiaries of Brookfield for cash consideration of C\$41 million, determined as the fair value of the securities at the transaction date.

Deposits Receivable

Deposits receivable 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 denominated balances. The deposits are due on demand.

The company used \$242 million of deposits for its purchase of the incremental interest in Brookfield Residential. A \$10 million U.S. dollar receivable was repaid in the quarter.

Retractable Preferred Shares

Retractable preferred shares consist of \$112 million (2014 – \$129 million) Senior Preferred shares and \$881 million (2014 – \$928 million) Junior Preferred shares. The Senior and Junior Preferred shares are retractable at the option of the holder.

Deferred Income Tax Liabilities

Deferred income 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, \$81 million of the company's retractable preferred shares. The remaining \$31 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 receipts of \$2 million during the third quarter of 2015 in the form of dividends and interest, compared with \$5 million for the same period in 2014. 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 third quarter in 2015, compared with \$8 million for the same period in 2014.

The company generated \$7 million of cash flow from operating activities during 2015, compared with \$16 million for the same period in 2014.

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

<i>Number of shares</i>	June 30, 2015	December 31, 2014
Common shares	49,847,899	49,847,899
Class 1 Senior Preferred Series A	5,985,820	5,986,595
Class 1 Junior Preferred Series A	17,999,719	17,999,718
Class 1 Junior Preferred Series B	17,200,000	17,200,000

The company paid a \$52 million dividend to holders of its common shares on February 27, 2015.

CONTRACTUAL OBLIGATIONS

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

<i>(US\$ millions)</i>	Payments Due by Period				
	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 112	\$ 112	\$ —	\$ —	\$ —
Junior	881	881	—	—	—

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The company owns a 9% indirect economic interest in BPY. This is structured through a direct and indirect interest in two entities which the company exercises significant influence over: BPY I L.P. and BPY II L.P. The company holds a 28.1% interest in BPY II L.P., which in turn holds 25.0% economic interest of BPY. The company holds a 36.2% interest in Brookfield Europe which holds a 24.3% interest in BPY I L.P. BPY I L.P. owns 24.5% of BPY. BPY I L.P. and BPY II L.P.'s investment in BPY is through BPY's redeemable exchangeable units, which are not entitled to any votes, and accordingly, BPY I L.P. and BPY II L.P. account for their respective economic interests in BPY as available-for-sale securities.

As of June 30, 2015 the company commenced equity accounting for its 21% investment in Brookfield Residential following the acquisition of an additional 10.0 million shares of the investment. The company exercises significant influence over Brookfield Residential through its 21% interest. Brookfield, the company's parent company, owns or exercises control over the remaining 79% of Brookfield Residential.

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, 2015 and 2014, and for the years ended December 31, 2014, 2013 and 2012.

(US\$ millions, except per share amounts)	Nine months ended September 30		Years ended December 31		
	2015	2014	2014	2013	2012
Investment income	\$ 90	\$ 68	\$ 89	\$ 139	\$ 76
Net income	200	110	104	223	48
Net income per common share	4.01	2.20	2.09	4.48	0.95
Total assets	2,470	2,377	2,639	2,408	2,332
Preferred share dividends paid per share					
Class 1 Senior Preferred Series A	\$ 0.70	\$ 0.81	\$ 1.06	\$ 1.14	\$ 1.18
Class 1 Junior Preferred Series A	0.93	0.93	1.24	1.24	1.24

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

(US\$ millions, except per share amounts)	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Investment income	\$ 27	\$ 21	\$ 42	\$ 21	\$ 22	\$ 23	\$ 22	\$ 33
Net income (loss)	17	181	2	(6)	(6)	26	90	6
Net income (loss) per common share	0.35	3.64	0.03	(0.13)	(0.13)	0.53	1.80	0.13

The company's investment income consists of equity accounted income and dividend and interest income from its investment portfolio. This income 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. Fluctuations in net income typically relate to the recognition of realized and unrealized gains as well as foreign currency exchange on monetary assets and liabilities. The company recognized a \$164 million transactional gain on its investment in Brookfield Residential in the second quarter of 2015. Investment income in the first quarter of 2015 included a \$22 million special dividend from the company's investment in Brookfield Residential. Net income in the first quarter of 2014 included \$90 million of gains, as a result of the partial disposition of Western common shares. The company recorded a net loss in the third and fourth quarter of 2014 due primarily to unfavourable foreign currency revaluation of \$16 million and \$13 million respectively on non-U.S. dollar monetary assets.

RELATED-PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At September 30, 2015, the company's security portfolio included \$30 million (December 31, 2014 – \$40 million) of public and private Brookfield 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 denominated balances and are available on demand. Dividend and interest income during the third quarter of 2015 from related-party securities and deposits totalled \$2 million, compared to \$5 million for the same period in 2014.

On March 13, 2015, Brookfield completed the privatization of Brookfield Residential, acquiring all of the shares it did not previously own or control at a price of \$24.25 per share. On June 30, 2015, the company purchased 10.0 million additional shares of Brookfield Residential from Brookfield at the privatization price of \$24.25 per share, increasing the company's ownership from 12% to 21%.

FORWARD-LOOKING INFORMATION

This interim report contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of any 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 Investments Corporation, 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; the behavior of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; 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; changes in tax laws; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada.

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 Investments 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

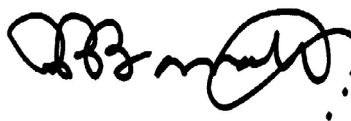
		(unaudited)	
		September 30	December 31
(US\$ millions)	Note	2015	2014
Assets			
Current assets			
Deposits receivable	3	\$ 273	\$ 599
Securities	4	30	40
Non-current assets			
Investments – Securities	5	69	436
Investments – Associates	5	2,098	1,564
		\$ 2,470	\$ 2,639
Liabilities			
Current liabilities			
Accounts payable and other		\$ 10	\$ 7
Loans payable		13	10
Retractable preferred shares	6	993	1,057
Deferred income taxes		79	82
Equity	7	1,375	1,483
		\$ 2,470	\$ 2,639

(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 September 30		Nine months ended September 30	
(US\$ millions, except per share amounts)					
	Note	2015	2014	2015	2014
Investment income					
Equity accounted income		\$ 25	\$ 17	\$ 60	\$ 50
Dividend and interest income		2	5	30	18
Realized and unrealized gains (losses)		—	(3)	164	92
Foreign exchange loss		(2)	(16)	(26)	(16)
Interest expense		(7)	(8)	(21)	(22)
Income tax expense		(1)	(1)	(7)	(12)
Net income (loss)		\$ 17	\$ (6)	\$ 200	\$ 110
Net income (loss) per common share	7	\$ 0.35	\$ (0.13)	\$ 4.01	\$ 2.20

(See accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)		Three months ended September 30		Nine months ended September 30	
(US\$ millions)					
		2015	2014	2015	2014
Net income (loss)		\$ 17	\$ (6)	\$ 200	\$ 110
Other comprehensive income (loss)					
Available-for-sale securities — fair value changes		(36)	(45)	(208)	(132)
Equity accounted other comprehensive income (loss)		(46)	19	(48)	24
Deferred income tax recovery (expense)		—	(10)	—	2
		(82)	(36)	(256)	(106)
Comprehensive income (loss)		\$ (65)	\$ (42)	\$ (56)	\$ 4

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i> Three months ended September 30, 2015 (US\$ millions)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as at June 30, 2015	\$ 1,081	\$ 486	\$ (127)	\$ 1,440
Changes in period				
Net income	—	17	—	17
Other comprehensive loss	—	—	(82)	(82)
	—	17	(82)	(65)
Balance as at September 30, 2015	\$ 1,081	\$ 503	\$ (209)	\$ 1,375

<i>(unaudited)</i> Three months ended September 30, 2014 (US\$ millions)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as at June 30, 2014	\$ 1,081	\$ 367	\$ (157)	\$ 1,291
Changes in period				
Net loss	—	(6)	—	(6)
Other comprehensive loss	—	—	(36)	(36)
	—	(6)	(36)	(42)
Balance as at September 30, 2014	\$ 1,081	\$ 361	\$ (193)	\$ 1,249

<i>(unaudited)</i> Nine months ended September 30, 2015 (US\$ millions)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2014	\$ 1,081	\$ 355	\$ 47	\$ 1,483
Changes in period				
Net income	—	200	—	200
Other comprehensive loss	—	—	(256)	(256)
Common share dividends	—	(52)	—	(52)
	—	148	(256)	(108)
Balance as at September 30, 2015	\$ 1,081	\$ 503	\$ (209)	\$ 1,375

<i>(unaudited)</i> Nine months ended September 30, 2014 (US\$ millions)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2013	\$ 1,081	\$ 251	\$ (87)	\$ 1,245
Changes in period				
Net income	—	110	—	110
Other comprehensive loss	—	—	(106)	(106)
	—	110	(106)	4
Balance as at September 30, 2014	\$ 1,081	\$ 361	\$ (193)	\$ 1,249

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (US\$ millions)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Cash flow (used in) from operating activities				
Net income (loss)	\$ 17	\$ (6)	\$ 200	\$ 110
Adjusted for the following:				
Undistributed equity accounted income	(8)	—	(8)	—
Future income tax provisions	—	(1)	4	10
Realized and unrealized disposition loss (gains)	—	3	(164)	(92)
Net change in non-cash working capital and other	(2)	20	28	15
	7	16	60	43
Cash flow used in financing activities				
Common share dividends	—	—	(52)	—
	—	—	(52)	—
Cash flow (used in) from investing activities				
Proceeds from sale of Western Forest Products Inc.	—	90	—	164
Purchase of Brookfield Residential Properties Inc. shares	—	—	(243)	—
	—	90	(243)	164
Cash and deposits receivable				
Increase (decrease) in cash deposits receivable	7	106	(235)	207
Impact of foreign exchange	(32)	(42)	(91)	(44)
Balance, beginning of period	298	541	599	442
Balance, end of period	\$ 273	\$ 605	\$ 273	\$ 605

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 Brookfield Asset Management Inc. ("Brookfield"). 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("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, 2014.

These financial statements were authorized for issuance by the Board of Directors of the company on November 26, 2015.

(b) Basis of Presentation

The consolidated financial statements of Brookfield Investments are prepared on a going concern basis. All intercompany transactions and balances have been eliminated. The company's functional and reporting currency is U.S. dollars.

(c) Future Changes in Accounting Policies

Financial Instruments

In July 2014, the IASB issued the final publication of IFRS 9, *Financial Instruments* ("IFRS 9"), superseding IAS 39, *Financial Instruments*. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. The company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

3. DEPOSITS RECEIVABLE

Deposits receivable include the company's cash balances, as well as funds receivable from (payable to) companies under common control, net of funds due to (from) the same parties.

As at September 30, 2015, the balance included receivables of \$488 million (December 31, 2014 – \$861 million) denominated in Canadian dollars and payables of \$215 million (December 31, 2014 – \$262 million) denominated in U.S. dollars.

The fair value of the deposits receivable approximated their carrying value as at September 30, 2015 and December 31, 2014.

4. SECURITIES

The carrying value of the preferred share portfolio as at September 30, 2015 was \$30 million compared with \$40 million at December 31, 2014.

The company measures its \$30 million securities (December 31, 2014 – \$40 million) at estimated fair values categorized as Level 2, whereby the fair value measurements are determined using observable market-based inputs such as a liquidity premium and dividend yield on securities with similar characteristics. There are no securities categorized as level 1 (December 31, 2014 – \$nil) and level 3 (December 31, 2014 – \$nil).

Subsequent to quarter end on November 30, 2015, the company sold all of its Brookfield Class A Series 14 and 15 preferred shares to wholly owned subsidiaries of Brookfield for cash consideration of C\$41 million, determined as the fair value of the preferred shares at the transaction date.

5. INVESTMENTS

Investments consist of available-for-sale securities and equity accounted investments.

Available-for-sale securities are recorded at fair value, with changes in value recorded in other comprehensive income. Equity accounted associates are originally recorded at cost and are adjusted for the company's proportionate share of equity accounted comprehensive income and dividends received. The following table summarizes the company's investments at September 30, 2015 and December 31, 2014:

(millions, except %)	Accounting Methodology	Ownership		Carrying Value	
		shares/ownership %			
		Sep. 30, 2015	Dec. 31, 2014	Sep. 30, 2015	Dec. 31, 2014
Brookfield Property Partners L.P. ⁽¹⁾	Associate	n/a/9%	n/a/9%	\$ 1,524	\$ 1,564
Brookfield Residential Properties Inc. ⁽²⁾	Associate	23.7/21%	13.7/12%	574	329
				2,098	1,893
Norbord Inc.	Available-for-sale	4.8/6%	4.8/9%	69	107
Total				\$ 2,167	\$ 2,000

⁽¹⁾ The company's investment in Brookfield Property Partners L.P. is held through two equity accounted investments in BPY I L.P. and BPY II L.P., which account for the BPY units as available-for-sale securities

⁽²⁾ Accounted for as an available-for-sale security as of December 31, 2014

The company's investment in BPY consists of a 9% economic interest or 65.5 million equity units of BPY. The investment is held indirectly through the company's interest in two equity accounted investments: BPY I L.P. and BPY II L.P., which had an aggregate carrying value of \$1,524 million at the end of the third quarter of 2015.

On March 13, 2015, Brookfield completed the privatization of Brookfield Residential, acquiring all of the shares it did not previously own or control at a price of \$24.25 per share. On June 30, 2015, the company purchased 10.0 million additional shares of Brookfield Residential from Brookfield at a price of \$24.25 per share, increasing the company's ownership in Brookfield Residential from 12% to 21%. Following the acquisition, the company exercises significant influence over Brookfield Residential and commenced equity accounting for the investment. The company's previously held 12% interest was reclassified from available-for-sale securities to equity accounted investments as of June 30, 2015.

6. RETRACTABLE PREFERRED SHARES

The company's authorized share capital includes two classes of retractable preferred shares:

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

<i>(US\$ millions, except number of shares)</i>		September 30, 2015	December 31, 2014
5,985,820	Class 1 Senior Preferred Shares, Series A (2014 – 5,986,595)	\$ 112	\$ 129
17,999,719	Class 1 Junior Preferred Shares, Series A (2014 – 17,999,718)	558	558
17,200,000	Class 1 Junior Preferred Shares, Series B (2014 – 17,200,000)	323	370
		\$ 993	\$ 1,057

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, 2015 (December 31, 2014 – 49,847,899).

The company paid a \$52 million dividend to the holders of its common shares on February 27, 2015.

CORPORATE INFORMATION

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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

1. Member of the Audit Committee

OFFICERS

Edward C. Kress

Chairman and President

Derek E. Gorgi

Vice-President and Chief Financial Officer

C. Leslie Yuen

Vice-President and Controller

Loretta M. Corso

Vice-President and Secretary

