Brookfield Investments Corporation

2008 Annual Report

Brookfield Investments Corporation

Brookfield Investments Corporation holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies in the Brookfield group. The common shares of Brookfield Investments are held by Brookfield Asset Management Inc., a global asset manager focused on property, power and infrastructure assets.

Directors

John P. Barratt [1]
Corporate Director

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

Howard Driman [1]
Director of Finance
UIA Federations Canada

James L. Kelly [1]
Corporate Director

Edward C. Kress
Group Chairman, Power
Brookfield Asset Management Inc.

[1] Member of the Audit Committee

Officers

Edward C. Kress
Chairman and President

Sachin G. Shah
Vice-President and Chief Financial Officer

Lisa W. Chu
Vice-President and Controller

Catherine J. Johnston
Vice-President and Secretary

Contents

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking information concerning the company's business and operations. The words "believes", "continue", "intends", "objective", "likely", and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "can", "may", "will", "would", or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to our conversion plan for the adoption of International Financial Reporting Standards ("IFRS"), anticipated changes to our reported financial position and results of operations due to the adoption of IFRS, the value of our investments, future income taxes, maturing of exchangeable debentures and our ability to generate stable income returns and capital appreciation, fund cash requirements, satisfy share retractions, finance our obligations and other statements with respect to the company's beliefs, outlooks, plans, expectations and intentions.

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

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

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

REPORT TO SHAREHOLDERS

Brookfield Investments Corporation reported net income for the year ended December 31, 2008 of $55 million, compared to a net loss of $72 million for 2007. The results for 2008 reflect other income of $198 million, as described further below, partly offset by an $81 million net loss from the company's forest product investments.

Net loss for the three months ended December 31, 2008 was $5 million, compared to a loss of $14 million in the same period of 2007. The net loss in the fourth quarter of 2008 reflects the gain in revaluation of the Norbord exchangeable debentures, offset by the loss contributed by the company's forest product investments.

Panelboard investments, held through Norbord Inc. ("Norbord"), contributed a net loss of $45 million for the 2008, compared with a net loss of $18 million for 2007, as a result of weak housing markets and higher input prices. Other forest product investments, held through Fraser Papers Inc., contributed a net loss of $36 million, compared to a net loss of $21 million in 2007 which included one-time restructuring charges partly offset by a gain on the sale of Fraser Papers' interest in the Acadian Timber Income Fund. Improvements during 2008 at paper operations were more than offset by maintenance outages and weak lumber and pulp markets.

Dividend and interest income for 2008 was $69 million, up from $33 million last year due mainly to the $31 million interim dividend declared by the Canary Wharf Group, plc ("Canary Wharf") in the first quarter of 2008.

Other income for 2008 was $129 million, up from $18 million last year due mainly to the following factors. In the second quarter, the company settled exchangeable debentures with 10 million common shares of Norbord, thereby decreasing its ownership interest in Norbord from 42% to 35% and resulting in a gain of $65 million. The company also recorded $64 million of revaluation gains as a result of the corresponding revaluation of the remaining debentures.

In December 2008, the company's interest in Norbord declined further to 23% as a result of not participating in a Norbord rights offering. Also in December 2008, the company sold its 15% indirect interest in the Canary Wharf to Brookfield Europe L.P., a subsidiary of Brookfield Asset Management Inc. As consideration, the company received a 42% limited partnership interest in Brookfield Europe L.P. valued at £334 million and cash proceeds in the amount of £108 million. The company recorded the transaction at the carrying value of its investment in Canary Wharf.

On behalf of the Board:

Edward C. Kress
Chairman and President

March 12, 2009

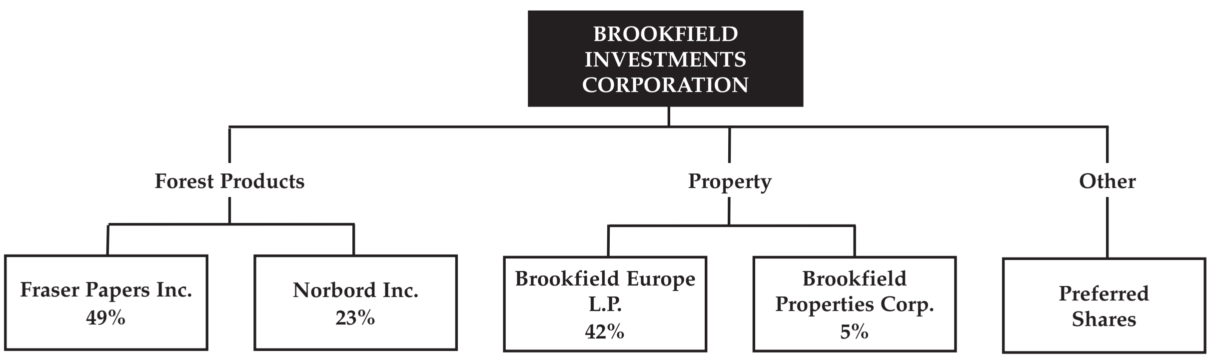
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of our annual report includes management's discussion and analysis of our financial results ("MD&A") for 2008. The MD&A is intended to provide you with an assessment of our performance during 2008 compared to 2007, as well as information on our financial position and other relevant matters.

Brookfield Investments Corporation ("Brookfield Investments" or the "company") holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies within the Brookfield group.

Brookfield Investments' principal investments as at December 31, 2008 are a 49% common share interest in Fraser Papers Inc. ("Fraser Papers"), a specialty paper and lumber company with operations in Canada and the United States; a 23% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the United States and the United Kingdom; a 42% limited partnership interest in Brookfield Europe L.P. ("Brookfield Europe"), which owns commercial office properties and property developments in Europe; and a 5% common share interest in Brookfield Properties Corporation ("Brookfield Properties"), a commercial property company with operations in Canada and the United States. Brookfield Investments also holds a preferred share portfolio, consisting of preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Properties.

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



The following analysis describes the components of the company's revenues and expenses in 2008, the related assets and liabilities, and the business environment for its operations.

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

All financial data included in MD&A have been presented in accordance with Canadian generally accepted accounting principles.

The information in this section should be read in conjunction with the company's audited consolidated financial statements, which are included on pages 7 through 16 of this annual report.

Additional information, including the company's Annual Information Form, is available on the company's web site at *www.brookfieldinvestments.com* and on SEDAR's web site at *www.sedar.com*.

INCOME ANALYSIS

Net income for the year ended December 31, 2008 was $55 million, compared to a net loss of $72 million for 2007. The results for 2008 reflect other income of $198 million, as described further below, partly offset by an $81 million net loss from the company's forest product investments.

Net loss for the three months ended December 31, 2008 was $5 million, compared to a loss of $14 million in the same period of 2007. The net loss in the fourth quarter of 2008 reflects a gain in revaluation of the Norbord exchangeable debentures, offset by the loss contributed by the company's forest product investments.

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BALANCE SHEET ANALYSIS

Brookfield Investments' long-term investments at December 31, 2008 consisted of a 49% common share interest in Fraser Papers, a 23% common share interest in Norbord, a 42% limited partnership interest in Brookfield Europe and a 5% common share interest in Brookfield Properties.

Brookfield Europe was formed in December 2008 by Brookfield, the owner of all of Brookfield Europe's common shares to combine all of Brookfield's European commercial office property, property development and asset management activities into a single operating unit. In December 2008, the company sold its 15% indirect interest in Canary Wharf to Brookfield Europe, in return for a 42% limited partnership interest in Brookfield Europe valued at £334 million and cash proceeds of £108 million. The company recorded the transaction at the carrying value of its investment in Canary Wharf.

The company's ownership interest in Norbord decreased from 41% at the end of 2007 to 35% during the second quarter of 2008 following the settling of exchangeable debentures with 10 million common shares of Norbord. In December 2008, Norbord issued 109.6 million common shares and 54.8 million warrants to shareholders that exercised their rights under a rights offering. Brookfield Investments did not participate in the Rights Offering and thus its ownership in Norbord was decreased further to 23% at the end of 2008.

Further information on Norbord is available through its web site at *www.norbord.com*.

Further information on Fraser Papers is available through its web site at *www.fraserpapers.com*.

Further information on Brookfield Properties is available through its web site at *www.brookfieldproperties.com*.

Loans receivable includes funds on deposit with Brookfield, which bear interest at the prime rate and are available on demand.

Accounts payable includes $6 million representing the debentures exchangeable into 10 million Norbord common shares, which will mature on September 30, 2029.

The company's retractable preferred shares are retractable at the option of the holder and, accordingly, are recorded as liabilities.

Liquidity and Capital Resources

Brookfield Investments' cash flow from operations was $54 million for 2008, compared to $17 million for 2007. Cash flow used in financing activities was $nil, compared to $101 million for 2007. Cash flow used in investing activities amounted to $54 million during 2008, compared to $84 million generated for 2007.

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains a portfolio of securities and has funds on deposit, which with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, $624 million of the company's retractable preferred shares. The remaining $57 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 proceeds from the sale of assets.

The company's investments and other holdings generated cash of $90 million from the receipt of dividends and interest during 2008, compared to $54 million for the same period in 2007. Proceeds from investments are utilized primarily for the payment of interest on the Norbord exchangeable debentures, which totalled $7 million for 2008 (2007 - $10 million), and dividends related to retractable preferred shares issued by the company totalling $29 million in 2008 (2007 - $28 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. Distributions received from cost accounted investments are included in Other Income and totalled $55 million for 2008, compared to $25 million for 2007.

Contractual Obligations

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

	Payments Due by Period				
US$ millions	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares(1)	$ 681	$ 681	—	—	—

(1) Retractable at the option of the holder.

Significant Accounting Policies and Estimates

The company accounts for its long-term corporate investments in Norbord, Fraser Papers and Brookfield Europe on the equity basis. The excess of acquisition costs over the net underlying book value of these investments has been allocated to goodwill. 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. The investments in Canary Wharf and Brookfield Properties are accounted for as available-for-sale securities, with dividends generally being recognized as income on the record date. Dividends received in excess of the company's share of post-acquisition earnings are treated as a reduction of the company's investment.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CHANGES IN ACCOUNTING POLICIES ADOPTED DURING 2008

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosure and Presentation* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the company on January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the company on January 1, 2008.

Inventories

In September 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was a $1 million increase to opening retained earnings.

SUMMARY OF FINANCIAL INFORMATION

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

	2008				2007			
US$ millions, except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income (loss)	**$ 21**	$ 15	$ 3	$ 85	$ (4)	$ 24	$ (58)	$ 5
Net income (loss)	**$ (5)**	$ 2	$ 1	$ 57	$ (14)	$ 14	$ (68)	$ (4)
Net income (loss) per common share	**$ (0.12)**	$ 0.06	$ 0.01	$ 1.24	$ (0.29)	$ 0.30	$ (1.47)	$ (0.09)

Net loss during the fourth quarter of 2008 was $5 million compared to net loss of $14 million in the same period of 2007. The net loss in the fourth quarter of 2008 reflects the gain on revaluation of the Norbord exchangeable debentures offset by the loss contributed by the company's forest product investments.

ASSESSMENT AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of the company's internal control over financial reporting. There have been no changes in our internal control over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to affect the internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

Brookfield Investments maintains appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. The company's President and the Chief Financial Officer evaluated the effectiveness of the company's disclosure controls and procedures (as defined in "Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings") as at December 31, 2008 and have concluded that the disclosure controls and procedures are operating effectively.

Business Risks and Outlook

Brookfield Investments' 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. The company's 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. A further discussion on the risks associated with each of the company's investments is included in Management's Discussion and Analysis in each of their respective annual reports, which can be accessed through SEDAR at *www.SEDAR.com* or through their web sites as provided earlier in this report.

Sachin G. Shah
Vice President and Chief Financial Officer

March 12, 2009

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche, LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements set out on pages 8 through 16 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.

Toronto, Canada
March 12, 2009

Sachin G. Shah
Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BROOKFIELD INVESTMENTS CORPORATION

We have audited the consolidated balance sheets of Brookfield Investments Corporation as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss, accumulated other comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Toronto, Canada
March 12, 2009

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at December 31 (US$ millions)	Note	**2008**	2007
Assets			
Loans receivable	3	**$ 341**	$ 230
Securities	3	**255**	294
Investment in Brookfield Properties Corporation	4	**143**	357
Investment in Fraser Papers Inc.	4	**124**	129
Investment in Norbord Inc.	4	**103**	181
Investment in Brookfield Europe L.P.	4	**96**	—
Investment in Canary Wharf Group, plc	4	**—**	256
		$ 1,062	$ 1,447
Liabilities			
Accounts payable		**$ 30**	$ 162
Retractable preferred shares	5	**681**	708
Shareholders' equity	6	**351**	577
		$ 1,062	$ 1,447

On behalf of the Board:

Edward C. Kress
Director

John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31 (US$ millions, except per share amounts)	Note	**2008**	2007
Income			
Equity loss from Norbord Inc.		**$ (45)**	$ (18)
Equity loss from Fraser Papers Inc.		**(36)**	(21)
Equity income from Brookfield Europe L.P.		**1**	—
Foreign exchange gain (loss)		**6**	(45)
Dividend and interest income		**69**	33
Other income		**129**	18
		124	(33)
Expenses			
Interest		**36**	38
Corporate		**1**	1
		37	39
Net income before income taxes		**87**	(72)
Income tax expense		**(32)**	—
Net income (loss)		**$ 55**	$ (72)
Net income (loss) per common share	6	**$ 1.19**	$ (1.55)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Years ended December 31 (US$ millions)	**2008**	2007
Net income (loss)	**$ 55**	$ (72)
Other comprehensive (loss) income		
Foreign currency translation	**(24)**	(18)
Available-for-sale securities	**(253)**	(134)
Equity pick-up from subsidiaries	**(5)**	—
	(282)	(152)
Comprehensive loss	**$ (227)**	$ (224)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

Years ended December 31 (US$ millions)	**2008**	2007
Balance, beginning of year	**$ (120)**	$ —
Transition adjustment - January 1, 2007	**—**	32
Other comprehensive loss	**(282)**	(152)
Balance, end of year	**$ (402)**	$ (120)

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31 (US$ millions)	Note	**2008**	2007
Deficit, beginning of year		**$ (347)**	$ (267)
Change in accounting policy	1	**1**	(8)
Net income (loss)		**55**	(72)
Deficit, end of year		**$ (291)**	$ (347)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (US$ millions)	**2008**	2007
Cash flow from (used in) operating activities		
Net income (loss)	**$ 55**	$ (72)
Adjusted for the following non-cash items		
Excess of dividends received over equity losses	**101**	61
Net change in non-cash working capital balances	**(102)**	28
	54	17
Cash flow used in financing activities		
Share redemption	**—**	(101)
	—	(101)
Cash flow from (used in) investing activities		
Investment in Fraser Papers Inc.	**(29)**	(1)
Investment in Norbord Inc.	**(22)**	(42)
Net proceeds on sale of Canary Wharf	**158**	—
Loans receivable	**(161)**	127
	(54)	84
Net change and closing cash balance	**$ —**	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Basis of Presentation

These consolidated financial statements of Brookfield Investments Corporation ("Brookfield Investments" or the "company") include the accounts of the company and its wholly-owned subsidiaries Brookfield Holdings (Luxembourg) S.A., Brookfield Investments International Corporation and, until December 2008, CWG Holdings Bermuda Inc. All intercompany transactions and balances have been eliminated.

The company's functional and reporting currency is U.S. dollars.

Loans Receivable

Loans receivable are carried at amortized cost using the effective interest method less applicable allowances for doubtful accounts.

Securities

Securities are classified as available-for-sale financial instruments and are recorded at fair value. Equity instruments that do not have a quoted market price from an active market are carried at cost.

Long-Term Corporate Investments

The company accounts for its long-term corporate investments in Norbord Inc. ("Norbord"), Fraser Papers Inc. ("Fraser Papers") and Brookfield Europe L.P. ("Brookfield Europe") on the equity basis for periods under significant influence. The excess of acquisition costs over the underlying net book value of these investments is considered to be goodwill. The company periodically evaluates the carrying value of this excess for potential impairment in conjunction with its review of the carrying values of its overall investments.

The company accounts for its investment in Brookfield Properties Corporation ("Brookfield Properties") and, until December 2008, its investment in Canary Wharf Group, plc ("Canary Wharf") as available-for-sale securities with dividends generally being recognized as income on the record date. Dividends received in excess of the company's share of post acquisition earnings are treated as a reduction of the company's investment.

Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities of the company are translated at the rate of exchange prevailing at the period end and revenues and expenses at average rates during the period. Gains and losses on translation of these items are included in the consolidated statement of operations. Foreign currency gains and losses on the company's long-term investments are included in the cumulative translation adjustment account in other comprehensive income, which is a separate component of shareholders' equity.

Deferred Financing Costs

Costs incurred in connection with the arrangement of financing of held-for-trading financial instruments are expensed as incurred. For other financial instruments, transaction trading costs are capitalized on initial recognition and amortized using the effective interest method.

Exchangeable Debentures

The exchangeable debentures, issued by a company no longer consolidated by Brookfield Investments, are classified as held-for-trading and accordingly the carrying value is adjusted to reflect the market value of the underlying shares subject to the exchange and translated into U.S. dollars at period end rates. The company records the effect of this adjustment in income.

Statements of Cash Flows

The company places surplus cash on deposit with its parent, Brookfield Asset Management Inc. ("Brookfield") at market interest rates. These deposits are available on demand and are used by the company to fund its cash requirements. As the company does not maintain its own stand alone banking facilities, the statement of cash flow is reconciled to nil.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP 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 reported period. 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. Actual results could differ from those estimates.

Changes in Accounting Policies Adopted During 2008

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, Financial Instruments – Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the company on January 1, 2008, and the related disclosures are included in Note 9 to the Consolidated Financial Statements.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the company on January 1, 2008, and the related disclosures are included in Note 10 to the Consolidated Financial Statements.

Inventories

In September 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was a $1 million increase to opening retained earnings.

Future Changes in Accounting Policies

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to the financial statements relating to fiscal years beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The company is currently evaluating the impact of Section 3064 on its financial statements.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company is in the process of developing and implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control, the modification of existing systems and the training and awareness of staff, in addition to other related business matters. Overall responsibility for the implementation and success of the company's conversion plan rests with the company's senior financial management who report to and are overseen by the company's Audit Committee.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the cash flows generated by the company, the adoption of IFRS will result in changes to the reported financial position and results of operations of the company. A detailed analysis of the differences between IFRS and the company's current accounting policies under Canadian GAAP is currently in process.

2. Fair Values of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the company has immediate access. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the company looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using possible alternative assumptions will not result in significantly different fair values.

Fair Value of Financial Instruments

Financial instruments classified or designated as held-for-trading or available-for-sale are typically carried at fair value on the Consolidated Balance Sheets. Equity instruments designated as available-for-sale that do not have a quoted market price from an active market are carried at cost. The carrying amount of available-for-sale financial assets that do not have a quoted market price was $nil at December 31, 2008. Any changes in the fair values of financial instruments classified as held-for-trading or available-for-sale are recognized in Net Income or OCI, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in AOCI are reclassified to Net Income when the underlying security is either sold or there is a decline in value that is considered to be other than temporary.

Available-for-sale securities measured at fair value or cost are assessed for impairment at each reporting date. As at December 31, 2008, unrealized losses in the fair values of available-for-sale-securities measured at fair value amounted to $344 million. Unrealized gains and losses for debt securities are primarily due to changing interest rates and for equity securities, are due to changes in market prices and foreign exchange movements. As at December 31, 2008, the company did not consider any investments to be other than temporarily impaired.

Dividends on available-for-sale equity instruments are recognized in the Consolidated Statements of Income as part of investment and other income when the company's right to receive payment is established. Interest on available-for-sale financial assets is calculated using the effective interest method and recognized in the income statement as part of investment and other income.

3. Loans Receivable and Securities

Loans receivable include funds due on demand from companies under common control.

In the year ended December 31, 2008, net investment income earned on balances with affiliates amounted to $37 million (2007 - $29 million).

The fair value of the loans receivable and securities approximated their carrying value as at December 31, 2008 and 2007.

4. Long-Term Corporate Investments

The company owns 18,562,500 common shares (2007 - 18,562,500) of Brookfield Properties, representing a 5% interest (2007 - 5%).

The company owns 24,754,879 common shares (2007 - 14,561,696) of Fraser Papers, representing a 49% interest (2007 - 49%).

The company owns 62,034,036 common shares (2007 - 60,219,612) of Norbord, which represents a 23% interest (2007 - 41%). The company has pledged 10,000,000 common shares of Norbord as security for the exchangeable debentures described in Note 1.

The company owns a 42% (2007 - nil%) limited partnership interest in Brookfield Europe.

The company owns nil ordinary shares (2007 - 96,113,970) of Canary Wharf, representing a nil% interest (2007 - 15%).

5. 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.

US$ millions, except number of shares		**December 31 2008**	December 31 2007
5,990,785	Class 1 Senior Preferred Shares, Series A (2007 - 5,990,785)	**$ 123**	$ 150
17,999,718	Class 1 Junior Preferred Shares, Series A (2007 - 17,999,718)	**558**	558
		$ 681	$ 708

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

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

(i) entitlement to cumulative quarterly dividends calculated on the issue price of C$25.00 per share at a fixed rate of 4.70% per annum.

(ii) in the case of the Senior Preferred shares Series A, redeemable at the option of the company or the holder at C$25.00 per share plus accrued and unpaid dividends thereon.

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

(i) entitlement to non-cumulative quarterly dividends calculated on the issue price of $31.00 per share at 4%, as and when declared by the board of directors of the company; and

(ii) redeemable at the option of the company or the holder at any time at $31.00 per share plus declared and unpaid dividends thereon.

6. Shareholders' Equity

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

Issued and Outstanding:

US$ millions, except number of shares		**December 31 2008**	December 31 2007
46,040,326	Common shares (2007 - 46,040,326)	**$ 1,044**	$ 1,044
	Deficit	**(291)**	(347)
	Accumulated other comprehensive loss	**(402)**	(120)
		(693)	(467)
		$ 351	$ 577

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.

7. Income Taxes

The parent company qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada) (the "Act"), and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. The company is generally subject to a tax at 33 1/3% under Part IV of the Act on taxable dividends received. This tax is fully refundable upon payment of sufficient dividends.

The company's future tax liability relates primarily to temporary differences in subsidiary companies that are not mutual fund corporations. These temporary differences are principally comprised of differences between the carrying amount and the tax basis of share investments and loans.

Included in the future income tax liability balance of $24 million are future income tax assets related to non-capital and capital losses available to reduce taxable income which may arise in the future. The company has future income tax assets of $6 million that relate to non-capital losses which expire over the next 20 years, and $3 million that relate to capital losses which can be carried forward indefinitely.

The effective tax rate of 46% differs from the statutory rate of 33.5% due to the non-recognition of certain temporary differences due to its mutual fund corporation status and non-taxable/non-deductible items including dividends, gains and losses related to sales transactions and foreign exchange translations.

8. Related Party Transaction

During 2008, the company sold its indirect interest in Canary Wharf to Brookfield Europe, a limited partnership that is a wholly-owned subsidiary of Brookfield Asset Management, the owner of all of the common shares of the company.

9. Risk Management

The company's investments expose it to a variety of market risks, including currency risk, interest rate risk, and equity risk.

Market risk arises from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The company is exposed to market risk through its securities and long-term investments. The following is a description of these risks and how management evaluates and monitors the exposure to them.

Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates, including changes in the risk-free rate and credit spreads. The company is exposed to interest rate risk through its investments in floating rate securities and loans receivable.

Based on the company's net floating interest rate position, a 50 basis point increase (decrease) in interest rates across all currencies and maturities would increase (decrease) the company's net income for the year ended December 31, 2008 by approximately $3.0 million before tax.

Foreign Exchange Risk

Foreign exchange risk is the risk of variability due to changes in spot and forward rates, and the volatility of currency exchange rates. The company is exposed to currency risk in respect of foreign denominated securities and loans receivable.

The company is subject to foreign currency risk on the distributions resulting from investments in foreign denominated securities and loans receivable. The company mitigates the adverse effects of changes in the foreign currency by borrowing and issuing preferred shares denominated in foreign currencies.

A one per cent increase (decrease) in the U.S. dollar against all the currencies in which the company operates would decrease (increase) the company's net income for the year ended December 31, 2008 by approximately $2.8 million before tax, primarily from exposure to the Canadian dollar and British pound.

Equity Risk

Equity risk is the risk of loss due to movements in equity prices. The company's primary exposure to equity risk is through its investments in securities, long-term investments and Norbord exchangeable debentures. A one percent change in equity markets would change the fair value of the company's equity investments recorded in other comprehensive income and net income by $1.8 million and $0.1 million, respectively, before tax.

Liquidity Risk

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains a portfolio of securities and has funds on deposit, which with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, $624 million of the company's retractable preferred shares. The remaining $57 million of retractable preferred shares are held by third parties, and satisfaction of any retractions can be made through the company's general cash resources or through proceeds from the sale of assets.

10. Capital Management

The company's objective is to provide its shareholders with stable income returns and capital appreciation. The company's assets are financed primarily with common shares, $681 million of retractable preferred shares and $6 million of long-term exchangeable debentures. The authorized share capital of the company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2008, there were 46,040,326 common shares, 5,990,785 Class 1 Series A Senior preferred shares, and 17,999,718 Class 1 Series A Junior preferred shares issued and outstanding. There have been no changes in the company's issued and outstanding capital during the years ended December 31, 2008 and 2007.

11. Other Information

(a) The company and its associates arrange investment transactions between themselves without transaction costs and all such transactions are at normal market terms.

(b) Cash interest paid was $36 million (2007 - $63 million).

CORPORATE INFORMATION

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YEAR END

December 31

STOCK EXCHANGE LISTING

The Class 1 Senior Preferred Shares, Series A, of Brookfield Investments Corporation are listed on the Toronto Stock Exchange under the symbol **BRN.PR.A**

Brookfield Investments Corporation

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