

3 March 2011

Dear Investor

**RE: Multiplex Development and Opportunity Fund (Fund)
Half year update for the period ending 31 December 2010**

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides the following update to investors.

Key results for the six month period to 31 December 2010 are:

- net profit after tax is \$3.6 million (31 December 2009: \$ 0.3 million loss);
- total assets of the Fund decreased by 1.4% to \$224.8 million (June 2010: \$227.9 million);
- net assets attributable to ordinary unitholders increased by 1.1% to \$0.88 (30 June 2010: of \$0.87);
- total number of lots settled from the underlying projects were 150 lots (31 December 2009: 148 lots);
- refinanced the land debt facility for Vale Stages 7 to11 ; and
- refinanced existing land debt facility for Little Bay South.

Distributions and Return of Capital

BCML is aware that the deferral of distributions and return of capital remains an issue for investors. BCML is committed to improving the performance and prudently managing the Fund’s capital to protect investor value.

The Fund needs to continue to maintain flexibility in its funding options given the long term nature of its underlying land development assets. BCML believes it is in the best interests of investors to retain cash received from the underlying investments within the Fund to support financing the Fund’s other development projects and will continue to assess such cash requirements prior to considering distribution payments or a return of capital to investors.

Investment Update

| | Investment type | Status of investment | Forecast realisation date¹ | Capital invested (A\$ million) |
|--|---|--|--|---------------------------------------|
| Claremont Residences, Western Australia | Mezzanine loan | 100% pre-sold/ residential/construction | Monthly | 29.5 |
| | The loan was refinanced on expiry at 31 December 2009 to roll on a monthly basis at a revised rate of 7.15% per annum. Interest is paid quarterly as per the existing facility. The loan is supported by a Principal and Interest Shortfall Guarantee from Brookfield Australia Investments Limited (formerly Brookfield Multiplex Limited). It is anticipated that part of the proceeds from this loan will be used to fund development costs for the remaining projects of the Fund. | | | |

| | Investment type | Status of investment | Forecast realisation date ¹ | Capital invested (A\$ million) |
|---|--|---|--|--------------------------------|
| Multiplex Acumen Vale Syndicate (MAVSL), Western Australia | Equity | Pre-selling/ settlement/construction | 2011 | 8.3 |
| | <p>The Fund has a 49.58% interest in this investment. For the six months to 31 December 2010 the Fund received \$5.7 million in distributions of earnings and capital and retained it to meet cash requirements of the Fund.</p> <p>For the six months ending 31 December 2010, the Syndicate settled on 95 lots, bringing the total number of lots settled to date to 1,521. The project is 95% settled with only two stages remaining and is estimated to complete by June 2011. However, the investment may remain in place beyond that date as the Syndicate progressively winds up.</p> <p>The Syndicate has \$1.3 million of Bank Guarantees drawn against the Bank Guarantee facility limit of \$3.0 million which is supported by available cash. The facility expires in August 2011.</p> <p>The Syndicate has declared a distribution payment for which the Fund had received \$1.6 million during February 2011. This will be retained by the Fund to meet capital commitments of the remaining projects of the Fund.</p> | | | |

| | Investment type | Status of investment | Forecast realisation date ¹ | Capital invested (A\$ million) |
|--|--|----------------------|--|--------------------------------|
| Little Bay South, New South Wales | Equity | Planning/pre-selling | November 2013 | 40.2 |
| | <p>Following a rejection from the Land Environment Court (LEC), Stage 1 of the project now has 42 apartments, instead of 56 as originally planned. A development application has been submitted to council and approval is expected around April 2011.</p> <p>Bay Terraces in Stage 2 have a total of 53 apartments. There are 15 contracts exchanged unconditionally with a value of \$22.0 million and two contracts were issued valued at \$2.6 million at the end of the December 2010 quarter. Construction work has commenced.</p> <p>The land payment balance on Stage 3 of \$2.8 million was paid in December 2010. The payment was partly funded from cash reserves from the Fund and debt sourced from Sumitomo Mitsui Banking Corporation (SMBC).</p> <p>The existing ING facility will be replaced by SMBC either prior to or on 31 May 2011 when the debt matures. As at 31 December 2010 the existing facility was fully drawn. Terms and conditions of the refinanced facility with SMBC are:</p> <p>Stage 1</p> <ul style="list-style-type: none"> – initial land facility to expire in 12 months and development facility to expire in 24 months from date of signing loan agreement; – land facility limit being the lesser of \$2.36 million or 65% of most recent valuation; and development facility being the lesser of \$15.9 million or 65% of the most recent valuation; | | | |

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| | <p>Stage 2 – land and development facility to expire 36 months from date of signing loan agreement;</p> <p>– land facility limit being the lesser of \$7.2 million or 40% of most recent valuation and development facility limit of \$18.9 million;</p> <p>Stage 3 – land debt facility to expire in 36 months from date of signing loan agreement;</p> <p>– facility limit to be the lesser of \$6.4 million or 40% of the most recent valuation.</p> <p>As part of the refinancing SMBC required that Brookfield Australia Investments Limited (BAIL) provide an Interest Service Guarantee and Cost Overrun Guarantee as security. BAIL has agreed to be the Guarantor and the Fund has provided BAIL an indemnity in respect of its share of the guarantee.</p> |
|--|--|

| | Investment Type | Status if investment | Forecast realisation date ¹ | Capital invested (A\$ million) |
|---|--|---|--|--------------------------------|
| Vale Stages 7 to 11, Western Australia | Equity | Pre-selling/ settlement/construction | November 2013 | 31.5 |
| | <p>Vale Stages 7 to 11 is a masterplanned community with 756 residential lots, located next to Multiplex Acumen Vale Syndicate. The development has commenced with Stages 7A and 8A progressing in line with forecast. The strategy of partnering with builders to sell land with house packages is well progressed with eight lots under contract and eight remaining available.</p> <p>At the half year ended 31 December 2010, a total of 55 lots had settled and 33 contracts are on issue worth \$6.7 million. To date the project averages settlement of five lots per month since commencing sales in March 2010.</p> <p>The debt facility of \$27.0 million with National Australia Bank is drawn to \$22.1 million including bank guarantees, leaving headroom of \$4.9 million. The project has complied with banking covenants throughout the period.</p> | | | |

| | Investment type | Status of investment | Forecast realisation date ¹ | Capital invested (A\$ million) |
|---|---|----------------------|--|--------------------------------|
| Whiteman Edge, Western Australia | Equity | Planning phase | December 2019 | 38.8 |
| | <p>Whiteman Edge is a masterplanned community with the potential to be jointly developed with the Western Australian Housing Authorities, which would result in circa 2,940 residential lots. The project is located in the north-east corridor of Perth and has been earmarked by the Housing Authorities as a growth corridor of Perth.</p> <p>Construction works has commenced on this project on a staged basis to ensure that the project will generate sufficient land stock to absorb the growth in that corridor while it continues negotiation of key commercial terms with the Housing Authorities.</p> <p>Stage 1A of the project, which has 19 rural lots, has commenced. As at 31 December 2010 five contracts were exchanged unconditionally. It is anticipated that first settlement will occur around May 2011 and the financier requires that the net proceeds from the 19 rural lots be used to pay down the existing facility.</p> | | | |

| | |
|--|---|
| | <p>Stage 1 is estimated to commence in April 2011 and is expected to be funded from cash reserves in the Fund. This stage is forecast to provide 114 residential lots with titles of these lots expected in February 2012 for settlements to occur in the first quarter of 2012. Commencement of the remaining stages will be dependent on securing financing and progress made on the joint development proposal with the Housing Authorities. Negotiations with the Housing Authorities are progressing. An extension on the non-binding Heads of Agreement which expired on 31 December 2010 has been extended to June 2011.</p> <p>The Suncorp-Metway Ltd debt facility which expired at the end of December 2010 has also been extended by a further six months to June 2011 for a fee of 1% on the facility limit of \$37.7 million with margin increasing by 1.5% per annum. A new financier is currently being sourced.</p> |
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1. Realisation dates contained in this update are based on current project feasibilities as provided by the Development Manager

Key Financial Results

| | As at 31 December 2010 | As at 30 June 2010 | Six months movement |
|--|-------------------------------|---------------------------|----------------------------|
| Total assets (\$'000) * | 224,777 | 227,857 | 1.4% decrease |
| Total liabilities (\$'000) | 72,552 | 73,146 | 0.8% decrease |
| Net assets (\$'000) | 152,225 | 154,711 | 1.6% decrease |
| Minority interest (\$'000) | 8,258 | 13,248 | 37.7% decrease |
| Net assets attributable to ordinary unitholders (\$'000) | 143,967 | 141,463 | 1.8% increase |
| Number of shares on issue | 163,337 | 163,337 | No change |
| Net tangible assets (after minority interest) | \$0.88 | \$0.87 | 1.1% increase |

| | For the interim period ended 31 December 2010 | For the interim period ended 31 December 2009 | Variance |
|--|--|--|-------------------|
| Total revenue (\$'000) | 30,284 | 34,887 | 13.2% increase |
| Total expenses (\$'000) | 25,797 | 35,069 | 26.4% decrease |
| Net profit after tax / (loss) (\$'000) | 3,360 | (293) | 1,246.8% increase |

Calculating Asset Values*

Most assets in the Fund are held as land to be developed and are valued on an inventory basis. These inventories are carried at the lower of cost or net realisable value. For development properties net realisable value is determined by assessing value over the course of the development and would not necessarily reflect the current value if the properties were to be divested prior to development.

At every reporting period inventories are assessed and an impairment charge is taken against investments where the carrying value exceeds the net realisable value of the project.

Half Year Financial results

The reviewed financial statements for the six month period to 31 December 2010 are available at www.au.brookfield.com.

Future Updates

We will continue to keep investors informed of updates in relation to the Fund. Alternatively, please refer to www.au.brookfield.com for regular Fund information.

Yours sincerely



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