BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND

ARSN 104 341 988

Brookfield

Notice of Meeting and Explanatory Memorandum

The Board of Directors recommend that you **VOTE IN FAVOUR** of Resolution 1

The Independent Directors recommend that you **VOTE IN FAVOUR** of Resolution 2

Issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) as responsible entity for Brookfield Australian Opportunities Fund (ARSN 104 341 988)

The meeting of Unitholders will be held at:

Place: KPMG Tower, Auditorium, 10 Shelley Street, Sydney NSW 2000

Date: 24 September 2012

Meeting registration: 9.30am AEST

Meeting commences: 10.00am AEST

Important Notice

What is this document?

This Explanatory Memorandum provides Unitholders of Brookfield Australian Opportunities Fund (ARSN 104 341 988) (Fund) with an explanation of, and information about, the Proposal to sell certain assets of the Fund, make a payment to unitholders of Multiplex Property Income Fund (ARSN 117 674 049), distribute cash and assets to Unitholders and wind up the Fund. The Notice of Meeting is included at Section 2.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Meeting and, if necessary, consult your investment, tax, legal or other professional adviser.

Personal investment advice

The information contained in this Explanatory Memorandum and general recommendation to vote in favour of the Resolutions is not personal financial product advice. It has been prepared without reference to your particular investment objectives, financial situation, taxation position or needs. It is important that you read the Explanatory Memorandum in its entirety and consider your own objectives, financial situation and needs before making any decision on how to vote on the Resolutions set out in the Notice of Meeting. If you are in any doubt in relation to these matters, you should consult your investment, financial or other professional adviser.

Privacy

Brookfield Capital Management Limited (ABN 32 094 936 866) (BCML) as responsible entity of the Fund (Manager) may collect personal information in the process of conducting the Meeting and implementing the Resolutions, if approved. Such information may include the Unitholder's name, contact details and Unitholding, and the name of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist the Manager to conduct the Meeting and implement the Resolutions, if approved. Personal information collected will not be used for any other purpose. Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of the Manager.

Unitholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact the Manager in the first instance if they wish to access their personal information.

Voting exclusion

The Manager will disregard any votes cast by a person who is not entitled to vote because of section 253E of the Corporations Act. This section provides that the Manager and its associates are not entitled to vote on a resolution if they have an interest in the resolution other than as a Unitholder. Accordingly, members of the Brookfield Group will not vote on any of the resolutions proposed at the Meeting. However, associates of the Manager may vote as a proxy for another Unitholder who is not excluded from voting if the proxy specifies the way they are to vote on a resolution.

Key dates

Date of issue of this Explanatory Memorandum 22 August 2012.

Meeting record date 7.00pm AEST 23 September 2012.

Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting 10.00am AEST 22 September 2012.

Unitholders meeting to be held at: 10.00am 24 September 2012 at KPMG Tower, Auditorium, 10 Shelley Street, Sydney NSW 2000.

Forward looking statements

This Explanatory Memorandum contains historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Explanatory Memorandum reflect the current expectations of the Manager and its directors concerning future results and events. The statements contained in this Explanatory Memorandum about the impact that the resolutions may have on the results of the Fund's operations, and the advantages and disadvantages expected to result should the Resolutions be passed, are forward looking statements.

These forward looking statements and the financial performance of the Fund are subject to various risks which may be beyond the control of the Fund or the Manager. As a result, the Fund's actual results of operations and earnings following implementation of the proposed changes set out in this Explanatory Memorandum may differ significantly from those that are expected in respect of timing, amount or nature, and may never be achieved.

Various business risks could affect future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. Further, any number of unknown or unpredictable facts also could have material adverse effects on future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum. The forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. The Manager cannot assure Unitholders that forward looking statements or implied results or events will be achieved. Subject to any continuing obligations under the Corporations Act, the Manager does not give any undertaking to update or revise any change in expectation or any change in events, conditions or circumstances on which any such statement is based.

Disclaimer

Information concerning the Fund and the intentions, views and opinions of the Manager contained in this Explanatory Memorandum have been prepared by the Manager and are the responsibility of the Manager.

The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Explanatory Memorandum. To the maximum extent permitted by law, neither the Manager nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person, accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on their part.

The historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with the Fund's other periodic and continuous disclosure announcements, including the Fund's full year financial results for the year ended 30 June 2012, lodged with ASX Limited (ASX) on 22 August 2012, the Fund half year financial results for the period ended 31 December 2011, lodged with ASX on 24 February 2012 and announcements to ASX available at www.asx.com.au. The information in this Explanatory Memorandum remains subject to change without notice. The Manager reserves the right to withdraw or vary the timetable for implementing the Resolutions without notice. The pro forma financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of the Manager's views on the future financial condition and/or performance of the Fund.

ASIC and ASX involvement

Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

A copy of this Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

Responsibility for information

Except as outlined below and subject to the disclaimer above, the information contained in this Explanatory Memorandum has been prepared by the Manager and is the responsibility of the Manager.

The Independent Expert, BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170), has provided and is responsible for the information contained in section 8 of this Explanatory Memorandum. None of the Manager or any of its respective directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in section 8. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in Section 8.

Defined terms

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in Section 9 of this Explanatory Memorandum.

Currency and financial data

Unless stated otherwise, all dollar values are in Australian dollars (A$) and financial data is presented as at the date stated.

Time

Unless stated otherwise, all references to time are to Australian Eastern Standard Time (AEST).

Date

This Explanatory Memorandum is dated 22 August 2012.

Contents

1. Letter from the Chairman of the Manager

Dear Unitholder

As recently advised, Brookfield Capital Management Limited ABN 32 094 936 866 (BCML or Manager) in its capacity as the responsible entity of Brookfield Australian Opportunities Fund (Fund) has been assessing the Fund's position and investigating strategies aimed at restoring value to your Units, including regaining the ability to make distributions.

BACKGROUND

The Fund was established in 2003 with the stated investment objective that 'the Fund aims to provide investors with attractive returns, which are expected to include a high proportion of distributable income with tax advantages'.

In March 2007, with the approval of Fund Unitholders, Multiplex Property Income Fund (MPIF) was launched as an open-ended, unlisted registered managed investment scheme, predominantly investing in unlisted and listed property trusts managed by a range of property fund managers. At that time, MPIF issued ordinary units (Ordinary Units) to the Fund in consideration for the Fund transferring to it an initial investment portfolio of 20 unlisted property funds valued at approximately $30.08 million. BCML is the responsible entity of both the Fund and MPIF.

Subsequent to the issue of the Ordinary Units, MPIF issued income units (Income Units) to third party investors at an issue price of $1.00 per unit (plus any accrued income at the time). At the date of issue of this Explanatory Memorandum and Notice of Meeting, there were approximately 52.8 million Income Units on issue.

Income Units have the following features:

– preferential rights to a return of capital to Ordinary Units on a winding up of MPIF; and
– priority over Ordinary Units in the payment of periodic distributions up to an agreed rate. If MPIF Income Unitholders have not received the full Priority Distribution Payment for the preceding 12 month period, current arrangements between the Fund and MPIF prohibit the Fund from:

(a) paying distributions to Fund Unitholders on any of its Units (except to the extent such distribution is fully reinvested in further Units); or
(b) redeeming, reducing, cancelling, buying back or acquiring for any consideration any issued Units.

This restriction is known as the distribution stopper (Distribution Stopper). The Distribution Stopper will continue to apply until an amount equal to the Priority Distribution Payment for the previous 12 months has been paid.

Since December 2008, the Distribution Stopper has been in effect. Amongst other things, this has prevented the Manager from paying distributions to Unitholders. The Manager believes that the inability of the Fund to make distributions due to the Distribution Stopper has contributed to the current disparity between the Fund's trading price and the net tangible assets (NTA) of the Fund.

PROPOSAL PUT TO UNITHOLDERS IN NOVEMBER 2011

At a meeting of Fund Unitholders held on 22 November 2011 a resolution in respect of a conditional offer made by the Manager to acquire interests in nine non-liquid investments held by MPIF and removal of links between the Fund and MPIF (including for MPIF to be wound up) was approved by 97.3% of Fund Unitholders voting.

At a meeting of MPIF unitholders held on the same date, resolutions in respect of the conditional offer made by the Manager were not approved by MPIF unitholders.

As a result, MPIF was not wound up and the relationship between the two funds, including the Distribution Stopper, continues to exist.

REVIEW BY THE MANAGER

The Manager has continued to consider strategies aimed at restoring value to your Units, including regaining the ability to make distributions.

After review, it has become apparent that continuation of the Fund in its current form cannot meet the objectives of the Fund and the current impasse will continue with detrimental effects for Fund Unitholders. In particular:

– the Manager has concluded no distributions could be expected before 2023 at the earliest;
– the Fund has generally been trading in a range of 4.5 to 5 cents against an NTA of approximately 13.8 cents;
– trading in BAO is largely illiquid;
– Fund Unitholders have for some time been requesting the Manager to resolve the position;
– the Board has sought to resolve the issue with a proposal to MPIF, considered fair and reasonable by an independent expert and at considerable cost, which was rejected;
– in the circumstances, the Manager believes it is in the best interests of Fund Unitholders to resolve to wind up the Fund and distribute its assets, seeking to maximise value for unitholders, while honouring the terms of the Distribution Stopper;
– the Distribution Stopper is one factor as to why winding up action is appropriate. Paying out the Distribution Stopper is part of the proposed course of action and following the wind up it will cease to apply as the Manager continues to realise value from the Fund's assets.

THE RESOLUTIONS NOW BEING PUT TO UNITHOLDERS

The Manager is proposing two resolutions for Fund Unitholders to consider.

Resolution 1

The practical effect of Resolution 1 is that Fund Unitholders will receive an interest in BAO Trust. BAO Trust will make a cash distribution of 1.5 cents per unit and will hold the investments of BAO which are not immediately realisable and will seek to realise those investments when it is in the best interests of Fund Unitholders to do so. BAO Trust will be an unlisted managed investment scheme.

This resolution seeks the approval of Fund Unitholders to implement a Proposal in the following form:

1. The Fund will liquidate its A-REIT portfolio with the exception of its holding in Brookfield Prime Property Fund (which will be sold to Brookfield if Resolution 2 is approved by Fund Unitholders) and its holding in Multiplex European Property Fund which will be retained in its wholly owned sub-trust (BAO Trust);
2. The Fund will use part of the proceeds from the sale to reduce its Debt Facility and the remainder of the Debt Facility will be transferred to BAO Trust;
3. The Fund will transfer all remaining assets (and liabilities) including its holdings in unlisted property trusts into its wholly owned sub-trust (BAO Trust);
4. The Fund will pay MPIF Income Unitholders a payment equal to the Priority Distribution Payment shortfall for the previous 12 months (approximately $3 million) such that the Distribution Stopper will be released;
5. The Fund will make a distribution to Fund Unitholders comprising an in specie distribution of one unit in BAO Trust for every one unit held in the Fund (estimated NTA of 13.4 cents per unit);
6. The Fund will be de-listed from ASX;
7. The Fund will no longer own any assets and will be wound up;
8. BAO Trust will pay a cash distribution of approximately $12.2 million (1.5 cents per unit); and
9. BAO Trust will hold the assets transferred to it by the Fund. It is not intended that BAO Trust will make any further investments. Net income earned from the assets will be distributed on a periodic basis subject to the terms of the Debt Facility. The capital value of the assets will be maximised and, when appropriate, will be realised in order to repay the balance of the Debt Facility and then to return cash to Fund Unitholders. Timing of this realisation will be governed by the terms of the underlying investments and the market for the investments.

Further information on Resolution 1, including the advantages and disadvantages of approving the resolution, is provided in Section 5. The intended timetable for implementation of the Proposal is in Appendix A.

Resolution 2

Resolution 2 seeks the approval of Fund Unitholders for the Fund to sell its 2,521,890 units (being a holding of approximately 5%) in Brookfield Prime Property Fund (ASX code: BPA) to Brookfield at a price of $4.21 per unit which is equivalent to the three month VWAP immediately preceding 30 June 2012.

Proceeds from the sale of this holding in BPA of approximately $10.6 million will be used to further reduce the Fund's debt.

In the event that Resolution 1 is passed and Resolution 2 is not approved by Fund Unitholders, the BPA holding will be transferred by the Fund together with other assets to BAO Trust and will be realised in that trust together with the other assets at an appropriate time.

Further information on Resolution 2, including the advantages and disadvantages of approving the resolution, are provided in Section 5.

IMPLEMENTATION OF THE RESOLUTIONS

If Resolution 1 is approved by Fund Unitholders, the Fund will trade on ASX for 18 Business Days post the meeting and is intended to de-list at close of trade on 29 October 2012 (the 24th Business Day after the Meeting). After satisfaction of all conditions to implementation of the Resolution, it is expected that implementation will commence immediately after the Meeting.

The Proposal is subject to a number of conditions including:

(a) BCML is appointed as responsible entity of BAO Trust and BAO Trust is registered as a managed investment scheme; and
(b) ASX approving the de-listing of the Fund on a date agreed between the Fund and ASX.

The Manager will announce to ASX when all of the conditions to implementation have been satisfied.

The Financier has consented to the Proposal subject to certain conditions (refer to Section 6 for further details).

IF THE RESOLUTIONS ARE NOT PASSED

If Resolution 1 is not approved, Resolution 2 cannot be approved by Fund Unitholders.

If Resolution 1 is not approved, the Proposal will not be implemented and the Fund will not be wound-up and de-listed from ASX. No payment of the Priority Distribution Payment shortfall to the MPIF Income Unitholders will be made. The Distribution Stopper will remain in place until any shortfall in the Priority Distribution Payment for the previous 12 months has been paid to MPIF Income Unitholders, preventing any distributions to Fund Unitholders.

The Manager will continue to consider strategies to maximise Fund Unitholder value having regard to the Fund's current circumstances and the Distribution Stopper. This strategy could include the winding up of the Fund at some time in the future if this is considered to be in the best interests of Fund Unitholders at that time.

If Resolution 1 is approved but Resolution 2 is not approved the holding in BPA held by the Fund will be transferred to BAO Trust and will be realised at some time in the future when it is considered to be in the best interests of Fund Unitholders.

KEY BENEFITS AND RISKS OF RESOLUTIONS 1 AND 2

Resolution 1

If the Proposal is implemented, the current impasse affecting the Fund will be resolved and Fund Unitholders will benefit through:

- receiving a distribution of an interest in BAO Trust;
- BAO Trust making a cash distribution of 1.5 cents per unit to its unitholders;
- being likely to receive further cash in the form of ongoing income distributions and capital returns as assets are disposed and cash distributed by BAO Trust;
- the Distribution Stopper not restricting further distributions;
- repayment of the Debt Facility; and
- management fees reducing over time as assets are realised.

1. Letter from the Chairman of the Manager continued

Potential risks and disadvantages of the Proposal are:

- BAO Trust will not be listed and it will not be possible to trade units on ASX, however Unitholders will retain the ability to transfer their units off market after 12 months of winding up the Fund;
- BAO Trust will seek to realise assets over time to return income and capital to Unitholders, however, timing for realisation is uncertain and may occur over a number of years;
- winding up of the Fund will result in the expiry of approximately $12.0 million income losses and $15.3 million capital losses calculated as at 30 June 2012 and any unrealised losses relevant to the assets to be transferred will not be available to BAO Trust;
- BAO Trust may not participate in future capital raising offerings made by the Fund's underlying investments;
- it is possible that the amount of the Priority Distribution Payment shortfall may decrease over time; and
- transferring units in BAO Trust in the future may be subject to stamp duty and may therefore reduce the proceeds of sale from a prospective purchaser.

Resolution 2

Key benefits of Resolution 2 are:

- the sale price is fair and reasonable and arm's length in regards to the current market and liquidity which may make a future sale at the sale price or higher difficult;
- the sale will result in reduced debt and funding costs;
- the Fund has tax losses that can be used to shelter part of the gain arising on sale; and
- if the Fund does not sell the BPA Units, its interest may be diluted if the capital structure of BPA changes.

The potential disadvantage of Resolution 2 is that the BPA Units may increase in value in the future. However, Fund Unitholders who wish to retain exposure to BPA may choose to acquire units on ASX.

OPINION OF INDEPENDENT EXPERT ON RESOLUTION 2

In accordance with ASX Listing Rules the Manager engaged BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (Independent Expert) to provide an independent expert's report in relation to sale of the BPA Units to Brookfield (refer to Section 8 for further information).

The Independent Expert's Report has concluded that, in its opinion, the sale of the BPA Units is fair and reasonable to Fund Unitholders and is on arm's length, or better, terms.

A copy of the Independent Expert's Report is set out in Section 8 of this Explanatory Memorandum.

RECOMMENDATION OF THE MANAGER AND INDEPENDENT DIRECTORS

Resolution 1

Having regard to the advantages and potential disadvantages of Resolution 1 (described in Section 5) the directors of the Manager are of the opinion that the Resolution is in the best interests of Fund Unitholders and unanimously **recommend that you vote in favour of Resolution 1**.

Resolution 2

Having regard to the advantages and potential disadvantage of Resolution 2 (described in Section 5) and provided that the Independent Expert does not change or withdraw its conclusion in relation to the Resolution, the Independent Directors are of the opinion that the Resolution is in the best interests of Fund Unitholders and unanimously **recommend that you vote in favour of Resolution 2**.

MEETING TO CONSIDER THE RESOLUTIONS

A Meeting of Fund Unitholders to consider the Proposal will be held on Monday, 24 September 2012 at:

KPMG Tower
Auditorium
10 Shelley Street
Sydney NSW 2000

Meeting commencing at 10.00am (AEST).

YOUR VOTE IS IMPORTANT

In order for the Resolutions to be approved, 50% or more of Fund Unitholders present and voting at the Meeting must approve the Resolutions (see Section 2). Members of the Brookfield Group who are associates of the Manager will not vote on either of the Resolutions.

This Explanatory Memorandum contains important information relating to the Resolutions, including the reasons for the Manager's recommendation and a description of certain advantages and disadvantages of the Resolutions. Please read this Explanatory Memorandum carefully and in its entirety before making your decision and voting (whether in person, by corporate representative, attorney or by proxy) at the Meeting.

Additional information about the Fund and its assets can be found at au.brookfield.com.

Enquiries in relation to the Resolutions may be directed to the Brookfield Australian Opportunities Fund Information Line on 1800 766 011 (within Australia) or +61 2 9290 9600 (from outside Australia). Alternatively, contact your investment, tax, legal or other professional adviser.

I look forward to your participation at the Meeting on 24 September 2012 and encourage you to vote in favour of the Resolutions. Meanwhile, I would like to thank you for your ongoing support of the Fund.

Yours faithfully

Allan McDonald
Chairman

2. Notice of Meeting

NOTICE OF MEETING

Notice is hereby given by Brookfield Capital Management Limited (ABN 32 094 936 866) as responsible entity for Brookfield Australian Opportunities Fund (ARSN 104 341 988) that a meeting of Unitholders (Meeting) will be held at:

Place: KPMG Tower
Auditorium
10 Shelley Street
Sydney NSW 2000

Date: 24 September 2012

Time: Registration 9.30am (AEST)

Meeting commencing at 10.00am (AEST).

In accordance with section 252S(1) of the *Corporations Act 2001* (Cth), Brookfield Capital Management Limited has appointed Mr Allan McDonald, or, failing him, Ms Barbara Ward to act as Chair.

BUSINESS OF THE MEETING

The business of the Meeting will consist of the following:

Resolution 1: Approval of the Proposal

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That the Proposal (as defined in the notice accompanying this resolution), including the transfer to BAO Trust of all of the Fund's assets as described in the Explanatory Memorandum (as defined in the notice accompanying this resolution) is approved for all purposes, including for the purposes of ASX Listing Rule 11.2, and the Manager (as defined in the notice accompanying this resolution) is authorised to take all steps and enter into all documents that it considers necessary or desirable to give effect to the Proposal."

Resolution 2: Approval of the transfer of 2,521,890 units in Brookfield Prime Property Fund to Brookfield

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of Resolution 1, for the purposes of and in accordance with the requirements of ASX Listing Rule 10.1, and for all other purposes, the sale of 2,521,890 units in Brookfield Prime Property Fund by the Manager (as defined in the Explanatory Memorandum accompanying this resolution) to a related party of the Manager for consideration of $10,617,156.90 and otherwise on the terms described in Section 4 of the Explanatory Memorandum accompanying this resolution, is approved."

Voting exclusions

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member.

In addition, under ASX Listing Rules, the Manager must disregard any votes cast on the Resolutions by:

(a) a party to the Proposal including Brookfield;
(b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolutions are passed; and
(c) an associate of any of the above persons.

As a consequence of the above voting exclusions, the Manager has determined that neither BCML nor any of its associates will be able to vote on the Resolutions. This includes Brookfield Capital Securities Limited, Brookfield Multiplex Capital Pty Limited, Multiplex APF Pty Limited and Mr Brian Motteram (who between them currently hold approximately 62.1% of the Units).

However, the Manager need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
(b) it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Mr Neil Olofsson
Company Secretary
22 August 2012

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined, this Notice and terms used in this Notice have the same meaning as set out in the Glossary in Section 9 of the Explanatory Memorandum.

3. Information for Unitholders

3.1 KEY DATES

Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting	22 September 2012 at 10.00am
Meeting record date	23 September 2012 at 7.00pm
Unitholders' meeting to be held at KPMG Tower, Auditorium, 10 Shelley Street, Sydney NSW 2000	24 September 2012 at 10.00am
Implementation completion	On or after 26 October 2012

3.2 WHAT YOU NEED TO DO

Step 1 – read the Explanatory Memorandum

The Explanatory Memorandum sets out information relating to the Meeting of Unitholders to consider the Resolutions, and includes the Notice of Meeting.

Information contained in this Explanatory Memorandum and Notice of Meeting is important. You should read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

If, prior to 7.00pm (AEST) on 23 September 2012, you have sold all of your Units, please disregard this document.

Step 2 – vote

The Meeting is scheduled for 10.00am (AEST) on 24 September 2012 at KPMG Tower, Auditorium, 10 Shelley Street, Sydney NSW 2000.

You can vote on the Resolutions by attending the Meeting (or having an attorney or, in the case of a body corporate, corporate representative attend on your behalf) or by completing and returning the Proxy Form accompanying this Explanatory Memorandum. Proxy Forms must be received by 10.00am (AEST) on 22 September 2012.

For details on how to complete and lodge the Proxy Form, or having your corporate representative or attorney attend the Meeting, please see below.

3.3 QUORUM REQUIREMENTS

The quorum requirement for the Meeting is at least five Unitholders present in person or by attorney, representative or proxy.

If a quorum is not present within 30 minutes after the scheduled time for the Meeting, the Meeting will be adjourned as the Chair of the meeting directs.

3.4 VOTING DETAILS

Voting Eligibility

All Unitholders on the Fund Register at 7.00pm (AEST) on 23 September 2012 are entitled to vote unless they are otherwise excluded in the manner set out in the Notice of Meeting.

In order for the steps relevant to each Resolution to be implemented the Resolution must be approved by the requisite majority.

The Notice of Meeting is set out in Section 2 of this Explanatory Memorandum. A personalised Proxy Form is enclosed with this Explanatory Memorandum.

Voting

The Chair of the Meeting has advised that he intends to demand a poll so that all the Resolutions are to be decided on a poll. On a poll, each Unitholder has one vote for each dollar of the value of the Units held by the Unitholder and each person present as proxy, attorney or representative of a Unitholder has one vote for each dollar of the value of the Units held by the Unitholder that person represents. Generally speaking, your Unit value is equal to the last sale price of Units on ASX on the last trading day before the Meeting.

You need not exercise all your votes in the same way, nor need you cast all your votes.

Jointly held Units

If your Units are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Meeting, only the vote of the person named first in the Fund Register counts.

Individuals

If you plan to attend the Meeting, we ask you to arrive at the venue at least 30 minutes prior to the time designated for the Meeting so that we may check your Units against the Fund Register and note your attendance.

Corporations

In order to vote at the Meeting, a corporation that is a Unitholder may appoint a proxy or may appoint a person to act as its representative. The appointment of a representative must comply with Section 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Appointing a Proxy

If you are entitled to attend and vote at the Meeting but cannot attend, you can appoint a proxy to attend and vote on your behalf. You may nominate one or two persons to vote on your behalf at the Meeting. A proxy need not be a Unitholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

To ensure that all Unitholders can exercise their rights to vote on the proposed resolution, a Proxy Form is enclosed. The Proxy Form tells you what you need to do to lodge a valid proxy.

A Proxy Form may be returned in the reply paid envelope provided. Alternatively, you may deliver your completed Proxy form:

(a) *By mail:*
Brookfield Australian Opportunities Fund
Unit Registry
Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

(b) *By fax:*
+61 2 9290 9655

(c) *By hand:*
Unit Registry
Boardroom (Victoria) Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

The Proxy Form must be received no later than 48 hours before the Meeting, failing which the Proxy Form will be disregarded for the purpose of the Meeting.

Voting intentions of Chairman

The Manager has appointed Allan McDonald, or failing him, Barbara Ward to Chair the Meeting. If the Chair of the Meeting is your proxy and you do not specifically direct how your proxy is to vote on the Resolutions, you will be taken (provided you have marked the appropriate box) to have directed the Chair of the Meeting to vote in favour of the Resolutions and the Chair of the Meeting will exercise your votes in favour of the Resolutions.

3.5 ENQUIRIES

If you have questions about the Resolutions, attending the Meeting, how to vote or the Proxy Forms, please contact the information line on 1800 766 011 (if you are in Australia) or on (+61 2 9290 9600 if you are outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST) or consult your financial or other professional advisers.

4. Details of the Resolutions

4.1 THE RESOLUTIONS

Two resolutions are being put to Unitholders as set out in Section 2.

In order for the Resolutions to be implemented, 50% or more of the votes cast by Unitholders voting on each Resolution must be in favour of that Resolution. The Manager and its associates will not vote on the Resolutions. In determining whether to vote in favour of the Resolutions, Unitholders should have regard to this Explanatory Memorandum and in particular:

(a) Steps for implementing the Resolutions, including the required approvals, conditions and steps are described in this Section;
(b) Evaluation of the Resolutions set out in Section 5 (including advantages and disadvantages of each Resolution); and
(c) In the case of Resolution 2, the Independent Expert's Report on the sale of the BPA Units.

If Resolution 1 is not approved, Resolution 2 cannot be approved by Unitholders.

If Resolution 1 is approved, then the Proposal will proceed whether or not Resolution 2 is approved by Unitholders.

4.2 RESOLUTION 1

Resolution 1 seeks the approval of Unitholders to implement a Proposal in the following form:

1. The Fund will liquidate its A-REIT portfolio with the exception of the holding in Brookfield Prime Property Fund, held by Brookfield and its subsidiary entities (which will be transferred to Brookfield if Resolution 2 is approved by Unitholders) and its holding in Multiplex European Property Fund which will be retained in BAO Trust;
2. The Fund will use part of the proceeds from sale of assets to reduce its Debt Facility and will transfer the remainder of the Debt Facility to BAO Trust;
3. The Fund will transfer all remaining assets (and liabilities) including its holdings in unlisted property trusts into BAO Trust;
4. The Fund will pay MPIF Income Unitholders a payment equal to the Priority Distribution Payment shortfall for the previous 12 months (approximately $3 million) such that the Distribution Stopper will be released;
5. The Fund will make a distribution to Unitholders comprising one unit in BAO Trust for every one unit held in the Fund (estimated NTA of 13.4 cents per unit);
6. The Fund will be de-listed from ASX;
7. The Fund will no longer own any assets and will be wound up;
8. BAO Trust will pay a cash distribution of approximately $12.2 million (1.5 cents per unit). It is expected that the distribution will be made to unitholders in BAO Trust at the relevant record date for that distribution within 10 Business Days after the last day of trading; and
9. BAO Trust will hold the assets transferred to it by the Fund. It is not intended that BAO Trust will make any further investments. Net income earned from the assets will be distributed on a periodic basis. The capital value of the assets will be maximised and, when appropriate, will be realised in order to repay the balance of the Debt Facility and then to return cash to Unitholders. Timing of this realisation will be governed by the terms of the underlying assets and the market for the assets.

Step 1: Liquidation of the Fund's A-REIT portfolio

As at 30 June 2012 the Fund held an interest in 11 A-REITs with an approximate value of $28.6 million (refer to Section 6 for further details). It is proposed that these would be sold in the market via ASX with the exception of two securities.

It is proposed that the interest held by the Fund and its wholly owned sub-trust, BAO Trust, in Brookfield Prime Property Fund be sold to Brookfield, following approval of Resolution 2, for the reasons set out in Section 5. In the event that Resolution 2 is not approved, then the interest would be realised at some time in the future when it is considered to be in the best interests of Unitholders.

It is proposed that the interest held in Multiplex European Property Fund (ASX code:MUE) be retained and transferred together with the Fund's unlisted investments to BAO Trust (refer step 3 below). The Manager believes that the relative size of the holding in MUE, being approximately 5% of the securities on issue in that fund, would be difficult to monetise at appropriate values in the short term and that a longer-term realisation strategy for that holding is in the best interests of Unitholders.

The Fund may commence selling the A-REITs held at that time immediately following the Meeting. The sale of the A-REITs may be fully or partially completed before the Fund is de-listed from ASX.

Step 2: Reduction of the Debt Facility

The current balance owing under the Debt Facility is $35 million. It has been agreed with the Fund's financier that upon realisation of the assets, the proceeds would be used to reduce the facility. In the event that Resolution 2 is approved by Unitholders, the proceeds would be used to further reduce the facility. The remaining balance of the Debt Facility will be transferred to BAO Trust (refer to step 3).

Step 3: Transfer of assets and liabilities to BAO Trust

Assets held by the Fund will be transferred to a wholly owned sub-trust of the Fund, BAO Trust. These assets will include interests in 27 unlisted property securities (including two Rubicon Trusts which are currently being liquidated) valued at $97.9 million (refer to Section 6) and the interest in MUE (and potentially BPA if Resolution 2 is not approved).

The remaining balance of the debt facility will also be transferred to BAO Trust and the financier will retain security over the assets of BAO Trust until repayment of the facility.

The Fund may commence transferring assets to BAO Trust immediately following the Meeting. The transfer may be fully or partially completed before the Fund is de-listed from ASX.

Further details of BAO Trust can be found in Section 6.

Step 4: Payment to MPIF Income Unitholders
A payment equal to the shortfall required so as to ensure that MPIF Income Unitholders receive the Priority Distribution Payment for the previous 12 months will be made to MPIF Income Unitholders from the Fund cash reserves. At the present time it is expected that an amount of approximately $3 million will be paid.

Step 5: Distribution in specie to Unitholders
Payment of the shortfall in step 4 will allow the Fund to make a distribution to its Unitholders.

It is proposed that a distribution would be made to Unitholders in the form of an in specie distribution of one unit in BAO Trust for every one unit held in the Fund.

Unitholders entitled to receive the in specie distribution will be the Unitholders on the Fund's register at the end of the Business Day prior to the date of de-listing.

Step 6: De-listing
Units in the Fund will continue to trade on ASX for 18 Business Days following the Meeting. Trading will be suspended between Business Days 19-24 after the Meeting to allow for settlement of trades. At close of trading on the 24th Business Day following the Meeting, it is intended the Fund will be de-listed from ASX.

Step 7: Wind up of the Fund
After completion of the distribution in step 5 and distribution of assets to BAO Trust, the Fund will have no assets. The Fund will also cease to have a liability to indemnify BCML out of the Fund's assets. That liability will be assumed by BAO Trust. The Fund will be wound up.

Step 8: Distribution of cash to Unitholders
BAO Trust will pay a cash distribution of approximately $12.2 million (1.5 cents per unit) to unitholders in BAO Trust at the relevant record date for that distribution within 10 Business Days after the last day of trading.

Step 9: Distribution of income and capital from BAO Trust
BAO Trust will hold the assets transferred to it by the Fund and it is not proposed that these would be subject to a forced sale. The capital value of the assets will be maximised and, when appropriate, will be realised in order to repay the balance of the Debt Facility and then to return cash to Unitholders. Timing of this realisation will be governed by the terms of the underlying assets and the market for the assets.

Net income earned from the assets is expected to be distributed to Unitholders on a periodic basis. Initially this is likely to be on a quarterly basis until such time as the Debt Facility has been repaid in full. Net capital proceeds will be used to repay the Debt Facility. After the Debt Facility is repaid in full net income and capital will be paid to Unitholders when cash is received by BAO Trust and the Manager determines it appropriate to distribute.

Further information in relation to Resolution 1, including the advantages and disadvantages of approving the Resolution, is set out in Section 5.

4.2.1 Resolution 1: Implementation Steps and Timing

If Resolution 1 is passed, you will not be required to do anything further in order for steps to give effect to the Proposal to be implemented. Subject to the Conditions described in Section 4.4 being satisfied, the Proposal will become effective. The Fund will announce to ASX when the Conditions have been satisfied or waived and the Proposal is implemented.

If Resolution 1 is passed, the Fund will continue to trade on ASX until close of trade on 19 October 2012. Trading will be suspended between 22–29 October 2012 and the Fund will de-list at close of trade Monday, 29 October 2012. Implementation of the Proposal is expected to be completed shortly after 29 October 2012.

4.2.2 What will happen if Resolution 1 is not approved

If Resolution 1 is not approved, the Proposal will not be implemented and Resolution 2 cannot be approved by Unitholders. The Fund will continue in its current form and will not be wound-up and de-listed from ASX. No payment of the Priority Distribution Payment shortfall to the MPIF Income Unitholders will be made. The Distribution Stopper will remain in place until any shortfall in the Priority Distribution Payment for the previous 12 months has been paid to MPIF Income Unitholders.

The Manager will continue to consider strategies to maximise Unitholder value having regard to BAO's current circumstances and the Distribution Stopper. This strategy could include the winding up of BAO at some time in the future if this is considered to be in the best interests of Unitholders at that time.

4.3 RESOLUTION 2

4.3.1 Approval under ASX Listing Rule 10.1

Resolution 2 seeks the approval of Unitholders for the sale of 2,521,890 units in Brookfield Prime Property Fund (being approximately 5% of the units on issue in that fund) to Brookfield at a price of $4.21 per unit which is equivalent to the three month VWAP immediately preceding 30 June 2012. The proceeds from sale of the BPA Units would be utilised to further reduce the debt facility.

Under ASX Listing Rule 10 (transactions with persons in a position of influence), a company is required to obtain Unitholder approval before it disposes of a "substantial asset" to, among other things, a substantial shareholder if the person (and its associates) have a relevant interest in at least 10% of the total votes attaching to the entity's securities.

Brookfield and its subsidiary entities hold an interest in approximately 62% of the Fund and are each and collectively a "substantial shareholder" of the Fund for the purposes of ASX Listing Rule 10.

4. Details of the Resolutions continued

Unitholder approval is therefore required because Brookfield is acquiring a “substantial asset” from the Fund, being an asset worth greater than 5% of the “equity interests” of the Fund as set out in the latest set of accounts given to ASX.

The background to the sale of BPA Units and the advantages and disadvantages are set out in Section 5.2.

Independent Expert

The Manager has appointed BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) as an independent expert (Independent Expert) to provide an opinion for Unitholders regarding the sale of the BPA Units to Brookfield Group. For the purposes of the Independent Expert’s opinion, the proposed sale of the BPA Units comprises a “control” transaction and as set out in the Independent Expert Report, the Independent Expert has stated that the sale under ASX Listing Rule 10.1 is “fair and reasonable” to the non-associated Unitholders.

4.3.2 Resolution 2: Implementation Steps and Timing

If the Resolution is passed, you will not be required to do anything further in order for the interest in BPA to be sold and the proceeds used to reduce the Fund’s Debt Facility subject to the Conditions described in Section 4.4 being satisfied.

4.3.3 What will happen if Resolution 2 is not approved

If Resolution 2 is not approved, the holding in BPA held by the Fund will be transferred to BAO Trust and will be realised at some time in the future when it is considered to be in the best interests of Unitholders.

If Resolution 2 is not approved, Resolution 1 will not be affected and the Proposal will be implemented.

4.4 CONDITIONS TO BE SATISFIED BEFORE IMPLEMENTATION OF THE RESOLUTIONS

The Proposal is subject to a number of conditions, including:

(a) BCML is appointed responsible entity of BAO Trust and BAO Trust is registered as a managed investment scheme; and
(b) ASX approves the Fund de-listing on a date agreed between the Fund and ASX.

The Fund will announce to ASX when the Conditions have been satisfied.

5. Evaluation of the Resolutions

This Section is a summary only and is not intended to address all the relevant issues for Unitholders in respect of the Resolutions. Unitholders should read the Explanatory Memorandum in its entirety. This Section should be read in conjunction with other Sections of this Explanatory Memorandum.

5.1 RESOLUTION 1

The directors of the Manager are of the opinion that the Resolution is in the best interests of Unitholders and unanimously recommend that you vote in favour of Resolution 1.

5.1.1 Advantages of Resolution 1

(a) The Distribution Stopper is released and has no practical effect after completion of the proposed steps

If Unitholders approve Resolution 1 and the Conditions are satisfied, the Manager will implement the proposed steps as described in Section 4. Payment of the shortfall of the Priority Distribution Payment to MPIF Income Unitholders will release the Distribution Stopper and allow the in specie distribution by the Fund of units in BAO Trust to Unitholders and facilitate the distribution of cash by BAO Trust to Unitholders as described in Section 4.

BAO Trust will be managed so as to realise existing investments as soon as practicable in the best interests of Unitholders. It will distribute its income to Unitholders as and when required and will not be restricted by the Distribution Stopper.

(b) Access to further income and capital returns

Following the distribution of 1.5 cents per unit by BAO Trust, Unitholders will continue to receive further returns from income derived from BAO Trust's underlying investments less any financing or other expenses incurred by BAO Trust. An estimate of those returns is provided in Section 6 and should be considered in the context of the assumptions set out in that Section.

After repayment of the Debt Facility, capital realised from the disposal of the underlying investments will be returned to Unitholders. It is not intended that BAO Trust will make any further investments and the trust will be managed so as to realise the existing investments as soon as practicable in the best interests of Unitholders. This process may take a number of years. An estimate of those returns is provided in Section 6 and should be considered in the context of the assumptions set out in that Section.

(c) Reduced management fees and expenses

Management fees for BAO Trust will be calculated on the same basis as currently calculated for the Fund. As the assets are realised and capital is returned to Unitholders the quantum of management fees payable from BAO Trust will reduce. In addition, BAO Trust will not bear the management fees of MPIF as is currently the case for the Fund.

Expenses should reduce as assets are disposed and certain expenses currently associated with the listing of the Fund will be eliminated.

5.1.2 Disadvantages of Resolution 1

(a) De-listing of BAO and 12 month restriction on transfer post wind up

BAO Trust will not be listed. BAO Trust unitholders will not have the ability to trade their investment on ASX or access information available on ASX platform for listed securities. However, BAO Trust will continue to provide ongoing disclosure to investors so that information on material events affecting BAO Trust will be available to Unitholders at www.au.brookfield.com.

The Corporations Act prevents the transfer of units in BAO Trust for a period of 12 months from the wind up of the Fund unless a PDS is prepared.

Relief was sought from ASIC so as to enable Unitholders to transfer units in BAO Trust during this period but for policy reasons ASIC was not able to grant relief.

In order to allow Unitholders the opportunity to dispose of or reorganise their holding in the Fund in the event that Resolution 1 is approved, a trade out period of 18 Business Days post the Meeting has been agreed with ASX prior to de-listing and wind up of the Fund.

The Manager considers that the benefits associated with the distribution of cash of 1.5 cents per unit together with units in BAO Trust, and the further regular realisation and distribution of income and capital to Unitholders (albeit that this may take a number of years as set out in Section 6.7) outweigh the disadvantages associated with the loss of liquidity when viewed against the recent trading price and volumes of the Fund. A table indicating trading price and volumes and the underlying net assets of a Unit can be found in Section 6.2.

(b) Paying the Priority Distribution Payment shortfall from the Fund's cash reserves

The Fund will pay the Priority Distribution Payment shortfall of approximately $3 million to MPIF Income Unitholders. Absent the Proposal, the amount to be paid to MPIF Income Unitholders may decrease over time as the performance of the underlying investments in MPIF improves. Over time it may improve to such a level that no shortfall exists and the Distribution Stopper would be released without any payment by the Fund.

However, the Manager has reviewed the investment portfolio of MPIF and expected market conditions and does not consider that the shortfall would be reduced to nil in the short to medium term. Further, the Manager considers that the benefits in returning cash to Unitholders immediately and allowing further access to capital and income over future years outweigh the costs associated with meeting the shortfall now.

5. Evaluation of the Resolutions continued

(c) Tax Losses
The wind up of the Fund will result in the expiry of income tax losses of approximately $12.0 million and $15.3 million in capital losses calculated as at 30 June 2012 that are not able to be transferred to BAO Trust. The underlying investments will be transferred to BAO Trust at market value and any gain on that value in future years will not be able to benefit from the tax losses existing in the Fund.

The transfer of investments at market value to the BAO Trust will mean that any unrealised losses representing the difference between the market value of the investments and the current tax cost base will not be available to BAO Trust.

The use of losses by the Fund in future years would be subject to satisfying relevant tests contained in the tax legislation and the Manager considers in any case that it would be a number of years before the losses could be fully utilised.

(d) Inability to participate in future capital raising offerings made by the underlying investments
BAO Trust will manage the investments transferred from the Fund but is not expected to make any new investments. By not retaining significant cash reserves, there is the possibility that the underlying investments may seek to raise further capital at a price which would dilute the value of the existing investment. In these circumstances the Manager will consider relevant options to retain value but this may not be possible in all circumstances.

(e) Stamp Duty on transfer
The transfer of units in BAO Trust in the future may be subject to stamp duty and may therefore reduce the proceeds of sale from a prospective purchaser. The amount of duty payable, if any, will be dependent on the location of underlying real property and the state or territory in which it is located and relevant laws at the time.

5.2 RESOLUTION 2

The Independent Directors are of the opinion that Resolution 2 is in the best interests of Unitholders and unanimously recommend that you vote in favour of Resolution 2.

The Board has appointed BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) as an independent expert (Independent Expert) to provide an opinion for Unitholders regarding the sale of the BPA Units to Brookfield. The Independent Expert has concluded that the sale is fair and reasonable to Unitholders and on arm's length, or better, terms.

The Independent Expert's report is set out in Section 8.

5.2.1 Background to the holding in BPA

The Fund acquired a 9.9% holding in BPA in 2006 when that fund was first listed. The initial holding was acquired for $16.7 million with a further instalment of 40 cents per unit payable in June 2011. During 2010, the Fund participated in an entitlement offer at a total cost of $4.965 million such that it retained its 9.9% holding in BPA. Prior to the payment of the final instalment in June 2011, the Fund reduced its holding in BPA to approximately 5% and paid the further instalment of $5.6 million. The holding, equivalent to 2,521,890 units remains owned by the Fund and BAO Trust at the present time.

BPA is a listed property trust with a market capitalisation of $204.4 million as at 30 June 2012 which invests in prime commercial office properties in Australia. It currently has six investment properties in its portfolio with an occupancy rate at 30 June 2012 of 97.8% and a weighted average lease expiry term of 7.36 years. BPA's loan to value ratio at 30 June 2012 was approximately 67% when taking into account the Fund's senior and subordinated facilities.

Net asset value of BPA as at 30 June 2012 was $229.1 million or net assets per unit of $4.65 per unit. BPA has paid a regular quarterly distribution of 2 cents per unit since the September 2011 quarter and announced an on-market buy-back of units in September 2011 which commenced on 19 September 2011 and will end no later than 19 September 2012. The responsible entity of BPA has indicated in February 2012 that it "will continue to focus on strategies to enhance value for unitholders and narrow the discount which exists between the fund's trading price and underlying net asset value".

5.2.2 Advantages of Resolution 2

(a) The sale is fair and reasonable and arm's length
It is proposed that the BPA Units be sold to Brookfield. The sale price of these units is proposed to be $4.21 which is equivalent to the three month VWAP prior to 30 June 2012.

The Independent Directors consider the following factors support the conclusion that the sale of the BPA Units at a price of $4.21 per unit is fair and reasonable and arm's length.

i. Benchmark against comparable securities in the market
The market for comparable A-REIT investments shows the following trading price as at 10 August 2012 measured against underlying net assets:

	BROOKFIELD PRIME PROPERTY FUND	COMMONWEALTH PROPERTY OFFICE FUND	INVESTA OFFICE FUND	COMMERCIAL INDEX 200	A-REIT INDEX (EXCLUDING WESTFIELD GROUP AND GOODMAN GROUP)
ASX Code	BPA[2]	CPA[3]	IOF[5]		
Fund Metrics					
Market Cap	$172.4m	$2.4bn	$1.7bn	$4.2bn	$46.1bn
Monthly turnover ($m)	0.3	142.9	131.1	274.0	
Gearing (%)	67	24.1	24.5	24	26
Distribution Yield on Trading Price (%)	2.3	5.9	6.2[6]	5.9	6.5
Distribution Yield on NTA (%)	1.7	5.3	5.6[6]		
Trading Price ($ per unit)[1]	3.50	1.04	2.84		
NTA ($ per unit)	4.65	1.15	3.15		
Premium/(Discount) (%)	**(24.7)**	**(9.6)**	**(9.8)**	**(8.0)**	**(8.0)**
Property Metrics					
Number of properties	5	26	16		
Occupancy Rate (%)	97.8	96.3[4]	97		
Weighted Average Lease Expiry (years)	**7.4**	**5.0[4]**	**5.3**		
Weighted Average Cap Rate (%)	**7.3**	**7.5**	**7.4**	**7.5**	**7.5**

1. ASX Closing Trading Price as at 10 August 2012.
2. Brookfield Prime Property Fund audited financials as at 30 June 2012.
3. Commonwealth Office Property Fund market release 28 June 2012.
4. Commonwealth Office Property Fund market release 28 May 2012.
5. Investa Office Fund market release May 2012.
6. Investa Office Fund market release 20 June 2012.

These securities were chosen as most comparable to BPA as they:

– invest principally in office assets in Australia;
– have high occupancy rates of above 95%;
– have long weighted lease expiry profile terms of equal to or greater than five years; and
– have similar weighted average capitalisation rates to the Commercial Property Index 200.

The comparables reflect an average discount to NTA of approximately 10%. When considering an appropriate discount to net assets, the Manager considers the following additional factors to be relevant:

Gearing of BPA
BPA's loan to value ratio at 30 June 2012 was 67% after taking into account senior and subordinated facilities. This is significantly higher than the comparables. When measured against other A-REITs the higher level of gearing in BPA represents risk that debt covenants could be breached and may affect BPA's ability to re-finance its existing facilities. This may, at its extreme, lead to dilutive capital raisings, or alternatively, a forced sale of assets.

Current yield
The current annual yield of BPA is 1.7% on net assets. This is significantly lower than the comparables.

ii. The size of the holding
In light of trading evidence in the same sector and/or similar size stakes in listed entities, the Manager does not consider that the size of the holding (being 5% of units on issue) commands a further discount or premium.

5. Evaluation of the Resolutions continued

The table below provides details of the discount/premium to the last traded price achieved on the sale of interests in a selection of listed vehicles:

ISSUE DATE	ISSUER	INDUSTRY	% OF ENTITY	PRICE ($)	(DISCOUNT)/ PREMIUM TO LAST CLOSE (%)
Real estate sector:					
1 May 2012	Macarthur Cook Property Securities Fund	Real Estate	5.02	0.058	(32.0)
27 May 2011	Australian Education Trust	Real Estate	3.99	0.80	(3.6)
27 October 2010	GPT	Real Estate	13.1	2.75	(3.5)
21 August 2009	Mirvac	Real Estate	6.0	1.16	(7.3)
Recent non-real estate sectors:					
8 August 2012	IOOF Holdings	Financial	7.8	6.16	(3.8)
20 March 2012	Transurban	Construction/ Building	7.9	5.51	(3.2)
19 March 2012	Aston Resources	Mining	2.7	9.20	(0.1)
28 February 2012	Breville Group	Consumer Products	19.3	3.35	(6.9)
22 February 2012	MACA Ltd	Industrials	13.3	2.00	(7.4)

iii. Other options for sale

Since the recapitalisation of the Fund in 2009 BPA's trading volumes when compared to other A-REITs have been significantly lower, with only 3.3% of the Fund's register traded in the two years to June 2012. In September 2011, BPA announced an on-market buy back of its securities for up to 10% of the issued capital of the fund for the period up to 19 September 2012. To-date 1,220,165 units have been cancelled from the buy-back within a price range from a low of $3.35 to a high of $4.25.

The table below provides a summary of the historical trade volumes that have occurred in BPA:

PERIOD	SINCE ANNOUNCEMENT OF BUY-BACK (7 OCTOBER 2011 TO 3 JULY 2012)
Buy-backs (A) units	1,220,165
Third party trade (B) units	244,915
Volumes Traded (A+B) units	1,465,080

Since BPA announced the on market buy-back, 1,465,080 units have traded. Of this, 83.3% were in relation to the buy-back and 16.7% were freely traded between third parties. The amount of units that were freely traded represents about 0.5% of the total number of units on issue. This is significantly lower compared with CPA at 11% and IOF at 14%, which is in line with the Commercial Property Index 200 volumes.

The Fund could participate in the buy-back, however the responsible entity of BPA will only continue the buy-back where it remains in the best interests of its investors, and as such there is no guarantee that a price equivalent to the present price can be maintained and there is no obligation for the responsible entity of BPA to continue the buy-back.

In addition to affecting volumes, the buy-back has seen an increase in the trading price of BPA. Prior to the introduction of an on market buy-back in October 2011 BPA traded at a discount of 34% to net assets. At the closing price of $3.50 on 10 August 2012, BPA is trading at a discount of 25% to net assets at 30 June 2012.

The table below provides a summary of BPA's trading price, its stated net assets and the discount of price to net assets:

PERIOD (POST ENTITLEMENT OFFER AND CONSOLIDATION OF UNITS)	DECEMBER 2011	JUNE 2012	10 AUGUST 2012
Closing Price ($)	3.85	4.15	3.50
Net Assets ($)	4.82	4.65	4.65
Discount Price/NTA (%)	(20.1)	(10.8)	(24.7)

In the absence of a buy-back, the Manager believes a risk exists because the lack of liquidity in the security may result in difficulty in disposing of BPA Units in the short to medium term for a price equivalent to the current trading price or the market price referable to the three months prior to 30 June 2012. An immediate sale at the market price referable to the three months prior to 30 June 2012 would remove this risk.

(b) Sale at the current time will reduce the debt facility and associated funding costs

Proceeds from the sale will be used to reduce the Fund's Debt Facility. Assuming a sale at $4.21 per unit, this would enable a reduction in debt of approximately $10.6 million. In the unlikely event that the Debt Facility had been fully repaid at the time of the sale of BPA Units (if other investments returned cash earlier than expected) then the proceeds would be distributed to Unitholders.

Using proceeds to repay debt would reduce funding costs and remove a net cash cost of $0.5 million when annualised current distributions received are taken into account.

(c) Part of the gain on sale can be sheltered by tax losses that may not otherwise be available

The majority of the Fund's holding in BPA was acquired in BAO Trust at the time of the entitlement issue in 2010. The cost per security, taking into account the subsequent final instalment paid in 2011, is $3.23 per unit. A sale of the holding at $4.21 would give rise to a capital gain of $2.5 million. As the Fund has sufficient tax losses to shelter this gain, no taxable income would arise from the sale.

In the event that no sale occurs, BAO Trust will retain the holding for future sale. In the event that the securities were sold for greater than the cost base at the relevant time, this may give rise to a capital gain. Existing tax losses in the Fund will not be available to BAO Trust. In the absence of tax losses in BAO Trust to shelter any capital gain on the sale of the BPA Units, the capital gain would likely be distributed to BAO Trust unitholders.

(d) Lack of liquidity in the security may make future disposal difficult at the proposed or a better price

As discussed above, liquidity in BPA has been thin and the current holding of Brookfield limits liquidity in the stock on ASX. The responsible entity of BPA is under no obligation to continue the buy-back of securities in that fund and there can be no guarantee that the buy-back will continue at current levels. Further, there can be no guarantee that Brookfield would seek to acquire the holding at some time in the future or the price which it might offer if it chose to do so.

(e) The capital structure of BPA may change and the Fund's interest may be diluted

BPA's loan to value ratio at 30 June 2012 was approximately 67% after taking into account senior and subordinated facilities. This ratio has been reduced through an asset sale and the responsible entity of BPA has indicated that it will review further capital initiatives. At some time in the future this may include further issues of capital and, in circumstances where BAO Trust has limited cash reserves and no intention to make further investments, it is unlikely to be able to participate. This may result in a dilution of relative value and size of the holding in BPA.

5.2.3 Disadvantages of Resolution 2

(a) The holding in BPA may increase in value in the future

The holding may be transferred to BAO Trust and be realised at some time in the future at a higher price. To mitigate this, BPA is listed on ASX, and Unitholders who wish to have an exposure to the security can use cash distributed from the Fund or BAO Trust to acquire an interest through ASX.

6. Overview of the Fund – Pre and Post Proposal

6.1 THE FUND'S FINANCIAL POSITION AND PORTFOLIO PRE-PROPOSAL

As at 30 June 2012, on a Fund standalone basis the Fund's audited investment portfolio was valued at $126.5 million. The Fund's cash balance as at 30 June 2012 was $18.3 million.

Unlisted investments were valued at $97.9 million and the A-REIT investments were valued at $28.6 million.

The Fund's audited NTA as at 30 June 2012 is approximately 13.8 cents per unit.

Distribution income received by the Fund for the year to 30 June 2012 was $9.0 million which includes $3.2 million of special distributions received from the Multiplex European Property Fund ($1.8 million) and the Australian Unity Fifth Commercial Trust ($1.4 million). The weighted average unlisted portfolio distribution yield excluding special distributions received on an annualised basis is 4.5%.

Since December 2008, the Fund has been prevented from paying Unitholders any distributions as a result of the Distribution Stopper being activated as a result of MPIF distributing below target returns. The Distribution Stopper means that the Fund cannot pay distributions to its investors until MPIF Income Unitholders receive their target returns from MPIF.

As at 30 June 2012, the Fund was invested in 11 A-REITs and 27 unlisted property securities, including two Rubicon Trusts which are in liquidation.

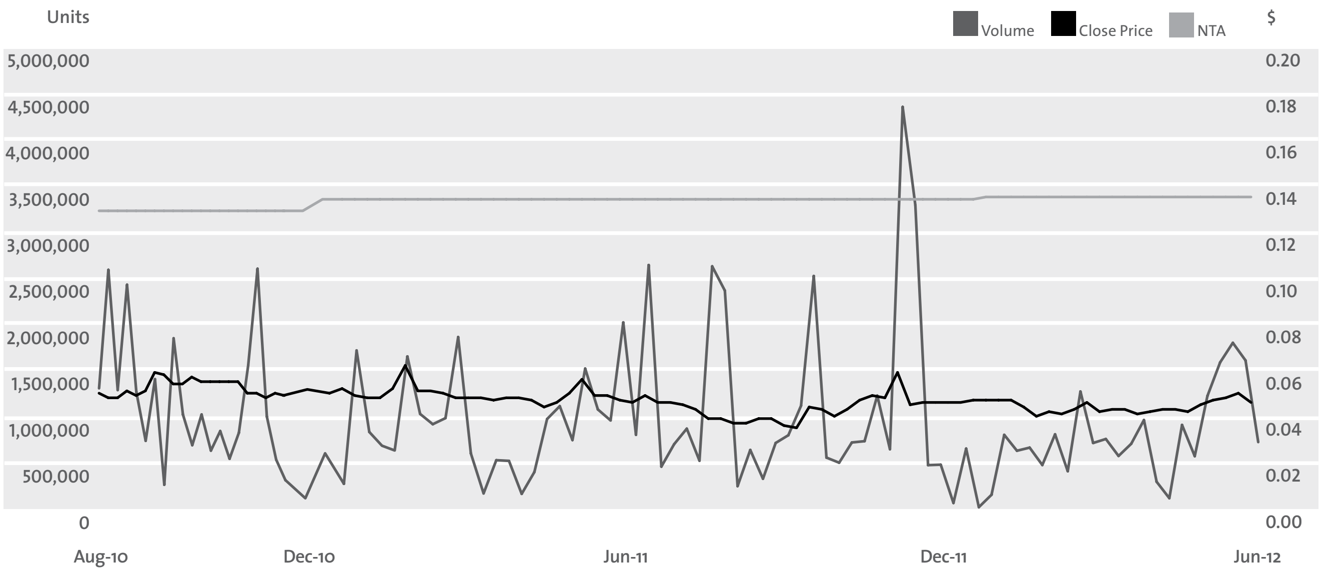
The portfolio mix as a percentage of total assets at 30 June 2012 consisted of 19% invested in A-REITs and 66% in unlisted property securities, with the balance largely in cash assets. The portfolio is approximately 64% weighted towards Commercial properties, 19% Retail, 8% Industrial and the balance largely in Childcare.

A summary of the Funds's audited financial position on a standalone basis as at 30 June 2012 is below:

	FUND STANDALONE ($M)
Cash assets	18.3
A-REITs	28.6
Unlisted property securities	97.9
Other assets	2.8
Total assets	**147.6**
Interest bearing liabilities	34.8
Other liabilities	0.5
Fair Value of derivatives	0.3
Total liabilities	**35.6**
Net assets	**112.0**
Units on Issue ('000)	811.4
NTA per unit (cents)	**13.8**
Earnings per unit (cents)	**0.1**
Trading price (cents)	**4.7**
Market capitalisation ($ million)	**38.1**

6.2 SUMMARY OF THE FUND'S NTA AND TRADING PRICE/ VOLUME

The table below illustrates the historical trading price of the Fund and also compares the discount to NTA for the period from August 2010 to June 2012.



The discount between NTA and market value is shown in the above graph and the table below:

DATE	JUN-07	DEC-07	JUN-08	DEC-08	JUN-09	DEC-09	JUN-10	DEC-10	JUN-11	DEC-11	MAR-12	JUN-12
Trading Price (TP)($)	1.305	1.210	0.730	0.096	0.060	0.130	0.049	0.052	0.047	0.048	0.042	0.047
NTA ($)	1.430	1.430	1.100	0.610	0.360	0.380	0.130*	0.133	0.135	0.136	0.139	0.138
% Discount (TP/NTA)	–9	–15	–34	–84	–83	–66	–62	–61	–65	–65	–70	–66

* Note: Taking into account the additional units issued under the Rights Issue completed in August 2010, the adjusted NTA as at 30 June 2010 was 13 cents per unit. Unadjusted, the NTA was 39 cents per unit.

6.3 THE FUND'S A-REIT PORTFOLIO

The A-REIT portfolio consisted of 11 investments valued at $28.6 million as at 30 June 2012. Each holding represents less than 1% of the respective underlying fund with the exception of two related party funds in which the holdings are above 5%. Based on the 30 June 2012 values and distribution rates, the weighted average A-REIT portfolio yield is 4.5%. The Fund has sold some A-REITs since 30 June 2012 and retained the cash from the proceeds of sale.

6. Overview of the Fund – Pre and Post Proposal continued

The table below shows the A-REIT portfolio closing price on ASX at 30 June 2012:

A-REIT	INVESTMENT VALUE ($ M)	INTEREST HELD (%)	DISTRIBUTION YIELD[1] (%)
Abacus Property Group	0.2	0.03	8.1
Brookfield Prime Property Fund	10.5	5.12	1.9
CFS Retail Property Trust	0.4	0.01	6.8
Challenger Diversified Property Group	0.3	0.05	7.6
Charter Hall Retail REIT	1.0	0.10	7.9
Commonwealth Property Office Fund	4.2	0.17	6.0
Dexus Property Group	3.4	0.08	5.8
GPT Group	0.9	0.02	6.0
Investa Office Fund	4.1	0.25	5.8
Mirvac Group	2.6	0.06	7.5
Multiplex European Property Trust[2]	1.0	5.16	0.0
Total/weighted average	**28.6**		**4.5**

1. Distribution yields are based on the latest declared distribution rates as at 30 June 2012, which have been annualised and divided by the AREIT's closing bid prices as at 30 June 2012.
2. Future distribution payments by Multiplex European Property Fund, if any, are considered special in nature and are therefore not included in the calculation of weighted average portfolio yield.

6.4 THE FLOW OF ASSETS AS A RESULT OF APPROVAL OF THE RESOLUTIONS

On the basis that the Resolutions are approved and the remaining unlisted assets are transferred at current value, the pro forma financials of BAO Trust based on the Fund's financial statements at 30 June 2012 and assuming the Proposal was implemented at 30 June 2012, are as follows:

$ MILLION		SELL A-REITs, PAY EXPENSES AND REPAY DEBT	PAY PRIORITY DISTRIBUTION PAYMENT	TRANSFERRED TO BAO TRUST	PAY DISTRIBUTION	BAO TRUST
Cash assets	18.3	(2.1)	(3.0)	13.2	(12.2)	1.0
A-REITs	18.1	(17.1)		1.0		1.0
BPA units	10.5	(10.5)		0.0		0.0
Unlisted Property Securities	97.9			97.9		97.9
Other assets	2.8			2.8		2.8
Total assets	**147.6**			**114.9**		**102.7**
Interest bearing liabilities	34.8	(28.9)		5.9		5.9
Fair value of derivatives	0.3	(0.3)		0.0		0.0
Other liabilities	0.5	(0.5)		0.0		0.0
Total liabilities	**35.6**			**5.9**		**5.9**
Net assets	**112.0**			**109.0**		**96.8**
Units on Issue ('000)	811.4			811.4		811.4
NTA per unit (cents)	13.8			13.4	(1.5)	11.9

The existing cash balance and proceeds from the sale of A-REITs are used as follows: $3.0 million for the Priority Distribution Payment shortfall paid to MPIF Income Unitholders, $0.3 million for the close out of the financial derivatives, and $0.5 million of transaction related and general Fund costs. BAO Trust will distribute $12.2 million to Unitholders (being 1.5 cents per Unit). The balance of cash other than $1.0 million retained is used to repay debt.

Post the asset and liability transfer the BAO Trust's commencing NTA is approximately 13.4 cents per unit. After distribution of 1.5 cents the NTA reduces to 11.9 cents per unit.

If Resolution 2 is not approved, the Fund's holding in BPA will be retained in BAO Trust for future disposal and the amount owing under the debt facility will increase by the relevant amount of $10.5 million.

6.5 THE BAO TRUST ASSETS POST TRANSFER

Post the transfer and cash distribution, it is estimated that BAO Trust will have total assets of approximately $102.7 million with interest bearing liabilities of $5.9 million. BAO Trust will have net assets of approximately $96.8 million equating to an NTA of 11.9 cents per unit. A listing of the listed and unlisted assets in BAO Trust post transfer and the value at which these assets are carried in the Fund as at 30 June 2012 is provided below:

FUND	INVESTMENT VALUE ($ M)	INTEREST HELD (%)	REVIEW DATE	DISTRIBUTION YIELD[1] (%)
Multiplex European Property Fund	1.0	5.2	na	na[2]
Total A-REIT Value	**1.0**			
APN Champion Retail Fund	–	5.2	Oct-13	0.0
APN National Storage Property Trust	1.1	1.2	Jun-14	7.3
APN Poland Retail Fund	–	11.9	Dec-16	0.0
APN Regional Property Fund	2.0	8.8	open	4.6
APN Vienna Retail Fund	1.5	7.9	Sep-13	0.0
Arena Child Care Property Fund	3.1	2.3	open	8.6
Austock Childcare Fund	1.2	7.4	Jun-15	6.2
Australian Unity Diversified Property Fund	5.7	3.7	open	5.7
Australian Unity Fifth Commercial Trust	12.6	15.3	May-15	7.2
Australian Unity Office Property Fund	19.6	13.9	open	8.1
Australian Unity Second Industrial Trust	1.4	5.5	Jun-14	6.5
FKP Core Plus Fund	0.1	1.5	in wind up	0.0
MAB Diversified Property Trust	3.0	7.4	Feb-14	6.6
MCS 21 – Centro Roselands Holding Trust	9.1	29.8	Jul-12	2.4
MCS 21 – Centro Roselands Property Trust	1.3	1.5	Jul-12	2.4
MCS 22 – Centro Kidman Park Investment Trust	–	0.6	Sep-12	0.0
MCS 22 – Centro Kidman Park Property Trust	–	4.8	Sep-12	0.0
MCS 28 Investment Trust	1.9	2.2	Jun-12	2.2
Multiplex Development and Opportunity Fund	3.8	5.7	open	0.0
Multiplex New Zealand Property Fund[3]	24.5	20.1	Sep-12	0.0
Multiplex Property Income Fund	–	100.0[5]	open	0.0
Pengana Credo European Property Trust	–	18.0	May-13	0.0
PFA Diversified Property Trust	4.7	2.5	open	8.8
Rimcorp Property Trust No. 3	0.6	9.3	Sep-14	10.0
Rubicon Europe Trust[4]	–		na	na
Rubicon Japan Trust[4]	–		na	na
St Hilliers Enhanced Property Fund No. 2	0.7	10.0	Sep-13	0.0
Total Unlisted Value/Weighted Average Yield	**97.9**			**4.5**
Total Portfolio Value	**98.9**			

1. Distribution yields are based on the latest declared distribution rates as at 30 June 2012, annualised, divided by the unlisted investment's NTA as at 30 June 2012.
2. Future distribution payments by Multiplex European Property Fund are considered special in nature and are therefore not included in the calculation of weighted average portfolio yield.
3. Reflects the value of the investment accounted for by using the equity method of accounting on a standalone basis (excludes the 0.5% owned by the consolidated MPIF subsidiary).
4. Rubicon Trusts have been de-listed from the Australian Stock Exchange and are insolvent and in liquidation.
5. The Fund owns 100% of the Ordinary Units.

6. Overview of the Fund – Pre and Post Proposal continued

6.6 RELEVANT FEATURES OF BAO TRUST

(a) What is BAO Trust?

It is intended that BAO Trust will register as an unlisted managed investment scheme. Further information is provided in Section 7.

(b) Who will be the Responsible Entity of BAO Trust?

Brookfield Capital Management Limited, the current responsible entity of the Fund will be the responsible entity of BAO Trust. There is no change proposed in the composition of the Board of BCML, with the Board having a majority of Independent Directors. Further information in relation to BCML is contained in Section 7. It is intended that JP Morgan will continue to act as Custodian for BAO Trust.

(c) Constitution

The constitution of BAO Trust will reflect the existing Fund Constitution with the following exceptions:

- the description of BAO Trust's investment policy reflects the asset realisation process described in this Explanatory Memorandum which the responsible entity will follow after approval of the Proposal by Unitholders;
- the responsible entity can distribute assets in specie at any time, but only if that is considered to be in the best interests of unitholders;
- in addition to the withdrawal rights that apply under the Fund's Constitution, the responsible entity of BAO Trust may make a redemption offer to unitholders;
- the responsible entity of BAO Trust is not entitled to be paid a performance fee or any fee referable to the value of MPIF Income Units;
- units are generally issued at current unit value – the responsible entity of BAO Trust does not have the ability to issue units at individually negotiated prices;
- to avoid a merger of the Fund and BAO Trust while BAO Trust is a wholly owned sub-trust of the Fund, the constitution provides for the issue of a special unit that will be automatically redeemed immediately following the in specie distribution of BAO Trust units described in this Explanatory Memorandum; and
- the constitution of BAO Trust does not include provisions in the existing Fund Constitution that are only relevant to a listed entity or relate to historical circumstances.

(d) What is the mandate of BAO Trust?

BAO Trust will hold the assets transferred to it by the Fund. It is not intended that BAO Trust will make any further investments. Net income earned from the assets will be distributed on a periodic basis. The capital value of the assets will be maximised and, when appropriate, will be realised in order to repay the balance of the Debt Facility and then to return cash to Unitholders. Timing of this realisation will be governed by the terms of the underlying assets and the market for the assets.

(e) Fee structure

The fee structure of BAO Trust will be identical to that of the Fund being 0.5% of gross asset value (excluding the value of any investments managed by the Manager or a related party of the Manager). It is expected that management fees will continue to reduce over time as assets are realised and proceeds are used to reduce debt or are distributed to Unitholders.

(f) Existing debt facility

The Financier has consented to the Proposal, including the transfer of the existing Debt Facility to BAO Trust on similar terms to those currently existing (with necessary changes being made to reflect the change in borrower and to require that proceeds from the realisation of investments in BAO Trust will be applied to reduce the principal outstanding under the Debt Facility before any capital distribution can be made to unitholders).

The Financier's consent may be revoked if BCML does not provide the Financier with certain notices and documentation in connection with the Proposal including, amongst others, a novation agreement in respect of the debt transfer, new security and guarantee documentation (including security documentation from the Custodian) and certain amendments to the existing security to reflect the transfer of the Debt Facility to BAO Trust. The Manager has progressed draft documentation with the Financier to satisfy these conditions and considers it likely that these conditions will be satisfied before, or contemporaneously with, transfer of the existing Debt Facility to BAO Trust.

6.7 ESTIMATE OF CAPITAL TO BE RETURNED IN THE FUTURE

(a) Process to realise the investments

BAO Trust will undertake an orderly sale process to sell the remaining assets at the appropriate time and, after repayment of the Debt Facility, distribute the proceeds to Unitholders as and when those investments are sold. The expected net NTA of the assets to be realised is net $96.8 million (11.9 cents per unit) as at 30 June 2012 although the NTA ultimately realised and returned to Unitholders may be higher or lower.

Where an asset cannot be sold on the open market at a price considered to be in the best interests of unitholders, the asset will be retained until a review date or appropriate time arises for the realisation of the underlying asset. In the present circumstances, a review date may take the form of a wind up of the underlying investment or a liquidity event (such as a listing). In some cases it may be open to other investors in the underlying fund to extend the term of that fund past the anticipated date. If this occurs or no review date exists the most appropriate means of realising value will be considered. This may take the form of a portfolio sale or possibly an in specie distribution to unitholders of the underlying investments (but only where this is reasonably considered to be in the best interests of Unitholders).

It is intended to take advantage of any reasonable exit mechanism available and cast votes in favour of any proposed termination of the underlying funds. However, there is no guarantee that BAO Trust will be able to exit when expected or that the realisation of the assets will occur at or close to current carrying value. It may take a number of years to realise the remaining assets and return the proceeds to Unitholders.

The constitutions of the unlisted assets proposed to be transferred to BAO Trust contain the general requirements that must be met to effect a transfer of the units in the relevant fund/trust. These requirements currently have application to the holding by the Fund and BAO Trust will be subject to the same requirements after transfer.

Potential restrictions on the disposal of investments in the future

With the exception of the constitutions governing Australian Unity Fifth Commercial Trust, Centro MCS 21, Centro MCS 28 and the Australian Unity Office Property Fund, the constitutions of the unlisted assets permit the relevant responsible entity/trustee to refuse to register the valid transfer of units. The discretion of the responsible entities/trustees across the constitutions range from an ability to refuse on the grounds that the transfer is not in the best interests of investors (including for tax reasons), to an absolute discretion. Also the constitutions of, Multiplex New Zealand Property Fund, Centro MCS 22 and Centro MCS 28 restrict the transfer of units during certain periods.

A further holding restriction exists in relation to APN Regional Property Fund. The constitution of APN Regional Property Fund restricts any investor and its associates from having an interest in more than 15% of the units on issue. Accordingly, the aggregate of the Fund's and any potential buyer's interest in APN Regional Property Fund must not exceed 15%. This restriction from having an interest in more than 15% of the units on issue would also apply in the event that PFA Diversified Property Trust were to be listed.

The constitutions of FKP Core Plus Fund and St Hilliers Enhanced Property Fund No.2 contain pre-emptive right provisions requiring the transferor to offer to sell its securities to other investors prior to transferring any units on the same terms as those proposed. These provisions will not apply to the transfer of units to BAO Trust.

(b) Estimates of capital returns

The following analysis utilises current expectations for when capital may be realised and returned to Unitholders. The analysis only applies to investments where a review date exists for the underlying investment and there is a reasonable expectation that the Fund will be able to exit its investment. These assets currently have an NTA of $62.8 million (7.7 cents per unit). For assets with no defined review date the Manager intends to pursue strategies to realise investments as set out above. These assets currently have an NTA of $35.1 million (4.3 cents per unit).

The analysis also uses NTA of the underlying investment as at 30 June 2012 as the value to be realised from the investment. No guarantee can be given that the timing and value for realisation will reflect these assumptions. Further, as set out above, future transfer of interests in the unlisted investments may be subject to restrictions imposed by the underlying manager which may affect the timing of, and value of the assets on, realisation.

From a timing perspective, the analysis below shows the potential return of capital assuming:

- Resolutions 1 and 2 are approved and BAO Trust does not retain an interest in BPA;
- Assets are realised at a price equal to the NTA as at 30 June 2012;
- Other than in the case of the Multiplex New Zealand Property Fund, cash proceeds flow to BAO Trust within 12 months of the review date of the underlying fund (this is considered to be a reasonable estimate of time, based on recent experience of the time to complete the wind up and return the majority of capital to investors in underlying funds);
- Proceeds from realisation of the investment in the Multiplex New Zealand Property Fund are anticipated to be received in the 2015 financial year reflecting the uncertain outcome from the present extension process being undertaken in that Fund;
- Whilst no review date exists for Multiplex Development and Opportunity Fund unitholders in that fund have been advised that no further investments will be undertaken and that capital is expected to be returned during the 2015 income year; and
- The investment in Multiplex European Property Fund is assumed to be realised in the 2016 financial year.

Importantly, no assumption has been made of any capital realised from investments that have no defined review date (and for which it is intended that the investment will be realised as soon as practicable at a price in the best interests of Unitholders). At present these investments have a carrying value of $35.1 million or 4.3 cents per unit. As such, additional capital may (or may not) be returned to Unitholders in the timeframe set out.

6. Overview of the Fund – Pre and Post Proposal continued

After the Debt Facility has been fully repaid, future net returns of capital will be distributed to Unitholders. On the basis of the above assumptions, the following table shows that approximately $61.7 million of capital would be returned to Unitholders over the next four financial years, equating to 7.6 cents per unit. The column headed 'other assets to be realised' represents the assets where no review date exists or it is not considered that cash will be returned during those four years. These assets represent a further $35.1 million (4.3 cents per unit) in value as at 30 June 2012 and will be realised when the Manager considers that it is in the best interests of Unitholders to do so. The assumptions above are considered to be reasonable but there is no guarantee that such capital amounts will be distributed to Unitholders.

FINANCIAL YEAR END $'000	JUNE 2013	JUNE 2014	JUNE 2015	JUNE 2016	OTHER ASSETS TO BE REALISED	TOTAL
Opening cash balance	989	599	500	500	500	**989**
Cash received from trade receivables	2,800					**2,800**
Capital realised – unlisted property securities	2,110	10,343	36,064	14,301	35,111	**97,929**
Capital realised – AREITs	–	–	–	995	–	**995**
Total Cash Received	5,899	10,942	36,564	15,796	35,611	
Repayment of Debt	(5,300)	(600)	–	–	–	**(5,900)**
Capital distribution		(9,842)	(36,064)	(15,296)	(35,611)	**(96,813)**
Closing Cash Balance	599	500	500	500	0	**–**
Capital distributed cents per unit (CPU)		**1.2**	**4.4**	**1.9**	**4.4**	**11.9**

6.8 ESTIMATE OF FUTURE INCOME DISTRIBUTIONS TO UNITHOLDERS

The following analysis has been prepared to show potential income distributions to be made to Unitholders by BAO Trust from investments held post restructure.

The analysis uses the same assumptions regarding returning capital to Unitholders and therefore distributions decline over time as cash is returned. For the purposes of estimating income derived from investments, the current yield from the underlying investment has been maintained. This assumption is considered reasonable but there is no guarantee that any distributions will be received.

FINANCIAL YEAR END $'000	JUNE 2013[1]	JUNE 2014	JUNE 2015	JUNE 2016	JUNE 2017
Cash Distributions Received	3,275	4,169	4,059	3,721	2,844
Interest income	127	29	28	27	24
Total cash inflow	**3,402**	**4,198**	**4,087**	**3,748**	**2,868**
Fund Costs	(463)	(722)	(698)	(671)	(610)
Finance costs	(266)	(3)	–	–	–
Total Cash Outflow	**(728)**	**(725)**	**(698)**	**(671)**	**(610)**
Total Available for Distribution	**2,674**	**3,473**	**3,390**	**3,078**	**2,259**
Distribution to unit holders	(2,674)	(3,473)	(3,390)	(3,078)	(2,259)
Cash Retained	**0**	**0**	**0**	**0**	**0**
Distribution to unit holders (cents per unit)	**0.33**	**0.43**	**0.42**	**0.38**	**0.28**

1. From November 2012 to June 2013.

6.9 RG46 DISCLOSURE

ASIC Regulatory Guide 46 (RG 46): Unlisted property schemes – improving disclosure for retail investors, lists eight disclosure principles that ASIC requires for unlisted property schemes. These principles are addressed below for BAO Trust. The information is based on BAO Trust's pro forma financial statements at 30 June 2012. These are based on the Fund's financial statements at 30 June 2012 and assume that the Proposal was implemented at 30 June 2012. It is also assumed that BPA Units, as contemplated by Resolution 2, were sold as at 30 June 2012. This disclosure should therefore be read having regard to these assumptions.

DISCLOSURE PRINCIPLE	BAO TRUST'S PRO FORMA POSITION AT 30 JUNE 2012
Gearing Ratio (total interest bearing liabilities divided by total assets)	BAO Trust's Gearing Ratio equates to 5.7%. However, under BAO Trust's loan documents, BAO Trust measures the gearing level with reference to the loan to value ratio (LVR). This is calculated by taking the outstanding amount under the loan net of cash relative to the aggregate of the market values of the A-REITs and the net tangible asset values of the unlisted investments. Under the Debt Facility, BAO Trust's maximum LVR requirement is 30%. Being over this percentage would result in BAO Trust not being in compliance with this covenant. On the assumptions set out above, the LVR at 30 June 2012 was 5% with the result that it is in compliance with this covenant.
Interest Cover Ratio (EBITDA[1] minus unrealised gains plus unrealised losses divided by interest expense)	Based on the above assumptions, BAO Trust's ICR at 30 June 2012 equates on a forward looking basis to in excess of 10 times. This is higher than the 1.6 times threshold set out in BAO Trust's loan facility so that BAO Trust is in compliance with this covenant as at 30 June 2012.
Scheme Borrowing	The key terms of BAO Trust's Debt Facility are: **Term** 3 years, expiring November 2014 **Interest Rate** Margin of 3% per annum over BBSY **Loan to Value Ratio Limit** 30% **Interest Cover Ratio** At least 1.6 times
Portfolio Diversification	BAO Trust will hold a diversified portfolio of securities as set out in Section 6.5. The funds in which BAO Trust invests also hold diversified underlying investments. The Responsible Entity relies on its relationship with respective managers, on product disclosure statements and other publicly available information issued by the manager of the underlying investment to enable it to review the details, and to assess the quality of, the portfolio composition of each investment. The objective of BAO Trust is to manage the investments and to progressively realise those investments when it is in the best interests of unitholders to do so.
Related Party Transactions	Related party disclosures for BAO Trust will be set out in its financial statements. The most recent disclosure statement for the Fund relates to the period ended 30 June 2012. The Responsible Entity will ensure that related party transactions and conflict of interest issues are managed through the application of its governance arrangements, including board consideration and approval of all investment related transactions. All related party transactions will be scrutinised by the Responsible Entity to ensure compliance with Chapter 2E of the Corporations Act including ensuring that any related party transaction will be on terms that would be reasonable if the transaction were at arm's length or terms less favourable to the related party than such terms. BAO Trust will obtain sign-offs appropriate for this purpose. The Responsible Entity will maintain a conflicts of interest policy that provides guidance to the business on the management of conflicts of interest.

6. Overview of the Fund – Pre and Post Proposal continued

DISCLOSURE PRINCIPLE	BAO TRUST'S PRO FORMA POSITION AT 30 JUNE 2012
Distribution Practices	BAO Trust's distribution practices are detailed in BAO Trust's Constitution. It is currently intended that distributions will be made on a quarterly basis although this may alter to a greater frequency after full repayment of the Debt Facility. BAO Trust does not forecast distributions. The quantity of distributions will be determined in light of the cash distributions received from BAO Trust's underlying investments. The Responsible Entity will ensure that any material issues related to BAO Trust's distribution practices are notified to investors through ongoing disclosure which includes disclosing the changes on the Brookfield website.
Withdrawal Arrangements	BAO Trust's Constitution allows, but does not oblige, the Responsible Entity to implement a withdrawal in accordance with BAO Trust's Constitution or Part 5C.6 of the Corporations Act. In any case, the objective of BAO Trust is to manage the investments and to progressively realise those investments. As a result, if and when the opportunity arises, after the repayment of the Debt Facility cash will be returned periodically to unitholders.
NTA and Valuation Policy	The BAO Trust net tangible assets (NTA) calculated as at 30 June 2012 equates to 11.9 cents per unit. BAO Trust does not hold any direct property and therefore does not conduct any valuations of direct property investments. In line with BAO Trust's valuation policy, if direct property assets were acquired, they would be valued externally at least once every three years, or valued internally every reporting period (six months). The Responsible Entity would ensure that the valuations are in accordance with relevant industry standards. The value of investments in each of the underlying unlisted property securities funds is based on the net asset value provided as at the balance date, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value is made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. Further consideration is then given to each net asset value in the current environment to determine whether an additional discount should be applied by assessing other prevailing market evidence, including transactional evidence and an assessment of the ability of the underlying investments to continue as a going concern.

1. Earnings before interest, tax, depreciation and amortisation.

7. Additional Information

A. INTERESTS HELD BY DIRECTORS OF THE MANAGER IN THE FUND

Only one BCML director holds Units as at the date of this Explanatory Memorandum as set out in the table below:

NAME OF DIRECTOR	UNITS HELD	PERCENTAGE SHAREHOLDING
Brian Motteram	1,645,516	0.2%

B. OTHER DIRECTORS' INTEREST IN THE PROPOSAL

Other than as set out in this Explanatory Memorandum, no director of the Manager has any interest in the Resolutions.

C. INTERESTS OF ASSOCIATES (OTHER THAN THE DIRECTORS OF THE MANAGER) IN UNITS

The number of Units held by associates of the Manager (other than the directors of the Manager) in the Fund as at the date of this Explanatory Memorandum are set out in the table below:

NAME OF ASSOCIATES	UNITS HELD	PERCENTAGE SHAREHOLDING
Brookfield Capital Securities Limited	328,609,014	40.497%
Brookfield Multiplex Capital Pty Ltd	9,737,640	1.200%
Multiplex APF Pty Ltd	163,751,624	20.180%

D. OTHER ASSOCIATES' INTERESTS IN THE RESOLUTIONS

Other than as set out in this Explanatory Memorandum, no associate of the Manager has any interest in the Resolutions.

E. COSTS OF THE MEETING AND IMPLEMENTING THE RESOLUTIONS

The costs to implement both Resolutions, including legal fees, independent expert fees and other costs is expected to be approximately $0.4 million.

F. WHO WILL BE THE RESPONSIBLE ENTITY OF BAO TRUST?

The responsible entity of the BAO Trust will be Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL 223809).

The Manager will be responsible for the management of the BAO Trust and must perform its role in accordance with its duties under the Corporations Act, the Constitution and the Compliance Plan. In exercising its powers and duties, the Manager must act honestly, with care and diligence and in the best interests of unitholders. Where there is a conflict between the Manager's own interests and that of unitholders, it must prefer the interests of unitholders over its own interests.

G. UNLISTED MANAGED INVESTMENT SCHEME (MIS)

BAO Trust will be an open-ended, unlisted property fund, which is a Managed Investment Scheme registered with the Australian Securities and Investments Commission. A responsible entity of an unlisted property scheme has obligations to provide ongoing disclosure to investors under the Corporations Act, including disclosure of material changes and significant events (s1017B).

RG 46 applies to registered unlisted property schemes in which retail investors invest directly or indirectly (e.g. through an investor directed portfolio service). Included in Section 6.9 is the pro forma relevant disclosure for BAO Trust in the event that the Proposal proceeds.

H. COMPLIANCE

The Compliance Plan sets out the arrangements and measures that the Manager will apply in operating BAO Trust to ensure compliance with the Corporations Act and the Constitution. Compliance with the plan will be overseen by the Risk and Compliance committee (which is comprised solely of independent members) and will be audited annually by an external auditor.

I. TAX CONSEQUENCES FOR THE FUND AND UNITHOLDERS

The tax information that follows is general in nature and is not exhaustive of all taxation implications which could apply in the circumstances of any given Unitholder. Therefore it is recommended that all Unitholders consult with their own independent taxation advisers in relation to their own positions.

This summary is based on the relevant Australian tax legislation and administrative practice in effect as at the date of this Explanatory Memorandum and Notice of Meeting.

Impact of Proposal on the Fund and BAO Trust

The Fund and BAO Trust will be subject to the capital gains tax rules when they sell their listed and unlisted securities. This is notwithstanding that some of the securities may be transferred by the Fund to BAO Trust.

In the case of the Fund it is expected that the sale of securities will either result in a tax loss or be reduced by available carry forward tax losses. Any tax losses not utilised by the Fund will not be able to be transferred to BAO Trust and will be forfeited. The transfer of investments at market value to BAO Trust will mean that any unrealised losses (representing the difference between the market value of the investments and the current tax cost base of the investments) will not be available to BAO Trust.

BAO Trust will be treated as acquiring the securities to be transferred as part of the Proposal at market value. This market value will be assessed at the time of transfer. The acquisition of securities by BAO Trust does not have immediate tax consequences but will affect the tax gain or loss made by BAO Trust on the eventual disposal of the securities.

Unitholder considerations

Australian resident Unitholders

The following information applies to Unitholders who are tax residents of Australia and who hold their Units as a long-term investment on capital account. The comments that follow are not applicable to Unitholders who are subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the Income Tax Assessment Act 1997.

(a) Distribution of units in BAO Trust to Unitholders

The distribution of units in BAO Trust to Unitholders will constitute a demerger for capital gains tax purposes.

7. Additional Information continued

Unitholders may choose demerger tax relief and allocate the cost base of their Units in the Fund immediately before the demerger between those Units in the Fund and the units acquired in BAO Trust.

This allocation of cost base is calculated relative to the respective market values (or a reasonable approximation thereof) immediately after the distribution of units in BAO Trust to Unitholders.

The Fund is expected to have nil market value after the demerger of the BAO trust. As a result, the entire cost base held by Unitholders in the Fund is allocated to the newly acquired units in BAO Trust. When the Units in the Fund are cancelled and the Fund is wound up, no gain or loss should arise for Unitholders who choose demerger tax relief for capital gains tax purposes.

Unitholders that choose demerger tax relief will be treated as having acquired their units in BAO Trust on the same date as they acquired their Units in the Fund for the purpose of determining the availability of the CGT discount in respect of any subsequent disposal of the units in BAO Trust.

Example:

Larry acquired a Unit in the Fund in October 2010 for 5 cents.

Larry receives one unit in BAO Trust which is distributed from the Fund.

As the distribution constitutes a demerger, Larry chooses to allocate his cost base between his Unit in the Fund and his unit in BAO Trust (the way Larry prepares his tax return is evidence of the choice). As the value of his Unit in the Fund at the time of distribution is expected to be nil, Larry allocates 100% of the cost base to the unit in BAO Trust, such that his cost base in BAO Trust is now 5 cents.

Upon wind up of the Fund, Larry disposes of his Unit in the Fund and receives no further consideration. As the cost base of his Unit in the Fund is nil no gain or loss arises for capital gains tax purposes.

Larry will calculate any future capital gain or loss in respect of his unit in BAO Trust upon receipt of distributions or upon disposal of that unit. The cost base in the unit in BAO Trust will be 5 cents less any tax deferred distributions or capital returns received in respect of that unit. For the purposes of determining whether he is entitled to a CGT discount in calculating any future gain he is deemed to have acquired the unit in BAO Trust on the same date as he acquired the Unit in the Fund in October 2010.

If Unitholders do not choose demerger relief in respect of some or all of their units the tax implications are as follows:

(i) a capital gain may arise if the value of the units received in BAO Trust exceeds the cost base of the Units held in the Fund. In this situation the subsequent reallocation of cost base between units in the Fund and BAO Trust is not relevant as the cost base in the Fund is reduced to nil;

(ii) to the extent the cost base held in the Fund is greater than the value of the units acquired in BAO Trust, the cost base held in the Fund (immediately before the demerger) will effectively be reallocated to BAO Trust units (on a relative market value basis as set out above for Unitholders that choose to apply demerger relief);

(ii) On cancellation of the Units in the Fund – this should be tax neutral on the basis that any cost base in the Fund now forms part of the cost base of BAO trust as a result of the demerger.

Unitholders will also be treated as having acquired their units in BAO Trust on the same date they acquired their Units in the Fund for the purposes of applying the CGT discount.

Example:

Further to the example above, Larry decides not to apply demerger tax relief to his Units in the Fund. When the Fund distributes a unit in BAO Trust, Larry will realise a capital gain equal to the value of the unit received in BAO Trust (say this is 13 cents) less the reduced cost base held in the Fund (5 cents). Therefore Larry will realise a capital gain equal to 8 cents (which Larry may reduce by any available capital losses and thereafter by the CGT discount).

Larry's remaining cost base in the Fund is zero and as such the apportionment of his cost base between the Fund and BAO Trust is of no practical significance. Larry's new cost base in BAO Trust is 13 cents and he is deemed to have acquired those units on October 2010.

(b) Cash distribution
The distribution by BAO Trust of $12.2 million or 1.5 cents per unit is expected to be 100% tax deferred although this position will be confirmed in the 2013 annual tax statement that is provided to Unitholders.

In the event the distribution is 100% tax deferred, Unitholders must:

– Reduce the cost base and reduced cost base of units held in BAO Trust by the amount of the distribution (but not below zero); and
– If the distribution exceeds the cost base, realise a capital gain to that extent.

Future distributions from BAO Trust
Future distributions of income or capital by BAO Trust may be taxable in whole or part to Unitholders. BAO Trust will issue Unitholders with an annual tax statement confirming the nature of these distributions.

Unitholders who are not residents of Australia for taxation purposes
Unitholders who are not residents of Australia for taxation purposes are encouraged to seek professional taxation advice specific to their own country of taxation residence as well as advice on the Australian tax implications relevant to their own particular circumstances.

Non-resident Unitholders who own (or who are deemed to own) less than 10% of the issued Units of the Fund are prima facie not subject to the Australian capital gains tax rules. Therefore the cancellation of Units in the Fund and the acquisition of units in BAO Trust should not have an Australian tax impact. Separate independent tax advice should be sought by those non-resident Unitholders that hold their Units in the Fund as trading stock or who carry on business in Australia through a permanent establishment, or by those Unitholders that hold their investment via an interposed Australian entity.

BAO Trust is expected to be a managed investment trust and as such will be required to withhold tax from certain taxable distributions ("fund payments") made to non residents in the future. Unitholders are encouraged to obtain their own independent tax advice as to whether or not any amounts withheld from distributions represent their final tax liability, and advice in relation to their own Australian tax filing obligations.

J. FINANCIER CONSENT

The Financier has consented to the Proposal to be undertaken in accordance with Resolution 1 and the transfer of the BPA Units in accordance with Resolution 2 subject to certain conditions (refer to Section 6 for further details).

K. OTHER MATERIAL INFORMATION

The Manager considers that, other than as set out in this Explanatory Memorandum, there is no other information that is known to the Manager which is material to Unitholders in determining whether or not to vote in favour of the Resolutions. The Manager will not receive any transaction fee in respect of the Proposal.

I. ADDITIONAL INFORMATION ON THE TRANSFER OF ASSETS

(a) How the assets are held in the Fund

The assets are beneficially owned by the Fund and a wholly owned sub-trust, being BAO Trust. The Manager as responsible entity for the Fund and trustee of the sub-trust engages JP Morgan under a custody agreement to hold the A-REITs and the unlisted assets owned by the Fund.

(b) Transfer to BAO Trust

If the Resolutions are approved JP Morgan will be directed to cease holding the assets to be transferred to BAO Trust for the Fund and commence holding them for BAO Trust. This direction will give effect to a transfer of the beneficial ownership of the assets from the Fund to BAO Trust. Further, the Manager intends to write to the underlying fund managers of the assets and advise them of the change in beneficial ownership.

The Manager is not aware of any circumstances as at the date of this Explanatory Memorandum that will prevent the transfer of the beneficial interests of the assets from the Fund to BAO Trust.

8. Independent Expert's Report

INDEPENDENT EXPERT'S REPORT
Brookfield Australian Opportunities Fund

Independent Expert's Report
in relation to the proposed sale of units
in Brookfield Prime Property Fund

22 August 2012

BDO

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Level 10, 1 Margaret St
SYDNEY NSW 2000Australia

This Financial Services Guide (“**FSG**”) is issued in relation to an independent expert’s report (“**IER**“) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (“**BDOCF**“) at the request of the Independent Directors (“**Directors**“) of Brookfield Capital Management Limited ("**BCML**") as responsible entity of Brookfield Australian Opportunities Fund ("**BAO**").

Engagement

The IER is intended to accompany an explanatory memorandum (“**Explanatory Memorandum**”) that is to be provided by the Directors of BCML to unitholders of BAO (“**Unitholders**”) to assist them in deciding whether to approve the sale of BAO’s unitholding in Brookfield Prime Property Fund ("**BPA**") (“**BPA Unit Sale**”).

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (“**Licence**”). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a FSG. The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the issue of securities of another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual’s decision in relation to voting on the BPA Unit Sale described in the Explanatory Memorandum may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of this Report in the amount of approximately $45,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the BPA Unit Sale, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the BPA Unit Sale.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate advisory arm of BDO (East Coast Practice), Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO (East Coast Practice), Chartered Accountants and Business Advisers.

BDO (East Coast Practice), Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF’s contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing this Report on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Security and Investment Commission (“**ASIC**”).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (“**FOS**”). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

8. Independent Expert's Report continued

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Level 10, 1 Margaret St
SYDNEY NSW 2000Australia

The Directors
Brookfield Capital Management Limited
Responsible entity of Brookfield Australian Opportunities Fund
Level 22, 135 King Street
SYDNEY NSW 2000

22 August 2012

Dear Directors

INDEPENDENT EXPERT'S REPORT IN RELATION TO THE PROPOSED SALE OF BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND'S UNITHOLDING IN BROOKFIELD PRIME PROPERTY FUND

Introduction

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("**BDOCF**") has been engaged by the Directors of Brookfield Capital Management Limited ("**BCML**"), as responsible entity ("**RE**") of Brookfield Australian Opportunities Fund ("**BAO**" or "**the Fund**"), to prepare an Independent Expert's Report ("**the Report**") to express an opinion as to whether or not the proposed sale of BAO's unitholding in Brookfield Prime Property Fund ("**BPA**") ("**BPA Unit Sale**") is fair and reasonable to unitholders in BAO ("**Unitholders**").

BAO currently owns 2,521,890 units in BPA, being approximately 5% of BPA's total issued units. BAO is proposing to sell these units to a subsidiary of Brookfield Asset Management Inc ("**Brookfield**"), a related party to BAO and BCML, at a price of $4.21 per BPA unit, being the price equivalent to BPA's 3 month volume weighted average price ("**VWAP**") immediately preceding 30 June 2012.

Chapter 10 of the Australian Securities Exchange ("**ASX**") Listing Rules relates to "Transactions with Persons in a Position of Influence". ASX Listing Rule 10.1 requires the approval of an entity's members where an entity proposes to dispose of a substantial asset to a related party. An asset is considered substantial if its value, or the value of the consideration for it, is greater than 5% of the total equity interests of the entity as at the date of the last accounts provided to the ASX.

The BPA units are considered to be a substantial asset of BAO, accordingly, ASX Listing Rule 10.1 will apply to the proposed sale of the BPA units. ASX Listing Rule 10.10 requires that the notice of meeting to members to approve the transaction be accompanied by a report from an independent expert stating whether the sale is fair and reasonable to members not associated with the transaction.

Accordingly, this Report is to accompany the explanatory memorandum issued by BCML dated on or about 22 August 2012 ("**Explanatory Memorandum**") to be sent to Unitholders to assist them in deciding whether to approve the BPA Unit Sale.

The IER provides our opinion as to whether or not the BPA Unit Sale is fair and reasonable for the Unitholders. In addition, we conclude as to whether the sale of BPA units to Brookfield is on arm's length terms.

Summary of Opinion

We have considered the terms of the BPA Unit Sale as outlined in the body of this Report and have concluded that the BPA Unit Sale is fair and reasonable to BAO Unitholders. As the BPA Unit Sale is fair, we consider the BPA Unit Sale to be on arm's length, or better, terms.

A summary of our analysis in forming the above opinion is provided below.

The BPA Unit Sale is Fair

We have considered “fairness” of the BPA Unit Sale by comparing the fair market value of a BPA unit being disposed by BAO to the value of the consideration to be received by BAO for each BPA unit.

In arriving at the value of BPA units, we have had regards to the Australian Securities and Investments Commission's ("**ASIC**") Regulatory Guide 111 ("**RG 111**").

The value of BPA units was determined based on the following valuation methods:

- net tangible assets on a going concern basis; and
- ASX market prices.

We have assessed the value per BPA unit to be in the range of $3.49 to $3.95.

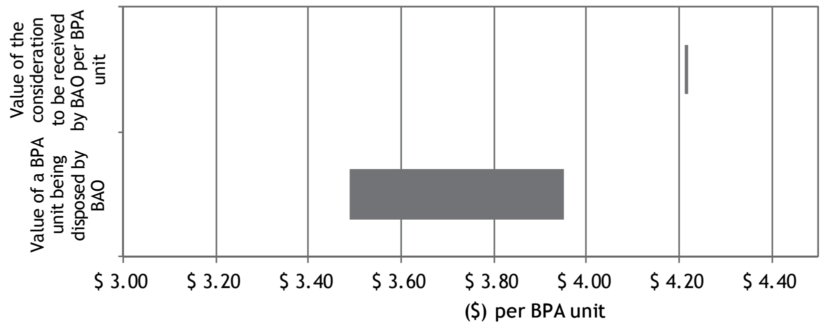
The results of our fairness analysis are summarised in Figures i and ii below.

Figure i: Comparison between value of a BPA unit (minority interest) being disposed by BAO to the value of the consideration to be received by BAO

	Section	Low ($)	High ($)
Value of a BPA unit being disposed by BAO	7.3	3.49	3.95
Value of the consideration to be received by BAO per BPA unit	1.1	4.21	4.21

Source: BDOCF Analysis

Figure ii: Comparison between value of a BPA unit (minority interest) being disposed by BAO to the value of the consideration to be received by BAO



Source: BDOCF

As demonstrated in Figures i and ii, the assessed value of the consideration offered by Brookfield to BAO for each BPA unit ($4.21, being the VWAP of BPA units over the 3 months to 30 June 2012), exceeds the assessed range of the value per BPA unit ($3.49 to $3.95).

Based on this, the disposal of BAO’s unitholding in BPA is considered fair to Unitholders. As the BPA Unit Sale is fair, we consider the BPA Unit Sale to be on arm's length, or better, terms.

The BPA Unit Sale is Reasonable

RG 111 provides that a proposal is considered to be "reasonable", if it is "fair". On this basis, as we have concluded that the BPA Unit Sale is "fair", it is also considered to be "reasonable" under RG 111.

Nevertheless, we have also considered various factors that we believe Unitholders should consider when deciding whether or not to approve the BPA Unit Sale. Set out below is a summary of our assessment of the various factors.

Advantages

Asset Liquidity

Currently, limited opportunities exist to enable BAO to dispose of the 2,521,890 BPA units BAO owns. As noted in Section 7.2, only 390,480 BPA units traded in the 3 months to 17 August 2012 of which 72% was purchased by BCML pursuant to the on-market BPA unit buy-back. There are likely to be a limited number of potential purchasers for the size of a BPA holding such as that owned by BAO, if it was to be sold in one line.

While BAO could participate in the BPA unit buy-back, there is no guarantee as to the price that could be achieved by selling in to the buy-back and there is no obligation for BCML to continue the buy-back. The BPA Unit Sale price of $4.21 exceeds the average price paid to date by BCML pursuant to the buy-back ($3.98).

The BPA Unit Sale therefore provides BAO with an opportunity to realise immediate value from the BPA units. It is an exit mechanism that provides certainty as to both price and timing of realisation.

Sale price at premium to book value and last traded price

The BPA Unit Sale contemplates the sale of the BPA units at $4.21. This represents a $0.91 premium (22%) to BPA's last traded price of $3.30 (15 August 2012) as at the date of this Report.

The sale price also represents a $0.06 premium to BAO's carrying value of the BPA units at 30 June 2012 ($4.15).

Assuming the BPA Unit Sale took place on 30 June 2012, the sale would result in a pro-forma increase in the NTA of BAO of approximately $0.15 million.

Ability to realise a capital gain potentially offset by tax losses

As discussed in Section 1.2, BAO acquired the majority of its interest in BPA in November 2009, when it acquired 4.965 million BPACB units at a price of $1 per BPACB unit. BAO paid a further amount equivalent to $2.237 per BPA unit in July 2011, being payment of the final instalment of the partly paid units. As set out in the Explanatory Memorandum, BAO's cost base for its investment in BPA, taking into account the initial purchase price of the partly paid unit together with payment of the final instalment, is approximately $3.23 per BPA unit.

The BPA Unit Sale (at $4.21) therefore enables BAO to realise the balance of its investment in BPA at a profit ($2.5 million) to its original investment.

We understand that BAO currently has sufficient losses available on its capital account to shelter this gain such that no taxable income may arise from the sale.

Improved earnings profile

BPA is currently paying distributions of $0.02 per quarter. This represents an annualised yield on BPA's last traded price of $3.30 of approximately 2%, which is significantly less than BAO's current cost of debt.

Accordingly, it is earnings accretive for BAO to sell its BPA units, forgoing the dividend income, and using the proceeds to pay down debt, reducing its interest expense.

Reduced gearing

BAO currently has gearing (net debt) of $10.9 million.

It is the intention of BAO to use the proceeds from the BPA Unit Sale (estimated at $10.6 million) to pay down debt.

This will result in BAO having minimal net debt and a reduced interest expense.

Disadvantages

BAO will forgo the opportunity to benefit from any increase in the value of BPA units

We note that BCML has undertaken a number of initiatives over the past 12 months to improve the financial position of BPA and increase the value of BPA units. In September 2011, BCML announced the introduction of a unit buyback for BPA. Since that announcement, BPA's trading price has increased from $3.07 to a high of $4.25 per unit. Its unit price at 17 August 2012 was $3.30.

Whilst there is no certainty that the value of BPA units will continue to appreciate, if the value of BPA units does appreciate beyond $4.21, BAO will not retain the opportunity to participate in this increase in value.

Reduction in diversification of BAO's assets

BAO has held diversified property investments in both listed and unlisted property funds.

Diversification is important in providing BAO with exposure to a variety of property fund managers, property funds and underlying property assets.

If the sale proceeds, the value of BAO's investments (based on 30 June 2012 valuations) in ASX listed property funds will reduce by $10.5 million from $28.6 million to $18.1 million.

Other Matters

Unitholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, BDOCF has not considered the effect of the BPA Unit Sale on the particular circumstances of individual Unitholders. Some individual Unitholders may place a different emphasis on various aspects of the BPA Unit Sale from that adopted in this IER. Accordingly, individual Unitholders may reach different conclusions as to whether or not the BPA Unit Sale either as a whole or individually is fair and reasonable in their individual circumstances and/or in their individual best interests.

The decision of an individual Unitholder in relation to the BPA Unit Sale may be influenced by their particular circumstances and accordingly, Unitholders are advised to seek their own independent advice.

Fair market value

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

We understand that when applying the term "fair market value" in the context of the test of whether a proposal is "fair" under ASIC's regulatory guides, ASIC's interpretation is that RG111:

- does not permit an expert to have regard to the then current situation of the asset being valued, including any then current difficult financial position and the impact of measures required to rectify such a position. Instead, in assessing fairness, the expert should assume an orderly market for the asset being valued, even if such market circumstances do not exist at the time of the fairness assessment; and

- factors such as the then current difficult financial position of the asset and the then current state of the market in which the asset operates are appropriate matters to be taken into account when assessing the reasonableness of the proposal under consideration.

Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly out-dated and in need of revision. BDOCF reserves the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to BDOCF.

Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by BDOCF during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by BCML.

Under the terms of BDOCF's engagement, BCML agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Practice and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by BCML which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and Unitholders to assist them in their decision to approve or reject the BPA Unit Sale. This IER is to accompany the Explanatory Memorandum to be sent to the Unitholders to consider the BPA Unit Sale and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Unitholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and Unitholders in relation to this IER.

This IER should not be used for any other purpose and BDOCF does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

BDOCF has consented to the inclusion of the IER with the Explanatory Memorandum. Apart from this IER, BDOCF is not responsible for the contents of the Explanatory Memorandum or any other document associated with the BPA Unit Sale. BDOCF acknowledges that this IER may be lodged with regulatory authorities.

BDO

Summary

This summary should be read in conjunction with the attached IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

A glossary of terms used throughout this IER is set out in ***Appendix 1***.

Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Sebastian Stevens
Director

David McCourt
Director

BDO

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1. PURPOSE AND BACKGROUND

1.1. Purpose

In accordance with the requirements of ASX Listing Rule 10.1, BDOCF has been appointed by the Directors to prepare an IER to Unitholders expressing our opinion as to whether or not the proposed sale of BAO's unitholding in BPA is 'fair' and 'reasonable' to BAO Unitholders. We have also been asked by the Directors to conclude as to whether the sale of the BPA units to Brookfield Asset Management Inc, is on arm's length terms.

This IER is to accompany the Explanatory Memorandum required to be provided to the Unitholders and has been prepared to assist the Directors in fulfilling their obligation to provide the Unitholders with full and proper disclosure to enable them to assess the merits of the BPA Unit Sale.

1.2. Background

BAO (through its custodian JP Morgan Nominees Australia Limited) currently owns 2,521,890 units in BPA, being 5.1% of BPA's issued units.

BAO is proposing to sell these units to Brookfield based on a price equivalent to BPA's VWAP for the 3 months ending 30 June 2012 ($4.21).

BAO acquired the majority of its units in BPA (at the time known as MAF) in November 2009, when it acquired the equivalent of 4.965 million BPACB units (known at the time as MAFCA units, being partly paid MAF units which remained subject to a $2.237 per unit final payment) pursuant to an entitlements offer. This acquisition resulted in BAO having a 9.9% unitholding in BPA.

In May 2011, BAO sold a portion of its BPACB unitholding at a price of $1.45 per BPACB unit. This reduced its holding in BPACB units to approximately 5% and allowed BAO to realise part of the profit from its investment in BPACB (to assist with repayment of BAO's debts). BAO continued to hold an investment in BPACB to take advantage of future growth in the fund.

The final instalment on BPACB units was due on 15 June 2011 and, subsequently, BPACB units commenced trading as fully paid BPA units.

Subject to Unitholder approval, BAO is to sell the remainder of its holding of BPA units to Brookfield.

1.3. Unitholder Meeting

As set out in the Explanatory Memorandum, BCML is proposing two resolutions for Unitholders to consider.

Resolution 1 relates to a proposed restructure of BAO such that Unitholders receive a cash distribution together with an interest in a new unlisted entity named BAO Trust. BAO Trust will hold the investments in BAO which are not immediately realisable. Further information in relation to this resolution is available in the Explanatory Memorandum. BDOCF has not been engaged to opine on Resolution 1.

Resolution 2 relates to the BPA Unit Sale.

In the event that Resolution 1 is passed and Resolution 2 is not approved by Unitholders, BAO's BPA units will be transferred by BAO together with other assets to BAO Trust, and will be realised together with the other assets at an appropriate time.

Further, Resolution 2 is conditional on Resolution 1 being passed.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the BPA Unit Sale is fair and reasonable to the Unitholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

The assessment of whether the BPA Unit Sale is fair and reasonable to the Unitholders involved determining the "fair market value" of various securities, assets and liabilities.

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

2.2. Summary of Regulatory Requirements

The regulatory requirements relevant to this IER are summarised below.

ASX Listing Rule 10.1

BCML is the responsible entity for both BAO and BPA. BCML is ultimately owned by Brookfield. As discussed above, BCML is selling BAO's unitholding in BPA to Brookfield. This represents a related party transaction.

Chapter 10 of the ASX Listing Rules relates to "Transactions with Persons in a Position of Influence". Listing Rule 10.1 requires the approval of an entity's members where a company proposes to acquire a substantial asset from, or dispose of a substantial asset to:

- a related party or an associate of a related party;
- a subsidiary or an associate of a subsidiary;
- a substantial shareholder or an associate of a substantial shareholder.

An asset is substantial if its value, or the value of the consideration for it, is greater than 5% of the total equity interests of an entity as at the date of the last accounts provided to the ASX. At 30 June 2012, the carrying value of BAO's investment in BPA was $10.5 million. This represents approximately 9% of BAO's equity (attributable to BAO unitholders) at 30 June 2012 of $112 million.

Listing Rule 10.10 requires that the notice of meeting to members be accompanied by a report from an independent expert stating whether the proposed transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

Accordingly, pursuant to the ASX Listing Rule 10 outlined above, the Notice of Meeting to approve the proposed sale of BAO's interest in BPA must be accompanied by a report from an independent expert stating whether the BPA Unit Sale is "fair" and "reasonable" to the non-associated unitholders.

Regulatory Guides

In determining whether the transaction with a person in a position of influence, being the BPA Unit Sale, is fair and reasonable to Unitholders, we have had regard to the following ASIC guidelines:

- Regulatory Guide 76 'Related party transactions' (RG76);
- Regulatory Guide 111 'Content of expert reports' (RG111); and
- Regulatory Guide 112 'Independence of experts' (RG112).

RG 76 generally provides guidance on when it may be necessary for directors to include an independent expert report with a notice of meeting for member approval of a proposed related party transaction. These circumstances include where the proposed related party transaction is significant from the point of view of the entity, and when the financial benefit is difficult to value. In such cases, an independent expert report is to be provided to ensure that members are provided with sufficient information to assess the proposed related party transaction and decide how to vote.

Paragraph 113 of RG76 states that RG111 provides guidance on the content of independent expert reports for related party transactions and how experts should assess related party transactions.

Paragraph 52 of RG111 states that experts who are asked to prepare a report for a transaction with a person in a position of influence (such as one that requires member approval under ASX Listing Rule 10) should comply with paragraphs 53 to 63 of RG 111.

Paragraph 55 of RG111 states that ASIC generally expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.1. Further, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

Fair

Paragraph 57 of RG111 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

In relation to the BPA Unit Sale, we have considered fairness by comparing the value of the BPA units (on a minority interest basis) being disposed to the value of the consideration to be received.

Reasonable

In accordance with paragraph 60 of RG111, a proposed related party transaction is 'reasonable' if it is 'fair'. A transaction could be considered "reasonable" if there are valid reasons to approve it, notwithstanding that it may not be regarded as "fair".

Consideration of reasonableness includes a comparison of the likely advantages and disadvantages for Unitholders if the BPA Unit Sale is approved with the advantages and disadvantages to those Unitholders if it is not.

We have assessed that in all cases the advantages and disadvantages of rejecting the BPA Unit Sale are the inverse of approving the sale. Thus, for simplicity and ease of evaluation, we have set out the reasonableness factors in Section 9 only in the context of approving the sale.

General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the BPA Unit Sale. We, therefore, in preparing the IER considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice, as if the IER was required for legal purposes.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the BPA Unit Sale;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- in the IER, that BDOCF has been appointed as independent expert for the purposes of providing an IER for the Explanatory Memorandum;
- that we have relied on information provided by the Directors and Management of BCML and that we have not carried out any form of audit or independent verification of the information provided; and
- that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.3. Reliance on Information

This IER is based upon financial and other information provided by the Directors and Management of BCML. BDOCF has considered and relied upon this information. Unless there are indications to the contrary, BDOCF has assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the BPA Unit Sale is fair and reasonable.

BDOCF does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to BDOCF was prepared in accordance with generally accepted accounting principles.

Where BDOCF relied on the views and judgement of Management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of BDOCF's engagement, BCML has agreed to indemnify BDOCF and BDO, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

BDO

2.4. Limitations

BDOCF acknowledges that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Explanatory Memorandum to be sent to the Unitholders. The Directors acknowledge that BDOCF's IER has been prepared solely for the purposes noted above and accordingly BDOCF disclaims any responsibility from reliance on its IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER to Directors, in whole or in part, should be reproduced without the prior written consent of BDOCF, as to the form and context in which it may appear.

BDOCF's procedures, in the preparation of the IER, have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or review. Accordingly, we will not express an audit or review opinion.

It was not BDOCF's role to undertake, and BDOCF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities or property valuations in respect of BPA, BAO and/or BCML. BDOCF understands that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary. BDOCF will provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/ or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of Unitholders and no opinion has been provided in relation to same. Some individual unitholders may place a different emphasis on various aspects of the BPA Unit Sale from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the BPA Unit Sale is fair and reasonable to them. An individual unitholder's decision in relation to the BPA Unit Sale may be influenced by their particular circumstances and, therefore, Unitholders are advised to seek their own independent advice.

Apart from the IER, BDOCF is not responsible for the contents of the Explanatory Memorandum or any other document. BDOCF has provided consent for inclusion of its IER in the Explanatory Memorandum. BDOCF's consent and the Explanatory Memorandum acknowledge that BDOCF has not been involved with the issue of the Explanatory Memorandum and that BDOCF accepts no responsibility for that document.

2.5. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER to Directors, including:

- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- information sent out in relation to the BPA Unit Sale to Unitholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by us is accurate, complete and not misleading;
- if the BPA Unit Sale is implemented, that it will be implemented in accordance with its stated terms; and
- the legal mechanisms to implement the BPA Unit Sale are correct and effective.

3. PROFILE OF BAO

3.1. Overview

BAO is an ASX listed fund that invests in listed and unlisted property funds. BAO provides its unitholders with exposure to a diversified investment portfolio together with the liquidity benefits of an ASX listing.

BCML is the RE for BAO.

A summary of BAO's key financial metrics are set out below.

Figure 3.1: Summary of BAO financial metrics

BAO overview	
Gross Assets (30 June 2012)	$182m
Net Assets (30 June 2012)	$146m
Net Assets – attributable to BAO unitholders (30 June 2012)	$112m
Market Capitalisation (17 August 2012)	$47m
Closing Price (17 August 2012)	$0.06
NTA per unit (30 June 2012)	$0.14
ASX Daily Trading Volumes (12 month average)	203,783
Number of unitholders (May 2012)	1,856

Source: Bloomberg, ASX announcements and Link Market Services Limited

3.2. History

Set out below is a brief timeline of selected key events for BAO.

Figure 3.2: BAO Timeline

Dates	Description
Jul-03	BAO listed on the ASX as MPF.
Mar-07	BAO provided a $30.1 million seed investment portfolio to MPIF in return for ownership of 100% of MPIF's ordinary units.
Dec-08	Shortfall in MPIF priority distribution payment prevents BAO from making any further distributions until PDP shortfall has been met.
Nov-09	Invested a further $5 million in BPACB (MAFCA) for a 9.9% holding.
Aug-10	BAO completed a recapitalisation (a $30.4 million rights issue) and refinancing of its $37.1million debt facility. MPF renamed as BAO.
May-11	Reduction in holding of BPACB units from 9.9 million to 5.5 million.
Nov-11	BAO confirms new 3 year $35 million debt facility with NAB.
Nov-11	BAO's offer to acquire selected MPIF assets and to remove restriction on payment of BAO dividends rejected by MPIF's income unitholders.

Source: ASX announcements

3.3. Investment Overview

BAO's assets include investments in unlisted property funds and A-REITs, together with 100% of the ordinary units in MPIF, an unlisted fund managed by BCML which also invests in unlisted and listed property funds.

The MPIF ordinary units were issued to BAO in March 2007 as consideration for BAO providing a $30.1 million seed investment portfolio to MPIF. BAO is prevented from making distributions to its unitholders unless the Income Unitholders in MPIF receive a minimum distribution. As a result, BAO has not paid a distribution to its unitholders since September 2008.

Total consolidated investments of BAO at 30 June 2012 were $154 million. This comprised $34 million held in A-REITs and $120 million held in unlisted funds, as set out below.

3.3.1. A-REIT Investments

As at 30 June 2012, BAO had a portfolio of 13 A-REIT investments. These are classified as available for sale investments. BAO had exposure to further A-REIT investments through its ownership of 100% of the ordinary units in MPIF. BAO sold its entire holding of Australand Property Group units during the March 2012 quarter. A summary of BAO's major A-REIT investments are set out below.

Figure 3.3.1: Major BAO A-REIT Investments

A-REIT Carrying Value ($m)	30 June 2012	31 December 2011	30 June 2011
BPA	10.5	9.7	8.3
Commonwealth Office Property Fund	4.2	3.9	3.9
Investa Office Fund	4.1	3.7	3.9
Dexus Property Group	3.4	3.0	3.2
Mirvac Group	2.6	2.4	1.3
Other	3.8	4.8	5.9
Total - BAO (standalone)	28.6	27.5	26.5
A-REIT investments held by MPIF	5.0	4.7	4.7
Total A-REIT investments	33.6	32.2	31.2

Source: ASX, BAO Financial Reports

As detailed above, BAO's largest A-REIT investment is its holding of BPA units. The carrying value of this investment has increased by $2.2 million between 1 July 2011 and 30 June 2012, in line with the increase in BPA's unit price over this period.

3.3.2. Unlisted Investments

Set out below is a summary of the key unlisted investments held by BAO.

Figure 3.3.2: Major BAO Unlisted Investments

Investment Carrying Value ($m)	30 June 2012	31 December 2011	30 June 2011
Multiplex New Zealand Property Fund	24.5	24.1	25.3
Australian Unity Office Property Fund	19.6	21.9	22.1
Australian Unity Fifth Commercial Trust	12.6	12.5	11.5
Centro MCS 21 Roselands Holdings Trust	9.1	8.7	8.6
Australian Unity Diversified Property Fund	5.7	7.1	8.6
Other	26.4	28.7	35.9
Total - BAO (standalone)	97.9	103.0	112.0
MPIF unlisted investments	22.3	27.1	33.2
Total unlisted investments	120.2	130.1	145.2

Source: ASX, BAO Financial Reports

3.4. **Debt Structure**

An overview of the financing facilities held by BAO has been provided below.

Figure 3.4: Bank Debt

Interest bearing liabilities $m	30 June 2012	31 December 2011	30 June 2011
Non current - Secured bank debt	35.0	35.0	37.1
Debt establishment fees	(0.2)	(0.2)	-
Total interest bearing liabilities	34.8	34.8	37.1

Source: ASX, BAO Financial Reports

Following the rights issue completed during August 2010, BAO secured a debt facility with a limit of $37.1 million. This was refinanced during FY12 with a new facility limited to $35 million and with maturity in November 2014. This new facility was subject to the following covenants:

- Loan to value ratio limit at 30%; and
- Interest cover ratio of at least 1.60 times.

The cost of the facility is 3% per annum over the Australian bank bill swap bid rate. As at 30 June 2012 this facility was fully utilised.

BAO also holds a $20 million investment borrowing facility that has been provided by a wholly owned subsidiary of Brookfield Asset Management Inc. The investment facility has a maturity date of 1 June 2013 and remained undrawn as at 30 June 2012.

3.5. **Capital Structure**

As at 17 August 2012, BAO had 811 million fully paid units on issue.

The top 10 unitholders of BAO as at 8 August 2012 are summarised below.

Figure 3.5: Top Unitholders

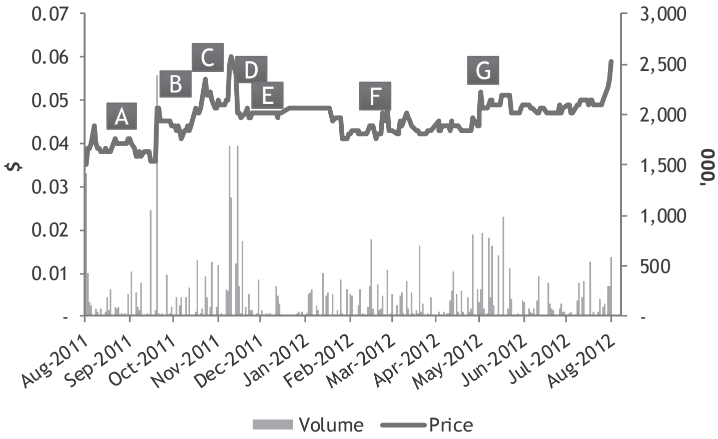
Unitholder	Number of units held	Percentage of units held (%)
Brookfield Capital Securities Limited	328,609,014	40.50
Multiplex APF Pty Limited	163,751,625	20.18
Avanteos Investments Limited	26,751,110	3.30
Mr & Mrs C P Marcolongo	24,100,000	2.97
Navigator Australia Limited	18,747,660	2.31
Avanteos Investments Limited	14,929,753	1.84
Pullington Investments Pty Limited	14,142,277	1.74
Brookfield Multiplex Capital Limited	9,737,640	1.20
Avanteos Investments Limited	9,289,644	1.14
Mr D McKillop	7,700,015	0.95
Total - top 10	617,758,737	76.13
Other	193,684,983	23.87
Total	811,443,720	100.00%

Source: Link Market Services Limited

3.6. ASX Trading

The graph below illustrates the movement in the daily BAO unit price and volumes traded from 17 August 2011 to 17 August 2012.

Figure 3.6a: ASX Trading



Source: Bloomberg, BDOCF analysis

Key price sensitive announcements which may have had an impact on trading in BAO units are detailed below.

Figure 3.6b: Key Events

Notation	Date	Event
A	26-Aug-11	Announcement of FY11 financial results
B	27-Sep-11	Announcement of intention to acquire a number of unlisted investment assets from MPIF in order to facilitate the lifting of the distribution stopper
C	31-Oct-11	Announcement of increase in NTA as at 30 September 2011
D	18-Nov-11	Confirmation of new $35 million debt facility
E	22-Nov-11	Announcement that the proposal to acquire MPIF assets rejected by MPIF unitholders
F	24-Feb-12	Announcement of financial results to 31 December 2011
G	8-May-12	Announcement of increase in NTA as at 31 March 2012

Source: ASX

The table below summarises the ASX trading in BAO units over the 12 months up to 17 August 2012.

Figure 3.6c: ASX Trading

	High $	Low$	VWAP $	Traded volume 000's units	Turnover (annualised) %	Average bid/ ask spread %
17 August 2012	0.058	0.056	0.057	382,013	12%	10%
1 month to 17 August 2012	0.062	0.049	0.056	5,820,839	9%	6%
3 months to 17 August 2012	0.062	0.047	0.053	10,998,493	5%	5%
6 months to 17 August 2012	0.062	0.047	0.049	22,284,605	5%	6%
12 months to 17 August 2012	0.062	0.036	0.048	46,160,317	6%	6%

Source: Bloomberg, BDOCF analysis

3.7. Historical Financial Information

3.7.1. Income statement

The income statements of BAO for FY09, FY10, FY11 and FY12 are shown below.

Distribution income, after falling in FY10, has been increasing in FY11 and FY12 as BAO's underlying investments restored and increased their distribution payouts. During FY12, distribution income also increased due to a special distribution of $1.5 million from Australian Unity Fifth Commercial Trust following the sale of assets, and a $1.2 million distribution from Multiplex European Property Fund due to the unwinding of currency swaps.

Finance costs have been falling since FY10, following BAO's substantial recapitalisation in August 2010. The recapitalisation, together with the ongoing realisation of assets, has enabled the repayment of a large amount of BAO's interest bearing debt.

Asset impairments, although substantially smaller than that experienced in FY09 ($78 million), remain a material expense item ($9.9 million) in the 12 months to 30 June 2012.

Figure 3.7.1: BAO's Historical Income Statements (Consolidated – includes 100% of MPIF)

$000's	FY12	FY11	FY10	FY09
Revenue and other income				
Distribution income from listed and unlisted property trusts	11,191	7,739	6,462	10,015
Gain on disposal of listed and unlisted property trusts	163	4,159	2,086	-
Interest income	757	1,374	257	803
Other income	-	-	14	-
Total revenue and other income	12,111	13,272	8,819	10,818
Expenses				
Share of net loss of investments accounted for using the equity method	1,244	2,099	3,908	22,420
Impairment expense	9,877	5,442	12,374	78,443
Finance costs to external parties	2,599	5,165	7,088	4,995
Loss on disposal of listed and unlisted property trusts	-	-	-	2,468
Net loss on settlement of financial derivatives	-	-	-	3,623
Management fees	672	731	643	1,030
Other expenses	1,622	683	750	1,196
Total expenses	16,015	14,120	24,763	114,175
Net loss for the year	(3,903)	(848)	(15,944)	(103,357)
Net loss attributable to:				
Ordinary unitholders	787	(2,149)	(9,725)	-
Minority interest – MPIF income unitholders	(4,690)	1,301	(6,219)	-
Net loss for the year	(3,903)	(848)	(15,944)	-
Total comprehensive income/(loss) attributable to:				
Ordinary unitholders	2,501	1,362	355	(107,021)
Minority interest – MPIF income unitholders	(4,622)	3,942	4,286	3,664
Total comprehensive loss for the year	(2,121)	5,304	4,641	(103,357)

Source: ASX, BAO Financial Reports

3.7.2. Balance Sheet

BAO's balance sheets as at 30 June 2009, 2010, 2011 and 2012 are provided below.

BAO's standalone investment portfolio (i.e. excluding any investments owned by MPIF) at 30 June 2012 was $127 million. Unlisted investments were valued at $98 million, a reduction in value of $14 million from 30 June 2011. The decrease was attributed to returns of capital of certain funds, participation in redemption facilities and a general decrease in the carrying value of the unlisted portfolio. A-REIT investments were valued at $28.6 million at 30 June 2012 (30 June 2011: $26.5 million). The increase has resulted from additional investment into A-REITs and an increase in the carrying value of certain funds in the A-REIT portfolio.

In addition, as noted above, BAO owns 100% of the ordinary units in MPIF and the results of MPIF are consolidated into BAO's results. MPIF had an investment portfolio of A-REITs and unlisted funds valued at $27.4 million at 30 June 2012.

At 30 June 2012, the value of MPIF's net assets ($34.2 million) was below the value of unitholder funds contributed by the MPIF income unitholders ($52.9 million) by $18.7 million. For as long as MPIF's net assets remain below $52.9 million, no value of MPIF will be attributable to BAO.

BAO's reported cash balance of $24.0 million at 30 June 2012 comprised $18.3 million attributed to BAO (on a standalone basis) and $5.7 million attributed to MPIF.

Figure 3.7.2: BAO's Historical Balance Sheets (Consolidated - includes 100% of MPIF)

$000's	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Current assets				
Cash and cash equivalents	23,962	10,573	7,822	2,439
Trade and other receivables	4,218	1,897	2,582	3,551
Investments - available for sale	33,646	31,209	-	-
Total current assets	61,826	43,679	10,404	5,990
Non-current assets				
Investments - available for sale	95,073	119,172	158,393	172,992
Investment accounted for using the equity method	25,142	25,997	32,042	32,036
Total non-current assets	120,215	145,169	190,435	205,028
Total assets	182,041	188,848	200,839	211,018
Liabilities				
Current liabilities				
Trade and other payables	528	1,054	2,363	1,265
Distribution payable	151	205	281	-
Interest bearing liabilities	-	-	27,608	74,200
Deferred settlement	-	-	10,731	-
Total current liabilities	679	1,259	40,983	75,465
Non-current liabilities				
Fair value of financial derivative	254	-	-	-
Interest bearing liabilities	34,842	37,100	40,902	-
Deferred settlement	-	-	-	10,299
Total non-current liabilities	35,096	37,100	40,902	10,299
Total liabilities	35,775	38,359	81,885	85,764
Net assets	146,266	150,489	118,954	125,254
Attributable to BAO unitholders	112,017	109,516	79,708	80,063
Attributable to MPIF unitholders	34,249	40,973	39,246	45,191
Total Equity	146,266	150,489	118,954	125,254

Source: ASX, BAO Financial Reports

BDO

4. PROFILE of BPA

4.1. Overview

BPA is a trust listed on the ASX which owns a portfolio of Australian CBD office assets. Key features of its portfolio include a diversified tenancy profile, regular fixed rent reviews and exposure to the Sydney, Melbourne and Perth office markets.

BPA's strategy is to own high quality, well-located, modern office buildings with low vacancy and rollover rates, and actively manage each property to maximise its value, by maintaining its long-term lease profile with low credit risk tenants.

BCML is the RE for BPA.

An overview of BPA's key metrics is set out below.

Figure 4.1: Overview of BPA

BPA Overview	
Gross Assets (30 June 2012)	$843m
Net Assets (30 June 2012)	$229m
Market Capitalisation (17 August 2012)	$162m
Closing Price (17 August 2012 – last trade was on 15 August 2012)	$3.30
NTA per Unit (30 June 2012)	$4.65
ASX Daily Trading Volumes (12 month average)	12,914
Number of Unit holders (May 2012)	1,008

Source: Bloomberg, ASX announcements and Link Market Services Limited

4.2. History

BPA, originally known as Multiplex Prime Property Fund (MAF), listed on the ASX on 15 September 2006 pursuant to a PDS dated 22 June 2006. BPA's listing on the ASX raised $169 million with 282 million partly paid units (MAFCA units, subsequently known as BPACB units) issued. On listing, BPA owned a portfolio of four Australian CBD property assets (a 50% share in the Ernst & Young Centre and adjoining 50 Goulburn Street, Sydney; a 25% share in the Southern Cross Tower, Melbourne; Defence Plaza, Melbourne and the American Express Building in Sydney) as well as a diversified portfolio of listed A-REIT investments.

Following a deterioration in its financial position, BPA undertook a significant recapitalisation in November 2009 through a $50.15 million underwritten non-renounceable 178 for 1 entitlement offer. 50.154 billion new partly paid units were issued at an initial subscription price of 0.1 cents, together with an obligation to make a final instalment payment of 0.2237 cents per partly paid unit (due in June 2011).

In June 2010, the partly paid BPACB units were consolidated on a 1 for 1,000 basis. The consolidation reduced the number of BPACB units on issue from 50.435 billion to 50.435 million. The unpaid amount per BPACB unit increased in the same ratio as the consolidation, which resulted in the unpaid amount per BPACB unit being $2.237 after the consolidation.

The final instalment of $2.237 on each partly paid BPACB unit was due on or before 15 June 2011. 99.8% of partly paid units on issue prior to conversion were converted by their holders into fully paid BPA units. The remaining forfeited partly paid units were converted to fully paid BPA units following an auction in July 2011.

As a result of its recapitalisation, BPA's capital structure has been stabilised, while conditions in the broader prime property sector have improved and BPA's properties have continued to perform at or above expected levels.

In June 2011, BPA announced that it had agreed to acquire a 50% interest in two A-grade office towers, being the Southern Cross West, a 20-storey, 46,000 sqm office tower in Melbourne's CBD and BankWest Tower, a 52-storey, 39,000 sqm office tower in Perth's CBD.

The acquisitions, at a total price of $250 million (excluding transaction costs), were funded through a combination of available liquidity, bank debt and an acquisition bridge facility. BPA's existing financiers agreed to provide a new three year $525 million debt facility to replace its existing facility. In addition, Brookfield Asset Management agreed to provide up to $130 million under a subordinated loan facility on arm's length terms to fund the balance of the purchase price and associated transaction costs.

On 2 September 2011, BPA advised that it intended to commence an on-market buy-back of its units. It was intended that the buy-back would be for up to 10% of BPA's units and would commence on 19 September 2011 and finish no later than 19 September 2012.

On 29 November 2011, BPA announced that it had agreed to sell Defence Plaza to Real I.S. AG, a German institutional investor, for gross consideration of $100 million. BPA retained the obligation to complete certain capital works and fund tenant incentives which together totalled $22 million. Settlement of the sale took place on 30 March 2012.

4.3. Historical Financial Information

4.3.1. Income Statement

The income statements for BPA for FY09, FY10, FY11 and FY12 are shown below.

BPA reported a net loss of $2.0 million for FY12 which can in part be attributed to a number of non-recurring items including:

- $3.6 million in net unrealised gains on the revaluation of the property portfolio;
- $2.7 million in costs incurred in selling Defence Plaza; and
- $4.7 million in unrealised losses associated with changes in the fair value of BPA's interest rate derivatives.

The total comprehensive loss of $28.6 million includes changes in BPA's cash flow hedge reserve of $26.7 million.

BPA paid dividends totalling 8 cents (2 cents per quarter) in the year ending 30 June 2012.

Figure 4.3.1: BPA's Historical Income Statements

$000's	FY12	FY11	FY10	FY09
Revenue and other income				
Share of net profit of investments accounted for using the equity method	19,092	45,239	41,961	-
Property rental income	47,957	19,675	19,767	17,170
Distribution income from listed property trusts	9	3	287	482
Interest income	1,425	1,011	177	136
Net gain on revaluation of financial derivatives	-	6,884	6,614	-
Net gain on revaluation of investment properties	3,577	18,509	2,663	-
Net gain on sale of investments – available for sale	-	990	-	-
Other Income	330	154	-	-
Total revenue and other income	72,390	92,465	71,469	17,788
Expenses				
Share of net loss of investments accounted for using the equity method	-	-	-	15,645
Property expenses	10,532	3,154	2,815	2,454
Impairment expense	-	93	679	12,690
Finance costs	49,570	34,049	35,075	37,054
Finance costs - amortisation of cash flow hedge reserve	-	13,097	13,098	-
Net loss on revaluation of financial derivatives	4,731	-	-	354
Net loss on revaluation of investment properties	-	-	-	30,986
Management fees	6,372	4,096	3,895	4,163
Other expenses	3,140	437	1,061	742
Total expenses	74,345	54,926	56,623	104,088
Net (loss)/profit for the period	(1,955)	37,539	14,846	(86,300)
Other comprehensive (loss)/profit for the period	(26,668)	12,439	13,775	-
Net (loss)/profit attributable to ordinary unitholders	(1,955)	37,539	14,846	-
Total comprehensive (loss)/profit attributable to ordinary unitholders	(28,643)	49,978	28,621	-

Source: ASX, BPA Financial Reports

4.3.2. Balance Sheet

The balance sheets for BPA as at 30 June 2009, 2010, 2011 and 2012 are provided below.

BPA's property portfolio totalled $825.25 million as at 30 June 2012, an increase from the portfolio value of $627 million at 30 June 2011. The increase reflected BPA's interest in two new assets acquired during the period, being a 50% interest in the BankWest Tower located in Perth, and a 50% interest in the Southern Cross West Tower, located in Melbourne. These purchases were offset by the sale of Defence Plaza which was sold in November 2011 (and settled in March 2012).

Net assets of BPA at 30 June 2012 of $229.14 million (30 June 2011: $266.47 million) and NTA per unit of $4.65 (30 June 2011: $5.28) fell over the 12 months to 30 June 2012 primarily as a result of a change to the fair value of BPA's interest rate swap liabilities. These swap liabilities increased to $44 million from $13 million in June 2011.

BPA also owns a listed property trust portfolio with a value of $109,000 as at 30 June 2012.

Interest bearing loans held by BPA are outlined in Section 4.5.

Figure 4.3.2: BPA's Historical Balance Sheets

$000's	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Assets				
Current assets				
Cash and cash equivalents	17,866	17,890	13,231	1,259
Trade and other receivables	889	13,503	111,433	1,016
Total current assets	18,755	31,393	124,664	2,275
Non-current assets				
Investment properties	414,500	207,000	185,000	181,100
Investments - available for sale	-	111	5,145	5,136
Investments accounted for using the equity method	410,149	417,945	401,210	387,256
Trade and other receivables	-	-	-	104,034
Total non-current assets	824,758	625,056	591,355	677,526
Total assets	843,404	656,449	716,019	679,801
Liabilities				
Current liabilities				
Trade and other payables	16,548	14,175	10,843	4,932
Fair value of financial derivatives	-	12,774	-	-
Interest bearing liabilities	-	-	-	518,550
Total current liabilities	16,548	26,949	10,843	523,482
Non-current liabilities				
Interest bearing liabilities	553,394	363,014	474,534	-
Fair value of financial derivatives	44,322	-	17,806	22,569
Total non-current liabilities	597,716	363,014	492,340	22,569
Total liabilities	614,264	389,963	503,183	546,051
Net assets	229,140	266,486	212,836	133,750

Source: ASX, BPA Financial Reports

BDO

4.4. Property Portfolio

A summary of the properties held by BPA as at 30 June 2012 is provided below.

Figure 4.4: BPA Property Portfolio

Property	Location	BPA Share %	Valuation $m
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	255.00
American Express House	Sydney	100	130.00
Southern Cross East Tower	Melbourne	25	155.75
Southern Cross West Tower	Melbourne	50	137.00
BankWest Tower	Perth	50	147.50
Total			825.30

Source: BPA Financial Report 2012

Detailed information in relation to each property is set out below.

4.4.1. Ernst & Young Centre and 50 Goulburn Street

Ernst & Young Centre is a landmark commercial office tower within the southern periphery of the midtown precinct of the Sydney CBD. The property comprises a substantial lobby with two retail areas and 35 upper levels of office accommodation incorporating low, mid, high and sky rise.

50 Goulburn Street adjoins the Ernst & Young Centre and is a six level commercial building situated on the corner of George Street and Goulburn Street including car parking for 28 vehicles. The property's services are integrated with the Ernst & Young Centre and the property is serviced with retail and transport facilities in close proximity.

Key property details are shown below.

Figure 4.4.1: Ernst & Young Centre and 50 Goulburn Street

Property Details	
BPA Ownership (%)	50
Net lettable area (sqm)	67,998
Occupancy (%)	95
Weighted average lease expiry (years)	4
Valuation (50%) ($m)	255.0
Valuation date	30 June 2012
Key tenants	Ernst & Young, AAPT, Link Market Services, Parsons Brinckerhoff, Flairview Travel

Source: Management, BPA Interim and Final Financial Reports 2012

4.4.2. American Express House

American Express House is an A-grade commercial office building completed in late 2007. The property comprises 10 levels of commercial office fully occupied by American Express with ancillary retail and underground parking for 69 vehicles. The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street.

Key property details are shown below.

Figure 4.4.2 : America Express House

Property Details	
BPA Ownership (%)	100
Net lettable area (sqm)	14,974
Occupancy (%)	100
Weighted average lease expiry (years)	6
Valuation (100%) ($m)	130.00
Valuation date	30 June 2012
Key Tenant	American Express

Source: Management, BPA Interim and Final Financial Reports 2012

4.4.3. Southern Cross East Tower

Southern Cross East Tower is a landmark A-grade office building offering premium grade services. The building comprises a ground level foyer and retail tenancies, 36 levels of office accommodation and basement parking.

The property is located at the eastern end of the Melbourne CBD bordering Exhibition, Bourke and Little Collins Streets.

Key property details are shown below.

Figure 4.4.3 : Southern Cross East Tower

Property Details	
BPA Ownership (%)	25
Net lettable area (sqm)	79,733
Occupancy (%)	100
Weighted average lease expiry (years)	12
Valuation (25%) ($m)	155.75
Valuation date	30 June 2012
Key tenants	Victoria State Government

Source: Management, BPA Interim and Final Financial Reports 2012

4.4.4. Southern Cross West Tower

Southern Cross West Tower forms part of the Southern Cross landmark development. The A-grade property was completed in 2009 and comprises ground floor retail tenancies, lobby, 20 upper levels of office accommodation and basement parking.

The property is located at the eastern end of the Melbourne CBD, bordering Bourke and Little Collins Streets.

Key property details are shown below.

Figure 4.4.4 : Southern Cross West Tower

Property Details	
BPA Ownership (%)	50
Net lettable area (sqm)	47,367
Occupancy (%)	99.7
Weighted average lease expiry (years)	8
Valuation (50%)($m)	137.00
Valuation date	30 June 2012
Key tenant	Australia Post

Source: Management, BPA Interim and Final Financial Reports 2012

4.4.5. BankWest Tower

BankWest Tower (108 St Georges Terrace) is an A-grade, 52-level commercial office tower and includes the four-level Palace Hotel, a heritage listed ground floor banking chamber with associated offices on the upper levels.

The building is located on the corner of St Georges Terrace and William Street in the centre of the Perth CBD.

Key property details are shown below.

Figure 4.4.5 : BankWest Tower

Property Details	
BPA Ownership (%)	50
Net lettable area (sqm)	39,024
Occupancy (%)	96
Weighted average lease expiry (years)	3
Valuation (50%)($m)	147.50
Valuation date	30 June 2012
Key tenants	Bankwest, Norton Rose

Source: Management, BPA Interim and Final Financial Reports 2012

4.5. Debt Structure

An overview of the financing facilities held by BPA is provided below.

Figure 4.5 : Debt Facilities

Finance arrangements $000's	30 June 2012	31 December 2011	30 June 2011
Facilities utilised			
- Senior Debt Facility	478,800	525,000	-
- Subordinated Debt Facility (1)	76,596	105,488	-
- Term Facility	-	-	363,014
Total facilities utilised (1)	555,396	630,488	363,014

Source: ASX, BPA Financial Reports
Note 1: Includes capitalised borrowing costs

BPA entered into a new senior debt facility with its financiers, with a total limit of $525 million, on 23 June 2011. This facility was to assist in the funding of the acquisition of the 50% interests in Southern Cross West and BankWest Towers in June 2011. The key terms of the 3 year bullet non-revolving facility are:

- repayment of the debt required by 30 June 2014;
- loan to value covenant requirement of 65%;
- interest cover (ratio of EBIT to total interest expense) covenant requirement at least 1.4 times for the preceding 6 month period;
- margin of 2.15% above bank bill rate;
- establishment fee of 0.5% of facility limit; and
- unused/commitment fee of 50% of the margin per year calculated on the daily balance of the available facility.

A subordinated (bridging) debt facility agreement was also entered into on 29 June 2011 between BPA and a related entity of BPA, BPPF Financier Pty Ltd, with a total facility limit of $130 million.

The key terms of this facility are:

- debt subordinated behind the senior debt facility;
- maturity date of 1 July 2012. BPA had an unconditional option to extend the maturity date of the facility by a further 12 months (1 July 2013).
- interest cover (ratio of EBIT to total interest expense) covenant requirement of at least 1.4 times for the preceding 6 month period;
- margin of 4.15% above bank bill rate (and 2% above the secured facility rate); and
- a default under the terms of the senior debt facility also would cause the subordinated debt facility to be in default.

On 30 March 2012 BCML announced the settlement of Defence Plaza, Melbourne. Proceeds from the sale were used to reduce BPA's interest bearing debt, with BAO's senior facility being reduced by $46 million to $479 million and the subordinated debt facility being reduced by $32 million to $75 million.

On 29 June 2012, BCML announced that the term of the subordinated debt facility had been extended to 1 July 2013. In addition, an option was granted to extend the facility for a further period of up to 12 months to 1 July 2014.

4.6. Capital Structure

As at 17 August 2012, BPA had 49.2 million fully paid units on issue. At 1 July 2011, 50.4 million units were on issue. 1.2 million BPA units have been bought back and then cancelled since the unit buy-back commenced in September 2011.

The top 10 unitholders of BPA as at 8 August 2012 are summarised below.

Figure 4.6 : Top Unitholders

Unitholder	Number of units held	Percentage of units held
Brookfield Capital Securities Limited	25,895,419	52.62%
Trust Company Limited	10,893,945	22.14%
JP Morgan Nominees Australia Limited	2,521,890	5.12%
Horrie Pty Limited	755,000	1.53%
ANZ Trustees Limited	459,836	0.93%
ANZ Trustees Limited	441,860	0.90%
Mrs H Neuman	400,000	0.81%
Geoffrey Gardiner Dairy Foundation Limited	353,569	0.72%
Hillmorton Custodians Pty Limited	291,910	0.59%
New City Holdings Pty Limited	268,500	0.55%
Total - top 10	42,281,929	85.91%
Other	6,933,712	14.09%
Total	49,215,641	100%

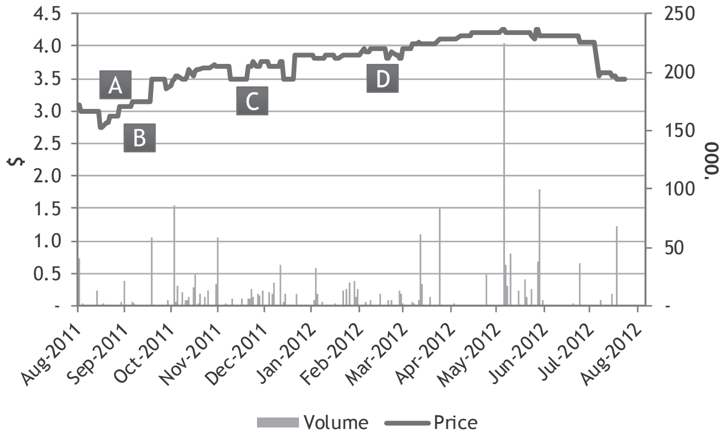
Source: Link Market Services Limited

The top 10 unitholders hold approximately 86% of the total units on issue in BPA. We note that BAO's holdings in BPA are held through JP Morgan Nominees Australia Limited as custodian. Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.6% of BPA. Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 10,893,945 units or 22.1% of BPA.

4.7. ASX Trading

The graph below illustrates the movement in daily unit price and volumes traded from 17 August 2011 to 17 August 2012.

Figure 4.7a : ASX Trading



Source: Bloomberg

Key price sensitive announcements which may have had an impact on trading in BPA units are detailed below.

Figure 4.7b : Key Events

Notation	Date	Event
A	26-Aug-11	FY11 financial results released demonstrating increase in direct property portfolio value, net assets and NTA.
B	2-Sep-11	Announcement of intention to buy back 10% of BPA's issued capital.
C	29-Nov-11	Sale of Defence Plaza agreed for net consideration of $78m.
D	24-Feb-12	FY12 interim results announced showing increase in property portfolio value.

Source: ASX

5. INDUSTRY OVERVIEW

BPA is an ASX listed REIT which invests in office properties located across capital cities in Australia.

Set out below are some observations in relation to the recent performance of the A-REIT sector. We also provide some general comments in relation to the Australian office property market.

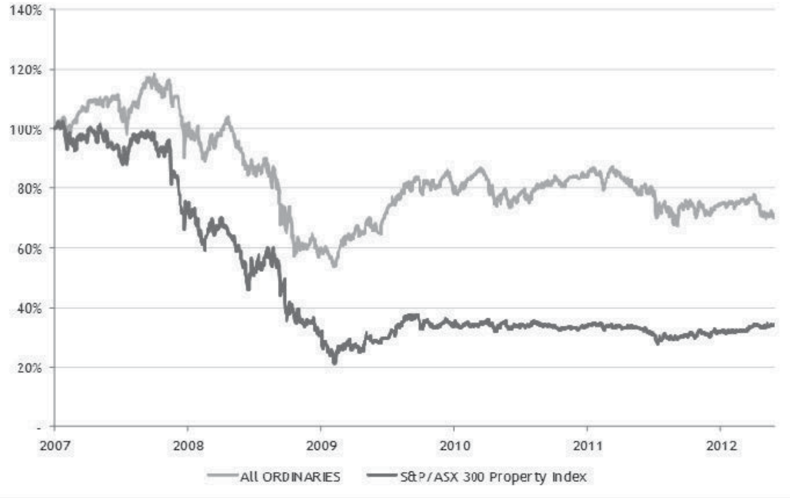
The observations regarding industry conditions are based on BDOCF's review of publically available industry reports (in particular JLL's Office Investment Market Review and Outlook, and KF's Australian CBD Markets Commercial Property Insight), together with other publicly available information.

5.1. A-REIT Performance

The A-REIT (ASX listed property trust) sector, following a period of stabilisation after the GFC, has performed strongly over the past 12 months. Capital management initiatives undertaken during 2009 and 2010 repaired the balance sheets and reduced the gearing of a number of entities; and helped to reduce risk and restore a degree of confidence in the sector.

A summary of the performance of the A-REIT S&P/ASX Property 300 Index relative to the All Ordinaries for the period between February 2007 (the date when the Property Index reached its all time high) and 30 June 2012, is set out below.

Figure 5.1 : A-REIT S&P/ASX Property 300 Index relative to the All Ordinaries



Source: Bloomberg

The S&P/ASX 300 AREIT Index delivered a 10.98% per annum total return (capital appreciation plus dividends) to 30 June 2012, outperforming the broader equities market which fell by 7.0% over the same period. However, as illustrated above, the sector has significantly underperformed the All Ordinaries Index since the GFC.

Many of the entities in the sector had balance sheets that had become over-extended as a result of debt-funded overseas acquisitions at the top of the valuation cycle. Subsequent declining asset values expanded gearing ratios further. Through a combination of capital raisings, asset sales and other capital management initiatives, a number of the more established entities in the sector took the opportunity to repair their balance sheets during 2009 and 2010. While some A-REITS have been able to recover their unit price to a level above NTA per unit, the sector as a whole continues to trade at a discount to NTA.

Australian REITs have also significantly reduced their look-through gearing levels from around 40% (relative to gross assets) in June 2008 to less than 30% currently. This has been done despite capitalisation rates moving higher and properties being devalued.

Those entities that have reduced debt levels as well as divesting non-core riskier assets and concentrating on domestic rental streams, have significantly lowered their risk profile and in many cases have been re-rated on the back of a more stable earnings and distribution outlook.

However, many smaller entities in the sector have found accessing funding (both equity and debt) more difficult and a number of these entities continue to have very leveraged balance sheet positions and trade at significant discounts to NTA.

5.2. Office Property Market

5.2.1. Review

2011 saw core office assets in Australia benefit from high occupancy rates, tenant stability and growth through fixed rent increases.

Transaction activity in 2011 was also strong. JLL recorded 121 major office sale transactions of over $5 million during 2011, totalling $6.6 billion, being the fourth-highest annual figure since 1987.

KF noted that major CBD market activity in Australia was dominated by off shore investors who accounted for 36% of total sales during 2011. These buyers were followed by some strong demand from unlisted funds and syndicates (29% of transactions). KF noted that the A-REIT market remained quiet, accounting for only 10% of transactions, the same amount as private investors.

Strong rental growth was observed in 2011. According to JLL this was a result of positive net absorption, declining options for prime contiguous space and a moderate supply outlook. JLL noted that a sharp reduction in vacancies to 2.5% resulted in Perth CBD prime gross effective rents increasing by a substantial 20.5% in 2011. The Sydney CBD also recorded double-digit effective rental growth in 2011 (10.6%). Growth in the Sydney CBD was concentrated in the premium-grade sector of the market.

According to JLL, the national CBD office market vacancy rate fell by 0.7 percentage points to 7.2% in 2011. Vacancy is at the lower end of equilibrium, which is assumed to be between 7.0% and 9.0% for office markets. All CBD markets, with the exception of Canberra, are recording vacancy at or below equilibrium.

5.2.2. Outlook

JLL expect the investment market to remain volatile through 2012 and into 2013, however, they note that the fundamentals of most Australian office markets remain relatively firm.

The GFC impacted development activity across Australian office markets between 2008 and 2011. JLL note that the legacy of this lack of activity will be felt through 2012 and 2013 when completions are projected to be below the long-term average for CBD office markets.

Given vacancies are at or below trend, and the lack of development properties due to complete, JLL forecast a three-year period of above-trend rental growth between 2011 and 2014. Over this period, JLL's weighted-average prime gross effective rent series is projected to grow by 5.0% per annum.

Richard Fennell, Head of Property and Asset Management for JLL in Australia, notes that "Occupancy rates for prime-grade assets are expected to remain high in 2012. There are limited options for prime contiguous space above 4,000 sqm to 5,000 sqm across most office markets. As a result, high tenant retention rates for prime-grade assets will be a key theme over the next 12–24 months".

JLL project capital values for CBD office markets to rise by an average of 4.2% per annum between 2011 and 2014. Over this forecast period, Perth (6.1% per annum), Sydney (5.6% per annum) and Brisbane (5.2% per annum) are forecast to record above-trend capital value growth over the next three years.

Both JLL and KF expect offshore groups to remain active participants in the Australian commercial property market in 2012.

6. VALUATION METHODOLOGY

6.1. Valuation of BPA units

As set out in Section 2.2, we have considered fairness by comparing the value of a BPA unit being disposed by BAO (on a minority interest basis) to the value of the consideration for each BPA unit to be received by BAO.

Details of common methodologies for valuing businesses and assets are included at ***Appendix 3***.

Paragraph 64 of RG111 states that an expert should use its skill and judgment to select the most appropriate methodology or methodologies in its report. The expert must have a reasonable (or tenable) basis for choosing its valuation methodologies. Paragraph 69 of RG111 sets out the valuation methodologies that ASIC consider an expert should use in valuations for expert reports.

Having considered Paragraphs 64 to 69 of RG111, our view of the possible and the adopted valuation methodologies to apply to BPA units are summarised in Figure 6.1 below.

Figure 6.1: Summary of Possible/Adopted Valuation Methodologies for BPA units

Methodology	Adopted	Explanation
DCF	×	Long term forecast financial results for BPA are not available. Given the lack of long term forecasts for BPA (5 years or more), we are unable to prepare a DCF valuation of BPA using forecasts.
Earnings Capitalisation	×	The extent of BPA's recent asset transactions and capital management initiatives has impacted the stability of BPA's earnings. Therefore, given the lack of stability in relation to BPA's historical and forecast earnings, we have been unable to adopt an earnings based valuation methodology to value BPA units.
NTA	✓	The NTA approach is usually appropriate where majority of assets consist of cash or passive investments such as property. The assets and liabilities of the relevant entity under this approach are valued at fair market value and the net value forms the basis for the entity's value. NTA is a commonly used methodology for valuations of property investment entities. BPA's financial statements for the period ending 30 June 2012 have been audited

Figure 6.1: Summary of Possible/Adopted Valuation Methodologies for BPA units

Methodology	Adopted	Explanation
		providing a basis for an NTA valuation for BPA units.
ASX Quoted Price	✓	BPA is listed on the ASX and has sufficient market history for an ASX market price valuation. As discussed in Section 7.2, whilst there is not a very deep market for BPA units, there is sufficient liquidity to use this methodology to value BPA units, although the extent we are able to rely on this value is limited.
Any Other Recent Genuine Offers	×	BCML have confirmed that they have not received any other genuine offers for BAO's Unitholding in BPA. We are therefore unable to use any other previous offers as a basis for the valuation of BAO's BPA unitholding.

Source: BDOCF analysis

For the reasons outlined in Figure 6.1 above, it is our view that the most appropriate valuation methodologies to apply to value BPA units are the NTA (primary) and ASX quoted price (secondary) methodologies.

Given BAO's holding of BPA units represent a 5.12% interest in BPA; we have valued BPA units on a minority interest basis. Accordingly, in determining our valuation of BPA units using the NTA methodology, we have considered the observed discount to NTA that minority interest unit holdings in comparable ASX listed property funds have been trading at.

We note that the ASX quoted price reflects a minority interest price for BPA units.

6.2. Valuation in Accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

7. VALUATION OF BPA UNITS

7.1. NTA Value

The NTA valuation is based on the carrying value of BPA's assets and liabilities. A-REITs (including BPA) are required to regularly value the property assets in their portfolio. Properties are valued at certain balance dates by independent valuers, whilst internal valuations are undertaken at those balance dates where independent valuations have not been carried out. Based on these property valuations and the carrying value of other balance sheet items, the net tangible assets (NTA) of a fund can be calculated (on a per unit basis).

In valuing BPA units, we have considered:

- the 30 June 2012 carrying value of BPA's assets and liabilities together with any adjustments required to be made to these carrying values; and
- the observed discount to NTA that minority interest unit holdings in comparable ASX listed property funds are currently trading at (given that we are valuing a 5% interest in BPA and therefore are required to value BPA units on a minority interest basis).

A summary of our valuation of a BPA unit (on a minority interest basis) is set out below.

Figure 7.1: Valuation Summary - Fair market value per BPA unit using the NTA method

$'000s	Ref	Low	High
NTA of BPA (as at 30 June 2012)	4.3.2 / 7.1.1	229,140	229,140
Adjustments subsequent to 1 July 2012	7.1.2	(150)	(150)
		228,990	228,990
Number of BPA units on issue (17 August 2012)	7.1.2	49,215,641	49,215,641
NTA per BPA unit		4.65	4.65
Discount to NTA (%)	7.1.3	25%	15%
Discount to NTA ($)		1.16	0.70
Fair market value of BPA unit ($)		3.49	3.95

Source: BDOCF analysis

7.1.1. NTA of BPA as at 30 June 2012

We have reviewed BPA's audited accounts as at 30 June 2012. As set out in Section 4.3.2, BPA's net assets at 30 June 2012 were $229.14 million, equivalent to $4.65 per BPA unit.

The main component of BPA's net assets as at 30 June 2012 was its interests in six investment properties (two adjoining properties, Ernst & Young Centre and 50 Goulburn Street, are reported by BPA as one combined property). These properties are either directly held in subsidiaries of BPA or through investments in property owning associates.

We note that BPA's investment properties are initially recorded at cost at the date of the acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. An investment property is subsequently carried at fair value.

The investment properties of BPA are valued at each reporting date. BPA's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation.

An external valuation for each property is obtained at least every 3 years. All external valuations are adopted as the fair value of the investment property at the relevant reporting date. When internal valuations indicate a change from the carrying value of between 2% and 5%, the internal valuation will be adopted.

In accordance with this policy, two of BPA's properties were externally valued at 30 June 2012 with the balance of the properties being internally valued by Directors. A summary of the property valuations and book values as at 30 June 2012 are set out below.

Figure 7.1.1: BPA Properties at 30 June 2012

Property	External	Valuation ($) (1)	Book Value ($)
American Express House	No	130,000,000	130,000,000
Bankwest Tower	No	147,500,000	147,500,000
SX West Tower	Yes	137,000,000	137,000,000
SX East Tower (2)	No	155,750,000	155,750,000
E&Y Centre (2) (3)	Yes	255,000,000	255,000,000

Source: BCML and BPA FY12 Financial Report
Note 1: BPA share
Note 2: Held through associates
Note 3: Includes 50 Goulburn Street

BDOCF has reviewed the valuations undertaken by both the independent valuers and Directors to verify whether there are any issues or anomalies that would materially impact the values of these investment properties disclosed in the balance sheet. Our review included a general assessment of the methodologies and key underlying assumptions adopted in each of the valuations. In our review, we considered the following (where applicable):

- date of valuation, property valuation amount and book value;
- local market / geographical conditions;
- lease expiry and vacancy; and
- yields, discount rates and capitalisation rates.

In relation to our review, we note the following:

- All valuations adopted by BPA were undertaken at "fair value" as required by AASB 140 Investment Property. The valuation methodologies applied in the valuations appear to be appropriate and consistent with market practice.
- The external property valuers who prepared the Independent valuations are from reputable, international and well established organisations and are independent from BCML and do not have any interest in the properties based on the pecuniary interest disclosures in the valuation reports.
- The external valuations have been undertaken using a discounted cash flow (DCF) approach and a capitalisation method. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, and terminal yield, current passing/market rental and forecast net annual cash flows receivable from the properties. The valuations have been valued in accordance with the Australian Property Institute's Code of Professional Practice 2002.
- For properties not independently valued at 30 June 2012, BCML considered relevant current discount rates, leasing assumptions and other valuation metrics. However, given there was minimal change to the leasing profile and physical conditions of the properties, and no significant valuation movements in the markets in which the properties were located since the most recently available external valuations, the adjustments made by BCML to the most recent independent valuations to arrive at their 30 June 2012 valuations were minor and/or immaterial.
- As discussed above, we have reviewed key valuation metrics associated with these valuations and do not consider them to be unreasonable. Based on our review, we did not identify any issues or anomalies that may suggest that the external and internal valuations were not reasonable assessments of the fair market values of BPA's investment properties.

In addition, we make the following further comments in relation to BPA's net assets at 30 June 2012:

- In March 2012, BCML confirmed the settlement of the Defence Plaza property which was sold to Real I.S. AG, a German institutional investor. The net sale price for Defence Plaza of $78 million represented the net carrying value of the property at 31 December 2011. As the net sale price equated to the carrying value of the asset, the sale of Defence Plaza has therefore had minimal impact on BPA's net assets.
- In addition to this, as part of the sale, BPA was required to meet certain obligations in relation to the investment property, including undertaking capital works. The remaining cost works (at 30 June 2012) is estimated at $5.5m. Cash is held in escrow by BPA to cover the cost of these works of $5.5m. Accordingly, as an asset is held to offset the liability to undertake the capital works, there is no impact on net assets resulting from this obligation.

- BPA has entered into interest rate swaps to hedge the interest rate risk on the floating rate (at a rate of 5.88% through to 2016) on its interest bearing liabilities. Fair value movements of the interest rate swap assets are recognised in BPA's Statement of Comprehensive Income and the fair value of the associated liability has been calculated at 30 June 2012.

Based on the above, except as discussed below, we do not consider any adjustments are required to be made to the carrying value of BPA's assets and liabilities at 30 June 2012.

7.1.2. Adjustments subsequent to 30 June 2012

On 3 July 2012, pursuant to the BPA unit buy-back, BCML acquired a further 37,036 units in BPA at a price of $4.05 (total consideration of $150,000). These units were subsequently cancelled. This reduced the balance of BPA's cash on hand at 30 June 2012 by $150,000. BPA units on issue also therefore reduced from 49,252,677 at 30 June 2012 to 49,215,641 at 17 August 2012.

BCML have advised that there have been no other material movements in any of the balance sheet balances between 30 June 2012 and the date of this Report.

7.1.3. Discount to NTA

In order to assess the market value of BPA units (on a minority interest basis), we have considered the pricing of minority interest unit holdings in REITs listed on the ASX.

Since late 2007, the ASX market prices (minority interests) of entities within the A-REIT sector have generally been lower than the calculated NTA - that is, the A-REIT sector has been trading at a discount to its NTA. In addition to reflecting a discount for a minority interest position, this discount to NTA has also reflected concerns associated with the fundamentals of the sector, and entity specific factors such as financial distress, asset quality and location.

While the extent of these discounts is often entity specific, some general reasons for this discount (in addition to a minority interest discount) include:

- Negative market sentiment and uncertainty in relation to the global economic environment and its impact on property valuations – while capitalisation rates increased and property valuations fell post GFC, concerns remain that some valuations remain overstated and assumptions around rental incomes adopted in property valuations are not sustainable. Accordingly, the ASX pricing may reflect a discount applied to the property valuations incorporated in the NTA calculation. This is particularly the case for smaller entities that may own lower quality grade or less attractive property assets;
- Gearing levels and recapitalisation risk – during the GFC, falling property valuations and increasing gearing ratios triggered the breaching of debt covenants and raised concerns regarding the ability of funds to re-finance existing facilities. This resulted in many A-REITs undertaking large dilutive capital raisings to raise equity, or alternatively, being forced to sell assets in a relatively poor market. While many of the larger A-REITs have repaired their balance sheets, gearing levels within the sector are mixed. The largest A-REITs have gearing levels within the order of 20% to 30%, which is considered to be a sustainable level, however, smaller A-REITs continue to have gearing ratios in excess of 40%. The possibility of further dilutive capital raisings or asset sales being undertaken, particularly for smaller and higher geared A-REITs, impacts the prices investors are prepared to pay for A-REITs. A-REITS which currently have high gearing therefore tend to be subject to greater NTA discounts; and

- A-REIT distribution payout ratios – historically, the steady cash flow and consistent dividend payouts associated with property securities made them an attractive option to many investors. However, many entities, either voluntarily, or at the request of their financiers, suspended distributions to focus on improving gearing ratios or generally adopted more prudent distribution policies. For many A-REITs, (in particular smaller A-REITs) distributions have yet to be re-instated to the levels pre GFC. There is therefore a lack of a yield differential between A-REITs and other lower risk investments. A-REITs with a low dividend yield therefore represent a less attractive investment from an income yield perspective and are discounted accordingly.

Smaller A-REITs and those with higher gearing levels, offshore assets and/or lower quality assets were observed trading at a greater discount to their NTA than other A-REITs.

As a result of large scale recapitalisations of A-REITs post GFC, which has reduced leverage and gearing risk, and the stabilisation of underlying property fundamentals, the extent of the discount to NTA has reduced, with some entities now trading at a premium to NTA. Accordingly, for those entities that are not subject to a level of financial distress, and own quality assets, the discount to NTA being applied by the market is generally reflective of a minority interest discount (approximately 5% to 15%).

In order to assess a discount appropriate for a minority interest position in BPA, we have considered those A-REITs that have profiles and characteristics closest to BPA. These funds, as set out below, have been selected based on the following criteria. Detailed descriptions on each of these funds are set out in ***Appendix 4***.

- Majority of assets consist of high quality Australian based commercial property (primarily A or B grade CBD properties);
- A current market capitalisation of greater than $200 million; and
- Last reported gearing of between 20% and 60%.

Figure 7.1.2 : Financial Metrics of Selected A-REITs

	Market Cap[1] $m	EV[1] $m	Share /unit Price[1] $	Gearing[2] %	NTA per share/unit[2] $	Premium/ (discount) per share $	Premium/ (discount) to NTA %[3]	Distribution Yield (%)
BPA	**162**	**791**	**3.30**	**64%**	**4.82**	**(1.52)**	**(32%)**	**2.4%**
CDI	497	748	2.32	30%	2.72	(0.40)	(15%)	7.4%
CPA	2,535	3,082	1.08	19%	1.13	(0.05)	(4%)	5.6%
CMW	866	2,494	0.74	51%	0.71	0.03	4%	9.5%
DXS	4,624	7,052	0.97	29%	1.00	(0.03)	(3%)	5.4%
GOZ	804	1,419	2.12	42%	1.99	0.13	7%	8.3%
GPT	6,078	8,308	3.44	23%	3.65	(0.21)	(6%)	5.3%
IOF	1,756	2,111	2.86	25%	3.16	(0.30)	(9%)	5.5%
Low [4]	497	748	0.74	19%	0.71	(0.40)	(15%)	5.3%
High[4]	6,078	8,308	3.44	51%	3.65	0.13	7%	9.5%
Mean[4]	2,451	3,602	1.93	31%	2.05	(0.12)	(4%)	6.7%

Source: Bloomberg
Note 1: As at 17 August 2012
Note 2: As at 31 December 2011, except CDI,DXS & GPT (30 June 2012)
Note 3: Calculated as (Price – NTA)/ Price
Note 4: Excluding BPA

In relation to assessing the appropriate discount to apply to BPA's NTA (in order to arrive at a minority interest market value for BPA units), we have considered the following:

- The discount/premium to NTA for those A-REITs that display broadly similar characteristics to BPA range from a discount of 15% to a premium of 7%. Those entities which are trading at premiums to NTA also have the highest dividend yields. This suggests that the market is pricing those entities based on their yield characteristics rather than their asset backing. The mean discount (excluding the two entities trading at a premium to their NTA) is 8%;
- BPA is among the smaller and more highly geared of the reviewed A-REITs as well as having the lowest dividend yield - these are all characteristics that we consider, all other things being equal, to be generally associated with a larger discount to NTA;
- BPA's property portfolio consists of A-grade, strongly tenanted, Australian CBD commercial properties, which represents an above average quality portfolio, relative to the other A-REITs. We consider, all other things being equal, a higher quality asset portfolio located in Australia to be generally associated with a smaller discount to NTA;
- In relation to size of enterprise value, CDI is the most comparable to BPA. CDI's discount to NTA is at the high end of the range of discounts (15%). CDI also has a higher dividend yield and lower gearing than BPA, which all things being equal, would suggest that the discount to NTA for BPA would be lower than CDI. However this is offset to a certain extent as BPA generally has a higher quality property portfolio than CDI. CDI's portfolio is more diversified (being 63% office, 20% industrial and 17% retail, together with a small exposure to European assets) with a portfolio occupancy of 94% versus 98% for BPA. Notwithstanding the potential difference in portfolio quality, we consider that BPA would have a higher discount to NTA than CDI's discount (15%). Accordingly, we have adopted 15% as the low end of the discount to NTA range to be applied to BPA; and
- BPA's current observed discount to its NTA is 32%, based on its price on 17 August 2012 (adopting the price at which BPA last traded at on 15 August 2012) of $3.30 and it's NTA at 31 December 2011 of $4.82. The BPA unit price at 17 August 2012 does not incorporate the market reaction and trading activity following the release of BPA's FY12 financial results. As noted above, BPA's NTA per unit as at 30 June 2012 has fallen $0.17 as its interest rate swaps have fallen further out of the money and their associated liability has increased. Given the forward looking nature of the market, it can be argued that the market is aware of the terms of BPA's interest rate swaps; therefore, given a fall in official cash rates between 1 January 2012 and 30 June 2012, an increase in the swap liability may have already been factored in to BPA's current pricing. As discussed below, we note that BCML last acquired BPA units pursuant to the buyback on 3 July 2012. Trading subsequent to this date (resulting in a VWAP of $3.49) has not been tainted by any purchasing by BCML. Adopting BPA's NTA at 30 June 2012 of $4.65 and the VWAP post 3 July 2012 ($3.49) provides a discount of 25%. On the basis that the market is expecting a fall in BPA's NTA, the discount to NTA of 25% reflects the market's current pricing of BPA relative to its net assets.

Given the above analysis, we consider a discount of between 15% and 25% should be applied to BPA's NTA in order to arrive at a minority interest value for BPA units.

7.2. Recent ASX Trading in BPA units

As a secondary valuation method, we have also considered the ASX quoted market price for BPA units. The ASX quoted market price reflects a minority interest price for BPA units.

A detailed presentation of the daily movement in BPA's unit price and daily volumes traded between 17 August 2011 and 17 August 2012 is outlined in Section 4.7.

In assessing BPA's unit price performance on the ASX we have had particular regard to the following:

- The 'spread' of unitholders and the total number of units that unitholders hold in BPA;
- The level of trading activity of the BPA units (i.e. the volume of trades in the market as a percentage of the total units and the frequency of the trades);
- The number and frequency of 'unusual' and/or 'abnormal' trading that has taken place in BPA units; and
- The level of market knowledge that the 'willing' buyers and sellers have in respect of BPA and the market in which it operates.

We have reviewed the following factors relating to the trading activity of BPA units on the ASX:

- The daily high, low and closing unit price of trades;
- The daily volume of the trades;
- The VWAP; and
- Average bid/ask spread.

The table below summarises the trading activity in BPA units over the 12 months up to 17 August 2012 (there was no trading of BPA units on 17 August 2012 – the last trade of BPA units took place on 15 August 2012).

Figure 7.2.1: Market Prices, VWAP and Liquidity of BPA units trading on ASX

	High $	Low $	VWAP $	Traded volume 000's units	Turnover (annualised) %	Average bid/ask spread %
As at 17 August 12	-	-	-	-	-	-
15 August 12	3.30	3.30	3.30	7,582	4%	9%
1 month to 17 August 2012	3.60	3.30	3.48	97,358	2%	11%
6 weeks to 17 August 2012[1]	4.05	3.30	3.49	102,837	3%	14%
3 months to 17 August 2012	4.25	3.30	4.01	390,480	3%	13%
6 months to 17 August 2012	4.25	3.30	4.09	927,093	4%	11%
12 months to 17 August 2012	4.25	2.75	3.88	1,681,010	3%	9%

Source: Bloomberg, BDOCF analysis

Note 1: Represents period following last purchase of BPA units by BCML pursuant to the buy-back (4 July 2012 to 17 August 2012)

We note the following with respect to BPA units during the 12 months up to 17 August 2012:

- BPA units last traded on 15 August 2012;
- BPA units traded between $2.75 and $4.25;
- There is a relatively low volume in trading activity of the BPA units. The traded volume of units over the whole year analysed was only approximately 3% of the total weighted average of units on issue over the period; and
- The top 10 unitholders hold a large portion (86%) of the total number of units on issue, meaning there is a small free float available and the bid-ask spread of the units is therefore relatively wide, ranging from between 9% and 14%.

We also note that in September 2011 BCML announced the introduction of an on market buy-back of BPA units. The buy-back was for up to 10% of the issued capital of BPA (5,043,580 units) and commenced on 19 September 2011 and is to finish no later than 12 months from the date of commencement. As at 17 August 2012, a total of 1,220,165 BPA units have been purchased on market pursuant to the buy-back (with total consideration paid of $4.9 million).

The lowest price paid under the buy-back was $3.35 on 7 October 2011 and the highest price paid was $4.25 during May and June 2012. The average buy-back price to 17 August 2012 was $3.98.

BCML, under the buy-back offer, represents the buyer in approximately 73% of BPA unit trades in the 12 months to 17 August 2012.

BCML last acquired BPA units pursuant to the buyback on 3 July 2012 at a price of $4.15. Subsequent to 3 July 2012, the BPA unit price has fallen to $3.30, with a VWAP for those trades since 3 July 2012 of $3.49. However, we note that only 102,837 BPA units have traded subsequent to 3 July 2012.

Our analysis, as set out above, indicates that there is not a particularly deep market for BPA units and, without the buy-back offer, volume would have been lower. It is also likely that the unit buy-back has resulted in higher VWAPs than if there had been no unit buy-back.

We further note that the historical ASX pricing does not incorporate the market reaction and trading activity resulting from the release of BPA's FY12 financial results and NTA as at 30 June 2012. As discussed in Section 4, BPA's financial results indicated that BPA's NTA had fallen from $4.82 to $4.65 in the 6 months to 30 June 2012 as its interest rate swaps have fallen further out of the money and their associated liability has increased. However, it can be argued that the market is aware of the terms of BPA's interest rate swaps; therefore, given a fall in official cash rates between 1 January 2012 and 30 June 2012, an increase in the swap liability may have already been factored in to BPA's current pricing by the market.

On balance, given the:

- Relatively low volume in trading activity of the BPA units;
- Potential distortion in BPA's trading as a result of the unit buy-back; and
- Historical pricing does not reflect the market reaction to BPA's FY12 financial results,

we consider that the general historical trading activity does not provide an appropriate measure of the current fair market value of the BPA units.

However, as trading on the ASX is the only avenue for a minority interest in BPA to be disposed of, and trading in BPA units is not considered to be illiquid, then we consider the quoted market price to be relevant as a secondary valuation method when assessing the value of a BPA unit.

We consider a range between BPA's last traded price at 17 August 2012 ($3.30) and BPA's VWAP for the 6 weeks to 17 August 2012 ($3.49 - which incorporates the period subsequent to 3 July 2012 where there has been no purchases by BCML pursuant to the buy-back offer (and therefore no potential distortion)) to be appropriate when assessing the ASX valuation of a BPA unit.

Figure 7.2.2: ASX Valuation - BPA units

	Ref	Low ($)	High ($)
BPA unit - ASX Pricing	Figure 7.2.1	3.30	3.49

Source: BDOCF analysis

7.3. Valuation Summary

Based on the above analysis, the value range per BPA unit, on a minority interest basis, is as follows.

Figure 7.3: Valuation Conclusion- BPA units

	Ref	Low ($)	High ($)
BPA unit - NTA Valuation	7.1	3.49	3.95
BPA unit - ASX Pricing	7.2	3.30	3.49
Adopted Valuation Range		**3.49**	**3.95**

Source: BDOCF analysis

We have assessed the value per BPA unit to be in the range of $3.49 to $3.95. Given the limitations in relation to the historical ASX pricing of BPA units (as described in Section 7.2, but particularly the low volume of trading activity), we have placed a high weighting on BPA's NTA valuation and a low weighting on BPA's ASX pricing valuation.

8. FAIRNESS ASSESSMENT

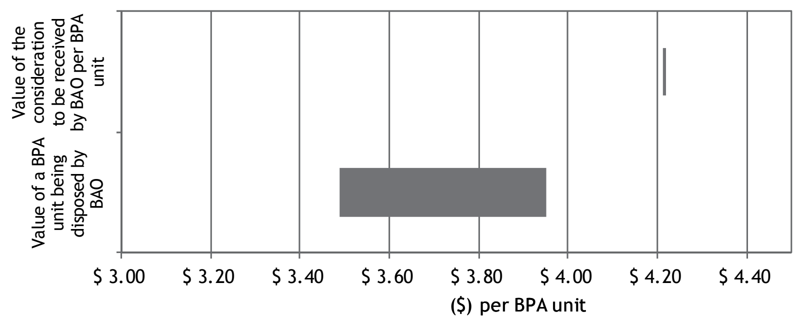
In order to determine whether the sale of BAO's units in BPA is "fair", we compared the fair market value range of a BPA unit with the consideration per BPA unit of $4.21 to be received by BPA (being the VWAP for BPA units for the 3 months ending 30 June 2012). The comparison and the results of our fairness analysis are summarised in Figures 8.1 and 8.2 below.

Figure 8.1: Comparison between value of a BPA unit being disposed by BAO to the value of the consideration to be received by BAO (per BPA unit)

	Section	Low ($)	High ($)
Value of a BPA unit being disposed by BAO	7.3	3.49	3.95
Value of the consideration to be received by BAO per BPA unit	1.2	4.21	4.21

Source: BDOCF Analysis

Figure 8.2: Comparison between value of the a BPA unit being disposed by BAO to the value of the consideration to be received by BAO (per BPA unit)



Source: BDOCF

As demonstrated in Figures 8.1 and 8.2, the assessed value of the consideration offered by Brookfield to BAO for each BPA unit ($4.21) exceeds the assessed range of the value per BPA unit ($3.49 to $3.95).

Based on this, the disposal of BAO's unitholding in BPA is considered fair to Unitholders.

As the BPA Unit Sale is fair, we consider the BPA Unit Sale to be on arm's length, or better, terms.

9. REASONABLENESS ASSESSMENT

RG 111 provides that a proposal is considered to be "reasonable", if it is "fair". On this basis, as we have concluded that the BPA Unit Sale is "fair", it is also considered to be "reasonable" under RG 111.

Nevertheless, we have also considered various factors that we believe Unitholders should consider when deciding whether or not to approve the BPA Unit Sale. Set out below is a summary of our assessment of the various factors.

9.1. Advantages of Approving the BPA Unit Sale

9.1.1. Asset Liquidity

Currently, limited opportunities exist to enable BAO to dispose of the 2,521,890 BPA units BAO owns. As noted in Section 7.2, only 390,480 BPA units traded in the 3 months to 17 August 2012 of which 72% was purchased by BCML pursuant to the on-market BPA unit buy-back. There are likely to be a limited number of potential purchasers for the size of a BPA holding such as that owned by BAO, if it was to be sold in one line.

While BAO could participate in the unit buy-back, there is no guarantee as to the price that could be achieved by selling in to the buy-back and there is no obligation for BCML to continue the buy-back. The BPA Unit Sale price of $4.21 exceeds the average price paid by BCML pursuant to the buy-back ($3.98 per BPA unit).

The BPA Unit Sale therefore provides BAO with an opportunity to realise immediate value from the BPA units. It is therefore an exit mechanism that provides certainty as to both price and timing of realisation.

9.1.2. Sale price at premium to book value and last traded price

The BPA Unit Sale contemplates the sale of the BPA units at $4.21. This represents a $0.91 premium (22%) to BPA's last traded price of $3.30 (15 August 2012) as at the date of this Report.

The sale price also represents a $0.06 premium to BAO's carrying value of the BPA units at 30 June 2012 ($4.15). Assuming the BPA Unit Sale took place on 30 June 2012, the sale would result in a pro-forma increase in the NTA of BAO of approximately $0.15 million.

9.1.3. Ability to realise a capital gain potentially offset by tax losses

As discussed in Section 1.2, BAO acquired the majority of its interest in BPA in November 2009, when it acquired 4.965 million BPACB units at a price of $1 per BPACB unit. BAO paid a further amount equivalent to $2.237 per BPA unit in July 2011, being payment of the final instalment of the partly paid units. As set out in the Explanatory Memorandum, BAO's cost base for its investment in BPA, taking into account the initial purchase price of the partly paid unit together with payment of the final instalment, is approximately $3.23 per BPA unit.

The BPA Unit Sale (at $4.21) therefore enables BAO to realise the balance of its investment in BPA at a profit ($2.5 million) to its original investment.

We understand that BAO may have sufficient losses available on its capital account to shelter this gain such that no taxable income would arise from the sale. In the event that the BPA Unit Sale is not approved and the BPA units are not sold but instead transferred to BAO Trust (in accordance with Resolution 1), then these tax losses may not be available to be utilised if and when BAO Trust disposes of the BPA units.

9.1.4. Improved earnings profile

BPA is currently paying distributions of $0.02 per quarter. This represents an annualised yield on the last traded price of $3.30 of approximately 2%, which is significantly less than BAO's current cost of debt.

Accordingly, it is earnings accretive for BAO to sell its BPA units, forgoing the dividend income, and using the proceeds to pay down debt, reducing its interest expense.

9.1.5. Reduced gearing

BAO currently has gearing (net debt) of $10.9 million.

It is the intention of BAO to use the proceeds from the BPA Unit Sale (estimated at $10.6 million) to pay down debt.

This will result in BAO having minimal net debt and a reduced interest expense.

9.2. Disadvantages of Approving the BPA Unit Sale

9.2.1. BAO will forgo the opportunity to benefit from any increase in the value of BPA units

We note that BCML has undertaken a number of initiatives over the past 12 months to improve the financial position of BPA and increase the value of BPA units. In September 2011, BCML announced the introduction of a unit buyback for BPA. Since that announcement, BPA's trading price has increased from $3.07 to a high of $4.25 per unit. The last traded price of BPA units (15 August 2012) was $3.30.

Settlement of the Defence Plaza in March 2012 enabled BAO's senior debt facility and bridging facility to be reduced.

BCML have advised that they will continue to focus on strategies to enhance value for BPA unitholders and attempt to narrow the discount which exists between BPA's trading price and underlying net asset value.

Whilst there is no certainty that the value of BPA units will appreciate, if the value of BPA units does appreciate over $4.21 per unit, BAO will not retain the opportunity to participate in this increase in value.

9.2.2. Reduction in Diversification of BAO's Assets

BAO has held diversified property investments in both listed and unlisted property funds.

Diversification is important in providing BAO with exposure to a variety of property fund managers, property funds and underlying property assets.

If the sale proceeds, the value of BAO's investments in ASX listed property funds (based on 30 June 2012 values) will reduce by $10.5 million from $28.6 million to $18.1 million.

9.3. Other Considerations

9.3.1. Unitholders individual circumstances

BDOCF has not considered the effect of the BPA Unit Sale on the particular circumstances of individual Unitholders. Some individual Unitholders may place a different emphasis on various aspects of the BPA Unit Sale from that adopted in this IER. Accordingly, individuals may reach different conclusions as to whether or not the BPA Unit Sale is in their individual best interest. Unitholders are advised to seek their own independent advice.

9.3.2. Alternatives

In Sections 9.1 to 9.2 we have considered the advantages and disadvantages of approving the BPA Unit Sale.

If the BPA Unit Sale is not completed, BAO will continue to hold its investment in BPA. BAO has other liquid investments available to it should it need to raise cash. We note that BAO's bank facility does not mature until November 2014; accordingly, BAO has no immediate need to raise cash.

In the event that Resolution 1 is passed and Resolution 2 is not approved by Unitholders, BAO's BPA units will be transferred by BAO together with other assets to BAO Trust, and will be realised together with the other assets at an appropriate time.

9.4. Conclusion on "Reasonable"

Based on the above, we are of the opinion that the BPA Unit Sale is reasonable to the Unitholders.

10. OVERALL OPINION

On the basis of the above, in our opinion, the BPA Unit Sale is "fair" and "reasonable" to Unitholders.

As the BPA Unit Sale is fair, we consider the BPA Unit Sale to be on arm's length, or better, terms.

11. QUALIFICATIONS, DECLARATIONS AND CONSENTS

11.1. Qualifications

BDOCF is the licensed corporate advisory arm of BDO East Coast Practice, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Sebastian Stevens, B.Bus, CPA, is a Director of BDOCF. Mr Stevens is also a partner of BDO East Coast Practice.

Mr Stevens is the Director responsible for the preparation of this IER. Mr Stevens has over 25 years experience in a number of specialist corporate advisory activities including company valuations, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, advising on independent expert reports, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, B.Bus, CA, is a Director of BDOCF. Mr McCourt is also a Partner of BDO East Coast Practice. Mr McCourt has been responsible for the review of this IER.

Mr McCourt has over 15 years experience in the chartered accountancy profession and has undertaken numerous corporate finance assignments involving acquisitions, divestments and valuations.

11.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC. Neither BDOCF, nor its owner practice, BDO East Coast Partnership, has acted in any capacity for BCML with regard to any matter in the past two years except in relation to an assignment undertaken for BCML to value an arrangement between BAO and MPIF. This valuation was unrelated to any part of the IER.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for BCML in relation to the BPA Unit Sale. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with BCML, BAO, BPA or Brookfield that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the BPA Unit Sale.

BDOCF will receive a fee of up to $45,000, plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the BPA Unit Sale, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the BPA Unit Sale.

Two drafts of this IER were provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IERs. However, no changes were made to the methodology, conclusions, or recommendations made to the Unitholders as a result of issuing the draft IERs.

11.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Unitholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Unitholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and Unitholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of all the entities.

8. Independent Expert's Report continued

APPENDIX 1: GLOSSARY

Term	Definition
AFSL	Australian Financial Services Licence
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BAO	Brookfield Australian Opportunities Fund (previously known as MPF)
BAO units	Units in BAO
BCML	Brookfield Capital Management Limited
BPA	Brookfield Prime Property Fund (previously known as MAF)
BPA units	Units in BPA
BPACB units	Partly paid BPA units
Brookfield	Brookfield Asset Management Inc, or a subsidiary thereof
CAGR	Compound annual growth rate
Capex	Capital expenditure
CBD	Central business district
DCF	Discounted cash flows
Directors	Directors of BCML
EM	Explanatory Memorandum to be sent to Unitholders of BAO
EV	Enterprise Value
FME	Future maintainable earnings
FYxx	Financial year ended 30 June 20xx
GFC	Global Financial Crisis
JLL	Jones Lang LaSalle
KF	Knight Frank
Management	Management of BCML
Meeting	General meeting of Unitholders convened by the NoM
MPF	Multiplex Acumen Property Fund (now known as BAO)
MPIF	Multiplex Property Income Fund
NoM	Notice of Meeting
NRV	Net realisable value
NTA	Net tangible asset
pa	Per annum
PDP	Priority Distribution Payment
PDS	Product Disclosure Statement
BDO	BDO East Coast Partnership
BDOCF	BDO Corporate Finance (East Coast) Pty Limited
RE	Responsible entity
Report	This Independent Expert's Report prepared by BDOCF
RG	ASIC Regulatory Guideline
BPA Unit Sale	Proposed sale by BAO of 2,521,890 units in BPA to Brookfield at a price of $4.21
sqm	Square metres
The Act	The Corporations Act 2001
Unitholders	Unitholders of BAO
VWAP	Volume weighted average unit price
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry

Source: BDOCF

APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, BDOCF had access to and relied upon the following principal sources of information:

- final draft Notice of General Meeting and Explanatory Memorandum;
- annual reports, half yearly reports, and ASX market releases for BPA and BAO;
- BAO unitholders register as at 8 August 2012;
- BPA unitholders register as at 8 August 2012;
- various discussions with the Directors and Management of BCML;
- external property valuation reports;
- ASIC guidance notes and regulatory guides as applicable;
- Jones Lang LaSalle's Office Investment Market Review and Outlook - February 2012:
- Knight Frank's Australian CBD Markets Commercial Property Insight - February 2012; and
- information sourced from Bloomberg.

APPENDIX 3: VALUATION METHODS

In conducting our assessment of the fair market value of BPA units the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow ("**DCF**") method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value ("**NPV**").

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;

- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of shareholders.

Special Value

Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

8. Independent Expert's Report continued

APPENDIX 4: COMPARABLE A-REIT DESCRIPTIONS

ASX Ticker	Company	Main Activities
CDI	Challenger Diversified Property Group	Challenger Diversified Property Group was established to offer investors exposure to a diversified portfolio of office, retail and industrial properties with stable income returns and potential for capital growth.
CPA	Commonwealth Property Office Fund	Commonwealth Property Office Fund is a property trust that invests in, manages and develops a portfolio of office buildings and office parks located throughout in the central business districts and suburban markets of Australia.
CMW	Cromwell Group	Cromwell Property Group is a property owner and funds manager. The Company, through its subsidiary, provides funds management, property transactions, property and facilities management, finance, compliance, debenture issues, and debt management.
DXS	Dexus Property Group	Dexus Property Group is a property trust that manages and invests in a portfolio of diversified properties including office and industrial properties, retail shopping centres and car parks. The trust's properties are located in Australia, New Zealand and the United States.
GOW	Growthpoint Properties Australia	Growthpoint Properties Australia is a property trust. The trust invests in retail, office, and industrial properties.
GPT	GPT Group	GPT Group manages and invests in retail, office, industrial and hotel/tourism properties throughout Australia. The commercial property portfolio includes Riverside Centre (Brisbane) and MLC Centre (Sydney) while the retail properties include Charlestown Square (near Newcastle) and Penrith Plaza (Sydney).
IOF	Investa Office Fund	Investa Office Fund (formerly ING Office Fund) is involved in property investment, leasing, management and development in Australia. The fund's portfolio includes commercial properties and office buildings throughout the capital cities of Australia and certain cities in the United States.

Source: Bloomberg and relevant company websites

9. Glossary

In this Explanatory Memorandum, and in the Notice, the following expressions have the meanings set out below unless stated otherwise or the context otherwise requires:

$	Australian dollars.
ABN	Australian Business Number.
AEST	Australian Eastern Standard Time.
AFSL	Australian Financial Services Licence.
A-REIT	units issued by Australian real estate investments trusts which are listed on ASX.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the market operated by it as the context requires.
ASX Listing Rules	the listing rules of ASX as amended or replaced from time to time, except as waived or modified by ASX.
BCML	Brookfield Capital Management Limited (ABN 32 094 936 866).
Board or Board of Directors	the board of directors of the Responsible Entity; being the Independent Directors, Russell Proutt and Shane Ross.
BPA	Brookfield Prime Property Fund (ARSN 110 096 663).
BPA Units	2,521,890 units in Brookfield Prime Property Fund owned by the Fund and BAO Trust.
Brookfield	Brookfield Asset Management Inc and its subsidiaries.
Business Day	a day that is not a Saturday, Sunday or public holiday in Sydney, Australia.
Chair of the Meeting	Mr Allan McDonald, or, failing him, Ms Barbara Ward, who will act as the chair of the Meeting or any replacement appointed by the Manager to chair the Meeting.
Conditions	each of the conditions set out in Section 4.4.
Constitution	the constitution of the Fund.
Corporations Act	the *Corporations Act 2001* (Cth).
Custodian	JP Morgan.
Debt Facility	the term facility provided by the Financier.
Distribution Stopper	the restriction on the Fund being able to make distributions, except where they are to be reinvested, while the Priority Distribution Payment on the MPIF Income Units for the past 12 months remains unpaid, as further described in Section 1.
Explanatory Memorandum	this document, which forms part of the Notice of Meeting issued by the Responsible Entity and dated 22 August 2012.
Financier	National Australia Bank Limited (ACN 004 044 937) in relation to the Debt Facility.
Fund	Brookfield Australian Opportunities Fund (ARSN 104 341 988).
Fund Register	the register of Unitholders maintained by Boardroom Pty Limited.
Fund Standalone	the Fund and its subsidiaries except for the consolidated MPIF subsidiary which has not been consolidated but has been carried at the lower of cost or net realisable value.
GST	Goods and Services Tax.
Income Units	income units issued by MPIF.
Independent Directors	Mr Allan McDonald, Ms Barbara Ward and Mr Brian Motteram.
Independent Expert	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170).

9. Glossary continued

Independent Expert Report	the report prepared by the Independent Expert set out in Section 8 to this Explanatory Memorandum.
JP Morgan	JP Morgan Chase Bank, N.A., (Sydney Branch) ABN 43 074 112 011 and its nominees.
Manager	BCML in its capacity as responsible entity of the Fund, and for the purposes of Resolution 2 includes BCML in its capacity as responsible entity of BAO Trust.
Meeting	the meeting of Unitholders to be held on 24 September 2012.
MPIF	Multiplex Property Income Fund (ARSN 117 674 049).
MPIF Income Unitholder	the registered holder of an Income Unit.
Notice or Notice of Meeting	the Notice of Meeting dated 22 August 2012 included as Section 2 and includes the Explanatory Memorandum.
NTA	net tangible assets.
Ordinary Units	the ordinary units issued by MPIF.
Proposal	the proposal described in Sections 1 and 4 of the Explanatory Memorandum including the wind up of BAO and the distribution of its assets in accordance with the Constitution.
Proxy Form	the proxy form included with this Notice of Meeting.
Priority Distribution Payment	the distribution payment to be made to MPIF Income Unitholders, as described in Section 1.
Resolutions	the resolutions proposed to be put to Unitholders as set out in Section 2.
Responsible Entity	Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809).
Unitholder	the registered holder of a Unit.
Unit	an ordinary unit in the Fund or BAO Trust as the context requires.
VWAP	volume weighted average price.

Appendix – Timetable for implementation of the Resolutions

BUSINESS DAY	ACTION
24 September 2012	A meeting of BAO Unitholders to approve the winding up proposal is held.
25 September to 19 October 2012	The Fund continues to trade on ASX to enable unitholders to sell their units on market if they do not wish to participate in the Proposal. The Fund commences selling its listed and unlisted securities (including transfer to BAO Trust where applicable). The Fund may pay down a portion of its Debt Facility and novate the remainder to BAO Trust.
22 to 26 October 2012	Trading of units in the Fund suspended for 5 Business Days to allow for settlement of trades. The Fund pays the PDP shortfall to MPIF Income Unitholders.
26 October 2012	Record date for payment of in specie distribution. Unitholders on the register at this time will receive the distribution in specie of units in BAO Trust later that day or on the following Business Day.
29 October 2012	Removal of the Fund from the official list of ASX. Announcement of ASX's decision to remove the Fund from the official list.
30 October 2012 until completion of implementation	In the period immediately following de-listing: – the sale and transfer to BAO Trust of BAO's listed and unlisted securities is completed; – a portion of the Fund's Debt Facility is paid down and the remainder is novated to BAO Trust, if this has not already occurred; and – the winding up of the Fund is finalised.
Up to 10 Business Days after the last day of trading	BAO Trust pays a distribution of approximately $12.2 million (1.5 cents per unit) to Unitholders.

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Corporate Directory

Fund
Brookfield Australian Opportunities Fund
ASRN 104 341 988

Responsible Entity
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ABN 32 094 936 866
AFSL 223809

Registered Office
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Directors of the Responsible Entity
Allan McDonald (Chairman)
Barbara Ward
Brian Motteram
Russell Proutt
Shane Ross

Secretary of the Responsible Entity
Neil Olofsson

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