Brookfield

BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND

ARSN 104 341 988

Interim Report 2011

Responsible Entity
Brookfield Capital
Management Limited
ACN 094 936 866
AFSL 223809

Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed are the interim financial results for the six month period to 31 December 2010 for Brookfield Australian Opportunities Fund (the Fund).

FINANCIAL PERFORMANCE

The Fund reported a consolidated net loss of $3.2 million for the period, which is considerably less than the same period to 31 December 2009 of $14.8 million.

Key financial results as at 31 December 2010 include:

– consolidated net loss includes $2.2 million in net impairment losses on a number of the unlisted and listed property securities investments (2009: $13.6 million)
– consolidated reserves increased by $5.9 million and include $7.6 million of unrealised gains in respect of the Fund's investments and a $1.7 million reduction in foreign currency translation reserves
– net assets on a Fund standalone basis (excluding Multiplex Property Income Fund)of approximately $108.3 million with NTA per unit of $0.13

Completion of the $30.4 million Rights Issue in August 2010 has strengthened the Fund's balance sheet and positioned the Fund to access opportunities that arise in the property sector.

Whilst the results for the period indicate improvement in performance in certain sectors, the Fund's exposure to foreign markets through its underlying investments has adversely affected overall performance during the period.

Please visit www.au.brookfield.com for the Fund's half year financial report.
On behalf of the Board, thank you for your ongoing support.

F. Allan McDonald
Independent Chairman

Half Year Review

Brookfield Capital Management Limited (BCML), the Responsible Entity of Brookfield Australian Opportunities Fund (the Fund or BAO), provides a review of the half year ended 31 December 2010.

FINANCIAL RESULTS

The Fund recorded a consolidated net loss of $3.2 million for the six months to 31 December 2010 compared to a consolidated net loss of $14.8 million for the previous comparable six month period to 31 December 2009. The consolidated loss for the period includes an impairment loss of $2.2 million from revaluation of the Fund's unlisted and A-REIT portfolio.

For statutory reporting purposes, Multiplex Property Income Fund (MPIF) is consolidated into the Fund's accounts due to its 100% ownership of the ordinary units in MPIF.

On a standalone basis (i.e consolidated excluding MPIF), the Fund recorded a net loss of $3.98 million for the six months to 31 December 2010 compared to a net loss of $9.1 million for the comparable six month period to 31 December 2009.

For purposes of preparation of the financial statements unrealised gains are taken to reserves whilst unrealised losses are generally reflected in the calculation of the net profit or loss.

On a standalone basis reserves increased by $4.2 million largely as a result of the increase in valuation of the Fund's investments of $5.9 million offset by a reduction in the foreign currency translation reserve of $1.7 million.

At 31 December 2010, the net tangible asset (NTA) per unit of the Fund, on a standalone basis, was $0.13. This is unchanged from the NTA at 30 June 2010 (after taking into account the additional units issued under the Rights Issue completed in August 2010).

The standalone investment portfolio of the Fund has a carrying value of $154.7 million as at 31 December 2010 compared to a portfolio valuation of $154.9 million as at 30 June 2010. The standalone cash balance of the Fund as at 31 December 2010 was $5.5 million compared to $4.2 million as at 30 June 2010.

FUND SNAPSHOT (as at 31 December 2010)

Market capitalisation	$42.2 million
Consolidated property investment portfolio	$193.7 million
Closing price	$0.05
NTA per unit	$0.13
ASX daily trading volumes (12 month average)	circa 177,690 units/day
LVR (net debt/BAO standalone investment portfolio)	23.9%[1]
Management fee	0.5% (including GST) of gross asset value
Performance fee	20% of benchmark outperformance[2]

Notes:

1 Calculated using 31 December valuations. LVR covenant under the debt facility is currently 30%.

2 S&P/ASX200 A-REIT Accumulation Index.

Unlisted investments have a carrying valued of $122.2 million compared with $128.8 million at 30 June 2010. This decrease can be attributed to participation in a number of redemption facilities and a decrease in the carrying value of the portfolio as a whole.

A-REIT investments were valued at $32.5 million compared to $26.1 million at 30 June 2010. This increase has resulted from additional investment in the sector (net $ 3.0 million), reweighting within the portfolio, and an increase in the carrying value of the portfolio.

Distribution income for the six month period was $2.5 million ($2.8 million in the six months to 30 June 2010). Excluding one-off distributions made by underlying investments, the income remained steady across both periods.

As at 31 December 2010, the net tangible asset (NTA) per unit of the Fund, on a standalone basis, was $0.13. This is unchanged from the NTA at 30 June 2010.

NET TANGIBLE ASSET (NTA)

	31 DEC 2010 $'M	30 JUN 2010 $'M
Reported consolidated net assets	149.2	119.0
Income Fund net assets	(40.9)	(39.2)
BAO standalone net assets	108.3	79.8
Units on issue (millions)	811.4	202.9
NTA per unit (cents) as at 31 December 2010	$0.13	–
NTA per unit (cents) as at 30 June 2010	$0.13[1]	$0.39

Note:

1 This is the adjusted NTA at 30 June 2010, after taking into account the additional units issued under the Rights Issue completed in August 2010.

Half Year Review

RECAPITALISATION AND DEBT POSITION

On 31 August 2010, the Fund completed a $30.4 million Rights Issue and repayment of Tranche B of its debt facility. Residual debt of $37.1 million was refinanced with the existing financier of the Fund, National Australia Bank (NAB). At 31 December 2010, the Fund was in compliance with all its debt covenants.

EFFECT OF THE DISTRIBUTION STOPPER

The distribution stopper arising from the Fund's investment in Multiplex Property Income Fund (MPIF) remains in effect. The Fund did not declare a distribution for the period.

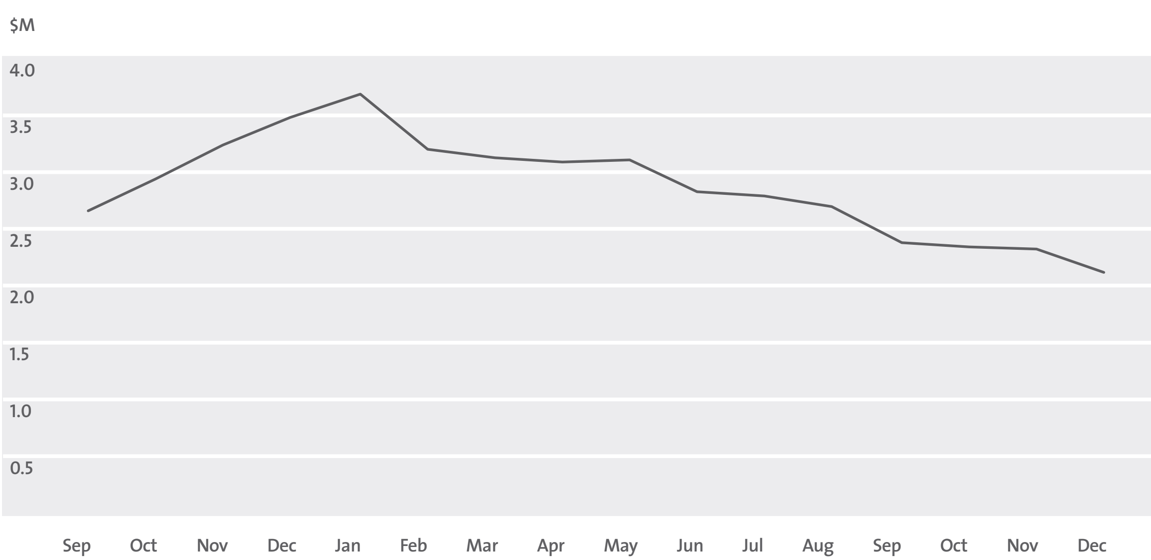
The Fund owns 100% of the ordinary units of Multiplex Property Income Fund (MPIF). Income unitholders in MPIF have a targeted monthly priority distribution payment (PDP).

In circumstances where MPIF distributes less than the PDP, the Fund is prevented from making distributions to its unitholders unless the shortfall has been met. The distribution stopper will remain in place until any shortfall in the PDP for the preceding 12 months has been paid to income unit holders of MPIF.

The PDP shortfall for the 12 months to 31 December 2010 was $2.1 million, which has declined from the shortfall at 30 June 2010 of $2.82 million. The shortfall amount began declining on a monthly basis from its peak in January 2010 due to an increase in income from MPIF's investment portfolio.

The following graph shows the movement in distribution shortfall to the level of the PDP for the period from September 2009 to December 2010.

MOVEMENT IN PDP SHORTFALL



BCML continues to review strategies to allow distributions to be restored to investors and will assess the costs and benefits of implementing any strategy prior to restoring distributions. The future distribution policy will be dictated by circumstances at the relevant time, such as the income returns from the underlying investments, debt servicing requirements and the Fund's constitution.

INVESTMENT PORTFOLIO UPDATE

The following updates are based on the latest information available as at the date of this report. The underlying investments each have their own reporting timetable which may not necessarily coincide with the Fund's reporting obligations.

Unlisted investments

The fall in the carrying value of the Fund's unlisted investments from $128.8 million at 30 June 2010 to $122.2 million at 31 December 2010 can be attributed to a disposal of part investments through participation in redemption facilities ($3.8 million) and a decrease in the portfolio value of $3.5 million. There were no acquisitions of unlisted investments during the six months to 31 December 2010.

Redemptions

The Fund participated in Multiplex New Zealand Property Fund's (MNZPF) 2010 Liquidity Facility Offer and received $1.9 million from the redemption of 2.97 million units. The Fund now holds 20.1% of the total units on issue. MNZPF has not paid a distribution since September 2008.

A number of potential investment opportunities are in the process of review. The realisation of a number of investments in the next six to 12 months, together with existing debt facilities available to the Fund, will provide additional capital to pursue these opportunities.

The Fund participated in a liquidity facility offer from Australian Unity Diversified Property Fund (AUDPF) and received $1.9 million for the redemption of 2.35 million units. This represents $0.799 cents per unit which is in line with the Fund's June 2010 NTA. The Fund's holding in AUDPF declined from 6.1% to 5.0% of all units on issue. Distributions from AUDPF have declined in recent periods from an annualised 6.1 cents per unit in December 2009 to 4.7 cents per unit in January 2011.

It is expected that the Fund will continue to take advantage of liquidity offers from its underlying investments where it is prudent to do so.

Changes in value of investments

The carrying value of the Fund's investment in MNZPF decreased by $5.5 million or 17.6% between June and December 2010. The decline was partly due to the redemption of units ($1.9 million), with the balance attributed to a combination of a decline in the valuations of the property assets and the appreciation of the Australian dollar against the New Zealand dollar.

Half Year Review

MNZPF has announced an extension to the terms of its debt facility to 30 August 2012 and revisions to its debt covenants. All investors, including BAO, must be provided with an opportunity to determine whether they wish to continue with their investment in MNZPF prior to 1 June 2011 (although this may be extended by up to 12 months to 1 June 2012).

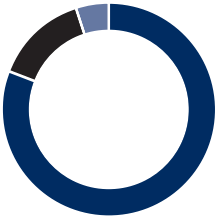
After reviewing the structure of the investments in MCS 21 Centro Roseland Holding and Property Trust (MCS 21) and MCS 22 Centro Kidman Park Investment and Property Trust (MCS 22), the carrying value of the investments has been reduced. In the case of MCS 21, the carrying value of the investment has been reduced by $0.5 million to reflect limited recourse debt that is relevant to the investment that was not previously adjusted and a change in value of the investment over the period. In the case of MCS 22, the carrying value of the investment has been reduced by $1.3 million to reflect the fact that some of the units held in the fund are debt units that are backed by third party debt and therefore should be carried at nil value together with a change in value of the investment over the period.

The carrying value of the Fund's investment in Gordon Property Trust has reduced from $3.5 million to $2.4 million, as the Trust's only property asset has been agreed to be sold at a sale price representing an 11.8% discount to the 30 June 2010 book value. Further, the carrying value reflects limited recourse debt in respect of the Fund's investment in the Trust that is required to be repaid upon distribution of proceeds from the Trust.

The carrying value of the Fund's investment in Investa Diversified Office Fund has increased by $1.4 million (7.1%). This increase was principally due to higher property valuations received for three properties in the IDOF portfolio: 260–300 Elizabeth Street, Sydney, 310–320 Pitt Street, Sydney (which has since sold at a price consistent with the valuation) and 241 Adelaide Street, Brisbane.

ASSET CLASS ALLOCATION (by value)

- 81% Unlisted
- 14% Listed
- 5% Cash



SECTOR ALLOCATION (by value)

- 53% Commercial
- 22% Retail
- 16% Other
- 9% Industrial

The carrying value of the investment in the APN Vienna Retail Fund has been reinstated to an underlying NTA of $1.9 million. This investment has reported improved trading performance and has retained cash reserves to mitigate financing risks as part of its capital management strategy.

Future liquidity availability
Orchard's Essential Health Care Trust (EHCT) entered into a sale agreement with the Vital Healthcare Property Trust to sell the investment properties owned by the fund and commenced a wind up of the fund. After 31 December 2010 BAO received $7.3 million or 98.5 cents per unit in distributions and other proceeds from EHCT.

As mentioned previously, Gordon Property Trust has sold its only property asset and the Fund is forecast to receive a return of capital of $2.4 million ($1.61 per unit) in March 2011.

FKP Core Plus Fund is winding up with its primary asset at 31 Queen Street, Melbourne under exclusive due diligence for sale at $80 million, with a forecast May 2011 settlement date. FKP is also well progressed with a number of its other investment properties with settlements forecast for April 2011. A return of capital of $1.6 million is forecast to BAO.

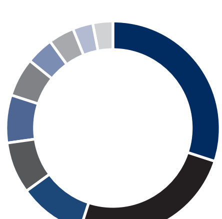
The wind up of the MAB Diversified Property Fund is proceeding with a forecast 12 month completion date. The value of the Fund's investment at 31 December 2010 was $3.97 million.

Distribution income
As at 31 December 2010, 16 of the 24 unlisted funds are paying a distribution. Distribution income from investments in the Fund's standalone portfolio for the six months to December 2010 was $2.53 million.

Austock Childcare Fund (ACF) and Orchard Childcare Property Fund (OCPF) both reinstated distributions during the September 2010 quarter after the successful assignment of former ABC Childcare Centre leases to Goodstart Childcare Ltd. ACF's distribution rate is expected to be 5.6 cents per unit annualised (4.8% yield) and OCPF's distribution rate is in the order of 4.8 cents per unit annualised (5.5% yield).

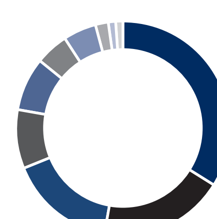
MANAGER ALLOCATION (by value)

30%	Brookfield
25%	Investa
10%	Other
8%	Centro
7%	Orchard
6%	Australian Unity
4%	APGR
4%	APN
3%	Dexus
3%	MAB



GEOGRAPHIC ALLOCATION (by value)

34%	New South Wales
19%	New Zealand
16%	Victoria
9%	Queensland
8%	Western Australia
5%	Europe
5%	South Australia
2%	Australian Capital Territory
1%	Tasmania
1%	United States



Half Year Review

Investa Diversified Office Fund (IDOF) has reinstated distributions at an expected rate of 6 cents per unit annualised or 6.56% yield from the December 2010 quarter. On an annualised basis this is expected to contribute distribution income of $1.46 million per annum to the Fund.

APN is deferring payment of any distribution from the APN Champion Fund for the half year to 31 December 2010, the objective being to manage any weakness/uncertainty being caused by the economic issues in Greece. It is not currently known when distribution income may again be received from this investment.

A-REIT Investments

The carrying value of the Fund's A-REIT portfolio increased from $26.1 million to $32.5 million during the six months to 31 December 2010. This increase is partly as a result of the acquisition of $3 million of additional securities during December 2010. In addition, the portfolio increased in value with gains with respect to investments in Brookfield Prime Property Fund of $2 million and Multiplex European Property Fund of $1.1 million contributing to the increase in value.

CFS Retail Property Trust was the only new investment acquired during the period that was not previously in BAO's A-REIT portfolio.

The decision to commit further funds to the A-REIT sector was made in order to take advantage of discounts to NTA existing in that market with scope for capital growth, stable yields and the existence of liquidity in the investments chosen. Subsequent movement in the market post 31 December 2010 has supported this decision.

As at 31 December 2010, 16 of the 24 unlisted funds are paying a distribution. Distribution income from investments in the Fund's standalone portfolio for the six months to December 2010 was $2.53 million.

The Fund extended the term of the loan utilised to acquire the Fund's investment in Brookfield Prime Property Fund (BPPF) from 3 November 2010 to 3 May 2011. The Fund borrowed $4.97 million from an entity in Brookfield Australia Investments Group to acquire the units in BPPF, in which it has a 9.9% stake. The loan was made on commercial terms and conditions and recourse for the loan is limited to the security of the units in BPPF subscribed for under the entitlement offer in November 2009. Interest capitalises during the term of the loan. The balance of the loan at 31 December 2010 was $5.8 million.

OUTLOOK AND INVESTMENT OPPORTUNITIES

A number of potential investment opportunities are in the process of review. The realisation of a number of investments in the next six to 12 months, together with existing debt facilities available to the Fund, will provide additional capital to pursue these opportunities.

BCML will continue to keep investors updated on the progress of the Fund.

Investment Portfolio

A summary of the Fund's listed and unlisted investment portfolio, on a standalone basis, as at 31 December 2010 and the distribution yield per investment (based on current carrying values) are detailed below:

UNLISTED PROPERTY FUNDS	CARRYING VALUE $'M	DISTRIBUTION YIELD %
APN Champion Retail Fund	1.4	na
APN National Storage Property Trust	1.1	na
APN Regional Property Fund	2.0	4.4
APN UKA Poland Retail Fund	0.0	na
APN UKA Vienna Retail Fund	1.9	na
Austock Childcare Fund	1.2	4.8
Australian Unity Diversified Property Fund	8.4	6.9
FKP Core Plus Fund	1.6	7.3
Gordon Property Investment Trust	1.9	6.8
Gordon Property Trust	0.5	6.8
Investa Diversified Office Fund	22.2	6.6
Investa Fifth Commercial Trust	11.6	4.6
Investa Second Industrial Trust	1.5	5.8
MAB Diversified Property Fund	4.0	4.9
MCS 21 – Centro Roseland Holding Trust	8.1	0.8
MCS 21 – Centro Roseland Property Trust	1.1	0.8
MCS 22 – Centro Kidman Park Investment Trust	0.1	15.8
MCS 22 – Centro Kidman Park Property Trust	1.1	15.9
MCS 28 Investment Trust	1.7	2.5
Multiplex Development and Opportunity Fund	8.2	na
Multiplex New Zealand Property Fund	25.8[1]	na
Pengana Credo European Property Trust	0.0	na
PFA Diversified Property Trust	5.6	7.4
Rimcorp Property Trust No. 3	0.6	9.9
St Hilliers Enhanced Property Fund #2	1.1	na
The Childcare Property Fund	2.6	5.7
The Essential Health Care Trust	6.9	9.2
Total/Weighted Average	**122.2**	**4.0**

Note:
1 Reflects the value of the investment accounted for by using the equity method of accounting on a consolidated basis.

LISTED PROPERTY FUNDS	CARRYING VALUE $'M	DISTRIBUTION YIELD %[1]
Abacus Property Group	0.3	6.9
Australand Property Group	0.3	7.2
Brookfield Prime Property Fund[2]	18.2	na
Colonial First State Retail Property Trust	0.3	7.2
Challenger Diversified Property Group	0.2	8.0
Commonwealth Property Office Fund	1.2	6.6
Charter Hall Office REIT (previously MOF)	1.8	6.5
Charter Hall Retail REIT	0.9	8.2
Dexus Property Group	1.7	6.5
GPT Group	0.8	5.6
ING Industrial Fund	0.3	6.1
ING Office Fund	1.7	7.0
Multiplex European Property Fund	2.8	11.4
Mirvac Group	1.3	6.5
Stockland Group	0.6	6.1
Total/Weighted Average	**32.5**	**3.4**
LESS loan relating to the Brookfield Prime Property Fund units and the present value of the final instalment in relation to BPPF[2]	16.7	
Net Total	**15.8**	

Notes:

1 The distribution yields are based on distribution rates as at 31 December 2010, the unlisted property funds' unaudited net tangible asset values at 31 December 2010 and the A-REIT's closing bid prices as at 31 December 2010. The above schedule excludes Rubicon Europe Trust Group and Rubicon Japan Trust, both of which are insolvent and in liquidation.

2 For balance sheet disclosure purposes, the investment in the Brookfield Prime Property Fund is shown at the gross value, including the present value of the final instalment of $2.237 per unit due on 15 June 2011. A liability is disclosed in the balance sheet equal to the present value of the liability for the final instalment. At 31 December 2010 this liability is $10.95 million. The balance of the loan in respect of this investment at 31 December 2010 was $5.8 million.

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year ended 31 December 2010

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2010 $'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2009 $'000
Revenue and other income		
Distribution income from listed and unlisted property trusts	3,610	2,730
Gain on disposal of listed and unlisted property trusts	379	1,000
Interest income	1,063	110
Total revenue and other income	**5,052**	**3,840**
Expenses		
Share of net loss of investments accounted for using the equity method	1,843	1,549
Impairment expense	2,217	13,596
Finance costs to external parties	3,324	2,662
Management fees	390	337
Other expenses	479	496
Total expenses	**8,253**	**18,640**
Net (loss) for the period	**(3,201)**	**(14,800)**
Other comprehensive income		
Change in reserves of investment accounted for using the equity method	(1,669)	1,124
Change in fair value of available for sale financial assets	7,584	8,068
Other comprehensive income for the period	**5,915**	**9,192**
Total comprehensive profit/(loss) for the period	**2,714**	**(5,608)**
Net profit/(loss) attributable to:		
Ordinary unitholders	(3,976)	(9,145)
Minority interest – MPIF income unitholders	775	(5,655)
Net (loss) for the period	**(3,201)**	**(14,800)**
Total comprehensive income/(loss) attributable to:		
Ordinary unitholders	224	(2,242)
Minority interest – MPIF income unitholders	2,490	(3,366)
Total comprehensive income/(loss) for the period	**2,714**	**(5,608)**
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	(0.65)	(4.51)

The Condensed Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the Notes to the Condensed Interim Financial Statements, available at www.au.brookfield.com.

Condensed Consolidated Interim Statement of Financial Position

As at 31 December 2010

	CONSOLIDATED 31 DECEMBER 2010 $'000	CONSOLIDATED 30 JUNE 2010 $'000
Assets		
Current assets		
Cash and cash equivalents	6,695	7,822
Trade and other receivables	3,927	2,582
Total current assets	**10,622**	**10,404**
Non-current assets		
Investments – available for sale	167,139	158,393
Investment accounted for using the equity method	26,552	32,042
Total non-current assets	**193,691**	**190,435**
Total assets	**204,313**	**200,839**
Liabilities		
Current liabilities		
Trade and other payables	1,230	2,363
Distribution payable	–	281
Interest bearing liabilities	5,794	27,608
Deferred settlement	10,948	10,731
Total current liabilities	**17,972**	**40,983**
Non-current liabilities		
Interest bearing liabilities	37,100	40,902
Total non-current liabilities	**37,100**	**40,902**
Total liabilities	**55,072**	**81,885**
Net assets	**149,241**	**118,954**
Equity		
Attributable to ordinary unitholders		
Units on issue – ordinary units	231,827	203,381
Reserves	3,067	(1,133)
Undistributed losses	(126,516)	(122,540)
Attributable to MPIF income unitholders		
Minority interest – MPIF income units	52,960	52,960
Reserves	3,648	1,933
Undistributed losses	(15,745)	(15,647)
Total equity	**149,241**	**118,954**

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the Condensed Interim Financial Statements, available at www.au.brookfield.com.

Corporate Directory

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STOCK EXCHANGE
The Fund is listed on the Australian Securities Exchange (ASX Code: BAO). The Home Exchange is Sydney.

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