



**2011 FIRST QUARTER  
INTERIM REPORT TO SHAREHOLDERS  
FOR THE PERIOD ENDED MARCH 31, 2011**

**To The Shareholders:**

BAM Investments Corp. recorded a comprehensive loss, which consists of net income and other comprehensive loss, of \$78.9 million for the three months ended March 31, 2011, primarily the result of a decrease in the market value of its investment portfolio. This decreased the company's net book value by \$1.00 per share during the three months ended March 31, 2011 to \$16.78 per share. Comprehensive income in the same period in the prior year was \$115.2 million. The company recorded net income of \$0.1 million (\$nil per common share) for the first three months of 2011 compared to \$2.2 million (\$0.03 per common share) for the first three months of 2010.

During the three months ended March 31, 20 2011, the company acquired an additional 0.8 million Class A Limited Voting Shares ("Class A Shares") of Brookfield Asset Management Inc. ("Brookfield") for \$25.0 million, increasing its investment to 56.2 million shares.

**Outlook and Net Asset Value**

BAM Investments owns 56.2 million Class A Shares of Brookfield with a market value at March 31, 2011 of \$1,764.4 million based on quoted market values. The company's capitalization consists primarily of \$492.4 million of retractable preferred shares and common equity with a book value of \$1,329.4 million as at March 31, 2011.

The company's objective is to provide its common shareholders with capital appreciation as opposed to income returns. Operating cash flows are dedicated principally to paying dividends on its preferred share financing obligations. The company holds approximately 7 Brookfield Class A Shares for every 10 common shares of BAM Investments.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "E. Kress", written over a horizontal line.

Edward C. Kress  
*President*  
May 27, 2011

## Statement of Financial Position

The information in the following table has been extracted from the consolidated financial statements of the company as at March 31, 2011.

*As at March 31, 2011 (thousands, except per share amounts)*

<b>Assets</b>	
Cash and cash equivalents	\$ 109,882
Investments	
Brookfield Asset Management Inc. <sup>1</sup>	1,764,380
Other securities	106,137
Other assets	1,691
	<b>\$ 1,982,090</b>
<b>Liabilities and Shareholders' Equity</b>	
Accounts payable and provisions	\$ 1,284
Retractable preferred shares <sup>2</sup>	484,884
Deferred taxes <sup>3</sup>	166,488
	<b>652,656</b>
<b>Shareholders' Equity</b>	
Common equity	1,329,434
	<b>\$ 1,982,090</b>
<b>Net Book Value Per Common Share<sup>4,5</sup></b>	<b>\$ 16.78</b>

Notes:

- 1 The investment in Brookfield Asset Management Inc. consists of 56.2 million Class A Shares at a bid price of \$31.38 per Class A Share as at March 31, 2011.
- 2 Represents \$492.4 million of retractable preferred shares less \$7.5 million of unamortized issue costs.
- 3 The future tax liability represents the potential future income tax liability of the company recorded for accounting purposes based on the difference between the carrying values of the company's assets and liabilities and their respective tax values, as well as giving effect to estimated capital and non-capital losses.
- 4 As at March 31, 2011, there were 79,206,510 common shares of the company issued and outstanding.
- 5 Net Book Value per common share is a non-IFRS measure.

## Change in Net Book Value

<i>For the three months ended March 31 (thousands, except per share amounts)</i>	2011		2010	
	Total	Per Share	Total	Per Share
Net book value, beginning of period	\$ 1,408,311	\$ 17.78	\$ 896,069	\$ 11.30
Net income	59	—	2,162	0.03
Other comprehensive (loss) income	(78,935)	(1.00)	113,087	1.42
Common shares repurchased	(1)	—	(305)	—
Net book value, end of period	<b>\$ 1,329,434</b>	<b>\$ 16.78</b>	\$ 1,011,013	\$ 12.75

# Management's Discussion and Analysis

## OVERVIEW

BAM Investments Corp., (the "company") is a leveraged investment company whose principal investment is a direct and indirect ownership interest in 56.2 million Class A Limited Voting Shares ("Class A Shares") of Brookfield Asset Management Inc. ("Brookfield").

The company's objective is to provide its common shareholders with capital appreciation as opposed to income returns. Investment income, which consists principally of dividends from its investment in Brookfield Class A Shares, is dedicated to paying dividends on its financing obligations.

The company's investment in Brookfield is owned directly and indirectly through BAM Split Corp. ("BAM Split"), a public subsidiary in which BAM Investments owns 100% of the common equity. BAM Split has publicly listed retractable preferred shares of which \$492.4 million were outstanding at March 31, 2011.

Additional information on the company and BAM Split, including the company's annual information form, is available on SEDAR's web site at [www.sedar.com](http://www.sedar.com).

## RESULTS OF OPERATIONS

### Overview

BAM Investments Corp. recorded a comprehensive loss, which consists of net income and other comprehensive loss, of \$78.9 million for the three months ended March 31, 2011, primarily the result of a decrease in the market value of its investment portfolio. This decreased the company's net book value by \$1.00 per share during the three months ended March 31, 2011 to \$16.78 per share. Comprehensive income in the same period in the prior year was \$115.2 million. The company recorded net income of \$0.1 million (\$nil per common share) for the first three months of 2011 compared to \$2.2 million (\$0.03 per common share) for the first three months of 2010.

The following table reconciles the company's net income:

<i>For the three months ended March 31 (thousands)</i>	<b>2011</b>	2010	Variance
Investment Income			
Dividends and interest	\$ 9,464	\$ 9,338	\$ 126
(Loss) gain on sale of investments	(907)	57	(964)
	<b>8,557</b>	9,395	(838)
Expenses	<b>(7,194)</b>	(5,660)	(1,534)
	<b>1,363</b>	3,735	(2,372)
Unrealized foreign currency revaluation	<b>(1,142)</b>	(1,514)	372
Current tax expense	<b>(330)</b>	(320)	(10)
Future tax recovery	<b>168</b>	261	(93)
Net income	\$ 59	\$ 2,162	\$ (2,103)

---

## Investment Income

<i>For the three months ended March 31 (thousands)</i>	2011	2010
Dividends:		
Brookfield	\$ 7,154	\$ 7,681
Other	668	643
Interest income	1,642	1,014
Other income:		
(Loss) gain on sale of investments	(907)	57
	<b>\$ 8,557</b>	<b>\$ 9,395</b>

The company received dividend income of \$7.2 million (2010 – \$7.7 million) from its investment in Brookfield. Brookfield declares dividends in U.S. dollars, and as a result the Canadian dollar equivalent recorded by the company decreased by \$0.5 million due to a weaker U.S. dollar relative to the Canadian dollar compared to the prior year.

The company received \$1.3 million (2010 – \$0.9 million) of interest income for the period ended March 31, 2011 on the high yield bond portfolio.

The company sold \$6.3 million of securities in its investment portfolio and realized a loss of \$0.9 million.

## Expenses

The company paid \$6.3 million (2010 – \$5.0 million) of dividends on the retractable preferred shares during the three months ended March 31, 2011. The increase in preferred dividends is the result of dividends paid on the \$125 million Class AA, Series V Preferred Shares, which were issued on December 10, 2010.

The amortization of deferred financing costs associated with preferred shares issued by BAM Split resulted in a charge against income of \$0.6 million (2010 – \$0.5 million). The increase in deferred financing fees is a result of the amortization of fees incurred on the Class AA, Series V Preferred Shares, which were issued in December 2010, as noted above.

## Unrealized foreign currency revaluation

The company recorded a \$1.1 million unrealized foreign exchange loss (2010 – unrealized loss of \$1.5 million) on the high yield bond portfolio and its U.S. dollar cash balances. The bonds are denominated in U.S. dollars and changes in the value of the U.S. dollar relative to the Canadian dollar are recorded in net income.

## Income Taxes

The company recorded a net income tax expense of \$0.2 million (2010 – expense of \$0.1 million) during the three months ended March 31, 2011 as a result of cash taxes payable on interest income earned on the company's investment portfolio.

## FINANCIAL POSITION

The company's total assets decreased to \$1,982.1 million at March 31, 2011 from \$2,076.3 million at December 31, 2010. The decrease in total assets is primarily a result of a decrease in the fair value of the Brookfield Class A Shares, the price of which decreased from \$33.15 per share at December 31, 2010 to \$31.38 at March 31, 2011.

## Investment Portfolio

### *Investment in Brookfield Asset Management Inc.*

In February 2011, the company acquired an additional 0.8 million Brookfield Shares for \$25.0 million, increasing its investment to 56.2 million (December 31, 2010 – 55.5 million) Class A Shares, representing a 9.0% (December 31, 2010 – 9.6%) fully diluted equity interest. The quoted market value, based on the bid price of this investment as at March 31, 2011 of \$31.38 per share, was \$1,764.4 million.

The company has classified the Brookfield shares as available-for-sale financial instruments, and accordingly recognizes changes in the market value of these shares through Other Comprehensive Income.

Brookfield is a global asset manager focused on property, power and other infrastructure assets with approximately \$150 billion of assets under management and is inter-listed on the New York, Toronto and NYSE Euronext stock exchanges. Further information on Brookfield can be found on Brookfield's web site at [www.brookfield.com](http://www.brookfield.com).

#### *Other Securities*

The company holds an investment in Brookfield Infrastructure Partners and a portfolio of U.S. dollar high yield corporate bonds. These investments are classified as available-for-sale financial instruments and accordingly changes in the market value of these securities are recorded in Other Comprehensive Income.

The investment in Brookfield Infrastructure Partners consists of 2.2 million (December 31, 2010 – 2.2 million) Limited Partnership Units with a quoted market value at \$47.8 million as at March 31, 2011.

The investment in U.S. dollar high yield corporate bonds has a quoted market value of \$58.4 million (December 31, 2010 – \$54.7 million) as at March 31, 2011.

#### **Deferred Taxes**

The deferred tax liability represents the potential tax liability based on the excess of the carrying value of net assets over the respective tax values, less available loss carry forwards. The liability decreased during the period primarily due to the decrease in the market value of the Brookfield Class A Shares.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The company holds cash and cash equivalents totaling \$110 million and marketable securities of \$106 million as at March 31, 2011. The company does not have any maturing debt or mandatory preferred share redemptions prior to July 2014. The operating cash requirements for 2011 include \$26 million of scheduled dividend payments on the \$492 million preferred shares issued by BAM Split which are less than the expected regular distributions on the Brookfield securities held by the company. Accordingly, the company believes it has sufficient liquid assets, operating cash flow and financing alternatives to meet its obligations.

On April 25, 2011, the company offered to acquire up to 5 million of its common shares at a price per share of \$16.75. The offer expires on June 9, 2011.

#### **Retractable Preferred Shares**

Retractable preferred shares issued by BAM Split are comprised of the following:

<i>Thousands, except shares outstanding</i>		Latest Redemption Date	<b>Mar. 31, 2011</b>	Dec. 31, 2010	Jan. 1, 2010
2,057,200	4.95% Class AA, Series I	March 25, 2016	<b>\$ 51,430</b>	\$ 51,430	\$ 51,430
7,636,800	4.35% Class AA, Series III	January 10, 2019	<b>190,920</b>	190,920	190,920
5,000,000	7.25% Class AA, Series IV	July 9, 2014	<b>125,000</b>	125,000	125,000
5,000,000	4.85% Class AA, Series V	December 10, 2017	<b>125,000</b>	125,000	—
Deferred financing costs <sup>1</sup>			<b>(7,466)</b>	(8,038)	(5,773)
			<b>\$ 484,884</b>	\$ 484,312	\$ 361,577

*1 Deferred financing costs are amortized over the term of the borrowing following the effective interest method.*

On December 10, 2010, BAM Split issued \$125 million Class AA Preferred Shares, Series V.

#### **Shareholders' equity**

As at March 31, 2011 shareholders' equity consisted of 79,206,510 common shares and had a book value of \$1,329.4 million compared to \$1,406.7 million at the end of 2010. The decrease is the result of a lower market value of the Class A Shares of Brookfield, whose share price decreased from \$33.15 to \$31.38. The company repurchased 100 of its common shares during the period ended March 31, 2011.

---

## **BUSINESS ENVIRONMENT AND RISKS**

The company's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The following are risk factors relating to an investment in the common shares of the company.

### **Fluctuations in Value of Investments**

The value of common shares may vary according to the value of the Class A Shares and other securities owned by the company. The value of these investments may be influenced by factors not within the control of the company, including the financial performance of Brookfield and other investees, interest rates and other financial market conditions. As a result, the net asset value of the company may vary from time to time.

The future value of the common shares will be largely dependent on the value of the Class A Shares. A material adverse change in the business, financial conditions or results of operations of Brookfield and other investees of the company will have a material adverse effect on the common shares of the company. In addition, the company may incur additional financial leverage in order to acquire, directly or indirectly, additional securities issued by Brookfield, which would increase both the financial leverage of the company and the dependency of the future value of the common shares on the value of the Class A Shares.

### **Foreign Currency Exposure**

Brookfield and other investments held by the company are functionally United States dollar investments. Accordingly, the value of these assets may vary from time to time with fluctuations in the exchange rate between Canadian and United States dollars. Also, Brookfield and other investments held by the company pay distributions and interest in United States dollars. Strengthening of the Canadian dollar relative to the United States dollar could decrease the amount of cash available to the company.

Certain of the company's other securities are considered monetary, with changes in foreign currency rate recorded in net income.

### **Leverage**

The company's assets are financed in part with the retractable preferred shares issued by BAM Split. This results in financial leverage that will increase the sensitivity of the value of the common shares to changes in the values of the assets owned by the company. A decrease in the value of the company's investments may have a material adverse effect on the company's business and financial conditions.

### **Liquidity**

The company's liquidity requirements are typically limited to funding interest and dividend obligations on outstanding financial obligations.

Holder of the company's retractable preferred shares have the ability to retract the shares to the company. The Class AA, Series I Preferred shares are retractable for cash, whereas the company has the right to issue debentures due 2019, 2014 and 2017 to settle retractions of the Class AA, Series III; Class AA, Series IV and Class AA, Series V preferred shares, respectively.

The company maintains financial assets and credit facilities to fund liquidity requirements in the normal course, in addition to its investment in Brookfield. The company's policy is to hold the Class A Shares and not engage in trading, however shares are available to be sold to fund retractions and redemptions of preferred shares or common shares. The company's ability to sell a substantial portion of the Class A Shares may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Class A Shares may be sold. Accordingly, if and when the company is required to sell Class A Shares, the liquidity of such shares may be limited. This could affect the time it takes to sell the Class A Shares and the price obtained by the company for the Class A Shares sold.

### **No Ownership Interest**

A direct investment in common shares does not constitute a direct investment in the Class A Shares of Brookfield or other securities held by the company. Holders of common shares do not own the Class A Shares or other securities held by the company or have any voting rights in respect of such securities.

## Contractual Obligations

The company's contractual obligations are as follows:

Thousands	Total	Payment Due By Period			
		Less than 1 year	2-3 years	4-5 years	After 5 years
Retractable preferred shares					
Class AA, Series I <sup>1</sup>	\$ 51,430	\$ —	\$ —	\$ 51,430	\$ —
Class AA, Series III <sup>2</sup>	190,920	—	—	—	190,920
Class AA, Series IV <sup>3</sup>	125,000	—	—	125,000	—
Class AA, Series V <sup>4</sup>	125,000	—	—	—	125,000
Interest expense related to:					
Retractable preferred shares					
Class AA, Series I	\$ 12,730	\$ 2,546	\$ 5,092	\$ 5,092	\$ —
Class AA, Series III	64,592	8,305	16,610	16,610	23,067
Class AA, Series IV	29,676	9,063	18,125	2,488	—
Class AA, Series V	41,109	6,063	12,125	12,125	10,796

<sup>1</sup> Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in cash.

<sup>2</sup> Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the company due 2019.

<sup>3</sup> Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the company due 2014.

<sup>4</sup> Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the company due 2017.

## SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected consolidated financial information of the company for the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2008, 2009, 2010:

Thousands, except per share amounts	Three months ended March 31		Years Ended December 31		
	2011	2010	2010	2009 <sup>1</sup>	2008 <sup>1</sup>
Investment income	\$ 8,557	\$ 9,395	\$ 39,155	\$ 37,449	\$ 48,010
Net income	59	2,162	13,127	18,568	23,536
Net income per common share	0.00	0.03	0.16	0.23	0.30
Total assets	1,982,090	1,528,615	2,076,347	1,391,344	1,212,290
Total long term liabilities	651,372	517,111	667,115	494,810	462,363

<sup>1</sup> Canadian GAAP.

A summary of the eight recently completed quarters is as follows:

Thousands, except per share amounts	2011	2010				2009 <sup>1</sup>		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net income	\$ 59	\$ 3,564	\$ 2,116	\$ 5,285	\$ 2,162	\$ 3,193	\$ 2,311	\$ 4,009
Net income per common share	0.00	0.04	0.03	0.06	0.03	0.04	0.03	0.05

<sup>1</sup> Canadian GAAP.

The variance in net income on the last eight quarters is the result of dispositions of securities within the company's investment portfolio and realized foreign currency revaluation.

---

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

The AcSB confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the company has adopted IFRS effective January 1, 2011 and has prepared the current interim financial statements using IFRS accounting policies. Prior to the adoption of IFRS, the company’s financial statements were prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The company’s financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

### Significant differences between IFRS and Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure.

The following discussion highlights the significant new standards that the company has adopted under IFRS and the effect on the comparative period results of operations and financial position as previously reported under Canadian GAAP as well as the possible effects going forward.

#### (i) *Foreign exchange gains and losses on available-for-sale debt securities*

Under Canadian GAAP, foreign exchange gains and losses on available-for-sale debt securities are recorded in other comprehensive income whereas under IFRS these gains or losses are recorded directly to profit or loss. This difference will not impact comprehensive income or total shareholder’s equity reported by the company because any impact to net income will be equally offset by a change in other comprehensive income.

#### (ii) *Deferred taxes*

Deferred taxes related to the adjustment as described above.

### IFRS 1 First-time Adoption of International Financial Reporting Standards

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”), which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires that an entity applies all standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and provides limited optional exemptions in specified areas of certain standards from this general requirement. The company did not elect any of the available optional exemptions on adoption of IFRS.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company’s management. The company’s independent auditor has not reviewed these financial statements.



Edward C. Kress  
*President*  
May 27, 2011



---

**Forward-Looking Information**

*This interim report contains forward-looking information concerning the company's business and operations. The words "objective", "expect", "potential", "believes" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "should", "could", "would" or "will", are predictions of or indicate future events, trends or prospects or identify forward-looking information. Forward-looking information in this interim report includes, among others, statements with respect to the company's objective of providing capital appreciation to its common shareholders, potential tax liability, expected future results, the impact of the adoption of IFRS on the company's reported financial position and results of operations, the company's liquidity and its ability to finance its obligations and other statements with respect to the company's beliefs, outlooks, plans, expectations and intentions.*

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

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

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

**Cautionary Statement Regarding Use of Non-IFRS Accounting Measures**

*This interim report makes reference to net income for common shareholders and net book value per common share, and provides a full reconciliation between these measures and net income and total assets, respectively, which the company considers to be the most directly comparable measures calculated in accordance with IFRS.*

## Consolidated Balance Sheets

<i>(unaudited)</i> Thousands	Note	March 31, 2011	December 31, 2010	January 1, 2010
<b>Assets</b>				
Cash and equivalents		\$ 109,882	\$ 132,948	\$ 23,104
Accounts receivable and other		1,691	3,321	2,379
Marketable securities	4	106,137	101,372	71,279
Brookfield Asset Management Inc.	4	1,764,380	1,838,706	1,294,582
		<b>\$ 1,982,090</b>	<b>\$ 2,076,347</b>	<b>\$ 1,391,344</b>
<b>Liabilities</b>				
Accounts payable and other		\$ 1,284	\$ 921	\$ 465
Deferred taxes		166,488	182,803	133,233
Retractable preferred shares	5	484,884	484,312	361,577
		<b>652,656</b>	<b>668,036</b>	<b>495,275</b>
<b>Shareholders' Equity</b>				
Common equity	6	1,329,434	1,408,311	896,069
		<b>\$ 1,982,090</b>	<b>\$ 2,076,347</b>	<b>\$ 1,391,344</b>

## Consolidated Statements of Operations

<i>(unaudited)</i> For the three months ended March 31 (thousands, except per share amounts)	2011	2010
<b>Investment Income</b>		
Dividends and interest	\$ 9,464	\$ 9,338
(Loss) gain on sale of investments	(907)	57
	<b>8,557</b>	<b>9,395</b>
<b>Expenses</b>		
Operating	276	222
Amortization of deferred financing costs	611	460
Retractable preferred share dividends	6,307	4,978
	<b>7,194</b>	<b>5,660</b>
<b>Net income before tax and unrealized foreign currency revaluation</b>	<b>1,363</b>	<b>3,735</b>
Unrealized foreign currency revaluation	(1,142)	(1,514)
Current tax expense	(330)	(320)
Future tax recovery	168	261
<b>Net income</b>	<b>\$ 59</b>	<b>\$ 2,162</b>
<b>Net income per common share</b>	<b>\$ 0.00</b>	<b>\$ 0.03</b>

## Consolidated Statements of Comprehensive (Loss) Income

(unaudited)

For the three months ended March 31 (thousands)

		2011		2010
<b>Net income</b>	<b>\$</b>	<b>59</b>	<b>\$</b>	2,162
Unrealized (loss) gain on available-for-sale securities		(95,085)		134,868
Future income taxes		16,150		(21,781)
Other comprehensive (loss) income		(78,935)		113,087
<b>Comprehensive (loss) income</b>	<b>\$</b>	<b>(78,876)</b>	<b>\$</b>	115,249

## Consolidated Statements of Changes in Equity

(unaudited)

For the three months ended March 31, 2011  
(thousands)

		Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of period	\$	84,803	\$ 1,244,569	\$ 78,939	\$ 1,408,311
Net income		—	—	59	59
Other comprehensive (loss)		—	(78,935)	—	(78,933)
Shares purchased for cancellation		—	—	(1)	(1)
	\$	84,803	\$ 1,165,634	\$ 78,997	\$ 1,329,434

(unaudited)

For the three months ended March 31, 2010  
(thousands)

		Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of period	\$	84,904	\$ 744,441	\$ 66,724	\$ 896,069
Net income		—	—	2,162	2,162
Other comprehensive income		—	113,087	—	113,087
Shares purchased for cancellation		(32)	—	(273)	(305)
	\$	84,872	\$ 857,528	\$ 68,613	\$ 1,011,013

## Consolidated Statements of Cash Flows

<i>(unaudited)</i>	<b>2011</b>	2010
<i>For the three months ended March 31 (thousands)</i>		
<b>Cash flow from operating activities</b>		
Net income	\$ 59	\$ 2,162
Add (deduct) non-cash items		
Unrealized foreign currency revaluation	1,142	1,514
Amortization of deferred financing costs	611	460
Future tax recovery	(162)	(261)
	<b>1,650</b>	3,875
Changes in working capital	<b>2,808</b>	(48)
	<b>4,458</b>	3,827
<b>Cash flow used in investing activities</b>		
Purchase of investments, net of dispositions	<b>(27,523)</b>	(6,848)
<b>Cash flow used in financing activities</b>		
Common shares repurchased	<b>(1)</b>	(305)
<b>Cash and equivalents</b>		
Decrease during the period	<b>(23,066)</b>	(3,326)
Balance, beginning of period	<b>132,948</b>	23,104
<b>Balance, end of period</b>	<b>\$ 109,882</b>	\$ 19,778

# Notes To The Consolidated Financial Statements

---

## 1. BUSINESS OPERATIONS

BAM Investments Corp. (the “company”) is an investment holding company incorporated under the laws of Ontario which owns a leveraged investment in Brookfield Asset Management Inc. (“Brookfield”). Brookfield provides management and administration services to the company. The consolidated financial statements include the accounts of the company’s wholly-owned subsidiary, BAM Split Corp. (“BAM Split”).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These consolidated financial statements of the company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

As these interim financial statements are the company’s first financial statements prepared using International Financial Reporting Standards (“IFRS”), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the company’s most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) have been included in these financial statements for the comparative annual period.

These interim financial statements should be read in conjunction with the company’s 2010 annual financial statements and in consideration of the IFRS transition disclosures included in Note 3 to these financial statements and the additional annual disclosures included herein.

These financial statements were authorized for issuance by the Board of Directors of the company on May 27, 2011.

### Income taxes

The company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on unused income tax losses and temporary differences between the carrying amount and tax bases of assets and liabilities, when the benefit or cost is more likely than not to be realized and measured using the tax rates and laws substantively enacted at the balance sheet date. The deferred tax liability is classified as non-current.

### Cash and equivalents

Cash and equivalents are classified as current assets and include cash on deposit with financial institutions and demand deposits with related parties.

### Accounts receivable and other, accounts payable and other

The company classifies its accounts receivable and other and accounts payable and other balances as current assets and liabilities and records the balances at cost.

### Investment in Brookfield and other securities

The company accounts for its investment in Brookfield and other securities at fair value (see Notes 3 and 4).

### Revenue recognition

Dividend income is recognized on the ex-dividend date.

### Deferred financing costs

Deferred financing costs relate to the issuance of retractable preferred shares of BAM Split and are amortized using the effective interest rate method.

## 3. TRANSITION TO IFRS

The company prepared its financial statements in accordance with Canadian GAAP for all periods up to and including December 31, 2010. These financial statements for the quarter ending March 31, 2011 are the company’s first financial statements that have been prepared in accordance with IFRS.

The company adopted IFRS effective January 1, 2011. The company’s transition date is January 1, 2010 and the company prepared its opening IFRS balance sheet at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 2. This note explains the impact of the company’s transition to IFRS.

---

**(a) Elected exemptions from full retrospective application**

These consolidated financial statements have been prepared in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”). While IFRS 1 permits certain optional exemptions from full retrospective application of IFRS, the company has not used any of these exemptions.

**(b) Mandatory exceptions to retrospective application**

In preparing these consolidated financial statements in accordance with IFRS 1 the company has applied the mandatory exception to full retrospective application of IFRS regarding estimates. Specifically, hindsight was not used to create or revise estimates and accordingly the estimates previously made by the company under Canadian GAAP are consistent with their application under IFRS.

**(c) Significant differences between IFRS and Canadian GAAP**

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has no impact on the cash flows generated by the company, however, the adoption of IFRS resulted in the following changes to the reported financial position and results of operations of the company:

*(i) Foreign exchange gains and losses on available-for-sale debt securities*

Under Canadian GAAP, foreign exchange gains and losses on available-for-sale debt securities are recorded in other comprehensive income whereas under IFRS these gains or losses are recorded directly to profit or loss. This difference will not impact comprehensive income or total shareholder’s equity reported by the company because any impact to net income will be equally offset by a change in other comprehensive income.

*(ii) Deferred taxes*

Deferred taxes related to the adjustment as described above.

**(d) Reconciliation of equity as reported under Canadian GAAP to IFRS**

The following is a reconciliation of the company’s equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at January 1, 2010:

<i>Thousands</i>	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
As reported under Canadian GAAP	\$ 84,904	\$ 743,969	\$ 65,584	\$ 894,457
Foreign exchange on available-for-sale debt securities	—	550	(550)	—
Deferred taxes	—	(78)	78	—
Other	—	—	1,612	1,612
As reported under IFRS	\$ 84,904	\$ 744,441	\$ 66,724	\$ 896,069

The following is a reconciliation of the company’s equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at March 31, 2010:

<i>Thousands</i>	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
As reported under Canadian GAAP	\$ 84,872	\$ 855,892	\$ 68,637	\$ 1,009,401
Foreign exchange on available-for-sale debt securities	—	1,905	(1,905)	—
Deferred taxes	—	(269)	269	—
Other	—	—	1,612	1,612
As reported under IFRS	\$ 84,872	\$ 857,528	\$ 68,613	\$ 1,011,013

The following is a reconciliation of the company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at December 31, 2010:

<i>Thousands</i>	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
As reported under Canadian GAAP	\$ 84,803	\$ 1,242,294	\$ 79,602	\$ 1,406,699
Foreign exchange on available-for-sale debt securities	—	2,649	(2,649)	—
Deferred taxes	—	(374)	374	—
Other	—	—	1,612	1,612
As reported under IFRS	\$ 84,803	\$ 1,244,569	\$ 78,939	\$ 1,408,311

#### (d) Reconciliation of comprehensive income as reported under Canadian GAAP to IFRS

The following is a reconciliation of the company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the three months ended March 31, 2010:

<i>Thousands</i>	Net Income	Other Comprehensive Income	Comprehensive Income
As reported under Canadian GAAP	\$ 3,326	\$ 111,923	\$ 115,249
Foreign exchange on available-for-sale debt securities	(1,355)	1,355	—
Deferred taxes	191	(191)	—
As reported under IFRS	\$ 2,162	\$ 113,087	\$ 115,249

The following is a reconciliation of the company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010:

<i>Thousands</i>	Net Income	Other Comprehensive Income	Comprehensive Income
As reported under Canadian GAAP	\$ 14,930	\$ 498,325	\$ 513,255
Foreign exchange on available-for-sale debt securities	(2,099)	2,099	—
Deferred taxes	296	(296)	—
As reported under IFRS	\$ 13,127	\$ 500,128	\$ 513,255

## 4. INVESTMENT PORTFOLIO

The company's investment portfolio is classified as available-for-sale securities and consists of the following:

<i>Thousands</i>	Number of shares					
	<b>Mar 31, 2011</b>	Dec 31, 2010	Jan 1, 2010	<b>Mar 31, 2011</b>	Dec 31, 2010	Jan 1, 2010
Brookfield	<b>56,226</b>	55,466	55,466	<b>\$1,764,380</b>	\$1,838,706	\$1,294,582
Other securities				<b>106,137</b>	101,372	71,279
				<b>\$1,870,517</b>	\$1,940,078	\$1,365,861

The company owns 56.2 million (2010 – 55.5 million) Class A Limited Voting Shares of Brookfield (“Class A Shares”) representing a 9.0% (2010 – 9.6%) fully diluted equity interest.

Other securities consists of 2.2 million Partnership Units of Brookfield Infrastructure Partners and a portfolio of U.S. dollar high yield corporate bonds.

The company's other securities are classified as current whereas the investment in Brookfield is classified as non-current.

## 5. RETRACTABLE PREFERRED SHARES

Retractable preferred shares issued by BAM Split are classified as non-current liabilities and are comprised of the following:

<i>Thousands, except shares outstanding</i>	Issued and Outstanding					
	<b>Mar 31, 2011</b>	Dec 31, 2010	Jan 1, 2010	<b>Mar 31, 2011</b>	Dec 31, 2010	Jan 1, 2010
4.95% Class AA, Series I	<b>2,057</b>	2,057	2,057	<b>\$ 51,430</b>	\$ 51,430	\$ 51,430
4.35% Class AA, Series III	<b>7,637</b>	7,637	7,637	<b>190,920</b>	190,920	190,920
7.25% Class AA, Series IV	<b>5,000</b>	5,000	5,000	<b>125,000</b>	125,000	125,000
7.25% Class AA, Series V	<b>5,000</b>	5,000	—	<b>125,000</b>	125,000	—
				<b>492,350</b>	492,350	367,350
Deferred financing costs <sup>1</sup>				<b>(7,466)</b>	(8,038)	(5,773)
				<b>\$ 484,884</b>	\$ 484,312	\$ 361,577

<sup>1</sup> Deferred financing costs are amortized over the term of the borrowing following the effective interest method.

## 6. SHAREHOLDERS' EQUITY

### Authorized

50,000,000 preferred shares, issuable in series.

An unlimited number of common shares.

### Issued and outstanding

<i>Thousands, except shares outstanding</i>	Number Outstanding					
	<b>Mar 31, 2011</b>	Dec 31, 2010	Jan 1, 2010	<b>Mar 31, 2011</b>	Dec 31, 2010	Jan 1, 2010
Common shares	<b>79,207</b>	79,207	79,300	<b>\$ 84,803</b>	\$ 84,803	\$ 84,904
Accumulated other comprehensive income				<b>1,165,634</b>	1,244,569	744,441
Retained earnings				<b>78,997</b>	78,939	66,724
				<b>\$1,329,434</b>	\$1,408,311	\$ 896,069

The company repurchased 100 common shares during the three months ended March 31, 2011 through the facilities of the Toronto Stock Exchange under its normal course issuer bid.



## Corporate Information

---

### DIRECTORS

**Howard Driman** <sup>1, 2</sup>  
*Director of Finance*  
UIA Federations Canada

**Edward C. Kress**  
*Corporate Director*

**Brian D. Lawson**  
*Chief Financial Officer*  
Brookfield Asset Management Inc.

**R. Frank Lewarne** <sup>1, 2</sup>  
*Corporate Director*

**Frank N.C. Lochan**  
*Corporate Director*

**Ralph J. Zarboni** <sup>1, 2</sup>  
*Chairman and Chief Executive Officer*  
The EM Group Inc.

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Governance Committee

### CORPORATE OFFICE

Brookfield Place – 181 Bay Street  
Suite 300, P.O. Box 762  
Toronto, Ontario M5J 2T3  
Telephone: (416) 359-8620  
Facsimile: (416) 365-9642

### REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company  
P.O. Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario M5C 2W9  
Telephone: (416) 643-5500 or  
(800) 387-0825 (toll free in North America)  
Facsimile: (416) 643-5501  
Web site: [www.cibcmellon.com](http://www.cibcmellon.com)  
E-mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

### OFFICERS

Frank N.C. Lochan  
*Chairman*

Edward C. Kress  
*President*

Derek E. Gorgi  
*Vice President, Finance*

Loretta M. Corso  
*Corporate Secretary*

### EXCHANGE LISTING

TSX Venture Exchange  
Stock Symbol: BNB



Brookfield Place – 181 Bay Street  
Suite 300, P.O. Box 762  
Toronto, Ontario  
M5J 2T3