



**2012 FIRST QUARTER  
INTERIM REPORT TO SHAREHOLDERS  
FOR THE PERIOD ENDED MARCH 31, 2012**

**To The Shareholders:**

BAM Investments Corp. recorded comprehensive income, which consists of net income and other comprehensive income, of \$187.7 million for the three months ended March 31, 2012, primarily as a result of a \$3.49 increase per share in the market price of the company's Brookfield Asset Management shares to \$31.45 per share. This, in turn, increased the company's net book value by \$2.53 per share during the three months ended March 31, 2012 to \$17.39 per share. Comprehensive income in the same period in the prior year was a loss of \$78.9 million. The company recorded net income of \$5.5 million (\$0.07 per common share) for the first three months of 2012 compared to \$0.1 million (\$nil per common share) for the same period of 2011. The higher net income in the current period was primarily the result of a \$3.9 million unrealized mark-to-market gain on the company's other securities.

**Outlook and Net Asset Value**

BAM Investments owns 56.2 million Class A Shares of Brookfield with a market value at March 31, 2012 of \$1,768.3 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 \$1,290.5 million as at March 31, 2012.

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 7.6 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 in a cursive style.

Edward C. Kress  
*President*  
May 24, 2012

## 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, 2012.

*As at March 31, 2012 (thousands, except per share amounts)*

<b>Assets</b>	
Cash and equivalents	\$ 33,226
Investments	
Brookfield Asset Management Inc. <sup>1</sup>	1,768,315
Other securities	129,498
Accounts receivable and other	1,644
	\$ 1,932,683
<b>Liabilities and Shareholders' Equity</b>	
Accounts payable and other	\$ 444
Retractable preferred shares <sup>2</sup>	487,073
Deferred taxes <sup>3</sup>	154,650
	642,167
<b>Shareholders' Equity</b>	
Common equity	1,290,516
	\$ 1,932,683
<b>Net Book Value Per Common Share<sup>4,5</sup></b>	<b>\$ 17.39</b>

Notes:

1 The investment in Brookfield Asset Management Inc. consists of 56.2 million Class A Shares at a bid price of \$31.45 per Class A Share as at March 31, 2012.

2 Represents \$492.4 million of retractable preferred shares less \$5.3 million of unamortized issue costs.

3 The deferred 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, 2012, there were 74,206,510 (December 31, 2011 – 74,206,510) voting and non-voting common shares of the company issued and outstanding on a fully diluted basis.

5 Net book value per common share is a non-IFRS measure.

## Change in Net Book Value

<i>For the period ended March 31 (thousands, except per share amounts)</i>	2012		2011	
	Total	Per Share	Total	Per Share
Net book value, beginning of year <sup>1</sup>	\$ 1,102,815	\$ 14.86	\$ 1,408,311	\$ 17.78
Net income <sup>2</sup>	5,545	0.07	59	—
Other comprehensive income (loss) <sup>2</sup>	182,156	2.46	(78,935)	(1.00)
Common shares repurchased	—	—	(1)	—
Net book value, end of year <sup>1,3</sup>	\$ 1,290,516	\$ 17.39	\$ 1,329,434	\$ 16.78

Notes:

1 Net book value per common share is non-IFRS measure.

2 The weighted average number of common shares outstanding during the three months ended March 31, 2012, was 74,206,510 (March 31, 2011 – 79,206,543).

3 As at March 31, 2012, there were 74,206,510 (December 31, 2011 – 74,206,510) voting and non-voting common shares of the company issued and outstanding on a fully diluted basis.

# 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, 2012.

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 comprehensive income, which consists of net income and other comprehensive income, of \$187.7 million for the three months ended March 31, 2012, primarily as a result of a \$3.49 increase per share in the market price of the company's Brookfield Asset Management shares to \$31.45 per share. This, in turn, increased the company's net book value by \$2.53 per share during the three months ended March 31, 2012 to \$17.39 per share. Comprehensive income in the same period in the prior year was a loss of \$78.9 million. The company recorded net income of \$5.5 million (\$0.07 per common share) for the first three months of 2012 compared to \$0.1 million (\$nil per common share) for the same period of 2011. The higher net income in the current period was primarily the result of a \$3.9 million unrealized mark-to-market gain on the company's other securities.

The following table reconciles the company's income from operations and net income for the three months ended March 31:

<i>thousands</i>	2012	2011	Variance
Investment Income			
Dividend and interest	\$ 8,250	\$ 9,464	\$ (1,214)
Cash portion of equity accounted income <sup>1</sup>	1,220	—	1,220
Loss on sale of investments	—	(907)	907
	<b>9,470</b>	<b>8,557</b>	<b>913</b>
Less:			
Operating expenses	327	276	51
Retractable preferred share dividends	6,494	6,307	187
Income from operations <sup>2</sup>	<b>2,649</b>	<b>1,974</b>	<b>675</b>
Adjust for other items:			
Non-cash portion of equity accounted income <sup>1</sup>	3,932	—	3,932
Foreign currency revaluation	—	(1,142)	1,142
Amortization of deferred financing costs	(355)	(611)	256
Income tax expense	(681)	(162)	(519)
Net income	<b>\$ 5,545</b>	<b>\$ 59</b>	<b>\$ 5,486</b>

#### Notes:

- Equity accounted income is bifurcated into the company's proportionate share of cash distributions and non-cash changes in value to better reflect the amount of investment income generated by the investment portfolio.
- Income from operations is a non-IFRS measure used by the company to better reflect the operating performance during the period. The measure is defined as investment income less expenses, as shown on the Consolidated Statements of Operations, and then adjusted for cash distributions received from the company's equity accounted investment.

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## Investment Income

Investment income for the three months ended March 31 consists of the following:

<i>thousands</i>	2012	2011
Dividends:		
Brookfield	\$ 7,288	\$ 7,154
Other	2,054	668
Interest income	128	1,642
Dividend and interest income	9,470	9,464
Loss on sale of investments	—	(907)
	<b>\$ 9,470</b>	<b>\$ 8,557</b>

The company received dividend income of \$7.3 million (2011 – \$7.2 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 increased due to a stronger U.S. dollar relative to the Canadian dollar compared to the prior period of the prior year.

Interest income in the prior year included interest earned on the U.S. dollar bond portfolio which was disposed of in April 2011.

### Retractable Preferred Share Dividends

The company paid \$6.5 million (2011 – \$6.3 million) of dividends on the retractable preferred shares during the period ended March 31, 2012. The increase in preferred dividends paid in comparison to the prior year is the result of the dividends paid on the \$125.0 million Class AA, Series V Preferred Shares, which were issued in December 2010.

### Unrealized Loss on Equity Accounted Investments

The company recorded a \$5.1 million (2011 – \$nil) gain on its proportionate share of its investment in a publicly listed fund which was acquired in April 2011. This consisted of \$1.2 million of distributions received and a \$3.9 million unrealized gain on the mark-to-market of the fund's investment portfolio.

### Foreign Currency Revaluation

The company's previously held U.S. dollar bonds revalued from changes in the U.S. dollar relative to the Canadian dollar in net income. As a result, the company recorded a foreign currency revaluation loss of \$nil million (2011 – \$1.1 million loss).

### Amortization of Financing Costs

The amortization of deferred financing costs associated with preferred shares issued by BAM Split resulted in a charge against income of \$0.3 million (2011 – \$0.6 million). The decrease in deferred financing fees is a result of the full amortization of fees incurred on the Class AA, Series I Preferred Shares.

### Income Taxes

The company recorded an income tax expense of \$0.7 million (2011 – expense of \$0.2 million) during the three months ended March 31, 2012. The larger expense in the current is the result of the increase in the market value of its investment portfolio.

## FINANCIAL POSITION

The company's total assets were \$1,932.7 million at March 31, 2012 and consist primarily of its \$1,768.3 million investment in 56.2 million Brookfield Class A shares. The market price of a Brookfield Class A share increased from \$27.96 per share at December 31, 2011 to \$31.45 at March 31, 2012 which resulted in a \$196.2 million increase in total assets.

### Investment Portfolio

*Investment in Brookfield Asset Management Inc.*

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 alternative asset manager focused on real estate, infrastructure, power and private equity

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 which consists of 2.2 million (December 31, 2011 – 2.2 million) Limited Partnership Units with a quoted market value at \$69.9 million as at March 31, 2012. This investment is classified as an available-for-sale financial instrument and accordingly changes in the market value are recorded in Other Comprehensive Income.

The company disposed of its portfolio of U.S. bonds in April 2011 and used the proceeds to acquire a 47% ownership interest in a publicly listed fund that owns an economic interest in a similar portfolio. The market value of the investment was \$59.6 million as at March 31, 2012. The company exercises significant influence over the fund and accounts for the fund using the equity method. As such, the company records its proportionate share of the investee's income as equity accounted income in the consolidated statement of operations.

#### **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 potential tax liability increased during the period following an increase in the market value of the Brookfield Class A Shares.

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

The company holds cash and equivalents totalling \$33.2 million and marketable securities of \$129.5 million as at March 31, 2012. The company does not have any maturing debt or mandatory preferred share redemptions prior to July 2014. The operating cash requirements for 2012 include \$26.0 million of scheduled dividend payments on the \$492.4 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.

#### **Retractable Preferred Shares**

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

<i>thousands, except shares outstanding</i>	Latest Redemption Date	Mar. 31, 2012	Dec. 31, 2011
2,057,200 4.95% Class AA, Series I	March 25, 2016	\$ 51,430	\$ 51,430
7,636,800 4.35% Class AA, Series III	January 10, 2019	190,920	190,920
5,000,000 7.25% Class AA, Series IV	July 9, 2014	125,000	125,000
5,000,000 4.85% Class AA, Series V	December 10, 2017	125,000	125,000
		492,350	492,350
Deferred financing costs <sup>1</sup>		(5,277)	(5,632)
		\$ 487,073	\$ 486,718

*Notes:*

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

#### **Shareholders' equity**

As at March 31, 2012 shareholders' equity consisted of 74,206,510 voting and non-voting common shares and had a book value of \$1,290.5 million compared to \$1,102.8 million at the end of 2011. The increase is primarily the result of a higher market value of the Class A Shares of Brookfield, whose share price increased from \$27.96 at December 31, 2011 to \$31.45 at March 31, 2012.

#### **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.

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### **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**

The company's investment in Brookfield and certain of its other investments 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. In addition, these investments 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.

### **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, as opposed to cash, 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	\$ 10,406	\$ 2,546	\$ 5,092	\$ 2,768	\$ —
Class AA, Series III	57,171	8,305	16,610	16,610	15,646
Class AA, Series IV	21,580	9,063	12,517	—	—
Class AA, Series V	35,158	6,063	12,125	12,125	4,845

Notes:

- 1 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in cash.
- 2 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.
- 3 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.
- 4 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, 2012 and 2011 and for the years ended December 31, 2009, 2010, 2011:

Thousands, except per share amounts	Three months ended March 31		Years Ended December 31		
	2012	2011	2011	2010	2009 <sup>1</sup>
Income from operations <sup>2</sup>	\$ 2,649	\$ 1,974	\$ 11,694	\$ 18,349	\$ 17,616
Net income	5,545	59	2,085	13,127	18,568
Net income per common share	0.07	0.00	0.03	0.17	0.23
Total assets	1,932,683	1,982,090	1,722,646	2,076,347	1,391,344
Total long-term liabilities	641,723	651,372	619,309	667,115	494,810

Notes:

- 1 Canadian GAAP.
- 2 Income from operations is a non-IFRS measure used by the company to better reflect the operating performance during the period. The measure is defined as investment income less expenses, as shown on the Consolidated Statements of Operations, and then adjusted for cash distributions received from the company's equity accounted investment.

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

Thousands, except per share amounts	2012		2011			2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Income from operations <sup>1</sup>	\$ 2,649	\$ 2,919	\$ 2,527	\$ 4,274	\$ 1,974	\$ 5,766	\$ 4,433	\$ 4,241
Net (loss) income	5,545	3,275	(2,786)	1,537	59	3,564	2,116	5,285
Net income per common share	0.07	0.05	(0.04)	0.02	0.00	0.04	0.03	0.07

Notes:

- 1 Income from operations is a non-IFRS measure used by the company to better reflect the operating performance during the period. The measure is defined as investment income less expenses, as shown on the Consolidated Statements of Operations, and then adjusted for cash distributions received from the company's equity accounted investment.

Income from operations includes dividends and interest on the company's investment portfolio and is partially offset by the company's operating costs, which primarily consists of dividends paid on the retractable preferred shares. Income from operations fluctuates from changes in the U.S. dollar relative to the Canadian dollar on dividends earned on U.S. dollar investments. Also included in income from operations are gains and losses on the disposition of investments. The variance in net income on the last eight quarters is primarily the result of mark-to-market adjustments on certain of the company's investments.

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## **RELATED PARTY TRANSACTIONS**

Brookfield provided management and financial services to the company during 2012 and 2011 and recovered costs of \$17,500 to March 31, 2012 (2011 – \$17,500) in respect of those services.

At March 31, 2012 the company had \$29.1 million (2011 – \$29.0) of its cash on short-term deposit with Brookfield.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of future cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax and other provisions; and fair values for disclosure purposes. In the normal course of operations, the company may execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions and the sale of assets. The nature of substantially all of the indemnification undertakings precludes the possibility of making a reasonable estimate of the maximum potential amount that the company could be required to pay to third parties as the agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the company has not made any payments under such indemnification agreements and guarantees.

## **DISCLOSURE CONTROLS AND PROCEDURES**

We maintain appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. The President and the Vice President, Finance of the company evaluated the effectiveness of the company's disclosure controls and procedures (as defined in "National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings") as at March 31, 2012 and have concluded that the disclosure controls and procedures are operating effectively.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

We maintain appropriate internal controls over financial reporting (as defined in "National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings") and the Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated whether there were changes in our internal controls over financial reporting during the year ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting and has determined that there have been no such changes.

## **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 24, 2012



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**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 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, 2012	December 31, 2011
<b>Assets</b>			
Cash and cash equivalents		\$ 33,226	\$ 30,904
Accounts receivable and other		1,644	1,245
Brookfield Asset Management Inc.	3	1,768,315	1,572,085
Other securities	3	129,498	118,412
		<b>\$ 1,932,683</b>	<b>\$ 1,722,646</b>
<b>Liabilities</b>			
Accounts payable and other		\$ 444	\$ 522
Retractable preferred shares	4	487,073	486,718
Deferred taxes		154,650	132,591
		<b>642,167</b>	<b>619,831</b>
<b>Shareholders' Equity</b>			
Common equity	5	1,290,516	1,102,815
		<b>\$ 1,932,683</b>	<b>\$ 1,722,646</b>

See accompanying notes to financial statements.

## Consolidated Statements of Operations

(unaudited)

For the three months ended March 31 (thousands, except per share amounts)

	2012	2011
<b>Investment Income</b>		
Dividends and interest	\$ 8,250	\$ 9,464
Loss on sale of investments	—	(907)
	<b>8,250</b>	<b>8,557</b>
<b>Expenses</b>		
Operating	327	276
Retractable preferred share dividends	6,494	6,307
	<b>6,821</b>	<b>6,583</b>
	<b>1,429</b>	<b>1,974</b>
Equity accounted income	5,152	—
Amortization of deferred financing costs	(355)	(611)
Foreign currency revaluation	—	(1,142)
Current tax expense	(77)	(330)
Deferred tax (expense) recovery	(604)	168
<b>Net income</b>	<b>\$ 5,545</b>	<b>\$ 59</b>
<b>Net income per common share (Note 6)</b>	<b>\$ 0.07</b>	<b>\$ 0.00</b>

See accompanying notes to financial statements.

## Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

For the three months ended March 31 (thousands)

	2012	2011
<b>Net income</b>	<b>\$ 5,545</b>	<b>\$ 59</b>
Unrealized gain (loss) on available-for-sale securities	203,385	(95,085)
Deferred income taxes	(21,229)	16,150
Other comprehensive income (loss)	<b>182,156</b>	<b>(78,935)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 187,701</b>	<b>\$ (78,876)</b>

See accompanying notes to financial statements.

## Consolidated Statements of Changes in Equity

<i>(unaudited)</i> For the three months ended March 31, 2012 <i>(thousands)</i>	Note	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of period		\$ 79,450	\$ 1,021,044	\$ 2,321	\$1,102,815
Net income		—	—	5,545	5,545
Other comprehensive income		—	182,156	—	182,156
Balance, end of period	5	\$ 79,450	\$ 1,203,200	\$ 7,866	\$1,290,516

<i>(unaudited)</i> For the three months ended March 31, 2011 <i>(thousands)</i>	Note	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)	—	(78,935)
Shares purchased for cancellation		—	—	(1)	(1)
Balance, end of period		\$ 84,803	\$ 1,165,634	\$ 78,997	\$ 1,329,434

See accompanying notes to financial statements.

## Consolidated Statements of Cash Flows

(unaudited)

For the three months ended March 31 (thousands)

	Note	2012	2011
<b>Cash flow from operating activities</b>			
Net income		\$ 5,545	\$ 59
Add (deduct) non-cash items:			
Foreign currency revaluation		—	1,142
Non-cash portion of equity accounted income		(3,932)	—
Amortization of deferred financing costs		355	611
Deferred tax expense (recovery)		604	(168)
		<b>2,572</b>	1,644
Changes in working capital		<b>(250)</b>	2,814
		<b>2,322</b>	4,458
<b>Cash flow used in investing activities</b>			
Sale of investments		—	5,439
Purchase of Brookfield Asset Management Inc. Class A Shares		—	(24,966)
Purchase of other securities		—	(7,996)
			<b>(27,523)</b>
<b>Cash flow (used in) from financing activities</b>			
Common shares repurchased		—	(1)
			<b>(1)</b>
<b>Cash and cash equivalents</b>			
Increase (decrease) during the year		<b>2,322</b>	(23,066)
Balance, beginning of year		<b>30,904</b>	132,948
<b>Balance, end of year</b>	<b>7</b>	<b>\$ 33,226</b>	\$ 109,882

See accompanying notes to financial statements.

# Notes To The Consolidated Financial Statements

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## 1. BUSINESS OPERATIONS

BAM Investments Corp. (the “company”) is an investment holding company incorporated under the laws of the province 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”). The company was formed by the articles of incorporation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the company is Brookfield Place, 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011.

The interim financial statements should be read in conjunction with the most recently issued Annual Report of the company which includes information necessary or useful to understanding the company’s businesses and financial statement presentation. In particular, the company’s significant accounting policies were presented as Note 2 to the Consolidated Financial Statements for the fiscal year ended December 31, 2011 included in that report, and have been consistently applied in the preparation of these interim financial statements.

The interim financial statements are unaudited. The results reported in these interim consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

These financial statements were authorized for issuance by the Board of Directors of the company on May 24, 2012.

### (b) Future changes in accounting policies

#### Financial Instruments

IFRS 9, Financial Instruments (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The company has not yet determined the impact of IFRS 9 on its financial statements.

#### Consolidated Financial Statements, Joint Ventures and Disclosures

In May 2011, the IASB issued three standards: IFRS 10, Consolidated Financial Statements (“IFRS 10”), IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”), and amended two standards: IAS 27, Separate Financial Statements (“IAS 27”), and IAS 28, Investments in Associates and Joint Ventures (“IAS 28”). Each of the new and amended standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted if all the respective standards are also early applied.

IFRS 10 replaces IAS 27 and SIC-12, Consolidation-Special Purpose Entities (“SIC-12”). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. The company has not yet determined the impact of IFRS 10 and the amendments to IAS 27 on its consolidated financial statements.

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The company has not yet determined the impact of the amendments to IAS 28 on its consolidated financial statements.

IFRS 12 integrates the disclosure requirements on interests in other entities and requires a parent company to disclose information about significant judgements and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity’s conclusion during the reporting period. Entities are permitted to incorporate

the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The company has not yet determined the impact of IFRS 12 on its consolidated financial statements.

#### **Fair Value Measurements**

In May 2011, the IASB issued IFRS 13, Fair Value Measurements (“IFRS 13”). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enable the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The company has not determined the impact of IFRS 13 on its financial statements.

#### **Presentation of Items of Other Comprehensive Income**

In June 2011, the IASB made amendments to IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (“IAS 1”). The amendments require that items of other comprehensive income are grouped into two categories: items that will not be reclassified subsequently to profit or loss; and items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

### **3. INVESTMENT PORTFOLIO**

The company’s investment portfolio consists of the following:

	Number of shares			
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
<i>Thousands</i>				
Brookfield	<b>56,226</b>	56,226	<b>\$ 1,768,315</b>	\$ 1,572,085
Other securities			<b>129,498</b>	118,412
			<b>\$ 1,897,813</b>	\$ 1,690,497

The company owns 56.2 million (2011 – 56.2 million) Class A Limited Voting Shares of Brookfield (“Class A Shares”) representing a 9.1% (2011 – 9.0%) fully diluted equity interest.

Other securities consists of 2.2 million Partnership Units of Brookfield Infrastructure Partners and 6.1 million units of a publicly listed fund.

The company’s investments in the Class A Shares and the Brookfield Infrastructure Partners units are classified as available-for-sale. The company’s 47% equity interest in a publicly listed fund is accounted for using the equity method, and had a carrying amount of \$59.6 million at March 31, 2012 (2011 – \$55.7 million)

The company’s investment in Brookfield Infrastructure Partners is classified as current whereas the investment in Brookfield is classified as non-current.

#### 4. RETRACTABLE PREFERRED SHARES

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

<i>Thousands, except shares outstanding</i>	Issued and Outstanding			
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
4.95% Class AA, Series I	2,057	2,057	\$ 51,430	\$ 51,430
4.35% Class AA, Series III	7,637	7,637	190,920	190,920
7.25% Class AA, Series IV	5,000	5,000	125,000	125,000
4.85% Class AA, Series V	5,000	5,000	125,000	125,000
			492,350	492,350
Deferred financing costs <sup>1</sup>			(5,277)	(5,632)
			\$ 487,073	\$ 486,718

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

#### 5. SHAREHOLDERS' EQUITY

##### Authorized

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

An unlimited number of voting and non-voting common shares.

##### Issued and outstanding

<i>Thousands</i>	Number Outstanding		Book Value	
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
Common shares, voting and non-voting	74,207	74,207	\$ 79,450	\$ 79,450
Accumulated other comprehensive income			1,203,200	1,021,044
Retained earnings			7,866	2,321
			\$ 1,290,516	\$ 1,102,815

#### 6. NET INCOME PER COMMON SHARE

Net income per common share is calculated based on the weighted average number outstanding shares during the year. For the period ended March 31, 2012, the weighed average number of outstanding shares were 74,206,510 (2011 – 79,206,543) on a fully diluted basis.

#### 7. OTHER ITEMS

##### (i) Cash and Equivalents

Cash and equivalents are comprised of cash on hand and short-term deposits. The company held \$29.1 million of short-term deposits at March 31, 2012 (2011 – \$29.0 million).

##### (ii) Supplemental Cash Flow Information

<i>(thousands)</i>	2012	2011
Cash interest and dividends received	\$ 9,470	\$ 9,464
Retractable preferred share dividends paid	(6,494)	(6,307)
Income taxes paid	(188)	—



## Corporate Information

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### DIRECTORS

**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** <sup>1, 2</sup>

*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

### OFFICERS

Frank N.C. Lochan

*Chairman*

Edward C. Kress

*President*

Derek E. Gorgi

*Vice President, Finance*

Loretta M. Corso

*Corporate Secretary*

### 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

*Shareholder enquiries relating to dividends, address changes and share certificates should be directed to our Transfer Agent:*

### CIBC Mellon Trust Company

P.O. Box 700, Station B

Montreal, Quebec

H3B 3K3

Tel: (416) 682-3860 or  
toll free within North America  
(800) 387-0825

Fax: (888) 249-6189

Website: [www.canstockta.com](http://www.canstockta.com)

E-mail: [inquiries@canstockta.com](mailto:inquiries@canstockta.com)

*Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company*

### EXCHANGE LISTING

TSX Venture Exchange

Stock Symbol: BNB



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