BAM | INVESTMENTS CORP.

2012 SECOND QUARTER
INTERIM REPORT TO SHAREHOLDERS
FOR THE PERIOD ENDED JUNE 30, 2012

To The Shareholders:

BAM Investments Corp. recorded comprehensive income, which consists of net income and other comprehensive income, of $110.4 million for the three months ended June 30, 2012, versus $36.4 million in the prior year comparable period. This, in turn, increased the company's net book value by $1.49 per share during the three months ended June 30, 2012 to $18.88 per share. Other comprehensive income includes $106.8 million of after-tax unrealized gains on the company's investment portfolio, primarily as a result of a $2.20 per share increase in the market price of the company's Brookfield Asset Management shares to $33.65 per share. The company recorded net income of $3.7 million ($0.05 per common share) for the three months ended June 30, 2012 compared to $1.5 million ($0.02 per common share) for the comparable period in 2011. The increase in net income in the current period was primarily the result of an increase in equity accounted income offset by realized investment gains which occurred in the prior period.

Outlook and Net Asset Value

BAM Investments owns 56.2 million Class A Shares of Brookfield with a market value at June 30, 2012 of $1,892.0 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 $1,400.9 million as at June 30, 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,

Edward C. Kress
President
August 23, 2012

Statement of Financial Position

The information in the following table has been extracted from the consolidated financial statements of the company as at June 30, 2012.

As at June 30, 2012 (thousands, except per share amounts)	
Assets	
Cash and equivalents	$ 36,032
Investments	
Brookfield Asset Management Inc.[1]	1,892,013
Other securities	136,368
Accounts receivable and other	1,672
	$ 2,066,085
Liabilities and Shareholders' Equity	
Accounts payable and other	$ 62
Retractable preferred shares[2]	487,429
Deferred taxes[3]	177,661
	665,152
Shareholders' Equity	
Common equity	1,400,933
	$ 2,066,085
Net Book Value Per Common Share[4,5]	$ 18.88

Notes:
1 The investment in Brookfield Asset Management Inc. consists of 56.2 million Class A Shares at a bid price of $33.65 per Class A Share as at June 30, 2012.
2 Represents $492.4 million of retractable preferred shares less $5.0 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 June 30, 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

For the period ended June 30, 2012	Three months ended		Six months ended	
(thousands, except per share amounts)	Total	Per Share	Total	Per Share
Net book value, beginning of period[1]	$ 1,290,516	$ 17.39	$ 1,102,815	$ 14.86
Net income[2]	3,658	0.05	9,203	0.12
Other comprehensive income[2]	106,759	1.44	288,915	3.90
Net book value, end of period[1,3]	$ 1,400,933	$ 18.88	$ 1,400,933	$ 18.88

Notes:
1 Net book value per common share is non-IFRS measure.
2 The weighted average number of common shares outstanding during the six months ended June 30, 2012, was 74,206,510 (June 30, 2011 – 78,373,193).
3 As at June 30, 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.

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 the company owns 100% of the common equity. BAM Split has publicly listed retractable preferred shares of which $492.4 million were outstanding at June 30, 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.

Results of Operations

Overview

BAM Investments Corp. recorded comprehensive income, which consists of net income and other comprehensive income, of $110.4 million for the three months ended June 30, 2012, versus $36.4 million in the prior year comparable period. This, in turn, increased the company's net book value by $1.49 per share during the three months ended June 30, 2012 to $18.88 per share. Other comprehensive income includes $106.8 million of after-tax unrealized gains on the company's investment portfolio, primarily as a result of a $2.20 per share increase in the market price of the company's Brookfield shares to $33.65 per share. The company recorded net income of $3.7 million ($0.05 per common share) for the three months ended June 30, 2012 compared to $1.5 million ($0.02 per common share) for the comparable period in 2011. The increase in net income in the current period was primarily the result of an increase in equity accounted income offset by realized investment gains which occurred in the prior period.

The following table reconciles the company's income from operations and net income for the three and six months ended June 30:

	Three months ended		Six months ended	
thousands	**2012**	2011	**2012**	2011
Investment Income				
Dividend and interest	**$ 8,724**	$ 7,938	**$ 16,974**	$ 17,402
Cash portion of equity accounted income[1]	**1,220**	1,220	**2,440**	1,220
Gain on sale of investments	**—**	1,766	**—**	859
	9,944	10,924	**19,414**	19,481
Less:				
Operating expenses	**122**	156	**449**	432
Retractable preferred share dividends	**6,494**	6,494	**12,988**	12,801
Income from operations[2]	**3,328**	4,274	**5,977**	6,248
Adjust for other items:				
Non-cash portion of equity accounted income[1]	**1,075**	(2,318)	**5,007**	(2,318)
Foreign currency revaluation	**—**	(60)	**—**	(1,202)
Amortization of deferred financing costs	**(356)**	(611)	**(711)**	(1,222)
Income tax (expense) recovery	**(389)**	252	**(1,070)**	90
Net income	**$ 3,658**	$ 1 537	**$ 9,203**	$ 1,596

Notes:

1. *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.*
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.*

Investment Income

Investment income for the three and six months ended June 30 consists of the following:

thousands	Three months ended **2012**	2011	Six months ended **2012**	2011
Dividends:				
Brookfield	**$ 7,745**	$ 6,938	**$ 15,033**	$ 14,092
Other	**2,062**	1,882	**4,116**	2,550
Interest income	**137**	338	**265**	1,980
Dividend and interest income	**9,944**	9,158	**19,414**	18,622
Gain on sale of investments	**—**	1,766	**—**	859
	$ 9,944	$ 10,924	**$ 19,414**	$ 19,481

The company received dividend income of $7.7 million (2011 – $6.9 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 by $0.3 million due to a stronger U.S. dollar relative to the comparable prior year period. Additionally, in the second quarter of 2012, Brookfield increased its quarterly dividend distribution from U.S.$0.13 per share to U.S.$0.14 per share resulting in an increase of $0.5 million in Brookfield related dividend income.

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

Equity Accounted Investments

The company recorded a $2.3 million gain (2011 – $1.1 loss) on its proportionate share of its investment in a publicly listed fund which was acquired in April 2011. The gain in the current period consisted of $1.2 million of distributions received, which are included in investment income, and a $1.1 million unrealized gain on the mark-to-market of the fund's investment portfolio which is recorded as non-cash income and included in other items.

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. The company no longer holds its U.S. dollar bond portfolio resulting in the company no longer recording a foreign currency revaluation gain or loss in the current period versus a $0.1 million loss in the prior year period.

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 $0.4 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 III Preferred Shares.

Income Taxes

The company recorded an income tax expense of $0.4 million (2011 – recovery of $0.3 million) during the three months ended June 30, 2012. The larger expense in the current period is the result of the increase in the market value of its investment portfolio.

Financial Position

The company's total assets were $2,066.1 million at June 30, 2012 and consist primarily of its $1,892.0 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 $33.65 at June 30, 2012 which resulted in a $320.0 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 property, renewable power, infrastructure and private investment products and services with approximately $150 billion of assets under management and is co-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.

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 of $75.7 (December 31, 2011 – $62.7 million) as at June 30, 2012. This investment is classified as an available-for-sale financial instrument and accordingly changes in the market value are recorded through 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 the Brookfield New Horizons Income Fund, a publicly listed fund that owns an economic interest in a similar portfolio. The market value of the investment was equal to $60.7 million as at June 30, 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 as well as a small increase to the future tax rate.

Liquidity and Capital Resources

The company holds cash and equivalents totalling $36.0 million and marketable securities of $136.4 million as at June 30, 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:

thousands, except shares outstanding		Latest Redemption Date	**Jun. 30, 2012**	Mar. 31, 2012	Dec. 31, 2011
2,057,200	4.95% Class AA, Series I	March 25, 2016	**$ 51,430**	$ 51,430	$ 51,430
7,636,800	4.35% Class AA, Series III	January 10, 2019	**190,920**	190,920	190,920
5,000,000	7.25% Class AA, Series IV	July 9, 2014	**125,000**	125,000	125,000
5,000,000	4.85% Class AA, Series V	December 10, 2017	**125,000**	125,000	125,000
			492,350	492,350	492,350
Deferred financing costs[1]			**(4,921)**	(5,277)	(5,632)
			$ 487,429	$ 487,073	$486,718

Notes:

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

Shareholders' equity

As at June 30, 2012 shareholders' equity consisted of 74,206,510 voting and non-voting common shares and had a book value of $1,400.9 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 $33.65 at June 30, 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:

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 the 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.

Holders 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[1]	$ 51,430	$ —	$ —	$ 51,430	$ —
Class AA, Series III[2]	190,920	—	—	—	190,920
Class AA, Series IV[3]	125,000	—	125,000	—	—
Class AA, Series V[4]	125,000	—	—	—	125,000
Interest expense related to:					
Retractable preferred shares					
Class AA, Series I	$ 9,764	$ 2,546	$ 5,092	$ 2,126	$ —
Class AA, Series III	55,095	8,305	16,610	16,610	13,570
Class AA, Series IV	19,314	9,063	10,251	—	—
Class AA, Series V	33,642	6,063	12,125	12,125	3,329

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 six months ended June 30, 2012 and 2011 and for the years ended December 31, 2009, 2010, 2011:

	Six months ended June 30		Years Ended December 31		
thousands, except per share amounts	**2012**	2011	2011	2010	2009[1]
Income from operations[2]	**$ 5,977**	$ 6,248	$ 11,694	$ 18,349	$ 17,616
Net income	**9,203**	1,596	2,085	13,127	18,568
Net income per common share	**0.12**	0.02	0.03	0.17	0.23
Total assets	**2,066,085**	1,935,505	1,722,646	2,076,347	1,391,344
Total long-term liabilities	**665,090**	653,307	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:

	2012		2011				2010	
thousands, except per share amounts	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Income from operations[1]	**$ 3,328**	$ 2,649	$ 2,919	$ 2,527	$ 4,274	$ 1,974	$ 5,766	$ 4,433
Net income (loss)	**3,658**	5,545	3,275	(2,786)	1,537	59	3,564	2,116
Net income (loss) per common share	**0.05**	0.07	0.05	(0.04)	0.02	0.00	0.04	0.03

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 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.

Related Party Transactions

Brookfield provided management and financial services to the company during 2012 and 2011 and recovered costs of $20,000 to June 30, 2012 (2011 – $17,500) in respect of those services.

The company's securities portfolio includes investments in entities managed by Brookfield including Brookfield Infrastructure Partners and the Brookfield New Horizons Income Fund (see "Other securities").

At June 30, 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 June 30, 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 President 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 June 30, 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
August 23, 2012

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

(unaudited) *thousands*	Note	**June 30, 2012**	December 31, 2011
Assets			
Cash and cash equivalents		**$ 36,032**	$ 30,904
Accounts receivable and other		**1,672**	1,245
Brookfield Asset Management Inc.	3	**1,892,013**	1,572,085
Other securities	3	**136,368**	118,412
		$ 2,066,085	$ 1,722,646
Liabilities			
Accounts payable and other		**$ 62**	$ 522
Retractable preferred shares	4	**487,429**	486,718
Deferred taxes		**177,661**	132,591
		665,152	619,831
Shareholders' Equity			
Common equity	5	**1,400,933**	1,102,815
		$ 2,066,085	$ 1,722,646

See accompanying notes to financial statements.

Consolidated Statements of Operations

(unaudited) thousands, except per share amounts	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Investment Income				
Dividends and interest	**$ 8,724**	7,938	**$ 16,974**	$ 17,402
Gain on sale of investments	**—**	1,766	**—**	859
	8,724	9,704	**16,974**	18,261
Expenses				
Operating	**122**	156	**449**	432
Retractable preferred share dividends	**6,494**	6,494	**12,988**	12,801
	6,616	6,650	**13,437**	13,233
	2,108	3,054	**3,537**	5,028
Equity accounted income	**2,295**	(1,098)	**7,447**	(1,098)
Amortization of deferred financing costs	**(356)**	(611)	**(711)**	(1,222)
Foreign currency revaluation	**—**	(60)	**—**	(1,202)
Current tax (expense) recovery	**(110)**	532	**(187)**	202
Deferred tax expense	**(279)**	(280)	**(883)**	(112)
Net income	**$ 3,658**	$ 1,537	**$ 9,203**	$ 1,596
Net income per common share (Note 6)	**$ 0.05**	$ 0.02	**$ 0.12**	$ 0.02

See accompanying notes to financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited) thousands	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Net income	**$ 3,658**	$ 1,537	**$ 9,203**	$ 1,596
Unrealized gain (loss) on available-for-sale securities	**129,492**	35,942	**332,877**	(59,143)
Deferred income taxes	**(22,733)**	(1,047)	**(43,962)**	15,103
Other comprehensive income (loss)	**106,759**	34,895	**288,915**	(44,040)
Comprehensive income (loss)	**$ 110,417**	$ 36,432	**$ 298,118**	$ (42,444)

See accompanying notes to financial statements.

Consolidated Statements of Changes in Equity

(unaudited) *For the three months ended June 30, 2012* *(thousands)*	Note	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of period		$ 79,450	$ 1,203,200	$ 7,866	$1,290,516
Net income		—	—	3,658	3,658
Other comprehensive income		—	106,759	—	106,759
Balance, end of period	5	$ 79,450	$ 1,309,959	$ 11,524	$1,400,933

(unaudited) *For the six months ended June 30, 2012* *(thousands)*	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		—	—	9,203	9,203
Other comprehensive income		—	288,915	—	288,915
Shares purchased for cancellation		—	—	—	—
Balance, end of period	5	$ 79,450	$ 1,309,959	$ 11,524	$ 1,400,933

See accompanying notes to financial statements.

(unaudited) *For the three months ended June 30, 2011* *(thousands)*	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of period	$ 84,803	$ 1,165,634	$ 78,997	$ 1,329,434
Net income	—	—	1,537	1,537
Other comprehensive income	—	34,895	—	34,895
Shares purchased for cancellation	(2,739)	—	(81,250)	(83,989)
	$ 82,064	$ 1,200,529	$ (716)	$ 1,281,877

(unaudited) *For the six months ended June 30, 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	—	—	1,596	1,596
Other comprehensive loss	—	(44,040)	—	(44,040)
Shares purchased for cancellation	(2,739)	—	(81,251)	(83,990)
	$ 82,064	$ 1,200,529	$ (716)	$ 1,281,877

See accompanying notes to financial statements.

Consolidated Statements of Cash Flows

(unaudited) *thousands*	Three months ended June 30 **2012**	 2011	Six months ended June 30 **2012**	 2011
Cash flow from operating activities				
Net income	**$ 3,424**	$ 1,537	**$ 8,969**	$ 1,596
Add (deduct) non-cash items:				
Foreign currency revaluation	**—**	60	**—**	1,202
Gain on sale of securities	**—**	(1,766)	**—**	(859)
Non-cash portion of equity accounted income	**(1,075)**	2,318	**(5,007)**	2,318
Amortization of deferred financing costs	**356**	611	**711**	1,222
Deferred tax expense	**279**	280	**883**	112
	2,984	3,040	**5,556**	5,591
Changes in working capital	**(178)**	(2,159)	**(428)**	(252)
	2,806	881	**5,128**	5,339
Cash flow used in investing activities				
Sale of investments	**—**	58,352	**—**	63,791
Purchase of Brookfield Asset Management Inc. Class A Shares	**—**	—	**—**	(24,966)
Purchase of other securities	**—**	(61,000)	**—**	(68,996)
	—	(2,648)	**—**	(30,171)
Cash flow used in financing activities				
Common shares repurchased	**—**	(83,989)	**—**	(83,990)
	—	(83,989)	**—**	(83,990)
Cash and cash equivalents				
Increase (decrease) during the period	**2,806**	(85,756)	**5,128**	(108,822)
Balance, beginning of period	**33,226**	109,882	**30,904**	132,948
Balance, end of period	**$ 36,032**	$ 24,126	**$ 36,032**	$ 24,126

See accompanying notes to financial statements.

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"). Certain prior amounts have been reclassified to conform to the current preiod's presentaion. 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 August [23], 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			
thousands	**Jun. 30, 2012**	Dec. 31, 2011	**Jun. 30, 2012**	Dec. 31, 2011
Brookfield Asset Management Inc.	**56,226**	56,226	**$1,892,013**	$1,572,085
Other securities			**136,368**	118,412
			$2,028,381	$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%).

Other securities consists of 2.2 million Partnership Units of Brookfield Infrastructure Partners and 6.1 million units of Brookfield New Horizons Income 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 the Brookfield New Horizons Income Fund is accounted for using the equity method, and had a carrying amount of $60.1 million at June 30, 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:

thousands, except shares outstanding	Issued and Outstanding **Jun. 30, 2012**	Dec. 31, 2011	**Jun. 30, 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[1]			**(4,921)**	(5,632)
			$ 487,429	$ 486,718

1 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

thousands	Number Outstanding **Jun. 30, 2012**	Dec. 31, 2011	Book Value **Jun. 30, 2012**	Dec. 31, 2011
Common shares, voting and non-voting	**74,207**	74,207	**$ 79,450**	$ 79,450
Accumulated other comprehensive income			**1,309,959**	1,021,044
Retained earnings			**11,524**	2,321
			$ 1,400,933	$ 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 June 30, 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 June 30, 2012 (2011 – $29.0 million).

(ii) Supplemental Cash Flow Information

(thousands)	Three months ended June 30 **2012**	2011	Six months ended June 30 **2012**	2011
Cash interest and dividends received	**$ 9,944**	7,938	**$ 19,414**	$ 17,402
Retractable preferred share dividends paid	**(6,494)**	(6,494)	**(12,988)**	(12,801)
Income taxes paid	**(155)**	(18)	**(495)**	(18)

Corporate Information

Directors

Edward C. Kress
Corporate Director

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

R. Frank Lewarne [1, 2]
Corporate Director

Frank N.C. Lochan [1, 2]
Corporate Director

Ralph J. Zarboni [1, 2]
Chairman and Chief Executive Officer
The EM Group Inc.

[1] *Member of the Audit Committee*
[2] *Member of the Governance Committee*

Officers

Frank N.C. Lochan
Chairman

Edward C. Kress
President

Allen G. Taylor
Vice President, Finance

Loretta M. Corso
Corporate Secretary

Corporate Office

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Exchange Listing

TSX Venture Exchange

Stock Symbol: BNB

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