

Management's Report on Fund Performance

The following is an interim report on BNN Split Corp.'s (the "company") performance and contains financial highlights but does not contain either interim or annual period financial statements of the company. This interim report should be read in conjunction with the restated financial statements and notes thereto for the period ended September 30, 2005.

You can get a copy of the annual financial statements at your request and at no cost by calling (416) 363-9491, by writing to us at 181 Bay Street, BCE Place, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3 or by visiting SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the company's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure when that information becomes available.

INVESTMENT OBJECTIVE AND STRATEGIES

The company commenced operations on September 5, 2001 with the objective of investing in Class A Limited Voting shares of Brookfield Asset Management Inc. ("Brookfield", formerly Brascan Corporation) in order to generate fixed preferential cumulative quarterly dividends for the holders of the company's preferred shares and to enable the holders of the company's Capital shares to participate in any capital appreciation in the Brookfield shares.

RISK

The following are risk factors relating to an investment in the company:

Interest Rate Fluctuations

The market value of a unit may, at any given time, be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the value of a unit.

Fluctuations in Value of Brookfield Asset Management Shares ("BAM shares")

The value of a unit will vary according to the value of the BAM shares. The value of the investment may be influenced by factors not within the control of the company, including the financial performance of the BAM shares which may result in a decline in value of the investment portfolio and/or in dividend income from the investment, interest rates and other financial market conditions.

RESULTS OF OPERATIONS

As at March 31, 2006, the Net Asset Value per unit was \$118.86 as compared to \$85.66 as at March 31, 2005, representing an increase of 39% reflecting appreciation in the market value of the BAM shares. Net asset value is calculated by the differential between total assets and total liabilities.

The company generated income available for distribution for the six months ended March 31, 2006 of \$6.0 million, a decrease from \$6.2 million for the same period in the prior year.

During the year, the company paid dividends of \$5.9 million and \$0.1 million to preferred and capital shareholders respectively, compared to \$5.9 million and \$0.4 million for the same period in the prior year.

Total assets at March 31, 2006 were \$1,134.9 million, compared to \$817.9 million at the same date in 2005. The increase in assets reflects an increase in unrealized gains within the portfolio of \$179.0 million. The fair value of the company's investment portfolio at March 31, 2006 was \$1,134.8 million (2005 – \$806.8 million).

There were no redemptions or retractions of preferred shares during the period ended March 31, 2006, with the balance remaining consistent with the prior year at \$238.7 million. Shareholders' equity increased to \$896.2 million in 2006 from \$579.1 million in 2005 due primarily to unrealized gains on the Brookfield shares.

RECENT DEVELOPMENTS

On April 4, 2006, Brookfield announced a three-for-two stock split of its outstanding Class A Limited Voting shares. The split was implemented by way of a stock dividend whereby shareholders, including BNN Split, received one-half of a Brookfield share for each share held. As a result, the company now holds 26,481,300 Class A Limited Voting shares of Brookfield. In addition, Brookfield increased its quarterly dividend on a post-split basis from US\$0.11 per share to US\$0.16 per share, commencing with the May 31, 2006 dividend. The increase will result in approximately an additional \$6 million of investment income available to BNN Split on an annualized basis.

RELATED PARTY TRANSACTIONS

The company's operations are managed by Brookfield which is entitled to a fee of up to 10% of ordinary expenses of the company. For the period ended March 31, 2006, Brookfield charged a fee of nil (2005 – \$5,000).

FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the company and is intended to facilitate understanding of the company's financial performance since inception and is presented in accordance with NI-81-106. This information is derived from the company's interim financial statements.

	Period ended March 31, 2006	For the years ended September 30			
		2005	2004	2003	2002 ¹
Net asset value per unit, beginning of year	\$ 100.11	\$ 70.72	\$ 65.76	\$ 61.03	\$ —
Increase (decrease) from operations:					
Share issuance proceeds	—	—	15.38	—	49.79
Share issuance costs	—	—	(0.41)	—	(0.90)
Net asset value dilution ²	—	—	(41.90)	—	—
Total revenue	0.64	1.33	1.54	1.95	1.92
Total expenses	(0.01)	(0.02)	(0.05)	(0.03)	(0.06)
Unrealized gains for the year	18.75	29.39	32.01	4.67	12.07
Total increase from operations ³	19.38	30.70	6.57	6.59	62.82
Distributions:					
From interest and dividends	(0.63)	(1.31)	(1.61)	(1.86)	(1.79)
Total annual distributions	(0.63)	(1.31)	(1.61)	(1.86)	(1.79)
Net asset value per unit, end of year	\$ 118.86	\$ 100.11	\$ 70.72	\$ 65.76	\$ 61.03

¹ The company commenced operations on September 5, 2001.

² Dilution occurred as a result of the issuance of capital shares for nominal consideration following the issuance of preferred shares during 2004 so that the number of capital shares issued and outstanding was equal to the number of preferred shares issued and outstanding as required by the articles of the company. There was no dilution to holders of existing preferred shares.

³ Net asset value and distributions are based on the actual units outstanding over the period. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

<i>thousands, except per share amounts</i>	As at March 31, 2006	As at September 30			
		2005	2004	2003	2002 ¹
Total assets	\$ 1,134,858	\$ 955,921	\$ 675,250	\$ 328,813	\$ 305,189
Net asset value	896,158	717,145	436,495	203,793	180,169
Number of units outstanding	9,548	9,548	9,548	5,000	5,000
Management expense ratio (excluding dividends on preferred shares and issue costs)	—%	—%	0.1%	0.1%	0.2%
Management expense ratio (including dividends on preferred shares and issue costs)	0.67%	1.7%	3.0%	3.9%	4.8%
Portfolio turnover rate	N/A	N/A	N/A	N/A	N/A
Redemption price of preferred shares Class A ²	\$ 26.25	\$ 26.25	\$ 26.50	\$ 26.50	\$ 26.50
Redemption price of preferred shares Class AA ³	N/A	N/A	N/A	N/A	N/A

¹ The company commenced operations on September 5, 2001.

² The company amended the mandatory redemption date and redemption price on August 21, 2003.

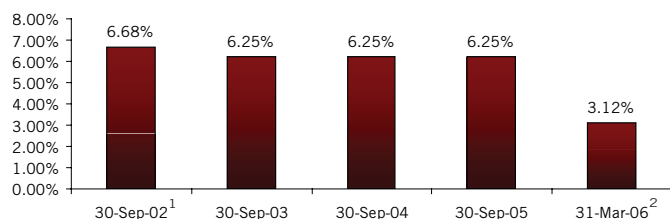
³ Redemption period commences on March 25, 2009.

PAST PERFORMANCE

Year by Year Returns

The following charts show the company's annual performance of its Class A and Class AA preferred shares since their issuance indicating, in percentage terms, that an investment made in the Class A and Class AA preferred shares at issuance would yield 3.12% and 2.47%, respectively, assuming the shares are sold at redemption price. Past performance is not an indication of how the shares will perform in the future.

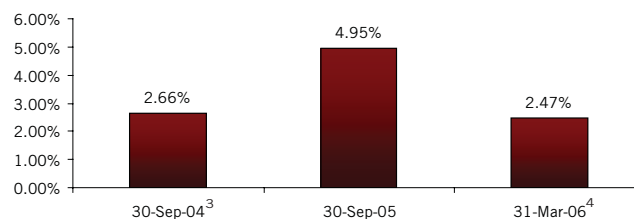
Annual Performance - Class A Preferred shares



¹ Reflects the period September 5, 2001 to September 30, 2002.

² Reflects the period October 1, 2005 to March 31, 2006.

Annual Performance - Class AA Preferred shares



³ Reflects the period March 18, 2004 to September 30, 2004.

⁴ Reflects the period October 1, 2005 to March 31, 2006.

Investment Portfolio

The investment in the Brookfield shares, the associated costs and the fair values as at March 31, 2006 and 2005 are as follows:

	Number of Shares ¹		Cost		Fair Value	
	March 31, 2006	Sept. 30, 2005	March 31, 2006	Sept. 30, 2005	March 31, 2006	Sept. 30, 2005
<i>thousands</i>						
Brookfield Class A Limited Voting share	26,481,300	17,654	\$ 354,829	\$ 354,829	\$ 1,134,811	\$ 955,798

¹ Reflects share split of Brookfield shares on April 4, 2006.

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.

On behalf of the Board of Directors,

"signed"

Sachin G. Shah
 Chief Financial Officer
 May 10, 2006

Forward-Looking Statements

This interim report contains forward-looking statements concerning the company's business and operations. The company cautions that, by their nature, forward-looking statements involve risk and uncertainty and the company's actual results could differ materially from those expressed or implied in such statements. Reference should be made to the company's most recent Annual Information Form for a description of the major risk factors.

Statements of Net Assets

(Restated – Note 2)

(unaudited)

March 31 September 30
2006 2005

thousands, except per share amounts

Assets

Cash and equivalents	\$ 22	\$ 102
Investment portfolio, at fair market value	1,134,811	955,798
Accounts receivable	25	21
	1,134,858	955,921

Liabilities

Accounts payable	—	76
Preferred shares (Class A and AA)	238,700	238,700
Total liabilities	238,700	238,776

Net asset value	896,158	717,145
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Shareholders' equity

Capital shares	123,950	123,950
Retained earnings	772,208	593,195
	\$ 896,158	\$ 717,145

Number of units outstandings	9,548	9,548
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Net asset value per capital share	\$ 93.86	\$ 75.11
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Redemption price per preferred share	25.00	25.00
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Net asset value per unit <i>(Note 4)</i>	\$ 118.86	\$ 100.11
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On behalf of the Board,

“signed”

Bruce K. Robertson
Director

“signed”

Sachin G. Shah
Director

Statements of Investment Operations

Six months ended March 31 <i>(unaudited)</i> <i>thousands</i>	<i>(Restated – Note 2)</i>	
	2006	2005
Income		
Dividend income	\$ 6,135	\$ 6,263
Interest income	5	100
	6,140	6,363
Expenses		
Administrative fees	4	43
Directors' fees	15	12
Legal and audit fees	—	10
Transfer agent fees	9	9
Rating fees	5	5
Custodial fees	5	5
Listing fees	68	25
Management fee	—	5
Cash taxes	24	—
Other	4	10
	135	124
Income available for distribution	6,006	6,239
Dividends paid on preferred shares	(5,886)	(5,886)
Income available for distribution on Capital and Class A shares	120	353
Dividends paid on capital shares	(120)	(353)
	—	—
Change in unrealized appreciation of investment	179,013	142,650
Results of investment operations	593,195	142,650
Opening deficit as previously reported	(7,774)	(7,774)
Impact of change in accounting policy – 2004 any prior years <i>(Note 2)</i>	320,319	320,319
Impact of change in accounting policy – 2005 <i>(Note 2)</i>	280,650	—
Restated opening retained earnings	593,195	312,545
Results of investment operations	179,013	142,650
Retained earnings, end of year	\$ 772,208	\$ 455,195

Statements of Changes in Net Assets

Six months ended March 31 <i>(unaudited)</i> <i>thousands</i>	<i>(Restated – Note 2)</i>	
	2006	2005
Capital transactions		
Dividends paid on capital shares	\$ (120)	\$ (353)
Investment transactions		
Change in unrealized appreciation of investment portfolio	179,013	142,650
Income transactions		
Income available for distribution	6,006	6,239
Dividends paid on preferred shares	(5,886)	(5,886)
	120	353
Change in net asset value during the year	179,013	142,650
Net asset value, beginning of year	717,145	436,495
Net asset value, end of year	\$ 896,158	\$ 579,145

Consolidated Statements of Cash Flows

Six months ended March 31 <i>(unaudited)</i> <i>thousands</i>	<i>(Restated – Note 2)</i>	
	2006	2005
Cash flow from operating activities		
Income available for distribution	\$ 6,006	\$ 6,239
Net change in non-cash working capital	(80)	5
	5,926	6,244
Cash flow used in financing activities		
Dividends paid on:		
Preferred shares	(5,886)	(5,886)
Capital shares	(120)	(353)
	(6,006)	(6,239)
Increase (decrease) in cash and equivalents	(80)	5
Cash and equivalents balance, beginning of period	102	11,102
Cash and equivalents balance, end of period	\$ 22	\$ 11,107

Notes to the Financial Statements

1. Basis of Presentation

The company is an investment company holding a portfolio of securities consisting of Class A Limited Voting shares of Brookfield Asset Management Inc. ("Brookfield"). The company was incorporated under the laws of the Province of Ontario on July 12, 2001.

2. Restatement of Previously Issued Interim Financial Statements and Investment Portfolio

The company is required to file its interim financial statements in accordance with National Instrument 81-106 ("NI 81-106") and Accounting Guideline 18 as it qualifies as an investment fund and it is a reporting issuer. NI 81-106 was introduced in 2005 and was applicable for interim financial statements and interim management reports of fund performance ending on or after June 30, 2005. Accounting Guideline 18 was applicable for fiscal years beginning on or after July 1, 2005. As a result, the company refiled its previously filed interim financial statements in accordance with the new requirements.

The impact of the restatement was an increase to assets and shareholders' equity of \$780.0 million to reflect the increment of the fair value of the investment portfolio over cost as a result of carrying the portfolio at fair value, compared to \$452.0 million at the same date in 2005. The increment in fair value relating to 2004 and prior years was \$83.7 million. In addition, both the current and prior year's results of investment operations increased from their previously stated amounts by \$179.0 million and \$142.7 million respectively, reflecting the incremental fair value adjustments associated with the investment portfolio in those years. The incremental fair value adjustment has been shown as a change in unrealized appreciation of investment in the Statements of Investment Operations. A Statement of Changes in Net Assets has been provided in accordance with the new requirement.

3. Securities

The company accounts for its investment in Brookfield at fair market value, which is the last traded price on a recognized exchange, with any adjustments required being recorded as an unrealized appreciation (depreciation) on the statements of investment operations.

4. Share Capital

The authorized share capital of the company consists of an unlimited number of preferred shares, capital shares and common shares.

As at March 31, 2006, the following preferred shares were issued and outstanding and have been included in liabilities:

	March 31, 2006
5,000,000 6.25% Class A	\$ 125,000,000
3,200,000 4.95% Class AA Series I	80,000,000
1,348,000 Class AA Series II	33,700,000
	<u>\$ 238,700,000</u>

The issued and outstanding share capital consists of:

	March 31, 2006
9,548,000 Capital shares	\$ 123,950,000
100 Class A Voting shares	100
	<u>\$ 123,950,100</u>

Enquiries

Enquiries relating to the operations of the company should be directed to the company's Head Office:

BNN Split Corp.

Suite 300, P.O. Box 770
BCE Place, 181 Bay Street
Toronto, Ontario M5J 2T3

Telephone: (416) 363-9491

Facsimile: (416) 363-2856

Website: www.bnnsplit.com

Enquiries relating to dividends, address changes and share certificates should be directed to the company's 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 throughout North America)

Facsimile: (416) 643-5501

Website: www.cibcmellon.com

E-mail: inquiries@cibcmellon.com