BAM INVESTMENTS CORP.

2008 Annual Report

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Forward-Looking Information

This annual report contains forward-looking information concerning the company's business and operations. The words "expects", "continue", "believes", "likely", and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "will", "would", or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to recognition of dividends as income and the company's 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-GAAP Accounting Measures

This annual 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 GAAP.

Statement of Financial Position

The information in the following table has been extracted from the Consolidated Financial Statements of the company as at December 31, 2008.

As at December 31, 2008 (thousands, except per share amounts)

Assets		
Investment in Brookfield Asset Management Inc.[1]	$	1,028,343
Investment in Brookfield Infrastructure Partners [2]		30,070
Cash and equivalents		42,830
Other assets		9,851
	$	1,111,094
Liabilities		
Accounts payable and provisions	$	2,404
Retractable preferred shares[3]		369,654
Future tax liability[4]		92,709
		464,767
Shareholders' Equity		
Common equity		646,327
	$	1,111,094
Net Book Value Per Common Share[5,6]	$	8.14

Notes:

1 *The investment in Brookfield Asset Management Inc. consists of 55.5 million Class A Shares at a bid price of $18.54 per Class A Share as at December 31, 2008. This represents the total Class A Shares owned of 60.8 million less 5.3 million Class A Shares that have been set aside for settlement of exchangeable debentures issued by the company. The debentures were redeemed with exchange for the associated Class A Shares on January 30, 2009.*

2 *The investment in Brookfield Infrastructure Partners consists of 2.2 million Partnership Units at a bid price of $13.55 per Partnership Unit at December 31, 2008. This represents the total Partnership Units of 2.4 million less 0.2 million Partnership Units that have been set aside for settlement of exchangeable debentures issued by the company. The debentures were redeemed with exchange for the associated Partnership Units on January 30, 2009.*

3 *Represents $373 million retractable preferred shares gross of $3.4 million unamortized issue costs.*

4 *The future tax liability represents the potential future income tax liability of the company recorded for accounting purposes based on the difference between the carrying values of the company's assets and liabilities and their respective tax values, as well as giving effect to estimated capital and non-capital losses as at the date of this statement.*

5 *As at December 31, 2008, there were 79,387,410 common shares of the company issued and outstanding.*

6 *Non-GAAP measure.*

Overview

BAM Investments Corp., (the "company") is a leveraged investment company whose principal investment is a direct and indirect net interest in 55.5 million Class A Limited Voting Shares ("Class A Shares") of Brookfield Asset Management Inc. ("Brookfield"). The company also has a net ownership interest in 2.2 million Limited Partnership Units ("Partnership Units") of Brookfield Infrastructure Partners ("Brookfield Infrastructure") which it received in January 2008 by way of a special dividend from 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 Class A Shares and Partnership Units is dedicated to paying interest and dividends on its financing obligations.

The company's investment in Brookfield is owned directly and through BAM Split Corp. ("BAM Split"), a public subsidiary in which BAM Investments owns 100% of the common equity. BAM Split has issued $373 million of publicly listed retractable preferred shares.

Additional information on the company's and BAM Split, including the company's annual information form, is available on SEDAR's web site at *www.sedar.com*.

Results of Operations

The following table reconciles the company's net income before income taxes to the net income for common shareholders.

thousands, except per share amount	**2008**	2007	Variance
Net income before taxes	**$ 20,795**	$ 5,786	$ 15,009
Future tax recovery	**2,741**	1,759	982
Net income	**23,536**	7,545	15,991
Preferred share dividends	**—**	(213)	213
Net income for common shareholders*	**$ 23,536**	$ 7,332	$ 16,204
Weighted average common shares outstanding	**79,413**	79,419	
Net income per common share	**$ 0.30**	$ 0.09	$ 0.21

* *Non-GAAP measures*

Overview

Investment income increased by $15.6 million due to a pre-tax gain of $10.6 million (2007 - $nil) on the repurchase of preferred share obligations, increased dividends received from Brookfield, as well as distributions on the Brookfield Infrastructure Units, leading to a $15.0 million increase in net income before tax.

Net income after tax reflected a recovery during 2008 of $2.7 million compared to a recovery of $1.8 million in 2007. The increase was a result of a higher amount of non-taxable dividend income received partially offset by the de-recognition of refundable taxes and a taxable gain on the repurchase of preferred share obligations.

Investment Income

For the years ended December 31, ($thousands)	**2008**	2007
Distributions:		
Brookfield	**$ 32,780**	$ 30,013
Brookfield Infrastructure	**2,350**	—
Gain on repurchase of preferred shares	**10,604**	—
Interest and other	**2,276**	2,391
	$ 48,010	$ 32,404

The company received dividend income of $32.8 million (2007 - $30.0 million) from its investment in Brookfield, $2.4 million (2007 - $nil) from its investment in Brookfield Infrastructure and $2.3 million (2007 - $2.4 million) in interest earned from cash and equivalent balances and other investment income during the year. The increase in dividend income reflects an increase in the dividend paid by Brookfield and dividends received on the 2.4 million Partnership Units which were received in January 2008 by way of a special dividend from Brookfield. The company recognizes dividends as income on the ex-dividend date. Brookfield and Brookfield Infrastructure declare dividends in U.S. dollars, and as a result the Canadian dollar equivalent recorded by the company is impacted by changes in the foreign exchange rate between the U.S. and Canadian dollar.

In addition, the company acquired $19.3 million preferred share obligations at a discount to their stated value and recorded a gain of $10.6 million.

Expenses

Interest expense of $4.6 million represents carrying charges on the exchangeable debentures issued January 10, 2007, consistent with the previous year of $4.5 million. The amortization of deferred financing costs associated with preferred shares issued by BAM Split resulted in a charge against income of $1.7 million (2007 – $1.7 million).

Financial Position

The company's total assets decreased to $1,212.3 million at December 31, 2008 compared with $2,214.6 million at December 31, 2007. The decrease in total assets is primarily a result of a decrease in the fair value of the Brookfield Class A Shares from $35.45 to $18.54 per share at December 31, 2007 and 2008 respectively.

Investment in Brookfield Asset Management Inc.

The investment in Brookfield at December 31, 2008 consists of 60.8 million Class A Shares, representing a 9.8% (2007 – 10.0%) fully diluted equity interest. The quoted market value based on the bid price of this investment as at December 31, 2008 was $18.54 per share or $1,126.7 million. The company has pledged 5.3 million Class A Shares in respect of exchangeable debentures and classified these shares as held-for-trading. Accordingly, changes in the market value are recognized in Net Income.

The company classified the remaining 55.5 million Class A Shares as available-for-sale financial instruments, and recognizes changes in the market value through Other Comprehensive Income.

Brookfield is a global asset manager focused on property, power and other infrastructure assets with approximately US$80 billion of assets under management and is inter-listed on the New York, Toronto and Euronext stock exchanges. Further information on Brookfield can be found on Brookfield's web site at *www.brookfield.com*.

Investment in Brookfield Infrastructure Partners

Through a special dividend from Brookfield on January 31, 2008, the company received 2.4 million Partnership Units. The special dividend was recorded as a return of capital for the purpose of preparing the consolidated financial statements. The quoted market value based on the bid price of this investment as at December 31, 2008 was $13.55 per share or $33.0 million. The company has pledged 0.2 million Partnership Units in respect of exchangeable debentures issued in January 2007 and classified these Partnership Units as held-for-trading. Accordingly, changes in the market value are recognized in Net Income.

The company classified the remaining 2.2 million Partnership Units as available-for-sale financial instruments and recognizes changes in the market value through Other Comprehensive Income

Brookfield Infrastructure was established by Brookfield as its primary vehicle to own and operate certain infrastructure assets on a global basis. Units of Brookfield Infrastructure trade on the NYSE under the symbol BIP. Further information on Brookfield Infrastructure can be found on the Brookfield Infrastructure's web site at *www.brookfieldinfrastructure.com*.

Future income taxes

The future tax liability represents the potential tax liability based on the excess of the carrying value of net assets over the respective tax values, less available loss carry forwards. The liability decreased during the year due primarily to the decrease in the fair value of the company's investment portfolio.

Liquidity and Capital Resources

The company holds cash and equivalents totalling $42.8 million as at December 31, 2008. The company does not have any additional maturing debt or scheduled Preferred Share redemptions prior to 2010. The operating cash requirements for 2008 include interest and dividend payments on the $193.2 million exchangeable debentures and $373 million preferred shares issued by BAM Split Corp. The company believes it has sufficient liquid assets, operating cash flow and financing alternatives to meet its obligations.

Long-Term Exchangeable Debentures

In January 2007 the company issued debentures that are exchangeable into 5.3 million Class A Shares and 0.2 million Partnership Units for proceeds of $193.2 million. The debentures are carried at fair value and changes in fair values are recorded in Net Income during the period in which the change occurs, along with the corresponding changes in value of the pledged 5.3 million Class A Shares and 0.2 million Partnership Units. The company pays interest that is equivalent to dividends paid on the Class A Shares and Partnership Units plus a specified amount. The debentures are secured by 5.3 million Class A Shares and 0.2 million Partnership Units.

On January 30, 2009, the company redeemed all of the issued exchangeable debentures. The redemption price was satisfied entirely by the delivery of the pledged 5.3 million Class A Shares and 0.2 million Partnership Units.

Retractable Preferred Shares

Retractable preferred shares issued by BAM Split include Class A Preferred Shares ("Class A") and Class AA Preferred Shares ("Class AA") Series I and III which are comprised of the following:

As at December 31 ($thousands)		Latest Redemption Date	**2008**	2007
4,970,650	6.25% Class A[1]	September 30, 2010	**$ 124,266**	$ 125,000
2,313,700	4.95% Class AA Series I[1]	March 25, 2016	**57,843**	79,800
7,637,400	4.35% Class AA Series III[1]	January 10, 2019	**190,935**	197,857
			373,044	402,657
Less:	Unamortized issue costs[2]		**(3,390)**	(5,071)
			$ 369,654	$ 397,586

[1] *The company acquired 29,350 Class A, 877,100 Class AA, Series I and 362,600 and Class AA, Series III BAM Split Preferred Shares.*

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

Shareholders' equity

As at December 31, 2008, shareholders' equity consists of 79,387,410 common shares and has a book value of $0.6 billion compared to $1.4 billion at the end of 2007. The change in shareholders' equity is due primarily to a decrease in the fair value of the company's investment in Brookfield. The company repurchased 31,500 common shares during 2008. A further 2,700 common shares have been purchased up to and including March 12, 2009.

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 Partnership Units. The value of the Class A shares and Partnership Units may be influenced by factors not within the control of the company, including the financial performance of Brookfield and Brookfield Infrastructure, 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 and Partnership Units. A material adverse change in the business, financial conditions or results of operations of Brookfield and Brookfield Infrastructure will have a material adverse effect on the common shares of the company. In addition, the company may incur additional financial leverage in order to acquire, directly or indirectly, additional securities issued by Brookfield, which would increase both the financial leverage of the company and the dependency of the future value of the common shares on the value of the Class A Shares.

Foreign Currency Exposure

Brookfield and Brookfield Infrastructure reports its results in United States dollars. Accordingly, the value of the Class A Shares and Partnership Units may vary from time to time with fluctuations in the exchange rate between Canadian and United States dollars. Also, Brookfield and Brookfield Infrastructure declare dividends in United States dollars. Weakening of the Canadian dollar relative to the United States dollar could increase 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. The company retired the exchangeable debentures on January 30, 2009 through the delivery of 5.3 million Class A shares of Brookfield and 0.2 million Units of Brookfield Infrastructure and, accordingly, is no longer obligated to pay interest.

The company's retractable preferred shares are required to be redeemed on the dates set forth in the table on page 4, however holders have the right to require early redemption. In the case of the Class A preferred shares and the Class AA Series I the retraction price is to be paid in cash typically representing a discount to the redemption value. The company has the right to issue debentures due 2019 to settle retractions of the Class AA Series III preferred shares.

The company maintains financial assets and credit facilities to fund liquidity requirements in the normal course, in addition to its investment in Brookfield and Brookfield Infrastructure. The company's policy is to hold the Class A Shares and Partnership Units 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 and Partnership Units may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Class A Shares and Units may be sold. Accordingly, if and when the company is required to sell Class A Shares and Partnership Units, the liquidity of such shares/units may be limited. This could affect the time it takes to sell the Class A Shares and Partnership Units and the price obtained by the company for the Class A Shares and Partnership Units sold.

No Ownership Interest

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

Contractual Obligations

The company's contractual obligations are as follows:

$thousands	Payment due by period Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term Exchangeable Debentures[1]	$ 193,239	$ 193,239	$ —	$ —	$ —
Retractable Preferred Shares[2]					
Class A[3]	124,266	—	124,266	—	—
Class AA, Series I[3]	57,843	—	—	—	57,843
Class AA, Series III[4]	190,935	—	—	—	190,935
Interest expense related to:					
Long-term Exchangeable Debentures[1]	$ 482	$ 482	$ —	$ —	$ —
Retractable Preferred Shares					
Class A	13,592	7,767	5,825	—	—
Class AA, Series I	21,030	2,863	8,591	5,726	3,850
Class AA, Series III	87,000	8,306	24,917	16,611	37,166

[1] *Redeemed on January 30, 2009.*

[2] *The company acquired 29,350 Class A, 877,100; Class AA, Series I and 362,600; and Class AA, Series III BAM Split Preferred Shares.*

[3] *Consideration to be paid in cash.*

[4] *Consideration to be paid in the form of debentures of the company due 2019.*

Summary of Financial Information

The following table summarizes selected consolidated financial information of the company for the years ended December 31, 2006 to 2008:

$thousands, except per share amounts	Years Ended December 31 **2008**	2007	2006
Investment income	**$ 48,010**	$ 32,404	$ 21,114
Net income	**23,536**	7,545	15,857
Net income per common share	**0.30**	0.09	0.13
Total assets	**1,212,290**	2,214,636	422,804
Total long term liabilities	**563,559**	822,013	205,000
Preferred share dividends paid per share			
Series II[1]	—	0.06	2.28
Series V[2]	—	4,375.00	17,500.00

[1] *Redeemed January 10, 2007*

[2] *Redeemed March 30, 2007*

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

	2008				2007			
$thousands, except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment income	**$ 21,326**	$ 9,487	$ 9,405	$ 7,792	$ 6,643	$ 8,464	$ 9,474	$ 7,823
Net income	**10,513**	2,918	2,960	7,145	1,041	1,629	1,785	3,090
Net income for common shareholders	**10,513**	2,918	2,960	7,145	1,041	1,629	1,785	2,877
Net income per common share	**0.13**	0.04	0.04	0.09	0.01	0.03	0.01	0.04

The increase in investment income over 2007 reflects dividend income from the Partnership Units which were received in January 2008 combined with an increase in Brookfield's dividend rate and a higher United States dollar relative to the Canadian dollar. Both Brookfield and Brookfield Infrastructure declare dividends in U.S. currency and accordingly, the Canadian dollar equivalent received by the company fluctuates with the changes in the currency exchange rate.

Related Party Transactions

Brookfield provided management and financial services to the company during 2008 and 2007 and recovered costs of $20,000 in 2008 (2007 – $20,000) in respect of those services. The following balances pertained to Brookfield and its controlled and significantly influenced companies as at and for the year ended December 31, 2008: cash and equivalents – $nil (2007 – $0.2 million); and investment income – $35.1 million (2007 – $30.0 million). These transactions have been recorded at their exchange values.

Significant Accounting Policies

The company is an investment holding company incorporated under the laws of Ontario with a leveraged investment in Brookfield and Brookfield Infrastructure. The Consolidated Financial Statements include the accounts of the company's wholly-owned subsidiary, BAM Split Corp.

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

The company carries its investments at fair value based on readily available bid market prices. Deferred financing costs relate to the issuance of retractable preferred shares of BAM Split and are amortized using the effective interest rate method.

In the ordinary course of business, the company carries on securities and financing transactions with Brookfield and its affiliates (see Note 13 to the Consolidated Financial Statements).

Changes in Accounting Policies

Financial Instruments-Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosures and Presentations* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards were effective on January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This standard was effective on January 1, 2008.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 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 Chief Executive Officer and the Chief Financial Officer of the company evaluated the effectiveness of the company's disclosure controls and procedures (as defined in "Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings") as at December 31, 2008 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 "Multilateral 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 GAAP. Management has evaluated whether there were changes in our internal controls over financial reporting during the quarter ended December 31, 2008 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.

Edward C. Kress
President

March 26, 2009

Management's Responsibility for Financial Statements

The accompanying financial statements and other financial information have been prepared by the company's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche, LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

Toronto Canada
March 26, 2009

Edward C. Kress
President

Auditors' Report

To the Shareholders of BAM Investments Corp.

We have audited the consolidated balance sheets of BAM Investments Corp. as at December 31, 2008 and 2007 and the consolidated statements of operations, retained earnings, comprehensive loss, accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Toronto, Canada
March 26, 2009

Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

As at December 31 ($thousands)	Note	**2008**	2007
Assets			
Cash and equivalents	4	**$ 42,830**	$ 51,179
Investment in Brookfield Asset Management Inc.	5	**1,126,650**	2,154,251
Investment in Brookfield Infrastructure Partners L.P.	5	**32,959**	—
Other assets		**9,851**	9,206
		$ 1,212,290	$ 2,214,636
Liabilities			
Accounts payable and provisions	6	**$ 2,404**	$ 2,915
Long-term exchangeable debentures	7	**101,196**	187,973
Future tax liability	11	**92,709**	236,454
Retractable preferred shares	8	**369,654**	397,586
		565,963	824,928
Shareholders' Equity			
Common equity	9	**646,327**	1,389,708
		$ 1,212,290	$ 2,214,636

On behalf of the Board

Frank N.C. Lochan
Director

Edward C. Kress
Director

Consolidated Statements of Operations

For the years ended December 31 ($thousands, except per share amounts)	Note		**2008**		2007
Investment income	10	**$**	**48,010**	$	32,404
Expenses					
Operating			**644**		1,033
Interest			**4,597**		4,458
Amortization of deferred financing costs			**1,682**		1,662
Retractable preferred share dividends			**20,292**		19,465
			27,215		26,618
Net income before income taxes			**20,795**		5,786
Future tax recovery	11		**2,741**		1,759
Net income		**$**	**23,536**	$	7,545
Net income per common share	12	**$**	**0.30**	$	0.09

Consolidated Statements of Retained Earnings

For the years ended December 31 ($thousands)	Note		**2008**		2007
Retained earnings (deficit), beginning of year		**$**	**24,503**	$	(12,393)
Transition adjustment - January 1, 2007			**—**		29,564
Net income			**23,536**		7,545
Preferred share dividends	8		**—**		(213)
Retained earnings, end of year		**$**	**48,039**	$	24,503

Consolidated Statements of Comprehensive Loss

For the years ended December 31 ($thousands)	**2008**	2007
Net income	**$ 23,536**	$ 7,545
Unrealized loss on available-for-sale securities	**(907,887)**	(113,706)
Future income taxes on available-for-sale securities	**141,004**	17,826
Other comprehensive loss	**(766,883)**	(95,880)
Comprehensive loss	**$ (743,347)**	$ (88,335)

Consolidated Statements of Accumulated Other Comprehensive Income

For the years ended December 31 ($thousands)	**2008**	2007
Balance, beginning of year	**$ 1,280,174**	$ —
Transition adjustment - January 1, 2007	**—**	1,376,054
Other comprehensive loss	**(766,883)**	(95,880)
Balance, end of year	**$ 513,291**	$ 1,280,174

Consolidated Statements of Cash Flows

For the years ended December 31 ($thousands)	2008	2007
Cash flow (used in) from operating activities		
Net income	**$ 23,536**	$ 7,545
Add (deduct) non-cash items		
Gain on repurchase of preferred shares	**(10,604)**	—
Amortization of deferred financing costs	**1,682**	1,662
Future tax recovery	**(2,741)**	(1,759)
	11,873	7,448
Changes in working capital	**(552)**	(9,954)
	11,321	(2,506)
Cash flow used in investing activities		
Purchase of Brookfield Class A Shares	**—**	(193,239)
	—	(193,239)
Cash flow from (used in) financing activities		
Common shares repurchased	**(325)**	—
Repurchase of BAM Split preferred shares	**(19,345)**	(1,793)
Preferred shares issued by a subsidiary	**—**	200,000
Exchangeable debentures issuance	**—**	193,239
Promissory note repayment	**—**	(72,367)
Preferred shares redeemed	**—**	(70,750)
Share issue costs	**—**	(5,072)
Preferred share dividends	**—**	(213)
	(19,670)	243,044
Cash and equivalents		
(Decrease) increase	**(8,349)**	47,299
Balance, beginning of year	**51,179**	3,880
Balance, end of year	**$ 42,830**	$ 51,179

Notes To The Consolidated Financial Statements

1. Business Operations

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

2. Summary of Significant Accounting Policies

Income taxes

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

Cash and equivalents

Cash and equivalents includes cash on deposit with financial institutions and demand deposits with related parties.

Investment in Brookfield and Brookfield Infrastructure

The company accounts for its investment in Brookfield and Brookfield Infrastructure Partners ("Brookfield Infrastructure") at fair value (see Note 3). Both Brookfield and Brookfield Infrastructure are publicly listed and accordingly the company is exposed to market risk, consistent with publicly held investments. The company is exposed to currency exposure of the U.S. dollar relative to the Canadian dollar as a result of Brookfield paying dividends in U.S. dollars and the functional currency of the company being the Canadian dollar.

Revenue recognition

Dividend income is recognized on the ex-dividend date.

Deferred financing costs

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

Changes in Accounting Policies

Financial Instruments-Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosures and Presentations* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards were effective on January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This standard was effective on January 1, 2008.

Future Accounting Policies

The AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company is in the process of developing and implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control, the modification of existing systems and the training and awareness of staff, in addition to other related business matters. Overall responsibility for the implementation and success of the Company's conversion plan rests with the Company's senior financial management who report to and are overseen by the Company's Audit Committee.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The company's activities are generally limited to the ownership of investments, and because of the similarities between Canadian GAAP and IFRS, management does not believe the adoption of IFRS in this regard will result in material changes to the reported financial position and results of operations of the Company. A detailed analysis of the differences between IFRS and the Company's current accounting policies under Canadian GAAP is currently in process.

3. Fair Values of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for that instrument to which the company has immediate access. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used.

Fair value of financial instruments

Financial instruments classified as available-for-sale are carried at fair value on the Consolidated Balance Sheets. Any changes in the fair values of financial instruments classified as available-for-sale are recognized in Other Comprehensive Income. The cumulative changes in the fair values of available-for-sale securities previously recognized in Accumulated Other Comprehensive Income are reclassified to Net Income when the underlying security is either sold or there is a decline in value that is considered to be other-than-temporary.

As at December 31, 2008, a cumulative pre-tax gain of $642.5 million (2007 – gain of $1,550.3 million) has been recognized for financial instruments classified as available-for-sale over the historical cost amounts.

4. Cash and Equivalents

Cash and equivalents are primarily comprised of cash on hand in addition to short-term, highly liquid investments that are readily convertible to cash. The breakdown of cash and equivalents is as follows:

As at December 31 ($thousands)	**2008**	2007
Cash	**$ 42,830**	$ 46,179
Cash equivalents	**—**	5,000
	$ 42,830	$ 51,179

5. Investments

The company's investments consist of the following:

	Number of shares			
As at December 31 ($thousands)	**2008**	2007	**2008**	2007
Brookfield	**60,767,227**	60,767,227	**$ 1,126,650**	$ 2,154,251
Brookfield Infrastructure	**2,430,688**	—	**32,959**	—
			$ 1,159,609	$ 2,154,251

The company owns 60.8 million (2007 – 60.8 million) Class A Limited Voting Shares of Brookfield ("Class A Shares") representing a 9.8% (2007 – 10%) fully diluted equity interest. The company has pledged 5.3 million of the Class A shares as security for the long-term exchangeable debentures (see Note 7) which are classified as held-for-trading. The remaining Class A shares are classified as available-for-sale.

The company received from Brookfield a special dividend of 2.4 million Partnership Units of Brookfield Infrastructure ("Partnership Units"). Out of this, 0.2 million has been pledged as security for the long-term exchangeable debentures (see Note 7) which are classified as held-for-trading. The remaining Partnership Units are classified as available-for-sale.

6. Accounts Payable and Provisions

As at December 31 ($thousands)		**2008**		2007
Accounts payable	**$**	**982**	$	1,493
Provisions		**1,422**		1,422
	$	**2,404**	$	2,915

Provisions are recorded for possible tax expenses and other financial obligations of the company.

7. Long-Term Exchangeable Debentures

On January 10, 2007, the company issued long-term debentures to a Canadian, AA- rated, Schedule I bank with a principal amount of $193.2 million that are exchangeable at the option of both the company and the holder into 5.3 million Class A Shares and 0.2 million Partnership Units. The debentures mature on January 10, 2032. The debentures pay interest based on the dividends paid by Brookfield and Brookfield Infrastructure plus a specified amount. The debentures are classified as held-for-trading and accordingly the carrying value is adjusted to reflect the market value of the underlying Class A Shares, and Partnership Units, which is calculated using the mid-market price. Changes in the risk-free interest rate do not directly impact the market value of the debentures.

In 2008, a gain of $92 million (2007 – gain of $5 million) was recorded to income as a result of the change in value of this long-term exchangeable debenture, which was offset by a $90 million loss (2007 – $5 million loss) on the 5.3 million Class A Shares and a $2.0 million loss on the 0.2 million Partnership Units pledged as security (see Note 5). The debentures were redeemed in January 30, 2009 (see Note 16)

8. Retractable Preferred Shares

As at December 31 ($thousands)	Issued and Outstanding			
	2008	2007	**2008**	2007
6.26% Class A[1]	**4,970,650**	5,000,000	**$ 124,266**	$ 125,000
4.95% Class AA, Series I[1]	**2,313,700**	3,199,000	**57,843**	79,800
4.35% Class AA Series III[1]	**7,637,400**	8,000,000	**190,935**	197,857
Deferred financing costs[2]			**(3,390)**	(5,071)
			$ 369,654	$ 397,586

[1] The company acquired 29,350 Class A, 877,100, Class AA, Series I and 362,600 Class AA, Series III BAM Split Preferred Shares.

[2] Deferred financing costs were reclassified from other assets to retractable preferred shares on January 1, 2007.

Retractable Preferred Shares issued by BAM Split include Class A and Class AA, Series I and Class AA, Series III Preferred Shares. BAM Split is authorized to issue an unlimited number of Class A Preferred Shares and Class AA Preferred Shares. On January 10, 2007 BAM Split issued 8,000,000 Class AA Preferred Shares, Series III for cash consideration of $200 million. During the year, 8,200 Class AA Series I Preferred Shares were retracted.

The Class AA Preferred shares are issuable in series and rank pari passu with existing Class A Preferred shares. The Board of Directors of BAM Split have the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series. Any new series will be issued for a price of $25.00 per share and the proceeds are to be used to finance the retraction or a redemption of outstanding Preferred Shares without necessitating the sale of Class A Shares or facilitating the acquisition of additional Class A Shares.

Holders of Class A Preferred Shares and Class AA Preferred Shares, Series I and Class AA Preferred Shares, Series III are entitled to receive cumulative quarterly dividends of $0.390625, $0.309375 and $0.271875 per share respectively, payable on the 7th day of March, June, September and December in each year.

Class A and Class AA Series I Preferred Shares may be surrendered for retraction at any time. The Class A and Class AA Series I Preferred Share Retraction Price will be paid in cash equal to the lesser of (i) 95% of Net Asset Value per Unit of BAM Split; and (ii) $25.00 less 5% of the Net Asset Value per Unit of BAM Split, in either case less $1.00.

Class AA Series III Preferred Shares may be surrendered for retraction at any time. The Class AA Series III Retraction Price will be equal to the lesser of (i) Net Asset Value per Unit of BAM Split (ii) $25.00. Retraction Consideration will be a number of Series I Debentures determined by the dividing the Retraction Price by $25.00.

The Series I Debentures will have a principal amount of $25.00 per debenture and will mature on January 10, 2019. Holders of the Series 1 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.35% per annum paid on or about the 7th day of March, June, September and December in each year. The Series I Debentures shall be redeemable by the Company at any time. The Series I debentures may not be retracted.

The "Net Asset Value per Unit" is defined as the fair value of the Portfolio shares held by BAM Split plus (minus) the amount by which the value of the other assets of BAM Split exceed (are less than) the liabilities (including any extraordinary liabilities) of BAM Split and the redemption value of the preferred shares, divided by the total number of Units outstanding. A "Unit" is considered to consist of one capital share and one Preferred share of any class or series. For greater certainty, the Class A and Class AA Series I and III Preferred Shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit. The fair values of these shares based on quoted market prices as at December 31, 2008 were $22.26 and $20.01 and $8.75 per share, respectively.

9. Shareholders' Equity

Authorized

50,000,000 preferred shares, issuable in series.
An unlimited number of common shares.

Issued and outstanding

	Number Outstanding		Book Value	
$thousands, except shares outstanding	**2008**	2007	**2008**	2007
Common shares	**79,387,410**	79,418,910	**$ 84,997**	$ 85,031
Accumulated other comprehensive income			**513,291**	1,280,174
Retained earnings			**48,039**	24,503
			$ 646,327	$ 1,389,708

The company repurchased 31,500 common shares during 2008 and none in 2007 through the facilities at the Toronto Stock Exchange under its normal course issuer bid resulting in a gain of $10.6 million recorded in net income.

10. Investment Income

$thousands	**2008**	2007
Brookfield	**$ 32,780**	$ 30,013
Brookfield Infrastructure	**2,350**	—
Gain on repurchase of preferred shares	**10,604**	—
Interest and other[1]	**2,276**	2,391
	$ 48,010	$ 32,404

[1] Interest income is earned on the company's cash and equivalents on deposit.

11. Income Taxes

$thousands		2008		2007
Statutory income tax rate		**33.50%**		33.74%
Tax payable at effective rate	**$**	**6,966**	$	1,952
Increase (reductions) in income tax expense resulting from:				
Dividends received not subject to tax		**(19,376)**		(10,126)
Dividends paid not subject to tax		**6,858**		6,567
Derecognition of tax asset		**2,374**		—
Other		**437**		(152)
Tax recovery recorded	**$**	**(2,741)**	$	(1,759)

The company has available non-capital losses of $6.7 million (2007 – $30.4 million). The non-capital losses expire in the period of 2009 to 2027. The accounting values of the company's common share investments exceed their tax bases by $391 million (2007 – $1,496 million tax excess over accounting value).

12. Net Income per Common Share

Net income per common share is calculated after deducting preferred share dividends and is based on 79,413,285 (2007 – 79,418,910) common shares, being the weighted average number outstanding during the year.

13. Related Party Transactions

Brookfield provided management and financial services to the company during 2008 and 2007 and recovered costs of $20,000 in 2008 (2007 – $20,000) in respect of those services. The following balances pertained to Brookfield and its controlled and significantly influenced companies as at and for the year ended December 31, 2008: cash and equivalents – $nil (2007 – $0.2 million); and investment income – $35.1 million (2007 – $30.0 million), primarily from the company's investment in Brookfield Class A Shares. These transactions have been recorded at their exchange values.

14. Risk Management

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.

Market Price Risk

The value of the Class A Shares, the exchangeable debentures and the Partnership Units are exposed to variability in fair value due to movements in equity prices. As a result, the fair value of the company's investment portfolio and the exchangeable debentures may vary from time to time. The company records these investments and the exchangeable debentures at market value. A $1.00 increase in the market price of Brookfield and Brookfield Infrastructure will increase the carrying values of the exchangeable debentures and the investments in Brookfield and Brookfield Infrastructure by $5.5 million, $60.8 million and $2.4 million, respectively. Changes in the value of the exchangeable debentures as well as the 5.3 million Class A Shares and 0.2 million Partnership Units that are classified as held-for-trading are recorded in Net Income and would have resulted in net income of $nil. A $ 1.00 increase in the value of the remaining 55.5 million Class A Shares and the 2.2 million Partnership Units would have resulted in other comprehensive income of $55.5 million and $2.2 million, respectively, on a pre-tax basis.

Foreign Currency Risk

Brookfield declares dividends in U.S. dollars, which are then converted to Canadian dollars for distribution to Canadian shareholders, including the company. In addition, Brookfield Infrastructure declares distributions in U.S. dollars. During the year ended December 31, 2008, a $0.01 appreciation in the U.S. dollar relative to the Canadian dollar would have increased net income by $0.3 million related to the Brookfield dividends and the Brookfield Infrastructure distributions.

Changes in the Canadian dollar relative to the U.S. dollar impacts the quoted market value of the company's investment in Brookfield Infrastructure. During the year ended December 31, 2008, a $0.01 appreciation in the U.S. dollar relative to the Canadian dollar would have increased Other Comprehensive Income by approximately $0.2 million related to the value of Brookfield Infrastructure.

Interest Rate Risk

The company's preference shares are fixed rate and the company has negligible floating rate assets or liabilities. Accordingly, changes in the interest rates do not have an impact on Net Income or Other Comprehensive Income.

Credit Risk

The company has no material counterparty risk as of December 31, 2008.

Liquidity Risk

The company's retractable preference shares and the long-term exchangeable debentures expose the company to liquidity risk to fund retractions and redemptions as well as dividend and interest obligations. The company endeavors to maintain dividend income within the subsidiary that issued the preference shares that exceeds the projected dividend obligations and expects to be able to continue to achieve this objective based on current circumstances. In addition, the pledged 5.3 million Class A Shares and 0.2 million Partnership Units generate dividend income which partially offsets the long-term exchangeable debenture interest payments. Management expects to fund any retraction obligations through a combination of ongoing cash flow, the proceeds from any new financings and proceeds from the sale of securities.

15. Capital Management

The capital base managed by the company consists of common equity with a carrying value of $646.3 million at December 31, 2008, $373.0 million of retractable fixed rate preferred shares issued by BAM Split Corp. and $193.2 million long-term debentures that are exchangeable into 5.3 million Class A Shares and 0.2 million Partnership Units. There have been no material changes in the company's capital during the year ended December 31, 2008. The company has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

16. Other Items

(i) Guarantees

In the normal course of operations, the company may execute agreements that provide for indemnifications and guarantees to third parties in transactions such as business dispositions, business acquisitions and the sale of assets. Historically, the company has not made any payments under such indemnification agreements and guarantees.

(ii) Subsequent Events

On January 30, 2009, the company redeemed all of the issued exchangeable debentures. The redemption price was satisfied entirely by the delivery of the pledged 5.3 million Class A Shares and 0.2 million Partnership Units.

Corporate Information

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Corporate Director

Howard Driman[1,2]
Director of Finance
UIA Federations Canada

Edward C. Kress
Group Chairman, Power
Brookfield Asset Management Inc.

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

R. Frank Lewarne[1,2]
Corporate Director

Frank N.C. Lochan
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

Derek E. Gorgi
Vice President, Finance

Loretta M. Corso
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Exchange Listing

Toronto Stock Exchange

Stock Symbol: BNB

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