BAM INVESTMENTS CORP.

2009 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 "objective", "expects", "continue", "believes", "likely", "principally", "future", "potential" 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 identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to the company's objective of providing capital appreciation to its holders of common shares, potential future tax liability, recognition of dividends as income, potential fluctuations in the value of the company's investments, liquidity of the company's investments, the company's plans to convert to International Financial Reporting Standards ("IFRS"), the impact of the conversion to IFRS, 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, 2009.

As at December 31, 2009 (thousands, except per share amounts)

Assets		
Investment Portfolio		
Brookfield Asset Management Inc.[1]	$	1,294,582
Brookfield Infrastructure Partners L.P.[2]		39,032
Other securities		32,247
Cash and equivalents		23,104
Other assets		2,379
	$	1,391,344
Liabilities		
Accounts payable and provisions	$	2,077
Retractable preferred shares[3]		361,577
Future tax liability[4]		133,233
		496,887
Shareholders' Equity		
Common equity		894,457
	$	1,391,344
Net Book Value Per Common Share[5,6]	$	11.28

Notes:

1 *The investment in Brookfield Asset Management Inc. consists of 55.5 million Class A Shares at a bid price of $23.34 per Class A Share as at December 31, 2009.*

2 *The investment in Brookfield Infrastructure Partners consists of 2.2 million Partnership Units at a bid price of $17.59 per Partnership Unit at December 31, 2009.*

3 *Represents $367.4 million of retractable preferred shares less $5.8 million of 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, 2009, there were 79,300,410 common shares of the company issued and outstanding.*

6 *Net Book Value per common share is a non-GAAP measure.*

Overview

BAM Investments Corp., (the "company") is a leveraged investment company the principal investment of which 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"), representing 6.99 Brookfield shares for every 10 common shares of the company. The company also has a net ownership interest in 2.2 million Limited Partnership Units ("Partnership Units") of Brookfield Infrastructure Partners ("Brookfield Infrastructure"), and holds a portfolio of other securities.

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 $367 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	**2009**	2008	Variance
Investment Income			
Dividends and interest	**$ 36,000**	$ 37,152	$ (1,152)
Gain on repurchase of preferred shares	**1,394**	10,604	(9,210)
Other	**55**	254	(199)
	37,449	48,010	(10,561)
Expenses	**(21,431)**	(22,618)	1,187
Interest	**(137)**	(4,597)	4,460
Net income before taxes	**15,881**	20,795	(4,914)
Class A Preferred Share redemption premium	**(1,200)**	—	(1,200)
Future tax recovery	**3,887**	2,741	1,146
Net income	**$ 18,568**	$ 23,536	$ (4,968)
Net income for common shareholders*	**$ 18,568**	$ 23,536	$ (4,968)

* *Net income for common shareholders is a non-GAAP measure.*

Overview

Investment income was $37.4 million compared to $48.0 million in the prior year, which included $10.9 million of gains and other items. On a more normalized basis, not including one time gains and other income, investment income was consistent with the prior year at $36.0 million and $37.2 million, respectively. Interest expense which relates to interest paid on the exchangeable debentures decreased compared to the prior year as a result of the redemption of the exchangeable debentures in January 2009.

Future tax reflected a recovery of $3.9 million during 2009 compared to a recovery of $2.7 million in 2008. The increase in current year tax recovery is the result of a lower taxable gain on repurchase of preferred share obligations.

Investment Income

For the years ended December 31 (thousands)	**2009**	2008
Dividends:		
Brookfield	**$ 32,956**	$ 32,780
Brookfield Infrastructure	**2,689**	2,350
Interest	**355**	2,022
Gain on repurchase of preferred shares	**1,394**	10,604
Gain on sale of investments	**434**	—
Foreign exchange revaluation	**(379)**	254
	$ 37,449	$ 48,010

The company received dividend income of $33.0 million (2008 – $32.8 million) from its investment in Brookfield, and $2.7 million (2008 – $2.3 million) from its investment in Brookfield Infrastructure. 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. dollar and Canadian dollar. The company recognizes dividends as income on the ex-dividend date.

The company acquired $9.2 million (2008 – $19.3 million) preferred share obligations at a discount to their stated value and recorded a gain of $1.4 million (2008 – $10.6 million) during the year.

Also included in investment income is a $0.4 million gain recorded on the disposition of non-core securities which were carried at nominal value in the financial statements.

Interest income decreased by $1.7 million to $0.4 million in 2009 as a result of lower interest rates in comparison to the prior year. Investment income also includes $0.4 million of foreign exchange losses in 2009 (2008 – $0.3 million of gains).

Expenses

The company redeemed the exchangeable debentures in the first quarter of 2009 and accordingly no longer incurs interest expense on the debentures. The comparable period in 2008 includes $4.6 million of interest expense on the exchangeable debentures.

The amortization of deferred financing costs associated with the preferred shares issued by BAM Split resulted in a charge against income of $1.7 million (2008 – $1.7 million).

The company paid an early redemption premium of $1.2 million in connection with the Class A Preferred Shares refinancing.

Financial Position

The company's total assets increased to $1,391.3 million at December 31, 2009 compared with $1,212.3 million at December 31, 2008. The increase in total assets is primarily a result of an increase in the fair value of the Brookfield Class A Shares to $23.34 from $18.54 per share at December 31, 2009 and 2008, respectively.

Investment Portfolio

Investment in Brookfield Asset Management Inc.

The investment in Brookfield at December 31, 2009 consists of 55.5 million (December 31, 2008 – 60.8 million) Class A Shares, representing a 9.7% (2008 – 9.8%) fully diluted equity interest. The quoted market value based on the bid price of this investment as at December 31, 2009 was $23.34 per share or $1,294.6 million.

The company classified the Brookfield Shares as available-for-sale financial instruments, and accordingly 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 over US$100 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

The investment in Brookfield Infrastructure at December 31, 2009 consisted of 2.2 million (December 31, 2008 – 2.4 million) Limited Partnership Units, representing a 2.1% (2008 – 6.3%) fully diluted equity interest. The quoted market value based on the bid price of this investment as at December 31, 2009 was $17.59 per share or $39.0 million.

The company has classified the Partnership Units as available-for-sale financial instruments and accordingly recognizes changes in the market value of these units 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 New York and Toronto stock exchanges. Further information on Brookfield Infrastructure can be found on Brookfield Infrastructure's web site at *www.brookfieldinfrastructure.com.*

Other Securities

The company acquired a portfolio of U.S. dollar high yield corporate bonds in December 2009 at a cost of $32.6 million. The quoted market value based on the last traded price of these bonds as at December 31, 2009 was $32.2 million.

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

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 increased during the year due primarily to the increase in the fair value of the company's investment portfolio, and due to a change in the future tax rate.

Liquidity and Capital Resources

The company holds cash and equivalents totalling $23.1 million as at December 31, 2009 ($42.8 million at December 31, 2008). The company does not have any maturing debt or mandatory preferred share redemptions prior to July, 2014. The operating cash requirements for 2010 include dividend payments on the $367 million preferred shares issued by BAM Split Corp. 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.

Long-Term Exchangeable Debentures

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

Retractable Preferred Shares

Retractable preferred shares issued by BAM Split at December 31, 2009 include Class AA Series I, III and IV which are comprised of the following:

thousands, except shares outstanding		Latest Redemption Date	**December 31, 2009**	December 31, 2008
—	6.25% Class A	—	**$ —**	$ 124,266
2,057,200	4.95% Class AA Series I	March 25, 2016	**51,430**	57,843
7,636,800	4.35% Class AA Series III	January 10, 2019	**190,920**	190,935
5,000,000	7.25% Class AA Series IV	July 9, 2014	**125,000**	—
Deferred financing costs [1]			**(5,773)**	(3,390)
			$ 361,577	$ 369,654

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

On July 9, 2009 the company issued $125.0 million Class AA Preferred Shares, Series IV and used the net proceeds to fund the redemption of the Class A Preferred Shares on July 27, 2009.

Shareholders' equity

As at December 31, 2009, shareholders' equity consists of 79,300,410 common shares and has a book value of $894.5 million compared to $646.3 million at the end of 2008. The increase is due primarily to the increase in the market value of the Class A Shares of Brookfield from $18.54 to 23.34 per share. The company repurchased 87,000 common shares during 2009. A further 26,900 common shares have been purchased up to and including March 25, 2010.

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

Foreign Currency Exposure

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

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 due 2019 and 2014 to settle retractions of the Class AA Series III and Class AA Series IV 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:

	Payment Due By Period				
thousands	Total	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	—
Interest expense related to:					
Retractable preferred shares					
Class AA, Series I	$ 15,911	$ 2,546	$ 5,092	$ 5,092	$ 3,182
Class AA, Series III	74,973	8,305	16,610	16,610	33,448
Class AA, Series IV	41,005	9,063	18,125	13,817	—

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.

Summary of Financial Information

The following table summarizes selected consolidated financial information of the company for the years ended December 31, 2007 to 2009:

	Years Ended December 31		
thousands, except per share amounts	**2009**	2008	2007
Investment income	**$ 37,449**	$ 48,010	$ 32,404
Net income	**18,568**	23,536	7,545
Net income per common share	**0.23**	0.30	0.09
Total assets	**1,391,344**	1,212,290	2,214,636
Total long term liabilities	**494,810**	563,559	822,013
Preferred share dividends paid per share			
Series II[1]	**—**	—	0.06
Series V[2]	**—**	—	4,375.00

1 Redeemed January 10, 2007

2 Redeemed March 30, 2007

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

	2009				2008			
thousands, except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment income	**$ 8,479**	$ 8,468	$ 9,034	$11,468	$21,326	$ 9,487	$ 9,405	$ 7,792
Net income (loss)	**3,193**	2,311	4,009	9,055	10,513	2,918	2,960	7,145
Net income (loss) for common shareholders	**3,193**	2,311	4,009	9,055	10,513	2,918	2,960	7,145
Net income (loss) per common share	**0.04**	0.03	0.05	0.11	0.13	0.04	0.04	0.09

The increase in investment income in the first quarter of 2009 and the fourth quarter of 2008 is a result of gains recorded on the repurchase of preferred share obligations.

Related Party Transactions

Brookfield provided management and financial services to the company during 2009 and 2008 and recovered costs of $20,000 in 2009 (2008 – $20,000) in respect of those services.

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.

Changes in Accounting Policies

Financial Instruments – Disclosure and Presentation

In June 2009, the AcSB adopted the IASB recommendations for enhancing disclosure to financial instruments. The amendments to Section 3862, *Financial Instruments – Disclosures*, provide enhanced and consistent disclosures about liquidity risk and fair value measurements. These amendments were effective for annual financial statements relating to fiscal years ending after September 30, 2009.

Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the Emerging Issues Committee issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 requires an entity to determine the fair value of all financial instruments, including derivative instruments by taking into account the credit risk of the instrument. In particular, an entity is required to factor into fair value its own credit risk in addition to the credit risk of the counterparties to the instrument. EIC-173, which was effective for the company on January 1, 2009, did not have a material impact to the company's financial statements and the related disclosures.

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 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 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, 2009 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 year ended December 31, 2009 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.

International Financial Reporting Standards

The AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company has developed and is in the process of implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control and the modification of existing systems, in addition to other related business matters. This plan remains on track and the company expects to complete its implementation of this plan prior to the filing of its first financial statement prepared under IFRS. 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.

Significant differences between IFRS and Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS will not change the cash flows generated by the company, however, the adoption of IFRS may result in 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. At this time, the company has not identified any significant differences between Canadian GAAP and IFRS.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

Edward C. Kress
President
March 25, 2010

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 25, 2010

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, 2009 and 2008 and the consolidated statements of operations, retained earnings, comprehensive income (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, 2009 and 2008 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 25, 2010

Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

As at December 31 (thousands)	Note	**2009**	2008
Assets			
Cash and equivalents		**$ 23,104**	$ 42,830
Investment Portfolio			
Brookfield Asset Management Inc.	4	**1,294,582**	1,126,650
Brookfield Infrastructure Partners L.P.	4	**39,032**	32,959
Other securities	4	**32,247**	—
Other assets		**2,379**	9,851
		$ 1,391,344	$ 1,212,290
Liabilities			
Accounts payable and provisions	5	**$ 2,077**	$ 2,404
Long-term exchangeable debentures	6	**—**	101,196
Future tax liability	10	**133,233**	92,709
Retractable preferred shares	7	**361,577**	369,654
		496,887	565,963
Shareholders' Equity			
Common equity	8	**894,457**	646,327
		$ 1,391,344	$ 1,212,290

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	**2009**	2008
Investment Income	9		
Dividends and interest		**$ 36,000**	$ 37,152
Gain on repurchase of preferred shares		**1,394**	10,604
Other		**55**	254
		37,449	48,010
Expenses			
Operating		**947**	644
Interest		**137**	4,597
Amortization of deferred financing costs		**1,735**	1,682
Retractable preferred share dividends		**18,749**	20,292
		21,568	27,215
Net income before tax and redemption premium		**15,881**	20,795
Class A Preferred Share redemption premium		**(1,200)**	—
Future tax recovery	10	**3,887**	2,741
Net income		**$ 18,568**	$ 23,536
Net income per common share	11	**$ 0.23**	$ 0.30

Consolidated Statements of Retained Earnings

For the years ended December 31 (thousands)	**2009**	2008
Retained earnings, beginning of year	**$ 47,748**	$ 24,503
Shares purchased for cancellation	**(732)**	(291)
Net income	**18,568**	23,536
Retained earnings, end of year	**$ 65,584**	$ 47,748

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31 (thousands)		**2009**		2008
Net income	**$**	**18,568**	$	23,536
Unrealized gain (loss) on available-for-sale securities		**274,798**		(907,596)
Future income taxes relating to available-for-sale securities		**(44,411)**		141,004
Other comprehensive income (loss)		**230,387**		(766,592)
Comprehensive income (loss)	**$**	**248,955**	$	(743,056)

Consolidated Statements of Accumulated Other Comprehensive Income

For the years ended December 31 (thousands)		**2009**		2008
Balance, beginning of year	**$**	**513,582**	$	1,280,174
Other comprehensive income (loss)		**230,387**		(766,592)
Balance, end of year	**$**	**743,969**	$	513,582

Consolidated Statements of Cash Flows

For the years ended December 31 (thousands)	**2009**	2008
Cash flow from (used in) operating activities		
Net income	**$ 18,568**	$ 23,536
Add (deduct) non-cash items		
Gain on repurchase of preferred shares	**(1,394)**	(10,604)
Amortization of deferred financing costs	**1,735**	1,682
Future tax recovery	**(3,887)**	(2,741)
	15,022	11,873
Changes in working capital	**7,118**	(552)
	22,140	11,321
Cash flow used in investing activities		
Purchase of investments, net of dispositions	**(32,649)**	—
	(32,649)	—
Cash flow (used in) from financing activities		
Common shares repurchased	**(825)**	(325)
Repurchase of preferred shares	**(9,231)**	(19,345)
Preferred shares redeemed	**(120,026)**	—
Preferred shares issued	**125,000**	—
Share issue costs	**(4,135)**	—
	(9,217)	(19,670)
Cash and equivalents		
Decrease during the year	**(19,726)**	(8,349)
Balance, beginning of year	**42,830**	51,179
Balance, end of year	**$ 23,104**	$ 42,830

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 Notes 3 and 4).

Revenue recognition

Dividend income is recognized on the ex-dividend date.

Deferred financing costs

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

Changes in Accounting Policies

Financial Instruments – Disclosure and Presentation

In June 2009, the AcSB adopted the IASB recommendations for enhancing disclosure to financial instruments. The amendments to Section 3862, *Financial Instruments – Disclosures*, provide enhanced and consistent disclosures about liquidity risk and fair value measurements. These amendments were effective for annual financial statements relating to fiscal years ending after September 30, 2009.

Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the Emerging Issues Committee issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 requires an entity to determine the fair value of all financial instruments, including derivative instruments by taking into account the credit risk of the instrument. In particular, an entity is required to factor into fair value its own credit risk in addition to the credit risk of the counterparties to the instrument. EIC-173, which was effective for the company on January 1, 2009, did not have a material impact to the company's financial statements and the related disclosures.

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 ask 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, 2009, a cumulative pre-tax gain of $917.3 million (2008 – $642.5 million) has been recognized for financial instruments classified as available-for-sale, over the historical cost amounts.

Financial Instrument Disclosures

In June 2009, the CICA issued amendments to its Financial Instruments Disclosure standard to expand the disclosures of financial instruments measured at fair value consistent with new disclosure requirements made under IFRS. Fair value hierarchical levels that are directly determined by the amount of subjectivity associated with the valuation of these assets and liabilities, are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the assets or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs used in determining the estimate.

The fair value of the company's investment portfolio is determined using level 1 measures.

4. Investment Portfolio

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

	Number of shares			
As at December 31 (thousands, except number of shares)	**2009**	2008	**2009**	2008
Brookfield	**55,466,227**	60,767,227	**$ 1,294,582**	$ 1,126,650
Brookfield Infrastructure	**2,218,648**	2,430,688	**39,032**	32,959
Other securities			**32,247**	—
			$ 1,365,861	$ 1,159,609

The company owns 55.5 million (2008 – 60.8 million) Class A Limited Voting Shares of Brookfield (Class A Shares") representing a 9.7% (2008 – 9.8%) fully diluted equity interest.

The company owns 2.2 million (2008 – 2.4 million) Partnership Units of Brookfield Infrastructure ("Partnership Units") representing a 2.1% (2008 – 6.3%) fully diluted equity interest.

In December 2009, the company acquired a portfolio of U.S. Dollar high yield corporate bonds at a cost of $32.6 million. The high yield bonds mature over the next 10 years.

5. Accounts Payable and Provisions

As at December 31 (thousands)	**2009**	2008
Accounts payable	**$ 655**	$ 982
Provisions	**1,422**	1,422
	$ 2,077	$ 2,404

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

6. Long-Term Exchangeable Debentures

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

7. Retractable Preferred Shares

Retractable preferred shares issued by BAM Split at December 31, 2009 include Class AA Series I, III and IV which are comprised of the following:

	Issued and Outstanding			
(thousands, except shares outstanding)	**December 31 2009**	December 31 2008	**December 31 2009**	December 31 2008
6.25% Class A	**—**	4,970,650	**$ —**	$ 124,266
4.95% Class AA, Series I	**2,057,200**	2,313,700	**51,430**	57,843
4.35% Class AA Series III	**7,636,800**	7,637,400	**190,920**	190,935
7.25% Class AA Series IV	**5,000,000**	—	**125,000**	—
			367,350	373,044
Deferred financing costs[1]			**(5,773)**	(3,390)
			$ 361,577	$ 369,654

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

Retractable Preferred Shares issued by BAM Split include Class AA, Series I and Class AA, Series III and Class AA, Series IV Preferred Shares. BAM Split is authorized to issue an unlimited number of Class A Preferred Shares and Class AA Preferred Shares. On July 9, 2009 BAM Split issued 5,000,000 Class AA Preferred Shares, Series IV for cash consideration of $125 million. During the year, 5,000,000 Class A Preferred Shares were redeemed and retracted.

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 AA Shares or facilitating the acquisition of additional Class AA Shares.

Holders of Class AA Preferred Shares, Series I, Class AA Preferred Shares, Series III and Class AA Preferred Shares, Series IV are entitled to receive cumulative quarterly dividends of $0.309375, $0.271875 and $0.453125 per share respectively, payable on the 7th day of March, June, September and December in each year.

Class AA Series I Preferred Shares may be surrendered for retraction at any time. The 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 and Series IV Preferred Shares may be surrendered for retraction at any time. The Class AA Series III and Series IV 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 and Series 2 Debentures, respectively, determined by 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 4.45% 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 Series 2 Debentures will have a principal amount of $25.00 per debenture and will mature on July 9, 2014. Holders of the Series 2 Debentures will be entitled to receive quarterly fixed interest payments at a rate of $7.35% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 2 Debentures shall be redeemable by the company at any time. The Series 2 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 AA Series I, III and IV 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, 2009 were $21.79 and $19.00 and $26.40 per share, respectively.

8. 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	**2009**	2008	**2009**	2008
Common shares	**79,300,410**	79,387,410	**$ 84,904**	$ 84,997
Accumulated other comprehensive income			**743,969**	513,582
Retained earnings			**65,584**	47,748
			$ 894,457	$ 646,327

The company repurchased 87,000 common shares during 2009 (2008 – 31,500) through the facilities at the Toronto Stock Exchange under its normal course issuer bid.

9. Investment Income

thousands	**2009**	2008
Dividends:		
Brookfield	**$ 32,956**	$ 32,780
Brookfield Infrastructure	**2,689**	2,350
Interest	**355**	2,022
Gain on repurchase of preferred shares	**1,394**	10,604
Gain on sale of investment	**434**	—
Foreign exchange revaluation	**(379)**	254
	$ 37,449	$ 48,010

10. Income Taxes

thousands	**2009**	2008
Statutory income tax rate	**33.00%**	33.50%
Tax payable at effective rate	**$ 4,846**	$ 6,966
Increase (reductions) in income tax expense resulting from:		
Dividends received not subject to tax	**(11,578)**	(19,376)
Dividends paid not subject to tax	**6,187**	6,858
Derecognition of tax asset	**—**	2,374
Gain on settlement of debt obligation	**(3,723)**	—
Change in tax rate	**1,176**	—
Other	**(795)**	437
Tax expense (recovery) recorded	**$ (3,887)**	$ (2,741)

The company has $nil non-capital losses available as at December 31, 2009 (2008 – $6.7 million). The accounting values of the company's investments exceed their tax bases by $730.1 million (2008 – $391.0 million tax excess over accounting value).

11. Net Income per Common Share

Net income per common share is calculated after deducting preferred share dividends and is based on 79,354,852 (2008 – 79,413,285) common shares, being the weighted average number outstanding during the year.

12. Related Party Transactions

Brookfield provided management and financial services to the company during 2009 and 2008 and recovered costs of $20,000 in 2009 (2008 – $20,000) in respect of those services.

13. 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 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 may vary from time to time. The company records these investments at market value. A $1.00 increase in the market price of Brookfield and Brookfield Infrastructure will increase the carrying values of the investments in Brookfield and Brookfield Infrastructure by $55.5 million and $2.2 million, respectively which 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, 2009, 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 and other U.S. denominated investments. During the year ended December 31, 2009, a $0.01 appreciation in the U.S. dollar relative to the Canadian dollar would have increased Other Comprehensive Income by approximately $0.4 million related to the value of these investments.

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's investment portfolio includes $32 million (2008 – $nil) of high yield bonds as at December 31, 2009. These investments expose the company to credit risk as future cash flows are dependant on the ability of counterparties to fulfill their payment obligations.

Liquidity Risk

The company's retractable preference shares 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. 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.

14. Capital Management

The capital base managed by the company consists of common equity with a carrying value of $894 million at December 31, 2009 and $367 million of retractable fixed rate preferred shares issued by BAM Split Corp. There have been no material changes in the company's capital during the year ended December 31, 2009. The company has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

15. 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) Cash and Equivalents

Cash and equivalents are comprised of cash on hand. The company held $nil of short-term deposits at December 31, 2009 (2008 – $nil).

Corporate Information

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James C. Bacon[1,2]
Corporate Director

Howard Driman[1,2]
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UIA Federations Canada

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Group Chairman, Power
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Brian D. Lawson
Chief Financial Officer
Brookfield Asset Management Inc.

R. Frank Lewarne[1,2]
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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

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Chairman

Edward C. Kress
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