BAM INVESTMENTS CORP.

2010 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, 2010.

As at December 31, 2010 (thousands, except per share amounts)		
Assets		
Cash and cash equivalents	$	132,948
Investments		
Brookfield Asset Management Inc.[1]		1,838,706
Other securities		101,372
Other assets		3,321
	$	2,076,347
Liabilities and Shareholders' Equity		
Accounts payable and provisions	$	2,533
Retractable preferred shares[2]		484,312
Future tax liability[3]		182,803
		669,648
Shareholders' Equity		
Common equity		1,406,699
	$	2,076,347
Net Book Value Per Common Share[4,5]	$	17.76

Notes:

1 *The investment in Brookfield Asset Management Inc. consists of 55.5 million Class A Shares at a bid price of $33.15 per Class A Share as at December 31, 2010.*

2 *Represents $492.4 million of retractable preferred shares less $8.0 million of unamortized issue costs.*

3 *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.*

4 *As at December 31, 2010, there were 79,206,610 common shares of the company issued and outstanding.*

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

Change in Net Book Value

	2010		2009	
thousands, except per share amounts	**Total**	**Per Share**	Total	Per Share
Net book value, beginning of year	**$ 894,457**	**$ 11.28**	$ 646,327	$ 8.14
Net income	**14,930**	**0.19**	18,568	0.23
Other comprehensive income	**498,325**	**6.29**	230,387	2.91
Common shares repurchased	**(1,013)**	**—**	(825)	—
Net book value, end of year	**$ 1,406,699**	**$ 17.76**	$ 894,457	$ 11.28

Overview

BAM Investments Corp., (the "company") is a leveraged investment company whose principal investment is a direct and indirect ownership interest in 55.5 million Class A Limited Voting Shares ("Class A Shares") of Brookfield Asset Management Inc. ("Brookfield").

The company's objective is to provide its common shareholders with capital appreciation as opposed to income returns. Investment income, which consists principally of dividends from its investment in Brookfield Class A Shares, is dedicated to paying dividends on its financing obligations.

The company's investment in Brookfield is owned directly and through BAM Split Corp. ("BAM Split"), a public subsidiary in which BAM Investments owns 100% of the common equity. BAM Split has publicly listed retractable preferred shares of which $492.4 million were outstanding at December 31, 2010.

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

Results of Operations

Overview

BAM Investments Corp. recorded comprehensive income, which consists of net income and other comprehensive income, of $513.3 million for the year ended December 31, 2010, an increase of $264.3 million over the prior year. This increased the company's net book value by $6.48 per share or 57%. The increase in comprehensive income over the prior year is primarily the result of an increase in the value of the company's investment in Brookfield. The company recorded net income of $14.9 million ($0.19 per common share) for the year ended December 31, 2010 compared to $18.6 million ($0.23 per common share) in 2009.

The following table reconciles the company's net income:

thousands	**2010**	2009	Variance
Investment Income			
Dividends and interest	**$ 36,966**	$ 36,000	$ 966
Gain on sale of investments	**1,995**	434	1,561
Gain on repurchase of preferred shares	**—**	1,394	(1,394)
Other income	**194**	(379)	573
	39,155	37,449	1,706
Expenses	**(22,501)**	(21,568)	(933)
Class A Preferred Share redemption premium	**—**	(1,200)	1,200
Net income before taxes	**16,654**	14,681	1,973
Current tax expense	**(2,011)**	—	(2,011)
Future tax recovery	**287**	3,887	(3,600)
Net income	**$ 14,930**	$ 18,568	$ (3,638)

Investment Income

For the years ended December 31 (thousands)	**2010**	2009
Dividends:		
Brookfield	**$ 29,670**	$ 32,956
Brookfield Infrastructure	**2,561**	2,689
Interest income	**4,735**	355
Gain on repurchase of preferred shares	**—**	1,394
Other income:		
Gain on sale of investments	**1,995**	434
Foreign exchange and other	**194**	(379)
	$ 39,155	$ 37,449

The company received dividend income of $29.7 million (2009 – $33.0 million) from its investment in Brookfield and $2.6 million (2009 – $2.7 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 decreased by $3.4 million due to a weaker U.S. dollar relative to the Canadian dollar compared to the prior year.

The company received $4.5 million (2009 – $0.1 million) of interest income for the year ended December 31, 2010 on the high yield portfolio which was acquired in December 2009. The company also recognized gains of $2.0 million (2009 – $0.4 million) for the year ended December 31, 2010 on the sale of non-core securities.

The company acquired $9.2 million of preferred share obligations in 2009 at a discount to their stated value and recorded a gain of $1.4 million. There were no repurchases of preferred shares in 2010.

Expenses

The company paid $19.9 million (2009 – $18.7 million) of dividends on the retractable preferred shares during the year ended December 31, 2010. The increase in the current year is related to higher dividends on the Class AA, Series IV Preferred Shares, which were issued in connection with the Class A Preferred Share refinancing.

The amortization of deferred financing costs associated with preferred shares issued by BAM Split resulted in a charge against income of $1.9 million (2009 – $1.7 million). The increase in deferred financing fees is a result of the amortization of fees incurred on the Class AA, Series IV Preferred Shares, which were issued in July 2009.

The prior year expense included a $1.2 million early redemption premium paid in connection with the Class A Preferred Share refinancing.

Income Taxes

The company recorded a net income tax expense of $1.7 million (2009 – recovery of $3.9 million) during the year ended December 31, 2010 as a result of cash taxes payable on interest income earned on the company's bond portfolio which was acquired in December 2009.

Financial Position

The company's total assets increased to $2,076.3 million at December 31, 2010 from $1,391.3 million at December 31, 2009. The increase in total assets is primarily a result of a $544.1 million increase in the fair value of the Brookfield Class A Shares, the price of which increased from $23.34 per share at December 31, 2009 to $33.15 at December 31, 2010.

Investment Portfolio

Investment in Brookfield Asset Management Inc.

The investment in Brookfield at December 31, 2010 consisted of 55.5 million (December 31, 2009 – 55.5 million) Class A Shares, representing a 9.6% (December 31, 2009 – 9.7%) fully diluted equity interest. The quoted market value, based on the bid price of this investment as at December 31, 2010 of $33.15 per share, was $1,838.7 million.

The company acquired 0.8 million Class A Shares in February 2011 at a cost of $25 million.

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

Brookfield is a global asset manager focused on property, power and other infrastructure assets with over $120 billion of assets under management and is inter-listed on the New York, Toronto and NYSE Euronext stock exchanges. Further information on Brookfield can be found on Brookfield's web site at www.brookfield.com.

Other Securities

The company holds an investment in Brookfield Infrastructure Partners and a portfolio of U.S. dollar high yield corporate bonds.

The investment in Brookfield Infrastructure consists of 2.2 million (December 31, 2009 – 2.2 million) Limited Partnership Units with a quoted market value at $46.6 million as at December 31, 2010.

The investment in U.S. dollar high yield corporate bonds has a quoted market value of $54.7 million as at December 31, 2010.

The company has classified these other securities as available-for-sale financial instruments and accordingly recognizes changes in the market value of these securities 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 period of January 1, 2010 to December 31, 2010 primarily due to the increase in the market value of the Brookfield Class A Shares.

Liquidity and Capital Resources

The company holds cash and cash equivalents totaling $132.9 million and marketable securities of $101.4 million as at December 31, 2010. The company does not have any maturing debt or mandatory preferred share redemptions prior to July 2014. The operating cash requirements for 2011 include $26.0 million of scheduled dividend payments on the $492.4 million preferred shares issued by BAM Split which are less than the expected regular distributions on the Brookfield securities held by the company. Accordingly, the company believes it has sufficient liquid assets, operating cash flow and financing alternatives to meet its obligations.

Retractable Preferred Shares

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

Thousands, except shares outstanding		Latest Redemption Date	**December 31, 2010**	December 31, 2009
2,057,200	4.95% Class AA, Series I	March 25, 2016	**$ 51,430**	$ 51,430
7,636,800	4.35% Class AA, Series III	January 10, 2019	**190,920**	190,920
5,000,000	7.25% Class AA, Series IV	July 9, 2014	**125,000**	125,000
5,000,000	4.85% Class AA, Series V	December 10, 2017	**125,000**	—
Deferred financing costs[1]			**(8,038)**	(5,773)
			$ 484,312	$ 361,577

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

On December 10, 2010, BAM Split issued $125.0 million Class AA Preferred Shares, Series V.

Shareholders' equity

As at December 31, 2010 shareholders' equity consisted of 79,206,610 common shares and had a book value of $1,406.7 million compared to $894.5 million at the end of 2009. The increase is the result of an increase in the market value of the Class A Shares of Brookfield from $23.34 to $33.15 per share, partially offset by an increase in unrealized taxable capital gains. The company repurchased 93,800 of its common shares during the year ended December 31, 2010 at an average price of $10.80 per share.

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. Strengthening of the Canadian dollar relative to the United States dollar could decrease the amount of cash available to the company.

Leverage

The company's assets are financed in part with the retractable preferred shares issued by BAM Split. This results in financial leverage that will increase the sensitivity of the value of the common shares to changes in the values of the assets owned by the company. A decrease in the value of the company's investments may have a material adverse effect on the company's business and financial conditions.

Liquidity

The company's liquidity requirements are typically limited to funding interest and dividend obligations on outstanding financial obligations.

Holders of the company's retractable preferred shares have the ability to retract the shares to the company. The Class AA, Series I Preferred shares are retractable for cash, whereas the company has the right to issue debentures due 2019, 2014 and 2017 to settle retractions of the Class AA, Series III; Class AA, Series IV and Class AA, Series V preferred shares, respectively.

The company maintains financial assets and credit facilities to fund liquidity requirements in the normal course, in addition to its investment in Brookfield. The company's policy is to hold the Class A Shares and not engage in trading, however shares are available to be sold to fund retractions and redemptions of preferred shares or common shares. The company's ability to sell a substantial portion of the Class A Shares may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Class A Shares may be sold. Accordingly, if and when the company is required to sell Class A Shares, the liquidity of such shares may be limited. This could affect the time it takes to sell the Class A Shares and the price obtained by the company for the Class A Shares sold.

No Ownership Interest

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

Contractual Obligations

The company's contractual obligations are as follows:

		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	—
Class AA, Series V[4]	125,000	—	—	—	125,000
Interest expense related to:					
Retractable preferred shares					
Class AA, Series I	$ 13,366	$ 2,546	$ 5,092	$ 5,092	$ 636
Class AA, Series III	66,668	8,305	16,610	16,610	25,143
Class AA, Series IV	31,942	9,063	18,125	4,754	—
Class AA, Series V	42,438	6,063	12,125	12,125	12,125

1 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in cash.*

2 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the company due 2019.*

3 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the company due 2014.*

4 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the company due 2017.*

Summary of Financial Information

The following table summarizes selected consolidated financial information of the company for the years ended December 31, 2008 to 2010:

	Years Ended December 31		
thousands, except per share amounts	**2010**	2009	2008
Investment income	**$ 39,155**	$ 37,449	$ 48,010
Net income	**14,930**	18,568	23,536
Net income per common share	**0.19**	0.23	0.30
Total assets	**2,076,347**	1,391,344	1,212,290
Total long-term liabilities	**667,115**	494,810	563,559

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

	2010				2009			
thousands, except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income	**$ 4,805**	$ 3,554	$ 3,245	$ 3,326	$ 3,193	$ 2,311	$ 4,009	$ 9,055
Net income per common share	**0.06**	0.05	0.04	0.04	0.04	0.03	0.05	0.11

Income in the first quarter of 2009 included gains recorded on the repurchase of preferred share obligations.

Related Party Transactions

Brookfield provided management and financial services to the company during 2010 and 2009 and recovered costs of $40,000 in 2010 (2009 – $20,000) in respect of those services.

Brookfield Investment Management Inc. provided investment management services to the company in relation to its high-yield bond portfolio. The company paid $185,000 (2009 - $nil) 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

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards, Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after November 1, 2011, although adoption in 2010 is permitted to facilitate the transition to IFRS in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date and Section 1602 established standards for the accounting and presentation of non-controlling interest. These standards must be adopted concurrently with Section 1582.

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, 2010 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, 2010 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. The company will 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.

(i) Significant differences between IFRS and Canadian GAAP

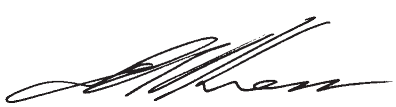
IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS will not change the cash flows generated by the company, however, the adoption of IFRS may result in changes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

Foreign exchange gains and losses on available-for-sale debt securities
Under Canadian GAAP, foreign exchange gains and losses on available-for-sale debt securities are recorded in other comprehensive income whereas under IFRS these gains or losses are recorded directly to profit or loss. This difference will not impact comprehensive income recorded by the company because any impact to net income will be equally offset by a change in other comprehensive income. For the year ended December 31, 2010, the company expects the reported net income under IFRS to decrease by approximately $3.4 million prior to taxes as compared to Canadian GAAP. Similarly, the company expects the reported other comprehensive income for the year ended December 31, 2010 to increase by approximately $3.4 million prior to taxes as compared to Canadian GAAP.

(ii) 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
April 7, 2011

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
April 7, 2011

Edward C. Kress
President

Independent Auditor's Report

To the Shareholders of BAM Investments Corp.

We have audited the accompanying consolidated financial statements of BAM Investments Corp., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of operations, retained earnings, comprehensive income, accumulated other comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BAM Investments Corp. as at December 31, 2010 and December 31, 2009 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

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
April 7, 2011

Consolidated Balance Sheets

As at December 31 (thousands)	Note	**2010**	2009
Assets			
Cash and equivalents		**$ 132,948**	$ 23,104
Investment portfolio			
Brookfield Asset Management Inc.	4	**1,838,706**	1,294,582
Other securities	4	**101,372**	71,279
Other assets		**3,321**	2,379
		$ 2,076,347	$ 1,391,344
Liabilities			
Accounts payable and provisions	5	**$ 2,533**	$ 2,077
Future tax liability		**182,803**	133,233
Retractable preferred shares	6	**484,312**	361,577
		669,648	496,887
Shareholders' Equity			
Common equity	7	**1,406,699**	894,457
		$ 2,076,347	$ 1,391,344

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	**2010**	2009
Investment Income	8		
Dividends and interest		**$ 36,966**	$ 36,000
Gain on sale of investments		**1,995**	434
Gain on repurchase of preferred shares		—	1,394
Other		**194**	(379)
		39,155	37,449
Expenses			
Operating		**698**	947
Interest expense on exchangeable debentures		—	137
Amortization of deferred financing costs		**1,889**	1,735
Class A Preferred Share redemption premium		—	1,200
Retractable preferred share dividends		**19,914**	18,749
		22,501	22,768
Net income before tax		**16,654**	14,681
Current tax expense	9	**(2,011)**	—
Future tax recovery	9	**287**	3,887
Net income		**$ 14,930**	$ 18,568
Net income per common share	10	**$ 0.19**	$ 0.23

Consolidated Statements of Retained Earnings

For the years ended December 31 (thousands)	**2010**	2009
Retained earnings, beginning of year	**$ 65,584**	$ 47,748
Shares purchased for cancellation	**(912)**	(732)
Net income	**14,930**	18,568
Retained earnings, end of year	**$ 79,602**	$ 65,584

Consolidated Statements of Comprehensive Income

For the years ended December 31 (thousands)	**2010**	2009
Net income	**$ 14,930**	$ 18,568
Unrealized gain on available-for-sale securities	**548,181**	274,798
Future income taxes	**(49,856)**	(44,411)
Other comprehensive income	**498,325**	230,387
Comprehensive income	**$ 513,255**	$ 248,955

Consolidated Statements of Accumulated Other Comprehensive Income

For the years ended December 31 (thousands)	**2010**	2009
Balance, beginning of year	**$ 743,969**	$ 513,582
Other comprehensive income	**498,325**	230,387
Balance, end of year	**$ 1,242,294**	$ 743,969

Consolidated Statements of Cash Flows

For the years ended December 31 (thousands)	**2010**	2009
Cash flow from (used in) operating activities		
Net income	**$ 14,930**	$ 18,568
Add (deduct) non-cash items		
Gain on sale of investments	**(1,995)**	(434)
Gain on repurchase of preferred shares	**—**	(1,394)
Amortization of deferred financing costs	**1,889**	1,735
Future tax recovery	**(287)**	(3,887)
	14,537	14,588
Changes in working capital	**1,510**	7,552
	16,047	22,140
Cash flow used in investing activities		
Purchase of investments, net of dispositions	**(26,036)**	(32,649)
	(26,036)	(32,649)
Cash flow from (used in) financing activities		
Common shares repurchased	**(1,013)**	(825)
Repurchase of preferred shares	**—**	(9,231)
Preferred shares redeemed	**—**	(120,026)
Preferred shares issued	**125,000**	125,000
Share issue costs	**(4,154)**	(4,135)
	119,833	(9,217)
Cash and equivalents		
Increase (decrease) during the year	**109,844**	(19,726)
Balance, beginning of year	**23,104**	42,830
Balance, end of year	**$ 132,948**	$ 23,104

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 other securities

The company accounts for its investment in Brookfield and other securities 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

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards, Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after November 1, 2011 although adoption in 2010 is permitted to facilitate the transition to IFRS in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date and Section 1602 established standards for the accounting and presentation of non-controlling interest. These standards must be adopted concurrently with Section 1582.

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.

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, net of income taxes. 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, 2010, a cumulative pre-tax gain of $1,465.5 million (2009 – $917.3 million) has been recognized for financial instruments classified as available-for-sale, over the historical cost amounts.

Financial Instrument Disclosures

Fair value hierarchical levels 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 at December 31, 2010 includes $1,926.4 million (2009 – $1,365.9 million) as determined using level 1 measures and $13.7 million (2009 – $nil) as determined using level 2 measures. There were no changes made to the financial instrument classifications during the year.

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)	**2010**	2009	**2010**	2009
Brookfield	**55,466,227**	55,466,227	**$ 1,838,706**	$ 1,294,582
Other securities				
Brookfield Infrastructure	**2,218,648**	2,218,648	**46,623**	39,032
High yield corporate bonds			**54,749**	32,247
			$ 1,940,078	$ 1,365,861

The company owns 55.5 million (2009 – 55.5 million) Class A Limited Voting Shares of Brookfield ("Class A Shares") representing a 9.6% (2009 – 9.7%) fully diluted equity interest.

The company owns 2.2 million (2009 – 2.2 million) Partnership Units of Brookfield Infrastructure ("Partnership Units") representing a 1.4% (2009 – 2.1%) fully diluted equity interest.

At December 2010, the company held a portfolio of U.S. dollar high-yield corporate bonds at a cost of $58.7 million. The high yield bonds mature over the next 10 years.

5. Accounts Payable and Provisions

As at December 31 (thousands)	**2010**	2009
Accounts payable	**$ 1,111**	$ 655
Provisions	**1,422**	1,422
	$ 2,533	$ 2,077

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

6. Retractable Preferred Shares

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

Thousands, except shares outstanding		Latest Redemption Date	**December 31, 2010**	December 31, 2009
2,057,200	4.95% Class AA, Series I	March 25, 2016	**$ 51,430**	$ 51,430
7,636,800	4.35% Class AA, Series III	January 10, 2019	**190,920**	190,920
5,000,000	7.25% Class AA, Series IV	July 9, 2014	**125,000**	125,000
5,000,000	4.85% Class AA, Series V	December 10, 2017	**125,000**	—
Deferred financing costs[1]			**(8,038)**	(5,773)
			$ 484,312	$ 361,577

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

Retractable Preferred Shares issued by BAM Split include Class AA, Series I and Class AA, Series III, Class AA, Series IV and Class AA, Series V Preferred Shares. BAM Split is authorized to issue an unlimited number of Class A Preferred Shares and Class AA Preferred Shares. On December 10, 2010, BAM Split issued 5,000,000 Class AA Preferred Shares, Series V for cash consideration of $125 million. On July 9, 2009, BAM Split issued 5,000,000 Class AA, Series IV Preferred Shares for cash considerations of $125 million. During 2009, 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 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; Class AA Preferred Shares, Series IV and Class AA, Series V Preferred Shares are entitled to receive cumulative quarterly dividends of $0.309375, $0.271875, $0.453125 and $0.303125 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, Series IV and Series V Preferred Shares may be surrendered for retraction at any time. The Class AA Series III, Series IV and Series V 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 1, Series 2 and Series 3 Debentures, respectively, determined by dividing the Retraction Price by $25.00.

The Series 1 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 1 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 Series 3 Debentures will have a principal amount of $25.00 per debenture and will mature on December 10, 2017. Holders of the Series 3 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.95% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 3 Debentures shall be redeemable by the company at any time. The Series 3 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, IV and V 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, 2010 were $25.00 and $21.80 and $26.86 and $24.70 per share, respectively.

7. 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	**2010**	2009	**2010**	2009
Common shares	**79,206,610**	79,300,410	**$ 84,803**	$ 84,904
Accumulated other comprehensive income			**1,242,294**	743,969
Retained earnings			**79,602**	65,584
			$ 1,406,699	$ 894,457

The company repurchased 93,800 common shares during 2010 (2009 – 87,000) through the facilities at the Toronto Stock Exchange under its normal course issuer bid.

8. Investment Income

thousands	**2010**	2009
Dividends:		
Brookfield	**$ 29,670**	$ 32,956
Brookfield Infrastructure	**2,561**	2,689
Interest	**4,735**	355
Gain on repurchase of preferred shares	—	1,394
Gain on sale of investments	**1,995**	434
Foreign exchange revaluation	**194**	(379)
	$ 39,155	$ 37,449

9. Income Taxes

thousands	**2010**	2009
Statutory income tax rate	**31.00%**	33.00%
Tax payable at effective rate	**$ 5,163**	$ 4,846
Increase (reductions) in income tax expense resulting from:		
Dividends received not subject to tax	**(9,198)**	(11,578)
Dividends paid not subject to tax	**6,173**	6,187
Gain on settlement of debt obligation	—	(3,723)
Change in tax rate	**(246)**	1,176
Other	**(168)**	(795)
Tax expense (recovery) recorded	**$ 1,724**	$ (3,887)
Current tax expense	**2,011**	—
Future tax recovery	**(287)**	(3,887)

The company has $2.1 million of non-capital losses available as at December 31, 2010 (2009 – $nil). The accounting values of the company's investments exceed their tax bases by $1,280.0 million (2009 – $730.1 million accounting values exceed tax basis).

10. Net Income per Common Share

Net income per common share is calculated after deducting preferred share dividends and is based on 79,227,318 (2009 – 79,354,852) common shares, being the weighted average number outstanding during the year.

11. Related Party Transactions

Brookfield provided management and financial services to the company during 2010 and 2009 and recovered costs of $40,000 in 2010 (2009 – $20,000) in respect of those services.

Brookfield Investment Management Inc., a subsidiary of Brookfield, provided investment management services to the company in relation to its high-yield bond portfolio. The company paid $185,000 (2009 - $nil) in respect of those services.

12. 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 an increase to 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, 2010, a $0.01 depreciation in the U.S. dollar relative to the Canadian dollar would have decreased 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, 2010, a $0.01 appreciation in the U.S. dollar relative to the Canadian dollar would have increased Other Comprehensive Income by approximately $1.0 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 $54.7 million (2009 – $32.2 million) of high yield bonds as at December 31, 2010. 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.

13. Capital Management

The capital base managed by the company consists of common equity with a carrying value of $1,407 million at December 31, 2010 and $492 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, 2010. The company has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

14. 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, 2010 (2009 – $nil).

15. Subsequent Event

In February 2011, the company purchased an additional 760,000 Brookfield Class A Shares at a total cost of $25.0 million. The securities were purchased from Brookfield as part of a share offering.

Corporate Information

Directors

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

Edward C. Kress
Corporate Director

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

R. Frank Lewarne [1, 2]
Corporate Director

Frank N.C. Lochan
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

TSX Venture Exchange

Stock Symbol: BNB

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