BAM INVESTMENTS CORP.

2007 Annual Report

Table of Contents

Statement of Financial Position

The information in the following table has been extracted from the consoldiated financial statements of the company as at December 31, 2007.

As at December 31, 2007 (thousands, except per share amounts)

Assets		
Investment in Brookfield Asset Management Inc.[1]	$	1,966,278
Cash and equivalents		51,179
Other assets		9,206
	$	2,026,663
Liabilities		
Accounts payable and provisions	$	2,915
Retractable preferred shares[2]		397,586
Future tax liability[3]		236,454
		636,955
Shareholders' Equity		
Common equity		1,389,708
	$	2,026,663
Net Book Value Per Common Share[4]	$	17.50

Notes:

1) *The investment in Brookfield Asset Management Inc. consists of 55.5 million Class A shares at a bid price of $35.45 per Brookfield share at December 31, 2007. This represents the total shares owned of 60.8 million Class A shares less 5.3 million Class A that have been set aside for settlement of the long-term exchangeable debentures issued by the company.*
2) *Represents $405 million retractable preferred shares issued by BAM Split Corp, which is a subsidiary of the company, net of unamortized issuance costs.*
3) *The future tax liability represents the potential future income tax liability of the company 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.*
4) *As at December 31, 2007, there were 79,418,910 common shares of the company issued and outstanding.*

Overview

BAM Investments Corp, (the "company") is a leveraged investment company whose principal investment is a direct and indirect net interest in 55.5 million Class A Limited Voting Shares ("Class A Shares") of Brookfield Asset Management Inc. ("Brookfield"). The company'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 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 $405 million of publicly listed retractable preferred shares. Additional information on the company's and BAM Split, including the company's annual information form, is available on SEDAR's web site at *www.sedar.com*.

Results of Operations

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

thousands, except per share amount		**2007**		2006		Variance
Net income before taxes	**$**	**5,786**	$	5,374	$	412
Future tax asset recovery		**1,759**		10,483		(8,724)
Net income		**7,545**		15,857		(8,312)
Preferred share dividends		**(213)**		(4,953)		4,740
Net income for common shareholders*	**$**	**7,332**	$	10,904	$	(3,572)
Weighted average common shares outstanding		**79,419**		66,880		
Net income per common share [1]	**$**	**0.09**	$	0.13	$	(0.04)

[1] Adjusted to reflect ten-for-one stock split
** Non-GAAP measures*

Overview

Net income was $7.5 million in 2007, representing a decrease of $8.3 million from the $15.9 million recorded in 2006. Net income before tax increased by $0.4 million representing a higher level of investment income less carrying costs, whereas the future tax recovery decreased by $8.7 million. Preferred share dividends decreased by $4.7 million following a redemption during the year which resulted in a corresponding increase in net income per common shares.

Investment Income

The company now carries its investment in the Brookfield Class A shares at market value. The company has classified 55.5 million of the 60.8 million Brookfield shares as available-for-sale financial instruments, and accordingly recognizes changes in the market value of these shares through Other Comprehensive Income. The company continues to recognize dividends as income on the ex-dividend date. The other 5.3 million Brookfield shares, which are pledged as collateral for the long-term exchangeable debentures issued by the company, are classified as held-for-trading and changes in market value are recognized in income along with corresponding changes in the value of the exchangeable debentures. Brookfield declares dividends in U.S. dollars, and as a result the Canadian dollar equivalent recorded by the company is impacted by changes in the exchange rate between U.S. and Canadian dollars. The company received dividend income of $30.0 million during the year (2006 - $21.0 million) from its investment in Brookfield and $2.4 million in interest earned from cash and equivalent balances and other investment income. The increase in dividend income reflects a greater number of Class A Shares held during the year offset by a decrease in the value of the US dollar relative to the Canadian dollar.

Expenses

Interest expense of $4.5 million represents carrying charges on the exchangeable debentures issued January 10, 2007, whereas interest expense in the previous year of $2.2 million related to the repaid $72.4 million promissory notes. The amortization of deferred financing costs associated with preferred shares issued by BAM Split resulted in a charge against income of $1.7 million, compared to $1.3 million in 2006. The increase was due to the cost of issuing the Class AA, Series III, 4.35% preferred shares by BAM Split Corp. in January 2007. The issuance also resulted in the increase in retractable preferred share dividends of $19.5 million in 2007 from $11.8 million in 2006.

Financial Position

The company's total assets increased to $2,214.6 million at December 31, 2007 compared with $422.8 million at December 31, 2006. $1,664.0 million of the increase is related to the adoption of the new Financial Instruments Standards issued by the CICA which resulted in carrying the investment in Brookfield at market value as opposed to cost. The balance of the increase was due to the purchase of additional Brookfield Class A shares in January 2007.

Investment in Brookfield Asset Management Inc.

The investment in Brookfield at December 31, 2007 consists of 60.8 million Class A Shares, representing a 10.0% (2006 – 9.1%) fully diluted equity interest. The quoted market value based on the bid price of this investment as at December 31, 2007 was $35.45 per share or $2,154.3 million. The company has pledged 5.3 million Class A shares in respect of exchangeable debentures issued in January 2007. Brookfield is a global asset manager focused on property, power and other infrastructure assets with approximately US$95 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*.

Other assets

The increase in other assets relates primarily to the prepayment of interest on the exchangeable debentures.

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 significantly during the year due to the increase in the carrying value of the Brookfield Class A shares to market value from the original cost basis.

Liquidity and Capital Resources

The company holds cash and equivalents totalling $51.2 million as at December 31, 2007. The company raised $193 million in January 2007 which it used to repay and repurchase its Series II and V preferred shares classified as equity. The company does not have any additional maturing debt or preferred share redemptions prior to 2010. The operating cash requirements for 2007 include interest and dividend payments on the $193.2 million exchangeable debentures and $405.0 million preferred shares issued by BAM Split Corp. The company believes it has sufficient liquid assets, operating cash flow and financing alternatives to meet its obligations.

Long Term Exchangeable Debentures

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

Retractable preferred shares

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

As at December 31 ($thousands)		Latest Redemption Date	**2007**	2006
5,000,000	6.25% Class A	September 30, 2010	**$ 125,000**	$ 125,000
3,199,000	4.95% Class AA Series I	March 25, 2016	**79,975**	80,000
8,000,000	4.35% Class AA Series III	January 10, 2019	**200,000**	—
			$ 404,975	$ 205,000
Less:	Unamortized issue costs[1]		**(5,071)**	—
	Class AA Series I and Series III preferred shares acquired[2]		**(2,318)**	—
			$ 397,586	$ 205,000

[1]*Under new accounting guidelines for financial instruments, the company reclassified deferred share issue costs from other assets to retractable preference shares and amortizes these costs using the effective interest method of amortization.*

[2]*The company acquired 7,000 Class AA, Series I and 85,700 Class AA, Series III BAM Split Preferred Shares in 2007, which the company intends to redistribute.*

Shareholders' equity

As at December 31, 2007, shareholders' equity consists of 79,418,910 common shares and includes accumulated other comprehensive income and has a book value of $1.4 billion compared to $0.1 billion at the end of 2006. The increase is due to the change in the basis of measurement of the Class A Brookfield shares from original cost to fair value with the unrealized gains or losses being recorded in opening retained earnings and accumulated other comprehensive income. Both are components of shareholders' equity. The company did not repurchase any shares during 2007. As at March 12, 2008, there has been no change in the common shares outstanding.

Preferred shares

As at December 31 ($thousands)	Issued and Outstanding shares	**2007**	2006
Series II	— (2006 - 1,965,385)	**$ —**	$ 65,000
Series V	— (2006 - 23)	**$ —**	$ 5,570

The company redeemed the Series II and Series V preferred shares during the quarter ended March 31, 2007. As at March 12, 2008, there has been no change in the preferred shares outstanding.

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 Brookfield Class A shares. The value of the Class A shares may be influenced by factors not within the control of the company, including the financial performance of Brookfield, 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 Brookfield Class A shares. A material adverse change in the business, financial conditions or results of operation of Brookfield 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 Brookfield Class A shares.

Foreign Currency Exposure

Brookfield reports its results in United States dollars. Accordingly, the value of the Class A shares may vary from time to time with fluctuations in the exchange rate between Canadian and United States dollars. Also, Brookfield declares dividends in United States dollars, which are then converted to Canadian dollars for distribution to Canadian shareholders, including the company. Strengthening of the Canadian dollar relative to the United States dollar could reduce the amount of cash available to the company.

Leverage

The company's assets are financed almost entirely 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.

Limitations on Liquidity of Class A Shares of Brookfield

While the company's policy is to hold the Class A shares of Brookfield and not engage in trading, there may be circumstances in which such shares will have to be sold, including 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

An investment in common shares does not constitute an investment in the Class A shares of Brookfield held by the company. Holders of common shares do not own the Class A shares held by the company or have any voting rights in respect of such Class A shares.

Contractual Obligations

The company's contractual obligations are as follows:

		Payment due by period			
$thousands	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term Exchangeable Debentures	$ 193,239	$ —	$ —	$ —	$ 193,239
Retractable Preferred Shares					
Class A	125,000	—	125,000	—	—
Class AA, Series I[1]	79,975	—	—	—	79,975
Class AA, Series III[1]	200,000	—	—	—	200,000
Interest expense related to:					
Long-term Exchangeable Debentures	108,000	4,500	9,000	9,000	85,500
Retractable Preferred Shares					
Class A	21,159	7,813	13,346	—	—
Class AA, Series I	32,661	3,959	7,918	7,918	12,866
Class AA, Series III	156,600	8,700	17,400	17,400	113,100

1 *Gross of $175 Class AA, Series I and $2,143 Class AA, Series III BAM Split Preferred Shares acquired during 2007.*

Summary of Financial Information

The following table summarizes selected consolidated financial information of the company for the years ended December 31, 2005 to 2007:

	Years Ended December 31		
$thousands, except per share amounts	**2007**	2006	2005
Investment income	**$ 32,404**	$ 21,114	$ 12,693
Net income (loss)	**7,545**	15,857	(1,125)
Net income (loss) per common share[1]	**0.09**	0.13	(0.15)
Total assets	**2,214,636**	422,804	282,913
Total long term liabilities	**822,013**	205,000	205,000
Preferred share dividends paid per share			
Series II[2]	**0.06**	2.28	2.28
Series V[3]	**4,375.00**	17,500.00	17,500.00

1 *Adjusted to reflect ten-for-one share split*
2 *Redeemed January 10, 2007*
3 *Redeemed March 30, 2007*

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

	2007				2006			
$thousands, except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment income	**$ 6,643**	$ 8,464	$ 9,474	$ 7,823	$ 6,719	$ 6,730	$ 4,657	$ 3,008
Net income (loss)	**1,041**	1,629	1,785	3,090	2,352	1,554	12,464	(513)
Net income (loss) for common shareholders	**1,041**	1,629	1,785	2,877	1,113	316	11,226	(1,751)
Net income (loss) per common share	**0.01**	0.03	0.01	0.04	0.00	0.00	0.17	(0.04)

The increase in investment income over 2006 reflects increased dividend income resulting from the purchase of 5.3 million and 16.4 million shares of Brookfield in the first quarter of 2007 and the third quarter of 2006, respectively, combined with an increase in Brookfield's dividend rate. Brookfield declares dividends in U.S. currency and accordingly, the Canadian dollar equivalent received by the company fluctuates with the changes in the currency exchange rate. Net income in the second quarter of 2006 includes a future tax recovery of $10.5 million.

Related Party Transactions

Brookfield provided management and financial services to the company during 2007 and 2006 and recovered costs of $20,000 in 2007 (2006 – $20,000) in respect of those services. The following balances pertained to Brookfield and its controlled and significantly influenced companies as at and for the year ended December 31, 2007: cash and equivalents – $0.2 million, (2006 – $1.4 million); and investment income – $30.0 million (2006 – $21.1 million). These transactions have been recorded at their exchange values.

During 2007, the company sold financial assets to Partners Limited ("Partners") for proceeds of $40 million. The book value of the financial assets approximated their fair value at the time of the transaction. Partners owns 49% of the common shares of the company.

Significant Accounting Policies

The company is an investment holding company incorporated under the laws of Ontario with a leveraged investment in Brookfield. In the ordinary course of business, the company carries on securities and financing transactions with Brookfield and its affiliates generally on normal market terms (see Note 14 to the Financial Statements). 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 investment in Brookfield at fair value based on readily available bid market prices. Deferred financing costs relate to the issuance of retractable preferred shares of BAM Split and are amortized using the effective interest rate method.

In the 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.

Changes in Accounting Policies

Accounting Changes

The CICA issued three new accounting standards which became effective for the company on January 1, 2007: Handbook Section 1530, Comprehensive Income (Section 1530), Handbook Section 3855, Financial Instruments – Recognition and Measurement (Section 3855) and Handbook Section 3861, Financial Instruments – Disclosure and Presentation (Section 3861).

Comprehensive Income

Section 1530 introduces Comprehensive Income and represents changes in Shareholders' Equity during a period arising from transactions and other events with non-owner sources. Other Comprehensive Income (OCI) includes unrealized gains and losses on financial assets classified as available-for-sale. The Consolidated Financial Statements include a Statement of Comprehensive Income while the cumulative amount, Accumulated Other Comprehensive Income (AOCI), is presented within Shareholders' Equity in the Consolidated Balance Sheets.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transaction costs related to trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization. Financial assets and financial liabilities held-for-trading will be measured at fair value with gains and losses recognized in Net Income. Available-for-sale financial assets will be measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCI. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments will be recognized in Net Income, except for effective derivatives that are designated as cash flow hedges not classified as held-for-trading, the fair value change for which will be recognized in OCI.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this “fair value option” must have reliably measurable fair values.

Impact of adopting Sections 1530, 3855 and 3861

The company recorded a transition adjustment effective January 1, 2007 in AOCI of $1,376.1 million representing the unrealized gain on the Brookfield Class A shares of $1,664.1 million, net of $288.0 million of associated taxes. The associated future tax liability was partially offset by the value of capital and non-capital losses which was recorded in retained earnings on transition.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax and other provisions; and, fair values for disclosure purposes.

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, 2007 and have concluded that the disclosure controls and procedures are operating effectively.

Brian D. Lawson
President
March 12, 2008

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

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.

Brian D. Lawson
President
March 12, 2008

Auditors' Report

To the Shareholders of BAM Investments Corp.

We have audited the consolidated balance sheets of BAM Investments Corp. as at December 31, 2007 and 2006 and the consolidated statements of operations, retained earnings (deficit), 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, 2007 and 2006 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 12, 2008

Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

As at December 31 ($thousands)	Note	**2007**	2006
Assets			
Cash and equivalents	4	**$ 51,179**	$ 3,880
Investment in Brookfield Asset Management Inc.	5	**2,154,251**	415,952
Other assets		**9,206**	2,972
		$ 2,214,636	$ 422,804
Liabilities			
Accounts payable and provisions	6	**$ 2,915**	$ 2,049
Loans payable	7	**—**	72,367
Long-term exchangeable debentures	8	**187,973**	—
Future tax liability	3	**236,454**	—
Retractable preferred shares	9	**397,586**	205,000
		824,928	279,416
Shareholders' Equity			
Preferred equity	10	**—**	70,750
Common equity	10	**1,389,708**	72,638
		1,389,708	143,388
		$ 2,214,636	$ 422,804

On behalf of the Board

Frank N.C. Lochan
Director

Brian D. Lawson
Director

Consolidated Statements of Operations

For the years ended December 31 ($thousands, except per share amounts)	Note		**2007**		2006
Investment income	11	**$**	**32,404**	$	21,114
Expenses					
Operating			**1,033**		513
Interest			**4,458**		2,168
Amortization of deferred financing costs			**1,662**		1,286
Retractable preferred share dividends			**19,465**		11,773
			26,618		15,740
Net income before income taxes			**5,786**		5,374
Future tax recovery			**1,759**		10,483
Net income		**$**	**7,545**	$	15,857
Net income per common share	13	**$**	**0.09**	$	0.13

Consolidated Statements of Retained Earnings (Deficit)

For the years ended December 31 ($thousands)	Note		**2007**		2006
Deficit, begining of year		**$**	**(12,393)**	$	(23,297)
Transition adjustment - January 1, 2007	2		**29,564**		—
Net income			**7,545**		15,857
Preferred share dividends	10		**(213)**		(4,953)
Retained earnings (deficit) end of year		**$**	**24,503**	$	(12,393)

Consolidated Statements of Comprehensive Income (Loss)[1]

For the years ended December 31 ($thousands)	**2007**	2006
Net income	**$ 7,545**	$ 15,857
Unrealized loss on available-for-sale securities	**(113,706)**	—
Future income taxes on available-for-sale securities	**17,826**	—
Other comprehensive loss	**(95,880)**	
Comprehensive (loss) income	**$ (88,335)**	$ 15,857

[1]Refer to Note 2 for impact of new accounting policies related to financial instruments.

Consolidated Statements of Accumulated Other Comprehensive Income[1]

For the years ended December 31 ($thousands)	**2007**	2006
Balance, beginning of year	**$ —**	$ —
Transition adjustment - January 1, 2007	**1,376,054**	—
Other comprehensive loss	**(95,880)**	—
Balance, end of year	**$ 1,280,174**	$ —

[1] Refer to Note 2 for impact of new accounting policies related to financial instruments.

Consolidated Statements of Cash Flows

For the years ended December 31 ($thousands)	**2007**	2006
Cash flow (used in) from operating activities		
Net income	**$ 7,545**	$ 15,857
Add (deduct) non-cash items		
Amortization of deferred financing costs	**1,662**	1,286
Future tax recovery	**(1,759)**	(10,483)
Changes in working capital	**(9,954)**	(1,897)
	(2,506)	4,763
Cash flow (used in) from investing activities		
Purchase of Brookfield shares	**(193,239)**	—
	(193,239)	—
Cash flow from (used in) financing activities		
Preferred shares issued by a subsidiary, net of retractions	**199,985**	—
Exchangeable debentures issuance	**193,239**	—
Promissory note repayment	**(72,367)**	—
Purchase of BAM Split preferred shares	**(1,778)**	—
Preferred shares redeemed	**(70,750)**	—
Share issue costs	**(5,072)**	(355)
Preferred share dividends	**(213)**	(4,953)
	243,044	(5,308)
Cash and equivalents		
Increase (decrease)	**47,299**	(545)
Balance, begining of year	**3,880**	4,425
Balance, end of year	**$ 51,179**	$ 3,880

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 with a leveraged investment in Brookfield Asset Management Inc. ("Brookfield"). A Brookfield subsidiary provides management and administration services to the company. In the ordinary course of business, the company carries on securities and financing transactions with a subsidiary of Brookfield and its affiliates, generally on normal market terms (see Note 14). 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
The company accounts for its investment in Brookfield at fair value (see Note 3). Brookfield is publicly listed and accordingly the company is exposed to market risk, consistent with publicly held investments. The company is exposed to currency exposure of the U.S. dollar relative to the Canadian dollar as a result of Brookfield paying dividends in U.S. dollars and the functional currency of the company being the Canadian dollar.

Revenue recognition
Dividend income is recognized on the ex-dividend date.

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

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 indemification agreements and guarantees.

Changes in Accounting Policies

Accounting Changes
The CICA issued three new accounting standards which became effective for the company on January 1, 2007: Handbook Section 1530, Comprehensive Income (Section 1530), Handbook Section 3855, Financial Instruments – Recognition and Measurement (Section 3855) and Handbook Section 3861, Financial Instruments – Disclosure and Presentation (Section 3861).

Comprehensive Income
Section 1530 introduces Comprehensive Income and represents changes in Shareholders' Equity during a period arising from transactions and other events with non-owner sources. Other Comprehensive Income (OCI) includes unrealized gains and losses on financial assets classified as available-for-sale. The Consolidated Financial Statements include a Statement of Comprehensive Income while the cumulative amount, Accumulated Other Comprehensive Income (AOCI), is presented within Shareholders' Equity in the Consolidated Balance Sheet.

Financial Instruments – Recognition and Measurement
Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transaction costs related to trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Financial assets and financial liabilities held-for-trading will be measured at fair value with gains and losses recognized in Net Income. Available-for-sale financial assets will be measured at fair value with unrealized gains and losses, including the impact of changes in foreign exchange rates, being recognized in OCI. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments will be recognized in Net Income, except for effective derivatives that are designated as cash flow hedges not classified as held-for-trading, the fair value change for which will be recognized in OCI.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this "fair value option" must have reliably measurable fair values.

Impact of adopting Sections 1530, 3855 and 3861

The company recorded a transition adjustment effective January 1, 2007 in AOCI of $1,376.1 million representing the unrealized gain on the Brookfield Class A shares of $1,664.1 million, net $288.0 million of associated taxes. The associated future tax liability was partially offset by the value of capital and non-capital losses which was recorded in retained earnings on transition.

Future Accounting Policies

Financial Instuments-Disclosures and Presentation

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

Capital Disclosures

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

The company is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

3. Fair Values of Financial Instruments

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

Fair value of financial instruments

As described in Note 2, financial instruments classified as available-for-sale are typically carried at fair value on the Consolidated Balance Sheets. Equity instruments classified as available-for-sale that do not have a quoted market price from an active market are carried at cost. Any changes in the fair values of financial instruments classified as available-for-sale are recognized in OCI. The cumulative changes in the fair values of available-for-sale securities previously recognized in AOCI 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.

For the year ended December 31, 2007, pre-tax unrealized losses of $113.7 million were recognized for financial instruments classified as available-for-sale, representing a cumulative $1,550.3 million pre-tax adjustment over the respective carrying amounts.

4. Cash and Equivalents

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

As at December 31 ($thousands)	**2007**	2006
Cash	**$ 46,179**	$ 3,880
Cash equivalents	**5,000**	—
	$ 51,179	$ 3,880

5. Investments

The company owns 60.8 million (2006 – 55.5 million) Class A Limited Voting Shares of Brookfield representing a 10.0% (2006 – 9.1%) fully diluted equity interest. The company has pledged 5.3 million of the Class A shares as security for the long-term exchangeable debenture (see Note 8) which are classified as held-for-trading. The remaining Class A shares are classified as available-for-sale.

6. Accounts Payable and Provisions

As at December 31 ($thousands)	**2007**	2006
Accounts payable	**$ 1,493**	$ 627
Provisions	**1,422**	1,422
	$ 2,915	$ 2,049

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

7. Loans Payable

During 2007, the company repaid $72.4 million of promissory notes to Partners Limited.

8. Long-Term Exchangeable Debentures

On January 10, 2007, the company issued long-term debentures to a Canadian, AA- rated, Schedule I bank with a principal amount of $193.2 million that are exchangeable at the option of both the company and the holder into 5.3 million Class A shares of Brookfield. The debentures mature on January 10, 2032. The debentures pay interest based on the dividends paid by Brookfield plus a specified amount. The debentures are classified as held-for-trading and accordingly the carrying value is adjusted to reflect the market value of the underlying Brookfield Class A shares, which is calculated using the mid-market price. Changes in the risk-free interest rate do not directly impact the market value of the debentures. In 2007, a gain of $5 million was recorded to income as a result of the change in value of this long-term exchangeable debenture, which was equally offset by a $5 million loss on the 5.3 million Class A shares of Brookfield pledged as security (see Note 5).

9. Retractable Preferred Shares

As at December 31 ($thousands)	Issued		**2007**		2006
6.26% Class A	5,000,000 (2006 - 5,000,000)	$	**125,000**	$	125,000
4.95% Class AA, Series I	3,199,000 (2006 - 3,200,000)		**79,975**		80,000
4.35% Class AA Series III	8,000,000 (2006 - nil)		**200,000**		—
Class AA, Series I and Series III preferred shares acquired			**(2,318)**		—
Deferred financing costs [1]			**(5,071)**		—
		$	**397,586**	$	205,000

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

Retractable Preferred Shares issued by BAM Split include Class A and Class AA, Series I and Class AA, Series III Preferred Shares. BAM Split is authorized to issue an unlimited number of Class A Preferred shares and Class AA Preferred shares. On September 5, 2001, BAM Split issued 5,000,000 Class A Preferred shares for cash consideration of $125 million. On March 18, 2004, BAM Split issued 3,200,000 Class AA Preferred shares, Series I, for cash consideration of $80 million through a public issue. On January 10, 2007 BAM Split issued 8,000,000 Class AA Preferred shares, Series III for cash consideration of $200 million. During the year, 1,000 Class AA Series I Preferred Shares were retracted.

On August 21, 2003 BAM Split's shareholders approved amendments to the articles of incorporation to extend the mandatory redemption date of the Class A Preferred shares to September 30, 2010 (the "Redemption Date"), increase the redemption price and create and allow for the issuance of additional classes of Preferred shares. The Class AA Preferred shares are issuable in series and rank pari passu with existing Class A Preferred shares. The Board of Directors of BAM Split have the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series. Any new series will be issued for a price of $25.00 per share and the proceeds are to be used to finance the retraction or a redemption of outstanding Preferred shares without necessitating the sale of Brookfield shares or facilitating the acquisition of additional Brookfield shares.

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

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

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

The Series I Debentures will have a principal amount of $25.00 per debenture and will mature on January 10, 2019. Holders of the Series 1 Debentures will be entitled to recieve 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 "Net Asset Value per Unit" is defined as the fair value of the Portfolio shares held by BAM Split plus (minus) the amount by which the value of the other assets of BAM Split exceed (are less than) the liabilities (including any extraordinary liabilities) of BAM Split and the redemption value of the Preferred shares, divided by the total number of Units outstanding. A "Unit" is considered to consist of one Capital share and one Preferred share of any class or series. For greater certainty, the Class A and Class AA Series I and III Preferred shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit. The fair values of these shares based on quoted market prices as at December 31, 2007 were $25.12 and $21.25 and $19.27 per share, respectively.

10. Shareholders' Equity

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

Issued and outstanding

$thousands, except shares oustanding	Number Outstanding 2007	2006[1]	Book Value 2007	2006
Preferred shares Series II	**—**	1,965,384	**$ —**	$ 65,000
Preferred shares Series V	**—**	23	**—**	5,750
Common shares	**79,418,910**	79,418,910	**85,031**	85,031
Accumulated other comprehensive income			**1,280,174**	—
Retained earnings (deficit)			**24,503**	(12,393)
			$ 1,389,708	$ 143,388

1 *Prior year has been restated to reflect ten-for-one stock split for the common shares.*

The Series II and Series V preferred shares were redeemed by the company during the quarter ended March 31, 2007. The company did not repurchase any common shares during 2007 and 2006 through the facilities at the Toronto Stock Exchange under its normal course issuer bid.

11. Investment Income

$thousands	**2007**	2006
Brookfield Asset Management Inc. - dividends	**$ 30,013**	$ 20,996
Interest and other	**2,391**	118
	$ 32,404	$ 21,114

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

12. Income Taxes

$thousands	**2007**	2006
Statutory income tax rate	**33.74%**	33.74%
Tax payable at effective rate	**$ 1,952**	$ 1,813
Increase (reductions) in income tax expense resulting from:		
Dividends paid and received not subject to tax	**(3,711)**	(3,112)
Non-recognition of the benefit of current year's tax losses	**—**	1,299
Tax expense recorded	**$ (1,759)**	$ —

The company has available non-capital losses of $30.4 million (2006 – $32.9 million). The non-capital losses expire in the period of 2008 to 2027 of which $25.6 million do not expire until 2011 or later. The accounting value of the company's common share investments exceed their tax bases by $1,496 million (2006 – $52.2 million tax excess over accounting value).

13. Net Income per Common Share

Net income per common share is calculated after deducting preferred share dividend entitlements and is based on 79,418,910 (2006 – 66,879,040) common shares, being the weighted average number outstanding during the year.

14. Related Party Transactions

Brookfield provided management and financial services to the company during 2007 and 2006 and recovered costs of $20,000 in 2007 (2006 – $20,000) in respect of those services. The following balances pertained to Brookfield and its controlled and significantly influenced companies as at and for the year ended December 31, 2007: cash and equivalents – $0.2 million, (2006 – $1.4 million); and investment income – $30.0 million (2006 – $21.1 million). These transactions have been recorded at their exchange values.

During 2007, the company sold financial assets to Partners Limited ("Partners") for proceeds of $40 million. The book value of the financial assets approximated its fair value at the time of the transaction. Partners owns 49% of the common shares of the company.

15. 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 Brookfield Class A shares. The value of the Class A shares may be influenced by factors not within the control of the company, including the financial performance of Brookfield, 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 Brookfield Class A shares. A material adverse change in the business, financial conditions or results of operation of Brookfield 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 Brookfield Class A shares.

Foreign Currency Exposure

Brookfield reports its results in United States dollars. Accordingly, the value of the Class A shares may vary from time to time with fluctuations in the exchange rate between Canadian and United States dollars. Also, Brookfield declares dividends in United States dollars, which are then converted to Canadian dollars for distribution to Canadian shareholders, including the company. Strengthening of the Canadian dollar relative to the United States dollar could reduce the amount of cash available to the company.

Leverage

The company's assets are financed almost entirely 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.

Limitations on Liquidity of Class A Shares of Brookfield

While the company's policy is to hold the Class A shares of Brookfield and not engage in trading, there may be circumstances in which such shares will have to be sold, including 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

An investment in common shares does not constitute an investment in the Class A shares held of Brookfield by the company. Holders of common shares do not own the Class A shares held by the company or have any voting rights in respect of such Class A shares.

Corporate Information

Directors

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Corporate Director
(Director - elect)

Howard Driman[1]
Director of Finance
UIA Federations Canada

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

R. Frank Lewarne[1]
Corporate Director

Frank N.C. Lochan
Corporate Director

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

[1] *Member of the Audit Committee*

Officers

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Chairman

Brian D. Lawson
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Vice President, Finance

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Exchange Listing

Toronto Stock Exchange

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