



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn  
2008 Flow-Through  
Limited Partnership**

Annual Report  
December 31, 2009

March 24, 2010

Dear fellow Limited Partners,

I am pleased to provide you with the annual report for the Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the "Partnership") for the year ending December 31, 2009. The Partnership had good performance during the year, as the net asset value appreciated from \$18.68 to \$24.71, an increase of 32.3%. In addition to strong absolute performance, the Partnership has also done well on a relative basis in comparison to its peers. The Partnership's portfolio is managed by Connor Clark & Lunn Investment Management ("the Investment Advisor"). With approximately \$4.3 billion in energy and materials investments, the Investment Advisor is one of the largest investors in natural resource companies in Canada.

The Investment Advisor has demonstrated a strong ability to identify high quality flow-through issuers and acquire sizeable positions in these highly sought after companies. Tourmaline Oil Corp. is one of the largest contributors to the Partnership's performance. At the time of writing, the Partnership's investment in the company has appreciated by more than 70% and is the largest holding within the portfolio. Tourmaline was founded by the former management team of Duvernay Oil Corp. which has an excellent track record of creating value for investors. Duvernay was also a large holding in the Partnership and was acquired by Shell Canada Ltd. at nearly twice what the Partnership paid for its flow-through shares in 2008. Another large holding is Denison Mines Corp. which has appreciated by more than 50% in the portfolio.

After bottoming with the broader equity markets in March 2009, oil prices rallied through the last three quarters of the year. By contrast, natural gas prices bottomed in the fall of 2009 before rallying through year-end. As expected, energy stocks followed commodity prices through 2009 with oil weighted producers outperforming their gas weighted peers.

The Investment Advisor's outlook for commodity prices continues to remain positive for 2010, particularly for natural gas. With significant reductions in supply, a more balanced supply/demand equation could result in sustainable price levels in the US\$6 to US\$8/Mcf range. From a high level perspective, valuations within the junior oil and gas sector are compelling versus historical levels and in comparison to their large cap peers. With more attractive growth profiles and increased mergers and acquisitions activity, the Investment Advisor believes this valuation gap will likely narrow.

Please note that the Partnership will roll into the Connor, Clark & Lunn Natural Resources Fund (the "Fund") at the end of March and Class A Shares of the Fund will be distributed to limited partners in early April. We are also expanding the Fund to include a new balanced fund class managed by Connor, Clark & Lunn that investors can switch into on a tax-deferred basis.

We appreciate your investment in the Partnership and for those investors looking for a tax-assisted investment for 2010, the Connor, Clark & Lunn 2010 Partnership is currently available. For more information and to obtain a prospectus, please consult with your investment advisor.

Yours truly,



W. Neil Murdoch  
Chief Executive Officer  
Connor, Clark & Lunn Capital Markets Inc.

# Management Report of Fund Performance

This annual management report of fund performance for Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the “Partnership”), contains financial highlights but does not contain the complete annual financial statements of the Partnership. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) to the following address: Connor, Clark & Lunn Capital Markets Inc., Suite 300, 181 University Avenue, Toronto, Ontario M5H 3M7, or calling (416) 862-2020 or visiting the Manager’s website at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com). You can also obtain the annual financial statements by visiting [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Partnership’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Any reference to “Net Assets” or “Net Assets per Unit” or “GAAP Net Assets” means that the value was determined in accordance with the Canadian Generally Accepted Principles “GAAP” for financial statements purposes. Any reference to “Net Asset Value” or “Net Asset Value per Unit” or “Transactional NAV” means that the value was determined for valuation and transactional purposes.

## Investment Objectives and Strategy

The Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the “Partnership”) was formed under the laws of the Province of Ontario pursuant to a Partnership Agreement dated December 11, 2007 between Connor, Clark & Lunn 2008 Flow-Through Management Corp., as General Partner, and Philip Gow, as the Initial Limited Partner, and became a limited partnership effective December 11, 2007.

The Partnership has been organized to provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Issuers whose shares are publicly listed and to a maximum of 30% of the Gross Proceeds Flow-Through Shares of private Resource Issuers with a view to achieving income and capital appreciation for Limited Partners. The principal businesses of the Resource Issuers are:

- (i) oil and gas exploration, development and production;
- (ii) mineral exploration, development and production; or
- (iii) certain energy production that may incur certain start-up phase costs of renewable energy and energy efficient projects.

The General Partner will invest all the Gross Proceeds in Flow-Through Shares of Resource Issuers that agree to incur and renounce (directly or indirectly) Eligible Expenditures to the Partnership (and thereby maximize the deductions available to Limited Partners in respect of their 2008 taxation years).

In order to achieve the Partnership’s investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the “Investment Advisor”), the Partnership’s investment advisor, will invest the net proceeds of the Offering, in Flow-Through Shares of Resource Issuers that: (i) have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries; (ii) have exploration programs or exploration and development programs in place; (iii) have shares that are suitably priced and offer capital appreciation or income potential; and (iv) meet certain market capitalization and other criteria set out in the Investment Guidelines mentioned in the Partnership’s prospectus dated January 30, 2008.

## **Risk**

The Partnership's investment restrictions contemplate leverage of up to 15.0% of the net asset value of the Partnership. Leverage increases the exposure of the Partnership to market fluctuations. The Partnership pays interest on the amount borrowed and such interest payments may exceed the total return on the leveraged portion of the Partnership's portfolio. The Partnership employed leverage in the range of nil% to 16.1% during the year ended December 31, 2009. Leverage was eliminated in April 2009. For full disclosure of risks associated with an investment in the Partnership's units, please refer to the Prospectus dated January 30, 2008.

## **Recent Developments**

### ***Future accounting changes***

In February 2008, the Canadian Accounting Standards Board confirmed that the International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises effective January 1, 2011, which includes investment funds. As the Partnership is expected to dissolve on or about June 30, 2010, the Manager does not expect this to impact the Partnership.

### ***Adoption of New Accounting Standards***

*CICA Section 3862, "Financial Instruments – Disclosures"*: In March 2009, the Canadian Accounting Standards Board announced it has agreed to adopt recent amendments to IFRS 7, "Financial Instruments: Disclosures", into Section 3862, "Financial Instruments – Disclosures". The amendments require that an entity disclose the classification, for each class of financial instrument, of fair value measurements within a fair value hierarchy. The hierarchy includes three levels: Level 1 – quoted prices in active markets, Level 2 – measurements determined using valuation models that employ observable inputs and Level 3 – measurements determined using valuation models that employ unobservable inputs. The Partnership adopted the amendments to Section 3862 as of January 1, 2009. This standard impacted the Partnership's disclosure provided but did not affect the Partnership's results or financial position.

*EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"*: On January 20, 2009, the CICA Emerging Issues Committee issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The abstract requires the entity's own credit risk and the risk of the counterparty should be taken into consideration in assessing the fair value of financial assets and financial liabilities. The Partnership adopted the abstract as of January 1, 2009. This abstract did not have any material impact on the Partnership's results or financial position.

## **Results of Operations**

### ***Portfolio Manager Commentary***

#### ***Energy***

After bottoming with the broader equity markets in March 2009, WTI oil prices rallied through the last three quarters of the year, exiting 2009 at US\$80/Bbl. On average, WTI oil prices declined by 38% relative to 2008 levels. By contrast, Henry Hub natural gas prices bottomed in the fall of 2009 before rallying through year-end, exiting 2009 at US\$5.50/Mcf. On average, Henry Hub natural gas prices declined by 55% relative to 2008 levels. Our outlook for both oil and gas prices remains positive for 2010.

With respect to our outlook on oil fundamentals, demand continues to demonstrate the initial signs of recovery from the lows witnessed early in 2009 while the material reductions in supply from OPEC has positively impacted inventory levels. We continue to expect the recovery in oil prices will be demand driven, with the magnitude of the broader economic recovery driving the upside in oil prices over the next few years.

In contrast, we expect the recovery in natural gas prices to be supply driven. We expect that the 50% reduction in active

onshore drilling rigs over the last year, coupled with steep production declines from new unconventional gas wells, will have a meaningful impact on supply through 2010 (which is being demonstrated in North American production data through Q4/09). We envision a more balanced demand/supply balance in 2010 with the potential for prices to recover to more sustainable levels in the US\$6 – US\$8/Mcf range.

As expected, energy stocks followed commodity prices through 2009 with oil weighted producers outperforming their gas peers. More recently, we have seen gas producers outperforming their oil peers as the market gains comfort with the recovery in fundamentals and possibly begins to see the potential for the relationship between oil and gas prices to narrow to the longer term trend near the 8:1 level.

From a high level perspective, valuations within the energy space remain at reasonable levels while a significant amount of new assets currently being marketed by the large cap peer group should provide attractive opportunities for consolidation and future growth. We will continue to focus on producers that can generate reasonable rates of return on capital projects at current commodity prices and offer balance sheets that can withstand continued commodity price volatility while maintaining attractive upside exposure to rising commodity prices as the global economy recovers.

### *Gold*

We continue remain positive on the outlook for gold. The usual five reasons remain the fundamental drivers of gold price in our view – a) inflation resurgence; b) investment demand; c) central bank purchases; d) loss of confidence in the reserve currencies; and e) a bubble phase. While all the five factors may not come to fruition in 2010, we expect some of these factors will drive gold price higher in 2010. For instance, we expect IMF to sell its remaining position in gold and we also expect a central bank, most likely China, to be a buyer. We have started to see some developed economies, specifically the UK, to start reporting higher inflation.

The only negative factor would relate to weak jewellery demand. That said, we do expect investment demand to fully compensate for the lack of jewellery demand. Hence we remain positive on the outlook for gold.

### *Base Metals*

We continue to remain positive on the outlook for base metals. The three factors that will drive base metals higher would be a) Chinese demand remaining strong; b) resurgence of Western world demand; and finally c) investment demand fuelled by a weak US dollar. Copper remains our favorite base metal commodity. We foresee limited supply availability in the near term (over the next two to four years), which is expected to be insufficient to keep pace with normalized demand growth and the potential for consumer restocking as demand recovers. This is before one considers the impact from the restocking events seen in China, and now possibly ex-China, as the global economy pulls itself out of the current recession. Given the current low level of inventories from which to start a new demand cycle, inventory levels could quickly reverse the current trend and reach critical levels in the later part of 2010. Nickel and aluminum, however, continue to remain well-supplied and we expect prices to follow the overall market direction due to funds flow as opposed to fundamentals.

The following is an update on some of the companies in the portfolio.

**Metanor Resources:** Metanor Resources is a well-capitalized development company that is in the process of producing gold and ramping up to full capacity by mid-2010. The company's production is unhedged, so it will provide leverage to rising gold prices. In addition to production, recent drill program results from the Barry pit have been very encouraging. Recent drilling results include 13.31 g/t Au over 5.2m and 9.24 g/t Au over 33m. Hence we believe the pieces are falling into place for the Barry Deposit to have a significantly extended life and new higher grade ore from Barry will be brought into production.

**Tourmaline Oil:** The Tourmaline management team represents the latest iteration of the former group from Duvernay Oil – a successful gas focused exploration and production company that went public in 2004 at \$10.00/share and subsequently sold to Royal Dutch Shell in 2008 for \$83.00/share. In its short history since forming Tourmaline in 2008, management has already amassed 300 net sections of land in the Deep Basin of AB and BC (greater than Duvernay's land position when it sold to RDS). Current production is approaching 10,000 Boe/d with a 2010 target of 15,000 Boe/d. Flow-through funds will be used to supplement an active \$200MM drilling program in 2010 that will remain focused within 3 core areas in the Deep Basin.

## ***Investment Income and Capital Gains***

During the year ended December 31, 2009 the Partnership had net investment loss of \$249,681. In addition, the portfolio realized \$508,850 in investment gains and had an increase of \$3,262,687 in unrealized gains on its investments. Investment losses, realized gains and unrealized gains combined for a total increase in net assets from operations of \$3,521,856, or \$6.10 per Unit.

## ***Credit Facility***

The Partnership has entered into a non-revolving term credit facility agreement (the "Credit Agreement") with Bank of Montreal ("BMO") dated February 15, 2008. The aggregate amount of borrowings under the loan facility and other leverage transactions may not exceed 15% of the net asset value of the Partnership.

Previous borrowing was used solely to finance the Agents' fees, and other expenses of the Offering (including legal, accounting and audit, travel, marketing and sales expenses), the Manager's fee and certain operating and administrative costs and expenses of the Partnership that were not expected to be fully deductible in computing income of the Partnership for the year ending December 31, 2008, in order to maximize the investment of the Gross Proceeds in Flow-Through Shares.

The Partnership's obligation under the Credit Agreement (if any) is secured by a pledge of the Partnership assets, and requires the Partnership to meet certain minimum margin requirements, and is repayable on demand. If the Partnership Loan Facility is not repaid at the time of dissolution of the Partnership, the former Limited Partners will become personally obligated to repay the Partnership Loan Facility, although recourse against them will be limited to their interest in the securities or assets of the Partnership. The General Partner expects that all amounts outstanding under the Partnership Credit Facility, including all interest accrued thereon, will be repaid prior to the earlier of the closing of any Liquidity Alternative (a transaction that would provide liquidity, where the General Partner can transfer the assets of the Partnership to a mutual fund) and the dissolution of the Partnership.

The Partnership employed leverage in the range of 0.0% to 16.1% during the year ended December 31, 2009. Leverage has not been used since April 2009.

## ***Liquidity and Capital Resources***

As at December 31, 2009, the Partnership had current assets excluding investments of \$99,934. Current liabilities totalled \$95,205.

## ***Capital transactions***

On February 15, 2008, the Partnership completed an initial public offering pursuant to the prospectus dated January 30, 2008. The offering raised \$11,549,375 through the issue of 461,975 Units at \$25.00 per Unit. On April 1, 2008, the Partnership issued an additional 114,182 Units at \$25.00 each for gross proceeds of \$2,854,550.

Total proceeds, including the first closing, after Agents' fees and issue expense was \$12,906,280.

## **Related Party Transactions**

### ***Management Fees***

Pursuant to a management agreement ("the Management Agreement") the Partnership retained Connor, Clark & Lunn Capital Markets Inc. to act as manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Partnership, the Manager is entitled to an annual management fee in an amount equal to 2% per annum of the net asset value of the Partnership to be calculated and payable monthly in arrears, plus applicable taxes.

The total management fees charged to the Partnership during the year ended December 31, 2009 were \$252,751 (\$235,058 from February 15, 2008 (commencement of operations) to December 31, 2008).

The Manager pays the Investment Advisor out of the above management fees.

## Recommendations or Reports by the Independent Review Committee

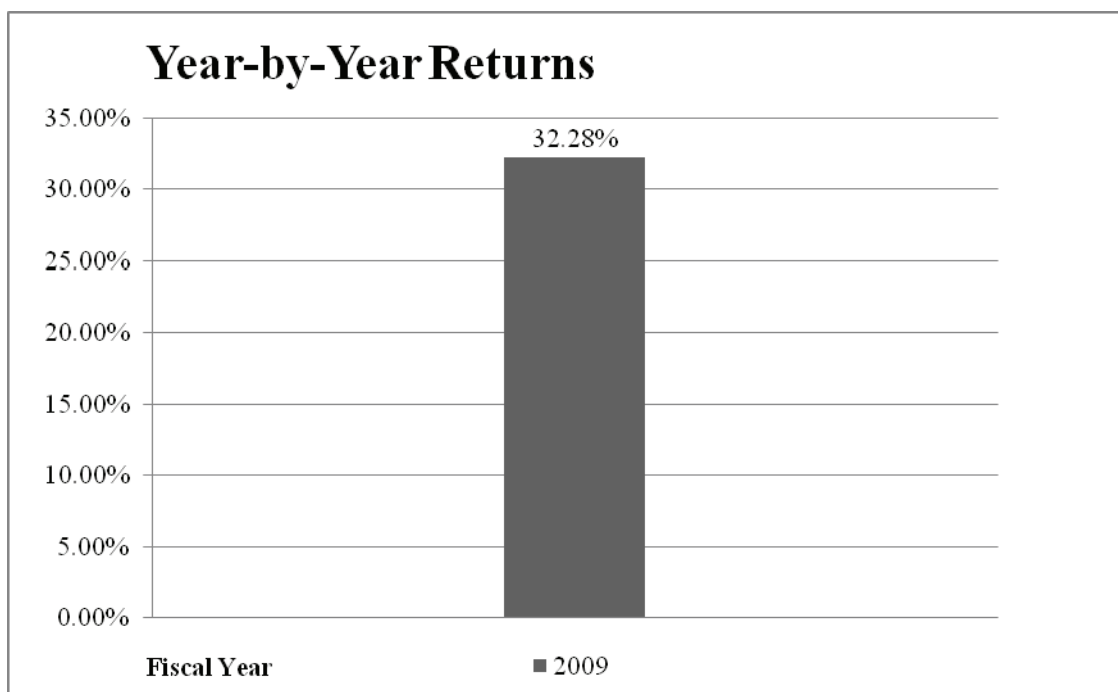
The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Partnership during the year ended December 31, 2009.

## Past Performance

The following bar charts and table indicate the performance of the Units by showing both annual returns by fiscal year and annualized compound returns assuming all the distributions made by the Partnership during the periods shown were reinvested. Past performance is not necessarily indicative of future performance.

### *Year – by – Year Returns*

The following bar charts show the Partnership’s annual performance for the years shown. These bar charts show, in percentage terms, how much an investment made on the first day of the financial year would have grown or decreased by the last day of the financial year.



### *Annual Compound Returns*

	Past Year	Since Inception <sup>(1)</sup>
Based on NAV	32.28%	5.70%
Blended Index <sup>(2)</sup>	40.20%	-1.10%

<sup>(1)</sup> Annualized for the period February 15, 2008 (Commencement of operations) to December 31, 2009.

<sup>(2)</sup> Blended Index of the S&P/TSX Oil & Gas Exploration & Production Index (75%) and the S&P/TSX Materials Index (25%). The Partnerships’ performance may lag the performance of the Blended Index as a result of (i) the premiums over market price that are paid to obtain shares of resource companies on a flow-through basis; and (ii) the performance of large capitalization companies which comprise a significant portion of the indices selected in comparison to their junior counterparts which are more frequent issuers of flow-through shares. The tax deductions from that the Partnership receives are not considered in the above calculations of the Partnership’s returns since the returns are presented on a pre-tax basis.

## Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to aid in understanding the Partnership's financial performance since inception. This information is derived from the Partnership's annual and semi-annual financial statements:

The Partnership's Net Assets per share:

	December 31, 2009	December 31, 2008 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	<b>18.41</b>	<b>25.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenues	0.16	0.52
Total expenses	(0.60)	(0.69)
Unit issue expense <sup>(2)</sup>	—	(2.67)
Realized gains (losses) for the period	0.88	1.79
Unrealized gains (losses) for the period	5.66	(5.71)
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>6.10</b>	<b>(6.76)</b>
<b>Distributions:</b>		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
<b>Total Distributions</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of period <sup>(4)</sup></b>	<b>24.53</b>	<b>18.41</b>

<sup>(1)</sup> Results for the period from February 15, 2008 (commencement of operations) to December 31, 2008.

<sup>(2)</sup> Issue expense of \$1,497,645 incurred in connection with the unit issuance. The full amount of issue expenses was deducted from the retained earnings for accounting purposes and is amortized over a period of five years for tax purposes.

<sup>(3)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(4)</sup> This is not reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data:

	December 31, 2009	December 31, 2008 <sup>(1)</sup>
Net asset value (000's)	14,234	10,761
Number of units outstanding	576,157	576,157
Base Management expense ratio (annualized) <sup>(2)(3)</sup>	2.71%	2.95%
Issue expenses ratio <sup>(2)(3)</sup>	—	11.87%
Interest expense ratio <sup>(2)(3)</sup>	0.09%	0.54%
Management expense ratio (annualized) <sup>(3)</sup>	2.81%	15.36%
Management expense ratio before waivers or absorptions (annualized) <sup>(3)</sup>	2.81%	15.36%
Portfolio turnover rate <sup>(4)</sup>	21.98%	76.14%
Trading expense ratio <sup>(5)</sup>	0.01%	0.01%
Net asset value per unit	24.71	18.68

<sup>(1)</sup> Results for the period from February 15, 2008 (commencement of operations) to December 31, 2008.

<sup>(2)</sup> A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses, and Interest expense ratio: representing cost of leverage.

<sup>(3)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, are not annualized.

<sup>(4)</sup> The Partnership's turnover rate indicates how actively the Partnership's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership's buying and selling all of the securities in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Partnership.

<sup>(5)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

## Summary of Investment Portfolio as of December 31, 2009

The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. A quarterly update is available at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

	<b>Market Value \$</b>	<b>% of NAV</b>
<b>Portfolio by Category</b>		
Energy	12,399,137	87.2%
Materials	1,830,420	12.8%
Cash & Cash Equivalents	78,904	0.6%
 <b>Top 25 Holdings</b>		
Tourmaline Oil Corp.	3,333,005	23.5%
Progress Energy Resources Corp.	1,981,000	14.0%
Petrobakken Energy Ltd.	1,568,328	11.0%
Denison Mines Inc.	1,289,112	9.1%
Petrobank Energy and Resource Ltd.	999,261	7.0%
CrowFlight Minerals Inc.	943,500	6.6%
Metanor Resources Inc.	886,920	6.2%
Nal Oil & Gas Trust	815,208	5.7%
Artek Exploration Ltd. Flow Through	627,000	4.4%
Open Range Energy Corp.	436,000	3.1%
Crescent Point Energy Corp.	358,253	2.5%
Seaview Energy Inc.	330,000	2.3%
Vero Energy Inc.	310,100	2.2%
Huron Energy Corp.	217,470	1.5%
Angle Energy Inc.	134,400	0.9%
Cash & Cash Equivalents	78,904	0.6%
 <b>Net asset value</b>	 <b>14,234,288</b>	

## Management's Responsibility for Financial Reporting

The accompanying financial statements of **Connor, Clark & Lunn 2008 Flow-Through Limited** (the "Partnership") and all of the information have been prepared by the General Partner and approved by the Board of Directors of the General Partner. The General Partner is responsible for all of the information and representations contained in these financial statements and other sections of the Annual Report

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. The General Partner has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The General Partner has ensured that the other financial information presented in this annual report is consistent with the financial statements.

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.



W. Neil Murdoch  
President and Chief Executive Officer  
Connor, Clark & Lunn Capital Markets Inc.



Michael W. Freund  
Director  
Connor, Clark & Lunn Capital Markets Inc.

Toronto, Canada

**March 24, 2010**

March 31, 2010

## Auditors' Report

### To the Partners of Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

We have audited the statement of investment portfolio of **Connor, Clark & Lunn 2008 Flow-Through Limited Partnership** (the Partnership) as at December 31, 2009 and the statements of net assets as at December 31, 2009 and 2008 and the statements of operations, changes in net assets and surplus (deficit) and cash flow for the year ended December 31, 2009 and the period from February 15, 2008 (commencement of operations) to December 31, 2008. These financial statements are the responsibility of the General Partner. 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 the General Partner, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations, the changes in its net assets and its cash flow for the year ended December 31, 2009 and the period from February 15, 2008 (commencement of operations) to December 31, 2008 in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

## Statements of Net Assets

As at December 31, 2009 and 2008

	2009	2008
	\$	\$
<b>Assets</b>		
Cash	78,904	34,651
Short-term investments	-	1,938,838
Investments at fair value (cost - \$14,068,746; 2008 - \$13,523,931)	14,126,295	10,318,793
Interest and dividends receivable	21,032	6,699
	<u>14,226,231</u>	<u>12,298,981</u>
<b>Liabilities</b>		
Bank indebtedness (note 4)	-	1,600,000
Accounts payable and accrued liabilities	48,191	69,764
Management fees payable	47,014	20,047
	<u>95,205</u>	<u>1,689,811</u>
<b>Net Assets representing Partners' Equity</b>	<u>14,131,026</u>	<u>10,609,170</u>
<b>Units issued and outstanding</b> (note 5)	<u>576,157</u>	<u>576,157</u>
<b>Net assets per unit</b>	<u>24.53</u>	<u>18.41</u>
<b>Partners' Equity</b>		
Unit capital (note 5)	12,906,280	12,906,280
Surplus (deficit)	1,224,746	(2,297,110)
<b>Total Partners' Equity</b>	<u>14,131,026</u>	<u>10,609,170</u>

Approved by the Manager



Director



Director

# Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

## Statements of Operations

For the year ended December 31, 2009 and period from February 15, 2008 (commencement of operations) to December 31, 2008

	2009	2008
	\$	\$
<b>Income</b>		
Dividends	87,615	-
Interest income	6,721	290,331
	<u>94,336</u>	<u>290,331</u>
<b>Expenses</b>		
Management fees (note 7)	252,751	235,058
Audit fees	33,322	20,656
Loan interest expenses (note 4)	10,997	58,860
Administration fees	17,504	15,458
Custodial and other unitholders' fees	18,625	2,381
Transfer agent fees	7,934	9,763
Legal fees	6,771	13,770
Transaction costs	1,738	1,440
IRC fees	1,332	-
Other	790	-
Filing fees	227	13,770
Interest expenses	118	77
Printing fees	(8,092)	13,770
	<u>344,017</u>	<u>385,003</u>
<b>Investment income (loss) for the period</b>	(249,681)	(94,672)
<b>Net realized gain (loss) on investments</b>		
Net realized gain (loss) on investments	508,850	1,002,700
<b>Net change in unrealized gain (loss) on investments</b>		
Change in unrealized gain (loss) on investments	3,262,687	(3,205,138)
<b>Increase (decrease) in net assets from operations</b>	<u>3,521,856</u>	<u>(2,297,110)</u>
<b>Increase (decrease) in net assets from operations per unit *</b>	<u>6.10</u>	<u>(4.09)</u>

\* (based on average number of units outstanding during the period)

## Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

### Statements of Changes in Net Assets and Surplus (Deficit)

For the year ended December 31, 2009 and period from February 15, 2008 (commencement of operations) to December 31, 2008

	2009	2008
	\$	\$
<b>Increase (decrease) in net assets from operations</b>	<u>3,521,856</u>	<u>(2,297,110)</u>
<b>Unitholders' transactions:</b>		
Gross proceeds from issue of units (note 5)	-	14,403,925
Agents' fees and issue expenses	<u>-</u>	<u>(1,497,645)</u>
	<u>-</u>	<u>12,906,280</u>
<b>Change in net assets during the period</b>	3,521,856	10,609,170
<b>Net assets - Beginning of period</b>	<u>10,609,170</u>	<u>-</u>
<b>Net assets - End of period</b>	<u>14,131,026</u>	<u>10,609,170</u>
<b>Surplus (deficit), beginning of period</b>	(2,297,110)	-
Increase (decrease) in net assets from operations	<u>3,521,856</u>	<u>(2,297,110)</u>
<b>Surplus (deficit), end of period</b>	<u>1,224,746</u>	<u>(2,297,110)</u>

## Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

### Statements of Cash Flow

For the year ended December 31, 2009 and period from February 15, 2008 (commencement of operations) to December 31, 2008

	2009	2008
	\$	\$
<b>Operating Activities</b>		
Increase (decrease) in net assets from operations	3,521,856	(2,297,110)
Items not affecting cash:		
Net realized (gain) loss on investments	(508,850)	(1,002,700)
Unrealized (gain) loss on investments	(3,262,687)	3,205,138
Changes in non-cash working capital		
(Increase) decrease in interest and dividends receivable	(14,333)	(6,699)
Increase (decrease) in accounts payable and accrued liabilities	(21,573)	69,764
Increase (decrease) in management fees payable	26,967	20,047
Cost of investments purchased	(2,703,514)	(14,932,209)
Proceeds from investments sold	2,667,549	2,410,978
	<u>(294,585)</u>	<u>(12,532,791)</u>
<b>Financing Activities</b>		
Proceeds from issuance of units	-	14,403,925
Unit issue costs	-	(1,497,645)
Proceeds from bank indebtedness	-	6,360,565
Repayment of bank indebtedness	(1,600,000)	(4,760,565)
	<u>(1,600,000)</u>	<u>14,506,280</u>
<b>Net cash flow provided by (used in) operating activities</b>	<u>(1,894,585)</u>	<u>1,973,489</u>
<b>Net increase (decrease) in cash and short-term investments</b>	<u>(1,894,585)</u>	<u>1,973,489</u>
<b>Cash and short-term investments - beginning of period</b>	<u>1,973,489</u>	<u>-</u>
<b>Cash - end of period</b>	<u>78,904</u>	<u>1,973,489</u>
<b>Supplementary information</b>		
Interest paid	10,997	53,591

## Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

Statement of Investment Portfolio

As at December 31, 2009

	Quantity	Average Cost \$	Fair Value \$	% of Net Assets
<b>Investments</b>				
<b>Canadian equities</b>				
<b>Energy</b>				
Angle Energy Inc.	20,000	101,652	134,000	0.9%
Artek Exploration Ltd. Flow Through (*)	33,000	990,000	627,000	4.4%
Crescent Point Energy Corp.	9,072	291,000	357,890	2.5%
Denison Mines Inc.	976,600	1,074,260	1,289,112	9.2%
Huron Energy Corp. (*)	86,988	323,976	217,470	1.5%
Nal Oil & Gas Trust	59,331	757,934	810,461	5.7%
Open Range Energy Corp	200,000	927,950	422,000	3.0%
Petrobakken Energy Ltd.	48,510	1,612,958	1,567,358	11.1%
Petrobank Energy and Resource Ltd.	19,513	653,317	995,748	7.0%
Progress Energy Resources Corp.	140,000	2,275,000	1,974,000	14.0%
Seaview Energy Inc.	300,000	433,064	318,000	2.3%
Tourmaline Oil Corp. (*)	222,497	2,330,000	3,333,005	23.6%
Vero Energy Inc.	70,000	599,197	308,700	2.2%
		<u>12,370,308</u>	<u>12,354,745</u>	<u>87.4%</u>
<b>Materials</b>				
CrowFlight Minerals Inc.	5,550,000	999,000	915,750	6.5%
Metanor Resources Inc.	1,556,000	700,200	855,800	6.1%
		<u>1,699,200</u>	<u>1,771,550</u>	<u>12.6%</u>
<b>Total Canadian equities</b>		<u>14,069,508</u>	<u>14,126,295</u>	<u>100.0%</u>
<b>Total investments (before transaction costs)</b>		<u>14,069,508</u>	<u>14,126,295</u>	<u>100.0%</u>
Transaction costs (note 3 and 8)		<u>(762)</u>	<u>-</u>	<u>0.0%</u>
<b>Total investments</b>		<u>14,068,746</u>	<u>14,126,295</u>	<u>100.0%</u>
<b>Other assets net of other liabilities</b>			<u>4,731</u>	<u>0.0%</u>
<b>Net assets</b>			<u>14,131,026</u>	<u>100.0%</u>

(\*) Private placement.

# Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

## Notes to Financial Statements

December 31, 2009

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### 1 Formation of Partnership

The Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the "Partnership") was formed under the laws of the Province of Ontario pursuant to a Partnership Agreement dated December 11, 2007 between Connor, Clark & Lunn 2008 Flow-Through Management Corp., as General Partner (the "General Partner"), and Philip Gow, as the Initial Limited Partner, and became a limited partnership effective December 11, 2007.

Pursuant to a limited partnership agreement dated December 11, 2007 (the "Limited Partnership Agreement") between the General Partner and the Initial Limited Partner at that time, and each person who became a Limited Partner thereafter, the General Partner is entitled to a 0.01% beneficial interest in the Partnership. As at December 31, 2008 and 2009, the General Partner held no Units in the Partnership. The Limited Partners will be allocated on a pro rata basis 99.9% of the net income or loss of the Partnership and 100% of any eligible expenditures renounced to the Partnership, and 0.01% of the net income or loss of the Partnership will be allocated to the General Partner. On dissolution, Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of such assets after payment of all liabilities of the Partnership.

The Limited Partnership Agreement provides that the General Partner will dissolve the Partnership on or about December 31, 2010, subject to the right of the General Partner to extend the dissolution date by up to three months. The General Partner can also transfer the assets of the Partnership to a mutual fund (the "Liquidity Alternative") pursuant to an agreement (the "Transfer Agreement"), in exchange for units of a mutual fund, prior to the dissolution of the Partnership. However, this Transaction is subject to the receipt of all necessary regulatory approvals, and is at the discretion of the General Partner.

Pursuant to a management agreement dated January 30, 2008, Connor, Clark & Lunn Capital Markets Inc. (the "Manager") has been retained by the Partnership to provide investment advisory and portfolio management services to the Partnership and to manage the ongoing business and administrative affairs of the Partnership.

### 2 Investment objectives

The Partnership has been organized to provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Issuers whose shares are listed on a public exchange and (up to a maximum of 30%) of the Gross Proceeds Flow-Through Shares of private Resource Issuers with a view to achieving income and capital appreciation for Limited Partners. The principal businesses of the Resource Issuers are:

- i. oil and gas exploration, development and production;
- ii. mineral exploration, development and production; or
- iii. certain energy production that may incur certain start-up phase costs of renewable energy and energy efficient projects.

### 3 Summary of significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates.

This Partnership is unincorporated and these financial statements do not include all the assets, liabilities, revenues and expenses of the limited partners.

#### Future accounting changes

In February 2008, the Canadian Accounting Standards Board confirmed that the International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises effective January 1, 2011, which includes investment funds. As the Partnership is expected to dissolve on or about December 31, 2010, the Manager does not expect this to impact the Partnership.

#### Adoption of New Accounting Standards

*CICA Section 3862, "Financial Instruments – Disclosures"*: In March 2009, the Canadian Accounting Standards Board announced it has agreed to adopt recent amendments to IFRS 7, "Financial Instruments: Disclosures", into Section 3862, "Financial Instruments – Disclosures". The amendments require that an entity disclose the classification, for each class of financial instrument, of fair value measurements within a fair value hierarchy. The hierarchy includes three levels: Level 1 – quoted prices in active markets, Level 2 – measurements determined using valuation models that employ observable inputs and Level 3 – measurements determined using valuation models that employ unobservable inputs. The Partnership adopted the amendments to Section 3862 as of January 1, 2009. This standard impacted the Partnership's disclosure provided but did not affect the Partnership's results or financial position.

*EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"*: On January 20, 2009, the CICA Emerging Issues Committee issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The abstract requires the entity's own credit risk and the risk of the counterparty should be taken into consideration in assessing the fair value of financial assets and financial liabilities. The Partnership adopted the abstract as of January 1, 2009. This abstract did not have any material impact on the Partnership's results or financial position.

#### Valuation of Investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded ("GAAP Net Assets"). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. The Partnership calculates its daily Net Asset Value for the purchase and redemption of units ("Transactional NAV") based on the fair value of the Partnership's assets and liabilities (being the last traded price for the day).

# Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

## Notes to Financial Statements

December 31, 2009

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As at December 31, 2009, the Partnership's net asset value per unit was \$24.71. The difference between the net asset value per unit and the net assets per unit as shown on the Statement of Net Assets is due to the different pricing methodology discussed above. The reconciliation between the Transactional NAV and the GAAP Net Assets as a result of the adoption of Sections 3855 is as follows:

	<u>Transactional</u> NAV	<u>Section 3855</u> Adjustment	<u>GAAP</u> Net Assets
<b>Per Unit</b>			
Opening Value – December 31, 2008	18.68	(0.27)	18.41
Closing Value – December 31, 2009	24.71	(0.18)	24.53

### Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit with terms to maturity of less than 90 days at acquisition. Cash and cash equivalents are deemed to be held for trading and therefore are carried at fair value. Short-term investments are carried at cost, which together with interest receivable approximates market value.

### Income recognition

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

### Unit valuation

Units of the Partnership are valued at the net asset value per unit of the Partnership. The net asset value per unit is determined by dividing the aggregate fair value of assets less liabilities of the Partnership by the total number of units of the Partnership outstanding before giving effect to redemptions or subscriptions for units on that day.

## 4 Bank indebtedness

The Partnership has entered into a non-revolving term credit facility agreement (the "Credit Agreement") with Bank of Montreal ("BMO") dated February 15, 2008. The aggregate amount of borrowings under the loan facility and other leverage transactions may not exceed 15% of the net asset value of the Partnership.

Previous borrowing was used solely to finance the Agents' fees, and other expenses of the Offering (including legal, accounting and audit, travel, marketing and sales expenses), the Manager's fee and certain operating and administrative costs and expenses of the Partnership that were not expected to be fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2008, in order to maximize the investment of the Gross Proceeds in Flow-Through Shares.

The Partnership's obligation under the Partnership Credit Facility is secured by a pledge of the Partnership assets, and requires the Partnership to meet certain minimum margin requirements, and is repayable on demand. If the Partnership Loan Facility is not repaid at the time of dissolution of the Partnership, the former Limited Partners will become personally obligated to repay the Partnership Loan Facility, although recourse against them will be limited to their interest in the securities or assets of the Partnership. All amounts outstanding under the Partnership Credit Facility, including all interest accrued thereon, was repaid in 2009.

During the year ended December 31, 2009, the Credit Facility had minimum balance outstanding of \$nil and maximum balance of \$1.6 million (\$1.0 million minimum balance and maximum balance of \$1.6 million during the period February 15, 2008 (date of Credit Facility Agreement) to December 31, 2008). The related total interest expense was \$10,997 (\$58,860 during the period February 15, 2008 (date of Credit Facility Agreement) to December 31, 2008). Leverage has not been used since April 2009.

## 5 Partners' Equity

Units of the Partnership were offered to the public by way of prospectus. On February 15, 2008 (commencement of operations), the Partnership issued 461,975 transferable units of one class, each of which represents an equal, undivided interest in the net assets of the partnership and in any rights and privileges. On April 1, 2008, the Partnership issued an additional 114,182 transferable units of one class. The Partnership will not issue any more units. The Partnership is expected to be dissolved on or about December 31, 2010.

There is no market through which the Units may be sold and none is expected to develop. The Units will not be listed on any stock exchange. Investors are likely to find it difficult or impossible to sell their Units. Under the Partnership Agreement, Units may be transferred by a Limited Partner subject to certain conditions (for more information, please refer to the Partnership's prospectus dated January 30, 2008).

The Partnership considers capital to include all units issued and outstanding. The Partnership manages their capital in accordance with the objectives outlined in note 2.

## 6 Custodian

Pursuant to a custodian agreement ("the Custodian Agreement"), the Partnership has retained RBC Dexia Investor Trust Services to act as custodian of the assets of the Partnership. The Custodian is also responsible for certain aspects of the Partnership's day-to-day operations. In consideration for these services, the Partnership pays a fee to the Custodian.

# Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

## Notes to Financial Statements

December 31, 2009

### 7 Management fees and other expenses

As compensation for management services rendered to the Partnership, the Manager receives an annual management fee in an amount equal to 2.0% of the net asset value of the Partnership, calculated and paid monthly in arrears, plus applicable taxes. The Manager will pay Connor, Clark & Lunn Investment Management ("Investment Advisor") the Investment Advisor's fee out of the Manager's Fee.

The Manager is also entitled to a Performance Bonus. The Performance Bonus is equal to 20% of the product of (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the total distributions per Unit over the Performance Bonus Term exceeds \$28. The Performance Bonus will be calculated on the Performance Bonus Date.

The Partnership is also responsible for all expenses incurred in connection with its operation and administration.

### 8 Broker commission charges and soft dollar services

There were \$1,738 broker commissions paid during the year ended December 31, 2009 (\$1,440 from February 15, 2008 (commencement of operations) to December 31, 2008) in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.

### 9 Financial instruments

<u>Assets</u>	\$
Held for trading	14,205,199
Loans and receivables	21,032
<b>Total assets</b>	<b>14,226,231</b>
<u>Liabilities</u>	
Held for trading	-
Financial liabilities at amortized cost	95,205
<b>Total liabilities</b>	<b>95,205</b>

For the purposes of categorization in accordance with CICA Section 3862, Financial Instruments – Disclosures, interest receivable is deemed to be loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, bank indebtedness and management fees payable are deemed to be financial liabilities and reported at amortized cost.

During 2009, Section 3862 was amended to include enhanced disclosures about inputs to fair value measurement. The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2009:

<b>Assets at fair value as at December 31, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	9,948,820	-	4,177,475	14,126,295
<b>Total</b>	<b>9,948,820</b>	<b>-</b>	<b>4,177,475</b>	<b>14,126,295</b>

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

*Equities:* The Partnership's long equity positions are classified as Level 1 when these securities are actively traded and a reliable quote is observable. Long equity positions are classified as Level 3 when fair values are based on broker quote in an inactive active market.

The following is a reconciliation of investments in which significant unobservable (Level 3) were used in determining value:

	Level 3 (\$)
Balance as at December 31, 2008	2,983,750
Accrued discount/premiums	-
Realized gain (loss)	-
Change in unrealized appreciation/depreciation	1,460,749
Purchases	23,976
Sales	-
Net transfers in and/or out of Level 3	(240,000)
Balance as of December 31, 2009	4,177,475
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	1,354,749

In the Manager's view, use of reasonably possible other assumptions in the valuation of level 3 securities at year end is not estimated to change the fair value by more than -\$75,000 (or -0.5% of Net Assets) to \$519,000 (or +3.7% of Net Assets) calculated on an aggregated basis. In practice, the actual results may differ from these estimates materially both on an aggregate and on an individual security basis. Estimates of fair value are reviewed monthly by the Manager.

# Connor, Clark & Lunn 2008 Flow-Through Limited Partnership

## Notes to Financial Statements

December 31, 2009

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### 10 Financial instrument risk

The Partnership may be exposed to a variety of financial risks. The Investment Advisor seeks to minimize potential adverse effects of these risks on the Partnership's performance through daily monitoring of the Partnership's positions and market events and by diversifying the investment portfolio within the constraints of the investment objective. The investment portfolio is comprised of junior Resource Issuers.

#### Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and fixed income derivatives. The Partnership is exposed to the risk that the value of interest-sensitive financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Other assets and liabilities are short-term in nature and non-interest bearing. As at December 31, 2009, interest rate risk was negligible as the Partnership had no significant exposure to interest-bearing investments.

#### Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Partnership's functional currency. The Partnership is exposed to risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. As at December 31, 2009, currency risk was negligible as the Partnership had no significant exposure to securities denominated in currencies other than the Canadian dollar.

#### Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Investment Advisor moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Partnership's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If equity prices had increased or decreased by 10% on December 31, 2009, all other variables held constant, the net assets of the Partnership would have increased or decreased, respectively, by approximately \$1,413,000. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Concentration Risk

The business activities of investees are speculative and may be adversely affected by factors outside the control of those issuers. Resource Issuers may not hold or discover commercial quantities of petroleum, natural gas or minerals and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other tax and government regulation, as applicable. Resource Issuers in the renewable energy and energy efficient sector that may incur Canadian Renewable and Conservation Expenses, in particular, may be adversely affected by drought and variations in the water flow of watersheds upon which such issuers have plants.

Since the Partnership invests primarily in securities issued by firms engaged in the oil and gas, mining, or related resource businesses (including junior issuers), the Net Assets may be more volatile than portfolios with a more diversified investment focus. Also, the Net Assets may fluctuate with underlying market prices for commodities produced by those sectors of the economy.

#### Liquidity risk

Flow-Through Shares and other securities, if any, of Resource Issuers are typically purchased by the Partnership on a private placement basis, and will be subject to resale restrictions. In the case of publicly traded Resource Issuers, these resale restrictions will generally last for four months. In the case of private Resource Issuers, these resale restrictions will be indefinite.

The Investment Advisor actively manages the Partnership's Investment Portfolio, and this may involve the sale and reinvestment of the proceeds of sale of some or all of the Flow-Through Shares and other securities pursuant to certain statutory exemptions. The existence of resale restrictions may hamper the ability of the Investment Advisor to take advantage of opportunities for profit taking, or limitation of losses, which might be available in the absence of resale restrictions, and this in turn may reduce the amount of capital appreciation or magnify the capital loss in the Partnership's investment portfolio.

All liabilities are due within three months.