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## PROSPECTUS

*Initial Public Offering*

January 30, 2008



**Maximum Offering: \$50,000,000 (2,000,000 Units)**

**Price: \$25.00 per Unit**  
**Minimum Purchase: \$5,000 (200) Units**

**The Partnership:** Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the “Partnership”), a limited partnership formed under the laws of Ontario, proposes to issue limited partnership units (the “Units”) at a price of \$25.00 per Unit. **Units cannot be purchased or held by “non-residents” as defined in the *Income Tax Act* (Canada) (the “Tax Act”).** See “The Partnership” and “Description of the Units”.

**Investment Objective:** The Partnership’s investment objective is to provide limited partners of the Partnership (“Limited Partners”) with a tax-assisted investment in a diversified portfolio of Flow-Through Shares (as hereinafter defined) of Resource Issuers (as hereinafter defined) with a view to achieving capital appreciation for Limited Partners. The principal business of the Resource Issuers will be: (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 projects. Resource Issuers will agree to incur Canadian Exploration Expenses or certain Canadian Development Expenses that qualify for renunciation as Canadian Exploration Expenses (hereinafter together defined as “Eligible Expenditures”) in carrying out resource exploration and development in Canada and renounce Eligible Expenditures to the Partnership. Subject to certain limitations, Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes with respect to Eligible Expenditures incurred and renounced to the Partnership. See “Certain Canadian Federal Income Tax Considerations”. All investments will be made in accordance with the Partnership’s Investment Strategy and Investment Guidelines, as described in this prospectus. See “Investment Structure” and “Investment Guidelines”.

**The General Partner:** Connor, Clark & Lunn 2008 Flow-Through Management Corp. is the general partner of the Partnership (the “General Partner”). The General Partner will manage the ongoing business and administrative affairs of the Partnership. See “Management of the Partnership — The General Partner”.

**The Manager:** Connor, Clark & Lunn Capital Markets Inc. has been retained to provide investment, management and administration services to the Partnership and is responsible for the management and administration of the Partnership (the “Manager”). The Manager will contract at its cost for an affiliate to provide investment advisory and portfolio management services for the Partnership. The Manager and the Investment Advisor are both part of the Connor, Clark & Lunn Financial Group, which had over \$37 billion of assets under management as at December 31, 2007. See “Management of the Partnership”. The Manager provides similar services for a number of other funds.

**Investment Advisor:** Connor, Clark & Lunn Investment Management Ltd. (the “Investment Advisor”), a Canadian investment counsel and an affiliate of the Manager, will provide investment advisory and portfolio management services to the Partnership.

The Investment Advisor has a strong long-term track record in the energy sector and believes that this sector will continue to benefit from the ongoing growth in global demand for energy combined with the impact of diminishing reserves of oil and gas. The Investment Advisor believes that the energy sector offers excellent long-term value given the strong underlying fundamentals supporting energy prices. See “The Investment Advisor”.

Alastair I. Dunn, a senior portfolio manager of the Investment Advisor and a partner of Connor, Clark & Lunn Investment Management Partnership, will be primarily responsible for managing the energy investments of the Investment Portfolio (as hereinafter defined). John P. Novak and Samba Chunduri, both members of the equity team of the Investment Advisor and also partners of Connor, Clark & Lunn Investment Management Partnership, will be responsible for managing the mining portion of the Investment Portfolio.

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The energy portion of the Investment Portfolio will be managed using the same general investment approach as the Investment Advisor applies to the energy sector investments of Connor, Clark & Lunn Investment Management Ltd.'s Small Capitalization Segregated account (the "Small Cap Fund"); and to its "Growth at a Reasonable Price" ("GARP") Canadian equity portfolios (the "GARP Portfolios"), which the Investment Advisor has been managing for more than 20 years. Total assets managed by the Investment Advisor for the energy sector investments of the Small Cap Fund (the "CC&L Small Cap Energy Portfolio") and the GARP Portfolios (the "CC&L Energy Portfolio") were approximately \$281 million as at December 31, 2007. In total, at that date the Investment Advisor managed approximately \$2.6 billion in energy sector investments.

The mining industries and related sector investments of the Investment Portfolio will be managed using the same investment approach as the Investment Advisor applies to the materials sector investments of Connor, Clark & Lunn Investment Management Ltd.'s Small Cap Fund and to its GARP Portfolios, which the Investment Advisor has been managing for more than 20 years. Total assets managed by the Investment Advisor for the materials sector investments of the Small Cap Fund (the "CC&L Small Cap Materials Portfolio") and the GARP Portfolios (the "CC&L Materials Portfolio") were approximately \$200 million as at December 31, 2007. In total, at that date the Investment Advisor managed approximately \$1.8 billion in materials sector investments.

**Liquidity Alternative:** In order to provide Limited Partners with enhanced liquidity and the potential for long-term growth of capital and income, the General Partner expects on or before June 30, 2010 to implement a transaction to provide liquidity (a "Liquidity Alternative") pursuant to an agreement (the "Transfer Agreement") between the Partnership and the Manager. The transfer is expected to be to an entity controlled or managed by the Manager that will be a mutual fund at the time of any such transfer. Such Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to the Mutual Fund (as hereinafter defined), on a tax deferred basis, in exchange for a class of redeemable shares of the Mutual Fund and within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax deferred basis upon the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative but expects to do so only if the actual terms of the Liquidity Alternative are substantially different from those described herein or if it is otherwise required by law to do so. The completion of the Liquidity Alternative will be subject to the receipt of all approvals that may be necessary and the other conditions set forth in the Transfer Agreement. The Transfer Agreement may be assigned and Partnership assets may be transferred to any mutual fund corporation which is advised by the Investment Advisor or an affiliate. **There can be no assurance that a Mutual Fund will be established or any such Liquidity Alternative will be implemented or receive the necessary approvals (including regulatory approvals).** In the event a Liquidity Alternative is not implemented by June 30, 2010, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2010, and its net assets distributed *pro rata* to the partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See "Investment Structure — Liquidity Alternative and Dissolution".

**An investor who purchases Units, among other things, (i) consents to the disclosure to, and the collection and use by, the General Partner and its service providers of all such information about such investor that the General Partner or the service providers require, including such investor's full name, residential address or address for service and social insurance number or the corporation account number, as the case may be, for the purpose of administering such investor's subscription of Units; (ii) acknowledges that he, she or it is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner; (iii) irrevocably nominates, constitutes and appoints the General Partner as his, her or its true and lawful attorney with the full power and authority as set out in the Partnership Agreement; (iv) irrevocably authorizes the General Partner to transfer the assets of the Partnership to a mutual fund corporation and implement the dissolution of the Partnership in connection with any Liquidity Alternative; and (v) irrevocably authorizes the General Partner to file on his, her or its behalf all elections under applicable income tax legislation in respect of any Liquidity Alternative and the dissolution of the Partnership. The Partnership Agreement includes representations, warranties and covenants on the part of the investor that he, she or it is not a "non-resident" of Canada or a partnership (other than a "Canadian Partnership") for the purposes of Tax Act and is not a "non-Canadian" within the meaning of the *Investment Canada Act*, that the investor will maintain such status during the time the Units are held, that the acquisition of the Units has not been financed with borrowings for which recourse is or is deemed to be limited within the meaning of the Tax Act and that (unless previously disclosed in writing to the General Partner) it is not a Financial Institution, and that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her. The Partnership Agreement also contains an indemnity for breaches of such representations and warranties.**

	Price to Public	Agents' Fees <sup>(2)</sup>	Proceeds to the Partnership <sup>(3)</sup>
Per Unit <sup>(1)</sup> . . . . .	\$25.00	\$1.6875	\$25.00
Maximum Offering (2,000,000 Units) . . . . .	\$50,000,000	\$3,375,000	\$50,000,000
Minimum Offering (300,000 Units) . . . . .	\$7,500,000	\$506,250	\$7,500,000

Notes:

- (1) The subscription price per Unit was established by the General Partner.
- (2) The proceeds to the Partnership are equal to the Offering price as the Agents' fees of 6.75% will be paid by the Partnership from monies made available under the Partnership Loan Facility (as hereinafter defined). Such fees are not expected by the General Partner to be deductible in computing income of the Partnership pursuant to the Tax Act while the Partnership Loan Facility remains outstanding. See "Investment Structure — Partnership Loan Facility" and "Certain Canadian Federal Income Tax Considerations".
- (3) Before deducting all other expenses of the Offering (including but not limited to legal, accounting and audit, travel, marketing and sales expenses), estimated by the General Partner to be \$475,000 in the case of the minimum Offering and \$510,000 in the case of the maximum Offering. These

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expenses of the Offering will be paid from monies made available under the Partnership Loan Facility or advances from the Manager and are not expected by the General Partner to be deductible in computing income of the Partnership pursuant to the Tax Act while the Partnership Loan Facility remains outstanding. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of annual fixed operating expenses in excess of \$145,000 in the event that the gross proceeds of the Offering are less than \$10 million. See “Investment Structure — Partnership Loan Facility”, “Certain Canadian Federal Income Tax Considerations” and “Fees and Expenses Payable by the Partnership”.

- (4) There will be no Closing (as hereinafter defined) unless a minimum of 300,000 Units are sold. If subscriptions for a minimum of 300,000 Units have not been received within 90 days after receipt of a MRRS decision document for this prospectus, this Offering may not continue and subscription proceeds will be returned to investors, without interest or deduction, unless consent is obtained from the Canadian securities regulators and those who have subscribed for Units on or before such date. The proceeds from subscriptions will be received by the Agents or such other registered dealers or brokers as are authorized by the Agents pending the Initial Closing (as hereinafter defined) and any subsequent Closing, if any.

**THESE SECURITIES ARE SPECULATIVE IN NATURE. THIS IS A BLIND POOL OFFERING. There is currently no market through which the Units may be sold and purchasers may not be able to resell the securities purchased under this prospectus. No market for the Units is expected to develop. An investment is appropriate only for investors who have the capacity to absorb the loss of some or all of their investment. The purchase price per Unit paid by an investor at a Closing subsequent to the Initial Closing may be less or greater than the net asset value per Unit at the time of purchase. There is no guarantee that an investment in the Partnership will earn a specified rate of return in the short or long term. Flow-Through Shares are typically issued at prices greater than the market prices of ordinary common shares of the respective Resource Issuers and are typically subject to resale restrictions. Limited Partners must rely on the discretion of the General Partner and the Investment Advisor for the management of the Partnership’s Investment Portfolio. There can be no assurance that the General Partner and the Investment Advisor, on behalf of the Partnership, will be able to identify a sufficient number of investments to permit the Partnership to commit all of the Gross Proceeds (as hereinafter defined) to invest directly or indirectly in Flow-Through Shares of Resource Issuers by December 31, 2008. Therefore, the possibility exists that capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes. There is no assurance that an adequate market will exist for securities acquired by the Partnership. The tax benefits resulting from an investment in the Partnership are greatest for a Limited Partner whose income is subject to the highest marginal income tax rate. Federal or provincial income tax legislation may be amended, or its interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Units. Distributions from the Partnership to Limited Partners in a year may, if any, not be sufficient to fully pay any tax that they may owe as a result of being a Limited Partner in that year. The making of any such distributions will be subject to the terms of the Partnership Loan Facility. Other risk factors associated with an investment in the Partnership include: certain risks inherent in resource operations; Limited Partners losing their limited liability in certain circumstances; and the General Partner having only nominal assets. Prospective investors should consult their own professional advisors to assess the income tax, legal and other aspects of their investment. See “Risk Factors”.**

The federal and Québec tax shelter identification numbers in respect of the Partnership are TS 073858 and QAF-08-01251, respectively. The identification numbers issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification numbers is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.

CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities, Inc., Richardson Partners Financial Limited, Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, GMP Securities L.P., Raymond James Ltd., Wellington West Capital Inc., Berkshire Securities Inc. and HSBC Securities (Canada) Inc. (collectively, the “Agents”) conditionally offer the Units for sale on an agency basis, if, as and when issued and delivered by the General Partner on behalf of the Partnership, in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to approval of certain legal and tax matters on behalf of the Partnership and the General Partner by Osler, Hoskin & Harcourt LLP and on behalf of the Agents by Stikeman Elliott LLP.

Subsequent to the closing of the Offering, it is intended that the Partnership will enter into a loan facility with a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents. Consequently, the Partnership may be considered a “connected issuer” of such Agent under applicable securities legislation. See “Plan of Distribution”.

Subscriptions will be received subject to allotment by the Agents and subject to acceptance or rejection by the General Partner on behalf of the Partnership, in whole or in part, and the right is reserved to close the offering books at any time without notice. It is expected that the Initial Closing will take place on or about February 15, 2008. The Initial Closing is conditional upon receipt of subscriptions for a minimum of 300,000 Units. The Agents will hold subscription proceeds received from investors prior to the Initial Closing until subscriptions for the minimum number of Units are received and other closing conditions of the Offering have been satisfied at which time the Initial Closing will take place. If the minimum Offering is not subscribed for by March 31, 2008, subscription proceeds received will be returned, without interest or deduction, to the investors. If less than the maximum number of Units are subscribed for at the Initial Closing, subsequent Closings may be held on or before March 31, 2008. Registrations of interests in the Units will be made only through the book-based system administered by CDS Clearing and Depository Services Inc. (“CDS”). A book-entry only certificate representing the Units will be issued in registered form only to CDS or its nominees and will be deposited with CDS on the date of each Closing. No other certificates representing the Units will be issued. An investor who purchases Units will receive only a customer confirmation from the registered dealer through whom he or she has purchased Units and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system.

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## SCHEDULE OF EVENTS

<u>Approximate Date</u>	<u>Event</u>
On or about February 15, 2008 . . . . .	Initial Closing — investors purchase Units and pay the full purchase price of \$25 per Unit.
March/April 2009 . . . . .	Limited Partners receive 2008 federal, and if applicable, Québec tax receipt information.
On or prior to June 30, 2010 . . . . .	General Partner expects to implement a Liquidity Alternative.
Within 60 days of Liquidity Alternative implementation . . . . .	Mutual Fund shares distributed following the transfer of the Partnership's assets to the Mutual Fund, if a Liquidity Alternative is implemented.
On or about December 31, 2010 . . . . .	Partnership will be dissolved on or about this date if a Liquidity Alternative is not implemented, unless, at the discretion of the General Partner, the General Partner proposes and the Limited Partners approve an Extraordinary Resolution to continue operation with an actively managed portfolio.

## SUBSCRIPTION PROCEDURE

An investor who wishes to subscribe for Units must, subject to a minimum subscription of 200 Units (\$5,000), pay the purchase price due on Closing (\$25 per Unit subscribed for) either by direct debit from the investor's brokerage account or by cheque or bank draft made payable to an Agent or a registered dealer or broker who is a member of the selling group. Subscription proceeds pursuant to this Offering will be received by the Agents, or such other registered dealers or brokers as are authorized by the Agents, and held pending the Initial Closing and any subsequent Closing.

The General Partner has the right to accept or reject any subscription and will promptly notify each prospective investor of any such rejection. All subscription proceeds of a rejected subscription will be returned, without interest or deduction, to the rejected investor.

At the Closing, an investor whose offer to purchase is accepted by the General Partner will become a Limited Partner upon the entering of his, her or its name and other prescribed information in the record of Limited Partners on or as soon as possible after the Closing. **The acceptance by the General Partner of an investor's offer to purchase Units by payment of the subscription price, whether in whole or in part, constitutes a subscription agreement between the investor and the Partnership upon the terms and subject to the conditions set out in this prospectus and in the Partnership Agreement**, whereby the investor, among other things:

- (a) consents to the disclosure to, and the collection and use by, the General Partner and its service providers of all such information about such investor that the General Partner or the service providers require, including such investor's full name, residential address or address for service and social insurance number or the corporation account number, as the case may be, for the purpose of administering such investor's subscription of Units;
- (b) acknowledges that the investor is bound by the terms of the Partnership Agreement and liable for all obligations of a Limited Partner;
- (c) makes the representations and warranties set out in the Partnership Agreement, including without limitation the following:
  - (i) the investor is not a "non-resident" of Canada for the purposes of the Tax Act, and will maintain such status while the investor owns the Units;
  - (ii) the investor is not a partnership other than a "Canadian Partnership" for the purposes of the Tax Act;

- (iii) the investor is not a “non-Canadian” within the meaning of the *Investment Canada Act*;
  - (iv) unless disclosed in writing to the General Partner prior to the General Partner’s acceptance of the investor’s offer to purchase, the investor is not a Financial Institution; and
  - (v) the investor has not financed the acquisition of the Units with financing for which recourse is or is deemed to be limited for the purposes of the Tax Act;
- (d) irrevocably nominates, constitutes and appoints the General Partner as the investor’s true and lawful attorney with the full power and authority as set out in the Partnership Agreement;
  - (e) irrevocably authorizes the General Partner, in its discretion, to transfer the assets of the Partnership to a mutual fund corporation pursuant to the Transfer Agreement or otherwise, and to implement the dissolution of the Partnership in connection with any Liquidity Alternative;
  - (f) irrevocably authorizes the General Partner to file on the investor’s behalf all elections under applicable income tax legislation in respect of any such Liquidity Alternative and/or the dissolution of the Partnership;
  - (g) irrevocably authorizes the General Partner to implement the dissolution of the Partnership at any time after June 30, 2010 if a Liquidity Alternative is not implemented; and
  - (h) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the power of attorney set out in Article 19 of the Partnership Agreement will be binding upon such investor and further agrees to ratify any of such documents or actions upon request by the General Partner.

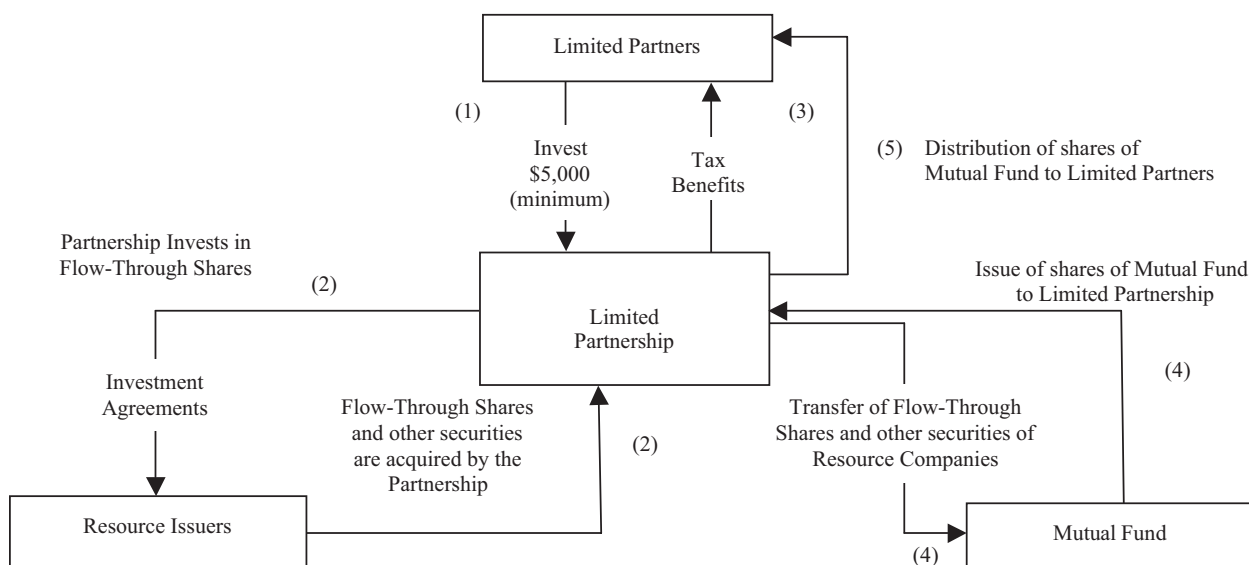
The foregoing subscription agreement shall be evidenced by delivery of this prospectus to the investor, provided that the subscription has been accepted by the General Partner on behalf of the Partnership. If the minimum amount required for this Offering is not subscribed for within 90 days after receipt of a MRRS decision document in respect of this prospectus, the Offering may not continue and subscription proceeds will be returned to investors, without interest or deduction, unless consent is obtained from the Canadian securities regulators and those who have subscribed for Units on or before such date. An investor whose subscription is accepted by the General Partner will become a Limited Partner of the Partnership upon the amendment of the record of limited partners maintained by, or caused to be maintained by, the General Partner. The General Partner is not required to subscribe for any Units or otherwise contribute capital to the Partnership.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Partnership and the General Partner, and Stikeman Elliott LLP, counsel to the Agents, the Units are not qualified investments for trusts governed by RRSPs, RRIFs, deferred profit sharing plans, registered disability savings plans and registered education savings plans for purposes of the Tax Act.

## INVESTMENT STRUCTURE DIAGRAM

The following diagram illustrates: (i) the structure of an investment in Units; (ii) the relationship among the Partnership, the General Partner, the Investment Advisor, and the Resource Issuers; and (iii) a possible Liquidity Alternative structure. The numbers (1) through (5) below indicate the chronological order of an investment in Units, acquisition of Flow-Through Shares of Resource Issuers, the flow of tax deductions to Limited Partners and a possible Liquidity Alternative.



- (1) Investors invest in Units. The price for the Units is payable in full at each Closing.
- (2) The Partnership enters into Investment Agreements.
- (3) Investors must be Limited Partners on December 31, 2008 to obtain tax deductions in respect of such year.
- (4) The Partnership intends to implement the Liquidity Alternative prior to June 30, 2010. The Liquidity Alternative is expected to be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, on a tax deferred basis, in exchange for a class of redeemable shares of the Mutual Fund and, within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax deferred basis on the dissolution of the Partnership. **There can be no assurance that any such Liquidity Alternative will receive the necessary approvals (including regulatory approvals) or be implemented.**
- (5) In connection with the Liquidity Alternative, the Partnership will be dissolved and the Limited Partners will receive their *pro rata* portion of Mutual Fund shares. The Mutual Fund shares will be redeemable at the option of the former Limited Partners.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used but not defined in this summary are defined on the face page of this prospectus or in the Glossary which immediately follows this summary.*

<b>Issuer:</b>	Connor, Clark & Lunn 2008 Flow-Through Limited Partnership.
<b>Offering Size:</b>	Maximum Offering: \$50,000,000 (2,000,000 Units). Minimum Offering: \$7,500,000 (300,000 Units).
<b>Price per Unit:</b>	\$25.00 per Unit.
<b>Minimum Subscription:</b>	200 Units (\$5,000). Additional subscriptions may be made in single Unit multiples of \$25.
<b>Investment Objective:</b>	The Partnership will provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Issuers with a view to achieving capital appreciation for Limited Partners. The principal business of the Resource Issuers will be: (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. Resource Issuers will agree to incur Eligible Expenditures in carrying out exploration in Canada and renounce (directly or indirectly through other issuers in which the Partnership invests) Eligible Expenditures to the Partnership. Subject to certain limitations, Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes with respect to Eligible Expenditures incurred and renounced to the Partnership. All investments will be made in accordance with the Partnership's Investment Strategy and Investment Guidelines. All or substantially all of the Gross Proceeds are intended to be invested in Flow-Through Shares of Resource Issuers that agree to renounce with an effective date of no later than December 31, 2008, Eligible Expenditures incurred or to be incurred in 2008 or 2009 to the Partnership (and thereby maximize the deductions available to Limited Partners in respect of their 2008 taxation years). See "Investment Structure" and "Certain Canadian Federal Income Tax Considerations".
<b>General Partner:</b>	Connor, Clark & Lunn 2008 Flow-Through Management Corp. is the General Partner of the Partnership, and is a wholly-owned subsidiary of the Manager. The General Partner will manage the ongoing business and administrative affairs of the Partnership. The General Partner is entitled to receive 0.01% of the net income of the Partnership. See "Management of the Partnership — the General Partner."
<b>The Manager:</b>	Connor, Clark & Lunn Capital Markets Inc. will be responsible for investment, management and administration services to the Partnership. The Manager has approximately \$1 billion in assets under management and is part of the Connor, Clark & Lunn Financial Group, a group of affiliated companies with aggregate assets under management of over \$37 billion as at December 31, 2007. See "Management of the Partnership — The Manager". The Manager provides similar investment, management and administration services to other closed-end investment funds sponsored by members of the Connor, Clark & Lunn Financial Group, including the Connor, Clark & Lunn 2007 Flow-Through Limited Partnership. The Manager will retain the Investment Advisor to provide investment advisory and portfolio management services for the Partnership.

**Investment Advisor:**

Connor, Clark & Lunn Investment Management Ltd. as the Investment Advisor will provide investment advisory and portfolio management services to the Partnership. The Investment Advisor, also part of the Connor, Clark & Lunn Financial Group, was established in 1982 and has offices in Vancouver and Toronto. The Investment Advisor had over \$23 billion of assets under its management as of December 31, 2007, of which approximately \$4.4 billion was invested in energy and material sector investments. It is an affiliate of the General Partner and the Manager. The Investment Advisor is expected to be the portfolio manager of the Mutual Fund that is expected to be created to participate in a Liquidity Alternative, if implemented. It is the investment advisor for the Connor, Clark & Lunn 2007 Flow-Through Partnership. See “The Investment Advisor”.

**Investment Strategy:**

The Partnership’s investment strategy is to invest in Flow-Through Shares of Resource Issuers that:

- have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries;
- have exploration programs or exploration and development programs in place;
- have shares that are suitably priced and offer capital appreciation or income potential; and
- meet certain market capitalization and other criteria set out in the Investment Guidelines.

It is anticipated that the Investment Portfolio may include a large number of junior Resource Issuers.

The Investment Advisor will proactively manage the Partnership’s Investment Portfolio with the objective of achieving capital appreciation for the Partnership after the initial investment period. This may involve the sale of Flow-Through Shares and other securities initially acquired and the reinvestment of the net proceeds from such dispositions (after consideration being given to applicable distributions to Limited Partners) in securities of issuers in the oil and gas and mining industries and related businesses such as pipeline or services companies and utilities and certain energy producers that may incur CRCE. Such reinvestment may include, but is not limited to, investment in additional Flow-Through Shares. See “Investment Structure — Acquisition and Ongoing Management of the Partnership’s Investment Portfolio”.

**Illustration of Potential Tax Consequences:**

An investment in Units will have a number of tax implications for a prospective investor. The following tables have been prepared by the General Partner to assist prospective investors in evaluating the income tax consequences to them of acquiring, holding and disposing of Units. The tables are intended to illustrate certain income tax implications to investors who are Canadian resident individuals (other than trusts) who have purchased \$1,000 of Units (40 Units) in the Partnership and who continue to hold their Units in the Partnership as of December 31, 2008. These illustrations are examples only and actual tax deductions may vary significantly. The timing of such deductions may also vary from that shown in the tables. A summary of certain Canadian federal income tax considerations for a prospective investor for Units is set forth under “Certain Canadian Federal Income Tax Considerations”. Each prospective investor is urged to obtain independent professional advice as to the specific implications applicable to such an investor’s particular circumstances. The calculations are

based on the estimates and assumptions described in the “Notes and Assumptions” set forth below, which form an integral part of the following tables. The actual tax savings, money at risk and break-even proceeds of disposition may be different from what is shown below. Prospective investors should be aware that these calculations are not based on an independent opinion rendered by a lawyer or an accountant, and do not constitute forecasts, projections, contractual undertakings or guarantees and are based on estimates and assumptions that are necessarily generic and, therefore, cannot be represented to be complete or accurate for any particular investor.

### Example of Tax Deductions

	Maximum Offering of \$50,000,000			Minimum Offering of \$7,500,000		
	CEE Deductions <sup>(1)</sup>	Other Deductions <sup>(2,3)</sup>	Total Deductions <sup>(4,5,6,7)</sup>	CEE Deductions <sup>(1)</sup>	Other Deductions <sup>(2,3)</sup>	Total Deductions <sup>(4,5,6,7)</sup>
2008 . . . . .	\$1,000	\$ 0	\$1,000	\$1,000	\$ 0	\$1,000
2009 and beyond . . . . .	0	105	105	0	161	161
	<u>\$1,000</u>	<u>\$105</u>	<u>\$1,105</u>	<u>\$1,000</u>	<u>\$161</u>	<u>\$1,161</u>

### Assumed Highest Marginal Tax Rates by Province

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.
2008 . . . . .	43.70%	39.00%	44.00%	46.40%	46.41%	48.22%	46.95%	48.25%	47.37%	45.50%
2009 and beyond <sup>(8)</sup> . . . . .	43.70%	39.00%	44.00%	46.40%	46.41%	48.22%	46.95%	48.25%	47.37%	45.50%

### At-Risk Capital, Breakeven and Downside Protection Calculations by Province

	Maximum Offering of \$50,000,000									
	B.C.	Alta.	Sask.	Man.	Ont.	Que. <sup>(1)</sup>	N.B.	N.S.	P.E.I.	Nfld.
Investment Amount . . . . .	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Tax Savings from Deductions <sup>(9)</sup> . . . . .	(483)	(431)	(486)	(513)	(513)	(533)	(519)	(533)	(524)	(503)
Capital Gains Tax <sup>(10)</sup> . . . . .	23	21	23	24	24	25	25	25	25	24
At-Risk Capital <sup>(11)</sup> . . . . .	<u>\$ 540</u>	<u>\$ 589</u>	<u>\$ 537</u>	<u>\$ 512</u>	<u>\$ 511</u>	<u>\$ 492</u>	<u>\$ 506</u>	<u>\$ 492</u>	<u>\$ 501</u>	<u>\$ 521</u>
Breakeven Proceeds on Disposition <sup>(12,13)</sup> . . . . .	\$ 691	\$ 732	\$ 688	\$ 666	\$ 666	\$ 649	\$ 661	\$ 649	\$ 657	\$ 675
Downside Protection <sup>(14)</sup> . . . . .	30.9%	26.8%	31.2%	33.4%	33.4%	35.1%	33.9%	35.1%	34.3%	32.5%
	Minimum Offering of \$7,500,000									
	B.C.	Alta.	Sask.	Man.	Ont.	Que. <sup>(1)</sup>	N.B.	N.S.	P.E.I.	Nfld.
Investment Amount . . . . .	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Tax Savings from Deductions <sup>(9)</sup> . . . . .	(507)	(453)	(511)	(539)	(539)	(560)	(545)	(560)	(550)	(528)
Capital Gains Tax <sup>(10)</sup> . . . . .	35	31	35	37	37	39	38	39	38	37
At-Risk Capital <sup>(11)</sup> . . . . .	<u>\$ 528</u>	<u>\$ 579</u>	<u>\$ 525</u>	<u>\$ 499</u>	<u>\$ 499</u>	<u>\$ 479</u>	<u>\$ 493</u>	<u>\$ 479</u>	<u>\$ 488</u>	<u>\$ 508</u>
Breakeven Proceeds on Disposition <sup>(12,13)</sup> . . . . .	\$ 675	\$ 719	\$ 673	\$ 649	\$ 649	\$ 631	\$ 644	\$ 631	\$ 640	\$ 658
Downside Protection <sup>(14)</sup> . . . . .	32.5%	28.1%	32.7%	35.1%	35.1%	36.9%	35.6%	36.9%	36.0%	34.2%

#### Notes and Assumptions:

(1) The calculations assume that the Gross Proceeds (\$7,500,000 in the case of the minimum Offering and \$50,000,000 in the case of the maximum Offering) are invested in Flow-Through Shares of Resource Issuers that, in turn, expend such amounts on Eligible Expenditures which are renounced directly to the Partnership with an effective date in 2008 and allocated to a Limited Partner and deducted in their 2008 taxation year.

It is assumed that none of the Gross Proceeds will be used to acquire Flow-Through Shares of Resource Issuers in 2008 which would entitle a Limited Partner to the 15% non-refundable “flow-through mining expenditure” investment tax credit in respect of certain “grass roots” mining CEE incurred by a Resource Issuer.

Other than for Québec purposes, no provincial credits or restrictions have been taken into account. For Québec purposes, the calculations assume that CEE is renounced by Resource Issuers to the Partnership in accordance with the *Taxation Act* (Québec). A description of certain provincial credit programs and restrictions is set out at the end of these footnotes.

The General Partner will provide a Limited Partner with the information required by such Limited Partner to file an application for any provincial investment tax credits available to such Limited Partner.

The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs in a given taxation year investment expenses to earn investment income in excess of the investment income earned for that year, such excess shall be included in the taxpayer's income, resulting in an offset of the deduction for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses of a Limited Partner and 50% of CEE renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner (other than CEE incurred in Québec) and investment income includes taxable capital gains not eligible for the capital gains exemption. The portion of the investment expenses which has been included in the Limited Partner's income in a given taxation year may be deducted against net investment income earned in any of the three previous taxation years or in any subsequent taxation year. The remaining 50% of CEE renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner (other than CEE incurred in Québec), and 100% of the CEE incurred in Québec and renounced to the Partnership and allocated to such Limited Partner will not be subject to that rule and will be deductible in computing the Limited Partner's income for Québec tax purposes.

It is assumed that for Québec provincial tax purposes only, a Limited Partner who is an individual (including a personal trust) resident, or subject to tax, in Québec has investment income that exceeds his or her investment expenses for a given year. See "Risk Factors — Tax-Related Risks".

- (2) The Partnership will incur costs including the Agents' fees, Offering expenses (including travel, sales and marketing expenses), certain other estimated operating and administrative expenses and the Manager's Fee. The Partnership intends to borrow under the Partnership Loan Facility to pay such costs, except to the extent paid by the Manager. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of annual fixed expenses in excess of \$145,000 in the event that the gross proceeds of the Offering are less than \$10 million. The portion payable by the Manager is not reflected as a deductible expense in the tables. In the event that the proceeds from the Partnership Loan Facility are insufficient to pay offering expenses, the Manager will advance payment for the difference which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. Such advances will bear interest at the Prime Rate. The unpaid principal amount and interest thereon will be a Limited Recourse Amount of the Partnership and the Limited Partners and such costs will generally not be deductible until the borrowed amount is repaid, at which time the expenses will be deemed to have been incurred to the extent of the amount repaid. The table assumes that the Partnership will realize sufficient capital gains and income to permit it to pay annual expenses and to repay all amounts borrowed prior to the earlier of the closing of a Liquidity Alternative and the dissolution of the Partnership.

See Note (5), "Certain Canadian Federal Income Tax Considerations" and "Fees and Expenses Payable by the Partnership".

- (3) **The calculations are prepared on the assumption that the October 31, 2003 tax proposals will not be enacted and, therefore, will not apply to deny the deduction of any expenses or resulting losses of the Partnership or a Limited Partner in respect of Flow-Through Shares or Units, respectively.** On that basis, subject to Note (2), Agent's fees and Offering expenses would generally be deductible for purposes of the Tax Act at a rate of 20% per annum, pro-rated for short taxation years. If the October 31, 2003 tax proposals are enacted in their current form, then no such expenses (excluding Eligible Expenditures) or resulting losses would likely be deductible by the Partnership or a Limited Partner (being \$161 in the case of the minimum Offering and \$105 in the case of the maximum Offering). See "Certain Canadian Federal Income Tax Considerations — October 31, 2003 Tax Proposals".
- (4) Assumes no portion of the subscription price for the Units will be financed with a Limited Recourse Amount. See "Certain Canadian Federal Income Tax Considerations".
- (5) A Limited Partner may not claim tax deductions in excess of such Limited Partner's "at risk" amount.
- (6) The calculations assume that the Limited Partner is not liable for alternative minimum tax. See "Certain Canadian Federal Income Tax Considerations".
- (7) The amount of tax deductions, income or proceeds of disposition in respect of a particular investor will likely be different from those depicted above.
- (8) The highest marginal tax rates used are based on current federal and provincial rates. It is assumed that the highest marginal tax rates for taxation years beyond 2008 will be the same as those for 2008, and, consequently, the actual tax savings may be different than those illustrated.
- (9) The tax savings are calculated by multiplying the total estimated income tax deductions for each year by the assumed highest marginal tax rate for that year. This illustration assumes that the investor has sufficient income so that the illustrated tax savings are realized in the year shown.
- (10) It is assumed that some Flow-Through Shares will be sold in 2008 and beyond at their original issue price and some proceeds are used to fund the repayment of the amount outstanding under the Partnership Loan Facility and that capital gains will be realized upon the sale of these Flow-Through Shares. In computing the Partnership's income it is assumed that 50% of capital gains are taxable.
- (11) At-risk capital is calculated generally as the total investment less all anticipated income tax savings from deductions, plus the expected tax on capital gains. Totals may not add due to rounding.

- (12) Breakeven proceeds of disposition represent the amount an investor must receive such that, after paying capital gains tax, the investor would recover his or her at-risk capital. Capital gains tax is calculated on the assumption that the adjusted cost base of the investment is nil (because the Tax Act deems the initial cost of Flow-Through Shares to be nil) and that 50% of the investor's gain is subject to the highest combined federal and applicable provincial marginal tax rate. See "Certain Canadian Federal Income Tax Considerations".
- (13) The calculations do not take into account the time value of money. Any present value calculation should take into account the timing of cash flows, the investor's present and future tax position and any change in the market value of the Partnership's Investment Portfolio, none of which can presently be estimated accurately by the General Partner.
- (14) Downside Protection is calculated by subtracting break-even proceeds of disposition from initial investment cost and then dividing by investment cost. If Flow-Through Shares are purchased at a premium to the market price as is typical, the market price must appreciate in order for the Partnership to sell the shares at their original issue price.

#### *Other Relevant Provincial Taxation Credits and Rules*

A 15% federal "flow-through mining expenditure" investment tax credit is available to investors in respect of certain "grass-roots" mining CEE incurred by a Resource Issuer. The 15% investment tax credit reduces federal tax otherwise payable by a Limited Partner. As described below, certain Canadian provinces have announced investment tax credits. These credits generally parallel the federal credits for flow-through mining expenditures renounced to taxpayers residing in the province in respect of exploration occurring on properties located in that province. Limited Partners resident, or subject to tax, in a province that provides such an investment tax credit may claim the credit in combination with the federal investment tax credit. However, the use of a provincial investment tax credit will generally reduce the amount of expenses eligible for the federal investment tax credit. Provincial investment tax credits have not been incorporated into this illustration.

An individual (other than a trust) who is resident in the Province of Ontario and a Limited Partner at the end of a fiscal year of the Partnership may apply for a 5% flow-through share tax credit in respect of eligible Ontario exploration expenditures. Eligible Ontario exploration expenditures are generally flow-through mining expenditures that qualified for the federal investment tax credit and are incurred in the Province of Ontario by a Resource Issuer with a permanent establishment in the Province of Ontario. In order to be eligible for the Ontario tax credit the individual must be resident in the Province of Ontario at the end of the taxation year, and be subject to Ontario income tax throughout the taxation year, in respect of which the credit is claimed.

The government of British Columbia recently announced plans to extend the BC mining flow-through share tax credit program by allowing individuals, who are residents of British Columbia that invest in flow-through shares, to claim such credits where BC flow-through mining expenditures incurred by a corporation on or before December 31, 2009 are renounced to such investors effective on or before December 31 of the preceding year. Under the program, such an individual (other than a trust) may claim a non-refundable tax credit, when calculating British Columbia income tax, equal to 20% of that individual's share of any BC flow-through mining expenditures renounced to the individual and incurred in conducting certain mining exploration activity in British Columbia. BC flow-through mining expenditures are defined with reference to the definition of "flow-through mining expenditures" in the Tax Act.

The Province of Québec allows for a special tax deduction of up to 150% of certain eligible exploration expenses incurred by a qualifying entity for exploration carried out in the Province of Québec. In addition to a base deduction of 100% for CEE, residents of the Province of Québec may be entitled to an additional deduction of 25% in respect of certain exploration expenses incurred in the Province of Québec by a qualified corporation. Such residents may also be entitled to a supplementary deduction of 25% in respect of certain surface mining exploration expenses incurred in the Province of Québec by a qualified corporation. Accordingly, individuals resident or subject to tax in Québec who are Limited Partners at the end of the applicable fiscal year of the Partnership may be entitled to deduct up to 150% of certain eligible exploration expenses incurred in the Province of Québec by a qualified corporation and renounced in favour of the Partnership. A qualified corporation has the option for Québec tax purposes of utilizing the above-mentioned flow-through share system or claiming a Québec tax credit for its exploration expenses.

There can be no assurance that any of the foregoing assumptions will prove to be accurate in any particular case. Prospective investors should be aware that these calculations are for illustrative purposes only and are based on assumptions made by the General Partner which cannot be represented to be complete or accurate in all respects and that have been made solely for the purpose of these illustrations. These calculations and assumptions have not been independently verified. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors".

**Investment Guidelines:**

The Partnership has developed certain investment policies and restrictions which govern the Partnership's overall investment activities. These Investment Guidelines provide, among other things, that the Partnership will invest (directly or indirectly) through Investment Agreements as follows:

Type of Investment	Investment Restrictions (Percentage of Gross Proceeds at the date of investment)
Resource Issuers listed on a stock exchange.	At least 70%
Resource Issuers listed and posted for trading on the TSX, NYSE, AMEX or the Nasdaq National Market.	At least 25%
Illiquid Investments (including securities of Resource Issuers that are not publicly traded).	Not more than 30%
Investment in any one Resource Issuer.	Not more than 20%
Investment in Resource Issuers which are Related Issuers.	Not more than 20%
Ownership of any class of equity or voting securities of any Resource Issuer or purchase of securities of any Resource Issuer for the purpose of exercising control or management over such Resource Issuer (for this purpose, all equity based securities held by the Partnership shall be deemed to have been converted or exercised in to the underlying equity securities and all fully paid equity based securities issued by a Resource Issuer shall be deemed to have been exercised into the underlying equity securities).	Not more than 10%

The Investment Guidelines also include a number of general investment restrictions. See "Investment Guidelines".

**Energy Sector Investments:**

The energy sector investments of the Investment Portfolio will be managed using the same investment approach as the Investment Advisor applies to the energy sector of the Small Cap Portfolios and GARP Portfolios which the Investment Advisor has been managing for more than 20 years. Total assets managed by the Investment Advisor for the energy sector investments of the Small Cap Fund (the "CC&L Small Cap Energy Portfolio") and the GARP Portfolios (the "CC&L Energy Portfolio") were approximately \$281 million as at December 31, 2007. In total, at that date the Investment Advisor managed approximately \$2.6 billion in energy sector investments.

**Mining Industries Investments:**

The mining industries and related sector investments of the Investment Portfolio will be managed using the same investment approach as the Investment Advisor applies to the materials sector investments of the GARP Portfolios and the Small Cap Portfolios which the Investment Advisor has been managing for more than 20 years. Total assets managed by the Investment Advisor for the materials sector investments of the Small Cap Portfolios (the "CC&L Small Cap Materials Portfolio") and the GARP Portfolios (the "CC&L Materials Portfolio") were approximately \$200 million as at December 31, 2007. In total, at that date the Investment Advisor managed approximately \$1.8 billion in materials sector investments.

**Liquidity Alternative:**

In order to provide Limited Partners with liquidity and the potential for long-term growth of capital and income, the General Partner expects on or before June 30, 2010 to implement a Liquidity Alternative pursuant to an agreement (the “Transfer Agreement”) between the Partnership and the Manager. The transfer is expected to be to an entity controlled or managed by the Manager that will be a reporting issuer mutual fund at the time of any such transfer. Such Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to the Mutual Fund, on a tax deferred basis, in exchange for a class of redeemable shares of the Mutual Fund and, within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax deferred basis upon the dissolution of the Partnership pursuant to the Transfer Agreement and the Partnership Agreement. Completion of the Liquidity Alternative will be subject to the receipt of all approvals that may be necessary and the other conditions set forth in the Transfer Agreement. See “Summary of the Transfer Agreement”. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative but intends to do so only if the actual terms of the Liquidity Alternative are substantially different from those described herein or if required by law to do so. If such a meeting is called, no Liquidity Alternative will be implemented if a majority of Units voted at such meeting vote against proceeding with the Liquidity Alternative. The Manager intends to establish a Mutual Fund for this purpose for which the Investment Advisor is expected to be the portfolio advisor. There can be no assurance that any such Mutual Fund will be established, that liquidity will be enhanced or a Liquidity Alternative will be implemented or receive the necessary approvals (including regulatory approvals). The Transfer Agreement may be assigned to any “mutual fund corporation” for purposes of the Tax Act, which is advised by the Investment Advisor or an affiliate. In the event a Liquidity Alternative is not implemented by June 30, 2010, then, at the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2010, and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See “Investment Structure — Liquidity Alternative and Dissolution”.

**Use of Proceeds:**

This is a blind pool offering. The Partnership will invest (directly or indirectly) in Flow-Through Shares of Resource Issuers and fund fees and ongoing expenses of the Partnership by way of the Partnership Loan Facility as described herein. See “Use of Proceeds”. The following table sets out the Gross Proceeds of the Offering, the Agents’ fees and the estimated expenses of the maximum and minimum Offering:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross Proceeds to the Partnership:	\$50,000,000	\$ 7,500,000
Agents’ fees <sup>(1)</sup> . . . . .	\$ 3,375,000	\$ 506,250
Offering expenses <sup>(1)</sup> . . . . .	\$ 510,000	\$ 475,000

**Notes:**

(1) The Agents’ fees (6.75%) and the Offering expenses will be paid by the Partnership from funds borrowed by the Partnership for such purpose pursuant to the Partnership Loan Facility, except to the extent paid by the Manager. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of

annual fixed expenses in excess of \$145,000 in the event that the gross proceeds of the Offering are less than \$10 million. The portion payable by the Manager is not reflected as a deductible expense in the tables. Estimated fees and expenses paid using the proceeds of the Partnership Loan Facility or advances by the Manager are not expected to be deductible in computing the income of the Partnership pursuant to the Tax Act while the amounts borrowed to fund such fees and expenses remain outstanding. See “Investment Structure — Partnership Loan Facility”, “Certain Canadian Federal Income Tax Considerations” and “Fees and Expenses Payable by the Partnership”.

- (2) Certain offering costs, operating expenses and the Manager’s Fee may be paid with the use of the Partnership Loan Facility or by the Manager deferring fees or advancing costs, which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. If not paid through the Partnership Loan Facility, pending payment or reimbursement by the Partnership, such costs and fees will bear interest at the Prime Rate. The Partnership intends to pay these costs using the proceeds of the sale of the portfolio assets of the Partnership. See “Fees and Expenses Payable by the Partnership”.

See “Use of Proceeds”.

**Borrowing:**

On or prior to the Initial Closing, the Partnership will enter into a loan and margin facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank in order to maximize the Gross Proceeds that will be available for investment in Flow-Through Shares. The Partnership may borrow an amount up to 15% of the Gross Proceeds of the Offering pursuant to the Partnership Loan Facility. Such amounts borrowed will be used to finance the Agents’ fees and expenses, reasonable out-of-pocket expenses incurred by the Investment Advisor and the Manager, other expenses of the Offering, to pay the Manager’s Fee and certain operating and administrative costs and expenses of the Partnership that are not expected to be fully deductible in computing income of the Partnership while the Partnership Loan Facility remains outstanding. The General Partner expects that the Partnership Loan Facility will be provided by a Canadian chartered bank which is an affiliate of BMO Nesbitt Burns Inc., one of the Agents. None of the proceeds of this Offering or the Partnership Loan Facility will be applied for the benefit of BMO Nesbitt Burns Inc. or any of its affiliates except in respect of fees and interest payable under the Partnership Loan Facility and the portion of the Agents’ Fee payable to BMO Nesbitt Burns Inc. The General Partner expects that the Partnership’s obligations under the Partnership Loan Facility will be secured by a pledge of the assets held by the Partnership, will require the Partnership to meet certain minimum margin requirements, and the Partnership Loan Facility will be repayable on demand. The General Partner also expects that all amounts outstanding under the Partnership Loan Facility will be repaid in full prior to the earlier of the closing of any Liquidity Alternative and the dissolution of the Partnership. The General Partner believes that the interest rates, fees and expenses under the Partnership Loan Facility will be typical of credit facilities of this nature. See “Investment Structure — Partnership Loan Facility” and “Risk Factors”.

**Allocations:**

99.99% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced (directly or indirectly) to the Partnership will be allocated *pro rata* to the Limited Partners, and 0.01% of the net income of the Partnership will be allocated to the General Partner. On dissolution, the 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. See “Summary of the Partnership Agreement — Allocation of Income and Loss” and “— Distributions”.

**Distributions:**

Subject to the terms of the Partnership Loan Facility, on or before April 30 of each year, the General Partner may make distributions to Limited Partners of record on the preceding December 31 of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner's income for purposes of the Tax Act in respect of each Unit held, after taking into account amounts previously distributed and deductions available for purposes of the Tax Act to individuals arising from participation in the Partnership. Such distributions will not be made in the event that unforeseen circumstances arise (as determined by the General Partner in its sole discretion) such that it would be disadvantageous for the Partnership to make such distributions (including, but not limited to, a lack of available cash). Such distributions may not be sufficient to satisfy a Limited Partner's tax liability for the year arising from his or her status as a Limited Partner. See "Summary of the Partnership Agreement — Distributions" and "Risk Factors".

**Fees and Expenses Payable by the Partnership:**

**Expenses:** The expenses of the Offering, including the costs of creating and organizing the Partnership, the costs of printing and preparing this prospectus, legal and accounting and audit expenses of the Partnership, traveling, marketing and sales expenses and other legal and filing expenses related to the Offering, including reasonable out-of-pocket expenses incurred by the Partnership, the Manager and the Agents, will be paid by the Partnership from funds borrowed by the Partnership for such purpose under the Partnership Loan Facility, except to the extent paid by the Manager. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of annual fixed operating expenses in excess of \$145,000 per annum (excluding for greater certainty the Manager's Fee), in the event that the Gross Proceeds are less than \$10 million. The portion payable in such event will be equal to (a) \$10 million less the aggregate Gross Proceeds divided by (b) \$2.5 million, then multiplied by (c) the amount by which such Offering expenses are in excess of \$356,250 and such annual fixed expenses are in excess of \$145,000.

The General Partner estimates that the initial fees and expenses, excluding Agents' fees and commissions, will be \$475,000 in the case of the minimum Offering and \$510,000 in the case of the maximum Offering. In the event that the proceeds from the Partnership Loan Facility are insufficient to pay offering expenses, the Manager will advance payment for the difference which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. Such advances will bear interest at the Prime Rate.

**Operating and Administrative Expenses:** Subject to the agreement of the Manager to pay certain expenses of the Gross Proceeds on less than \$10 million, the Partnership will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation, mailing and printing expenses for periodic reports to Limited Partners and other Limited Partner communications including marketing and advertising expenses; fees payable to the Registrar and Transfer Agent or CDS; any reasonable out-of-pocket expenses incurred by the Manager, the Investment Advisor or their agents in connection with their ongoing obligations to the Partnership; any additional fees payable to the Manager or Investment Advisor for performance of extraordinary services on behalf of the Partnership; fees payable to the

auditors and legal advisors; regulatory filing and licensing fees; any expenditures incurred in respect of the Liquidity Alternative or termination of the Partnership; and its *pro-rata* share of fees payable to the members of the IRC. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Partnership. The Partnership will also be responsible for any debt service and costs relating to the Partnership Loan Facility, and any extraordinary expenses which it may incur from time to time.

Certain operating expenses and the Manager's Fee may be paid with the use of the Partnership Loan Facility or by the Manager deferring fees or advancing costs, which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. If not paid through the Partnership Loan Facility, pending payment or reimbursement by the Partnership, such costs and fees will bear interest at the Prime Rate. The Partnership intends to pay these costs using the proceeds of the sale of the portfolio assets of the Partnership. See "Fees and Expenses Payable by the Partnership".

**Manager's Fee:** The Manager has co-ordinated the formation, organization and registration of the Partnership and pursuant to the Management Agreement will provide management, administration and other services and will also arrange investment advisory services for the Partnership. In consideration for these and other services, the Partnership will pay to the Manager, the Manager's Fee, payable monthly in arrears and equal to one-twelfth of 2.0% of the Net Asset Value calculated as at the last Valuation Date of such month. The General Partner is entitled to receive 0.01% of the net income of the Partnership.

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

The Manager will be responsible for the fees payable to the Investment Advisor out of its Management Fee.

See "Fees and Expenses Payable by the Partnership".

**Certain Canadian Federal  
Income Tax Considerations:**

Generally, a taxpayer (other than a "principal-business corporation") who is a Limited Partner at the end of a fiscal year may, in computing income for the taxation year in which the fiscal year ends, subject to the "at-risk" and limited-recourse financing rules, deduct an amount equal to 100% of Eligible Expenditures renounced to the Partnership and allocated to the taxpayer by the Partnership in respect of the fiscal year.

Income, including capital gains, realized by the Partnership will be allocated to Limited Partners of record on December 31 of each fiscal year. The cost of the Flow-Through Shares held by the Partnership will be deemed to be nil and, as a result, any capital gain realized by the Partnership and allocated to the Limited Partners on a sale of Flow-Through Shares will generally be equal to the proceeds of disposition, less reasonable costs of disposition.

A disposition of Units by Limited Partners may trigger capital gains (or capital losses). One-half of realized capital gains will be included in a Limited Partner's income for the year of disposition, and one-half of any

capital loss may be deducted against taxable capital gains in accordance with the provisions of the Tax Act. In the event that the Liquidity Alternative is not implemented, it is anticipated that, following the dissolution of the Partnership, each Limited Partner will acquire his or her *pro rata* share of the assets held by the Partnership at that time on a tax-deferred basis, provided that certain requirements in the Tax Act are satisfied.

If the Partnership transfers its assets to the Mutual Fund pursuant to the Liquidity Alternative, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. The Mutual Fund will acquire each asset of the Partnership at a cost equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the Mutual Fund, the Mutual Fund shares will be distributed to the Limited Partners with a cost for tax purposes equal to the cost of the Units held by such Limited Partner. As a result, a Limited Partner will not be subject to tax in respect of such transaction.

The October 31 Proposals, if enacted in their current form, will generally apply to deny the deduction of any expenses by the Partnership or a Limited Partner, including in respect of the Flow-Through Shares or Units, respectively, if the Partnership or the Limited Partner does not have a “reasonable expectation of profit” from its ownership of the property. See “Certain Canadian Federal Income Tax Considerations — October 31, 2003 Tax Proposals”.

See “Certain Canadian Federal Income Tax Considerations” and “Risk Factors” before purchasing Units.

**Each investor should seek independent advice as to the federal and provincial tax consequences of an investment in Units, including the consequences of any borrowing to finance an acquisition of Units.**

**Conflicts of Interest:**

Each of the General Partner and the Investment Advisor is an affiliate of the Manager. The Manager, certain of its affiliates, and the directors and officers of the General Partner, the Manager and Investment Advisor or other affiliates are and may in the future be actively engaged in a wide range of investment and management activities, some of which are and will be similar to and competitive with those that the Partnership, the General Partner and the Investment Advisor will undertake. As a result, actual and potential conflicts of interest (including conflicts as to management’s time, resources and allocation of investment opportunities) can be expected to arise in the normal course. Each of the Manager and the Investment Advisor follow written policies with respect to conflicts of interest and the allocation of investment opportunities. Such policies are designed to ensure that the best interests of investors are protected. In addition, conflicts are brought to the attention of the Independent Review Committee. See “Conflicts of Interest”.

**Risk Factors:**

**This Offering is a speculative offering. This Offering is a blind pool offering.** There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. No market for the Units is expected to develop. The tax benefits resulting from an investment in Units are greatest for an investor whose income is subject to the highest marginal income tax rate.

You should consider the following risk factors and the additional risk factors outlined in “Risk Factors” before purchasing Units:

- (a) an investment in the Partnership is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment;
- (b) there is no guarantee that an investment in the Partnership will earn a specified rate of return or any return in the short or long term;
- (c) Flow-Through Shares are typically purchased by the Partnership at prices greater than the market prices of ordinary common shares of the Resource Issuers issuing such Flow-Through Shares and may be subject to resale restrictions;
- (d) the Partnership and the General Partner are newly established entities that have no previous operating or investment history and only nominal assets;
- (e) the Limited Partners must rely entirely on the discretion of the General Partner and Investment Advisor in determining the initial composition of the Partnership’s Investment Portfolio in managing such portfolio on an on-going basis;
- (f) the Investment Advisor has prior experience providing investment advisory and portfolio management services to investors, but the Investment Advisor has limited experience in providing investment advisory and portfolio management services to a limited partnership that invests in Flow-Through Shares;
- (g) the value of each Limited Partner’s interest in the Partnership will be affected by the value of the securities acquired by the Partnership which in turn will be affected by such factors as investor demand, resale restrictions, general market trends and regulatory restrictions;
- (h) the Partnership will invest in securities of Resource Issuers which may result in the value of the portfolio being more volatile than portfolios with a more diversified investment focus and may result in volatility based upon the underlying market for commodities produced by those sectors of the economy;
- (i) the Partnership will invest in junior Resource Issuers, and may invest up to 30% of the Gross Proceeds in Illiquid Investments. Investment in junior Resource Issuers and Illiquid Investments will reduce the liquidity of the Partnership’s Investment Portfolio and may involve greater risks than investments in larger, more established companies. There may be no trading market for securities of junior Resource Issuers, and if there is, shares of junior Resource Issuers may experience less liquidity and greater share price volatility than the shares of such larger companies. There will be no trading market for Illiquid Investments;
- (j) The Partnership’s investments in Resource Issuers whose securities are not publicly traded may be difficult to value accurately or sell, and may be valued at a value significantly lower than their cost;
- (k) Resource Issuers may not hold or discover commercial quantities of oil, natural gas or minerals, and their profitability may be affected by adverse fluctuations in commodity prices, liability for environmental damage, competition and government regulation;
- (l) Resource Issuers may fail to renounce, effective in 2008 or at all, Eligible Expenditures equal to the Gross Proceeds invested (directly or

indirectly) in Flow-Through Shares and any amounts renounced may not qualify as Eligible Expenditures;

- (m) other issuers in which the Partnership invests may not allocate or properly allocate Eligible Expenditures renounced to those other issuers by Resource Issuers;
- (n) the existence of resale restrictions may prevent or hamper the ability of the Partnership to take advantage of opportunities to take profits or minimize losses, and this may adversely affect the value of the Units;
- (o) there can be no assurance that any Mutual Fund will be established for a Liquidity Alternative or that any Liquidity Alternative will receive the necessary approvals (including regulatory approvals) or be implemented or, if implemented, be implemented on a tax-deferred basis;
- (p) if a Liquidity Alternative is not implemented, Limited Partners may receive securities or other interests in Resource Issuers upon dissolution of the Partnership for which there may be an illiquid market or which may be subject to resale restrictions. There is no assurance that an adequate market will exist for such securities or that such securities may be distributed to the Limited Partners on a tax-deferred basis;
- (q) in the event that Limited Partners receive Mutual Fund shares in connection with a Liquidity Alternative, these shares will be subject to various risk factors applicable to shares of mutual fund corporations or other investment vehicles which invest in Resource Issuers; and further, the only assets of such Mutual Fund may be the securities of the Partnership received upon the Liquidity Alternative, in which case liquidity will not be significantly enhanced;
- (r) the lack of adequate Flow-Through Share investment opportunities due to fluctuations in trading volumes and prices may lead to uncommitted funds being returned to the Limited Partners. Limited Partners will not be entitled to claim anticipated deductions or credits for income tax purposes in respect of such funds;
- (s) if the size of the Offering is significantly less than the maximum, the fees and expenses of the Offering may reduce or eliminate the possible returns available to Limited Partners;
- (t) the possible loss of the Limited Partners' limited liability under certain circumstances and the unavailability of limited liability under the laws of certain jurisdictions;
- (u) there can be no assurance that the borrowing strategy employed by the Partnership will enhance returns. If the Partnership Loan Facility is not repaid at the time of the dissolution of the Partnership, Limited Partners will be personally liable for outstanding amounts owed, although recourse will be limited to their interest in the securities or assets of the Partnership;
- (v) federal or provincial income tax legislation may be amended, or its interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Units by a Limited Partner;
- (w) while the Partnership may make certain distributions to Limited Partners from proceeds realized from the sale of Flow-Through Shares and other investments, if any, a Limited Partner may receive an allocation of income and/or capital gains in a year without receiving sufficient distributions from the Partnership for that year to fully pay any

tax that he or she may owe as a result of being a Limited Partner in that year;

- (x) if a Limited Partner acquires Units using limited recourse borrowing for tax purposes, the amount of Eligible Expenditures and/or losses allocated to all Limited Partners will be reduced;
- (y) the alternative minimum tax could limit tax benefits available to a Limited Partner; and
- (z) tax proposals introduced by the Department of Finance on October 31, 2003, if enacted in their current form, may apply to deny the deduction of expenses and losses (excluding Eligible Expenditures) incurred by the Partnership or a Limited Partner, including in respect of Flow-Through Shares or Units, respectively, for taxation years commencing after 2004 if the Partnership or the Limited Partner does not have a “reasonable expectation of profit” from its ownership of the Flow-Through Shares or Units. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Tax Proposals would be released for comment at an early opportunity. There is no assurance such alternative proposal will not adversely affect the Partnership or Limited Partners.

## GLOSSARY

The following terms used in this prospectus have the meanings set out below:

- “**2007 Partnership**” means the Connor, Clark & Lunn 2007 Flow-Through Limited Partnership;
- “**affiliate**” has the meaning ascribed to the term “affiliated entity” in Ontario Securities Commission Rule 61-501.
- “**Agency Agreement**” means the agreement dated as of January 30, 2008 among the Partnership, the General Partner, the Manager and the Agents, pursuant to which the Agents have agreed to offer the Units for sale on an agency basis.
- “**Agents**” means, collectively, CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Richardson Partners Financial Limited, Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, GMP Securities L.P., Raymond James Ltd., Wellington West Capital Inc., Berkshire Securities Inc. and HSBC Securities (Canada) Inc.
- “**Business Day**” means a day, other than a Saturday, Sunday or holiday, when banks in the City of Toronto, Ontario are generally open for the transaction of banking business.
- “**Canadian GAAP**” means the Canadian generally accepted accounting principles applicable to the business of the Partnership, as such principles are established and revised by the Canadian Institute of Chartered Accountants (or any successor organization) from time to time.
- “**CDE**” or “**Canadian Development Expense**” means Canadian development expense, as defined in subsection 66.2(5) of the Tax Act, which includes certain expenses incurred for the purpose of developing petroleum or natural gas deposits in Canada (including certain drilling expenses).
- “**CDS**” means CDS Clearing and Depository Services Inc. or its nominee, or a successor thereto.
- “**CEE**” or “**Canadian Exploration Expense**” means Canadian exploration expense, as defined in subsection 66.1(6) of the Tax Act, which may be renounced by a Resource Issuer under the Tax Act, including:
- (a) expenses incurred in a year in drilling an oil or gas well if such drilling resulted in the discovery that a natural underground reservoir contains petroleum or natural gas where before the time of the discovery, no person or partnership had discovered that the reservoir contained either petroleum or natural gas and the discovery occurred at any time before six months after the end of the year;
  - (b) expenses incurred in a year in drilling an oil and gas well if the well is abandoned in the year or within six months after the end of the year;
  - (c) certain expenses incurred for the purpose of determining the existence, location, extent or quality of an accumulation of petroleum or natural gas or a mineral resource in Canada; and
  - (d) CRCE.
- “**Closing**” means the completion of the purchase and sale of any Units, of which there may be more than one.
- “**Closing Date**” means the date of any Closing, with the Initial Closing expected to be on or about February 15, 2008 or such other date as the General Partner and the Agents may agree.
- “**CRA**” means Canada Revenue Agency.
- “**CRCE**” means Canadian renewable and conservation expense, as defined in subsection 66.1(6) of the Tax Act.
- “**Eligible Expenditures**” means CEE and Qualifying CDE.
- “**Extraordinary Resolution**” means a resolution passed by two-thirds or more of the votes cast, either in person or by proxy, at a duly convened meeting of the Limited Partners to approve any item as required by the Partnership Agreement, or, alternatively, a written resolution signed by Limited Partners holding two-thirds or more of the Units outstanding and entitled to vote on such a resolution at a meeting.

“**Financial Institution**” has the meaning ascribed to that term in subsection 142.2(1) of the Tax Act.

“**Flow-Through Shares**” means securities of Resource Issuers which qualify as flow-through shares, as defined in subsection 66(15) of the Tax Act, and in respect of which Resource Issuers agree to renounce to the Partnership (directly, or indirectly through another issuer) Eligible Expenditures, and includes rights entitling the Partnership to acquire such securities provided such rights qualify as flow-through shares for the purposes of the Tax Act.

“**General Partner**” means Connor, Clark & Lunn 2008 Flow-Through Management Corp.

“**Gross Proceeds**” or “**Gross Proceeds of the Offering**” means an amount equal to the total number of Units sold pursuant to the Offering multiplied by \$25 per Unit.

“**High Quality Money Market Instruments**” means money market instruments which are accorded the highest rating category by Standard & Poor’s, a division of the McGraw-Hill Companies, Inc. (A-1) or by Dominion Bond Rating Service (R-1), banker’s acceptances and government guaranteed obligations all with a term of one year or less, and interest-bearing deposits with Canadian banks, trust companies or other like institutions in the business of providing commercial loans, operating loans or lines of credit to companies.

“**Illiquid Investments**” means investments which may not be readily disposed of in a marketplace where such investments are normally purchased and sold and public quotations in common use and in respect thereof are available. Examples of Illiquid Investments include limited partnership interests that are not listed on a stock exchange and securities of private companies, but do not include Flow-Through Shares of publicly listed issuers with resale restrictions which expire on or before December 31, 2009, unlisted Warrants or Special Warrants, or Flow-Through Shares.

“**Initial Closing**” means the first closing expected to be on or about February 15, 2008 or such other date as the General Partner and the Agents may agree.

“**Initial Limited Partner**” means Philip Gow.

“**Investment Advisor**” means the investment advisor appointed by the Manager pursuant to the Investment Advisor Agreement to provide advice on the Partnership’s initial investment in Flow-Through Shares and to manage the Partnership’s Investment Portfolio, the initial investment advisor being Connor, Clark & Lunn Investment Management Ltd.

“**Investment Advisor Agreement**” means the agreement to be dated on or before the Initial Closing among the Manager, in its own capacity and on behalf of the Partnership, and the Investment Advisor pursuant to which the Investment Advisor will provide investment advice on the Partnership’s initial investment in Flow-Through Shares and portfolio management services in respect of the Investment Portfolio of the Partnership and may provide such services to the Mutual Fund, if and when created.

“**Investment Agreements**” means agreements pursuant to which the Partnership will subscribe, directly or indirectly, for Flow-Through Shares (including Flow-Through Shares issued as part of a Unit) or Special Warrants, or agreements by the Partnership to otherwise invest in or purchase securities of a Resource Issuer, including a trade made through the facilities of a stock exchange or other market, and:

- (a) in respect of Flow-Through Shares not offered as part of a Unit or in respect of Special Warrants entitling the holder to acquire Flow-Through Shares only, the Resource Issuer will covenant and agree to use 100% of the purchase price paid to it to incur, and renounce (directly or indirectly) to the Partnership, Eligible Expenditures with an effective date of not later than December 31, 2008; or
- (b) in respect of Flow-Through Shares comprised in units, the Resource Issuer will covenant and agree:
  - (i) that the purchase price is reasonably allocable, and will be allocated by the Resource Issuer, such that no less than 90% of the purchase price is allocated to the price for the Flow-Through Share comprised in such units; and
  - (ii) to use 100% of the purchase price so allocated for the Flow-Through Shares comprised in such units to incur, and renounce (directly or indirectly) to the Partnership, Eligible Expenditures with an effective date of not later than December 31, 2008; or

- (c) in respect of Special Warrants entitling the holder to acquire Flow-Through Shares and other securities, the Resource Issuer will covenant and agree:
- (i) that the purchase price is reasonably allocable, and will be allocated by the Resource Issuer, such that no less than 90% of the purchase price is allocated to the price for the right to acquire Flow-Through Shares comprised in such Special Warrants; and
  - (ii) to use 100% of the purchase price so allocated for the right to acquire Flow-Through Shares comprised in such Special Warrants to incur, and renounce (directly or indirectly) to the Partnership, Eligible Expenditures with an effective date of not later than December 31, 2008.

“**Investment Guidelines**” means the Partnership’s investment policies and restrictions contained in the Partnership Agreement. See “Investment Guidelines”.

“**Investment Portfolio**” means the Flow-Through Shares and other securities acquired by the Partnership with the Gross Proceeds and any securities or cash obtained with proceeds from the sale of such Flow-Through Shares or other securities.

“**Investment Strategy**” means the investment strategy of the Partnership as described herein.

“**IRC**” means the independent review committee established pursuant to NI 81-107.

“**Limited Partner**” means the Initial Limited Partner and each person who is admitted to the Partnership as a limited partner pursuant to the Offering.

“**Limited Recourse Amount**” means a limited recourse amount as defined in section 143.2 of the Tax Act, which provides currently that a limited recourse amount means the unpaid principal amount of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently, and the unpaid principal of an indebtedness is deemed to be a limited recourse amount unless it complies with the following rules:

- (a) *bona fide* arrangements, evidenced in writing, are made, at the time the indebtedness arises, for repayment of the indebtedness and all interest thereon within a reasonable period not exceeding ten years; and
- (b) interest is payable, at least annually, at a rate equal to or greater than the lesser of the prescribed rate of interest under the Tax Act in effect at the time the indebtedness arose, and the prescribed rate of interest applicable from time to time under the Tax Act during the term of the indebtedness, and such interest is paid by the debtor in respect of the indebtedness not later than 60 days after the end of each taxation year of the debtor.

See “Certain Canadian Federal Income Tax Considerations”.

“**Liquidity Alternative**” means a transaction implemented by the General Partner or, in the General Partner’s sole discretion, pursuant to the Transfer Agreement between the Partnership and the Manager. The Manager agrees to use reasonable commercial efforts to establish an entity controlled or managed by the Manager that will be a Mutual Fund at the time of any such transfer and which will be a reporting issuer under applicable securities laws. Such Liquidity Alternative is intended to provide liquidity and prospects for long-term growth of capital and for income for Limited Partners which the General Partner expects to implement on or before June 30, 2010. Such Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund on a tax deferred basis in exchange for a class of redeemable shares of the Mutual Fund pursuant to the Transfer Agreement or otherwise and within 60 days thereafter the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax deferred basis upon the dissolution of the Partnership; provided that the General Partner will propose or implement no such transaction which adversely affects the status of the Flow-Through Shares as flow-through shares for purposes of the Tax Act, whether prospectively or retrospectively.

“**Management Agreement**” means the agreement to be dated on or before the Initial Closing between the Manager and the Partnership pursuant to which the Manager will provide investment, management, administrative and other services to the Partnership.

“**Manager**” means the manager appointed by the General Partner to assist the General Partner with the investment, management and administration services of the Partnership, with the initial manager being Connor, Clark & Lunn Capital Markets Inc.

“**Manager’s Fee**” means the fee which the Manager will receive from the Partnership pursuant to the Management Agreement equal to one-twelfth of 2.0% of the Net Asset Value, calculated and paid monthly in arrears.

“**Mutual Fund**” means a mutual fund corporation or other appropriate open-ended investment vehicle that may be established, recommended or referred to by the General Partner or Manager or an affiliate thereof to provide a Liquidity Alternative, and which will be advised by the Investment Advisor or an affiliate.

“**Net Asset Value**” has the meaning ascribed to that term under “Net Asset Value”.

“**October 31 Proposals**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations — October 31, 2003 Tax Proposals”.

“**Offering**” means the offering of Units by the Partnership pursuant to the terms of the Agency Agreement and this prospectus.

“**Ordinary Resolution**” means a resolution of Limited Partners passed by more than 50% of the votes cast at a duly convened meeting of the Limited Partners or consented to in writing by the Limited Partners that are entitled to more than 50% of the votes at such a meeting.

“**Partners**” means the Limited Partners and the General Partner.

“**Partnership**” means Connor, Clark & Lunn 2008 Flow-Through Limited Partnership.

“**Partnership Agreement**” means the amended and restated limited partnership agreement dated on or before the Initial Closing between the General Partner and the Initial Limited Partner, and each person who becomes a Limited Partner thereafter.

“**Partnership Loan Facility**” means a loan and margin facility to be provided to the Partnership by a Canadian chartered bank or a subsidiary of a Canadian chartered bank to finance the payment of the Agents’ fees, expenses of this Offering and certain operating and administrative costs and expenses that are not expected to be deductible in computing income of the Partnership for as long as such loan is outstanding.

“**Performance Bonus**” means the performance bonus payable to the Manager by the Partnership which will be 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 all distributions per Unit during the Performance Bonus Term exceeds \$28.

“**Performance Bonus Date**” means the last day of the Performance Bonus Term.

“**Performance Bonus Term**” means the period commencing on the date of the final Closing and ending on the earlier of:

- (a) the Business Day prior to the date on which the Partnership’s assets are transferred to a Mutual Fund pursuant to a Liquidity Alternative; and
- (b) the Business Day immediately prior to the day of dissolution or termination of the Partnership.

“**Promoters**” means the Manager and the General Partner.

“**Qualifying CDE**” means CDE which may be renounced by a Resource Issuer under the Tax Act as CEE, but which excludes any CDE which is deemed to qualify as CEE of a Resource Issuer under subsection 66.1(9) of the Tax Act.

“**Registrar and Transfer Agency Agreement**” means the Registrar and Transfer Agency Agreement to be dated on or before the Initial Closing between Computershare Trust Company of Canada and the Partnership.

“**Registrar and Transfer Agent**” means the registrar and transfer agent of the Partnership appointed by the General Partner, the initial registrar and transfer agent being Computershare Trust Company of Canada.

**“Related Corporation”** means a corporation that is related to a Resource Issuer for the purposes of subsection 251(2) or 251(3) of the Tax Act.

**“Related Issuer”** means a Resource Issuer of which the General Partner or an affiliate of the General Partner, other than limited partnerships managed by the General Partner or its affiliates, individually or together beneficially own or exercise direction or control, directly or indirectly, over more than 20% of the outstanding voting or equity securities of such Resource Issuer after giving effect to the exercise of all convertible securities of such Resource Issuer held by the General Partner or affiliates of the General Partner, other than limited partnerships managed by the General Partner or its affiliates; provided that, for purposes of this definition of “Related Issuer” (a) all fully paid equity-based securities issued by a Resource Issuer shall be deemed to have been exercised into the underlying equity securities and (b) for greater certainty, investments made by a general partner of any Connor, Clark & Lunn partnership on behalf of such Connor, Clark & Lunn partnership in any Resource Issuer shall not be included in any calculation of the outstanding number of voting or equity securities of any Resource Issuer held by the General Partner or any affiliate of the General Partner.

**“Resource Issuer”** means a corporation which represents, directly or indirectly, to the Partnership that:

- (a) it is a “principal-business corporation” as defined in subsection 66(15) of the Tax Act, which includes corporations whose principal business is oil and gas exploration, development and/or production and, to a lesser extent and subject to certain limitations, corporations whose principal business is mining exploration, development and/or production, the generation of energy that incurs certain start-up phase costs for renewable energy and energy efficient projects or the operation of a pipeline for the transmission of oil or gas; and
- (b) it intends (either by itself or through a Related Corporation) to incur Eligible Expenditures on at least one property in Canada.

**“SIFT Rules”** refers to the provisions of the Tax Act relating to the taxation of “specified investment flow-through trusts” and “specified investment flow-through partnerships”.

**“Special Warrant”** means a special warrant of a listed Resource Issuer which entitles the holder to acquire, for payment of no additional consideration, a Flow-Through Share of a listed Resource Issuer or a unit of securities which includes a Flow-Through Share of a listed Resource Issuer.

**“Subscription Agreement”** means the deemed subscription agreement between the investor and the Partnership which results from the acceptance by the General Partner of an investor’s offer to purchase Units by payment of the Subscription Price.

**“Subscription Price”** means the amount of capital to be contributed by an investor to the Partnership under the Offering, which will be \$25 for each Unit for which the investor subscribes.

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

**“Transfer Agreement”** means the agreement dated on or before the Initial Closing between the Manager and the Partnership that provides for the Liquidity Alternative, together with all amendments, supplements, restatements and replacements thereof from time to time.

**“Termination Date”** means December 31, 2010, unless the Partnership’s operations are continued or terminated earlier in accordance with the Partnership Agreement.

**“Valuation Date”** means the last Business Day of each week (or if permitted under applicable law, the last Business Day of such longer period as the Manager may designate) unless investments are made in “specified derivatives” (as defined in National Instrument 81-102), in which case “Valuation Date” means each day that the Toronto Stock Exchange (the “TSX”) is open for business (or the previous trading day in the event the TSX is closed for business).

**“Unit”** means one unit of limited partnership interest in the Partnership.

**“Warrants”** means warrants exercisable to purchase shares or other securities of a listed Resource Issuer (which shares or other securities may or may not be Flow-Through Shares).

**“\$”** means Canadian dollars.

## ILLUSTRATION OF POTENTIAL TAX CONSEQUENCES

An investment in Units will have a number of tax implications for a prospective investor. The following tables have been prepared by the General Partner to assist prospective investors in evaluating the income tax consequences to them of acquiring, holding and disposing of Units. The tables are intended to illustrate certain income tax implications to investors who are Canadian resident individuals (other than trusts) who have purchased \$1,000 of Units (40 Units) in the Partnership and who continue to hold their Units in the Partnership as of December 31, 2008. **These illustrations are examples only and actual tax deductions may vary significantly. The timing of such deductions may also vary from that shown in the tables.** A summary of certain Canadian federal income tax considerations for a prospective investor for Units is set forth under “Certain Canadian Federal Income Tax Considerations”. Each prospective investor is urged to obtain independent professional advice as to the specific implications applicable to such an investor’s particular circumstances. The calculations are based on the estimates and assumptions described in the “Notes and Assumptions” set forth below, which form an integral part of the following tables. The actual tax savings, money at risk and break-even proceeds of disposition may be different from what is shown below. **Prospective investors should be aware that these calculations are not based on an independent opinion rendered by a lawyer or an accountant, and do not constitute forecasts, projections, contractual undertakings or guarantees and are based on estimates and assumptions that are necessarily generic and, therefore, cannot be represented to be complete or accurate for any particular investor.**

### Example of Tax Deductions

	Maximum Offering of \$50,000,000			Minimum Offering of \$7,500,000		
	CEE Deductions <sup>(1)</sup>	Other Deductions <sup>(2,3)</sup>	Total Deductions <sup>(4,5,6,7)</sup>	CEE Deductions <sup>(1)</sup>	Other Deductions <sup>(2,3)</sup>	Total Deductions <sup>(4,5,6,7)</sup>
2008 . . . . .	\$1,000	\$ 0	\$1,000	\$1,000	\$ 0	\$1,000
2009 and beyond . . .	0	105	105	0	161	161
	<u>\$1,000</u>	<u>\$105</u>	<u>\$1,105</u>	<u>\$1,000</u>	<u>\$161</u>	<u>\$1,161</u>

### Assumed Highest Marginal Tax Rates by Province

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.
2008 . . . . .	43.70%	39.00%	44.00%	46.40%	46.41%	48.22%	46.95%	48.25%	47.37%	45.50%
2009 and beyond <sup>(8)</sup> . . .	43.70%	39.00%	44.00%	46.40%	46.41%	48.22%	46.95%	48.25%	47.37%	45.50%

### At-Risk Capital, Breakeven and Downside Protection Calculations by Province

	Maximum Offering of \$50,000,000									
	B.C.	Alta.	Sask.	Man.	Ont.	Que. <sup>(1)</sup>	N.B.	N.S.	P.E.I.	Nfld.
Investment Amount . . . . .	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Tax Savings from Deductions <sup>(9)</sup> . . . . .	(483)	(431)	(486)	(513)	(513)	(533)	(519)	(533)	(524)	(503)
Capital Gains Tax <sup>(10)</sup> . . . . .	23	21	23	24	24	25	25	25	25	24
At-Risk Capital <sup>(11)</sup> . . . . .	<u>\$ 540</u>	<u>\$ 589</u>	<u>\$ 537</u>	<u>\$ 512</u>	<u>\$ 511</u>	<u>\$ 492</u>	<u>\$ 506</u>	<u>\$ 492</u>	<u>\$ 501</u>	<u>\$ 521</u>
Breakeven Proceeds on Disposition <sup>(12,13)</sup> . . . . .	\$ 691	\$ 732	\$ 688	\$ 666	\$ 666	\$ 649	\$ 661	\$ 649	\$ 657	\$ 675
Downside Protection <sup>(14)</sup> . . . . .	30.9%	26.8%	31.2%	33.4%	33.4%	35.1%	33.9%	35.1%	34.3%	32.5%

**Minimum Offering of \$7,500,000**

	B.C.	Alta.	Sask.	Man.	Ont.	Que. <sup>(1)</sup>	N.B.	N.S.	P.E.I.	Nfld.
Investment Amount . . . . .	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Tax Savings from Deductions <sup>(9)</sup> . . . . .	(507)	(453)	(511)	(539)	(539)	(560)	(545)	(560)	(550)	(528)
Capital Gains Tax <sup>(10)</sup> . . . . .	35	31	35	37	37	39	38	39	38	37
At-Risk Capital <sup>(11)</sup> . . . . .	\$ 528	\$ 579	\$ 525	\$ 499	\$ 499	\$ 479	\$ 493	\$ 479	\$ 488	\$ 508
Breakeven Proceeds on Disposition <sup>(12,13)</sup> . . .	\$ 675	\$ 719	\$ 673	\$ 649	\$ 649	\$ 631	\$ 644	\$ 631	\$ 640	\$ 658
Downside Protection <sup>(14)</sup> . . . . .	32.5%	28.1%	32.7%	35.1%	35.1%	36.9%	35.6%	36.9%	36.0%	34.2%

**Notes and Assumptions:**

- (1) The calculations assume that all Gross Proceeds (\$7,500,000 in the case of the minimum Offering and \$50,000,000 in the case of the maximum Offering) are invested in Flow-Through Shares of Resource Issuers that, in turn, expend such amounts on Eligible Expenditures which are renounced directly to the Partnership with an effective date in 2008 and allocated to a Limited Partner and deducted in their 2008 taxation year.

It is assumed that none of the Gross Proceeds will be used to acquire Flow-Through Shares of Resource Issuers in 2008 which would entitle a Limited Partner to the 15% non-refundable “flow-through mining expenditure” investment tax credit in respect of certain “grass roots” mining CEE incurred by a Resource Issuer.

Other than for Québec purposes, no provincial credits or restrictions have been taken into account. For Québec purposes, the calculations assume that CEE is renounced by Resource Issuers to the Partnership in accordance with the *Taxation Act* (Québec). A description of certain provincial credit programs and restrictions is set out at the end of these footnotes.

The General Partner will provide a Limited Partner with the information required by such Limited Partner to file an application for any provincial investment tax credits available to such Limited Partner.

The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs in a given taxation year investment expenses to earn investment income in excess of the investment income earned for that year, such excess shall be included in the taxpayer’s income, resulting in an offset of the deduction for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses of a Limited Partner and 50% of CEE renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner (other than CEE incurred in Québec) and investment income includes taxable capital gains not eligible for the capital gains exemption. The portion of the investment expenses which has been included in the Limited Partner’s income in a given taxation year may be deducted against net investment income earned in any of the three previous taxation years or in any subsequent taxation year. The remaining 50% of CEE renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner (other than CEE incurred in Québec), and 100% of the CEE incurred in Québec and renounced to the Partnership and allocated to such Limited Partner will not be subject to that rule and will be deductible in computing the Limited Partner’s income for Québec tax purposes.

It is assumed that for Québec provincial tax purposes only, a Limited Partner who is an individual (including a personal trust) resident, or subject to tax, in Québec has investment income that exceeds his or her investment expenses for a given year. See “Risk Factors — Tax-Related Risks”.

- (2) The Partnership will incur costs including the Agents’ fees, Offering expenses (including travel, sales and marketing expenses), certain other estimated operating and administrative expenses and the Manager’s Fee. The Partnership intends to borrow under the Partnership Loan Facility to pay such costs, except to the extent paid by the Manager. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of annual fixed expenses in excess of \$145,000 in the event that the gross proceeds of the Offering are less than \$10 million. The portion payable by the Manager is not reflected as a deductible expense in the tables. In the event that the proceeds from the Partnership Loan Facility are insufficient to pay offering expenses, the Manager will advance payment for the difference which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. Such advances will bear interest at the Prime Rate. The unpaid principal amount and interest thereon will be a Limited Recourse Amount of the Partnership and the Limited Partners and such costs will generally not be deductible until the borrowed amount is repaid, at which time the expenses will be deemed to have been incurred to the extent of the amount repaid. The table assumes that the Partnership will realize sufficient capital gains and income to permit it to pay annual expenses and to repay all amounts borrowed prior to the earlier of the closing of a Liquidity Alternative and the dissolution of the Partnership.

See Note (5), “Certain Canadian Federal Income Tax Considerations” and “Fees and Expenses Payable by the Partnership”.

- (3) **The calculations are prepared on the assumption that the October 31, 2003 tax proposals will not be enacted and, therefore, will not apply to deny the deduction of any expenses or resulting losses of the Partnership or a Limited Partner in respect of Flow-Through Shares or Units, respectively.** On that basis, subject to Note (2), Agent’s fees and Offering expenses would generally be deductible for purposes of the Tax Act at a rate of 20% per annum, pro-rated for short taxation years. If the October 31, 2003 tax proposals are enacted in their current form, then no such expenses (excluding Eligible Expenditures) or resulting losses would likely be deductible by the Partnership or a Limited Partner (being \$161 in the case of the minimum Offering and \$105 in the case of the maximum Offering). See “Certain Canadian Federal Income Tax Considerations — October 31, 2003 Tax Proposals”.

- (4) Assumes no portion of the subscription price for the Units will be financed with a Limited Recourse Amount. See “Certain Canadian Federal Income Tax Considerations”.
- (5) A Limited Partner may not claim tax deductions in excess of such Limited Partner’s “at risk” amount.
- (6) The calculations assume that the Limited Partner is not liable for alternative minimum tax. See “Certain Canadian Federal Income Tax Considerations”.
- (7) The amount of tax deductions, income or proceeds of disposition in respect of a particular investor will likely be different from those depicted above.
- (8) The highest marginal tax rates used are based on current federal and provincial rates. It is assumed that the highest marginal tax rates for taxation years beyond 2008 will be the same as those for 2008, and, consequently, the actual tax savings may be different than those illustrated.
- (9) The tax savings are calculated by multiplying the total estimated income tax deductions for each year by the assumed highest marginal tax rate for that year. This illustration assumes that the investor has sufficient income so that the illustrated tax savings are realized in the year shown.
- (10) It is assumed that some Flow-Through Shares will be sold in 2009 and beyond at their original issue price and some proceeds are used to fund the repayment of the amount outstanding under the Partnership Loan Facility and that capital gains will be realized upon the sale of these Flow-Through Shares. In computing the Partnership’s income it is assumed that 50% of capital gains are taxable.
- (11) At-risk capital is calculated generally as the total investment less all anticipated income tax savings from deductions plus the expected tax on capital gains. Totals may not add due to rounding.
- (12) Breakeven proceeds of disposition represent the amount an investor must receive such that, after paying capital gains tax, the investor would recover his or her at-risk capital. Capital gains tax is calculated on the assumption that the adjusted cost base of the investment is nil (because the Tax Act deems the initial cost of Flow-Through Shares to be nil) and that 50% of the investor’s gain is subject to the highest combined federal and applicable provincial marginal tax rate. See “Certain Canadian Federal Income Tax Considerations”.
- (13) The calculations do not take into account the time value of money. Any present value calculation should take into account the timing of cash flows, the investor’s present and future tax position and any change in the market value of the Partnership’s Investment Portfolio, none of which can presently be estimated accurately by the General Partner.
- (14) Downside Protection is calculated by subtracting break-even proceeds of disposition from initial investment cost and then dividing by investment cost. If Flow-Through Shares are purchased at a premium to the market price as is typical, the market price must appreciate in order for the Partnership to sell the shares at their original issue price.

#### *Other Relevant Provincial Taxation Credits and Rules*

A 15% federal “flow-through mining expenditure” investment tax credit is available to investors in respect of certain “grass-roots” mining CEE incurred by a Resource Issuer. The 15% investment tax credit reduces federal tax otherwise payable by a Limited Partner. As described below, certain Canadian provinces have announced investment tax credits. These credits generally parallel the federal credits for flow-through mining expenditures renounced to taxpayers residing in the province in respect of exploration occurring on properties located in that province. Limited Partners resident, or subject to tax, in a province that provides such an investment tax credit may claim the credit in combination with the federal investment tax credit. However, the use of a provincial investment tax credit will generally reduce the amount of expenses eligible for the federal investment tax credit. Provincial investment tax credits have not been incorporated into this illustration.

An individual (other than a trust) who is resident in the Province of Ontario and a Limited Partner at the end of a fiscal year of the Partnership may apply for a 5% flow-through share tax credit in respect of eligible Ontario exploration expenditures. Eligible Ontario exploration expenditures are generally flow-through mining expenditures that qualified for the federal investment tax credit and are incurred in the Province of Ontario by a Resource Issuer with a permanent establishment in the Province of Ontario. In order to be eligible for the Ontario tax credit the individual must be resident in the Province of Ontario at the end of the taxation year, and be subject to Ontario income tax throughout the taxation year, in respect of which the credit is claimed.

The government of British Columbia recently announced plans to extend the BC mining flow-through share tax credit program by allowing individuals, who are residents of British Columbia that invest in flow-through shares, to claim such credits where BC flow-through mining expenditures incurred by a corporation on or before December 31, 2009 are renounced to such investors effective on or before December 31 of the preceding year. Under the program, such an individual (other than a trust) may claim a non-refundable tax credit, when calculating British Columbia income tax, equal to 20% of that individual’s share of any BC flow-through mining

expenditures renounced to the individual and incurred in conducting certain mining exploration activity in British Columbia. BC flow-through mining expenditures are defined with reference to the definition of “flow-through mining expenditures” in the Tax Act.

The Province of Québec allows for a special tax deduction of up to 150% of certain eligible exploration expenses incurred by a qualifying entity for exploration carried out in the Province of Québec. In addition to a base deduction of 100% for CEE, residents of the Province of Québec may be entitled to an additional deduction of 25% in respect of certain exploration expenses incurred in the Province of Québec by a qualified corporation. Such residents may also be entitled to a supplementary deduction of 25% in respect of certain surface mining exploration expenses incurred in the Province of Québec by a qualified corporation. Accordingly, individuals resident or subject to tax in Québec who are Limited Partners at the end of the applicable fiscal year of the Partnership may be entitled to deduct up to 150% of certain eligible exploration expenses incurred in the Province of Québec by a qualified corporation and renounced in favour of the Partnership. A qualified corporation has the option for Québec tax purposes of utilizing the above-mentioned flow-through share system or claiming a Québec tax credit for its exploration expenses.

There can be no assurance that any of the foregoing assumptions will prove to be accurate in any particular case. Prospective investors should be aware that these calculations are for illustrative purposes only and are based on assumptions made by the General Partner which cannot be represented to be complete or accurate in all respects and that have been made solely for the purpose of these illustrations. These calculations and assumptions have not been independently verified. See “Certain Canadian Federal Income Tax Considerations” and “Risk Factors”.

#### **DESCRIPTION OF THE UNITS**

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of Units, of which a minimum of 300,000 Units and maximum of 2,000,000 Units will be issued pursuant to the Offering. Except as otherwise expressly provided for in the Partnership Agreement, each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters and no Unit shall have preference, priority or right in any circumstance over any other Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership \$25 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to prohibitions on ownership by non-residents and limitations on the number of Units that may be held by Financial Institutions and provisions relating to take-over bids. The minimum purchase for each Limited Partner is 200 Units. Additional purchases may be made in single Unit multiples of \$25. Fractional Units will not be issued. See “Summary of Partnership Agreement”.

#### **THE 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 Agreement is summarized in this prospectus. See “Summary of Partnership Agreement”.

The registered office of the Partnership is 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. Telephone: (416) 862-2020, Fax: (416) 363-2089, Email: cclcapmarkets@cclgroup.com. The head office of the Partnership is 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. Telephone: (416) 862-2020, Fax: (416) 363-2089, Email: cclcapmarkets@cclgroup.com.

## INVESTMENT STRUCTURE

### 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 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 business of the Resource Issuers will be: (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 projects. The allocation of the Gross Proceeds for investment in Flow-Through Shares of specific Resource Issuers will depend on investment opportunities at the time the Gross Proceeds are invested.

The General Partner will invest all or substantially all of 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). See “Certain Canadian Federal Income Tax Considerations”.

### Investment Strategy

The Partnership Agreement provides that the Partnership’s investment strategy (the “Investment Strategy”) is to invest 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. See “Investment Guidelines”. It is anticipated that the Investment Portfolio will include a number of junior Resource Issuers. The Partnership will invest no less than 70% of the Gross Proceeds at the time of investment in Flow-Through Shares of Resource Issuers which are listed on a stock exchange and at least 25% of the Gross Proceeds at the time of investment in Flow-Through Shares of Resource Issuers which are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market. The General Partner intends, whenever possible, to negotiate for the inclusion of incentives such as Warrants along with the Flow-Through Shares to be purchased by the Partnership.

The Investment Advisor will be responsible for the acquisition of the Partnership’s initial portfolio, providing the Partnership with advice on the ongoing management of the portfolio after acquisition. See “The Investment Advisor”.

Connor, Clark & Lunn Investment Management Ltd. has been appointed as the Investment Advisor to provide investment advisory and portfolio management services to the Partnership. The Investment Advisor, also part of the Connor, Clark & Lunn Financial Group, was established in 1982 and has offices in Vancouver and Toronto. The Investment Advisor managed assets worth over \$23 billion as at December 31, 2007.

The energy sector investments of the Investment Portfolio will be managed using the same investment approach as the Investment Advisor applies to the energy sector of the Small Cap Portfolios and GARP Portfolios which the Investment Advisor has been managing for more than 20 years. Total assets managed by the Investment Advisor for the energy sector investments of the Small Cap Fund (the “CC&L Small Cap Energy Portfolio”) and the GARP Portfolios (the “CC&L Energy Portfolio”) were approximately \$281 million as at December 31, 2007. In total, at that date the Investment Advisor managed approximately \$2.6 billion in energy sector investments.

The mining industries and related sector investments of the Investment Portfolio will be managed using the same investment approach as the Investment Advisor applies to the materials sector investments of the GARP Portfolios and the Small Cap Portfolios which the Investment Advisor has been managing for more than 20 years. Total assets managed by the Investment Advisor for the materials sector investments of the Small Cap Portfolios (the “CC&L Small Cap Materials Portfolio”) and the GARP Portfolios (the “CC&L Materials Portfolio”) were approximately \$200 million as at December 31, 2007. In total, at that date the Investment Advisor managed approximately \$1.8 billion in materials sector investments.

## **Acquisition and Ongoing Management of the Partnership's Investment Portfolio**

The Investment Advisor will be responsible for the initial investment by the Partnership in Flow-Through Shares and other securities, if any, of Resource Issuers. The management team of the Investment Advisor has a proven and respected track record in analyzing and selecting securities of growth-oriented junior oil and gas companies. See "The Investment Advisor".

The Investment Advisor will proactively manage the Partnership's Investment Portfolio with the objective of providing capital appreciation for the Partnership after the initial investment period. This may involve the sale of Flow-Through Shares and other securities and the reinvestment of the net proceeds from such dispositions (after consideration being given to applicable distributions to Partners) in securities of Resource Issuers, including Resource Issuers in the oil and gas, mining, certain energy producers that may incur CRCE and issuers and related businesses such as pipeline or services companies and utilities. Such reinvestment may include, but is not limited to, investment in additional Flow-Through Shares. As well, the Partnership may borrow and sell short free-trading shares of Resource Issuers when an appropriate selling opportunity arises in order to "lock-in" the resale price of Flow-Through Shares or other securities, if any, of Resource Issuers held in the Partnership's Investment Portfolio.

For tax purposes, it is generally expected that any sale of Flow-Through Shares of a Resource Issuer by the Partnership will result in a capital gain equal to the net proceeds realized by such sale (less reasonable costs incurred to effect the sale), as the cost of the Flow-Through Shares is deemed under the Tax Act to be nil. See "Certain Canadian Federal Income Tax Considerations".

The Investment Advisor will utilize an active fundamentally based approach which involves disciplined monitoring of the sector. Before an initial investment is made a management interview is conducted to determine the important future drivers for shareholder value creation. In addition to the issuer's strategic corporate plan, the strength and weakness of the issuer's management, board, and technical teams are assessed. The willingness of the management team to take different levels of risk to achieve their long term goals and the ability of the issuer to meet its stated goals and key financial metrics are also examined. If an issuer's securities are added to the Partnership Investment Portfolio investments, regular visits are made with the management team to monitor whether it is meeting the milestones set for the issuer at the initiating meeting. Target prices are set for the stocks based on the expectation for growth and value creation potential and are used to assess relative opportunity amongst the universe of investments. In support of the bottom up stock selection process, an understanding of the macro environment is developed using a wide range of industry contacts.

The Investment Advisor uses many of the traditional industry efficiency metrics in its analysis of company-specific risk. For example, when assessing the quality of assets, the Investment Advisor will evaluate the level of production risk by examining how long wells have been in production, how much of the overall production is made up of wells with less than two years production, and geographic concentration of the wells. Exploration and development costs are also considered by the Investment Advisor to be important measures of efficiency of the management team as are netbacks (revenue less production costs), operating costs and selling, general and administration expenses on a per Unit basis.

## **Investment Agreements**

The Partnership will invest in Flow-Through Shares of Resource Issuers pursuant to Investment Agreements, which will obligate such Resource Issuers to incur and renounce Eligible Expenditures in an amount equal to the purchase price of the Flow-Through Shares. Pursuant to the terms of the Investment Agreements, Eligible Expenditures will be renounced (directly or indirectly) to the Partnership with an effective date no later than December 31, 2008. The Investment Agreements entered into by the Partnership during 2008 may permit a Resource Issuer to incur Eligible Expenditures in 2009, provided that the Resource Issuer agrees to renounce, directly or indirectly, such Eligible Expenditures to the Partnership with an effective date of December 31, 2008. Any Resource Issuer will be liable to the Partnership if it fails to satisfy such obligations. Following the Partnership's investment in Flow-Through Shares, Limited Partners who have sufficient income, subject to certain limitations, will be entitled to claim certain deductions from income. See "Certain Canadian Federal Income Tax Considerations".

The Partnership may acquire Special Warrants pursuant to Investment Agreements, on the same basis as it would acquire Flow-Through Shares. The Partnership may also acquire units consisting of Flow-Through Shares and Warrants pursuant to Investment Agreements, provided that not more than 10% of the aggregate purchase price under the relevant Investment Agreement shall be allocated and reasonably allocable to securities which do not qualify as Flow-Through Shares.

Registered dealers (including the Agents) may receive from the Resource Issuers with which the Partnership enters into Investment Agreements a fee or commission based on the aggregate subscription price of the Flow-Through Shares and other securities, if any, purchased by the Partnership and in some cases may receive the right to purchase shares or other securities of such Resource Issuers. In all such cases, the Investment Agreements will provide that the fee or commission payable to the registered dealer will be paid by the Resource Issuer from funds other than the funds invested in the Flow-Through Shares by the Partnership.

As the Partnership may invest in Flow-Through Shares and other securities, if any, of certain Resource Issuers pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation, such Flow-Through Shares and other securities, if any, of such Resource Issuers generally will be subject to resale restrictions. Securities of Resource Issuers that are not reporting issuers (or the equivalent) are subject to indefinite resale restrictions which will expire only if such corporations become reporting issuers under applicable securities legislation or if the resale is structured to be itself exempt from prospectus and registration requirements. It is expected that the resale restrictions applicable to the majority of the Flow-Through Shares and other securities, if any, of the Resource Issuers (other than Resource Issuers which are not reporting issuers or the equivalent) purchased by the Partnership will expire after a four-month "hold period". The General Partner may, in its sole discretion, require that the principal shareholders of Resource Issuers agree, subject to applicable law, to exchange free-trading shares for the restricted Flow-Through Shares or other securities, if any, of Resource Issuers within the Partnership's Investment Portfolio. Other Flow-Through Shares or other securities, if any, of Resource Issuers purchased by the Partnership may be qualified by a prospectus or other disclosure document of the Resources Issuer filed with the applicable securities authorities and will not be subject to any resale restrictions.

Subject to certain restrictions, the Partnership's Investment Portfolio may include Illiquid Investments. The Partnership may invest up to 30% of the Gross Proceeds in Illiquid Investments, including securities issued by private companies. See "Investment Guidelines".

As of the date hereof, the Partnership has not entered into Investment Agreements to invest in Flow-Through Shares or any other securities or selected any Resource Issuers in which to invest. However, the Partnership may, after the Initial Closing and prior to the date of the final Closing, enter (directly or indirectly) into Investment Agreements with one or more Resource Issuers.

Any interest earned on the Gross Proceeds not disbursed or invested by the Partnership and any dividends received on Flow-Through Shares and other securities, if any, of Resource Issuers purchased by the Partnership will accrue to the benefit of the Partnership. Interest and dividends earned may be used, in the discretion of the General Partner, to purchase more Flow-Through Shares and other securities, if any, of Resource Issuers, for the purchase of High-Quality Money Market Instruments, to pay administrative costs and expenses of the Partnership, to repay indebtedness, including indebtedness that is a Limited Recourse Amount, of the Partnership or for distribution to Limited Partners if the General Partner is satisfied that the Partnership can otherwise meet its obligations.

If the General Partner is unable to enter into Investment Agreements by December 31, 2008 for the full amount of the Gross Proceeds from this Offering, the General Partner will cause to be returned to each Limited Partner by April 30, 2009 such Limited Partner's share of the uncommitted amount, except to the extent that such funds are required to finance the operations of the Partnership or repay indebtedness, including indebtedness that is a Limited Recourse Amount of the Partnership (such as amounts outstanding under the Partnership Loan Facility). In certain circumstances committed funds equal to the tax payable as a consequence of the failure to renounce may be returned to the Partnership by Resource Issuers. Any funds committed by the Partnership to purchase Flow-Through Shares that are returned to the Partnership prior to January 1, 2009 may be used to invest in Flow-Through Shares and other securities, if any, of other Resource Issuers prior to January 1, 2009.

## Allocations

99.99% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced directly or indirectly to the Partnership will be allocated *pro rata* to the Limited Partners, and 0.01% of the net income 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. See “Summary of the Partnership Agreement — Allocation of Income and Loss”.

## Distributions

Subject to the terms of the Partnership Loan Facility, on or before April 30 of each year, the General Partner may make distributions to Limited Partners of record on the preceding December 31 of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner’s income for tax purposes in respect of each Unit held, after taking into account amounts previously distributed and deductions available for tax purposes to Limited Partners arising from participation in the Partnership. Such distributions will not be made in the event that circumstances arise (as determined by the General Partner in its sole discretion) such that it would be disadvantageous for the Partnership to make such distributions (including, but not limited to, a lack of available cash). Such distributions may not be sufficient to satisfy a Limited Partner’s tax liability for the year arising from an allocation of income and/or capital gains from the Partnership in such year. See “Summary of the Partnership Agreement — Distributions” and “Risk Factors”.

## Liquidity Alternative and Dissolution

In order to provide Limited Partners with liquidity and the potential for long-term growth of capital and for income, on or before June 30, 2010, the General Partner expects, if all necessary approvals are obtained, to implement a Liquidity Alternative pursuant to an agreement (the “Transfer Agreement”) between the Partnership and the Manager. The Manager agrees to use commercially reasonable efforts to establish an entity controlled or managed by the Manager that will be a mutual fund at the time of any such transfer and which will be a reporting issuer under applicable securities laws. Such Liquidity Alternative will involve an exchange transaction pursuant to the Transfer Agreement in which the Partnership will transfer its assets to the Mutual Fund, on a tax deferred basis, in exchange for a class of redeemable shares of the Mutual Fund and, within 60 days from the day when the assets are transferred to the Mutual Fund, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax deferred basis upon the dissolution of the Partnership. The Manager intends to establish a Mutual Fund for this purpose for which the Investment Advisor is expected to be the portfolio advisor. **There can be no assurance that any such Mutual Fund will be established or a Liquidity Alternative will receive the necessary approvals (including regulatory approvals), be implemented or be implemented on a tax-deferred basis.** Completion of the Liquidity Alternative will be subject to the receipt of all approvals that may be necessary and the other conditions set forth in the Transfer Agreement. The Transfer Agreement may be assigned and Partnership assets may be transferred to any mutual fund corporation which is advised by the Investment Advisor or an affiliate.

The Mutual Fund will adopt the standard investment restrictions and practices set out in National Instrument 81-102 Mutual Funds issued by the Canadian Securities Administrators which are designed, in part, to ensure that investments of a mutual fund are diversified and relatively liquid and to ensure proper of administration of a mutual fund. The Mutual Fund will be managed in accordance with these restrictions and practices. The net asset and value per share of the Mutual Fund will be determined daily unless the board of directors of the Mutual Fund declares the suspension of the determination of the net assets value. The Mutual Fund shares will be redeemable on a daily basis.

Subject to the application of the investment restrictions and practices set out in National Instrument 81-102 referred to above (including restrictions on borrowing and illiquid investments), the investment objectives of the portfolio attributable to such Mutual Fund class is expected to be substantially similar to those of the Partnership, except, for greater certainty: (i) it will invest in securities (but not Flow-Through Shares) of issuers involved in exploration, development, production and distribution of natural resources and issuers that develop technologies for the production or efficient use of natural resources; and

(ii) it may invest in debt obligations or hold cash to the extent that economic, market or other conditions make it appropriate to do so.

It is expected that the Manager of the Mutual Fund will be paid a monthly management fee based on the average daily net asset value of the assets of the Mutual Fund that are allocated to each class, and that such management fees will not exceed 2% of the net asset value per annum.

Notice of the implementation of the Liquidity Alternative, including a copy of the prospectus for the Mutual Fund, will be delivered to the Limited Partners at least 21 days prior to the effective date of the Liquidity Alternative.

In the event a Liquidity Alternative is not implemented on or before June 30, 2010, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2010, and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See “Summary of the Partnership Agreement — Dissolution”. The General Partner will not propose or implement any Liquidity Alternative which adversely affects the status of the Flow-Through Shares as flow-through shares for income tax purposes (*e.g.*, by rendering them “prescribed shares” or “prescribed rights” under the regulations to the Tax Act), whether prospectively or retrospectively. Any such dissolution and distribution will be subject to obtaining all necessary approvals and must occur on or prior to December 31, 2010, unless the Partnership’s operations are terminated earlier or continued past this date in accordance with the Partnership Agreement.

In the event that a Liquidity Alternative is not implemented and (a) the Partnership dissolves on or about December 31, 2010, or (b) if the Partnership continues in operation past this date in accordance with the Partnership Agreement, at the time of dissolution the net assets of the Partnership will consist primarily of cash and securities of Resource Issuers. Prior to that date, the General Partner will attempt to liquidate as much of the Investment Portfolio as possible for cash, with a view to maximizing sale proceeds. In order to allow the property of the Partnership which has not been converted to cash to be distributed on a tax-deferred basis, on dissolution each Limited Partner will receive an undivided interest in each property of the Partnership equal to the Limited Partner’s proportionate interest in the Partnership. Immediately thereafter, the undivided interest in each property will be partitioned and the Limited Partners will receive securities of Resource Issuers and other property in proportion to their former interest in the Partnership. The General Partner will then request that the transfer agent for each Resource Issuer provide the General Partner with individual share certificates registered in the name of each Limited Partner for each Resource Issuer. The share certificates registered in the names of the Limited Partners will then be delivered to the Limited Partners.

The General Partner has been granted all necessary power, on behalf of the Partnership and each Limited Partner, to transfer the assets of the Partnership to a Mutual Fund pursuant to a Liquidity Alternative, implement the dissolution of the Partnership thereafter and to file all elections deemed necessary or desirable by the General Partner to be filed under the Tax Act and any other applicable tax legislation in respect of any transaction with a Mutual Fund or the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative and no Liquidity Alternative will be implemented if a majority of the Units voted at such meeting are voted against the Liquidity Alternative. The General Partner does not intend to call such a meeting unless the terms of the Liquidity Alternative are substantially different from those described herein.

### **Partnership Loan Facility**

Prior to the Closing Date, the Partnership will enter into a loan and margin facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank, which the General Partner expects will be an affiliate of BMO Nesbitt Burns Inc., one of the Agents. The General Partner expects that pursuant to the Partnership Loan Facility, the Partnership may borrow up to 15% of the Gross Proceeds of the Offering which will be used solely to finance the Agents’ fees, 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 are not expected to be fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2007, in order to maximize the investment of the Gross Proceeds in Flow-Through Shares. The General Partner expects the Partnership’s obligations under the Partnership Loan Facility will be secured by a pledge of the Partnership assets, will require the Partnership to meet certain

minimum margin requirements, and will be 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 Loan Facility, including all interest accrued thereon, will be repaid prior to the earlier of the closing of any Liquidity Alternative and the dissolution of the Partnership. None of the proceeds of this Offering or the Partnership Loan Facility will be applied for the benefit of BMO Nesbitt Burns Inc., except in respect of fees and interest payable under the Partnership Loan Facility and the portion of the Agents' Fee payable to BMO Nesbitt Burns Inc. The General Partner has satisfied itself that the Partnership Loan Facility is in the best interest of the Partnership and no material adverse tax consequences to Limited Partners will result. Amounts borrowed by the Partnership under the Partnership Loan Facility will constitute Limited Recourse Amounts. See "Certain Canadian Federal Income Tax Considerations — Limitation on Deduction of Expenses or Losses of the Partnership". The General Partner believes that the interest rates, fees and expenses under the Partnership Loan Facility will be typical of credit and margin facilities of this nature.

### INVESTMENT GUIDELINES

The Partnership Agreement provides that the activities of the Partnership and the transactions in securities comprising its Investment Portfolio will be conducted in accordance with the following Investment Guidelines.

For the purposes of the Investment Guidelines listed below, all amounts (including market capitalization) and percentage limitations will initially be determined at the date of investment, and any subsequent change in the applicable percentage resulting from changing values will not require the disposition of any securities from the Investment Portfolio. However, if securities in the Investment Portfolio are disposed of, and at the time of disposition the Investment Portfolio does not comply with the Investment Guidelines, the proceeds of disposition cannot be used to purchase securities other than High Quality Money Market Instruments and securities of issuers in the resource sector which will result in the Investment Portfolio being in compliance or closer to compliance with the Investment Guidelines.

- **Resource Issuers.** The Gross Proceeds will be invested by the Partnership in: (i) Flow-Through Shares of Resource Issuers; (ii) units consisting of Flow-Through Shares and Warrants, provided that not more than 10% of the aggregate purchase price under the relevant Investment Agreement shall be allocated and reasonably allocable to securities which do not qualify as Flow-Through Shares; and (iii) Special Warrants which, when exercised, result in the issue of Flow-Through Shares or units consisting of Flow-Through Shares and Warrants, provided such units meet the 10% limit set forth in (ii) above.
- **Exchange Listing.** The Partnership will invest a minimum of 70% of the Gross Proceeds in securities of Resource Issuers which are listed on a stock exchange and a minimum of 25% of the Gross Proceeds in securities of Resource Issuers which are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market.
- **Limit on Illiquid Investments.** The Partnership will invest no more than 30% of the Gross Proceeds in Illiquid Investments, including securities of private companies. This restriction shall not apply to Special Warrants if they are exercisable to acquire common shares that do not constitute Illiquid Investments or units comprised of Warrants and common shares that do not constitute Illiquid Investments.
- **Diversification.** The Partnership will invest no more than 20% of the Gross Proceeds in securities of any one Resource Issuer.
- **Related Issuers.** The Partnership will invest no more than 20% of the Gross Proceeds in securities of Resource Issuers which are Related Issuers.
- **No Control.** The Partnership will not own more than 10% of any class of equity or voting securities (and for this purpose all equity based securities owned by the Partnership shall be deemed to have been converted or exercised in to the underlying equity securities and all fully paid equity based securities issued by a Resource Issuer shall be deemed to have been exercised into the underlying equity securities) of any Resource Issuer or purchase securities of any Resource Issuer for the purpose of exercising control or management over such Resource Issuer.

- **Borrowing Money.** The Partnership may borrow up to 15% of the Gross Proceeds for the purpose of funding offering expenses (including the Agents' fees, legal, accounting and audit, financing, travel, distribution, marketing and sales expenses), and operating and administrative costs and expenses, including the Manager's Fee. With respect to such borrowings, the Partnership may mortgage, pledge or hypothecate any of its securities or other assets provided that liability for and recourse under such borrowing does not extend to the Limited Partners beyond their interests in the securities or assets of the Partnership. See "Investment Structure — Partnership Loan Facility".

The Partnership will not engage in such borrowing unless the General Partner satisfies itself that the borrowing is in the best interest of the Partnership and no material adverse tax consequences to Limited Partners will result. Such amounts borrowed by the Partnership will constitute Limited Recourse Amounts. See "Certain Canadian Federal Income Tax Considerations — Limitation on Deduction of Expenses or Losses of the Partnership".

- **No Other Undertaking.** The Partnership will not engage in any undertaking other than the investment of the Partnership's assets in accordance with the Partnership's Investment Guidelines.
- **No Commodities.** The Partnership will not purchase or sell commodities.
- **No Mutual Funds.** The Partnership will not purchase securities of any mutual fund, other than Mutual Fund securities issued in connection with a Liquidity Alternative.
- **No Guarantees.** The Partnership will not guarantee the securities or obligations of any person.
- **No Real Estate.** The Partnership will not purchase or sell real estate or interests therein.
- **No Lending.** The Partnership will not lend money, provided that the Partnership may purchase High Quality Money Market Investments.
- **No Mortgages.** The Partnership will not purchase mortgages.
- **Limit on Derivatives.** The Partnership may sell call options to purchase securities owned by the Partnership in circumstances the Investment Advisor or the General Partner consider appropriate, as a means of locking in gains or avoiding future losses. Other than the sale of covered call options for these purposes, the Partnership will not purchase or sell derivatives.

The Investment Portfolio will be managed at all times in such a way as to preserve the ability to undertake a Liquidity Alternative.

These Investment Guidelines may be changed only in the manner described under "Summary of the Partnership Agreement — Amendments".

## PRIOR FLOW-THROUGH PARTNERSHIPS

The Manager and the Investment Advisor are the manager and investment advisor respectively of the Connor, Clark & Lunn 2007 Flow-Through Partnership.

That Partnership raised the maximum amount of \$20 million in October 2007 at an issue price of \$25.00 per unit. The top ten holdings of the 2007 Partnership as at November 20, 2007 are as follows:

<u>Investment</u>	<u>% of Net Asset Value</u>
UTS Energy Corporation . . . . .	12.8%
Duvernay Oil Corporation . . . . .	7.8%
Shore Gold Inc. . . . .	7.7%
Athabasca Oil Sands Corp.* . . . . .	6.8%
Exshaw Oil Corp.* . . . . .	6.5%
Artek Exploration Ltd.* . . . . .	5.0%
Baffinland Iron Mines Corporation . . . . .	4.5%
Prospex Resources Ltd. . . . .	3.9%
Aurora Energy Resources Inc. . . . .	3.4%
Crew Energy Inc. . . . .	3.3%

\* Private companies.

The 2007 Partnership has invested 100% of its gross proceeds in Flow-Through Shares. The investment objective, strategy and guidelines of the Partnership are substantially the same as the 2007 Partnership.

## MANAGEMENT OF THE PARTNERSHIP

### The General Partner

The General Partner, Connor, Clark & Lunn 2008 Flow-Through Management Corp. was incorporated under the provisions of the *Business Corporations Act* (Ontario) on December 10, 2007. The General Partner is an affiliate of the Manager. The registered office of the General Partner is 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. Telephone: (416) 862-2020, Fax: (416) 363-2089, Email: cclcapmarkets@cclgroup.com. The head office of the Partnership is 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. Telephone: (416) 862-2020, Fax: (416) 363-2089, Email: cclcapmarkets@cclgroup.com.

The General Partner is entitled to receive 0.01% of the net income of the Partnership and is entitled to reimbursement of its expenses incurred in the performance of its duties with the Partnership.

### Business

During the existence of the Partnership, the General Partner's sole business activity will be the management of the Partnership.

The General Partner will manage the ongoing business and administrative affairs of the Partnership pursuant to the Partnership Agreement but may delegate all of the day-to-day operations and management to others, including the Manager pursuant to the Management Agreement.

The General Partner also may implement or propose to implement a Liquidity Alternative on or before June 30, 2010. See "Investment Structure — Liquidity Alternative and Dissolution".

The General Partner will not co-mingle any of its own funds with those of the Partnership.

## Management of the General Partner

The name, municipality of residence, office and principal occupation of each of the directors and senior officers of the General Partner are set out below:

<u>Name and Municipality</u>	<u>Position with the General Partner</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH . . . . . Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
PHILIP K. GOW . . . . . Toronto, Ontario	Director, Chief Financial Officer and Secretary and Compliance Officer	Director, Chief Financial Officer, Secretary and Compliance Officer, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL K. FREUND . . . . . Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group.

**W. Neil Murdoch:** *CFA; BComm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University.* Mr. Murdoch joined Connor, Clark & Lunn Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

**Philip K. Gow:** *CFA; BA, Dalhousie University; MBA, Saint Mary's University.* Mr. Gow was a managing director of Brenton Reef Capital Inc. (which was acquired by CC&L Capital Markets Partnership in April 2001) from 1997 to April 2001 and has been a director and Investment Advisor of Connor, Clark & Lunn Capital Markets Inc. since April 2001.

**Michael W. Freund:** *B.Bus.Sci., University of Cape Town.* Mr. Freund has held various management positions within the CC&L Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

There are no committees of the board of directors of the General Partner.

The officers of the General Partner will not be fulltime employees of the General Partner, but will devote such time as is necessary to the business and offices of the General Partner. Most day to day management and administration matters will be performed by the Manager pursuant to the Management Agreement.

## Independent Review Committee

The Manager has appointed an Independent Review Committee in accordance with NI 81-107 comprised of three members, each of whom is independent of the Manager, entities related to the Manager and the Partnership. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Partnership and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Partnership and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee will report annually to Limited Partners of the Partnership which report will be available free of charge upon request to the Manager and will also be posted on the Manager's website at [www.cclgroup.com](http://www.cclgroup.com). Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

The members of the IRC are Fred Lazar, Frank Santangeli and Joseph Wright. The IRC acts as a review committee for a number of investment funds managed by the Manager and by Connor, Clark & Lunn Managed Portfolios Inc., an affiliate of the Manager. The principal occupations and biographies of the IRC members are set out below.

**Fred Lazar** is a Professor of Economics at York University's Schulich School of Business. In addition to a distinguished academic career, Mr. Lazar has served as a senior advisor to the governments of Canada and Ontario and to a number of national and international companies.

**Frank Santangeli** has worked in the financial services industry since 1960. Positions he has held include Vice-President of Sunlife Canada, President and Chief Executive Officer of Finsco Investment Management Corporation, and Vice President of Imasco Financial Corporation. He has also served as Chairman of The Investment Funds Institute of Canada.

**Joseph Wright** currently serves on the board of directors of several public companies and private organizations, including Loblaw Companies Limited and BFI Canada Income Fund. His former positions include the Chief Executive Officer of Swiss Bank Corporation (Canada) and Vice-Chairman and Director of Burns Fry Limited.

The fees and other reasonable expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members, will be paid by the Partnership and approximately 20 other applicable investment funds managed by the Manager and Connor, Clark & Lunn Managed Portfolios Inc. with each fund's share based on a complexity factor approved by the IRC on a pro rata basis. It is expected that the annual retainer fees (but not including expenses) and insurance for the Independent Review Committee for all such funds collectively will be approximately \$55,000. In addition, the Partnership has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

## **The Manager**

Connor, Clark & Lunn Capital Markets Inc. will be responsible for investment, management and administration and other services for the Partnership pursuant to the terms of the Management Agreement. The Manager will be entitled to receive fees as compensation for management services rendered to the Partnership. See "Services to be Provided by the Manager" below and "Fees and Expenses Payable by the Partnership".

The Manager is a registered investment counsel and portfolio manager, and had approximately \$1 billion in assets under management as at December 31, 2007. The Manager is part of the Connor, Clark & Lunn Financial Group, which also includes Connor, Clark & Lunn Investment Management Ltd., Connor, Clark & Lunn Private Capital Ltd., Baker Gilmore & Associates Inc., PCJ Investment Counsel Ltd., Scheer Rowlett & Associates Investment Management Ltd., New Star Canada Inc., Banyan Capital Partners Management Partnership and Global Alpha Capital Management Ltd. The Connor, Clark & Lunn Financial Group, with over \$37 billion in assets under management as at December 31, 2007, offers professional management of financial assets for pension plan sponsors, capital accumulation plans, corporations, foundations, mutual funds and individual investors.

The Manager acts as manager or investment advisor for the following investment funds: Connor, Clark & Lunn 2007 Flow-Through Limited Partnership, Connor, Clark & Lunn ROC Pref Corp., Connor, Clark & Lunn Conservative Income Fund II, Connor, Clark & Lunn Real Return Income Fund, ROC Pref III Corp., Connor, Clark & Lunn Conservative Income Fund, ROC Pref II Corp., ROC Pref Corp., SNP Health Split Corp., Connor, Clark & Lunn PRINTS Trust, Connor, Clark & Lunn Global Financials Fund, Connor, Clark & Lunn Global Financials Fund II, CANADIAN Financials & Utilities Split Corp. and Focused Global Trends Fund.

## Officers and Directors of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH . . . . . Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
PHILIP K. GOW . . . . . Toronto, Ontario	Director, Chief Financial Officer, Secretary and Compliance Officer	Director, Chief Financial Officer, Secretary and Compliance Officer, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL K. FREUND . . . . . Toronto, Ontario	Director and Chairman	Managing Partner, Connor, Clark & Lunn Financial Group
TIMOTHY E. BRADSHAW . . . . . Toronto, Ontario	Senior Vice-President and National Sales Manager	Senior Vice-President and National Sales Manager, Connor, Clark & Lunn Capital Markets Inc.
DARREN N. CABRAL . . . . . Toronto, Ontario	Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.
JOHN COLANGELO . . . . . Toronto, Ontario	Vice-President Sales, Ontario	Vice-President, Sales, Ontario, Connor, Clark & Lunn Capital Markets Inc.
BONNIE L. M. CHWARTACKI . . . . . Winnipeg, Manitoba	Vice-President Sales, Western Canada	Vice-President Sales, Western Canada, Connor, Clark & Lunn Capital Markets Inc.
VICTORIA L. JONAS . . . . . Beaconsfield, Québec	Vice-President Sales, Québec	Vice-President Sales, Québec, Connor, Clark & Lunn Capital Markets Inc.

**Timothy E. Bradshaw:** *CFA; B.Comm, McGill University; MBA London Business School.* Mr. Bradshaw joined Connor, Clark & Lunn Capital Markets Inc. in May 2006. Prior thereto, Mr. Bradshaw was a Vice-President of TD Bank Financial Group from 2000 to October 2005.

**Darren N. Cabral:** *CFA; BA (Hons.), York University, MBA, Schulich School of Business, York University.* Mr. Cabral joined Connor, Clark & Lunn Capital Markets Inc. in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

**John Colangelo:** *BA, University of Guelph, Ontario.* Mr. Colangelo joined Connor, Clark & Lunn Capital Markets in April 2007. Prior thereto, Mr. Colangelo was Vice-President Sales for Faircourt Asset Management Inc., Regional Sales Manager of Franklin Templeton Investments Corp., and Regional Vice-President of Spectrum Investments Inc.

**Bonnie L. M. Chwartacki:** *B. Comm (Hons.), University of Manitoba.* Ms. Chwartacki has been with Connor, Clark & Lunn Capital Markets Inc. since the fall of 2004. Prior thereto, Ms. Chwartacki was Regional Vice-President for Western Canada at AIC Group of Funds.

**Victoria L. Jonas:** *B.Ed., McGill University.* Ms. Jonas joined Connor, Clark & Lunn Capital Markets Inc. in December 2005. She was Senior Regional Sales Manager for Franklin Templeton Investments from 2002 until December 2005, Regional Vice-President at Spectrum Investments from 2001 until that company was sold to CI Funds in 2002 and, prior thereto, Regional Vice-President and Director with AGF Group of Funds from 1987.

For Messrs. Freund, Gow and Murdoch, see above under the “Officers and Directors of the Manager”.

### **Services to be provided by the Manager**

The Manager’s duties will include maintaining accounting records for the Partnership; authorizing the payment of operating expenses incurred on behalf of the Partnership; preparing financial statements, income tax returns and financial and accounting information as required by the Partnership; ensuring that Limited Partners are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Partnership complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Partnership’s reports to Limited Partners and to the Canadian securities regulators; dealing and communicating with Limited Partners; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers. The Manager will provide office facilities and personnel to carry out these services.

The Manager will be responsible for selection of an investment advisor and portfolio manager at its expense, which may be an affiliate of the Manager. The Manager has retained the Investment Advisor to provide all investment advisory and portfolio management services to the Partnership.

### **The Management Agreement**

Under the Management Agreement, the Manager has agreed to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and the General Partner, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in the circumstances. The Management Agreement provides that the Manager will not be liable in any way for any liability, loss, damages, expenses or claims, except resulting from the failure to comply with law, wilful misconduct, bad faith or negligence (unless such acts have been directed by the Partnership or a general partner not affiliated with the Manager).

Unless terminated as described below, the Management Agreement will continue for a term that expires on the earlier of: (a) June 21, 2013; and (b) if no Liquidity Alternative involving the exchange of all of the assets of the Partnership for securities of a Mutual Fund is completed and the operations of the Partnership are not extended with the approval of Limited Partners, December 31, 2010 (or, if the Partnership’s operations are extended, then the date of dissolution of the Partnership).

The Manager may terminate the Management Agreement: (a) in certain circumstances involving the bankruptcy or insolvency of the General Partner; (b) if the Partnership or General Partner is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 20 Business Days’ written notice of such breach or default to the General Partner; or (c) in the event there is a fundamental change in the Investment Strategy or Investment Guidelines of the Partnership for the foregoing reasons; or (d) a change in the General Partner by the Partnership to a person that is not affiliated with the Manager. The General Partner may terminate the Management Agreement without payment to the Manager, other than fees accrued to the date of termination, if: (a) the Manager is in breach or default of any material provision thereof and, if capable of being cured, such breach or default has not been cured within 20 Business Days’ written notice of such breach or default to the Manager; (b) if the Manager ceases to carry on business or an order is made or a resolution is passed for the winding-up, dissolution or liquidation of the Manager; (c) if the Manager becomes bankrupt or insolvent or a receiver is appointed for the Manager; (d) if any of the licenses or registrations necessary for the Manager to perform its duties under the Management Agreement are no longer in full force and effect; or (e) upon 180 days’ written notice. The Limited Partners may cause the General Partner to terminate the Management Agreement by passage of an Extraordinary Resolution to that effect.

In the event that the Management Agreement is terminated as provided above, the General Partner in its sole discretion may elect to appoint a successor Manager to carry out the activities of the Manager.

In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Partnership for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as Manager, except from those acts or omissions for which it can be held liable as described above. The Manager will provide the management, administration and other services and it may provide investment advisory services but may assign the responsibility for such services. The Manager will retain the Investment Advisor to provide all investment advisory and portfolio management services to the Partnership.

In consideration for its services under the Management Agreement, the Partnership will pay to the Manager a fee equal to one-twelfth of 2.0% of the Net Asset Value, calculated and paid monthly in arrears and the Manager will be entitled to the Performance Bonus. The Manager will also be entitled to reimbursement of expenses incurred by it in connection with the performance of its duties under the Management Agreement. See “Fees and Expenses Payable by the Partnership — Manager’s Fee”.

### **Penalties, Sanctions and Bankruptcies**

No director or officer of the General Partner is, or within the ten years prior to the date of this prospectus has been, a director, officer or manager of any issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

### **THE INVESTMENT ADVISOR**

The Manager will retain Connor, Clark & Lunn Investment Management Ltd. as investment advisor to provide investment advisory and portfolio management advice to the Partnership. It will actively manage the Investment Portfolio in a manner consistent with the Investment Guidelines of the Partnership pursuant to the Investment Advisor Agreement. Connor, Clark & Lunn Investment Management Ltd. is the investment advisor of the Connor, Clark & Lunn 2007 Flow-Through Limited Partnership.

The Investment Advisor was established in 1982 and has offices in Vancouver and Toronto, Canada, and had over \$23 billion directly under its management as at December 31, 2007. The principal office of the Investment Advisor is located at 2200 - 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3.

The following people are directors of the Investment Advisor:

<u>Name and Municipality</u>	<u>Position with the Investment Advisor</u>	<u>Principal Occupation</u>
LARRY R. LUNN . . . . . Vancouver, British Columbia	Director, Chairman and President	Director, Chairman and President of Connor, Clark & Lunn Investment Management Ltd.
MICHAEL W. FREUND . . . . . Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
MARTIN L. GERBER . . . . . West Vancouver, British Columbia	Director and Commodity Advising Officer	Director and Commodity Advising Officer of Connor, Clark & Lunn Investment Management Ltd.
BRIAN EBY . . . . . West Vancouver, British Columbia	Director and Vice-President	Director and Vice-President of Connor, Clark & Lunn Investment Management Ltd.
GORDON H. MACDOUGALL . . . . . West Vancouver, British Columbia	Director and Vice-Chairman	Director and Vice-President of Connor, Clark & Lunn Investment Management Ltd.
J. WARREN STODDART . . . . . Toronto, Ontario	Director and Vice-President	Managing Partner, Connor, Clark & Lunn Financial Group
GARY BAKER . . . . . West Vancouver, British Columbia	Director	Director of Connor, Clark & Lunn Investment Management Ltd.
PHILLIP J. COTTERILL . . . . . West Vancouver, British Columbia	Director and Vice-President	Director of Connor, Clark & Lunn Investment Management Ltd.

Except as indicated below, each of the foregoing has held his or her current office or has held a similar office with the Investment Advisor during the five years preceding the date hereof.

Mr. Eby was appointed to the Board of the Investment Advisor in 2002.

*Investment Team*

The team of investment professionals responsible for investment management at the Investment Advisor all have significant experience in managing investment portfolios. The investment advisors of the Investment Advisor who will be primarily responsible for managing the Investment Portfolio are Alastair Dunn and Gary Baker, who will be assisted by Don Towers.

**Alastair I. Dunn:** *Financial Management, BC Institute of Technology.* Mr. Dunn is a senior portfolio manager responsible for Canadian equity fundamental research in the energy and financial services sectors. He is a partner in the Connor, Clark & Lunn Investment Management Partnership. Mr. Dunn joined the Investment Advisor in 1986 and has 30 years of investment industry experience. Mr. Dunn is the co-manager of the AGF Large Cap Dividend Fund (for 20 years), with a focus on managing the banking, utilities and energy sectors. Mr. Dunn was voted the best individual fund manager by Canadian corporations in 2000, a survey sponsored by Reuters.

**Gary Baker:** *CFA; MBA, University of Toronto; BEng, McMaster University.* Mr. Baker is the leader of the fundamental Canadian equity team, responsible for overall portfolio strategy and fundamental research in the technology, consumer discretionary and non-bank financial sectors. Mr. Baker is a partner in the Connor, Clark & Lunn Investment Management Partnership. He joined the Investment Advisor in 2003, after spending 15 years in numerous analysis and research positions in the investment industry.

**John P. Novak:** *CFA; MSc, London School of Economics; MBA, University of Toronto; BA, Brock University.* Mr. Novak is the portfolio manager responsible for fundamental Canadian equity research in the precious

metals, forest products, and industrial products sectors. He is a partner in the Connor, Clark & Lunn Investment Management Partnership. Mr. Novak joined the Investment Advisor in 2006, after having spent the previous 13 years as an equity analyst on the sell side.

**Samba Chunduri:** *MBA, University of Western Ontario; Btech, JN Technical University, India.* Mr. Chunduri is an analyst for the fundamental Canadian equity team, responsible for research in the chemicals, metals, mining and healthcare sectors. Mr. Chunduri is a partner in the Connor, Clark & Lunn Investment Management Partnership. He joined the Investment Advisor in 2005, after having spent the previous four years as an equity analyst in the investment industry.

**Don Towers:** *CFA; BBA, Simon Fraser University.* Mr. Towers is a member of the equity team of the Investment Advisor, responsible for trading US and Canadian equities. Mr. Towers is a partner in the Connor, Clark & Lunn Investment Management Partnership.

### **Services to be Provided by the Investment Advisor**

The Investment Advisor will provide advice to the Partnership on its investments in Flow-Through Shares and with respect to the Investment Portfolio and assist and advise the Manager and General Partner with respect to the following:

- the investment strategy for the Partnership;
- the examination, evaluation, analysis and selection of Flow-Through Share investment opportunities;
- reviewing Resource Issuers and the energy marketplace;
- monitoring holdings of the Partnership and executing buy and sell orders with a view to maintaining appropriate portfolio weightings, crystallizing gains, minimizing losses and capitalizing on market trading opportunities;
- monitoring the holdings of the Partnership and the Investment Portfolio with a view to ensuring a smooth transition to the Mutual Fund and maximizing Net Asset Value in the event that a Liquidity Alternative is effected;
- reviewing, recommending and selecting investment opportunities for the Partnership;
- exercising Warrants or other convertible or exchangeable securities in the Partnership's Investment Portfolio and taking all steps necessary, including making arrangements for cashless exercise, if warranted, in connection with such exercise, conversion or exchange;
- monitoring cash balances in the Investment Portfolio and repaying debt or purchasing or selling of money market instruments as appropriate to maximize the utility of any cash balances in the Investment Portfolio;
- determining the timing and means of liquidating the Investment Portfolio holdings; and
- complying with the Investment Strategy and Investment Guidelines and other mutually agreed policies with respect to the day-to-day operation of the Partnership's Investment Portfolio.

The Investment Advisor expects to utilize its extensive contacts in the Canadian resource sector as well as its contacts in the investment dealer and investment management communities to evaluate and recommend investment opportunities consistent with the Investment Strategy and the Investment Guidelines.

Pursuant to the Investment Advisor Agreement, the Investment Advisor and each of its directors, officers and employees will be indemnified by the Partnership for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Investment Advisor or any of its officers, directors or employees in the exercise of its duties as

Investment Advisor, except from any such liabilities, costs, expenses and claims resulting from the Investment Advisor's wilful misconduct, bad faith, negligence or breach of its standard of care.

## **Policies on Proxy Voting**

### ***Policies and Procedures***

Subject to compliance with the provisions of applicable law, the Investment Advisor, in its capacity as Investment Advisor, acting on the Partnership's behalf, has the right to vote proxies relating to the securities of Resource Issuers in the Investment Portfolio. Proxies must be voted in a manner consistent with the best interests of the Partnership and the Limited Partners.

Because the Partnership does not purchase securities for the purposes of exercising control or direction over Resource Issuers, as a general rule, proxies will be voted with management of a Resource Issuer on routine business. Examples of routine business applicable to a Resource Issuer are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Partnership's investment in that Resource Issuer. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

On rare occasions, the Investment Advisor may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy of that Resource Issuer is outweighed by the cost of voting the proxy. In addition, the Investment Advisor will not vote proxies received for securities of Resource Issuers which are no longer held in the Investment Portfolio.

### ***Proxy Voting Conflicts of Interest***

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Partnership in voting proxies with the desire to avoid the perception of a conflict of interest, the Investment Advisor has instituted procedures to help ensure that the Partnership's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Partnership, uninfluenced by considerations other than the best interests of the Partnership.

The procedures for voting Resource Issuers' proxies where there may be a conflict of interest include escalation of the issue to the IRC, for their consideration and advice, although the responsibility for deciding how to vote the Partnership's proxies and for exercising the vote remains with the Investment Advisor.

### ***Disclosure of Proxy Voting Guidelines and Record***

A copy of the Investment Advisor's proxy voting guidelines will be made available on the Internet at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com). The most recent proxy voting record for the Partnership for the most recent period ended June 30 of each year will also be available on the Internet at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

## **Conflicts of Interest**

The services of the Investment Advisor and its affiliates are not exclusive to the Partnership. As the Investment Advisor's other clients may hold securities in or wish to acquire securities issued by one or more of the Resource Issuers which will issue Flow-Through Shares or other securities to the Partnership, conflicts of interest may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities and issuers. The Investment Advisor has written policies with respect to conflicts of interest and the allocation of investment opportunities. Such policies are designed to ensure that the best interests of investors are protected. In addition, conflicts are brought to the attention of the Independent Review Committee. See "Conflicts of Interest".

## USE OF PROCEEDS

**This a blind pool offering.** The Gross Proceeds of the Offering will be \$50,000,000 if the maximum Offering is completed, and \$7,500,000 if the minimum Offering is completed. The Partnership will invest (directly or indirectly) in Flow-Through Shares of Resource Issuers and fund fees and ongoing expenses of the Partnership by way of the Partnership Loan Facility as described herein.

The following table sets out the Gross Proceeds of the Offering, the Agents' fees and the estimated expenses of the maximum and minimum Offering.

	Maximum Offering	Minimum Offering
Gross Proceeds . . . . .	\$50,000,000	\$7,500,000
Agents' fee . . . . .	\$ 3,375,000	\$ 506,250
Funds available for investment <sup>(1)</sup> . . . . .	\$50,000,000	\$7,500,000

Notes:

- (1) The Agents' fees of 6.75% and the Offering expenses will be paid by the Partnership from funds borrowed by the Partnership for such purpose pursuant to the Partnership Loan Facility or advances from the Manager, except to the extent paid by the Manager. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of annual fixed expenses in excess of \$145,000 in the event that the gross proceeds of the Offering are less than \$10 million. The portion payable by the Manager is not reflected as a deductible expense in the tables. Fees and expenses paid using the proceeds of the Partnership Loan Facility are not expected to be deductible in computing the income of the Partnership pursuant to the Tax Act while the amounts borrowed to fund such fees and expenses remain outstanding. See "Investment Structure — Partnership Loan Facility", "Certain Canadian Federal Income Tax Considerations" and "Fees and Expenses Payable by the Partnership".
- (2) Certain offering expenses, operating expenses and the Manager's Fee may be paid with the use of the Partnership Loan Facility or by the Manager deferring fees or advancing costs, which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. If not paid through the Partnership Loan Facility, pending payment or reimbursement by the Partnership, such costs and fees will bear interest at the Prime Rate. The Partnership intends to pay these costs using the proceeds of the sale of the portfolio assets of the Partnership. See "Fees and Expenses Payable by the Partnership".

The Gross Proceeds from the issue of the Units will be paid to the Partnership at each Closing and deposited in its bank account and managed on behalf of the Partnership by the Investment Advisor. Pending the investment of the Gross Proceeds in Flow-Through Shares and other securities, if any, of Resource Issuers, all such Gross Proceeds will be invested in High Quality Money Market Instruments. Interest earned by the Partnership from time to time on the Gross Proceeds will accrue to the benefit of the Partnership.

Subject to the terms of the Partnership Loan Facility, the Gross Proceeds that have not been invested in Flow-Through Shares and other securities, if any, of Resource Issuers by December 31, 2008, to the extent that such funds are not required to finance the operations of the Partnership or repay indebtedness will be returned on a *pro rata* basis to Limited Partners of record, without interest or deduction.

The Agents will hold Unit subscription proceeds received from investors prior to each Closing until the closing conditions of the Offering have been satisfied, which, in the case of the Initial Closing, includes receipt of submissions for the minimum Offering. If the minimum Offering is not subscribed for by March 31, 2008, subscription proceeds received will be returned, without interest or deduction, to the investors within 15 days.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

**Tax considerations ordinarily make the Units offered hereunder most suitable for taxpayers whose income is subject to the highest marginal rates of tax. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of their merits as an investment and on an investor's ability to bear the loss of the investment.**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Partnership and the General Partner, and Stikeman Elliott LLP, counsel to the Agents, the following summary fairly sets out the principal Canadian

federal income tax consequences for a Limited Partner purchasing Units pursuant to this Offering. This summary only applies to Limited Partners who are and remain, at all relevant times, resident in Canada for purposes of the Tax Act and who will hold their Units as capital property. Units will generally be considered to be capital property to a Limited Partner unless such Limited Partner holds Units in the course of carrying on a business or has acquired the Units as an adventure in the nature of trade. This summary also assumes that Flow-Through Shares of Resource Issuers to be acquired by the Partnership will be capital property to the Partnership. It is also assumed that all partners of the Partnership are resident in Canada at all relevant times and that Units representing more than 50% of the fair market value of all interests in the Partnership are not and will not be held by Financial Institutions at all relevant times.

Unless stated otherwise, this summary assumes that recourse for any financing by a Limited Partner of the Subscription Price for Units is not limited and is not deemed to be limited for the purposes of the Tax Act. Generally speaking, any Limited Partner who acquires Units with a financing where the recourse against the Limited Partner is limited, which has a term in excess of ten years (which may include a demand loan) or in respect of which interest is not paid annually within 60 days after the end of each taxation year at a rate equal to or greater than the lesser of the prescribed rate under the Tax Act, in effect (i) at the time the indebtedness arose; and (ii) from time to time during the term of the indebtedness, will have, or will be deemed to have, incurred a limited-recourse amount such that all or a portion of the deductions set out herein may not be available to the Limited Partners (see “Certain Canadian Federal Income Tax Considerations — Limitation on Deductibility of Expenses or Losses of the Partnership”). Limited Partners who intend to borrow to finance the purchase of Units should consult their own tax advisors.

This summary also assumes that a Limited Partner will at all relevant times deal at arm’s length, for the purposes of the Tax Act, with the Partnership and with each of the Resource Issuers with which the Partnership has entered into an Investment Agreement. This summary is not applicable to Limited Partners that are Financial Institutions, that are “principal-business corporations” for the purposes of subsection 66(15) of the Tax Act or whose business includes trading or dealing in rights, licences or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons or to a taxpayer an interest in which is a “tax shelter investment” as defined in subsection 143.2(1) of the Tax Act.

This summary is based upon the assumption that the Partnership is not, and will not at any relevant time be, a “specified person”, within the meaning of subsection 6202.1(5) of the regulations to the Tax Act in relation to any Resource Issuer with which it has entered into an Investment Agreement.

The income tax consequences for a Limited Partner will depend upon a number of factors, including whether his or her Units are characterized as capital property, the province in which he or she resides, carries on business or has a permanent establishment, the amount that would be his or her taxable income but for his or her interest in the Partnership, and the legal characterization of the purchaser as an individual, corporation, trust or partnership.

**This is only a general summary and you should not consider it to be legal or tax advice. You should obtain independent advice from a tax advisor who is knowledgeable in the area of income tax law with respect to the income tax consequences of investing in the Partnership based on your own particular circumstances. This summary does not address the deductibility of interest by a Limited Partner in respect of any borrowing used to acquire Units of the Partnership. A Limited Partner that has used borrowed funds to acquire Units should consult his or her own tax advisors in this regard.**

This summary is based upon the current provisions of the Tax Act thereunder and counsel’s understanding of the current published administrative practices of the CRA. The summary also takes into account all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”). There is no certainty that the Tax Proposals will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental or legislative decision or action nor does it take into account provincial or foreign income tax legislation or considerations.

## Computation of Income

The Partnership itself is not liable for income tax but is required to compute its income (or loss) in accordance with the provisions of the Tax Act for each of its fiscal periods as if it were a separate person resident in Canada, but without taking into account, among other things, the amount of CEE renounced to it. Subject to the restrictions described below under “Limitation on Deductibility of Expenses or Losses of the Partnership”, each Limited Partner will be required to include (or be entitled to deduct) in computing his or her income, his or her proportionate share of the income (or loss) of the Partnership allocated to him or her pursuant to the Partnership Agreement for the fiscal period of the Partnership ending in the Limited Partner’s taxation year. A Limited Partner’s share of the Partnership’s income (or loss) must be included in determining his or her income (or loss) for the year, whether or not any distribution of income has been made by the Partnership. The fiscal period of the Partnership ends on December 31 and will end as a result of the dissolution of the Partnership.

Amounts relating to CEE renounced to the Partnership will be taken into account directly by the Limited Partners in computing their incomes as described below. The income of the Partnership will include the taxable portion of capital gains (one-half of a capital gain) that may arise on the disposition of Flow-Through Shares. The Tax Act deems the cost to the Partnership of any Flow-Through Share which it acquires to be nil and, therefore, the amount of such capital gain will generally equal the proceeds of disposition of the Flow-Through Shares, net of any reasonable costs of disposition. The income of the Partnership will also include any interest earned on funds held by the Partnership prior to investment in Flow-Through Shares.

The costs associated with the organization of the Partnership will not be fully deductible by the Partnership in determining its income for the fiscal period in which they are incurred. Subject to the discussion below under the heading “October 31, 2003 Tax Proposals”, organization expenses incurred by the Partnership are eligible capital expenditures, three-quarters of which may be deducted by the Partnership at the rate of 7% per year on a declining balance basis (subject to proration for the first fiscal period in 2007). Counsel has been advised that the Partnership will borrow sufficient funds to pay the Agents’ commissions and expenses of issue that it will incur in respect of this Offering and is expected to borrow funds to pay the Manager’s Fee for 2007. The unpaid principal amount of such borrowing will be deemed to be a Limited Recourse Amount of the Partnership the effect of which will be to reduce, for purposes of the Tax Act, the amount of the expenses paid with the borrowing by such unpaid principal amount. As a result, the Partnership will not be permitted to deduct any portion of the amount by which such expenses are reduced in computing its income in the year the expenses are incurred. As the principal amount of such borrowing is repaid, the expenditures will be deemed to have been incurred to the extent of the repayment, provided the repayment is not part of a series of loans or other indebtedness. Therefore, subject to the discussion below under the heading “October 31, 2003 Tax Proposals”, such Agents’ commissions and expenses of issue (to the extent that they are reasonable in amount) will generally be deductible by the Partnership as to 20% in the year of repayment, and as to 20% in each of the four subsequent years, subject to proration for short taxation years. The Partnership will not be entitled to deduct any amount in respect of such expenses in the fiscal year ending on its dissolution. Subject to the discussion below under the heading “October 31, 2003 Tax Proposals”, after dissolution of the Partnership, Limited Partners will be entitled to deduct, at the same rate, their *pro rata* share of any such expenses that were not deductible by the Partnership. The adjusted cost base of a Limited Partner’s Units will be reduced on dissolution of the Partnership by his or her share of such expenses. Counsel has been advised and for purposes of this summary it is assumed that the Partnership will have repaid all amounts borrowed by the Partnership, including all interest accrued thereon, prior to dissolution and therefore that all expenses paid for with borrowed funds will have been deemed to have been incurred by the Partnership prior to such time.

### ***October 31, 2003 Tax Proposals***

Pursuant to draft proposed amendments to the Tax Act released by the Department of Finance on October 31, 2003, which are proposed to have effect for taxation years commencing after 2004 (the “October 31 Proposals”), a taxpayer, which would include the Partnership and the Limited Partners for this purpose, will only have a loss for a taxation year from a particular source that is a business or property if, in that year, it is

reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or held, or can reasonably be expected to carry on, or to hold, the business or property. The October 31 Proposals expressly provide that profit for this purpose will not include capital gains or losses. There is no provision for any carry forward of a loss that cannot be claimed as a result of the application of the October 31 Proposals. The October 31 Proposals will not affect a Limited Partner's ability to deduct an amount in respect of his or her cumulative CEE account.

If the October 31 Proposals are implemented in their current form, subject to the administrative practice developed by the CRA in applying the provisions, the Partnership would likely not be entitled to deduct any expenses incurred in respect of the Flow-Through Shares, including Agents' commissions, expenses of issue and organization costs. The application of the October 31 Proposals to losses realized by a Limited Partner from the deduction of Agents' commission and expenses of issue after the dissolution of the Partnership is uncertain. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Proposals would be released for comment at an early opportunity. There can be no assurance that such alternative proposal will not adversely affect the Partnership or Limited Partners.

### ***SIFT Rules***

On June 22, 2007, the SIFT Rules were enacted to, among other things, apply a tax on certain publicly-listed or traded partnerships at rates of tax comparable to the combined federal and provincial corporate tax. A partnership will be a specified investment flow-through partnership throughout a taxation year if, at any time in the year, it satisfies these conditions:

- (i) the partnership meets one or more of the following residence-like criteria: it is a "Canadian partnership" (an existing defined term that describes a partnership all of the members of which are resident in Canada); its central management and control is located in Canada; it was formed under the laws of Canada or a province; or it would, if it were a corporation, be resident in Canada;
- (ii) units of, or other investments in, the partnership are listed or traded on a stock exchange or other public market; and
- (iii) the partnership holds one or more "non-portfolio properties".

Units of the Partnership will not be listed or traded on an exchange and provided that there is no trading system or other organized facility on which Units of the Partnership are listed or traded (excluding a facility that is operated solely to carry out the issuance or redemption, acquisition or cancellation of Units by the Partnership), the Partnership should not be subject to the SIFT Rules. If the SIFT Rules were to apply to the Partnership, the tax consequences to the Partnership and the Limited Partners would be materially and, in some respects, adversely different from those described in this prospectus.

### **Eligible Expenditures**

Generally, an issuer of Flow-Through Shares may incur CEE, which is available for renunciation on or after the date it is incurred, commencing on the date of the Investment Agreement. Provided that certain conditions in the Tax Act are complied with, the Partnership will be deemed to have incurred, on the effective date of renunciation, CEE that has been renounced to the Partnership by a Resource Issuer pursuant to an Investment Agreement entered into by the Partnership and the Resource Issuer. Provided that certain further conditions are met, the issuer of the Flow-Through Shares will be entitled to renounce certain CEE incurred by it on or before December 31 of the subsequent calendar year to the Partnership effective December 31 of the particular year in which the agreement was entered into, such that the amount will be deemed to be CEE to Limited Partners effective on December 31 of that particular year. The Investment Agreements entered into during 2008 may permit a Resource Issuer to incur certain CEE at any time up to December 31, 2009 provided that the Resource Issuer agrees to renounce such CEE to the Partnership on or before March 31, 2009 with an effective date of December 31, 2008.

To the extent Resource Issuers do not incur the requisite amount of CEE on or before December 31, 2009, the Partnership's CEE, and consequently the CEE of the Limited Partners, will be adjusted downwards effective in the prior year. However, none of the Limited Partners will be charged interest before May 1, 2010 by the CRA on any unpaid tax resulting from such reduction in CEE.

Counsel has been advised that each Investment Agreement will contain covenants and representations of the Resource Issuer to the effect that CEE incurred by the Resource Issuer in an amount equal to the aggregate purchase price payable for the Flow-Through Shares acquired under such Investment Agreement can be renounced to the Partnership with an effective date of not later than December 31, 2008. Counsel has been advised that the Investment Agreements will require that the Resource Issuers expend the full amount committed by the Partnership on or before December 31, 2009 and renounce such expenditures to the Partnership on or before March 31, 2009 with an effective date of not later than December 31, 2008.

A Limited Partner who continues to be a Limited Partner at the end of a particular fiscal period of the Partnership, will be entitled to include in the computation of the balance of the partner's cumulative CEE account, his or her share of the CEE renounced to the Partnership effective in that fiscal period calculated on a *pro rata* basis based on the number of Units held by such Limited Partner at the end of the applicable fiscal period, or in the event of the dissolution of the Partnership, on the date of dissolution. A Limited Partner's share of CEE incurred by the Partnership in a fiscal year is limited to his or her "at-risk" amount in respect of the Partnership at the end of the fiscal year. If the Limited Partner's share of the CEE is so limited, any excess will be added to his or her share, as otherwise determined, of the CEE incurred by the Partnership for the immediately following fiscal year (and will be potentially subject to the application of the "at-risk" rules in that year). In the computation of income for tax purposes from all sources for a taxation year, an individual or a corporation may deduct up to 100% of the balance of his or her cumulative CEE account. Certain restrictions apply in respect of the deduction of the balance of his or her cumulative CEE account following an acquisition of control of, or certain corporate reorganizations involving, a corporate Limited Partner.

The undeducted balance of a Limited Partner's cumulative CEE account not deducted may be carried forward indefinitely. The cumulative CEE account is reduced by deductions of CEE by a Limited Partner made in prior taxation years, by a Limited Partner's share of any amount of assistance or benefits, in any form, that he or she or the Partnership receives or is entitled to receive in respect of CEE incurred or that can reasonably be related to Canadian exploration activities and by any investment tax credits for flow-through mining expenditures deducted in such years. If, at the end of a taxation year, the reductions in calculating cumulative CEE, including reductions arising as a result of the investment tax credit described above, exceed the additions thereto, the excess must be included in income for the taxation year and the cumulative CEE account will then be adjusted to a nil balance.

Any undeducted addition to a Limited Partner's cumulative CEE account which has been allocated to a Limited Partner will remain with the Limited Partner after a disposition of his or her Units. A Limited Partner's ability to deduct such expenses will not be restricted as a result of his or her prior disposition of Units unless a claim in respect of his or her CEE has been previously reduced by virtue of the application of the "at-risk" rules. In such instances, the Limited Partner's future ability to deduct such expenses relating to the Partnership may be eliminated.

Certain corporations with "taxable capital" as that term is defined in the Tax Act of not more than \$15,000,000 may, generally speaking, renounce up to \$1,000,000 annually of Qualifying CDE to investors for Flow-Through Shares. Upon renunciation to the Partnership, Qualifying CDE is deemed to constitute CEE to the Partnership and will be allocable by the Partnership to Limited Partners and will be added to their cumulative CEE accounts on the basis described above.

#### **Limitation on Deductibility of Expenses or Losses of the Partnership**

Subject to the "at-risk" rules, a Limited Partner's share of the business losses of the Partnership for any fiscal year may be applied against his or her income from any other source to reduce net income for the relevant

taxation year and, to the extent it exceeds other income for that year, generally may be carried back three years and forward twenty years and applied against taxable income of such other years.

The ability of a Limited Partner to deduct losses of the Partnership resulting from the deduction of Agents' commissions and expenses of issue upon the repayment of the funds borrowed to pay such expenses may be limited by the "at-risk" rules until the amount of Partnership income (including the full amount of any Partnership capital gains) allocated to such Limited Partner less the amount of any distributions from the Partnership exceeds the aggregate of all losses of the Partnership allocated to the Limited Partner.

The Tax Act limits the amount of deductions, including CEE and losses, that a Limited Partner may claim as a result of his or her investment in the Partnership to the amount that the Limited Partner has contributed to the Partnership or otherwise has "at-risk" in respect thereof. Generally, a Limited Partner's "at-risk" amount will, subject to the detailed provisions of the Tax Act, be the amount actually paid for Units plus the amount of any Partnership income (including the full amount of any Partnership capital gains) allocated to such Limited Partner for completed fiscal periods less the aggregate of the amount of any CEE renounced to a Limited Partner, the amount of any Partnership losses allocated to the Limited Partner and the amount of any distributions from the Partnership. A Limited Partner's "at-risk" amount may be reduced by certain benefits or in circumstances where amounts are owed to the Partnership by the Limited Partner.

The Tax Act contains additional rules that restrict the deductibility of certain amounts by persons who acquire a "tax shelter investment" for purposes of the Tax Act. The Units are "tax shelter investments" and have been registered with the CRA under the "tax shelter" registration rules. If any Limited Partner has funded the acquisition of his or her Units with a financing for which recourse is or is deemed to be limited within the meaning of the Tax Act (see definition of Limited Recourse Amount) or has the right to receive certain amounts where such rights were granted for the purpose of reducing the impact of any loss that a Limited Partner may sustain by virtue of acquiring, holding or disposing of an interest in Units, the CEE or other expenses incurred by the Partnership may be reduced by the amount of such financing to the extent that the financing can reasonably be considered to relate to such amounts. The Partnership Agreement provides that where CEE of the Partnership is so reduced the amount of CEE that would otherwise be allocated by the Partnership to the Limited Partner who incurs the limited-recourse financing shall be reduced by the amount of the reduction. Where the reduction of other expenses reduces the loss of the Partnership, the Partnership Agreement provides that such reduction shall first reduce the amount of the loss that would otherwise be allocated to the Limited Partner who incurs the limited-recourse financing. The cost of a Unit to a Limited Partner may also be reduced by the total of Limited-Recourse Amounts and "at-risk adjustments" that can reasonably be considered to relate to such Units held by the Limited Partner. Any such reduction may reduce the "at-risk" amount of the Limited Partner thereby reducing the amount of deductions otherwise available to the Limited Partner to the extent that deductions are not reduced at the Partnership level as described above.

**If you propose to finance the acquisition of your Units, you should consult with your own advisors.**

### **Federal Investment Tax Credits**

A taxpayer who is an individual (other than a trust) and is a Limited Partner at the end of a fiscal period of the Partnership may, in computing such taxpayer's federal tax payable for the taxpayer's taxation year in which the fiscal period of the Partnership ends, be entitled to claim a non-refundable investment tax credit of 15% of such Limited Partner's share of flow-through mining expenditures computed for the Partnership, for such fiscal period, as if it were a person and its fiscal period were its taxation year. "Flow-through mining expenditures" are generally CEE related to certain surface "grass roots" mining exploration expenses (i) incurred or deemed to be incurred before January 1, 2009 and (ii) renounced in favour of the Partnership under an Investment Agreement made before April 1, 2008.

The 15% investment tax credit reduces federal tax otherwise payable by the individual. The individual taxpayer's cumulative CEE at any time in a taxation year is reduced by the amount of the investment tax credit claimed for a preceding year.

## **Income Tax Withholdings and Installments**

Limited Partners who are employees and have income tax withheld at source from remuneration paid by an employer may request the CRA to authorize a reduction of such withholding. The CRA, however, has a discretionary power whether or not to accede to such a request.

Limited Partners who are required to pay income tax on an instalment basis may, depending on the method used for calculating their instalments, take into account their share of the CEE and any income or loss of the Partnership in determining their instalment remittances.

## **Disposition of Units in Partnership**

Subject to any adjustment required by the tax shelter investment rules and the other detailed provisions of the Tax Act, a Limited Partner's adjusted cost base of a Unit for income tax purposes will consist of the Subscription Price of the Unit, increased by any share of income allocated to the Limited Partner (including the full amount of any capital gains realized by the Partnership) for fiscal periods ending before that time and reduced by any share of losses (including the full amount of any capital losses realized by the Partnership) and Eligible Expenditures allocated to him or her for fiscal periods ending before that time, the amount of any investment tax credits claimed in preceding years, and the amount of any Partnership distributions made to him or her before that time. The adjusted cost base of a Limited Partner's Units will be reduced on dissolution of the Partnership by the amount of the expenses of issue incurred by the Partnership in respect of this Offering (including Agents' commissions) that are deductible by the Limited Partner as described above under "Computation of Income". Where, at the end of a fiscal period of the Partnership, including the deemed fiscal period that ends at the time immediately before dissolution of the Partnership, the adjusted cost base to a Limited Partner of a Unit becomes a negative amount, the negative amount is deemed to be a gain from the disposition of the Unit at the end of the fiscal period and the adjusted cost base of the Limited Partner's Units will be increased by the amount of such gain.

Generally, one-half of any capital gain (the "taxable capital gain") realized upon a disposition by a Limited Partner of his or her Units will be included in the Limited Partner's income for the year of disposition, and one-half of any capital loss so realized (the "allowable capital loss") may be deducted by the Limited Partner against taxable capital gains for the year of disposition. Subject to the detailed rules in the Tax Act, any excess of allowable capital losses over taxable capital gains of the Limited Partner may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years.

Capital gains realized by an individual or certain trusts may result in a liability to pay alternative minimum tax under the Tax Act. A shareholder that is a "Canadian-controlled private corporation" throughout the year for the purposes of the Tax Act may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its aggregate investment income for the year, which includes an amount in respect of its taxable capital gains.

A Limited Partner who is considering disposing of Units during a fiscal period of the Partnership should obtain tax advice before doing so since ceasing to be a Limited Partner before the end of the Partnership's fiscal year may affect certain adjustments to his or her adjusted cost base and his or her entitlement to a share of the Partnership's loss and Eligible Expenditures.

## **Dissolution of Partnership**

Generally, the dissolution and liquidation of the Partnership and the distribution of its assets to Limited Partners will constitute a disposition by the Partnership of such assets for proceeds equal to their fair market value and a disposition by Limited Partners of their Units for an equivalent amount. In the event the Liquidity Alternative is not implemented the Partnership will be dissolved. Counsel has been advised that prior to such dissolution, all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full. Following a dissolution of the Partnership, certain costs incurred by the Partnership in marketing the Units, including expenses of issue and Agents' commissions that were deductible by the Partnership at a rate of 20% per annum, subject to proration for a short taxation year and subject also to the discussion above under the heading "Computation of Income — October 31, 2003 Tax Proposals", will, to the extent they remain undeducted by the Partnership at the time of its dissolution, be deductible by the Limited Partners (based on

their proportionate interest in the Partnership), on the same basis as they were deductible by the Partnership. A Limited Partner's adjusted cost base in his or her Units will be reduced by the aggregate of such undeducted expenses allocated to the Limited Partner. A Limited Partner's adjusted cost base in his or her Units should also be adjusted to reflect his or her share of the Partnership's income, losses and Eligible Expenditures for the Partnership's final fiscal period. In circumstances where Limited Partners receive on the dissolution of the Partnership, a proportionate undivided interest in each asset of the Partnership and certain other requirements of the Tax Act are met, the Partnership is deemed to have disposed of its property at its cost amount and the Limited Partners are deemed to have disposed of their Units for the greater of the adjusted cost base of their Units and the aggregate of the adjusted cost bases of the undivided interests distributed to the Limited Partners plus the amount of money distributed to the Limited Partners. This may be followed by a partition of such assets such that Limited Partners receive a divided interest therein.

### **Transfer of Partnership Assets to a Mutual Fund Corporation**

If the Partnership transfers its assets to the Mutual Fund pursuant to the Liquidity Alternative, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. The Mutual Fund will acquire each asset of the Partnership at the cost amount equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the Mutual Fund, the Mutual Fund shares will be distributed to the Limited Partners with a cost for tax purposes equal to the cost of the Units held by such Limited Partner and the Limited Partner will be deemed to have disposed of the Units for proceeds of disposition equal to the same amount. As a result, a Limited Partner will generally not be subject to tax in respect of such transaction.

### **Tax Status of Mutual Fund Corporation**

For the purposes of this summary, it is assumed that the Mutual Fund will qualify as a "mutual fund corporation" for purposes of the Tax Act at all material times and that the Mutual Fund will not be an "investment corporation" as defined in the Tax Act.

All income of the Mutual Fund, including taxable capital gains (net of allowable capital losses) realized by the Mutual Fund (which will include capital gains realized in respect of Flow-Through Shares received from any particular limited partnership) will be subject to tax at the corporate rates applicable to mutual fund corporations. A mutual fund corporation is not eligible for a general rate reduction. Taxes payable by the Mutual Fund on capital gains for taxation years throughout which it is a mutual fund corporation will be refundable on a formula basis when the Mutual Fund shares are redeemed or when the Mutual Fund pays "capital gains dividends". Taxable dividends received by the Mutual Fund from taxable Canadian corporations in taxation years throughout which the Mutual Fund is a mutual fund corporation, will generally be subject to tax under Part IV of the Tax Act, at the rate of 33 $\frac{1}{3}$ % of which one dollar will be refundable for each three dollars of taxable dividends paid by the Mutual Fund. Other types of income, such as interest, foreign investment income or income from derivatives will be subject to tax in the Mutual Fund, which tax will reduce the amount of income available to be paid out to shareholders of the Mutual Fund as dividends or the value of shares realized on a redemption.

### **Taxation of Shareholders of the Mutual Fund Corporation**

An ordinary dividend paid by the Mutual Fund, whether received in cash or reinvested in additional shares, will be included in computing the taxable income of an individual shareholder for the purposes of the Tax Act as a dividend from a taxable Canadian corporation, subject to the gross-up and dividend tax credit provisions of the Tax Act. Ordinary dividends received from the Mutual Fund by a corporate shareholder will be included in computing its income, but the corporation will be entitled to deduct an equivalent amount in computing its taxable income. However, a shareholder that is a private corporation as defined for the purposes of the Tax Act, or other corporation controlled by or for the benefit of an individual or related group of individuals, may be liable for refundable tax under Part IV of the Tax Act on taxable dividends for which it is entitled to a deduction in computing its taxable income.

The Mutual Fund may also elect to pay capital gains dividends in accordance with the Tax Act to its shareholders representing capital gains realized in a year throughout which it is a mutual fund corporation. If the Mutual Fund so elects, capital gains dividends will be treated as realized capital gains in the hands of shareholders, subject to the general rules relating to the taxation of capital gains.

The value of the shares of the Mutual Fund acquired by a shareholder will reflect any accrued but unrealized gains in respect of any other assets, including Flow-Through Shares having nil tax cost, held or undistributed income earned by the Mutual Fund at the time the shares are acquired. Such gains, when realized and made payable to a shareholder as a capital gains dividend and such income made payable to a shareholder as an ordinary dividend will be included in the shareholder's income as described above.

An actual or deemed disposition by a holder of shares of the Mutual Fund that are capital property will result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of disposition costs, exceed (or are less than) the adjusted cost base of those shares immediately before the disposition. One-half of such a capital gain must be included in computing the income of a shareholder for the year in which the disposition occurs, subject to the general rules relating to the taxation of capital gains, and one-half of a capital loss may be deducted by a shareholder from taxable capital gains realized in the year, for the three previous years or any subsequent year.

A shareholder that is a "Canadian-controlled private corporation" throughout the year for purposes of the Tax Act may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its aggregate investment income for the year, which includes an amount in respect of its taxable capital gains.

#### **Alternative Minimum Tax on Individuals**

Under the Tax Act, tax payable by an individual is the greater of the tax otherwise determined and an alternative minimum tax. In calculating taxable income for the purpose of computing the alternative minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included, such as 80% of net capital gains, are included. The disallowed items include deductions claimed by the individual in respect of his or her share of Eligible Expenditures renounced to the Partnership in a particular fiscal period thereof to the extent such deductions exceed his or her share of the Partnership's Income. In computing adjusted taxable income for alternative minimum tax purposes, an exemption of \$40,000 is allowed to the taxpayer who is an individual other than most *inter vivos* trusts. The federal rate of minimum tax is 15.5%. Whether and to what extent the tax liability of a particular Limited Partner will be increased as a result of the application of the alternative minimum tax rules will depend on the amount of his or her income, the sources from which it is derived, and the nature and amounts of any deductions he or she claims.

Any additional tax payable by an individual for the year resulting from the application of the alternative minimum tax will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the alternative minimum tax, be his or her tax otherwise payable for any such year.

#### **Tax Shelter**

The federal tax shelter identification number in respect of the Partnership is TS 073858. The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of any investor to claim any tax benefits associated with the tax shelter. The Québec tax shelter identification number is QAF-08-01251. Québec investors should consult their own tax advisors.

The General Partner will file all necessary tax shelter information returns and, where applicable, provide each Limited Partner with copies thereof.

## FEES AND EXPENSES PAYABLE BY THE PARTNERSHIP

### Expenses

The expenses of the Offering, including the costs of creating and organizing the Partnership, the costs of printing and preparing this prospectus, legal and accounting and audit expenses of the Partnership, travelling, marketing and sales expenses and other regulatory and filing expenses related to the Offering, including reasonable out-of-pocket expenses incurred by the Partnership, the Investment Advisor, the Manager and the Agents, will be paid by the Partnership from funds borrowed by the Partnership for such purpose under the Partnership Loan Facility, except to the extent paid by the Manager. The Manager will pay a portion of the Offering expenses (other than the fees to the Agents) in excess of \$356,250 and a portion of annual fixed operating expenses in excess of \$145,000 per annum (excluding for greater certainty the Manager's Fee), in the event that the Gross Proceeds are less than \$10 million. The portion payable in such event will be equal to (a) \$10 million less the aggregate Gross Proceeds divided by (b) \$2.5 million then multiplied by (c) the amount by which such Offering expenses are in excess of \$356,250 and such annual fixed expenses are in excess of \$145,000.

The General Partner estimates that the initial fees and expenses, excluding the Agents' fees, will be \$475,000 in the case of the minimum Offering and \$510,000 in the case of the maximum Offering.

### Manager's Fee

The Manager has co-ordinated the formation, organization and registration of the Partnership and will work with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies pursuant to the Management Agreement and will provide management, administration and other services and will arrange investment advisory services for the Partnership. In consideration for these and other services, the Partnership will pay to the Manager a Manager's Fee equal to one-twelfth of 2.0% of the Net Asset Value, calculated and paid monthly in arrears. The Manager will pay the Investment Advisor's fee out of the Manager's Fee.

### Performance Bonus

The Manager will also be entitled to a Performance Bonus 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.

### Operating and Administrative Expenses

The Partnership will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation, mailing and printing expenses for periodic reports to Limited Partners and other Limited Partner communications including marketing and advertising expenses; fees payable to the custodian, the Registrar and Transfer Agent or CDS, any reasonable out-of-pocket expenses incurred by the Manager and Investment Adviser in connection with their ongoing obligations to the Partnership; any additional fees payable to the Manager or Investment Adviser for performance of extraordinary services on behalf of the Partnership; fees payable to the auditors and legal advisors; regulatory filing and licensing fees; any expenditures incurred in respect of the Liquidity Alternative or termination of the Partnership; and the Partnership's *pro rata* share of fees in respect of IRC expenses and fees. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Partnership. The Partnership will also be responsible for any debt service and costs relating to the Partnership Loan Facility and any extraordinary expenses which it may incur from time to time.

Certain offering expenses, operating expenses and the Manager's Fee may be paid with the use of the Partnership Loan Facility or by the Manager deferring fees or advancing costs, which will be reimbursed by the Partnership prior to the occurrence of the Liquidity Alternative and the dissolution of the Partnership. If not

paid through the Partnership Loan Facility, pending payment or reimbursement by the Partnership, such costs and fees will bear interest at the Prime Rate. The Partnership intends to pay these costs using the proceeds of the sale of the portfolio assets of the Partnership.

## SUMMARY OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Limited Partners and the General Partner are governed by the Partnership Agreement, the *Partnerships Act* (Ontario), the *Limited Partnerships Act* (Ontario) and applicable legislation in each jurisdiction in which the Partnership carries on business. The statements in this prospectus concerning the Partnership Agreement summarize only some of its provisions and do not purport to be complete. The Partnership Agreement will be available (i) at the offices of the General Partner at 181 University Avenue, Suite 300, Toronto, Ontario, M5H 3M7, (ii) after Closing on the Internet at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com), (iii) on SEDAR, and (iv) upon written request to the General Partner. Reference should be made to the Partnership Agreement for the complete details of these and the other provisions therein.

### Subscriptions

Subscriptions will be received subject to acceptance or rejection in whole or in part by the General Partner on behalf of the Partnership and the right is reserved to close the Offering of Units at any time without notice. Registrations of interests in the Units will be made only through the book-based system administered by CDS. A global certificate representing the Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of each Closing. An investor who purchases Units will receive only a customer confirmation from the registered dealer or broker through whom he or she has purchased Units and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system.

### Limited Partners

At each Closing, an investor whose offer to purchase is accepted by the General Partner in connection with such Closing will become a Limited Partner upon the entering of his, her or its name and other prescribed information on the record of Limited Partners and the General Partner executing the Partnership Agreement on behalf of the investor. Limited Partners will not be permitted to take part in the management or control of the business of the Partnership or exercise power in connection with the business of the Partnership.

### Units

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of Units, of which a minimum of 300,000 Units and a maximum of 2,000,000 Units will be issued pursuant to the Offering. Except as otherwise expressly provided for in the Partnership Agreement, each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters, including the right to distributions from the Partnership and no Unit shall have preference, priority or right in any circumstances over any other Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership \$25 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by Financial Institutions, prohibitions against ownership by non-residents, and provisions relating to take-over bids. The minimum purchase for each Limited Partner is 200 Units. Additional purchases may be made in single Unit multiples of \$25. Fractional Units will not be issued.

The Initial Limited Partner has contributed the sum of \$25 to the capital of the Partnership. The Initial Unit issued to the Initial Limited Partner will be redeemed, and such capital contribution repaid, at the Initial Closing. The General Partner has contributed the sum of \$10 to the capital of the Partnership. The General Partner is not required to subscribe for any Units or otherwise contribute further capital to the Partnership.

## Sale of Units of “Non-Residents”

Investors represent that they are not “non-residents” of Canada under the Tax Act and covenant to maintain such status for the entire time that they hold Units. If the Limited Partners approve the dissolution or a reorganization of the Partnership or if the Partnership becomes subject to tax under Part XIII of the Tax Act as a result of one or more of the Limited Partners becoming a “non-resident” of Canada as that expression is defined in the Tax Act (a “Non-Resident Limited Partner”), the General Partner may by notice require all Non-Resident Limited Partners to transfer their Units to persons who are not “non-residents” of Canada. If a Non-Resident Limited Partner fails to transfer his, her or its Units to a person who is not a “non-resident” of Canada and who qualifies to hold Units under the terms of this Agreement within 10 days of the giving of notice to such Non-Resident Limited Partner to so transfer such Units, the General Partner shall be entitled to and is hereby irrevocably appointed the attorney and agent of such Non-Resident Limited Partner with full power of substitution to sell such Units on behalf of such Non-Resident Limited Partner on such terms and conditions as it deems reasonable. The Partnership may purchase such Units. On any such sale by the General Partner, the price shall be the Net Asset Value for such Units.

## Financing Acquisition of Units

Under the terms of the Partnership Agreement, each Limited Partner represents and warrants that no portion of the subscription price for his or her Units has been financed with any borrowing that is a Limited Recourse Amount. Under the Tax Act, if a Limited Partner finances the acquisition of his or her Units with a Limited Recourse Amount the expenses incurred by the Partnership may be reduced. The Partnership Agreement provides that where the expenses incurred by the Partnership are so reduced and such reduction results in the reduction of a loss to the Partnership, the General Partner will reduce the amount of that loss which would otherwise be allocated to that Limited Partner by the amount of such reduction, before allocation of that loss to the other Limited Partners. **Investors who propose to borrow or otherwise finance the subscription price of Units should consult their own tax and professional advisors to ensure that any such borrowing or financing will not be a Limited Recourse Amount.**

## Transfer of Units

**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 the following conditions: (a) the Limited Partner must deliver to CDS and to the Registrar and Transfer Agent, a form of transfer and power of attorney, substantially in the form annexed as Schedule A to the Partnership Agreement, duly completed and executed by the Limited Partner, as transferor, and the transferee and other necessary documentation duly executed, together with such evidence of the genuineness of the endorsement, execution and authorization thereof and of such other matters as may reasonably be required by CDS and/or the Registrar and Transfer Agent; (b) the transfer of Units must be recorded in the book-based system; (c) the transferee will not become a Limited Partner in respect of the Unit transferred to him or her until the prescribed information has been entered on the record of Limited Partners; (d) no transfer of a Unit shall cause the dissolution of the Partnership; (e) no transfer of a fractional part of a Unit shall be recognized; (f) any transfer of a Unit is at the expense of the transferee; and (g) no transfer of Units will be accepted by the Registrar and Transfer Agent after notice of dissolution of the Partnership is given to the Limited Partners.

A transferee of Units, by executing the transfer form, agrees to become bound and subject to the Partnership Agreement as a Limited Partner as if the transferee had personally executed the Partnership Agreement and to grant the power of attorney provided for in Article 19 of the Partnership Agreement. The form of transfer includes representations, warranties and covenants on the part of the transferee that the transferee is not a “non-resident” for purposes of the Tax Act and is not a “non-Canadian” for purposes of the *Investment Canada Act*, that no interest in a holder of an equity interest in the investor is a “tax shelter investment”, as defined in the Tax Act, that the investor is not a partnership, that (unless previously disclosed in writing to the General Partner) he or she is not a Financial Institution, that the acquisition of Units by the transferee was not, and will not be, financed through indebtedness which is a Limited Recourse Amount and

that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her.

If the General Partner reasonably believes the transferee has financed the acquisition of Units with indebtedness that is a Limited Recourse Amount, it will reject the transfer. The General Partner has the right to reject the transfer of Units to a transferee who it believes to be a “non-resident” for the purposes of the Tax Act or a “non-Canadian” for the purposes of the *Investment Canada Act*. In addition, the General Partner may reject any transfer: (a) if in the opinion of counsel to the Partnership such transfer would result in the violation of any applicable securities laws; or (b) if the General Partner believes that the representations and warranties provided by the transferee in the required form of transfer are untrue. A transferor of Units will remain liable to reimburse the Partnership for return of the Limited Partner’s contribution to the Partnership with interest which may be necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before the return of the contribution.

The General Partner has the right to refuse to issue Units or register a transfer of Units to any person that is a Financial Institution, but may issue or accept a transfer to a Financial Institution if it determines that such transfer will not cause the Partnership to be a Financial Institution.

### **Functions and Powers of the General Partner**

The General Partner has exclusive authority, responsibility and obligation to administer, manage, conduct, control and operate the business and affairs of the Partnership and has all power and authority, for and on behalf of and in the name of the Partnership, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or appropriate for or incidental to carrying on the business of the Partnership. The authority and power so vested in the General Partner is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership. The General Partner may contract with any third party to carry out the duties of the General Partner under the Partnership Agreement and may delegate to such third party any power and authority of the General Partner under the Partnership Agreement where in the discretion of the General Partner it would be in the best interests of the Partnership to do so, but no such contract or delegation will relieve the General Partner of any of its obligations under the Partnership Agreement.

Pursuant to the Partnership Agreement the General Partner has agreed, among other things: (a) to deliver certain tax shelter information forms and financial statements to the Limited Partners; (b) to engage such counsel, auditors and other professionals or other consultants as the General Partner considers advisable in order to perform its duties under the Partnership Agreement and to monitor the performance of such advisors; (c) to execute and file with any governmental body any documents necessary or appropriate to be filed in connection with the business of the Partnership or in connection with the Partnership Agreement; (d) to raise capital on behalf of the Partnership by offering Units for sale; (e) to invest Gross Proceeds in Flow-Through Shares and other securities, if any, of Resource Issuers in accordance with the Investment Strategy and the Investment Guidelines; (f) execute and file with any governmental body or stock exchange, any document necessary or appropriate to be filed in connection with such investment; (g) pending the investment of the Gross Proceeds in Resource Issuers, to invest, or cause to be invested, all Gross Proceeds in High-Quality Money Market Instruments; (h) monitor the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines; (i) to distribute property of the Partnership in accordance with the provisions of the Partnership Agreement; and (j) make on behalf of the Partnership and each Limited Partner, in respect of each such Limited Partner’s interest in the Partnership, any and all elections, determinations or designations under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction; and (k) file, on behalf of the Partnership and each Limited Partner, in respect of such Limited Partner’s interest in the Partnership, any information return required to be filed in respect of the activities of the Partnership under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction.

Generally, the General Partner is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Limited Partners and the Partnership and shall, in discharging its duties, exercise the degree of care, diligence and skill that a reasonably prudent and qualified manager would exercise in discharging its duties in similar circumstances. During the existence of the Partnership, the officers of the

General Partner will devote such time and effort to the business of the Partnership as may be necessary to promote adequately the interests of the Partnership and the mutual interests of the Limited Partners. Prior to the dissolution of the Partnership, the General Partner shall not engage in any business other than acting as the General Partner of the Partnership. The General Partner may broadly delegate its responsibilities to others, including the Manager and Investment Advisor and its affiliates, by contract or otherwise, and has delegated significant responsibility to the Manager pursuant to the Management Agreement.

#### **Indemnification of Limited Partners and Liability of General Partner**

The General Partner has agreed to indemnify and hold harmless each Limited Partner from any and all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partner is not limited, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. See “Limited Liability of Limited Partners”. Such indemnity will apply only with respect to losses in excess of the capital contribution of the Limited Partner. The General Partner has also agreed to indemnify and hold harmless the Partnership and each Limited Partner from and against any costs, damages, liabilities, expenses or losses suffered or incurred by the Partnership and/or the Limited Partner, as the case may be, resulting from or arising out of negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner currently has and will have minimal financial resources or assets and, accordingly, such indemnities of the General Partner will have only nominal value.

In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to the Partnership Agreement, the Partnership shall bear the reasonable expenses of the General Partner in any such action, suit or other proceedings in which or in relation to which the General Partner is adjudged, not to be in breach of any duty or responsibility imposed upon it hereunder, otherwise, such costs will be borne by the General Partner.

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership. The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgment, or for any act or omission believed by it in good faith to be within the scope of the authority conferred upon it by the Partnership Agreement (other than an act or omission which is in contravention of the Partnership Agreement or which results from or arises out of the General Partner’s negligence or wilful misconduct in the performance of, or wilful disregard or breach of, a material obligation or duty of the General Partner under the Partnership Agreement) or for any loss or damage to any of the property of the Partnership attributable to an event beyond the control of the General Partner or its affiliates.

#### **Fees and Expenses**

The Partnership Agreement and Management Agreement provide for the payment of certain fees and the reimbursement of certain expenses, all of which are set out under “Fees and Expenses Payable by the Partnership”.

#### **Delegation, Resignation, Replacement or Removal of General Partner**

The General Partner may contract with any Person (as defined in the Partnership Agreement) to carry out any of the duties of the General Partner under the Partnership Agreement and may delegate to such Person any power and authority of the General Partner under the Partnership Agreement where in the discretion of the General Partner it would be in the best interests of the Partnership to do so, but no such contract or delegation will relieve the General Partner of any of its obligations under the Partnership Agreement.

The General Partner may voluntarily resign as the general partner of the Partnership at any time upon giving at least 180 days’ written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Partnership as a general partner is ratified by the Limited Partners by Ordinary Resolution within such period. Such resignation will be effective upon the earlier of: (i) 180 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Partnership as a general partner of a qualified successor; and (ii) the date such admission is ratified by the Limited Partners by

Ordinary Resolution. The General Partner will be deemed to have resigned upon bankruptcy or dissolution and in certain other circumstances if a new general partner is appointed by the Limited Partners by Ordinary Resolution within 180 days' notice of such event. The General Partner is not entitled to resign as general partner of the Partnership if the effect of its resignation would be to dissolve the Partnership prior to December 31, 2010.

The General Partner may be removed at any time if (a) the General Partner has committed fraud or wilful misconduct in the performance of, or wilful disregard or breach of, any material obligation or duty of the General Partner under the Partnership Agreement, (b) its removal as general partner has been approved by an Extraordinary Resolution and (c) a qualified successor has been admitted to the Partnership as the general partner and has been appointed as the general partner of the Partnership by Ordinary Resolution of the Limited Partners, provided that the General Partner shall not be removed in respect of a curable breach of an obligation or duty of the General Partner under the Partnership Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such breach within 30 days of receipt of such notice. It is a condition precedent to the resignation or removal of the General Partner that the Partnership shall pay all amounts payable by the Partnership to the General Partner pursuant to the Partnership Agreement accrued to the date of resignation or removal.

The remuneration of any new general partner will be determined by Ordinary Resolution of the Limited Partners. Upon any resignation, replacement or removal of a general partner, the general partner ceasing to so act is required to transfer title of any assets of the Partnership in its name to the new general partner.

#### **Allocation of Income and Loss**

Net income of the Partnership for each fiscal year and on dissolution shall be allocated, with respect to net income, as to 0.01% to the General Partner and the balance divided *pro rata* among the Limited Partners of record on December 31 of such fiscal year or on dissolution and, with respect to net loss, as to 100% divided *pro rata* among the Limited Partners of record on December 31 of such fiscal year and on dissolution.

#### **Allocation of Eligible Expenditures**

The Partnership will allocate all Eligible Expenditures renounced (directly or indirectly) to it by Resource Issuers with an effective date in a particular fiscal year *pro rata* to the Limited Partners of record at the end of that fiscal year (subject to adjustment in certain events: see "Financing Acquisition of Units"), and will make such filings in respect of such allocations as are required by the Tax Act.

#### **Distributions**

Subject to the terms of the Partnership Loan Facility, the General Partner may make distributions on or about April 30 of each year beginning in 2009, to Limited Partners of record of the Partnership on the preceding December 31. Such distributions, if any, will be of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner's income for tax purposes in respect of each Unit held, after taking into account amounts previously distributed and deductions available for tax purposes to individuals arising from participation in the Partnership. Such distributions will not be made to the extent that the General Partner determines, in its sole discretion, that it would be disadvantageous for the Partnership to make such distributions (including in circumstances where the Partnership lacks available cash).

On dissolution, the Partnership shall distribute: (a) to the Limited Partners, 99.99% of any remaining cash of the Partnership and of any other assets of the Partnership in specie; and (b) to the General Partner, the remaining 0.01% of any remaining cash of the Partnership and of any other assets of the Partnership in specie. See "Dissolution".

#### **Limited Liability of Limited Partners**

The Partnership was formed in order for Limited Partners to benefit from liability limited to the extent of their capital contributions to the Partnership and their *pro rata* share of the undistributed income of the Partnership. Limited Partners may lose the protection of limited liability: (a) to the extent that the principles of

Canadian law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one province but operating, owning property or incurring obligations in another province; or (b) by taking part in the management or control of the business of the Partnership; or (c) as a result of false or misleading statements in public filings made pursuant to the *Limited Partnerships Act* (Ontario). The General Partner will cause the Partnership to be registered as an extra provincial limited partnership in the jurisdictions in which it operates, owns property, incurs obligations, or otherwise carries on business, to keep such registrations up to date and to otherwise comply with the relevant legislation of such jurisdictions. To ensure, to the greatest extent possible, the limited liability of the Limited Partners with respect to activities carried on by the Partnership in any jurisdiction where limitation of liability may not be recognized, the General Partner will cause the Partnership to operate in such a manner as the General Partner, on the advice of counsel, deems appropriate. See “Indemnification of Limited Partners and Liability of General Partner”.

### **Liquidity Alternative**

In order to provide Limited Partners with liquidity and the potential for long-term growth of capital and for income, the General Partner may, on or before June 30, 2010, implement a transaction to improve liquidity (the “Liquidity Alternative”), pursuant to an agreement (the “Transfer Agreement”) between the Partnership and the Manager. Such Liquidity Alternative will involve an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, that will be controlled or managed by the Manager, on a tax deferred basis, in exchange for a class of redeemable shares of the Mutual Fund and, within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata* pursuant to the Transfer Agreement or otherwise on a tax deferred basis upon the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative, but does not intend to call such a meeting unless the terms of the Liquidity Alternative are substantially different from those described herein. If such a meeting is called, no Liquidity Alternative will be implemented if a majority of Units voted at such meeting vote against proceeding with the Liquidity Alternative. **There can be no assurance that any such Mutual Fund will be established or a Liquidity Alternative will receive the necessary approvals (including regulatory approvals), be implemented or be implemented on a tax-deferred basis.** In the event a Liquidity Alternative is not implemented by June 30, 2010, then, at the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2010 and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio.

The terms of any Liquidity Alternative will provide for the receipt of all necessary approvals (including regulatory approvals). There can be no assurances that any such transaction will receive the necessary approvals (including regulatory approvals).

The Partnership Agreement provides that the General Partner will be irrevocably authorized to transfer the assets of the Partnership to a Mutual Fund and implement the dissolution of the Partnership in connection with any such Liquidity Alternative and to file all elections under applicable income tax legislation in respect of any such Liquidity Alternative or the dissolution of the Partnership.

### **Dissolution**

Unless dissolved earlier upon the occurrence of certain events stated in the Partnership Agreement or continued after December 31, 2010 with the approval of Limited Partners given by Extraordinary Resolution, the Partnership will continue until the Termination Date and thereupon will terminate and the net assets of the Partnership will be distributed to the Limited Partners and the General Partner. Prior to the Termination Date, or such other termination date as may be agreed upon, (a) the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Partnership to cash; (b) all amounts outstanding under the Partnership Loan Facility, including interest accrued thereon, will be repaid in full; and (c) the net assets will be distributed *pro rata* to the Partners. The General Partner may, in its sole discretion and upon not less than 30 days’ prior written notice to the Limited Partners, extend the date for the termination of the Partnership to a date not later than three months after the Termination Date if the Investment Advisor has been unable to convert all of the portfolio assets to cash and the General Partner determines that it would be in the best

interests of the Limited Partners to do so. Should the liquidation of certain securities not be possible or should the Investment Advisor consider such liquidation not to be appropriate prior to the Termination Date, such securities will be distributed to partners *in specie*, on a *pro rata* basis, subject to all necessary approvals (including regulatory approvals) and thereafter such property will, if necessary, be partitioned. See “Risk Factors”.

Upon the dissolution of the Partnership, the General Partner shall, after payment or provision for the payment of the debts and liabilities of the Partnership and liquidation expenses, distribute to each Partner an undivided interest in each asset of the Partnership which has not been sold for cash. The General Partner will receive a 0.01% undivided interest in each such asset and each Limited Partner will receive an undivided interest in each such asset equal to 99.99% multiplied by the proportionate number of Units owned by the Limited Partner.

### **Power of Attorney**

By placing an order for Units which is accepted by the General Partner, an investor agrees to become a Limited Partner, to be bound by the Partnership Agreement, and to make the representations by a Limited Partner set out in the Partnership Agreement. The Partnership Agreement includes a power of attorney, coupled with an interest, the effect of which is to constitute an irrevocable power of attorney. This power of attorney authorizes the General Partner on behalf of the Limited Partners, among other things, to execute the Partnership Agreement, any amendments to the Partnership Agreement, and all instruments necessary to reflect the dissolution of the Partnership and distribution and partition of assets distributed to partners on dissolution, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province with respect to the affairs of the Partnership or a Limited Partner’s interest in the Partnership, including elections under subsections 85(2) and 98(3) of the Tax Act and the corresponding provisions of applicable provincial legislation in respect of the dissolution of the Partnership. **By subscribing for Units, each investor acknowledges and agrees that he or she has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.** The power of attorney shall survive any dissolution or termination of the Partnership.

### **Amendments**

The General Partner may, without prior notice to or consent from any Limited Partners, amend the Partnership Agreement from time to time if such amendment is to add any provision which, in the opinion of counsel to the Partnership, is for the protection and benefit of the Limited Partners, is required to cure any manifest error or ambiguity or to correct or supplement any provision in the Partnership Agreement that may be defective or inconsistent with another provision, or is required by law. The General Partner will notify the Limited Partners of the full details of any amendment so made within 30 days after the effective date of the amendment.

The General Partner may, with the consent of the Limited Partners given by Extraordinary Resolution, amend the Partnership Agreement provided that no amendment may be made that would have the effect of: allowing any Limited Partner to participate in the control or management of the Partnership’s business; reducing, eliminating, amending or modifying the obligation of the Partnership to pay the Manager’s Fee and the Performance Bonus payable to the Manager; changing provisions concerning the General Partner’s costs and expenses (unless the General Partner, in its sole discretion, consents thereto); reducing the interest in the Partnership of any Limited Partner; changing in any manner the allocation of net income or net loss and taxable income between the Limited Partners and the General Partner or the allocation of Eligible Expenditures among Limited Partners; changing the liability of the Limited Partners or the General Partner; changing the right of a Limited Partner or the General Partner to vote at any meeting; changing the Partnership from a limited partnership to a general partnership (unless all of the Limited Partners consent thereto); or which would result in a denial or reduction of any income tax deductions or credits related to Flow-Through Shares (*e.g.*, by rendering them “prescribed shares” or “prescribed rights” under the regulations to the Tax Act) or otherwise available to Limited Partners, but for the amendment. The Investment Strategy and Investment Guidelines adopted by the Partnership may only be changed by Extraordinary Resolution duly passed by the Limited Partners.

## **Accounting and Reporting**

The Partnership's fiscal year will be the calendar year. The Manager, on behalf of the Partnership, will file and deliver to each Limited Partner, as applicable, such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law. The annual financial statements of the Partnership shall be audited by the Partnership's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian GAAP. The General Partner, on behalf of the Partnership, may seek exemptions from certain continuous disclosure obligations under applicable securities laws and is authorized to do so under the Partnership Agreement.

The General Partner will forward, or cause to be forwarded, to each Limited Partner, either directly or indirectly through CDS, the information necessary for the Limited Partner to complete such Limited Partner's Canadian federal and provincial income tax returns with respect to Partnership matters for the preceding year. The General Partner will make all filings required with respect to tax shelters by the Tax Act. The General Partner and the Manager will ensure that the Partnership complies with all other reporting and administrative requirements.

The General Partner is required to keep adequate books and records reflecting the activities of the Partnership in accordance with normal business practices and Canadian GAAP. A Limited Partner has the right to examine the books and records of the Partnership at all reasonable times. Notwithstanding the foregoing, a Limited Partner will not have access to any information which in the opinion of the General Partner should be kept confidential in the interests of the Partnership and which is not required to be disclosed by applicable securities laws or other laws governing the Partnership.

## **Meetings and Voting**

The Partnership will not be required to hold annual general meetings, but the General Partner may at any time convene a meeting of the Limited Partners and will be required to convene those meetings that are required to be held. The General Partner will also be required to convene a meeting upon receipt of a request in writing of Limited Partners holding, in aggregate, 10% or more of the Units outstanding.

Each Limited Partner is entitled to one vote for each Unit held. The General Partner is entitled to one vote in its capacity as General Partner. Notice of not less than 21 days or more than 60 days is required to be given for each meeting. All meetings of Limited Partners are to be held in Toronto, Ontario. A Limited Partner may attend a meeting of the Partnership in person or by proxy or, in the case of a Limited Partner which is a corporation, by a representative. A quorum will consist of two or more Limited Partners present in person or by proxy and representing not less than 5% of the Units then outstanding at a meeting called to consider an Ordinary Resolution and 20% of the Units then outstanding at a meeting called to consider an Extraordinary Resolution. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a written request of Limited Partners, will be cancelled, but otherwise will be adjourned to such date not less than 3 days and not more than 21 days after the original meeting date. At such adjourned meeting, those Limited Partners present in person or by proxy will constitute a quorum.

### **NET ASSET VALUE**

Net Asset Value means the difference on a Valuation Date between:

- (a) the market value of the Partnership's assets, determined as follows:
  - (i) the value of any security which is listed for trading upon a stock exchange (whether or not the security is subject to resale restrictions) will be the closing sale price on such date or, if there is no closing sale price, the average of the closing bid price and closing asked price on such date, or if there is no closing bid or asked price, the average of the closing bid and closing asked price on the trading day immediately before such date, as reported by any report in common use or authorized by such stock exchange;
  - (ii) the value of any security which has ceased to be traded upon a stock exchange but is traded on an over-the-counter market (whether or not the security is subject to resale restrictions) will be priced at the closing sale price on such day, or if there is no closing sale price, the average of the closing

bid and asked price on such date or if there is no closing bid or asked price on such date, the average of the closing bid and asked price on the trading day immediately before such date, as reported by the financial press or an independent reporting organization;

- (iii) the value of any security, property or other assets (including any Illiquid Investments) to which, in the reasonable opinion of the General Partner, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, no published market exists or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the General Partner from time to time adopts;
- (iv) the value of assets quoted in foreign currencies will be converted to Canadian dollars at the exchange rate at noon on such date as set by the Bank of Canada; and
- (v) where the Partnership has executed an Investment Agreement, but the purchase of the Flow-Through Shares provided for thereunder has not been completed, for the purposes of calculating the Net Asset Value, the Partnership shall be deemed to have invested in the securities of the Resource Issuer at the date the Partnership entered into the applicable Investment Agreement, and the value of the securities deemed to be so acquired valued in accordance with (i), (ii), (iii) and (iv) above, shall be included in calculating Net Asset Value and the amount of cash required to be invested under any Investment Agreement (together with interest accruing thereon for the account of the Resource Issuer, if any) shall be deducted in calculating the Net Asset Value; and

(b) all liabilities of the Partnership,

as determined by the General Partner.

The Net Asset Value per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Partnership may obtain. The Net Asset Value per Unit determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

#### **SUMMARY OF THE TRANSFER AGREEMENT**

The General Partner expects that the Liquidity Alternative will be effected pursuant to the terms of the Transfer Agreement. The Manager has agreed to use commercially reasonable efforts to effect the Liquidity Alternative. Completion of the Liquidity Alternative will be subject to the receipt of all approvals that may be necessary and the other conditions set forth in the Transfer Agreement. There can be no assurance that the Liquidity Alternative will receive the necessary approvals or be implemented. The Transfer Agreement provides for, among other things, the following terms and conditions:

- (a) at the time at which the transfer is completed, the transferee corporation will be a “mutual fund corporation” for purposes of the Tax Act or will undertake to take all steps required to qualify as a “mutual fund corporation” under the Tax Act as soon as possible after the closing date of the transfer and in any event no later than the day on which it is required to file its tax return for its first taxation year;
- (b) at the time at which the transfer is completed, it is expected that the Mutual Fund will be a reporting issuer or the equivalent thereof not in default under the *Securities Act* (Ontario) and the securities legislation in every province of Canada where holders of Units are resident;
- (c) at the time at which the transfer is completed, a management agreement with respect to the management of the assets of the Mutual Fund will have been entered into between the Mutual Fund and the Manager and will be valid and enforceable;
- (d) the Manager shall have retained the Investment Advisor or an affiliate thereof to provide portfolio management and investment advisory services to the Mutual Fund; and
- (e) all necessary approvals (including regulatory approvals), if any, shall have been received.

The Transfer Agreement also provides for:

- (a) the Partnership and the Mutual Fund to execute and deliver such documents, transfers, deeds, assurances and procedures necessary, in the opinion of counsel, for the purposes of giving effect to the transfer; and
- (b) the Mutual Fund to provide, on dissolution of the Partnership, evidence of the ownership of the shares of the Mutual Fund by each former Limited Partner.

Pursuant to the Partnership Agreement, including the power of attorney granted under Article 19 thereof, the General Partner has been granted all necessary power on behalf of the Partnership and each Limited Partner to transfer the assets of the Partnership to the Mutual Fund, to dissolve the Partnership thereafter and to file all elections deemed necessary or desirable by the General Partner required to be filed under the Tax Act and any other applicable tax legislation in connection with the Liquidity Alternative. The General Partner may in its sole discretion call a meeting of the Limited Partners to approve the transaction contemplated in the Transfer Agreement and, if such approval is sought, no Liquidity Alternative will be implemented if Limited Partners determine by Majority Resolution not to proceed with such a transaction. If the Limited Partners determine by Majority Resolution not to proceed with the transaction contemplated by the Transfer Agreement, the Transfer Agreement will terminate.

## **PLAN OF DISTRIBUTION**

### **The Offering**

Pursuant to the Agency Agreement, the Agents have agreed to offer Units for sale to the public in each of the provinces of Canada on an agency basis if, as and when issued by the Partnership. The Partnership will pay to the Agents the Agents' fee equal to 6.75% of the selling price for each Unit sold to an investor under the Offering, and reimburse the Agents for reasonable expenses in connection with the Offering.

The Offering consists of a maximum offering of 2,000,000 Units and a minimum offering of 300,000 Units. The minimum purchase is 200 Units. Additional subscriptions may be made in single Unit multiple of \$25. The price to the public per Unit was established by the General Partner.

While the Agents have agreed to use their reasonable commercial efforts to sell the Units, they are not obliged to purchase any Units that are not sold. The obligations of the Agents under the Agency Agreement may be terminated, and the Agents may withdraw all subscriptions on behalf of investors, at the Agents' discretion, on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events. Pursuant to the Agency Agreement, the Manager, the Partnership and the General Partner have agreed to jointly and severally indemnify the Agents upon the occurrence of certain events.

The Offering will take place during the period commencing on the date a Mutual Reliance Review System ("MRRS") decision document is issued for the preliminary prospectus by the Ontario Securities Commission and ending at the close of business on the date of the final Closing. The Initial Closing will take place when the conditions of the Offering are satisfied. These include subscription for the minimum Offering; the execution of all of the agreements referred to under "Material Contracts" and all other conditions under the Agency Agreement have, unless they have been waived. It is expected that the Initial Closing will be on or about February 15, 2008. Subscription proceeds received by the Agents will be held by the Agents until the Closing Date. If subscriptions for the minimum Offering are not obtained on or before 90 days after the receipt of the MRRS decision document for this prospectus, subscription funds will be returned, without interest or deduction, to the investors. If the maximum Offering is not achieved at the Initial Closing, subsequent Closings may be completed on or before March 31, 2008. There is, however, no obligation to undertake additional Closings after the Initial Closing occurs.

The General Partner, on behalf of the Partnership, reserves the right to accept or reject any subscription in whole or in part. An investor whose subscription for Units has been accepted by the General Partner will become a Limited Partner upon the entering of his or her name in the Record on or as soon as possible after the relevant Closing.

The Agents may, from time to time, be involved in raising money for Resource Issuers and the Partnership may or may not commit funds in connection with any such transaction. The Agents may earn fees on such transactions. In addition, the Agents may, from time to time, be involved in sourcing Resource Issuers in which

the Partnership invests and may receive a fee payable by the Resource Issuer or the Partnership in connection therewith.

It is anticipated that a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents will enter into the Loan Facility with the Partnership. Consequently, the Partnership may be considered a “connected issuer” of such Agent under applicable securities legislation. The Loan Facility will be negotiated at arm’s length between the Canadian chartered bank or its affiliate and the Partnership, and as such will be on market terms and conditions.

### **Representations of Investor**

At the Closing, an investor whose offer to purchase is accepted by the General Partner will become a Limited Partner upon the entering of his, her or its name and other prescribed information in the record of Limited Partners on or as soon as possible after the Closing. **The acceptance by the General Partner of an investor’s offer to purchase Units by payment of the subscription price, whether in whole or in part, constitutes a subscription agreement between the investor and the Partnership upon the terms and subject to the conditions set out in this prospectus and in the Partnership Agreement**, whereby the investor, among other things:

- (a) consents to the disclosure to, and the collection and use by, the General Partner and its service providers of all such information about such investor that the General Partner or the service providers require, including such investor’s full name, residential address or address for service and social insurance number or the corporation account number, as the case may be, for the purpose of administering such investor’s subscription of Units;
- (b) acknowledges that the investor is bound by the terms of the Partnership Agreement and liable for all obligations of a Limited Partner;
- (c) makes the representations and warranties set out in the Partnership Agreement, including without limitation the following:
  - (i) the investor is not a “non-resident” of Canada for the purposes of the Tax Act, and will maintain such status while the investor owns the Units;
  - (ii) the investor is not a “non-Canadian” within the meaning of the *Investment Canada Act*;
  - (iii) unless disclosed in writing to the General Partner prior to the General Partner’s acceptance of the investor’s offer to purchase, the investor is not a Financial Institution; and
  - (iv) the investor has not financed the acquisition of the Units with financing for which recourse is or is deemed to be limited for the purposes of the Tax Act;
- (d) irrevocably nominates, constitutes and appoints the General Partner as the investor’s true and lawful attorney with the full power and authority as set out in the Partnership Agreement;
- (e) irrevocably authorizes the General Partner, in its discretion, to transfer the assets of the Partnership to a mutual fund corporation pursuant to the Transfer Agreement or otherwise, and to implement the dissolution of the Partnership in connection with any Liquidity Alternative;
- (f) irrevocably authorizes the General Partner to file on the investor’s behalf all elections under applicable income tax legislation in respect of any such Liquidity Alternative and/or the dissolution of the Partnership;
- (g) irrevocably authorizes the General Partner to implement the dissolution of the Partnership at any time after June 30, 2010 if a Liquidity Alternative is not implemented; and
- (h) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the power of attorney set out in Article 19 of the Partnership Agreement will be binding upon such investor and further agrees to ratify any of such documents or actions upon request by the General Partner.

The foregoing subscription agreement shall be evidenced by delivery of this prospectus to the investor, provided that the subscription has been accepted by the General Partner on behalf of the Partnership. Joint subscriptions for Units will be accepted. Subscription proceeds pursuant to this Offering will be received by the Agents, or such other registered dealers or brokers as are authorized by the Agents, and held in trust in a

segregated account until subscriptions for the minimum Offering are received and other closing conditions of this Offering have been satisfied. If the minimum amount required for this Offering is not subscribed for within 90 days after receipt of a MRRS decision document in respect of this prospectus, the Offering may not continue and subscription proceeds will be returned to investors, without interest or deduction, unless consent is obtained from the Canadian securities regulators and those who have subscribed for Units on or before such date. An investor whose subscription is accepted by the General Partner will become a Limited Partner of the Partnership upon the amendment of the record of limited partners maintained by, or caused to be maintained by, the General Partner. The General Partner is not required to subscribe for any Units or otherwise contribute capital to the Partnership.

### **Book-Based System**

Subscriptions will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the Offering at any time without notice. The Offering will be conducted under the book-based system. An investor who purchases Units will receive a customer confirmation from the registered dealer through whom Units are purchased and which is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units as owners in accordance with the book-based system.

CDS requires that any Units registered in the book-based system be represented in the form of a fully registered global Unit certificate held by, or on behalf of, CDS as custodian of such certificate for CDS participants and registered in the name of CDS. The name in which a global certificate is issued is for the convenience of the book-based system only and will have no bearing on the identity of the Limited Partners. CDS participants include securities brokers and dealers, banks and trust companies. Under the Partnership Agreement each Limited Partner acknowledges and agrees that CDS is acting as his or her nominee for this purpose and acknowledges and consents to these arrangements. An investor who purchases Units will therefore receive only a customer confirmation from the registered dealer which is a CDS participant and through whom the Units are purchased. If CDS notifies the Partnership that it is unwilling or unable to continue as depository in connection with such global certificate, or if at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository, the General Partner will make appropriate arrangements to replace the book-based system in an orderly fashion and to issue Unit certificates to the Limited Partners in an orderly fashion. No certificates for Units will be issued to investors.

All distributions will be made by the Partnership to CDS in respect of Units represented by the global Unit certificate held by CDS. Any such distributions will be forwarded by CDS to the applicable CDS participants and, thereafter, by such participants to the Limited Partners whose Units are represented by that global certificate.

The ability of a holder of a Unit to pledge his or her Unit or take action with respect thereto (other than through a CDS participant) may be limited due to the lack of physical certificates and the rights of the Partnership under the Partnership Agreement.

### **INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS**

The directors and officers of the General Partner are also directors and officers of the Manager. Philip Gow, a director and officer of the Manager, has acted as the Initial Limited Partner. To the knowledge of the General Partner, the Manager and the Investment Advisor, except as disclosed herein under “Fees and Expenses Payable by the Partnership”, no director or officer of the General Partner, the Manager or the Investment Advisor has any interest in any actual material transaction involving the Partnership, or has any interest in any proposed material transaction involving the Partnership.

### **CONFLICTS OF INTEREST**

The General Partner and the Investment Advisor are affiliates of the Manager. Philip Gow (the Initial Limited Partner) is a director and officer of the Manager and General Partner. The Manager will be entitled to receive certain fees from the Partnership and each of the General Partner, the Manager and the Investment Advisor will be reimbursed for certain of their expenses by the Partnership. See “Fees and Expenses Payable by the Partnership”.

The Manager, the Investment Advisor and other entities in respect of which the Manager or affiliates of the Manager act as general partner or investment advisor may own or manage shares in certain Resource Issuers. In addition, directors and officers of the General Partner, the Manager or Investment Advisor may be or may become directors of certain Resource Issuers in which the Partnership has invested. Except as disclosed herein, none of the General Partner, the Manager or Investment Advisor (or the Initial Limited Partner) will receive any benefit in connection with this Offering.

The Manager, certain of its affiliates or subsidiaries, certain entities whose general partner and/or investment advisor is an affiliate of the Manager, and the directors and officers of the General Partner, the Manager or the Investment Advisor are and may in the future be actively engaged in a wide range of investment and management activities, some of which are and will be similar to and competitive with those that the Partnership will undertake. As a result, actual and potential conflicts of interest (including conflicts as to management's time, resources and allocation of investment opportunities) can be expected to arise in the normal course.

Each of the Manager and the Investment Advisor follow written policies with respect to conflicts of interest and the allocation of investment opportunities. Such policies are designed to ensure that the best interests of investors are protected. In addition, conflicts are brought to the attention of the Independent Review Committee.

There is no assurance that conflicts of interest will not arise which cannot be resolved in a manner most favourable to investors. **Persons considering a purchase of Units pursuant to this Offering are relying on the judgment and good faith of the General Partner, the Manager and the Investment Advisor and their respective directors and officers, subject to the supervision of the IRC, in resolving such conflicts of interest.**

## RISK FACTORS

**This is a speculative offering.** There is no assurance of a positive return on a Limited Partner's original investment. Investors should consider the following risk factors before purchasing Units:

**This is a blind pool offering.** The Partnership has not entered into any Investment Agreements with Resource Issuers.

### Investment Risk

**Reliance on the General Partner, Investment Advisor and Manager.** Limited Partners must rely entirely on the discretion of the General Partner, the Manager and, particularly, the Investment Advisor, with respect to the terms of the Investment Agreements to be entered into with Resource Issuers. Limited Partners must also rely entirely on the discretion of the Investment Advisor in determining (in accordance with the Partnership's Investment Strategy and Investment Guidelines) the initial composition of the Partnership's Investment Portfolio, and in determining whether to dispose of securities (including Flow-Through Shares) comprising the Partnership's Investment Portfolio and reinvestment of the proceeds from such dispositions. Flow-Through Shares generally will be issued to the Partnership at prices greater than the market prices of comparable ordinary common shares not qualifying as Flow-Through Shares, and Limited Partners must rely entirely on the discretion of the General Partner, the Manager and the Investment Advisor, in negotiating the pricing of those securities. The Partnership and the General Partner have no previous operating or investment history and are expected only to have nominal assets. The board of directors of the General Partner, the Investment Advisor and the Manager, and, therefore, management of the General Partner, the Investment Advisor and the Manager, may be changed at any time. Those who are not willing to rely on the discretion and judgment of the General Partner, the Investment Advisor and the Manager should not subscribe for Units.

**Marketability of Units.** There is no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. No market for the Units is expected to develop.

**Marketability of Underlying Securities.** The value of Units will vary in accordance with the value of the securities acquired by the Partnership. Flow-Through Shares are typically purchased at a premium to their market trading price at the time of issue. The value of securities owned by the Partnership will be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the

General Partner or the Partnership, and there is no assurance that an adequate market will exist for securities acquired by the Partnership.

***The Investment Portfolio Will Include Securities of Junior Issuers.*** Up to 100% of the Gross Proceeds may be invested by the Partnership in securities of junior Resource Issuers, although at least 25% of the Gross Proceeds (at the time of investment) will be invested in Resource Issuers listed and posted for trading on the Toronto Stock Exchange, New York Stock Exchange, American Stock Exchange or the Nasdaq National Market. Up to 30% of the Gross Proceeds (at the time of investment) may be invested in Illiquid Investments, including private companies. Securities of junior issuers may involve greater risks than investments in larger, more established companies. There is no trading market for securities of private companies and other Illiquid Investments. Further, generally speaking, the markets for securities of junior issuers that are publicly traded are less liquid than the markets for securities of larger issuers, and therefore the liquidity of a significant portion of the Investment Portfolio is likely to be limited. Liquidity of Illiquid Investments is necessarily even more limited, and practically speaking may not exist. This may limit the ability of the Partnership to realize profits and/or minimize losses, which may in turn adversely affect the Net Asset Value of the Partnership and the return on investment in Units. The Partnership's investment in Resource Issuers whose securities are not publicly traded may be difficult to value accurately or sell, and may be valued at a value significantly lower than their cost. Also, if a Liquidity Alternative is implemented, in order to fund redemptions, the Mutual Fund may have to liquidate its shareholdings in more liquid, large and medium sized companies as a result of illiquidity of some or all of that portion of the Partnership's Investment Portfolio comprised in securities of junior issuers or Illiquid Investments.

***Resale and Other Restrictions Pertaining to Flow-Through Shares.*** 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 will actively manage 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.

***Resale Restrictions May be an Issue if a Liquidity Alternative is not Implemented.*** There are no assurances that any Liquidity Alternative will receive the necessary approvals (including regulatory approvals) or be implemented. In such circumstances, each Limited Partner's *pro rata* interest in the assets of the Partnership will be distributed upon the dissolution of the Partnership, which will occur on or before December 31, 2010, unless its operations are extended as described herein. If such interests are not distributed on a *pro rata* undivided basis, the dissolution proceeds may be taxable to the limited partners.

If a Liquidity Alternative is not completed and the Investment Advisor is unable to dispose of all investments prior to the Termination Date, Limited Partners may receive securities or other interests of Resource Issuers, for which there may be an illiquid market or which may be subject to resale and other restrictions under applicable securities law. Up to 30% of the Gross Proceeds may be invested in Illiquid Investments.

***Mutual Fund Risks.*** The Mutual Fund required to participate in the Liquidity Alternative has not yet been established, and there can be no assurance that it will be successfully established. The Mutual Fund, if established, may not have any assets, which will provide limited liquidity, and it will have no previous operating history. In the event that the exchange transaction is completed, Limited Partners will receive shares in the Mutual Fund. These shares will be subject to various risk factors applicable to shares of mutual fund corporations or other investment vehicles which invest in securities of Canadian companies engaged in the energy and natural resource industries, such as oil and gas, mining and minerals and other resources. These risks are similar to the risks described under "Industry Risks — Sector Specific Risks".

***Flow-Through Shares and Gross Proceeds.*** There can be no assurance that the Partnership will commit all Gross Proceeds for investment in Flow-Through Shares of Resource Issuers by December 31, 2008. Any Gross

Proceeds not committed to Resource Issuers on or before December 31, 2008 will be returned to Limited Partners of record on such date, except to the extent that such funds are required to finance the operations of the Partnership or to repay indebtedness, including indebtedness that is a Limited Recourse Amount of the Partnership (such as amounts outstanding under the Partnership Loan Facility). If uncommitted funds are returned in this manner, Limited Partners will not be entitled to claim anticipated deductions or credits in respect of income for income tax purposes.

There can be no assurance that Resource Issuers will honour their obligation to incur Eligible Expenditures or that the Partnership will be able to recover any losses suffered as a result of such a breach of such obligation by a Resource Issuer. Further, other issuers in which the Partnership invests may not allocate or properly allocate CEE or Qualifying CDE renounced to those other issuers by Resource Issuers.

**Available Capital.** If the proceeds of the offering of Units are significantly less than the maximum Offering, the expenses of the Offering and the ongoing fees and administrative expenses and interest expense payable by the Partnership may result in a substantial reduction or even elimination of the returns which would otherwise be available to the Partnership.

The ability of the General Partner to negotiate favourable Investment Agreements on behalf of the Partnership is, in part, influenced by the total amount of capital available for investment in Flow-Through Shares. Accordingly, if the proceeds of the Offering are significantly less than the maximum Offering, the ability of the General Partner to negotiate and enter into favourable Investment Agreements on behalf of the Partnership may be impaired and therefore the Investment Strategy of the Partnership may not be fully met.

**Liability of Limited Partners.** Limited Partners may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the Partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution of capital and share of undistributed net income of the Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Partnership. While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has only nominal assets, and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity.

Limited Partners remain liable to return to the Partnership such part of any amount of the Limited Partner's contribution of capital, with interest, that is necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before the return of such contribution.

**Borrowing.** The Partnership may borrow an amount not exceeding 15% of the Gross Proceeds under the Partnership Loan Facility in order to finance Offering expenses (including the Agents' fees and travel, sales, distribution and marketing expenses), operating and administrative costs and expenses, including the Manager's Fee. The interest expense and banking fees incurred in respect of any such borrowings may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares and other securities of Resource Issuers. There can be no assurance that the borrowing strategy that will be employed by the Partnership will enhance returns. If the Partnership Loan Facility has not been repaid at the time of the dissolution of the Partnership, Limited Partners will become liable for outstanding amounts owed, although the Partnership will only borrow funds where recourse for such borrowings is limited under the Partnership Loan Facility to the Limited Partner's interest in the Investment Portfolio. Accordingly, there is a risk that the obligation to repay such borrowings may diminish the interest of the Limited Partners in the Investment Portfolio. The General Partner expects that its borrowings under the Partnership Loan Facility will be repaid at the time of a Liquidity Alternative or the dissolution of the Partnership, as applicable.

The Partnership Loan Facility is a demand facility. If a demand for repayment of the loan under the Partnership Loan Facility is made prior to its maturity, the Partnership may have to dispose of its investments sooner than is expected. This could result in losses to the Partnership.

**Tax-Related Risks.** The tax benefits resulting from an investment in the Partnership are greatest for an investor whose income is subject to the highest marginal income tax rate. Regardless of any tax benefits that may

be obtained, a decision to purchase Units should be based primarily on an appraisal of the merits of the investment and on an investor's ability to bear a loss of his or her investment. Investors acquiring Units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law. Tax considerations include, but are not limited to, the following:

- The tax consequences of holding or disposing of Units or the Flow-Through Shares issued to the Partnership may be fundamentally altered by changes in federal or provincial income tax legislation. The October 31 Proposals limiting the claim for losses resulting from the deduction of interest and other expenses in certain circumstances are only draft proposals, however if they are enacted in their current form, they would likely limit the ability of the Partnership and Limited Partners to deduct expenses (other than Eligible Expenditures) or losses in respect of the Flow-Through Shares and Units, respectively, for taxation years commencing after 2004. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposals would be released for comment at an early opportunity. There can be no assurance that such alternative proposal will not adversely affect the Partnership or Limited Partners.
- All of the Gross Proceeds may not be invested in Flow-Through Shares or amounts renounced by Resource Issuers to the Partnership may not qualify as CEE or Qualifying CDE. Each Limited Partner will represent that he or she has not acquired Units with limited-recourse borrowing for the purposes of the Tax Act, however there is no assurance that this will not occur. Furthermore, the amount of Eligible Expenditures and/or losses allocated to Limited Partners could be reduced and, in certain circumstances, Limited Partners may be required to amend their tax returns filed for previous years. There may be disagreements with the CRA with respect to certain tax consequences of an investment in Units of the Partnership.
- The alternative minimum tax could limit tax benefits available to Limited Partners who are individuals.
- Limited Partners will receive the tax benefits associated with Eligible Expenditures in the years in which the Partnership invests in Flow-Through Shares and will benefit to the extent that any gains on the disposition of Flow-Through Shares by the Partnership are capital gains rather than income for tax purposes. To receive the maximum tax benefit illustrated under "Illustration of Potential Tax Consequences", a Limited Partner must hold the Units until the Liquidity Alternative is implemented. However, the sale of Flow-Through Shares by the Partnership will trigger larger tax liabilities in the year any gain is recognized than would be the case upon the sale of common shares that do not constitute Flow-Through Shares because the cost of the Flow-Through Shares is deemed to be nil for purposes of the Tax Act. There is a risk that Limited Partners will receive allocations of income and/or capital gains for a year without receiving distributions from the Partnership in that year sufficient to pay any tax they may owe as a result of being a Limited Partner during that year. To reduce this risk, subject to any restrictions in the Partnership Loan Facility, in respect of each year the Partnership may distribute 50% of the amount that a Limited Partner will be required to include in income in respect of a Unit for that year. See "Summary of the Partnership Agreement — Distributions".
- The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs in a given taxation year investment expenses to earn investment income in excess of the investment income earned for that year, such excess shall be included in the taxpayer's income, resulting in an offset of the deduction for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses of a Limited Partner and 50% of CEE renounced the Partnership allocated to and deducted for Québec tax purposes by such Limited Partner (other than CEE incurred in Québec), and investment income includes taxable capital gains not eligible for the capital gains exemption. The portion of the investment expenses which has been included in the Limited Partner's income in a given taxation year may be deducted against net investment income earned in any of the three previous taxation years or in any subsequent taxation year. The remaining 50% of CEE renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner (other than CEE incurred in Québec), and 100% of the CEE incurred in Québec and renounced to the Partnership and allocated to such Limited Partner will not be subject to that rule and will be deductible in computing the Limited Partner's income for Québec tax purposes.

- Where a Resource Issuer has a “prohibited relationship” as defined in the Tax Act with an investor that is a trust, corporation or partnership, the Resource Issuer may not renounce Qualifying CDE to such an investor. Briefly, a Resource Issuer has a prohibited relationship with a trust, a particular corporation or a partnership if the Resource Issuer or a corporation related to the Resource Issuer is a beneficiary of the trust, is the corporation or is a member of the partnership. Further, a Resource Issuer may not renounce Eligible Expenditures incurred by it after December 31, 2008 with an effective date of December 31, 2008 to an investor with which it does not deal at arm’s length at any time during 2009. **A prospective investor who does not deal at arm’s length with a corporation whose principal business is oil and gas exploration, development and/or production, mining exploration, development and/or production or the generation of energy that may issue flow-through shares, as defined in subsection 66(15) of the Tax Act, prior to December 31, 2008 should consult their independent tax advisor before acquiring Units. Each investor is required to identify all Resource Issuers with which the investor does not deal at arm’s length to the General Partner in writing prior to the acceptance of the subscription.**
- If a Limited Partner finances the acquisition of Units with a financing for which recourse is, or is deemed to be, limited, the Eligible Expenditures renounced to, or other expenses incurred by, the Partnership will be reduced by the amount of such financing. The October 31, 2003 Tax Proposals may adversely affect a Limited Partner who finances the subscription price of his or her Units.
- The Partnership will borrow to fund the payment of the Agents’ fees and other expenses of issue. Such indebtedness will be deemed to be a Limited Recourse Amount for purposes of the Tax Act. As a result, such expenses will not be deductible until the year in which the indebtedness is repaid and such amount may be subject to the application of the October 31, 2003 Tax Proposals at that time.
- The SIFT Rules, among other things, apply a tax on certain publicly-listed or traded partnerships at rates of tax comparable to the combined federal and provincial corporate tax. Although, as discussed under “Certain Canadian Federal Income Tax Considerations”, the SIFT Rules should not apply to the Partnership, if the SIFT Rules were to apply to the Partnership, the tax consequences to the Partnership and the Limited Partners would be materially and, in some respects, adversely different from those described in this prospectus.

## Issuer Risk

***Lack of Operating History.*** The Partnership and the General Partner are newly established entities and have no previous operating or investment history. The Partnership will, prior to the Closing Date, have only nominal assets and the General Partner will at all material times thereafter only have nominal assets. Prospective investors who are not willing to rely on the business judgment of the General Partner should not subscribe for Units.

***Financial Resources of the General Partner.*** The General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners against losses, costs or damages suffered if the Limited Partners’ liabilities are not limited as provided herein, provided that such loss of liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. However, such indemnity will apply only with respect to losses in excess of the agreed capital contribution of the Limited Partner and the amount of this protection is limited by the extent of the net assets of the General Partner and such assets will not be sufficient to fully cover any actual loss. The General Partner is expected to have only nominal assets and, therefore, the indemnity of the General Partner will have nominal value. Limited Partners also will not be able to rely upon the General Partner to provide any additional capital or loans to the Partnership in the event of any contingency.

***Financial Resources of the Partnership.*** The only sources of cash to pay the Partnership’s current and future expenses, liabilities and commitments, including reimbursement of operating and administrative costs incurred by the General Partner or the Manager and the Manager’s Fee, will be funds borrowed by the Partnership and cash generated from sales of securities comprising the Partnership’s Investment Portfolio. Accordingly, if the maximum amount of funds has been borrowed by the Partnership and there are no trading profits in the Partnership’s Investment Portfolio, payment of operating and administrative costs and the Manager’s Fee will diminish the Partnership’s assets.

**Conflicts of Interest.** The directors and officers of the General Partner, the Manager and the Investment Advisor and their affiliates are involved in other business ventures some of which are in competition with the business of the Partnership, including acting as directors and officers of the general partners and investment advisors of other issuers engaged in the same types of investments as the Partnership. See “Conflicts of Interest”. Accordingly, conflicts of interest may arise between Limited Partners and the directors, shareholders, officers, employees and any affiliates of the General Partner, the Manager and the Investment Advisor. None of the General Partner, the Manager and the Investment Advisor or any Related Issuers are obligated to present any particular investment opportunity to the Partnership, and Related Issuers may take such opportunities for their own account.

Persons considering a purchase of Units pursuant to this Offering must rely on the judgement and good faith of the shareholders, directors, officers and employees of the General Partner, the Manager and the Investment Advisor, subject to the supervision of the IRC, in resolving such conflicts of interest as may arise.

There is no obligation on the General Partner or the Investment Advisor or their employees, officers and directors and shareholders to account for any profits made from other businesses that are competitive with the business of the Partnership.

**Lack of Separate Counsel.** Counsel for the Partnership in connection with this Offering are also counsel to the General Partner, the Manager and the Investment Advisor. Prospective investors, as a group, have not been represented by separate counsel and counsel for the Partnership, the General Partner, the Manager, the Investment Advisor and the Agents do not purport to have acted for the investors or to have conducted any investigation or review on their behalf.

#### **Investment Advisor Risk**

**Lack of prior experience.** The Investment Advisor has prior experience providing investment advisory and portfolio management services to investors, but the Investment Advisor has limited experience in providing investment advisory and portfolio management services to a limited partnership that invests in Flow-Through Shares.

#### **Industry Risk**

**Sector Specific Risks.** The business activities of Resource Issuers 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 CRCE, in particular, may be adversely affected by drought and variations in the water flow of watersheds upon which such issuers have plants.

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

#### **Blind Pool. This Offering is a blind pool offering.**

The purchase price per Unit paid by an investor at a Closing subsequent to the Initial Closing may be less or greater than the Net Asset Value per Unit at the time of the purchase, and whether the purchase price per Unit for such purchasers will be greater or less than the Net Asset Value per Unit will depend on a variety of factors, including the premium to market at which the Partnership acquires Flow-Through Shares and changes in value of the Partnership’s portfolio.

## **MATERIAL CONTRACTS**

The Partnership has entered into, or will enter into on or prior to the Initial Closing, the following material contracts:

1. The Partnership Agreement referred to under “Summary of Partnership Agreement”;
2. The Agency Agreement referred to under “Plan of Distribution”;
3. The Investment Advisor Agreement referred to under “The Investment Advisor”;
4. The Management Agreement referred to under “Management of the Partnership — The Management Agreement”; and
5. The Transfer Agreement referred to under “Summary of the Transfer Agreement”.

Once executed, a copy of the contracts referred to above may be inspected during normal business hours at the offices of the General Partner at 181 University Avenue, Suite 300, Toronto, Ontario, M5H 3M7 throughout the period of distribution hereunder. The Partnership Agreement will also be available (i) on SEDAR; (ii) upon written request to the General Partner; and (iii) on the Internet at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

## **AUDITORS**

The auditors of the Partnership are PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario, Canada.

## **REGISTRAR AND TRANSFER AGENT AND CUSTODIAN**

Pursuant to the registrar, transfer agent and distribution agent agreement to be dated as of the date of the Initial Closing of the Offering, Computershare Trust Company of Canada, at its principal offices in Toronto, will be appointed the registrar, transfer agent and distribution agent for the Units.

RBC Dexia Investor Services Trust will act as the custodian of the assets of the Partnership.

## **PROMOTERS**

The Manager and the General Partner may be considered to be promoters of the Partnership within the meaning of the securities legislation of certain provinces of Canada by reason of their initiative in organizing the Partnership. The promoters will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under “Fees and Expenses Payable by the Partnership”.

## **LEGAL PROCEEDINGS**

Neither the General Partner nor the Partnership are currently involved in any litigation or proceedings which are material either individually or in the aggregate to the continued business operations of the General Partner and/or the Partnership and, to each of their knowledge, no legal proceedings of a material nature involving the General Partner and/or the Partnership are currently contemplated by any individuals, entities or government authorities.

## **EXPERTS**

Certain legal matters arising in connection with the Offering will be passed upon, on behalf of the Partnership, the General Partner, the Manager and the Investment Advisor, by Osler, Hoskin & Harcourt LLP of Toronto, Ontario and on behalf of the Agents by Stikeman Elliott LLP of Toronto, Ontario.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In certain provinces of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some provinces of Canada, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to a purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the Limited Partnership) dated January 30, 2008 relating to the issue and sale of Limited Partnership Units of the Limited Partnership. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Board of Directors of Connor, Clark & Lunn 2008 Flow-Through Management Corp. (the "Corporation") in its capacity as general partner of the Limited Partnership on the balance sheet of the Limited Partnership as at January 30, 2008. Our report is dated January 30, 2008.

Toronto, Canada  
January 30, 2008

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants, Licensed Public Accountants

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## AUDITORS' REPORT

To the Board of Directors of:

**Connor, Clark & Lunn 2008 Flow-Through Management Corp. in its capacity as general partner of Connor, Clark & Lunn 2008 Flow-Through Limited Partnership.**

We have audited the balance sheet of Connor, Clark & Lunn 2008 Flow-Through Limited Partnership as at January 30, 2008. This balance sheet is the responsibility of the Limited Partnership's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

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

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Limited Partnership as at January 30, 2008 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
January 30, 2008

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants, Licensed Public Accountants

**CONNOR, CLARK & LUNN 2008 FLOW-THROUGH LIMITED PARTNERSHIP**

**BALANCE SHEET**

**As at January 30, 2008**

**ASSETS**

Cash . . . . . \$35

**PARTNERS' CAPITAL**

General Partner Contribution . . . . . \$10

Issued and fully paid limited partnership Unit . . . . . \$25

\$35

Approved on behalf of Connor, Clark & Lunn 2008 Flow-Through Limited Partnership by the Board of Directors of its General Partner, Connor, Clark & Lunn 2008 Flow-Through Management Corp.

(Signed) W. NEIL MURDOCH  
Director

(Signed) PHILIP K. GOW  
Director

(Signed) MICHAEL W. FREUND  
Director

*See accompanying notes to the balance sheet*

**CONNOR, CLARK & LUNN 2008 FLOW-THROUGH LIMITED PARTNERSHIP**  
**NOTES TO BALANCE SHEET**  
**January 30, 2008**

**1. FORMATION OF PARTNERSHIP**

Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the "Partnership") was formed on December 11, 2007 as a limited partnership under the laws of the Province of Ontario. The principal purpose of the Partnership is to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource issuers for capital appreciation and profits.

The general partner of the Partnership is Connor, Clark & Lunn 2008 Flow-Through Management Corp. (the "General Partner") and capital of \$35 cash was contributed. Under the Limited Partnership Agreement between the General Partner and each of the limited partners (the "LPA") dated on or before the Initial Closing, 99.9% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced to the Partnership will be allocated *pro rata* to the Limited Partners and the General Partner is to be allocated 0.01% of the net income of the Partnership. Upon dissolution, Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of assets.

The Partnership will pay all costs relating to the proposed offering of limited partnership units in the Partnership and all ongoing operating and administrative expenses.

Pursuant to the LPA, the Partnership is required to pay the Manager a fee of 2.0% of the net asset value of the Partnership's assets less liabilities and as determined by the formula set forth in the LPA ("Net Asset Value"). In addition, the Manager is entitled to a performance bonus 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 during the Performance Bonus Term exceeds \$28.

At the date of formation of the Partnership, one limited partnership Unit was issued to Philip Gow (the Initial Limited Partner) for \$25 cash.

**2. SUBSEQUENT EVENT**

The Partnership expects to file a final prospectus in each of the provinces of Canada for an initial public offering of limited partnership units with gross proceeds of between \$7,500,000 and \$50,000,000.

**3. LOAN FACILITY**

The Partnership intends to borrow under the Partnership Loan Facility an amount sufficient to pay any costs that are not expected to be deductible in computing the income of the Partnership pursuant to the Tax Act for the fiscal period ending December 31, 2008.

## CERTIFICATE OF THE PARTNERSHIP AND THE PROMOTERS

Dated: January 30, 2008

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 74 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

(Signed) W. NEIL MURDOCH  
President and Chief Executive Officer  
of the General Partner

(Signed) PHILIP K. GOW  
Chief Financial Officer of the General Partner

On behalf of the Board of Directors of the General Partner,  
on behalf of the Partnership

(Signed) W. NEIL MURDOCH  
Director

(Signed) PHILIP K. GOW  
Director

(Signed) MICHAEL W. FREUND  
Director

On behalf of the Promoters

CONNOR, CLARK & LUNN CAPITAL MARKETS INC. as Promoter

(Signed) W. NEIL MURDOCH  
President and Chief Executive Officer

CONNOR, CLARK & LUNN 2008 FLOW-THROUGH  
MANAGEMENT CORP. as Promoter

(Signed) W. NEIL MURDOCH  
President and Chief Executive Officer

## CERTIFICATE OF THE AGENTS

Dated: January 30, 2008

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 74 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) RONALD W. A.  
MITCHELL

By: (Signed) FAROOQ N.P.  
MOOSA

By: (Signed) EDWARD V.  
JACKSON

RICHARDSON PARTNERS FINANCIAL LIMITED

SCOTIA CAPITAL INC.

By: (Signed) DAVID FINNBOGASON

By: (Signed) BRIAN D. MCCHESENEY

NATIONAL BANK FINANCIAL INC.

TD SECURITIES INC.

By: (Signed) MICHAEL D. SHUH

By: (Signed) CAMERON GOODNOUGH

CANACCORD  
CAPITAL  
CORPORATION

DUNDEE  
SECURITIES  
CORPORATION

GMP  
SECURITIES L.P.

RAYMOND  
JAMES LTD.

WELLINGTON WEST  
CAPITAL INC.

By: (Signed) BINA  
N. PATEL

By: (Signed) BRETT  
A. WHALEN

By: (Signed) PETER  
J. VERBURG

By: (Signed) J.  
GRAHAM FELL

By: (Signed) KEVIN  
M. HOOKE

BERKSHIRE SECURITIES INC.

HSBC SECURITIES (CANADA) INC.

By: (Signed) WILLIAM PORTER

By: (Signed) BRENT LARKAN