



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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Connor, Clark & Lunn
2009 Flow-Through
Limited Partnership
Annual Report
December 31, 2010

March 29, 2011

Dear fellow Partners,

I am pleased to provide you with the annual report for the Connor, Clark & Lunn 2009 Flow-Through Limited Partnership (the "Partnership") for the year ended December 31, 2010. The Partnership's portfolio is managed by Connor Clark & Lunn Investment Management ("the Investment Advisor"). With approximately \$5.3 billion in energy and materials investments, the Investment Advisor is one of the largest investors in natural resource companies in Canada.

The past year was a good one for investors in the natural resource sector. In 2011, the Investment Advisor believes that oil will trade in the US\$80 to US\$100 range during 2011 and natural gas in the US\$4.00/Mcf subject to the type of political unrest that we are seeing today. Given this view on commodity prices they believe that while overall valuations within the energy space have moved to premium levels (on a historical basis), we continue to see areas of opportunities within the junior/intermediate space where the market is not recognizing above average growth from premium management teams with top decile asset quality. They continue to remain selective and will continue to focus on producers that can generate reasonable rates of return on capital projects at current commodity prices, while maintaining strong balance sheets to withstand continued commodity price volatility.

In the gold and base metals sectors they expect to see continued price increases and are optimistic for the Partnership's investments in these sectors.

As a reminder, the Partnership will roll into the Connor, Clark & Lunn Natural Resources Fund in September of 2011. We have expanded the mutual fund corporation to include a new balanced fund class managed by Connor, Clark & Lunn Private Capital that investors can switch into on a tax-deferred basis.

We appreciate your investment in the Partnership and remain optimistic on the potential for continued good investment returns during the remaining life of the Partnership.

Yours truly,

A handwritten signature in black ink, appearing to read "W. Neil Murdoch". The signature is fluid and cursive, written in a professional style.

W. Neil Murdoch
Chief Executive Officer
Connor, Clark & Lunn 2009 Flow Through Management Corp. (General Partner)

Management Report of Fund Performance

This annual management report of fund performance for Connor, Clark & Lunn 2009 Flow-Through Limited Partnership (the “Partnership”), contains financial highlights but does not contain the complete annual financial statements of the Partnership. **The annual financial statements and accompanying notes are attached to this report.**

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

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

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

Investment Objectives and Strategy

The Connor, Clark & Lunn 2009 Flow-Through Limited Partnership (the “Partnership”) was formed under the laws of the Province of Ontario pursuant to a Partnership Agreement dated October 13, 2009 between Connor, Clark & Lunn 2009 Flow-Through Management Corp., as General Partner, and Darren Cabral, as the Initial Limited Partner, and became a limited partnership effective October 13, 2009.

The Partnership has been organized to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource issuers whose shares are publicly listed and to a maximum of 20% of the Gross Proceeds flow-through shares of private resource issuers with a view to achieving income and capital appreciation for Limited Partners. The principal businesses of the resource issuers are:

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

In order to achieve the Partnership’s investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the “Investment Advisor”), the Partnership’s investment advisor, invested the net proceeds of the Offering, in flow-through shares of resource issuers that: (i) have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries; (ii) have exploration programs or exploration and development programs in place; (iii) have shares that are suitably priced and offer capital appreciation or income potential; and (iv) meet certain market capitalization and other criteria set out in the Investment Guidelines mentioned in the Partnership’s prospectus dated November 20, 2009.

Risk

The risk profile of the Partnership has changed in the following area:

Leverage: The Partnership’s investment restrictions contemplate leverage of up to 15.0% of the gross proceeds of the

offering. Leverage increases the exposure of the Partnership to market fluctuations. The Partnership pays interest on the amount borrowed and such interest payments may exceed the total return on the leveraged portion of the Partnership's portfolio. The Partnership employed leverage in the range of 0.0% to 17.8% of the NAV (13.6% of the original gross proceeds of the offering) during the year ended December 31, 2010. Leverage was eliminated during June 2010.

For full disclosure of risks associated with an investment in the Partnership's units, please refer to the Prospectus dated November 20, 2009.

Results of Operations

Investment Advisor Commentary

Energy

As expected, oil prices, as measured by West Texas Intermediate ("WTI"), were range bound between US\$65 per barrel and US\$85 per barrel in 2010 with a late break-out in the year through the US\$90 per barrel level on improving economic fundamentals, both in developing and emerging economies. Barring a setback to economic fundamentals (which could push oil prices back towards the marginal cost of supply at US\$65 per barrel but is not within our forecast at this time), we believe that strong demand from emerging economies will drive overall global demand to new highs this year, setting our expected range for oil prices in 2011 at \$80.00 per barrel to \$100.00 per barrel. The high end of this limit is set based on expectations that OPEC would increase supply to mitigate the potential for demand destruction at oil prices above \$100 per barrel. While we do not forecast material upside in oil prices through 2011, this outlook still provides a very healthy environment for oil weighted producers to generate rates of return on investment in excess of 30%.

Similarly, Henry Hub natural gas prices were range bound in 2010 between US\$4.00 per thousand cubic feet ("Mcf") and US\$5.50/Mcf. While gas prices may continue to languish near the US\$4.00/Mcf level through 2011 due to higher than expected supply levels and only a modest recovery in demand, we are now seeing producers curtail drilling levels at current gas prices reflecting our view that the marginal cost of supply exceeds US\$5.00/Mcf. On this basis, we foresee a recovery in gas prices over the next 12 to 18 months to the high end of our expected trading range of US\$4.00/Mcf to US\$5.50/Mcf. That said, our natural gas weighted investments remain selective with a focus on those producers that either offer the lowest cost projects or a high liquids content associated with gas production.

While overall valuations within the energy space have moved to premium levels (on a historical basis), we continue to see areas of opportunities within the junior/intermediate space where the market is not recognizing above average growth from premium management teams with top decile asset quality. We continue to remain selective and will continue to focus on producers that can generate reasonable rates of return on capital projects at current commodity prices, while maintaining strong balance sheets to withstand continued commodity price volatility.

Gold

Gold appreciated strongly in 2010 aided by investors who were adding gold to their portfolios on a confluence of factors, including a weakening US dollar and inflation expectations. Central banks have also been steady buyers. In additions gold companies have also tried to eliminate their gold hedge books. Considering the current global macro economic backdrop, we believe that the incentive to liquidate gold positions among investors and central banks remains small and with a high likelihood of further inflows into gold, market participants should remain net gold buyers. Hence, we see further support to prices in 2011.

Base Metals

We see commodity prices moving higher in 2011 on the back of robust growth in the emerging markets and improving growth in developed markets. We also expect 2011 to be a bumpy year as we expect to see tighter monetary policy in emerging markets creating occasional short-term headwinds for commodities. However we still believe that supply-constrained commodities will perform well in 2011. Copper price strength in 2010 has been heavily influenced by a

tightening physical market, reflected by steady declines of London Metal Exchange inventories. We expect increased demand, continued underperformance in copper mine output and low inventories will likely push copper to a new record in 2011. In addition we also remain bullish on the bulk sector, especially metallurgical coal, in 2011 on supply disruptions. Metallurgical coal demand has been easing since mid-2010 as Chinese steel production has weakened. Despite this, metallurgical coal spot prices have set new highs mainly due to supply issues in Queensland. The flooding situation in Queensland has triggered a number of force majeure declarations.

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

Tourmaline Oil Corp.: The Tourmaline management team represents the latest iteration of the former group from Duvernay Oil (a successful gas focused exploration and Production Company that went public in 2004 at \$10.00/share and subsequently sold to Royal Dutch Shell (“RDS”) in 2008 for \$83.00/share). In its short history since forming Tourmaline in 2008, management has already amassed 1,200 net sections of land in the Deep Basin of Alberta and British Columbia (more than twice the size of Duvernay’s land position when it sold to RDS). Current production is approaching 23,000 barrels of equivalent oil per day (“Boe/d”) with a 2011 exit target of 30,000 Boe/d. Based on this 2011 production estimate, Tourmaline will generate production per share growth of almost 350% from mid-2009 levels. Flow-through funds from two equity raises in 2010 will be used to supplement an active \$350MM drilling program in 2011 that will remain focused within 3 core areas in the Deep Basin.

Anvil Mining: Anvil Mining operates in the Democratic Republic of the Congo in Central Africa. The company has an operating asset called Kinsevere Stage 1 HMS. However, the major focus of the Company is to complete the development and the construction of Kinsevere Stage II, a copper project with 60,000 tonnes per annum of expected capacity, in which Anvil Mining has a 95% interest. Construction of the Kinsevere Stage II project remains slightly behind schedule, with commissioning expected to begin in Q1 of 2011 and continue into Q2 of 2011. The company has 1,060 workers onsite and has spent approximately US\$316M of the total capital costs for the project of US\$400M (with a further US\$55M committed). We expect the stock to continue to outperform as the project moves towards completion in Q2 of 2011.

Reliable Energy: Following a recapitalization transaction by a new management team late in 2008, Reliable has delivered significant growth in its first two years of operations increasing production from 50 Boe/d at inception to over 700 Boe/d at the end of 2010. Spending \$22MM in 2011 (in line with cash flow), production is expected to grow to an average rate of 1,100 Boe/d this year with an exit target of almost 1,500 Boe/d. The bulk of this growth will continue to be delivered from its contiguous Bakken land position of 80,000 net acres in southeast Saskatchewan where the company has extended the play towards the Manitoba border with its joint venture partner, Crescent Point (Crescent Point also holds a 19.9% equity interest in Reliable). Supplementing the visibility provided by its lower risk Bakken development program in Saskatchewan, the company has amassed a significant land position targeting the emerging “Alberta Bakken” play that extends from southern Alberta in to Montana. Reliable has just kicked off its initial exploration work on a large contiguous land position covering 100,000 net acres of undeveloped land at the south end of this play. This project could materially expand the company’s extensive development inventory and could add to its appeal as a consolidation candidate.

Credit Facility

The Partnership has entered into a non-revolving term credit facility agreement (the “Credit Agreement”) with Bank of Montreal (“BMO”) dated November 26, 2009. The aggregate amount of borrowings under the loan facility and other leverage transactions may not exceed 15% of the original gross proceeds of the offering.

Borrowing was used solely to finance the Agents’ fees, and other expenses of the Offering (including legal, accounting and audit, travel, marketing and sales expenses), the Manager’s fee and certain operating and administrative costs and expenses of the Partnership that were not expected to be fully deductible in computing income of the Partnership for the year ending December 31, 2009, in order to maximize the investment of the Gross Proceeds in flow-through shares.

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

to a mutual fund) and the dissolution of the Partnership.

During the year ended December 31, 2010, the Credit Facility had a minimum balance outstanding of \$nil and maximum balance outstanding of \$900,000 (from \$nil to \$900,000 during the period from November 26, 2009 (date of Credit Facility Agreement) to December 31, 2009). The related total interest expense during the year ended December 31, 2010 was \$6,053 (\$390 during the period from November 26, 2009 (date of Credit Facility Agreement) to December 31, 2009). Leverage was eliminated during May 2010.

Capital transactions

On November 26, 2009, the Partnership completed an initial public offering pursuant to the prospectus dated November 20, 2009. The offering raised \$6,613,500 through the issue of 264,540 Units at \$25.00 per Unit.

Total proceeds, including the first closing, after Agents' fees and issue expense was \$5,832,124.

Recommendations or Reports by the Independent Review Committee ("IRC")

The IRC did not table any special reports or make any material recommendations to management of the Partnership during the year ended December 31, 2010.

Related Party Transactions

Management Fees

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

The total management fees charged to the Partnership during the year ended December 31, 2010 were \$111,560 (\$10,162 during the period from November 26, 2009 (commencement of operations) to December 31, 2009).

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

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.

"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 (November 26, 2009) and ending on the earlier of:

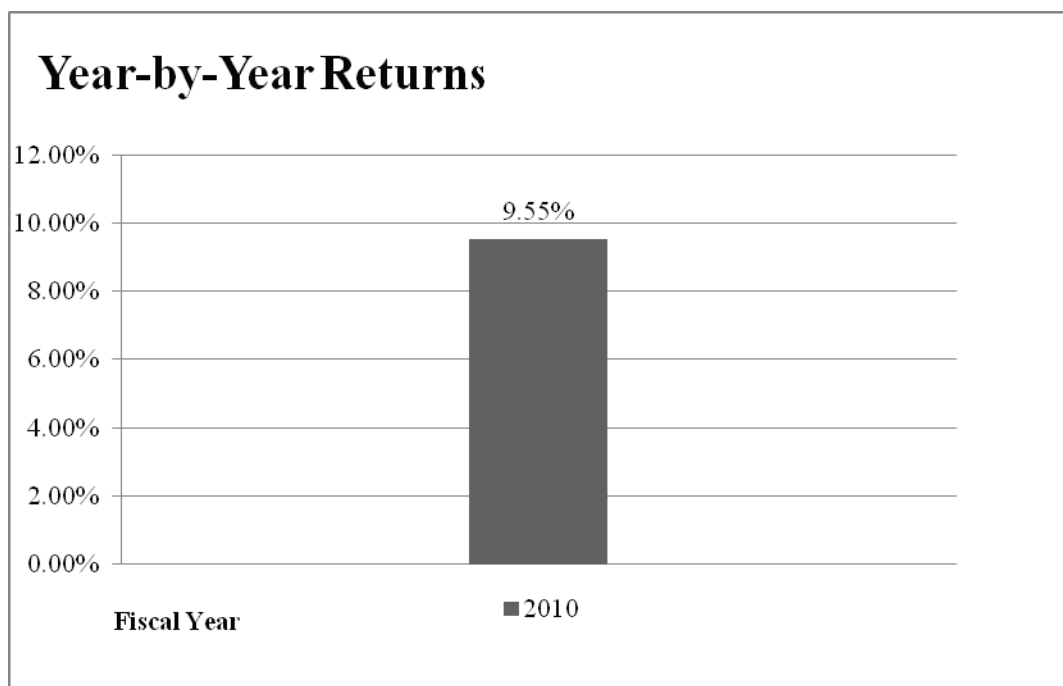
- a) the Business Day prior to the date on which the Partnership's assets are transferred to a Mutual Fund pursuant to a Mutual Fund Rollover Transaction; and
- b) the Business Day immediately prior to the day of dissolution or termination of the Partnership.

Past Performance

The following bar chart and table indicate the performance of the Partnership's units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Partnership in the year shown were reinvested in additional securities of the Partnership. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance is not necessarily indicative of future performance.

Year – by– Year Returns

The following bar chart shows the Partnership's annual performance for the years shown. The bar charts shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



Annual Compound Returns

	Past Year	Since Inception ⁽¹⁾
Based on NAV	9.55%	7.71%
Blended Index ⁽²⁾	18.85%	20.53%

⁽¹⁾ Annualized for the period November 26, 2009 (Commencement of operations) to December 31, 2010.

⁽²⁾ Blended Index of the S&P/TSX Oil & Gas Exploration & Production Index (75%) and the S&P/TSX Materials Index (25%).

The Partnerships' performance may lag the performance of the Blended Index as a result of (i) the premiums over market price that are paid to obtain shares of resource companies on a flow-through basis; and (ii) the performance of large capitalization companies which comprise a significant portion of the indices selected in comparison to their junior counterparts which are more frequent issuers of flow-through shares. The tax deductions from that the Partnership receives are not considered in the above calculations of the Partnership's returns since the returns are presented on a pre-tax basis.

Financial Highlights

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

The Partnership's Net Assets per share:

	December 31, 2010	December 31, 2009 ⁽¹⁾
Net Assets, beginning of period	21.42	25.00
Unit issue expense ⁽²⁾	(0.14)	(2.95)
Increase (decrease) from operations:		
Total revenues	0.11	–
Total expenses	(0.98)	(0.22)
Realized gains (losses) for the period	2.99	–
Unrealized gains (losses) for the period	0.29	(0.41)
Total increase (decrease) from operations ⁽³⁾	2.41	(0.63)
Distributions:		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	–
Return of capital	–	–
Total Distributions	–	–
Net Assets, end of period ⁽⁴⁾	23.69	21.42

⁽¹⁾ Results for the period from November 26, 2009 (commencement of operations) to December 31, 2009.

⁽²⁾ Issue expense of \$817,639 incurred in connection with the unit issuance. The full amount of issue expenses was deducted from the capital earnings for accounting purposes and is amortized over a period of five years for tax purposes.

⁽³⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on weighted average number of units of 264,540 units outstanding as of December 31, 2010 (2009 - 264,540).

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

Ratios and Supplemental Data:

	December 31, 2010	December 31, 2009 ⁽¹⁾
Net asset value (000's)	6,318	5,744
Number of units outstanding	264,540	264,540
Base Management expense ratio ⁽²⁾⁽³⁾	3.84%	3.28%
Issue expenses ratio ⁽²⁾⁽³⁾	0.67%	14.60%
Interest expense ratio ⁽²⁾⁽³⁾	0.11%	1.83%
Management expense ratio (annualized) ⁽³⁾	4.62%	25.66%
Management expense ratio before waivers or absorptions (annualized) ⁽³⁾	4.62%	25.66%
Portfolio turnover rate ⁽⁴⁾	79.54%	0.00%
Trading expense ratio ⁽⁵⁾	0.82%	0.00%
Net asset value per unit	23.88	21.71

⁽¹⁾ Results for the period from November 26, 2009 (commencement of operations) to December 31, 2009.

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

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

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

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

Summary of Investment Portfolio as of December 31, 2010

The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. A quarterly update is available at www.cclcapitalmarkets.com and at www.sedar.com.

	Market Value \$	% of NAV
Portfolio by Category		
Energy	4,532,462	71.8%
Materials	1,227,021	19.4%
Cash & Cash Equivalents	616,888	9.8%
Top 25 Holdings		
Tourmaline Oil Corp.	719,400	11.4%
Reliable Energy Ltd.	632,400	10.0%
Cash & Cash Equivalents	616,888	9.8%
Celtic Exploration Ltd.	524,512	8.3%
Metanor Resources Inc.	507,923	8.0%
Progress Energy Resources Corp.	469,900	7.4%
ARC Energy Trust Units	414,230	6.6%
Wild Stream Exploration Inc.	383,105	6.1%
Surge Energy Inc.	364,000	5.8%
Anvil Mining	343,710	5.4%
Guyana Goldfields	321,000	5.1%
Vero Energy	289,365	4.6%
Base Oil & Gas Ltd.	247,500	3.9%
NuVista Energy Ltd.	227,550	3.6%
Storm Resources	146,980	2.3%
Artek Exploration Ltd.	113,520	1.8%
Metanor Resources Inc. warrants	54,388	0.9%
Net asset value	6,318,040	

Management's Responsibility for Financial Reporting

The accompanying financial statements of **Connor, Clark & Lunn 2009 Flow-Through Limited Partnership** (the "Partnership") and all of the information have been prepared by the General Partner and approved by the Board of Directors of the General Partner. The General Partner is responsible for all of the information and representations contained in these financial statements and other sections of the Annual Report

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

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



W. Neil Murdoch
President and Chief Executive Officer
Connor, Clark & Lunn 2009 Flow Through
Management Corp. (General Partner)

Toronto, Canada

March 29, 2010



Michael W. Freund
Director
Connor, Clark & Lunn 2009 Flow Through
Management Corp. (General Partner)

March 29, 2011

Independent Auditor's Report

To the Partners of
Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

We have audited the accompanying financial statements of Connor, Clark & Lunn 2009 Flow-Through Limited Partnership (the Partnership), which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations, changes in net assets and surplus (deficit) and cash flow for the year ended December 31, 2010 and the period from November 26, 2009 (commencement of operations) to December 31, 2009, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2010 and 2009 and the results of its operations, the changes in its net assets and surplus (deficit) and its cash flow for the year ended December 31, 2010 and the period from November 26, 2009 (commencement of operations) to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

PriceWaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Statements of Net Assets

As at December 31, 2010 and 2009

	2010	2009
	\$	\$
Assets		
Cash	18,376	344,024
Short-term investments	598,512	99,929
Investments at fair value (cost - \$5,740,207; 2009 - \$6,613,501)	5,709,193	6,504,302
Interest receivable	7,124	4
	<u>6,333,205</u>	<u>6,948,259</u>
Liabilities		
Loan Payable (note 4)	-	899,406
Issue expense payable	-	335,000
Accounts payable and accrued liabilities	56,022	37,772
Management fees payable	9,433	10,762
	<u>65,455</u>	<u>1,282,940</u>
Net Assets representing Partners' Equity	<u>6,267,750</u>	<u>5,665,319</u>
Units issued and outstanding (note 5)	<u>264,540</u>	<u>264,540</u>
Net assets per unit	<u>23.69</u>	<u>21.42</u>
Partners' Equity		
Unit capital (note 5)	5,795,861	5,832,124
Surplus (deficit)	471,889	(166,805)
Total Partners' Equity	<u>6,267,750</u>	<u>5,665,319</u>

Approved by the Manager



Director



Director

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Statements of Operations

For the year ended December 31, 2010 and the period from November 26, 2009 (commencement of operations) to December 31, 2009

	2010	2009
	\$	\$
Income		
Dividends	22,276	-
Interest income	6,271	756
	<u>28,547</u>	<u>756</u>
Expenses		
Management fees (note 7)	118,674	10,162
Transaction costs	44,913	-
Audit fees	22,765	27,600
Administration fees	21,906	1,561
Legal fees	16,011	1,506
Filing fees	10,390	4,800
Transfer agent fees	8,734	747
Loan interest expenses (note 4)	6,139	390
Other	5,140	-
Custodial and other unitholders' fees	2,879	158
Independent Review Committee fees	2,372	-
Printing fees	584	2,000
Loan fee expense (note 4)	-	9,438
	<u>260,507</u>	<u>58,362</u>
Investment income (loss) for the period	(231,960)	(57,606)
Net realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments	792,469	-
Change in unrealized gain (loss) on investments	78,185	(109,199)
	<u>870,654</u>	<u>(109,199)</u>
Net gain (loss) on investments	870,654	(109,199)
Increase (decrease) in net assets from operations	<u>638,694</u>	<u>(166,805)</u>
Increase (decrease) in net assets from operations per unit *	<u>2.41</u>	<u>(0.63)</u>

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

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Statements of Changes in Net Assets and Surplus (Deficit)

For the year ended December 31, 2010 and the period from November 26, 2009 (commencement of operations) to December 31, 2009

	2010	2009
	\$	\$
Increase (decrease) in net assets from operations	<u>638,694</u>	<u>(166,805)</u>
Unitholders' transactions:		
Gross proceeds from issue of units (note 5)	-	6,613,500
Agents' fees and issue expenses	<u>(36,263)</u>	<u>(781,376)</u>
	<u>(36,263)</u>	<u>5,832,124</u>
Change in net assets during the period	602,431	5,665,319
Net assets - Beginning of period	<u>5,665,319</u>	<u>-</u>
Net assets - End of period	<u>6,267,750</u>	<u>5,665,319</u>
Surplus (deficit), beginning of period	(166,805)	-
Increase (decrease) in net assets from operations	<u>638,694</u>	<u>(166,805)</u>
Surplus (deficit), end of period	<u>471,889</u>	<u>(166,805)</u>

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Statements of Cash Flow

For the year ended December 31, 2010 and the period from November 26, 2009 (commencement of operations)
to December 31, 2009

	2010	2009
	\$	\$
Operating Activities		
Increase (decrease) in net assets from operations	638,694	(166,805)
Items not affecting cash:		
Net realized (gain) loss on investments	(792,469)	-
Change in unrealized gain (loss) on investments	(78,185)	109,199
Changes in non-cash working capital		
(Increase) decrease in interest receivable	(7,120)	(4)
Increase (decrease) in accounts payable and accrued liabilities	18,250	37,772
Increase (decrease) in issue expense payable	(335,000)	335,000
Increase (decrease) in management fees payable	(1,329)	10,762
Cost of investments purchased	(4,036,995)	(6,613,500)
Proceeds from investments sold	5,702,758	-
Net cash flow provided by (used in) operating activities	<u>1,108,604</u>	<u>(6,287,576)</u>
Financing Activities		
Proceeds from issuance of units	-	6,613,500
Unit issue costs	(36,263)	(781,376)
Proceeds from bank indebtedness	-	900,000
Repayment of bank indebtedness	(899,406)	(595)
Net cash flow provided by (used in) financing activities	<u>(935,669)</u>	<u>6,731,529</u>
Net increase (decrease) in cash and short-term investments	172,935	443,953
Cash and short-term investments - beginning of period	<u>443,953</u>	<u>-</u>
Cash and short-term investments - end of period	<u>616,888</u>	<u>443,953</u>
Supplementary information		
Interest paid	6,139	390

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Statement of Investment Portfolio

As at December 31, 2010

	Maturity/ expiry Date	Par Value / Quantity	Average Cost \$	Fair Value \$	% of Net Assets
Short-Term Investments					
Banker's acceptance					
Royal Bank of Canada	1/4/2011	100,000	99,919	99,920	1.6%
Canadian Imperial Bank of Commerce	1/28/2011	100,000	99,728	99,728	1.6%
Bank of Nova Scotia	2/28/2011	100,000	99,751	99,751	1.6%
Canadian Imperial Bank of Commerce	2/28/2011	150,000	149,584	149,584	2.4%
Bearer deposit notes					
Royal Bank of Canada	3/23/2011	150,000	149,529	149,529	2.4%
			<u>598,511</u>	<u>598,512</u>	<u>9.6%</u>
Investments					
Canadian equities					
Energy					
ARC Energy Trust Units		16,302	310,553	414,234	6.6%
Artek Exploration Ltd.		86,000	378,400	110,940	1.8%
Base Oil & Gas Ltd.		1,000,000	300,000	220,000	3.5%
Celtic Exploration Ltd.		29,600	307,100	524,512	8.4%
NuVista Energy Ltd.		24,600	308,860	227,550	3.6%
Progress Energy Resources Corp.		37,000	435,883	469,900	7.5%
Reliable Energy Ltd.		1,860,000	799,800	623,100	9.9%
Storm Resources		36,745	139,725	145,143	2.3%
Surge Energy Inc.		50,000	289,000	363,000	5.8%
Tourmaline Oil Corp.		33,000	594,000	717,750	11.5%
Vero Energy		50,500	332,250	289,365	4.6%
Wild Stream Exploration Inc.		39,700	257,523	379,532	6.1%
			<u>4,453,094</u>	<u>4,485,026</u>	<u>71.6%</u>
Materials					
Anvil Mining		57,000	318,630	340,860	5.3%
Guyana Goldfields		30,000	316,179	321,000	5.1%
Metanor Resources Inc.		1,141,400	662,013	507,923	8.1%
Metanor Resources Inc. warrants	12/11/2011	1,120,700	-	54,384	0.9%
			<u>1,296,822</u>	<u>1,224,167</u>	<u>19.4%</u>
Total Canadian equities			<u>5,749,916</u>	<u>5,709,193</u>	<u>91.0%</u>
Total investments (before transaction costs)			<u>5,749,916</u>	<u>5,709,193</u>	<u>91.0%</u>
Transaction costs			<u>(9,709)</u>	<u>-</u>	<u>0.0%</u>
Total investments			<u>5,740,207</u>	<u>5,709,193</u>	<u>91.0%</u>
Cash				<u>18,376</u>	<u>0.3%</u>
Liabilities, net of other assets				<u>(58,331)</u>	<u>-0.9%</u>
Net assets				<u>6,267,750</u>	<u>100.0%</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Notes to Financial Statements

As at December 31, 2010 and 2009

1 Formation of Partnership

The Connor, Clark & Lunn 2009 Flow-Through Limited Partnership (the "Partnership") was formed under the laws of the Province of Ontario pursuant to a Partnership Agreement dated October 13, 2009 between Connor, Clark & Lunn 2009 Flow-Through Management Corp., as General Partner (the "General Partner"), and Darren Cabral, as the Initial Limited Partner, and became a limited partnership effective October 13, 2009. Darren Cabral holds the position of Director and Vice-President at Connor, Clark & Lunn Capital Markets Inc.

Pursuant to a limited partnership agreement dated October 13, 2009 (the "Limited Partnership Agreement") between the General Partner and Darren Cabral, the Initial Limited Partner at that time, and each person who became a Limited Partner thereafter, the General Partner is entitled to a 0.01% beneficial interest in the Partnership. As at December 31, 2010 and 2009, the General Partner held no Units in the Partnership. The Limited Partners will be allocated on a pro rata basis 99.9% of the net income or loss of the Partnership and 100% of any eligible expenditures renounced to the Partnership, and 0.01% of the net income or loss of the Partnership will be allocated to the General Partner. On dissolution, Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of such assets after payment of all liabilities of the Partnership.

Mutual Fund Rollover Transaction: The Limited Partnership Agreement provides that the General Partner will dissolve the Partnership on or about September 30, 2011, subject to the right of the General Partner to extend the dissolution date by up to three months. The General Partner can also transfer the assets of the Partnership to a mutual fund (the "Liquidity Alternative") pursuant to an agreement (the "Transfer Agreement"), in exchange for units of a mutual fund, prior to the dissolution of the Partnership. However, this Transaction is subject to the receipt of all necessary regulatory approvals, and is at the discretion of the General Partner.

Pursuant to a management agreement dated November 20, 2009, Connor, Clark & Lunn Capital Markets Inc. (the "Manager") has been retained by the Partnership to provide investment advisory and portfolio management services to the Partnership and to manage the ongoing business and administrative affairs of the Partnership.

2 Investment objectives

The Partnership has been organized to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource issuers whose shares are listed on a public exchange and (up to a maximum of 20% of the Gross Proceeds) flow-through shares of private resource issuers with a view to achieving income and capital appreciation for Limited Partners. The principal businesses of the resource issuers are:

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

3 Summary of significant accounting policies

Basis of presentation

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

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

Valuation of Investments

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

The Partnership continues to calculate its net asset value for pricing purposes using the closing prices of securities. As at December 31, 2010, the Partnership's net asset value per unit was \$23.88 (2009 - \$21.71). The difference between the net asset value per unit and the net assets per unit as shown on the Statement of Net Assets is due to the different pricing methodology discussed above. The reconciliation between the Transactional NAV and the GAAP Net Assets as a result of the adoption of Sections 3855 is as follows:

	<u>Transactional</u> <u>NAV</u>	<u>Section 3855</u> <u>Adjustment</u>	<u>GAAP</u> <u>Net Assets</u>
Per Unit			
Opening Value – December 31, 2009	21.71	(0.29)	21.42
Closing Value – December 31, 2010	23.88	(0.19)	23.69

Cash

Cash includes cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

Income recognition

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

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Notes to Financial Statements

As at December 31, 2010 and 2009

Unit valuation

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

Increase (decrease) in net assets from operation per unit

This calculation is based on the increase (decrease) in net assets from operations divided by the weighted average number of units outstanding during the period.

4 Loan payable

The Partnership has entered into a non-revolving term credit facility agreement (the "Credit Agreement") with Bank of Montreal ("BMO") dated November 26, 2009. The aggregate amount of borrowings under the loan facility and other leverage transactions may not exceed 15% of the original gross proceeds of the offering.

Borrowing is used solely to finance the Agents' fees, and other expenses of the Offering (including legal, accounting and audit, travel, marketing and sales expenses), the Manager's fee and certain operating and administrative costs and expenses of the Partnership that were not expected to be fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2009, in order to maximize the investment of the Gross Proceeds in flow-through shares.

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

During the year ended December 31, 2010, the Credit Facility had a minimum balance outstanding of \$nil and maximum balance outstanding of \$900,000 (from \$nil to \$900,000 during the period from November 26, 2009 (date of Credit Facility Agreement) to December 31, 2009). The related total interest expense during the year ended December 31, 2010 was \$6,053 (\$390 during the period from November 26, 2009 (date of Credit Facility Agreement) to December 31, 2009). Credit facility was cancelled on June 2, 2010.

5 Partners' Equity

Units of the Partnership were offered to the public by way of prospectus. On November 26, 2009 (commencement of operations), the Partnership issued 264,540 transferable units of one class, each of which represents an equal, undivided interest in the net assets of the partnership and in any rights and privileges. The Partnership will not issue any more units. The Partnership is expected to be dissolved on or about September 30, 2011.

There is no market through which the Units may be sold and none is expected to develop. The Units will not be listed on any stock exchange. Investors are likely to find it difficult or impossible to sell their Units. Under the Partnership Agreement, Units may be transferred by a Limited Partner subject to certain conditions.

Changes in outstanding units during the year ended December 31, 2010 and during the period from November 26, 2009 (commencement of operations) to December 31, 2009 are summarized as follows:

	December 31, 2010	December 31, 2009
Balance – beginning of period/year	264,540	–
Units issued	–	264,540
Units redeemed	–	–
Balance – end of period/year	<u>264,540</u>	<u>264,540</u>

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

6 Custodian

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

7 Management fees and other expenses

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

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Notes to Financial Statements

As at December 31, 2010 and 2009

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

“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 (November 26, 2009) 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 Mutual Fund Rollover Transaction; and
- b. the Business Day immediately prior to the day of dissolution or termination of the Partnership.

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

8 Broker commission charges and soft dollar services

There were \$44,913 during the year ended December 31, 2010 (\$nil during the period from November 26, 2009 (commencement of operations) to December 31, 2009) broker commissions paid in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.

9 Financial instruments

	2010	2009
Assets	\$	\$
Cash	18,376	344,024
Held for trading	6,307,705	6,604,231
Loans and receivables	7,124	4
Total assets	6,333,205	6,948,259
Liabilities		
Financial liabilities at amortized cost	65,455	1,282,940
Total liabilities	65,455	1,282,940

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

The following table illustrates the classification of the Partnership’s financial instruments within the fair value hierarchy as at December 31, 2010 and 2009:

Assets at fair value as at December 31, 2010	Level 1	Level 2	Level 3	Total
Equities	5,654,809	54,384	–	5,709,193
Short-term investments	–	598,512	–	598,512
Total	5,654,809	652,896	–	6,307,705

Assets at fair value as at December 31, 2009	Level 1	Level 2	Level 3	Total
Equities	5,530,765	152,397	821,140	6,504,302
Short-term investments	–	99,929	–	99,929
Total	5,530,765	252,326	821,140	6,604,231

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

Equities: The Partnership’s long equity positions are classified as Level 1 when these securities are actively traded and a reliable quote is observable. Securities such as warrants with model driven pricing (e.g. Black Scholes) based on market observable inputs are classified as level 2. Long equity positions are classified as Level 3 when fair values are based on broker quote in an inactive active market.

Short-term investments: Short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities

The following is a reconciliation of investments in which significant unobservable (Level 3) were used in determining value during the years ended December 31, 2010 and 2009:

Connor, Clark & Lunn 2009 Flow-Through Limited Partnership

Notes to Financial Statements

As at December 31, 2010 and 2009

	2010 (\$)	2009 (\$)
Opening Balance	821,140	–
Accrued discount/premiums	–	–
Realized gain (loss)	–	–
Change in unrealized appreciation/depreciation	7,550	(151,260)
Purchases	–	972,400
Sales	–	–
Net transfers in and/or out of Level 3 (*)	(828,690)	–
Closing Balance	–	821,140
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2010	7,550	(151,260)

(*) Investments were transferred from Level 3 to Level 1 as a result of becoming publicly traded securities.

10 Financial instrument risk

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

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds, fixed income derivatives and interest-bearing liabilities such as the loan payable. The Partnership is exposed to the risk that the value of interest-sensitive financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Other assets and liabilities are short-term in nature and non-interest bearing. As at December 31, 2009 the Partnership had exposure to interest rate risk through the loan payable. As at December 31, 2010, interest rate risk was negligible as the Partnership had no significant exposure to interest-bearing investments and loans payable.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Partnership's functional currency. The Partnership is exposed to risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. As at December 31, 2010 and 2009, currency risk was negligible as the Partnership had no significant exposure to securities denominated in currencies other than the Canadian dollar.

Other market risk

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

If equity prices had increased or decreased by 10% on December 31, 2010, all other variables held constant, the net assets of the Partnership would have increased or decreased, respectively, by approximately \$571,000 (December 31, 2009 - \$650,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Concentration Risk

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

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

Liquidity risk

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

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

The Partnership's financial liabilities are all short-term in nature and are expected to mature within three months of the December 31, 2010 report date.