

JUNE 2011 UPDATE

The Connor, Clark & Lunn flow-through limited partnerships (the “LPs”) are designed to provide investors with a tax-assisted investment in a diversified portfolio of flow-through shares of companies involved in oil & gas and mineral exploration, development and production. The portfolios of the Connor, Clark & Lunn 2009 Flow-Through Limited Partnership and the Connor, Clark & Lunn 2010 Flow-Through Limited Partnership are actively managed by Connor, Clark & Lunn Investment Management Ltd. (“CC&L”) and the LPs are managed by Connor, Clark & Lunn Capital Markets Inc. Both companies are affiliates of Connor, Clark & Lunn Financial Group, a Canadian multi-boutique asset management firm responsible for the investment of over \$39 billion in financial assets through its affiliated investment managers on behalf of institutional, private and retail clients.

Our goal is to form partnerships with successful advisors and continually earn their business by providing them with well-designed LPs to meet the tax-planning needs of their clients with a view toward achieving capital appreciation.

KEY SUCCESS FACTORS IN LP INVESTING AND THE CC&L ADVANTAGE

The key success factors that we have identified in successfully managing LPs include:

- 1. Strong Management:** Industry knowledge and experience matters. CC&L’s team, has a strong absolute and relative track record of investing in resource companies, large and small, dating back more than a decade. CC&L manages approximately \$4 billion in investments in resource companies for both institutional and retail investors, more than many of our competitors in the flow-through sector, and is part of Connor, Clark & Lunn Financial Group which is responsible for the investment of over \$39 billion in financial assets through its affiliated investment managers.
- 2. Strong Relationships:** CC&L’s team of portfolio managers have decades of experience and strong relationships with management teams of resource companies and underwriters. There is a finite supply of flow-through shares issued every year. We can leverage our relationships together with our size to maximize our allocations to high quality companies in ways others cannot. This is a key competitive advantage in assembling a strong portfolio.
- 3. Prudent Stewardship:** Connor, Clark & Lunn Capital Markets Inc. is a leading provider of investment products to retail clients and adheres to the highest standards of care to ensure the best interests of investors are served. We structure our LPs with prudent size

TOP TEN HOLDINGS

Both LPs have assembled positions in high quality resource companies. Listed below are the top ten holdings as at June 30, 2010.

CC&L 2010 TOP TEN	% of Portfolio
Tourmaline Oil Corp.	29.2%
Vero Energy	13.5%
Sabina Gold & Silver Corp	10.6%
Rock Energy	10.1%
Premier Gold Mines Ltd	9.0%
St Andrew Goldfields Ltd	8.3%
Reliable Energy Ltd.	5.2%
Strategic Oil & Gas Ltd.	4.5%
Yoho Resources Inc.	3.4%
Base Oil & Gas Ltd.	2.4%
Total	96.2%

CC&L 2009 TOP TEN	% of Portfolio
Tourmaline Oil Corp.	15.9%
Surge Energy Inc.	11.6%
Reliable Energy Ltd.	10.6%
Wild Stream Exploration Inc.	8.9%
Vero Energy	8.1%
Progress Energy Resources Corp.	7.6%
ARC resources Ltd	6.1%
Celtic Exploration Ltd.	5.3%
Storm Resources	5.2%
Anvil Mining	3.9%
Total	83.2%

constraints to maximize exposure to quality companies and create more opportunity for better performance to enable us to continually earn our client's business and build a sustainable platform. There is a finite supply of flow-through shares issued by resource companies each year. Larger limited partnerships have to put more money to work and investing it all in good companies can be a challenge which can impact performance.

CC&L INVESTMENT PHILOSOPHY

In general, we look for the following attributes in resource companies:

- Repeatable resource style plays.
- Proven management teams that have previously delivered above average shareholder returns.
- Proven low cost finders and producers that have demonstrated strong recycle ratios.
- Inventory of drilling opportunities; identifiable multi-year opportunity was preferable.
- Superior technical skills to take advantage of new drilling and completion technologies.
- Significant upside potential in reserve base.
- Balance sheet flexibility and strong financial stewardship to manage through troughs in commodity cycles.

CONTINUED SOLID PERFORMANCE

CC&L 2009 and 2010 LPs

The CC&L 2010 LP closed in May, 2010 and successfully invested 100% of the gross proceeds from the initial public offering in a portfolio weighted approximately 70% to the energy sector and 30% in materials. This almost reversed the allocation of the 2009 LP, which was invested about 65% in materials. Both portfolios continued to perform well through June 30, when the 2009 LP held a NAV of \$25.30 and the 2010 LP a NAV of \$21.36.

PORTFOLIO MANAGER'S COMMENTARY

ENERGY

Oil prices, as measured by West Texas Intermediate ("WTI"), hit a high of almost US\$115 per barrel in April – which briefly exceeded the high end of our expected range for H1/11 of US\$80 per barrel to US\$100 per barrel. The initial push towards the high end of our range was expected given the continued strength in global oil demand (to record levels of

OTHER INFORMATION

CC&L 2010 LP

NAV (June 30, 2011):	\$21.36
Inception:	May 2010
Expected Rollover :	July 2012
Federal Tax Shelter Number :	TS076612
Quebec Tax Shelter Number:	QAF-10-01380

CC&L 2009 LP

NAV (June 30, 2011):	\$25.15
Inception:	Nov 2009
Expected Rollover :	Sep 2011
Federal Tax Shelter Number :	TS075960
Quebec Tax Shelter Number:	QAF-09-01351

Net asset values are reported weekly at www.cclcapitalmarkets.com.

almost 90 MMBbl/d). However, the subsequent move through our US\$100 per barrel 'ceiling' was short lived as it related to political turmoil in the Middle East, which has since subsided. Since reaching a peak of US\$115 per barrel, recent economic data has pointed towards anemic growth through H1/11 in the U.S. and Eurozone economies, adding to the risk of another economic slowdown. As a result, oil prices have moved back towards the low end of our expected range at US\$80 per barrel. Barring a setback to economic fundamentals (similar to those witnessed in 2008, which could push oil prices below the marginal cost of supply at US\$70 per barrel), we believe that strong demand from emerging economies will continue to offset demand weakness in developing countries (i.e. the OECD) resulting in support for oil prices within our expected range of US\$80 per barrel to US\$100 per barrel. Importantly, we note that even with the recent pullback in oil prices to the US\$80 per barrel level, we still see a scenario where oil weighted producers can generate rates of return on investment in excess of 20% (while limiting meaningful cost inflation for services that could occur at oil prices in the US\$100 per barrel range).

Meanwhile, Henry Hub natural gas prices continue to be range bound as expected 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 very 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 has set a new high again in 2011 on the back of sovereign and political risk factors. Developments in Europe, which include the Greece restructuring/default and the risk of contagion to other weak peripheral countries (such as Ireland, Portugal, Spain and now Italy), are pressuring the outlook for the Euro (along with other fiat currencies), which is supporting upward pressure on gold. In addition to the Eurozone problems, China is suffering from strong inflation, negative real interest rates, and a massive excess supply of M1 and M2 – necessitating bank reserve increases and lending limits. The US continues to struggle with its obvious problems, including record deficits, persistent unemployment and a sluggish manufacturing recovery, all of which support accommodative monetary policy, which remains very supportive for gold prices. Accordingly, gold continues to hit new highs in most currencies and continues to outperform almost all asset classes – a trend we see persisting through H2/11.

Base Metals

The first-half of 2011 was plagued by demand factors from the European debt crisis, the Japanese earthquake and an uncertain macroeconomic environment. In addition, the downgrade of US debt by S&P has increased the risk of uncertainty in the current environment. However, China and other emerging markets remain the main driver of metals demand. China's current five-year plan continues to emphasize urbanization and focus on infrastructure and housing spending, both expected to keep demand for commodities strong. On the supply side, new projects continue to face inflationary challenges, relating to both capital expenditures and operating expenses. Copper continues to be effected by supply issues and a resurgence of Chinese demand expected in H2/11, which is expected to push copper into a new record territory in 2011. The nickel outlook is expected to be challenging due to an abundance of supply coming online over the next two years. A lack of major capital commitments over the last few years in zinc and uranium should see a significant shortfall in production by mid-decade. An increase to iron ore supply is coming but barriers to entry remain high and supply risks exist. Australia, currently the largest seaborne metallurgical coal exporter, has an insufficient project pipeline to meet long-term demand.