



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn Capital Class Inc.
(Natural Resources Class)**

Annual Report

June 30, 2011

September 28, 2011

Dear Investor,

I am pleased to provide the second annual report for the Connor, Clark & Lunn Capital Class Inc., Natural Resources Class (the "Fund" or "Natural Resources Class") for the year ended June 30, 2011.

The Fund seeks to generate long-term growth by providing investors with exposure to Canadian natural resource companies. The principal business of the companies that we invest in include: (1) oil and gas exploration, development and production; (2) mineral exploration, development and production; (3) forestry-related industries; (4) alternative energy development and production; and (5) resource-related services such as service and infrastructure providers for natural resource companies. Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") is responsible for managing the Fund's portfolio and utilizes the expertise of portfolio managers from their fundamental equity team that is focused exclusively on natural resources.

The Fund performed well during the past year generating a total return of 45.8%. This compares well to its benchmark which was up by 20.8%. The portfolio currently has an asset mix of approximately 60% energy and 40 materials. The Fund's two largest positions on June 30, 2011 were Surge Energy Inc. and Copper Mountain mining Corp.

The Fund was originally created to provide a roll-over vehicle for limited partners in Connor, Clark & Lunn Flow Through Limited Partnerships. Investors who received Natural Resources Class Shares as a result of the rollover of the Partnerships can continue to defer the capital gains tax liability that results from the disposition of their investment by maintaining their investment in the Fund. As a result of the rollover of the assets of the limited partnerships into the mutual fund, the adjusted cost base of the Fund's holdings is very low and therefore trading actively in the Fund is likely to cause significant capital gains.

The Fund uses a corporate structure that enables us to create additional funds under the same structure that investors can switch between without triggering a taxable disposition. We have introduced a balanced class which is managed by Connor, Clark & Lunn Managed Portfolios Inc. The goal is to provide investors in the Fund with the financial flexibility and freedom to re-adjust their portfolio to suit their needs without realizing a capital gain.

The Fund is available for sale through investment dealers and financial planners via Fundserv code CCL100. Please check our web site for quarterly investment updates and other timely information. We appreciate your investment in the Fund and look forward to good performance as the Fund matures.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
Connor, Clark & Lunn Natural Resources Fund Inc.

Management Report of Fund Performance

This annual management report of fund performance for Connor, Clark & Lunn Capital Class Inc., Natural Resources Class (the “Fund” or “Natural Resources Class”), contains financial highlights but does not contain the complete annual financial statements of the Fund. **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 or by visiting www.sedar.com.

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

Any reference to “Net Assets” or “Net Assets per Share” 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 Share” or “Transactional NAV” means that the value was determined for valuation and transactional purposes in accordance with Canadian Securities Administrators.

Investment Objectives and Strategy

The Fund is a class of shares issued by the Connor, Clark & Lunn Capital Class Inc. (Formerly Connor, Clark & Lunn Natural Resources Fund Inc.) (The “Corporation”) (a corporation incorporated under the laws of Province of Ontario on September 11, 2009 pursuant to articles of incorporation). The Fund has been created to acquire all of the assets of the Flow-Through Limited Partnerships managed by the Fund’s Manager, which consisted primarily of common shares of resource issuers, in exchange for shares of the Fund, as a result of transfer agreements dated October 3, 2007 and February 15, 2008 respectively.

The Fund seeks to generate long term growth by providing investors with exposure to Canadian natural resource companies. The principal business of the companies that the Fund can invest in include:

- (i) oil and gas exploration, development and production;
- (ii) mineral exploration, development and production;
- (iii) forestry-related industries;
- (iv) alternative energy development and production; and
- (v) resource-related services such as service and infrastructure providers for natural resource companies.

Connor, Clark & Lunn Investment Management Ltd. (the “Investment Manager”) utilizes an active fundamentals based approach to achieve the Fund’s investment objectives. When assessing a resource company, the Investment Manager looks at the number of key characteristics: (i) strong and experienced management team; (ii) demonstrated ability to create shareholder value; (iii) well-defined strategic plan with visibility; (iv) quality assets that provide organic growth potential; (v) strong board and corporate governance; (vi) strong balance sheet and funding ability; (vii) diversified risk exposures; and (viii) defined financial metric goals.

Risk

No material changes in the risk profile of the Fund took place over the period. The risks of investing in the Fund's shares are described in the Fund's Simplified Prospectus.

Recent Developments

Future accounting changes

The Canadian Accounting Standards Board ("AcSB") previously confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. In June 2010, the AcSB issued an exposure draft "Adoption of IFRSs by Investment Companies", proposing that investment companies currently applying Accounting Guideline 18 ("AcG 18") "Investment Companies" issued by the Canadian Institute of Chartered Accountants ("CICA"), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the AcSB approved the optional one year deferral from IFRS adoption for investment companies applying AcG 18.

At its January 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises for one additional year to 2013. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012, which is the current date of mandatory adoption of IFRS for these entities. As a result, the Fund will delay implementation of IFRS until January 1, 2013.

The Fund's Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the net assets of the Fund. Management has presently determined that there will be no significant impact to net assets per Unit as a result of the changeover to IFRS but will continue to assess based on any changes to existing IFRS.

Results of Operations

Caution regarding forward-looking statements

The analysis in the document includes forward looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward-looking statements. Such statements reflect the opinion of Manager and the Portfolio's portfolio managers regarding factors that might be reasonably expected to affect the performance and the distributions on shares of the Portfolio, and are based on information available at the time of writing. The Fund's Manager believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable, but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

Investment Advisor Commentary (July 2011)

Energy

Oil prices, as measured by West Texas Intermediate ("WTI"), hit a high of almost US\$115 per barrel in April – which exceeded the high end of our expected range for the first half of 2011 of US\$80 per barrel to US\$100 per barrel. The initial push towards the high end of our range at US\$100 per barrel was expected given the continued strength in global oil demand (to record levels of almost 90 million barrels per day). However, the re-emergence of a 'risk premium' (relating to supply disruptions in the Middle East) added an estimated US\$10 per barrel to oil prices. Barring a setback to economic fundamentals (which could push oil prices back towards the marginal cost of supply at US\$70 per barrel but is not within our forecast at this time), we believe that strong demand from emerging economies will continue to drive overall global oil demand to new highs this year, supporting oil prices at the high end of our expected range. That said, we remain wary of oil

prices exceeding the US\$110 per barrel, given the potential for demand destruction above these levels. The recent pullback in oil prices to the US\$95 per barrel level presents an optimal scenario as this price level provides a very healthy environment for oil weighted producers to generate rates of return on investment in excess of 30% without upsetting the global recovery.

Meanwhile, Henry Hub natural gas prices continue to be range bound between US\$4.00 per thousand cubic feet (“Mcf”) and US\$5.50/Mcf as expected. 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 even 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 the second half of 2011.

Base Metals

While the first half of 2011 was plagued by near-term demand factors from the European debt crisis, the Japanese earthquake and an uncertain macroeconomic environment, the long-term outlook for demand will be largely driven by China and other developing Asian economies. The most predominant swing factor in the outlook for the metals and bulk commodities is supply. 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.

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

Copper Mountain Mining Corp.: Copper Mountain is developing the Copper Mountain project located in British Columbia. The Project is owned 75% by Copper Mountain Mining Corporation and 25% by Mitsubishi Materials Corporation. Copper Mountain announced that construction of the processing plant at its Copper Mountain project is complete. It has also announced that it has produced first copper concentrate. Mill throughput is reported to be about 70% of the designed capacity with full commercial production expected by the end of Q3/11. We continue to believe that the ongoing ramp-up should result in a re-rating of the company’s shares as the project enters commercial production.

Surge Energy Inc.: This management team was the reincarnation of a previously successfully vehicle, Breaker Energy (which was eventually sold to NAL Oil & Gas). The company will replicate its strategy of acquiring focused properties from majors in which it will use horizontal drilling to develop reservoirs that have previously only been developed via simple vertical drilling (enhancing the return on invested capital by 2x to 3x on a comparative basis). We began to acquire this company effectively in line with its base net asset value of \$5.00 during the summer of 2010, which provided material downside protection (however, with strong growth we now estimate the NAV will grow to \$9.00 by calendar year end). From a production perspective, we see attractive upside potential with a view that the company should generate almost 50% organic production growth from 2010 exit to 2011 exit (representing top decile growth within its peer group).

Anvil Mining: Anvil Mining operates in the Democratic Republic of the Congo in Central Africa. The main focus for the company is its Kinsevere Stage II SX/EW copper project. Commissioning Kinsevere Stage II continues to advance with results to date having met or exceeded expectations and design levels. We expect the mine to be in commercial production by Q3/11. For 2012 we expect the company to hit full run-rate production of 130 mmlb at a cost of \$1.05/lb (versus current spot copper prices of \$4.25/lb). We continue to see upside in the stock as it re-rates to a producer. In addition, Anvil intends to recommence its exploration activities at Kinsevere and Mutoshi in 2011. The company anticipates completing an updated resource estimate for the Kinsevere resource in early 2012.

Capital transactions

On October 16, 2009, former limited partners of the Connor, Clark & Lunn 2007 Flow-Through Limited Partnership (“the Partnership”) received 1.24962 Shares of the Fund for each Partnership Unit held pursuant to a rollover transaction, for a total amount of \$9,996,948 or 999,695 Shares.

On April 5, 2010, former limited partners of the Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (“the Partnership”) received 2.5022 Shares of the Fund for each Partnership Unit held pursuant to a rollover transaction, for a total amount of \$14,623,608 or 1,441,658 Shares.

During the year ended June 30, 2011, the Fund paid 7,512,156 to redeem 597,742 Shares (the Fund paid \$8,866,827 to redeem 889,025 Shares during the period from October 16, 2009 (commencement of operations) to June 30, 2010). During the year ended June 30, 2011, the Fund also had 50,561 Shares transferred to the Balanced Portfolio Class Shares for the amount \$664,246 (50,045 Shares transferred to the Balanced Portfolio Class Shares for the amount \$496,238 during the period from October 16, 2009 (commencement of operations) to June 30, 2010).

Distributions

From time to time, the Fund may choose to make distributions to shareholders. The Fund will make payable each year its income for tax purposes and capital gains to ensure that the Fund will not be liable for income tax under the Tax Act (Canada). These distributions are made in the form of shares.

During the year ended June 30, 2011, the Fund declared a non-cash distributions of \$6,504,913 (\$nil during the period from October 16, 2011 (commencement of operations) to June 30, 2010). Immediately after this non-cash distribution, the number of shares was consolidated such that each shareholder held, following the consolidation, the same number of shares of the Fund as such shareholder held before this non-cash distribution

Related Party Transactions

Management Fees

Pursuant to a management agreement (“the Management Agreement”) the Fund retained Connor, Clark & Lunn Capital Markets Inc. (“the Manager”) to act as manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Fund, the Manager is entitled to an annual management fee in an amount equal to 2.00% per annum of the net asset value of the Fund to be calculated and payable monthly in arrears, plus applicable taxes.

The total management fees charged to the Fund during the year ended June 30, 2011 were \$313,484 (\$160,054 during the period from October 16, 2009 (commencement of operations) to June 30, 2010).

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

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended June 30, 2011.

Financial Highlights

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

The Fund's Net Assets per Share:

	June 30, 2011	June 30, 2010 ⁽¹⁾
Net Assets, beginning of period	9.52	10.00
Increase (decrease) from operations:		
Total revenues	0.03	0.15
Total expenses	(0.65)	(0.38)
Realized gains (losses) for the period	4.32	(0.24)
Unrealized gains (losses) for the period	1.41	(0.39)
Total increase (decrease) from operations ⁽²⁾	5.11	(0.86)
Distributions:		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
Total Distributions	—	—
Net Assets, end of period ⁽³⁾	13.87	9.52

⁽¹⁾ Results for the period from October 16, 2009 (commencement of operations) to June 30, 2010.

⁽²⁾ Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of shares of 1,118,117 shares outstanding as of June 30, 2011 (June 30, 2010 – 1,105,242).

⁽³⁾ This is not reconciliation between the opening and the closing net assets per share.

Ratios and Supplemental Data:

	June 30, 2011	June 30, 2010 ⁽¹⁾
Net asset value (000's)	11,890	14,349
Number of shares outstanding	854,478	1,502,781
Management expense ratio (annualized) ⁽²⁾	4.45%	3.56%
Management expense ratio before waivers or absorptions (annualized) ⁽²⁾	4.45%	3.56%
Portfolio turnover rate ⁽³⁾	117.86%	230.75%
Trading expense ratio ⁽⁴⁾	0.67%	1.32%
Net asset value per Share ⁽⁵⁾	13.92	9.55

⁽¹⁾ Results for the period from October 16, 2009 (commencement of operations) to June 30, 2010.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The Fund's turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund'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 Fund.

⁽⁴⁾ 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.

⁽⁵⁾ Reconciliation between GAAP Net Assets and Transactional NAV is available in note 3 of the financial statements.

Summary of Investment Portfolio as of June 30, 2011

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund.

A quarterly update is available at www.cclcapitalmarkets.com and www.sedar.com.

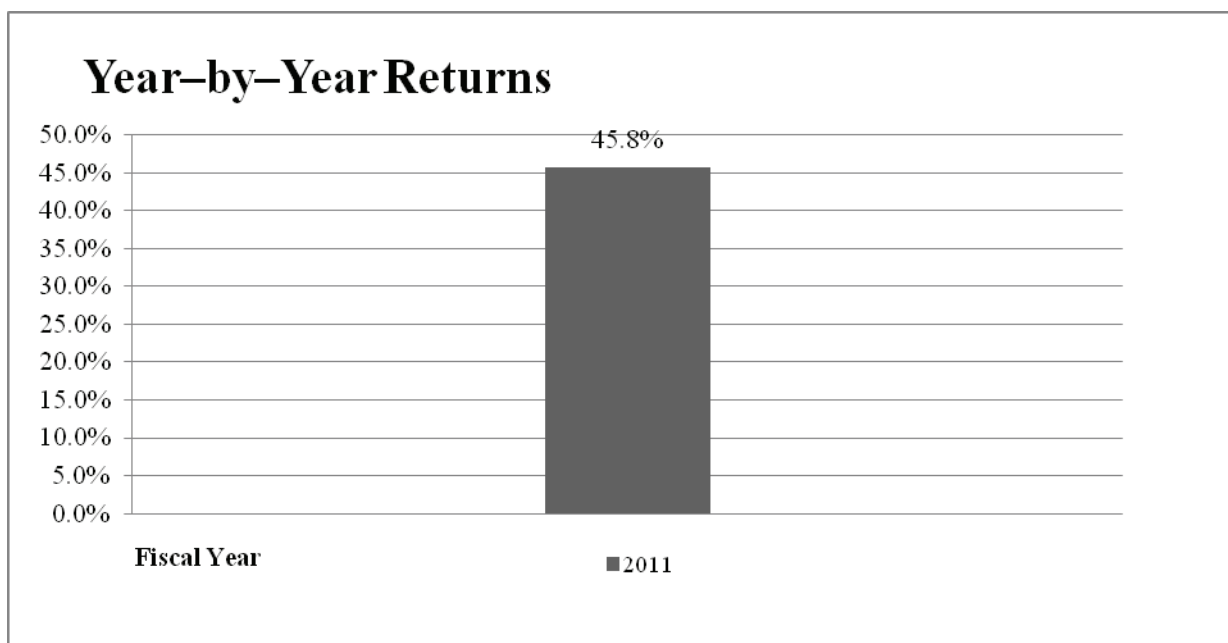
Portfolio by Category	Market Value \$	% of NAV
Energy	7,002,460	59.0%
Materials	4,839,016	40.6%
Cash & Cash Equivalents	287,310	2.4%
Top 25 Holdings		
Surge Energy Inc.	753,876	6.3%
Copper Mountain Mining Corp	741,024	6.1%
Wild Stream Exploration Inc.	733,945	6.2%
Anvil Mining	670,140	5.5%
Potash Corp. of Saskatchewan	638,928	5.4%
Vero Energy	578,245	4.9%
Secure Energy Services Inc.	565,220	4.8%
Huron Energy Corp. Flow Through	560,964	4.7%
Alamos Gold	531,801	4.4%
Osisko Mining Corp.	520,153	4.4%
Storm Resources	460,485	3.9%
Tourmaline Oil Corp.	432,444	3.6%
Lundin Mining	410,700	3.5%
Bankers Petroleum Ltd.	391,472	3.3%
Sabina Gold & Silver Corp	379,370	3.2%
Calfrac Well Services Ltd.	368,532	3.1%
Canadian Natural Resources Ltd.	339,612	2.9%
Cash & Cash Equivalents	287,310	2.4%
Peyto Exploration & Development	275,200	2.3%
Guyana Goldfields	274,000	2.3%
Valeura Energy Inc.	220,500	1.9%
BNK Petroleum	219,450	1.8%
Western Energy Services Corp.	194,992	1.6%
Flint Energy Services Ltd.	190,978	1.6%
Hana Mining	176,320	1.5%
Net asset value (NAV)	11,890,277	

Past Performance

The following bar charts and table indicate the annual performance of the Fund's Shares by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the cash distributions made by the Fund in the periods shown were reinvested. Past performance is not necessarily indicative of future performance.

Year – by –Year Returns

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



Annual Compound Returns

	Past Year	Since Inception ⁽¹⁾
Based on NAV	45.8%	21.23%
Index ⁽²⁾	20.8 %	8.9%

⁽¹⁾ Annualized for the period October 19, 2009 (Commencement of operations) to June 30, 2011.

⁽²⁾ 60% S&P/TSX Capped Energy Index and 40% S&P/TSX Capped Materials Index.

The Fund invests primarily in resources companies in the energy and materials sectors at approximately 60% and 40% respectively but has historically had a higher weighting in energy. The benchmark index is therefore a blended index weighted 60% to the S&P/TSX Capped Energy Index and 40% to the S&P/TSX Capped Materials Index.

Management's Responsibility for Financial Reporting


The accompanying financial statements of **Connor, Clark & Lunn Capital Class Inc., Natural Resources Class (the "Fund" or "Natural Resources Class")** and all the information have been prepared by Connor, Clark & Lunn Capital Markets Inc. in its capacity as Manager of the Fund and have been approved by the Board of Directors of the Manager. The Fund's Manager is responsible for all 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 Manager has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management 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 shareholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements.



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



Darren N. Cabral
Vice President and Chief Financial Officer
Connor, Clark & Lunn Capital Markets Inc.

Toronto, Canada

September 28, 2011

September 28, 2011

Independent Auditor's Report

**To the Shareholders of
Connor, Clark & Lunn Capital Class Inc. (Natural Resource Class)
(the Fund)**

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at June 30, 2011, the statements of net assets as at June 30, 2011 and 2010 and the statements of operations and changes in net assets for the year ended June 30, 2011 and period from October 16, 2009 (commencement of operations) to June 30, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Fund as at June 30, 2011 and 2010 and the results of its operations and the changes in its net assets for the year ended June 30, 2011 and for the period from October 16, 2009 (commencement of operations) to June 30, 2010 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Statement of Net Assets

As at June 30, 2011 and 2010

	2011	2010
	\$	\$
Assets		
Cash	87,882	35,529
Short-term investments	199,428	899,164
Investments at fair value (cost - \$10,659,235, 2010 - \$13,338,554)	11,804,141	12,906,413
Interest and dividends receivable	5,310	15,260
Receivable from investment sales	338,756	764,703
Prepaid expenses and other receivables	67,362	-
	<u>12,502,879</u>	<u>14,621,069</u>
Liabilities		
Payable for investment purchases	124,614	223,200
Redemptions payable	340,196	9,877
Accounts payable and accrued liabilities	164,990	49,809
Management fees payable	20,145	26,720
	<u>649,945</u>	<u>309,606</u>
Net Assets and Shareholders' Equity	<u>11,852,934</u>	<u>14,311,463</u>
Shares issued and outstanding (note 4)	<u>854,478</u>	<u>1,502,781</u>
Net assets per Class A share	<u>13.87</u>	<u>9.52</u>

Approved by the Manager



Director



Director

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Statement of Operations

For the Year ended June 30, 2011 and the period from October 16, 2009 (commencement of operations) to June 30, 2010

	2011	2010
	\$	\$
Income		
Dividends	35,470	158,393
Interest	2,162	1,206
Other income	-	1,657
	<u>37,632</u>	<u>161,256</u>
Expenses		
Management fees (note 6)	313,484	160,054
Audit fees	118,630	10,753
Transaction costs	96,223	143,627
Service fees (note 6)	78,851	38,148
Legal fees	36,597	13,551
Custodial and other shareholders' fees (note 5)	25,091	3,869
Administration fees	21,737	13,577
Transfer agent fees	20,797	16,836
Filing fees	14,245	11,108
Other	2,510	3,881
IRC fees	1,753	1,512
Printing fees	1,223	-
Interest expense	458	650
	<u>731,599</u>	<u>417,566</u>
Investment income (loss) for the period	(693,967)	(256,310)
Net realized gain (loss) on investments		
Net realized gain (loss) on investments	<u>4,834,832</u>	<u>(262,522)</u>
Net unrealized gain (loss) on investments		
Unrealized gain (loss) on investments	1,577,047	(432,141)
Unrealized gain (loss) on foreign exchange	(39)	35
	<u>1,577,008</u>	<u>(432,106)</u>
Net gain (loss) on investments	<u>6,411,840</u>	<u>(694,628)</u>
Increase (decrease) in net assets from operations	<u>5,717,873</u>	<u>(950,938)</u>
Increase (decrease) in net assets from operations per share *	<u>5.11</u>	<u>(0.86)</u>

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

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Statement of Changes in Net Assets

For the Year ended June 30, 2011 and the period from October 16, 2009 (commencement of operations) to June 30, 2010

	2011	2010
	\$	\$
Increase (decrease) in net assets from operations	<u>5,717,873</u>	<u>(950,938)</u>
Distributions to unitholders (note 7)	<u>-</u>	<u>-</u>
Shareholders' transactions (note 4):		
Sale of shares	-	4,910
Shares issued pursuant to Transfer Agreement	-	24,620,556
Transfers to the Balanced Class Shares	(664,246)	(496,238)
Payments on redemption of shares	<u>(7,512,156)</u>	<u>(8,866,827)</u>
	<u>(8,176,402)</u>	<u>15,262,401</u>
Change in net assets during the period	<u>(2,458,529)</u>	<u>14,311,463</u>
Net assets - Beginning of period	<u>14,311,463</u>	<u>-</u>
Net assets - End of period	<u>11,852,934</u>	<u>14,311,463</u>

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Statement of Investment Portfolio As at June 30, 2011

	Interest rate	Maturity date	Par Value/ Quantity	Average Cost \$	Fair Value \$	% of Net Assets
Short Term Paper						
Bearer deposit notes						
Bank of Nova Scotia	1.56%	9/6/2011	200,000	199,428	199,428	1.7%
Investments						
Canadian equities						
Energy						
Bankers Petroleum Ltd.			56,900	434,482	391,472	3.3%
BNK Petroleum			47,500	171,526	219,450	1.9%
Calfrac Well Services Ltd.			11,600	258,781	368,300	3.1%
Calmena Energy Services Inc.			231,500	143,650	114,593	1.0%
Canadian Natural Resources Ltd.			8,400	304,591	338,604	2.9%
EnCana Corp.			3,900	119,612	115,830	1.0%
Ensign Energy Services			6,800	100,453	130,016	1.1%
Flint Energy Services Ltd.			13,700	218,177	190,430	1.6%
Huron Energy Corp. Flow Through (*)			186,988	563,964	560,964	4.7%
MEG Energy Corp.			2,500	123,461	125,324	1.1%
Midway Energy Ltd.			7,900	32,562	33,101	0.3%
Peyto Exploration & Development			12,800	250,903	275,072	2.3%
Progress Energy Resources Corp.			8,700	108,788	119,451	1.0%
Secure Energy Services Inc.			59,000	344,862	563,450	4.8%
Storm Resources			92,097	359,672	460,485	3.9%
Strateco Resources Inc.			160,600	140,682	75,482	0.6%
Surge Energy Inc.			77,400	490,812	750,006	6.3%
Tourmaline Oil Corp.			13,497	242,946	431,904	3.6%
Valeura Energy Inc.			900,000	271,492	216,000	1.8%
Vero Energy			106,100	651,279	578,245	4.9%
Western Energy Services Corp.			25,999	191,105	188,493	1.6%
Wild Stream Exploration Inc.			64,100	452,741	730,740	6.2%
				<u>5,976,541</u>	<u>6,977,412</u>	<u>59.0%</u>
Materials						
Alamos Gold			33,300	503,107	530,469	4.4%
Anvil Mining			109,500	339,107	667,950	5.5%
Cathay Forest Products Corp. (*)			351,700	241,180	70,340	0.6%
Copper Mountain Mining Corp.			99,200	304,293	741,024	6.2%
Guyana Goldfields			40,000	424,084	273,200	2.3%
Hana Mining			121,600	604,352	173,888	1.5%
Keegan Resources Inc.			18,600	148,033	139,128	1.2%
Lundin Mining			55,500	311,307	410,145	3.5%
Mirasol Resources Ltd			26,600	155,458	113,050	1.0%
North American Palladium Ltd.			43,400	285,207	171,864	1.4%
Osisko Mining Corp.			34,700	500,426	518,765	4.4%
Potash Corp. of Saskatchewan			11,600	613,882	637,536	5.4%
Sabina Gold & Silver Corp			64,300	284,026	379,370	3.2%
				<u>4,714,462</u>	<u>4,826,729</u>	<u>40.6%</u>
Total Canadian equities				<u>10,691,003</u>	<u>11,804,141</u>	<u>99.6%</u>
Total Investments (before transaction costs)				<u>10,691,003</u>	<u>11,804,141</u>	<u>99.6%</u>
Transaction costs (note 3)				<u>(31,768)</u>	<u>-</u>	<u>0.0%</u>
Total investments				<u>10,659,235</u>	<u>11,804,141</u>	<u>99.6%</u>
Other assets less liabilities					<u>(150,635)</u>	<u>-1.3%</u>
Net assets					<u>11,852,934</u>	<u>100.0%</u>

(*) Private placement

(The accompanying notes are an integral part of these financial statements)

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Notes to Financial Statements

June 30, 2011

1 Formation of Partnership

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class (the "Fund" or "Natural Resources Class") is a class of share issued by the Connor, Clark & Lunn Capital Class Inc. (Formerly Connor, Clark & Lunn Natural Resources Fund Inc.) (The "Corporation") (a corporation incorporated under the laws of Province of Ontario on September 11, 2009 pursuant to articles of incorporation). The Fund has been created to acquire all of the assets of the Connor, Clark & Lunn 2007 Flow-Through Limited Partnership and Connor, Clark & Lunn 2008 Flow-Through Limited Partnership (the "Flow-Through LPs"), which consisted primarily of common shares of resource issuers, in exchange for shares of the Fund, as a result of transfer agreements dated October 3, 2007 and February 15, 2008 respectively.

Pursuant to a management agreement dated September 30, 2009, Connor, Clark & Lunn Capital Markets Inc. (the "Manager") has been retained by the Fund to provide investment advisory and portfolio management services to the Fund and to manage the ongoing business and administrative affairs of the Fund.

2 Investment objectives

The Fund seeks to generate long term growth by providing investors with exposure to Canadian natural resource companies. The principal business of the companies that the Fund can invest in include:

- (i) oil and gas exploration, development and production;
- (ii) mineral exploration, development and production;
- (iii) forestry-related industries;
- (iv) alternative energy development and production; and
- (v) resource-related services such as service and infrastructure providers for natural resource companies.

Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") utilizes an active fundamentals based approach to achieve the Fund's investment objectives. When assessing a resource company, the Investment manager looks at the number of key characteristics: (i) strong and experienced management team; (ii) demonstrated ability to create shareholder value; (iii) well-defined strategic plan with visibility; (iv) quality assets that provide organic growth potential; (v) strong board and corporate governance; (vi) strong balance sheet and funding ability; (vii) diversified risk exposures; and (viii) defined financial metric goals.

3 Summary of significant accounting policies

Basis of presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Fund.

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 Fund calculates its daily Net Asset Value for the purchase and redemption of shares in accordance with part 14.2 of National Instrument 81-106 ("Transactional NAV") based on the fair value of the investment fund's assets and liabilities (being the last traded price for the day). The Fund did not change its methodology in this respect. The reconciliation between the Transactional NAV and the GAAP Net Assets as a result of the adoption of Section 3855 is as follows:

	<u>Transactional</u> NAV	<u>Section 3855</u> Adjustment	<u>GAAP</u> Net Assets
Per Share			
at June 30, 2011	13.93	(0.06)	13.87
at June 30, 2010	9.55	(0.03)	9.52

Income recognition

Income from investments is recognized on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash) are attributable to investments and derivatives which are deemed held for trading.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars "the functional currency of the Fund" at the exchange rate prevailing at the end of the year. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates.

Increase (decrease) in net assets from operations per share

Increase (decrease) in net assets from operations per share in the statement of operations represents the increase (decrease) in net assets from operations, divided by the weighted average shares outstanding for the financial period.

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Notes to Financial Statements

June 30, 2011

Valuation of Shares

Net assets per share and/or NAV per share on any given day is equivalent to the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund, divided by the number of Shares outstanding on that day. A NAV per share is determined as of the close of business each day that the Toronto Stock Exchange is open for trading. Net assets per share is determined twice annually for financial statement purposes.

Designation of financial assets and liabilities

For the purpose of measuring and recognizing assets and liabilities, the following designations have been made: All investments, including derivatives, if any, are initially recognized at fair value and are designated as held for trading. Accrued interest and dividends receivable, amounts receivable for capital shares sold and securities sold, and other assets are designated as loans and receivables and reported at cost or amortized cost. Amounts payable for securities purchased and capital shares redeemed, other liabilities and accrued expenses, are designated as other financial liabilities and reported at amortized cost.

Related party transactions

All related party transactions occur in the normal course of operations and are recorded at an amount of consideration agreed to by the parties.

Accounting estimates

The preparation of financial statements in accordance with Canadian GAAP may require the Manager to make estimates and assumptions that effect the reporting amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense reported during the periods. Actual results may differ from those estimates.

Future accounting changes

The Canadian Accounting Standards Board ("AcSB") previously confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. In June 2010, the AcSB issued an exposure draft "Adoption of IFRSs by Investment Companies", proposing that investment companies currently applying Accounting Guideline 18 ("AcG 18") "Investment Companies" issued by the Canadian Institute of Chartered Accountants ("CICA"), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the AcSB approved the optional one year deferral from IFRS adoption for investment companies applying AcG 18.

At its January 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises for one additional year to 2013. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012, which is the current date of mandatory adoption of IFRS for these entities. As a result, the Fund will delay implementation of IFRS until January 1, 2013.

The Fund's Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the net assets of the Fund. Management has presently determined that there will be no significant impact to net assets per Unit as a result of the changeover to IFRS but will continue to assess based on any changes to existing IFRS.

4 Shareholders' Equity

The Fund is authorized to issue an unlimited number of shares. The Manager has entered into a transfer agreement dated October 3, 2007 (the "2007 Transfer Agreement"), pursuant to which the Fund acquired all of the assets of the Connor, Clark & Lunn 2007 Flow-Through Limited Partnership ("the 2007 Partnership"), which consists primarily of shares of resource issuers, in exchange for Shares of the Fund. On October 16, 2009, former limited partners of the 2007 Partnership received 1.24962 Shares of the Fund for each 2007 Partnership Unit held pursuant to a rollover transaction, for a total amount of \$9,996,948 or 999,695 Shares. The NAV of the Shares issued during the initial distribution period was \$10.00. Immediately after the initial distribution period, the Fund began issuing and redeeming Shares based on the NAV per Share going forward. The initial distribution period ended once the Fund completed its acquisition of the assets of the Flow-Through LP in exchange for Shares of the Fund in accordance with the 2007 Transfer Agreement.

The Manager has also entered into a second transfer agreement dated February 15, 2008 (the "2008 Transfer Agreement"), pursuant to which the Fund acquired all of the assets of the Connor, Clark & Lunn 2008 Flow-Through Limited Partnership ("the 2008 Partnership"). On April 5, 2010, former limited partners of the 2008 Partnership received 2.5022 Shares of the Fund for each 2008 Partnership Unit held pursuant to a rollover transaction, for a total amount of \$14,623,608 or 1,441,658 Shares at \$10.14 per Share.

The Fund has no restrictions or specific requirements on the subscription and redemption of shares. Shares can be purchased and/or redeemed through a dealer as outlined in the prospectus dated November 24, 2010.

During April 2010, the Corporation issued a second class of shares, Connor, Clark & Lunn Capital Class Inc., Balanced Portfolio Class Shares, Series 1 (CC&L Balanced Portfolio Class). Holders of Shares can switch into Balanced Portfolio Class on a tax-deferred basis and vice versa.

During the year ended June 30, 2011, the Fund paid 7,512,156 to redeem 597,742 Shares (the Fund paid \$8,866,827 to redeem 889,025 Shares during the period from October 16, 2009 (commencement of operations) to June 30, 2010). During the year ended June 30, 2011, the Fund also had 50,561 Shares transferred to the Balanced Portfolio Class Shares for the amount \$664,246 (50,045 Shares transferred to the Balanced Portfolio Class Shares for the amount \$496,238 during the period from October 16, 2009 (commencement of operations) to June 30, 2010).

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Notes to Financial Statements

June 30, 2011

Changes in outstanding shares during the year ended June 30, 2011 and the period from October 16, 2009 (commencement of operation) to June 30, 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Opening balance	1,502,781	–
Sales	–	498
Shares issued pursuant to Transfer Agreements	–	2,441,353
Transfers to Balanced Portfolio Class	(50,561)	(50,045)
Redeemed during the period	<u>(597,742)</u>	<u>(889,025)</u>
Ending balance	<u>854,478</u>	<u>1,502,781</u>

The Fund considers capital to include all shares issued and outstanding. The Fund manages its capital in accordance with the objectives outlined in Note (2).

5 Custodian

Pursuant to the Trust Agreement RBC Dexia Investor Services Trust (“the Custodian”) acts as custodian of the assets of the Fund, whose credit rating was AA- by S&P as of June 30, 2011. The Custodian is also responsible for certain aspects of the Fund’s day-to-day operations, including calculating the Net Asset Value (“NAV”), net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian.

6 Management fees and other expenses

The Manager receives a Management Fee from the Fund equal to 2.00% per annum of the Net Asset Value of the Fund, which is accrued daily and paid monthly. The total management fees charged to the Fund during the year ended June 30, 2011 were \$313,484 (\$160,054 during the period from October 16, 2009 (commencement of operations) to June 30, 2010). The Manager is responsible for payment of the investment management fees out of these management fees. The Manager pays the Investment Manager out of the above management fees.

The Fund also pays a service fee to dealers whose clients hold Shares in the Fund. The service fee is calculated and payable each calendar quarter in arrears and is equal to 0.50% annually of the Net Asset Value of the Shares held by clients of the dealers. The total service fees charged to the Fund during the year ended June 30, 2011 were \$78,851 (\$38,148 during the period from October 16, 2009 (commencement of operations) to June 30, 2010).

7 Distributions

From time to time, the Fund may choose to make distributions to shareholders. The Fund will make payable each year its income for tax purposes and capital gains to ensure that the Fund will not be liable for income tax under the Tax Act (Canada). These distributions are made in the form of shares.

During the year ended June 30, 2011, the Fund declared a non-cash distributions of \$6,504,913 (\$nil during the period from October 16, 2011 (commencement of operations) to June 30, 2010). Immediately after this non-cash distribution, the number of shares was consolidated such that each shareholder held, following the consolidation, the same number of shares of the Fund as such shareholder held before this non-cash distribution.

8 Broker commission charges and soft dollar services

There were \$96,223 broker commissions paid during the year ended June 30, 2011 (\$143,627 broker commissions paid during the period from October 16, 2009 (commencement of operation) to June 30, 2010) in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.

9 Income taxes

The Corporation presently qualifies as a “mutual fund corporation” as defined in the Income Tax Act (Canada) (the “Act”).

The Corporation computes its income (loss) and net capital gains (losses) for income purposes as a single entity. Net losses of one Class may be used to offset net gains of another Class to reduce the net income or net gain of the Corporation as a whole. As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a tax of 33 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. Interest income and foreign dividends, net of applicable expenses, are taxed at full corporate rates applicable to mutual fund corporations with credits, subject to certain limitations, for foreign taxes paid. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Corporation qualifies as a mutual fund corporation. Income taxes (if any) are allocated to the Classes of the corporation on a reasonable basis.

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Notes to Financial Statements

June 30, 2011

10 Financial instruments

	June 30, 2011	June 30, 2010
Assets	\$	\$
Cash	87,882	35,529
Held for trading	11,804,141	12,906,413
Loans and receivables	610,856	1,679,127
Total assets	12,502,879	14,621,069
Liabilities		
Held for trading	-	-
Financial liabilities at amortized cost	649,945	309,606
Total liabilities	649,945	309,606

For the purposes of categorization in accordance with Section 3862, short-term investments, interest and dividends receivable and receivable from investment sales are deemed to be loans and receivables and recorded at cost or amortized cost. Similarly, payable for investment purchases, accounts payable and accrued liabilities, redemptions payable and management fees payable are deemed to be financial liabilities and reported at amortized cost.

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2011 and 2010:

Assets at fair value as at June 30, 2011 (\$)	Level 1	Level 2	Level 3	Total
Equities	11,172,837	-	631,304	11,804,141
Short-term notes	-	199,428	-	199,428
Total	11,172,837	199,428	631,304	12,003,569

Assets at fair value as at June 30, 2010 (\$)	Level 1	Level 2	Level 3	Total
Equities	11,836,202	-	1,070,211	12,906,413
Short-term notes	-	899,164	-	899,164
Total	11,836,202	899,164	1,070,211	13,805,577

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 Fund's long equity positions are classified as Level 1 as all these securities are actively traded and a reliable quote is observable. Securities classified as Level 3 are investments in private placements. The assessment of the fair values of these private placements requires the use of significant unobservable inputs.

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

	June 30, 2011 (\$)	June 30, 2010 (\$)
Opening Balance	1,070,211	-
Realized gain (loss)	-	(6,500)
Change in unrealized appreciation/depreciation	(170,141)	(3,699)
Purchases	453,000	2,823,910
Sales	-	935,500
Net transfers in and/or out of Level 3	(892,606)	(395,511)
Closing Balance	631,304	1,070,211
Net change in unrealized appreciation (depreciation) from investments still held as of end of period	(170,141)	(3,699)

In the Manager's view, use of reasonably possible other assumptions in the valuation of level 3 securities as of June 30, 2011 is not estimated to change the fair value by more than -\$63,000 or -0.5% of Net Assets to +\$63,000 or +0.5% of Net Assets calculated on an aggregated basis (-\$248,000 or -1.7% of Net Assets to +\$248,000 or +1.7% of Net Assets as of June 30, 2010). In practice, the actual results may differ from these estimates materially both on an aggregate and on an individual security basis. Estimates of fair value are reviewed monthly by the Manager.

11 Financial instrument risk

The Fund may be exposed to a variety of financial risks. The Investment Manager seeks to minimize potential adverse effects of these risks on the Fund's performance through daily monitoring of the Fund'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.

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

Notes to Financial Statements

June 30, 2011

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and fixed income derivatives. The Fund 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. The table below summarizes the Fund's exposure to interest rate risks. It includes the assets and trading liabilities at fair values for the Fund, categorized by the earlier of contractual re-pricing or maturity dates.

June 30, 2011:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	–	–	11,804,141	11,804,141
Cash and cash equivalents	199,428	–	–	–	87,882	287,310
Other assets	–	–	–	–	411,428	411,428
Liabilities	–	–	–	–	(649,945)	(649,945)
Net assets						11,852,934

June 30, 2010:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	–	–	13,158,413	13,158,413
Cash and cash equivalents	899,164	–	–	–	35,529	934,693
Other assets	–	–	–	–	527,963	527,963
Liabilities	–	–	–	–	(309,606)	(309,606)
Net assets						14,311,463

As at June 30, 2011, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$400 (June 30, 2010 - \$1,000). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at June 30, 2011.

As at June 30, 2011 the Fund had 1.7% (6.2% as of June 30, 2010) of its Net Assets invested in short term notes rated A-1+ by Standard & Poor's ("S&P"), and no debt securities were contractually past due or no longer meeting interest payment obligations.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund is also exposed to the credit risk of the custodian whose S&P credit rating as of June 30, 2010 and 2011 was AA- .

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. As at June 30, 2011 and 2010, currency risk was negligible as the Fund 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 factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Investment Manager 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 Fund'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 June 30, 2011, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately \$1,180,000 (June 30, 2010 - \$1,316,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Other price risk

Investments in natural resource companies or in income or royalty trusts based on commodities, such as oil and gas, will be affected by changes in commodity prices. Commodity prices tend to be cyclical and can move dramatically in short periods of time. In addition, new discoveries or changes in government regulations can affect the price of commodities.

For small companies, start-ups, resource companies and companies in emerging sectors, the risks and potential rewards are usually greater. The share price of such companies is often more volatile than the share price of larger, more established companies. For example, some of the products and services offered by emerging technology companies can become obsolete as science and technology advance, causing volatility to the share prices of such companies.

Connor, Clark & Lunn Capital Class Inc., Natural Resources Class

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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 Fund invests primarily in securities issued by firms engaged in the oil and gas, mineral exploration, forestry-related industries, alternative energy industries and resource-related services, the Net Assets may be more volatile than portfolio 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

Liquidity risk refers to the possibility that an asset is not able to be sold on an organized market for a price that approximates the amount at which we value the same asset for purposes of calculating the Net Assets. There can be a number of reasons that an asset or a security is not liquid. For example, some issuers may be less well known or have fewer securities outstanding. A security or asset can also be considered to be illiquid because the pool of potential buyers is smaller. Sometimes securities are restricted in the sense that resales are prohibited by a promise or agreement made by the holder of the securities, and this in turn may reduce the amount of capital appreciation or magnify the capital loss in the Fund's investment portfolio. Such securities are identified separately on the Statement of Investment Portfolio.

All liabilities are current and are due within the ninety days following year end.

12 Subsequent events

On a tax deferred basis the assets of Connor, Clark & Lunn 2009 Flow-Through Limited Partnership (the "Partnership") as of trade date September 28, 2011 will transfer to the Fund in exchange for shares of the Fund at the NAVPU on the trade date