MIDDLEFIELD
TSX-LISTED FUNDS

OilSands Canada Corporation

Annual Report 2008

Corporate Profile

Since its inception in 1979, the Middlefield Group, with over $3.0 billion in assets under management, has established a strong reputation as a creator and manager of unique investment products designed to balance risk and return to meet the demanding requirements of investment advisors and their clients. These financial products include private and public resource funds, venture capital assets, mutual funds, real estate and closed-end, publicly traded income funds.

Many of Middlefield's investment products are designed and managed by our own professionals while some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. Our investment team comprises portfolio managers, analysts and traders. Guardian Capital LP, one of the pioneers in income trust investing, acts as Co-Advisor on several of our income funds while Groppe, Long & Littell, based in Houston and one of the world's leading forecasters of oil and natural gas prices, acts as Special Advisor with respect to the strategic outlook for the energy sector.

Looking ahead, Middlefield remains committed to the goal of developing new and unique investment products to assist investment advisors in providing added value for their clients.

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A NOTE ON FORWARD LOOKING STATEMENTS

This document may contain forward looking statements, including statements regarding the Fund, its strategies, goals and objectives, prospects, future performance or condition, possible future actions to be taken by the Fund, the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward looking statements are not guarantees of future performance, and actual results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund invests; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.

Middlefield TSX-Listed Funds

2008 Message to Investors

The year 2008 will likely be remembered as a period of extreme capital market volatility and economic weakness that was caused by turmoil in the credit markets. The creation and rapid growth in popularity of financially engineered debt instruments such as asset-backed commercial paper helped power the capital markets over the past few years. However, as these highly levered and complex structures unravelled during 2008, they have caused a global collapse of the financial system and a slowing of global economic growth. A concurrent movement towards de-leveraging and a rush towards liquidity by hedge funds further exacerbated this implosion as valuations that were inflated by hedge funds on the way up were deflated at alarming rates and were a major cause of volatility. Economies around the world that previously expected gross domestic product growth were forced to downgrade their forecasts and a few, including the United States of America, fell into recession. China, the juggernaut whose double-digit growth powered global equity markets over the last few years, is now expected to grow at a relatively modest high single-digit pace in the coming twelve months.

The dramatic deterioration of the American and Chinese economies in 2008 significantly reduced global demand for commodities. The prices for copper and nickel, which both experienced significant price increases when demand expectations were high, declined by 54% and 55% from the beginning of the year. Crude oil was in the spotlight for much of 2008 as expected Chinese demand was the catalyst for waves of speculative activity that drove the price of oil to over US$146 per barrel. While several analysts responded with upward price estimate revisions to figures as high as US$200 per barrel, Middlefield's advisor, Groppe, Long & Littell, forecasted a retreat towards fundamentally supported levels. We responded by increasing the cash weighting in our portfolios which served to reduce some of the volatility experienced among several Middlefield funds.

While the financial crisis was global in nature, the conservative nature of Canada's banking institutions helped place Canada in a stronger position relative to many of its global peers, including the U.S. This was reflected in the relative performance of Canada's primary equity index, the S&P/TSX Composite, which lost 33% in 2008 on a total return basis as compared to the 45% and 37% losses posted by the MSCI EAFE and the S&P 500, respectively.

Much of the weakness in the Canadian economy and in its equity capital markets in 2008 can be attributed to the poor performances of the information technology and the materials sectors, which were the two worst performing sectors. The S&P/TSX Information Technology Index generated a total return loss of 49% in 2008 led by the plummeting share value of Nortel Networks, which lost 98%. The S&P/TSX Materials Index posted a total return loss of 27% on weakness from miners such as Mercator Minerals Ltd., which lost 96%.

Throughout 2008, income trusts outperformed the broader Canadian market on a total return basis due in large part to the upfront returns provided in the form of distributions. The S&P/TSX Income Trust Index posted a total return loss of 26%, which outperformed the broader S&P/TSX Composite Index by 7 percentage points. Despite challenging conditions, merger and acquisition activity continued in 2008 with trusts such as Fording Canadian Coal Trust and Sleep Country Canada being acquired at healthy premiums that helped boost investor returns. Recognizing the impact of the tax changes that are scheduled to take effect in 2011, Middlefield portfolios continue to focus on issuers that offer the potential to grow their businesses, either organically or by way of acquisition, thereby mitigating the impact of the tax changes. Based on the attraction of upfront distributions, continuing low interest rates and the aging population, demand for higher yielding equity alternatives will continue to grow. Therefore, we believe that companies offering high levels of sustainable income should continue to receive premium valuations as they attract conservative investors, strategic buyers and income-oriented investment plans.

Middlefield mitigates investment risk by complementing our investment management expertise with the added expertise of other reputable money managers and sector advisors, as described hereafter. Thus, we combine Middlefield's strong track record in the natural resource, real estate and income trust sectors with the strong track records of the following value-added partners:

Guardian Capital LP

Guardian, one of the pioneers in income trust investing, acts as Co-Advisor on several of our income funds. Guardian was founded in 1962 and currently manages approximately $11 billion in client assets. Guardian provides a comprehensive range of domestic and global investment management services to institutional investment managers spanning equity, fixed income and balanced investment mandates. Led by John Priestman, Guardian's income trust team, including Kevin Hall and Michele Robitaille, has an exceptional track record of investing in the income trust sector.

Groppe, Long & Littell

Groppe, Long & Littell is an oil and gas consulting firm with an international reputation for accurately forecasting long-range oil and gas supply, consumption and prices. The firm has worked with an impressive roster of corporate clients including Chevron, Shell and EnCana, and has been involved in the development of U.S. national and state governmental energy policy. In addition, it has advised Alberta's Department of Energy for several years. Henry Groppe, the firm's founder, has over 50 years of experience in the energy and petrochemical industries and is a leading authority on the oil and gas industry.

Collins Stewart

Collins Stewart is an investment bank headquartered in London with offices in select locations worldwide including: New York, Jersey, Guernsey, Isle of Man, Dublin, Paris, Geneva, Singapore and Mumbai. The Group's Wealth Management division is the largest investment manager and stockbroker in the Channel Islands. Through its advisory division, Collins Stewart is one of the leading independent corporate finance firms in Europe.

Middlefield funds are actively managed. When compared with passively managed funds, active management can substantially enhance returns and mitigate risk. In particular, it affords our funds the flexibility to adjust security selection and weights, sector allocations and asset mixes as the outlook changes. In addition, due to the volatility in the capital markets throughout the year, we have managed our portfolios with little to no leverage and, in some cases, higher than normal cash balances. Similarly, active security selection helped enhance returns of several Middlefield portfolios as they participated in the initial public offering of PBS Coals, a coal mining company that was acquired by Russia's SeverStal prior to its first day of trading at a healthy premium.

Our disciplined, active investment approach mitigates risk by focusing our portfolios on companies with strong management teams and balance sheets. The emphasis on financial strength has been especially important in the current tight credit environment and has helped us avoid several potential landmines. Due to this rigorous approach, Middlefield did not have a single investment in a company that collapsed due to credit market pressures this past year.

Middlefield also took the opportunity to merge INDEXPLUS Income Fund with Middlefield Equal Sector Income Fund and HTR Total Return Fund with the former becoming the continuing fund. This amalgamation provided our investors with the opportunity to hold units in a fund with a larger market capitalization, increased trading liquidity and a lower operating cost on a per unit basis. As of the completion of the merger, the combined assets of INDEXPLUS were approximately $265 million.

Outlook

As financial markets undergo a period of unprecedented turbulence resulting in many equity valuations becoming disconnected from their fundamental value, we intend to be opportunistic while maintaining our conservative, safety-first approach. We will also continue to favour companies that offer high levels of sustainable income as these investments provide an income cushion that helps mitigate volatility. We also maintain the view that income-oriented Canadian investors will continue to look for investment products that will help them meet their income objectives. Given the lack of alternatives available in Canada, we believe that companies offering high levels of sustainable income should continue to attract significant investor interest and receive premium valuations. It is our intention at Middlefield to continue to provide our investors with long-term investments that provide high levels of income.

We remain very positive on the oil and gas sector based upon the view that global oil production is peaking. As a result, we expect the impact of tightening supply to cause upward pressure on the price of crude oil. Canada holds approximately half of the world's investable oil reserves. In light of its relatively stable political environment, relatively strong economy and proximity to the U.S., which is the world's largest consumer of crude oil, Canada is arguably the most attractive area in the world to acquire exposure to the oil market. Our advisor believes that the Organization of Petroleum Exporting Countries is once again cutting too much production in response to market price fluctuations. An overreaction that is similar to its actions in 2006–2007 is expected to cause an upward price spike as overly constrained supply fails to meet fundamental demand. Groppe, Long and Little also views the recent deferrals in facility upgrades as further support for higher oil prices as this delays expected future supply.

Looking forward, we plan to build upon the strong franchise that we have developed in the Canadian structured products market. Our plans include expanding our product line to provide investors with exposure to additional attractive investment opportunities. We would like to take this opportunity to thank our directors and employees for their commitment and dedication over the past year. Above all, we want to thank the many thousands of financial advisors and investors who have demonstrated their trust in Middlefield by including our funds in their investment portfolios. We intend to continue to earn your trust through good service and performance.

W. Garth Jestley
Managing Director and Chief Executive Officer

Dean C. Orrico
Managing Director and Chief Investment Officer

Annual Management Report of Fund Performance

For the Year Ended December 31, 2008

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund that follow this report.

Shareholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group, One First Canadian Place, 58th Floor, P.O. Box 192, Toronto, Ontario, Canada, M5X 1A6 or by visiting our website at www.middlefield.com to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management's Discussion of Fund Performance

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of OilSands Canada Corporation (the "Fund") is to achieve capital appreciation of the Fund's investment portfolio (the "Portfolio"). The Fund invests predominantly in securities of issuers that operate in or have exposure to the Canadian oil sands sector. Additionally, in order to endeavour to enhance returns, up to 20% of the Portfolio from time to time may be invested in securities of private issuers which, in the view of Middlefield Capital Corporation ("MCC" or the "Advisor") are acquisition targets or are likely to become publicly listed in the near to mid term. The Portfolio is focused on securities which, in the Advisor's view, are of high quality issuers that exhibit strong fundamentals and possess superior prospects for growth.

RISK

The Fund is exposed to several risks that may affect its performance. The overall risk of the Fund is as described in its prospectus dated July 24, 2007. During the past year, the overall risk level of the Fund may have been impacted as follows:

Market Risk

Market risk describes the Fund's exposure to volatility in the market value of its underlying securities. During the past year, equity markets around the world experienced significant volatility as the global financial system deteriorated and economic growth slowed. Volatility in commodity prices and interest rates also led to increased market risk. The Fund seeks to mitigate risk through active management and through consultation with Groppe, Long & Littell ("Groppe"), an oil and gas consulting firm based in Houston, who acts as a Special Advisor to MCC. Groppe provides analysis of the global and political forces impacting the prices of oil and natural gas.

RESULTS OF OPERATIONS

Investment Performance

The net assets of the Fund decreased from $42.1 million at December 31, 2007 to $19.7 million at December 31, 2008 and on a per equity share basis decreased from $8.83 at December 31, 2007 to $4.64 at December 31, 2008. The decrease in net assets was largely due to the freezing of global credit markets as well as the significant decline of oil prices which resulted in the announcement of delays in many oil sands projects.

Assisted by the research of Groppe, the Advisor remains positive on the long-term outlook for Canada's oil sands sector. There have been no fundamental changes to the investment objectives and strategies of the Fund. The Portfolio is well positioned with substantial unused leverage and an attractive cash position to take advantage of near-term opportunities when oil prices adjust upwards to reflect a more fundamental driven price range.

Revenue and Expenses

Revenue for the year ended December 31, 2008 amounted to $1.0 million and was comprised of dividends and distributions received on the Fund's Portfolio as well as interest earned on cash balances. Expenses for the year ended December 31, 2008 totalled $0.8 million. Both revenue and expenses were up significantly over last year since the 2008 results reflect a full year of operations. The Fund recorded a $0.1 million income tax expense in respect of taxable dividends received during 2008. Net investment income was $0.2 million in 2008 similar to the prior year and on a per equity share basis increased to $0.04 compared to $0.03 for the partial period in 2007. There were no dividends paid to shareholders for the year ended December 31, 2008 and the Fund does not expect to pay regular dividends.

Credit Facility
The Fund has a credit facility, which enables the Fund to borrow up to an amount not exceeding 25% of total assets. At year end, the Fund had a loan payable in the amount of $5.5 million representing approximately 16.5% of total assets and 27.9% of net assets. The minimum and maximum amounts borrowed during 2008 were $nil and $5.5 million, respectively. The credit facility provides the lender with a security interest over the assets of the Fund.

Trends
Based on the view of Groppe, we remain very positive on the energy sector and continue to hold the view that global oil production is peaking. The Special Advisor believes that the Organization of Petroleum Exporting Countries is once again cutting production to a level which will cause crude oil prices to rise significantly in 2009 as constrained supply fails to meet fundamental demand.

Canada is in an enviable position as it holds approximately half of the world's investable oil reserves, has a relatively stable political environment, and is a neighbour to the world's largest oil consumer, the United States. Major oil companies and investors are increasingly becoming aware that Canada is arguably the most attractive area in the world for investment in oil. Oil sands producers are currently undergoing some challenges, such as high capital and operating costs as well as growing environmental concerns. Notwithstanding these concerns, we expect the oil sands to be developed over the next five to ten years as they are too large a resource and their strategic importance too significant to the global supply of oil.

RELATED PARTY TRANSACTIONS
Pursuant to a management agreement, Middlefield Fund Management Limited (the "Manager") receives a management fee. For further details please see the "Management Fees" section of this report. Middlefield Capital Corporation, a company under common management with the Manager, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions from the Fund in connection with securities transactions. All brokerage commissions paid by the Fund were at or below market rates. For further details please see the notes to the financial statements.

MANAGEMENT FEES
Management fees are calculated at 1.1% per annum of the Net Asset Value of the Fund and are split between the Manager and the Advisor. The Manager receives fees for performing such services as maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees for providing investment advice in respect of the portfolio in accordance with the investment objectives and strategies of the Fund.

RECENT DEVELOPMENTS
On November 19, 2008, the Alberta government announced a Transitional Royalty Rates ("TRR") Program to promote new oil and gas drilling. Until the end of 2013, the TRR will allow companies to elect, prior to drilling a qualifying well, the new transitional royalty rates over the previous royalty rates that started on January 1, 2009. The TRR is most beneficial for medium depth wells which the Alberta government estimates to be approximately 20% of the total eligible wells to be drilled.

On September 2, 2008, the Fund received approval from the Toronto Stock Exchange to make a normal course issuer bid for its equity shares. The notice of intent (the "Notice") enables the Fund to purchase up to 420,316 equity shares, being 10% of the public float of the equity shares, during the 12 month period from September 4, 2008 to September 3, 2009. Shareholders may obtain a copy of the Notice, without charge, by contacting the Fund.

Adoption of New Accounting Standards
On January 1, 2008, the Fund adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook section 1535 "Capital Disclosures", Handbook section 3862 "Financial Instruments – Disclosures" and Handbook section 3863 "Financial Instruments – Presentation".

Section 1535 requires the Fund to disclose information that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital.

Sections 3862 and 3863 replaced Handbook section 3861 "Financial Instruments – Disclosure and Presentation", revised and enhanced its disclosure requirements, and continued its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks.

Effective September 8, 2008, amendments to National Instrument 81-106 “Investment Fund Continuous Disclosure” (“NI 81-106”) issued by the Canadian Securities Administrators (“CSA”) permit investment funds to have two different net asset values: one for financial statements (referred to as “Net Assets”) prepared in accordance with CICA Handbook section 3855 "Financial Instruments - Recognition and Measurement” and one for transactional pricing purposes (referred to as “Net Asset Value”). The CSA requires that the difference between Net Assets and Net Asset Value be explained in the notes to the financial statements.

Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

The Manager has developed a conversion plan to meet the timetable published by the CICA for the changeover to IFRS. The key elements of the plan include the disclosures of the qualitative impact in the 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS. The impact the conversion from Canadian generally accepted accounting principles (“GAAP”) to IFRS will have on the Fund’s net assets, accounting policies, financial statements and other business arrangements is being evaluated by the Manager in accordance with the IFRS conversion plan. The key elements of the plan and progress to date are outlined below:

Key Activity	Timing	Progress To Date
Financial Statement Preparation • Identify relevant differences between Canadian GAAP and IFRS to enable selection of IFRS 1 transition policies and continuing IFRS accounting policies. • Determine financial statement format including nature and extent of note disclosure. • Quantify effect, if any, on net assets.	Complete by the fourth quarter of 2010.	Commenced research to identify relevant Canadian GAAP and IFRS differences.
Resources Identify IFRS resources and develop accounting staff and senior executive knowledge of IFRS.	Complete by the fourth quarter of 2010.	IFRS resources have been identified.
Business Policy Assessment Evaluate impact, if any, on financial covenants and contracts.	Complete by the fourth quarter of 2010.	All contracts have been assembled.
Information Technology Identify and implement IT system changes that may be required.	Complete by the fourth quarter of 2010.	To be commenced.
Control Environment Establish control processes to prevent material errors from occurring during the implementation of IFRS.	Complete by the fourth quarter of 2010.	To be commenced.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the indicated years. "Net Assets" are calculated in accordance with Canadian GAAP which is used to prepare the financial statements. "Net Asset Value" is derived from the Fund's valuation method and is used for transactional pricing purposes.

THE FUND'S NET ASSETS PER EQUITY SHARE (1)

		2008		2007(4)
Net Assets, Beginning of Year	$	**8.83**	$	8.84
INCREASE (DECREASE) FROM OPERATIONS:				
Total Revenue		**0.23**		0.11
Total Expenses		**(0.17)**		(0.08)
Total Income Taxes		**(0.02)**		–
Realized Losses for the Year		**(3.13)**		(0.15)
Unrealized Gains (Losses) for the Year		**(1.08)**		0.11
Transaction Costs on Purchase and Sale of Investments		**(0.02)**		(0.01)
TOTAL DECREASE FROM OPERATIONS (2)		**(4.19)**		(0.01)
Net Assets, End of Year	$	**4.64**	$	8.83

(1) This information is derived from the Fund's audited annual financial statements. The net assets per equity share presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of the difference can be found in the notes to the financial statements.

(2) Net assets are based on the actual number of equity shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of equity shares outstanding over the financial period.

(3) There were no dividends paid by the Fund.

(4) For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

RATIOS AND SUPPLEMENTAL DATA

		2008		2007(5)
Total Assets (000s) (1)	$	**33,649**	$	44,690
Total Net Asset Value (000s) (1)	$	**21,494**	$	44,148
Number of Equity Shares Outstanding (1)		**4,247,100**		4,771,300
Management Expense Ratio ("MER") (2)		**2.15%**		9.57%
MER excluding interest expense and issuance costs (2)		**2.07%**		1.86%
Trading Expense Ratio (3)		**0.28%**		0.15%
Portfolio Turnover Rate (4)		**147.88%**		39.98%
Net Asset Value per Equity Share	$	**5.06**	$	9.25
Closing Market Price	$	**3.85**	$	7.00

(1) This information is provided as at December 31 of the year shown.

(2) The MER 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. MER excluding interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average net asset value. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional revenues that have been generated from the investment of the leverage in income-generating assets.

(3) 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 year.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The Fund's turnover rate is high in 2008 as a result of the disposal of a higher volume of portfolio investments during the year.

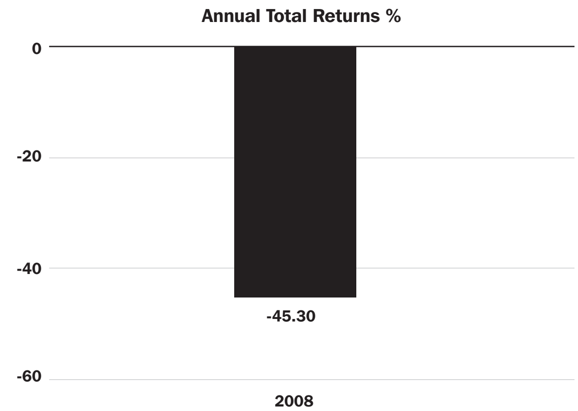
(5) For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

PAST PERFORMANCE

The performance information shown assumes that all distributions paid by the Fund in the periods shown were reinvested in additional securities of the Fund and is based on Net Asset Value. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The bar chart shows the Fund's performance for 2008. The chart indicates, in percentage terms, how much an investment made the first day of the financial year would have grown or decreased by the last day of the financial year. The return for 2007 is not presented since it relates to a partial period.



ANNUAL COMPOUND RETURNS

	Periods Ended December 31, 2008	
	One Year	Since Inception
OilSands Canada Corporation	-45.30%	-35.07%
S&P/TSX Composite Index	-33.00%	-23.95%

The S&P/TSX Composite Index (the "Index") is comprised of Canadian stocks traded on the TSX and is designed to represent the Canadian equity market.

The Fund underperformed the Index in 2008 returning -45.3% compared to the Index total return of -33.0%. The Fund's underperformance is attributed primarily to significant declines in resource equities relative to the broader market in the second half of the year as crude oil prices declined from approximately U.S. $145 per barrel to U.S. $45 per barrel. Oil sands companies were especially affected due to the higher cost nature of their reserves.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2008

TOP TWENTY-FIVE HOLDINGS

	DESCRIPTION	% OF NET ASSET VALUE
1	Canadian Oil Sands Trust	6.9
2	Suncor Energy Inc.	6.6
3	Canadian Natural Resources Limited	5.7
4	Talisman Energy Inc.	5.7
5	Anadarko Petroleum Corporation	5.5
6	Laricina Energy Ltd.	5.3
7	EnCana Corporation	5.3
8	Exxon Mobil Corporation	4.5
9	Husky Energy Inc.	4.3
10	Chevron Corporation	4.2
11	Petro-Canada	3.1
12	Athabasca Oil Sands Corp.	3.1
13	ConocoPhillips	2.9
14	Enerplus Resources Fund	2.8
15	Nexen Inc.	2.5
16	Pembina Pipeline Income Fund	2.5
17	TransCanada Corporation	2.3
18	Value Creation Inc.	2.0
19	Enbridge Inc.	1.4
20	Ivanhoe Energy Inc.	0.8
21	Connacher Oil and Gas Limited	0.7
22	Oilsands Quest Inc.	0.6
23	UTS Energy Corporation	0.6
24	OPTI Canada Inc.	0.4
25	North Peace Energy Corp.	0.4

"Top Twenty-Five Holdings" excludes any temporary cash investments.

ASSET CLASS		% OF NET ASSET VALUE
Oil and Gas		73.9
Power and Pipeline		6.2
Cash and Short-Term Investments		76.3
Other Assets (Liabilities)		(56.4)
		100.0
TOTAL NET ASSET VALUE	$	21,494,433
TOTAL ASSETS	$	33,649,206

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions.
Please visit www.middlefield.com for the most recent quarter-end Summary of Investment Portfolio.

Financial Statements

Management's Responsibility for Financial Reporting

The financial statements of OilSands Canada Corporation (the "Fund") have been prepared by Middlefield Fund Management Limited (the "Manager"), the manager of the Fund and approved by the Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and other financial information contained in this annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in the notes to the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee.

Deloitte & Touche LLP are the external auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee.

W. Garth Jestley
Chairman and Chief Executive Officer
Middlefield Fund Management Limited

Sylvia V. Stinson
Chief Financial Officer
Middlefield Fund Management Limited

March 4, 2009

Auditors' Report

Deloitte.

To the Shareholders of OilSands Canada Corporation

We have audited the statement of investment portfolio of OilSands Canada Corporation (the "Fund") as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007 and the statements of operations, of changes in net assets and of cash flows for the year ended December 31, 2008 and the period August 2, 2007 to December 31, 2007. These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations, changes in its net assets and its cash flows for the year ended December 31, 2008 and the period August 2, 2007 to December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 4, 2009

Financial Statements

STATEMENTS OF NET ASSETS

As at December 31		2008		2007
ASSETS:				
Investments at Fair Value	$	**16,871,194**	$	31,521,971
Cash and Short-Term Investments		**16,398,751**		13,022,213
Income and Interest Receivable		**38,558**		103,459
		33,308,503		44,647,643
LIABILITIES:				
Accounts Payable – Portfolio Securities Purchased		**6,514,755**		321,750
Loan Payable (Note 7)		**5,491,745**		–
Warrants		**1,456,973**		1,966,603
Taxes Payable		**80,290**		–
Accounts Payable and Accrued Liabilities		**67,983**		219,730
		13,611,746		2,508,083
Net Assets	$	**19,696,757**	$	42,139,560
Equity Shares Issued and Outstanding (Note 9)		**4,247,100**		4,771,300
Net Assets per Equity Share - Basic (Note 6)	$	**4.64**	$	8.83
Adjustment for Warrant Liabilities		**0.34**		0.41
Net Assets per Equity Share (excluding Warrant Liabilities) – Basic (Note 6)	$	**4.98**	$	9.24
Net Assets per Equity Share (excluding Warrant Liabilities) – Diluted (Note 10)	$	**4.98**	$	9.24

Approved by the Board of Directors:

Director: Dean C. Orrico **Director: Richard L. Faiella**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31		2008		2007[1]
OPERATING ACTIVITIES:				
Net Decrease in Net Assets from Operations	$	**(18,953,341)**	$	(96,765)
Adjustments:				
Purchase of Investments		**(47,353,635)**		(42,435,218)
Proceeds from Disposition of Investments		**42,493,256**		10,506,355
Net Realized Loss from Investment Transactions		**14,142,140**		733,177
Change in Net Unrealized (Gain) Loss on Investments		**5,369,016**		(4,535)
		(4,302,564)		(31,296,986)
Net Change in Non-Cash Working Capital		**5,676,819**		2,082,874
		1,374,255		(29,214,112)
FINANCING ACTIVITIES:				
Proceeds from Issue of Equity Shares		**–**		44,066,862
Repurchase of Equity Shares		**(3,489,462)**		(1,830,537)
Proceeds from Loans		**5,491,745**		–
		2,002,283		42,236,325
Net Increase in Cash		**3,376,538**		13,022,213
Cash at Beginning of Year		**13,022,213**		–
Cash at End of Year	$	**16,398,751**	$	13,022,213
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Interest Paid	$	**28,162**	$	1,500

[1] For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

The accompanying notes to financial statements are an integral part of these financial statements.

STATEMENTS OF OPERATIONS

For the Years Ended December 31	2008	2007[1]
INVESTMENT INCOME:		
Income from Investments	$ **646,385**	$ 185,079
Interest	**403,263**	372,701
	1,049,648	557,780
EXPENSES (NOTE 8):		
Management Fee	**417,870**	216,086
Service Fees	**135,372**	74,244
Capital Tax	**41,688**	–
Securityholder Reporting Costs	**37,152**	24,744
Audit Fees	**35,520**	19,080
Interest and Bank Charges	**28,337**	1,651
Legal	**26,386**	18,888
Independent Review Committee Fees and Expenses	**8,250**	–
Custodial Fees	**6,294**	3,000
Other	**44,279**	34,138
	781,148	391,831
Net Investment Income before Income Taxes	**268,500**	165,949
Provision for Income Taxes (Note 3g)	**87,114**	–
Net Investment Income	**181,386**	165,949
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS:		
Net Realized Loss from Investment Transactions	**(14,142,140)**	(733,177)
Net Realized Loss on Foreign Currency	**(32,492)**	–
Change in Net Unrealized Gain (Loss) on Investments	**(5,369,016)**	4,535
Change in Unrealized Gain on Warrants (Note 3d)	**509,630**	533,398
Transaction Costs on Purchase and Sale of Investments (Note 11)	**(100,709)**	(67,470)
Net Loss on Investments and Transaction Costs	**(19,134,727)**	(262,714)
Net Decrease in Net Assets from Operations	$ **(18,953,341)**	$ (96,765)
Net Decrease in Net Assets from Operations per Equity Share – Basic (Note 9)	$ **(4.19)**	$ (0.02)
Net Decrease in Net Assets from Operations per Equity Share – Diluted (Note 10)	$ **(4.19)**	$ (0.02)

STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended December 31	2008	2007[1]
Net Assets at Beginning of Year	$ **42,139,560**	$ –
OPERATIONS:		
Net Decrease in Net Assets from Operations	**(18,953,341)**	(96,765)
SECURITYHOLDER TRANSACTIONS:		
Proceeds from Issue of Equity Shares	–	44,066,862
Repurchase of Equity Shares	**(3,489,462)**	(1,830,537)
	(3,489,462)	42,236,325
Net Increase (Decrease) in Net Assets	**(22,442,803)**	42,139,560
Net Assets at End of Year	$ **19,696,757**	$ 42,139,560
Total Assets	$ **33,308,503**	$ 44,647,643

[1] For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

The accompanying notes to financial statements are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Description	No. of Securities	Cost*	Fair Value
Anadarko Petroleum Corporation	25,000	$ 1,142,160	$ 1,173,076
Athabasca Oil Sands Corp.	95,000	665,000	665,000
Canadian Natural Resources Limited	25,000	1,127,805	1,218,750
Canadian Oil Sands Trust	70,000	2,624,150	1,477,000
Chevron Corporation	10,000	870,541	896,711
Connacher Oil and Gas Limited	200,000	809,471	146,000
ConocoPhillips	10,000	603,950	630,510
EnCana Corporation	20,000	1,168,134	1,135,000
Enerplus Resources Fund	25,000	572,443	596,500
Exxon Mobil Corporation	10,000	949,238	969,135
Husky Energy Inc.	30,000	968,385	925,500
Ivanhoe Energy Inc.	300,000	887,085	174,000
Laricina Energy Ltd.	40,000	1,000,000	1,140,000
Nexen Inc.	25,000	502,587	533,000
North Peace Energy Corp.	270,000	405,000	75,600
North Peace Energy Corp. – Warrants, $2.00, February 7, 2010	135,000	–	11,340
Oilsands Quest Inc.	150,000	762,170	131,458
Oilsands Quest Inc. – Warrants, $6.75, December 5, 2009	75,000	30,487	4,564
OPTI Canada Inc.	50,000	912,562	89,000
Petro-Canada	25,000	668,392	665,250
Suncor Energy Inc.	60,000	1,531,122	1,423,200
Talisman Energy Inc.	100,000	1,192,906	1,218,000
UTS Energy Corporation	165,000	928,934	127,050
Value Creation Inc.	60,000	435,000	126,000
OIL AND GAS: 46.7%		20,757,522	15,551,644
Enbridge Inc.	7,500	309,325	296,250
Pembina Pipeline Income Fund	35,000	583,786	527,100
TransCanada Corporation	15,000	585,043	496,200
POWER AND PIPELINE: 4.0%		1,478,154	1,319,550
TOTAL INVESTMENTS: 50.7%		22,235,676	16,871,194
CASH AND SHORT-TERM INVESTMENTS: 49.3%		16,398,751	16,398,751
Total Investment Portfolio, including Cash and Short-Term Investments		$ 38,634,427	$ 33,269,945

* Cost excludes transaction costs such as brokerage commissions incurred commencing in 2007.

The accompanying notes to financial statements are an integral part of this financial statement.

Notes to Financial Statements

Notes to Financial Statements

December 31, 2008 and 2007

1. OILSANDS CANADA CORPORATION

OilSands Canada Corporation (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on June 1, 2007. Middlefield Fund Management Limited (the "Manager") is the manager of the Fund. Middlefield Capital Corporation ("MCC" or the "Advisor"), a company under common management with the Manager, is the advisor to the Fund. Groppe, Long & Littell acts as special advisor to MCC. The Fund was listed on the Toronto Stock Exchange ("TSX") and effectively commenced operations on August 2, 2007 when it first issued units through an initial public offering. Each unit was comprised of one equity share and one-half of one warrant to acquire one equity share. The equity shares and warrants began trading separately on the TSX on September 4, 2007.

2. INVESTMENT OBJECTIVES AND STRATEGY

The Fund's investment objective is to achieve capital appreciation of the investment portfolio over the life of the Fund. The Fund invests predominantly in securities of issuers that operate in or have exposure to the Canadian oil sands sector.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ADOPTION OF NEW ACCOUNTING STANDARDS

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On January 1, 2008, the Fund adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook section 1535 "Capital Disclosures", Handbook section 3862 "Financial Instruments – Disclosures" and Handbook section 3863 "Financial Instruments – Presentation". These new standards have been applied prospectively.

Section 1535 requires the Fund to disclose information that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital. These disclosures are included in Note 5.

Sections 3862 and 3863 replaced Handbook section 3861 "Financial Instruments – Disclosure and Presentation", revised and enhanced its disclosure requirements, and continued its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks. These disclosures are included in Note 4.

The adoption of these standards did not have any impact on the measurement of the Fund's financial instruments.

B. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

The Manager has developed a conversion plan to meet the timetable published by the CICA for the changeover to IFRS. The key elements of the plan include the disclosures of the qualitative impact in the 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS. The impact the conversion from Canadian generally accepted accounting principles ("GAAP") to IFRS will have on the Fund's net assets, accounting policies, financial statements and other business arrangements is being evaluated by the Manager.

C. INVESTMENTS AT FAIR VALUE

Securities listed on a recognized public stock exchange are valued at their closing bid price on the valuation date. Securities with no available bid price are valued at their closing trade price. Securities not listed on a recognized public stock exchange, or for which reliable quotations are not readily available, are valued using valuation techniques determined by the Manager of the Fund.

D. WARRANTS

Warrants are classified as debt instruments in accordance with the CICA Emerging Issues Committee ("EIC") Abstract EIC-50, "Special Warrants Convertible into Common Shares". The guideline indicates that if there is more than a remote possibility that equity shares will not be issued, the issuer should classify the warrants as debt. Accordingly, the warrants have been classified as debt since the holder is able to obtain cash for the instrument. They are valued using the closing ask price in an active market or, if ask price is not available, the closing trade price in an active market is used. If the warrants have not actively traded, a valuation technique determined by the Manager of the Fund is used. The change in the fair value of the warrants is recorded as an increase or decrease in the liability and an unrealized gain (loss) on warrants in the Statements of Operations. The liability will be reclassified as equity shares when the equity shares are actually issued.

E. INVESTMENT TRANSACTIONS AND INCOME RECOGNITION

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. The difference between fair value and average cost of the investments is recorded as an unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income is recognized on an accrual basis.

F. NET DECREASE IN NET ASSETS FROM OPERATIONS PER EQUITY SHARE

Net decrease in net assets from operations per equity share in the Statements of Operations represents the decrease in net assets from operations divided by the average equity shares outstanding during the year.

G. INCOME TAXES

The Fund qualifies as a mutual fund corporation and a financial intermediary corporation under the provisions of the *Income Tax Act* (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of 33 1/3% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

H. RETURN OF CAPITAL

Distributions received from investment trust units that are treated as a return of capital for tax purposes are included in Income from Investments in the Statements of Operations. For income tax purposes, such distributions are used to reduce the average cost of the underlying investments.

I. FOREIGN CURRENCY TRANSLATION

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments, forward currency contracts and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

J. FINANCIAL INSTRUMENTS

The carrying values of financial instruments, including cash, receivables, payables and accruals approximate the fair value due to their short maturities.

K. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the increase and decrease in net assets from operations during the reporting period. Actual results could differ from those estimates.

4. FINANCIAL RISK MANAGEMENT

In the normal course of business the Fund is exposed to a variety of financial risks: price risk, foreign exchange rate risk, liquidity risk and credit risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposure are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, the market and company news related to specific securities within the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions as outlined in the Fund's prospectus. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

A. PRICE RISK

Price risk is the risk that changes in the prices of the Fund's investments will affect the Fund's income or the value of its financial instruments. The Fund's price risk is driven primarily by volatility in commodity and equity prices. Rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. The Fund mitigates price risk by making investing decisions based upon various factors, including comprehensive fundamental analysis prepared by industry experts to forecast future commodity and equity price movements. The Fund's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to the Fund's investments are performed to ensure that any risks are within established levels of risk tolerance. The Fund is exposed to price risk through the following financial instrument:

	December 31, 2008
Investments at Fair Value	$ 16,871,194

Based on the above exposure at December 31, 2008, a 10% change in the prices of the Fund's investments would result in a $1,687,119 change in net assets of the Fund as at December 31, 2008, with all other factors held constant.

B. FOREIGN EXCHANGE RATE RISK

Foreign exchange rate risk describes the impact on the underlying value of financial instruments due to foreign exchange rate movements. The Canadian dollar is the Fund's functional and reporting currency. Foreign investments, commodities, receivables and payables denominated in foreign currencies are affected by changes in the value of the Canadian dollar compared to foreign currencies. As a result, financial assets may depreciate/appreciate in the short-term due to the strengthening/weakening of the Canadian dollar against other currencies, and the reverse would be true for financial liabilities. The Fund's exposure to foreign exchange risk relates primarily to its investment in securities, which are denominated in U.S. dollars ("USD"). The Fund has not hedged its exposure to currency fluctuations, however, it closely monitors relevant foreign exchange currency movements. The Fund is exposed to foreign exchange rate risk through the following financial instrument denominated in USD:

(all amounts in USD)	December 31, 2008
Investments at Fair Value	$ 3,126,400

Based on the above exposure at December 31, 2008, a 10% change in the Canadian dollar against the USD would result in a $380,545 change in net assets of the Fund as at December 31, 2008, with all other factors held constant.

C. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations when due. The Fund's obligations are due within one year. The Fund has a revolving credit facility in the amount of $10 million which is secured by a general security agreement and is subject to annual renewal. Borrowed amounts under the credit facility are usually due within 90 to 180 days. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily sold and by borrowing under its credit facility. The Fund retains sufficient cash and cash equivalent positions to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

The Fund may invest in private securities that are not traded on a public stock exchange that may be illiquid. As a result, the Fund may not be able to dispose of these investments in a timely manner. The Fund mitigates this risk through active management, which involves detailed analysis of such private entities to ensure they are financially sound and would be attractive to potential investors if a sale is necessary. The Fund's investment policies and securities legislation limit the amounts invested in illiquid securities and these limits are monitored. As at December 31, 2008 the Fund held illiquid securities fair valued at $1,931,000.

D. CREDIT RISK

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial instrument failed to meet its obligations to the Fund. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by the Fund in listed securities are settled 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 only once the broker has received the securities. The trade will fail if either party fails to meet its obligations. There is no significant credit risk related to the Fund's short-term investments and receivables.

The Fund has established various internal controls to help mitigate credit risk, including prior approval of all investments by the Advisor whose mandate includes conducting financial and other assessments of these investments on a regular basis. The Fund has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

5. CAPITAL MANAGEMENT

The Fund's capital is its net assets, representing shareholders' equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders, maximize shareholder value and maintain financial strength.

The Fund manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure the Fund may borrow or repay debt under its loan facility or undertake other activities deemed appropriate under the specific circumstances.

The Fund is not subject to any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and is in compliance with the bank covenants. The Fund's overall strategy with respect to capital risk management remains unchanged from the period ended December 31, 2007.

6. NET ASSETS AND NET ASSET VALUE

The Canadian securities regulatory authorities have published amendments to National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") that remove the requirement that net asset value for transactional pricing purposes, ("Net Asset Value") be calculated in accordance with CICA Handbook section 3855 "Financial Instruments – Recognition and Measurement" effective September 8, 2008. As a result of the amendments, the Net Asset Value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. The net assets per equity share for financial reporting purposes ("Net Assets") and Net Asset Value per equity share could be different due to the use of different valuation techniques. The Net Asset Value per equity share as at December 31, 2008 was $5.06 (2007 – $9.25) compared to the Net Assets per equity share of $4.64 (2007 – $8.83). The difference between Net Assets and Net Asset Value results from the use of the last bid price for the valuation of investments for purposes of calculating Net Assets and from treating warrants as a debt instrument for purposes of calculating Net Assets and from a difference in the valuation of an illiquid security. Subsequent to December 31, 2008 information became available in respect of an illiquid security that provided evidence relating to conditions that existed at December 31, 2008. In accordance with GAAP the Net Assets were reduced to reflect this additional information. The Net Asset Value reflects the fair value of the illiquid security based on information that was available on December 31, 2008.

7. LOAN PAYABLE

The revolving term credit facility in the amount of $10 million (2007 – $15 million) is secured by a general security agreement. The facility is subject to annual renewal. At December 31, 2008, loans outstanding included bankers' acceptances with a face value of $5.5 million (2007 – $nil). The minimum and maximum loans outstanding during 2008 were $nil and $5.5 million, respectively. The Fund did not utilize any leverage during the period ended December 31, 2007.

8. MANAGEMENT FEE AND OPERATING EXPENSES

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a management fee equal to 1.1% per annum of the net asset value, calculated and paid monthly in arrears based on the average net asset value of the preceding month. The Manager is reimbursed for reasonable costs related to maintaining the Fund and preparation and distribution of financial statements and other documents to unitholders. The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business.

9. SHAREHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of transferable, redeemable equity shares, each of which represents an equal, undivided interest in the net assets of the Fund. The Fund is also authorized to issue an unlimited number of shares of the Fund designated as Class M Shares (the "Class M Shares") of which there are 100 Class M Shares issued and outstanding.

The holders of Class M Shares are not entitled to receive dividends. The holders of the Class M Shares are entitled to one vote per share. The Class M Shares are redeemable at the option of either the Fund or a holder thereof at a price of $1.00 per share. The Class M Shares rank subsequent to the equity shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund. A trust established for the benefit of the holders from time to time of the equity shares owns all of the issued and outstanding Class M Shares.

On August 2, 2007, the Fund issued 5 million units at $10 per unit for proceeds, net of agents' fees and issue costs, of $46.6 million. Of the total number of units issued, 1,332,759 units were issued pursuant to the Fund's exchange option purchase method, in exchange for certain exchange eligible securities. Each unit was comprised of one equity share and one-half of one warrant to acquire one equity share. The equity shares and warrants began trading separately on the TSX on September 4, 2007. For the year ended December 31, 2008, the Fund purchased 294,000 equity shares (2007 – 162,000) pursuant to a normal course issuer bid and 230,200 equity shares (2007 – 66,700) in the market in accordance with its articles. Subsequent to year end, on January 22, 2009 the Fund redeemed 1,722,562 units.

The average number of equity shares outstanding during 2008 was 4,528,134 (2007 – 4,913,249). This number was used to calculate the net decrease in net assets from operations per equity share.

The Fund does not expect to pay regular dividends or make other distributions.

10. WARRANTS

Each whole warrant entitles the holder to purchase one equity share at the subscription price of $10.25 per equity share at any time on or before July 31, 2010. Warrants not exercised by July 31, 2010 will be void and of no value. Within 30 days of the exercise of a warrant, the Fund will pay a fee of $0.15 per warrant to the dealer whose client has properly exercised the warrant and $0.10 per warrant to the agent.

The Fund issued 2.5 million warrants on August 2, 2007. No warrants were exercised during the periods ended December 31, 2008 and 2007. Since the exercise price of the warrants was higher than the market price of the equity shares as at December 31, 2008 and 2007, there was no dilution in respect of the net assets per equity share and the net decrease in net assets from operations per equity share.

11. BROKERAGE COMMISSIONS

Brokerage commissions and other transaction costs paid in connection with securities transactions during 2008 amounted to $100,709 (2007 – $67,470). Included in this amount is $68,576 (2007 – $30,007) in brokerage commissions that were paid to MCC, a company under common management with the Manager. All commissions paid by the Fund were at or below market rates.

12. LOSS CARRYFORWARDS

At December 31, 2008 the Fund had capital losses of $13,955,179 (2007 – $586,326) and non-capital losses of $1,751,551 (2007 – $317,401) available for carryforward for tax purposes. The capital losses can be carried forward indefinitely and the non-capital losses can be carried forward for 20 years.

Middlefield Funds Family

TSX-Listed Funds

	TSX Stock Symbol
ACTIVEnergy Income Fund	AEU.UN
COMPASS Income Fund	CMZ.UN
INDEXPLUS Income Fund	IDX.UN
Middlefield Canadian Income Trusts Investment Company PCC	LSE Symbol:MCT.L
MINT Income Fund	MID.UN
OilSands Canada Corporation	OCF & OCF.WT
STaRS Income Fund	STZ.UN
STRATA Income Fund	STW.UN & STW.PR.A
Uranium Focused Energy Fund	UF.UN & UF.WT
YIELDPLUS Income Fund	YP.UN

Mutual Funds

	Fund Code
Middlefield Canadian Balanced Class	MID 300/350
Middlefield Canadian Growth Class	MID 148/450
Middlefield Commodities and Agriculture Class	MID 160/165
Middlefield Equity Index Class	MID 700/750
Middlefield Income Plus Class	MID 800/850
Middlefield Precious Metals Class	MID 170/175
Middlefield Resource Class	MID 525/575
Middlefield Short-Term Income Class	MID 400/425
Middlefield Uranium Focused Metals Class	MID 210/220
Middlefield U.S. Growth Class	MID 725/775
Middlefield Money Market Fund	MID 200/250

Resource Funds

MRF 2006 II Resource Limited Partnership
(dissolved February 2009)

MRF 2007 Resource Limited Partnership

MRF 2007 II Resource Limited Partnership

MRF 2008 Resource Limited Partnership

MRF 2009 Resource Limited Partnership
(commenced March 2009)

Discovery 2008 Flow-Through Limited Partnership

Corporate Information

Directors

Murray J. Brasseur
Chairman
Middlefield Group

Dennis da Silva
Managing Director
Resource Group
Middlefield Capital Corporation

Richard L. Faiella
Managing Director
Corporate Development
Middlefield Capital Corporation

H. Roger Garland
Former Vice-Chairman
Four Seasons Hotels Inc.

W. Garth Jestley
President and
Chief Executive Officer
Middlefield Capital Corporation

Robert F. Lauzon
Managing Director, Trading
Middlefield Capital Corporation

Dean C. Orrico
Managing Director and
Chief Investment Officer
Middlefield Capital Corporation

Sylvia V. Stinson
Executive Vice-President
and Chief Financial Officer
Middlefield Group

Charles B. Young
Former Chairman
Ascend Capital Management

Independent Review Committee

George S. Dembroski
Former Vice-Chairman
RBC Dominion
Securities Limited

Bernard I. Ghert
Former Chairman
Mount Sinai Hospital

John B. Zaozirny, Q.C.
Vice-Chairman
Canaccord Capital Corporation

Officers

Douglas D. Sedore
President
MF Properties Limited

Michael J. Scriven
President
Middlefield Realty
Services Limited

Fraser A. Kisel
Executive Vice-President and
Chief Financial Officer
Middlefield Capital Corporation

J. Dennis Dunlop
Senior Vice-President
Middlefield Capital Corporation

Maria F. Herrera
Senior Vice-President
Middlefield Group

Margaret Lok
Senior Vice-President
Middlefield Group

Nancy Tham
Senior Vice-President
Middlefield Capital Corporation

Angela V. Wanniappa
Senior Vice-President
Middlefield Group

Jeremy T. Brasseur
Executive Director,
Corporate Development
Middlefield Capital Corporation

Christopher Pasut
Director, Trading
Middlefield Capital Corporation

Francine Alley
Vice-President
Middlefield Realty Services Limited

Vishal Chetan
Vice-President
Middlefield Group

Mark Jestley
Vice-President
Middlefield Realty Services Limited

Terry Landriault
Vice-President
Middlefield Group

Nick Lombardi
Vice-President
MF Properties Limited

Dinah Mason
Vice-President
MF Properties Limited

Francis Ramirez
Vice-President
Middlefield Capital Corporation

Jason D. Soane
Vice-President
Middlefield Realty Services Limited

Gabriel Soler
Vice-President
Middlefield Group

Polly Tse
Vice-President
Middlefield Group

Shelagh White
Vice-President
MF Properties Limited

Pauline Wong
Vice-President
Middlefield Group

Lidia Assalone
Assistant Vice-President
MF Properties Limited

Nicole S. Brasseur
Assistant Vice-President
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Pete Carin
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Stacy J. Crestohl
Assistant Vice-President
Middlefield Group

Tess David
Assistant Vice-President
Middlefield Group

Shiranee Gomez
Assistant Vice-President
Middlefield Group

Henry Lee
Assistant Vice-President
Middlefield Group

Lilibeth Mondejar
Assistant Vice-President
Middlefield Group

Victor Ngai
Assistant Vice-President
Middlefield Group

Frank Zhang
Associate, Corporate Development
Middlefield Capital Corporation

Auditors

Deloitte & Touche LLP
Chartered Accountants

Legal Counsel

Bennett Jones
Davies Ward Phillips & Vineberg LLP
Fasken Martineau DuMoulin LLP
McCarthy Tétrault
Ogilvy Renault

Bankers

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada

Custodian

RBC Dexia Investor Services Trust

Advisors

Guardian Capital LP
Middlefield Capital Corporation
Groppe, Long & Littell

Affiliates

MF Properties Limited
MFL Management Limited
Middlefield Bancorp Limited
Middlefield International Limited
Middlefield Realty Limited
Middlefield Realty Services Limited
Middlefield Resources Limited
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