OILSANDS CANADA CORPORATION

Annual Report 2009

MIDDLEFIELD
TSX-LISTED FUNDS

CORPORATE PROFILE
MIDDLEFIELD GROUP

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.

Table of Contents

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; and 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 may invest; 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.

The Middlefield family of closed-end funds, which is listed at the back of this report, currently comprises nine funds, eight of which trade on the Toronto Stock Exchange and one of which is based in Jersey, Channel Islands and trades on the London Stock Exchange. While the various funds differ by asset mix, virtually all are primarily focused on high yielding Canadian equities.

After hitting a low in early March, global equity markets staged an extraordinary rally through the remainder of 2009. On the back of Canada's strong banking sector and the resurgence in the energy and metals markets, the S&P/TSX Composite Index posted a gain of 35% on a total return basis for the year, handily outperforming its peer group indices in the U.S. Led by the strength in oil and gas and real estate investment trusts, the S&P/TSX Income Trust Index once again outperformed the broader market, generating a total return of 42% for 2009. Mining was by far the top performing sector in the Canadian equity market last year with the S&P/TSX Diversified Metals and Mining Index returning 324%. Government stimulus programs and improving credit markets were instrumental in driving greater demand for metals and creating a more conducive environment for raising equity and refinancing debt.

As a result of the financial crisis and the anticipation of a slowing economy, the Organization of Petroleum Exporting Countries ("OPEC") reduced oil production by approximately 3 million barrels per day in the summer of 2008. Groppe, Long and Littell ("GL&L"), Middlefield's special advisor based in Houston, Texas, predicted that OPEC's production cuts, together with increasing demand resulting from crude prices falling to approximately US$40 per barrel in late 2008, would drive oil prices higher over the next several months. GL&L's forecast proved correct as WTI prices rose by over 150% from their lows to average approximately US$62 per barrel in 2009. Higher oil prices and lower costs for labour and drilling activity drove the S&P/TSX Capped Energy Trust Index to post a total return of 44% in 2009.

REITs also outperformed in 2009 as the S&P/TSX Capped REIT Index produced a total return of 42%. The relative strength of the Canadian economy and improvement in credit markets were the primary factors behind the strength in the Canadian real estate sector.

Based upon our view that both natural resource-weighted and income-oriented equities were poised to outperform, we repositioned our portfolios in the second quarter of 2009 to be fully invested and, as a result, were able to generate very strong performance for the year.

In November 2009, we launched Pathfinder Convertible Debenture Fund, a closed-end fund which raised approximately $75 million. Pathfinder was created to provide investors with exposure to the Canadian convertible debenture market, which grew to approximately $10 billion in size in 2009. We believe this market will continue to grow and, as a result of the hybrid, more complex nature of these securities, Pathfinder is an attractive investment for investors seeking high levels of income through professional management of a diversified portfolio of convertible debentures.

Outlook

We remain positive on the long-term outlook for the oil and gas sector and continue to be of the view that global oil and North American natural gas production have peaked. With respect to oil, GL&L estimates that global production is decreasing from approximately 80 million barrels per day currently to approximately 70 million barrels per day by 2020. As a result, annual average crude oil prices are expected to increase from approximately US$75 per barrel to approximately US$100 per barrel over the next 10 years due to fundamental forces but with considerable volatility as the result of low spare capacity. Notwithstanding the recent exploration success for natural gas in various shale formations throughout North America, natural gas production is also expected to decrease over the next 10 years. Based upon normal conditions, annual average natural gas prices are expected to increase from approximately US$7 per mcf in 2010 to approximately US$10 per mcf in 2020.

The year 2010 is the final year before income trusts become taxable entities. As a result, we anticipate most will convert into corporations over the next several months and many will reduce distributions to fund corporate taxes. However, in addition to REITs, which are generally exempt from corporate tax, a number of income trusts are expected to remain high-yielding equities and anticipate maintaining current levels of distributions. Moreover, we believe that the ongoing demand for income from investors will remain strong and high-yielding equities will receive a scarcity premium. In addition, as credit markets continue to improve, a number of income trusts will become attractive acquisition targets for private equity and pension fund investors seeking assets which generate stable levels of cash flow. Most of the issuers in which we invest continue to show good prospects to grow their businesses and the portfolio will continue to be biased towards high quality companies with low debt and stable distributions.

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.

Dean Orrico
President and Chief Investment Officer

Robert F. Lauzon
Managing Director, Western Canada
and Senior Portfolio Manager

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.

Unitholders may contact us by calling collect 1-403-269-2100, by writing to us at Middlefield Group, 812 Memorial Drive NW, Calgary, Alberta T2N 3C8 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. In 2009, equity markets around the world were impacted by the deterioration and subsequent recovery in economic activity. 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 $19.7 million at December 31, 2008 to $15.8 million at December 31, 2009 and on a per equity share basis increased from $4.64 at December 31, 2008 to $6.90 at December 31, 2009. The increase in net assets per equity share was driven by rising oil prices as well as an improvement in general equity market conditions. The net gain on investments amounted to $5.7 million in 2009.

Assisted by the research of the Special Advisor, 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 investment portfolio is well positioned having deployed available cash and moderate leverage earlier in the year to capitalize on increasing oil prices and improved project economics.

Revenue and Expenses

Revenue for the year ended December 31, 2009 amounted to $0.3 million, a 67.2% decrease from the prior year due to the reduced average net assets under management during 2009. Expenses for the year totalled $0.4 million, reflecting a decrease of 50% from the prior year for the same reason. Net investment loss was $0.1 million in 2009 compared to net investment income of $0.2 million in the prior year. On a per equity share basis net investment loss amounted to $0.04 compared to net investment income of $0.04 in 2008. There were no dividends paid to shareholders for the year ended December 31, 2009 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 December 31, 2009, the Fund had a loan payable in the amount of $2.5 million representing approximately 13.3% of total assets and 15.8% of net assets. The minimum and maximum amounts borrowed during 2009 were $2.0 million and $5.5 million, respectively. The loan proceeds were used primarily to purchase securities for the investment portfolio and to a lesser extent to effect market purchases of equity shares. The credit facility provides the lender with a security interest over the assets of the Fund.

Trends

The recovery in credit markets and the impact of government stimulus programs drove industrial activity and equity prices higher in 2009. However, as stimulus programs end, equity market performance is likely to be much more selective in 2010 and those sectors with underlying fundamental support are better positioned to generate strong returns going forward. As a result, we remain very positive on the oil and gas sector and continue to hold the view that global oil production is peaking. The Special Advisor believes that annual average crude oil prices will increase from the US$70 per barrel range today to approximately US$100 per barrel over the next ten years.

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. In addition, we expect the challenges facing oil sands producers such as growing environmental concerns and rising costs will be overcome by long term strength in oil prices and improved operational and capital efficiencies. 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, 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 control with the Manager and Advisor to the Fund, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions in connection with securities transactions from the Fund. 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 the general administration of the Fund, including maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees from the Manager for providing investment advice in respect of the portfolio in accordance with the investment objectives and strategies of the Fund.

RECENT DEVELOPMENTS

On December 1, 2009, Middlefield Limited, a company incorporated in Alberta and an affiliate of Middlefield Fund Management Limited, the former manager of the Fund, became the Manager of the Fund. On March 19, 2010, the Corporation filed articles of continuance in Alberta to become an Alberta corporation.

On September 2, 2009, 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 235,413 equity shares, being 10% of the public float of the equity shares, during the 12 month period from September 4, 2009 to September 3, 2010. Shareholders may obtain a copy of the Notice, without charge, by contacting the Fund.

On March 3, 2009, the Alberta government announced a three-point incentive program aimed at stimulating new and continued economic activity in Alberta's energy sector. The highlights of the program include: (1) a drilling royalty credit of $200 per meter that applies to new oil and natural gas wells that commenced between April 1, 2009 and March 31, 2010; (2) a new well royalty reduction program that means new wells brought on stream within the period of April 1, 2009 and March 31, 2010, will pay 5% royalties for the first 50,000 barrels or 0.5 bcf, or for the first 12 months, whichever comes first. On June 25, 2009, the Alberta government extended the qualification deadline to March 31, 2011, for both the royalty incentive and drilling credit programs.

Adoption of New Accounting Standards

On January 1, 2009, the Fund adopted amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook section 3862 "Financial Instruments – Disclosures". Amendments to section 3862 establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

The Manager has developed a changeover plan to meet the timetable published by the CICA for the changeover of Canadian generally accepted accounting principles ("GAAP") to IFRS. The key elements of the plan include disclosure of the qualitative impact in the 2009 financial statements, disclosure of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements, and comparatives, in accordance with IFRS. The Manager has determined that there will likely be no impact to net assets per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund. 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.	Progress is being made to identify the additional financial statements and disclosures required. The Manager continues to consider the impact of differences identified between Canadian GAAP and IFRS on net assets, if any.
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 and have been updating their IFRS knowledge.
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.	Disclosure controls and internal control over financial reporting are being modified to take into account the impact that IFRS may have on financial reporting.

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 periods. "Net Assets" are calculated in accordance with CICA Handbook section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855") and are used for financial reporting purposes. "Net Asset Value" is calculated in accordance with section 14.2 of National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") and is used for transactional pricing purposes. Section 3855 requires the use of valuation techniques for certain types of investments that may differ from those prescribed by NI 81-106. Ratios and supplemental data are derived from the Fund's Net Asset Value.

THE FUND'S NET ASSETS PER UNIT (1)

	2009	2008	2007(4)
Net Assets, Beginning of Period	**$ 4.64**	$ 8.83	$ 8.84
INCREASE (DECREASE) FROM OPERATIONS:			
Total Revenue	**0.14**	0.23	0.11
Total Expenses	**(0.16)**	(0.17)	(0.08)
Total Income Taxes	**(0.02)**	(0.02)	–
Realized Losses for the Period	**(0.60)**	(3.13)	(0.15)
Unrealized Gains (Losses) for the Period	**2.91**	(1.08)	0.11
Transaction Costs on Purchase and Sale of Investments	**(0.01)**	(0.02)	(0.01)
TOTAL INCREASE (DECREASE) FROM OPERATIONS (2)	**2.26**	(4.19)	(0.01)
Net Assets, End of Period	**$ 6.90**	$ 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

	2009	2008	2007(5)
Total Assets (000s) (1)	**$ 18,799**	$ 33,649	$ 44,690
Total Net Asset Value (000s) (1)	**$ 16,116**	$ 21,494	$ 44,148
Number of Equity Shares Outstanding (1)	**2,296,238**	4,247,100	4,771,300
Management Expense Ratio ("MER") (2)	**2.64%**	2.15%	9.57%
MER excluding interest expense and issuance costs (2)	**2.30%**	2.07%	1.86%
Trading Expense Ratio (3)	**0.23%**	0.28%	0.15%
Portfolio Turnover Rate (4)	**77.43%**	147.88%	39.98%
Net Asset Value per Equity Share	**$ 7.02**	$ 5.06	$ 9.25
Closing Market Price	**$ 6.64**	$ 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 period.

(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.

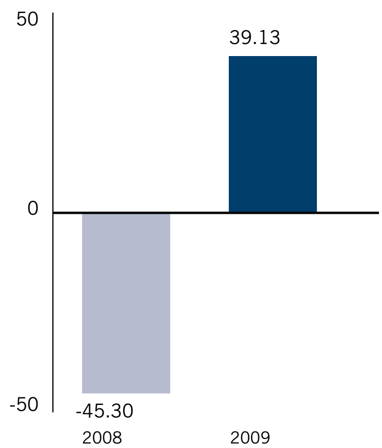
PAST PERFORMANCE

The performance information shown, which is based on Net Asset Value 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 how the Fund's performance has varied from year-to-year for each of the years shown. 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 TOTAL RETURNS %



ANNUAL COMPOUND RETURNS

	Periods Ended December 31, 2009	
	One Year	Since Inception
OilSands Canada Corporation	39.13%	-11.03%
S&P/TSX Composite Index	35.05%	-3.57%

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 outperformed the Index in 2009 returning 39.1% compared to the Index total return of 35.1%. The Fund's outperformance is attributed primarily to the increase in oil prices during the year and the positive impact that has had on oil-weighted equities.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2009

TOP TWENTY-FIVE HOLDINGS*

	DESCRIPTION	% OF NET ASSET VALUE
1	Athabasca Oil Sands Corp.	8.7
2	Canadian Natural Resources Limited	8.3
3	Suncor Energy Inc.	8.1
4	Talisman Energy Inc.	7.9
5	Canadian Oil Sands Trust	7.4
6	Nexen Inc.	7.0
7	Husky Energy Inc.	6.5
8	Imperial Oil Limited	6.3
9	ARC Energy Trust	6.2
10	Ivanhoe Energy Inc.	5.5
11	EnCana Corporation	4.2
12	Baytex Energy Trust	3.7
13	Cenovus Energy Inc.	3.3
14	Crescent Point Energy Corp.	2.5
15	Connacher Oil and Gas Limited	1.6
16	Value Creation Inc.	0.8
17	North Peace Energy Corp.	0.5

"Top Twenty-Five Holdings" excludes any temporary cash investments.
* The Fund has only 17 holdings.

ASSET CLASS		% OF NET ASSET VALUE
Oil and Gas		88.5
Cash and Short-Term Investments		28.1
Other Assets (Liabilities)		(16.6)
		100.0
TOTAL NET ASSET VALUE	$	16,116,087
TOTAL ASSETS	$	18,799,060

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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of OilSands Canada Corporation (the "Fund") have been prepared by Middlefield 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.

Robert F. Lauzon
President
Middlefield Limited

Francisco Z. Ramirez
Senior Vice-President, Chief Financial Officer and Secretary
Middlefield Limited

March 2, 2010

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, 2009, the statements of net assets as at December 31, 2009 and 2008, and the statements of operations, changes in net assets and cash flows for the years then ended. 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, 2009 and 2008, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 2, 2010

Statements of Net Assets

As at December 31	2009	2008
Assets:		
Investments at Fair Value	**$ 14,217,675**	$ 16,871,194
Cash and Short-Term Investments	**4,528,941**	16,398,751
Income and Interest Receivable	**14,969**	38,558
	18,761,585	33,308,503
Liabilities:		
Loan Payable (Note 8)	**2,497,697**	5,491,745
Warrants	**245,808**	1,456,973
Accounts Payable and Accrued Liabilities	**140,448**	67,983
Taxes Payable	**44,828**	80,290
Accounts Payable – Portfolio Securities Purchased	**–**	6,514,755
	2,928,781	13,611,746
Net Assets	**$ 15,832,804**	$ 19,696,757
Equity Shares Issued and Outstanding	**2,296,238**	4,247,100
Net Assets per Equity Share – Basic (Note 7)	**$ 6.90**	$ 4.64
Adjustment for Warrant Liabilities	**0.10**	0.34
Net Assets per Equity Share (excluding Warrant Liabilities) – Basic (Note 7)	**$ 7.00**	$ 4.98
Net Assets per Equity Share (excluding Warrant Liabilities) – Diluted (Note 11)	**$ 7.00**	$ 4.98

Approved by the Board of Directors:

Director: Dean Orrico **Director: Robert F. Lauzon**

Statements of Cash Flows

For the years ended December 31	2009	2008
Operating Activities:		
Net Increase (Decrease) in Net Assets from Operations	**$ 5,620,780**	$ (18,953,341)
Adjustments:		
Purchase of Investments	**(11,470,148)**	(47,353,635)
Proceeds from Disposition of Investments	**19,001,873**	42,493,256
Net Realized Loss from Investment Transactions	**2,006,786**	14,142,140
Change in Net Unrealized (Gain) Loss on Investments	**(6,884,992)**	5,369,016
	8,274,299	(4,302,564)
Net Change in Non-Cash Working Capital	**(7,320,815)**	5,676,819
	953,484	1,374,255
Financing Activities:		
Repurchase of Equity Shares	**(1,199,210)**	(3,489,462)
Payment on Redemption of Equity Shares	**(8,285,523)**	–
Payment on Redemption of Warrants	**(344,513)**	–
Proceeds from Loans	**14,005,952**	5,491,745
Repayment of Loans	**(17,000,000)**	–
	(12,823,294)	2,002,283
Net Increase (Decrease) in Cash	**(11,869,810)**	3,376,538
Cash at Beginning of Year	**16,398,751**	13,022,213
Cash at End of Year	**$ 4,528,941**	$ 16,398,751
Supplementary Disclosure of Cash Flow Information		
Interest Paid	**$ 50,101**	$ 28,162
Taxes Paid	**$ 60,779**	$ 26,335

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

Statements of Operations

For the years ended December 31		2009		2008
Investment Income:				
Income from Investments	**$**	**326,729**	$	646,385
Interest		**17,962**		403,263
		344,691		1,049,648
Expenses (Note 9):				
Management Fee		**166,838**		417,870
Service Fees		**58,069**		135,372
Interest and Bank Charges		**50,480**		28,337
Audit Fees		**27,300**		35,520
Capital Tax		**20,616**		41,688
Legal		**11,776**		26,386
Securityholder Reporting Costs		**10,735**		37,152
Custodial Fees		**104**		6,294
Independent Review Committee Fees		**–**		8,250
Other		**44,683**		44,279
		390,601		781,148
Net Investment Income (Loss) before Income Taxes		**(45,910)**		268,500
Provision for Income Taxes (Note 3g)		**44,828**		87,114
Net Investment Income (Loss)		**(90,739)**		181,386
Net Gain (Loss) on Investments and Transaction Costs:				
Net Realized Loss from Investment Transactions		**(2,006,786)**		(14,142,140)
Net Realized Loss on Foreign Currency		**–**		(32,492)
Net Realized Gain on Warrants		**516,769**		–
Change in Net Unrealized Gain (Loss) on Investments		**6,884,992**		(5,369,016)
Change in Unrealized Gain on Warrants		**349,884**		509,630
Transaction Costs on Purchase and Sale of Investments (Note 12)		**(33,340)**		(100,709)
Net Gain (Loss) on Investments and Transaction Costs		**5,711,519**		(19,134,727)
Net Increase (Decrease) in Net Assets from Operations	**$**	**5,620,780**	$	(18,953,341)
Net Increase (Decrease) in Net Assets from Operations per Equity Share – Basic (Note 10)	**$**	**2.26**	$	(4.19)
Net Increase (Decrease) in Net Assets from Operations per Equity Share – Diluted (Note 11)	**$**	**2.26**	$	(4.19)

Statements of Changes in Net Assets

For the years ended December 31		2009		2008
Net Assets at Beginning of Year	**$**	**19,696,757**	$	42,139,560
Operations:				
Net Increase (Decrease) in Net Assets from Operations		**5,620,780**		(18,953,341)
Securityholder Transactions:				
Repurchase of Equity Shares		**(1,119,210)**		(3,489,462)
Payment on Redemption of Equity Shares		**(8,285,523)**		–
		(9,484,733)		(3,489,462)
Net Decrease in Net Assets		**(3,863,953)**		(22,442,803)
Net Assets at End of Year	**$**	**15,832,804**	$	19,696,757
Total Assets	**$**	**18,761,585**	$	33,308,503

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

Statement of Investment Portfolio

As at December 31, 2009

Description	No. of Securities	Cost	Fair Value
ARC Energy Trust	50,000	$ 817,500	$ 997,000
Athabasca Oil Sands Corp.	100,000	665,000	1,400,000
Baytex Energy Trust	20,000	290,000	590,600
Canadian Natural Resources Limited	17,500	835,158	1,323,875
Canadian Oil Sands Trust	40,000	1,097,228	1,189,600
Cenovus Energy Inc.	20,000	525,000	528,000
Connacher Oil and Gas Limited	200,000	809,471	256,000
Crescent Point Energy Trust	10,000	314,499	394,500
EnCana Corporation	20,000	576,200	681,000
Husky Energy Inc.	35,000	1,127,632	1,050,700
Imperial Oil Limited	25,000	1,051,442	1,015,000
Ivanhoe Energy Inc.	300,000	887,085	888,000
Nexen Inc.	45,000	912,714	1,134,900
North Peace Energy Corp.	270,000	405,000	72,900
North Peace Energy Corp. – Warrants, $2.00, February 7, 2010	135,000	–	–
Suncor Energy Inc.	35,000	1,097,743	1,298,850
Talisman Energy Inc.	65,000	850,493	1,270,750
Value Creation Inc.	60,000	435,000	126,000
OIL AND GAS: 75.8%		12,697,165	14,217,675
TOTAL INVESTMENTS: 75.8%		12,697,165	14,217,675
CASH: 24.2%		4,528,941	4,528,941
Total Investment Portfolio, including Cash		$ 17,226,106	$ 18,746,616

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

December 31, 2009 and 2008

1. OILSANDS CANADA CORPORATION

OilSands Canada Corporation (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario and continued under the laws of Alberta. Middlefield Limited, a company incorporated in Alberta and a company under common control with Middlefield Fund Management Limited, the former manager of the Fund, is the manager of the Fund (the "Manager"). Middlefield Capital Corporation ("MCC" or the "Advisor"), a company under common control 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 OBJECTIVE 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

Financial Instruments – Disclosure and Presentation

Effective January 1, 2009, the Fund adopted amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3862, Financial Instruments – Disclosures. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. Amendments to section 3862 include expanded disclosures of liquidity risk which require a maturity analysis for derivative financial liabilities and establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

These disclosures are included in Note 4. The adoption of these new standards did not have any impact on the measurement of the Fund's financial instruments.

Credit Risk and Fair Value of Financial Instruments

Effective January 2009, the CICA's Emerging Issues Committee issued abstract No.173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 requires that an entity's own credit risk and the credit risk of the counterparty be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of assets and liabilities and determined that the fair values ascribed to the financial assets and financial liabilities in the Fund's financial statements incorporate appropriate levels of credit risk, and as a result there is no impact to the Fund's financial statements resulting from the implementation of EIC-173.

B. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, the Fund will report using IFRS. Comparative statements will also be prepared under IFRS.

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 are valued based on recent transactions between willing parties, if such information is available, or alternatively valued using valuation techniques which may include the use of the operating results of the investees, expected future cash flows discounted at appropriate discount rates and comparable peer group valuations adjusted for company specific circumstances.

D. WARRANTS

Warrants are classified as debt instruments in accordance with the CICA Emerging Issues Committee Abstract No.50, Special Warrants Convertible into Common Shares ("EIC-50"). EIC-50 requires 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 change in 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 INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER EQUITY SHARE

Net increase (decrease) in net assets from operations per equity share in the Statements of Operations represents the increase (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 Canadian generally accepted accounting principles 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. The most significant estimates and assumptions relate to the valuation of illiquid investments. Actual results could differ from those estimates.

4. FAIR VALUE DISCLOSURE

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendments to section 3862. See Note 3(a) for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2009.

Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common Shares	$ 9,904,275	$ –	$ 1,526,000	$ 11,430,275
Trust Units	2,787,400			2,787,400
Total Investments	$ 12,691,675	$ –	$ 1,526,000	$ 14,217,675

During the year ended December 31, 2009, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Common Shares
Balance at Beginning of Year	$ 1,931,000
Sales	(600,000)
Realized Loss	(400,000)
Change in Unrealized Gain	595,000
Balance at End of Year	$ 1,526,000
Total Change in Unrealized Gain during the Year for Assets held at December 31, 2009	$ 735,000

The use of reasonable possible alternative assumptions for valuing Level 3 financial instruments would not significantly affect the fair value of those investments.

5. 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:

	2009	2008
Investments at Fair Value	**$ 14,217,675**	$ 16,871,194

Based on the above exposure at December 31, 2009, a 10% increase or decrease in the prices of the Fund's investments would result in a $1,421,768 (2008 – $1,687,119) increase or decrease in net assets of the Fund as at December 31, 2009, 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)	**2009**	2008
Investments at Fair Value	**$ –**	$ 3,126,400

Based on the above exposure at December 31, 2009, a 10% increase or decrease in the Canadian dollar against the USD would result in a $nil (2008 – $380,545) increase or decrease in net assets of the Fund as at December 31, 2009, 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 is exposed to liquidity risk through its annual and monthly redemptions. The Fund receives 20 business days notice prior to the redemption date and has up to 15 business days after the redemption date to settle the redemption. This enables the Manager to sell securities held by the Fund to generate cash to settle the redemption, if necessary. The Fund's obligations are due within one year. The Fund has a revolving credit facility in the amount of $5 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.

However, the 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 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, 2009 the Fund held illiquid securities fair valued at $1,526,000 (2008 – $1,931,000). 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.

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.

6. 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 credit 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 on the credit facility and is in compliance with these covenants in both 2009 and 2008. The Fund's overall strategy with respect to capital risk management remains unchanged from the period ended December 31, 2008.

7. NET ASSETS AND NET ASSET VALUE

National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") requires that net asset value for transactional pricing purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. CICA Handbook section 3855 "Financial Instruments – Recognition and Measurement" requires that net assets for financial reporting purposes ("Net Assets"), be calculated using the close or last bid price of an investment. Net Assets per unit and Net Asset Value per unit could be different due to the use of different valuation techniques. The Net Asset Value per unit as at December 31, 2009 was $7.04 (2008 – $5.06) compared to the Net Assets per unit of $6.90 (2008 – $4.64). In addition, part of the difference between Net Assets and Net Asset Value results from treating warrants as a debt instrument for purposes of calculating Net Assets. In 2008 part of the difference between Net Assets and Net Asset Value arose as a result of 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.

8. LOAN PAYABLE

The revolving term credit facility in the amount of $5 million (2008 $10 – million) is secured by a general security agreement. The facility is subject to annual renewal. At December 31, 2009, loans outstanding included bankers' acceptances with a face value of $2.5 million (2008 – $5.5 million). The minimum and maximum loans outstanding during 2009 were $2.0 million and $5.5 million (2008 – $nil and $5.5 million), respectively.

9. 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.

10. 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.

The Fund issued 5 million units at $10 per unit in 2007. 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. Equity shares may be surrendered for redemption at least 20 business days prior to December 31. During 2009, the Fund redeemed 1,722,562 equity shares (2008 – nil), purchased 123,900 equity shares (2008 – 294,000) pursuant to a normal course issuer bid and 104,400 equity shares (2008 – 230,200) in the market in accordance with its articles. Subsequent to year end on January 22, 2010 the Fund redeemed 347,436 equity shares.

The average number of equity shares outstanding during 2009 was 2,491,121 (2008 – 4,528,134). 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.

11. 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, 2009 and 2008 however 861,268 warrants were redeemed during 2009. Since the exercise price of the warrants was higher than the market price of the equity shares as at December 31, 2009 and 2008, there was no dilution in respect of the net assets per equity share and the net increase (decrease) in net assets from operations per equity share. Subsequent to year end on January 22, 2010 the Fund redeemed 173,718 warrants.

12. TRANSACTION COSTS

Brokerage commissions and other transaction costs paid in connection with securities transactions during 2009 amounted to $33,340 (2008 – $100,709). Included in this amount is $16,875 (2008 – $68,576) in brokerage commissions that were paid to MCC, a company under common control with the Manager. All commissions paid by the Fund were at or below market rates.

13. LOSS CARRY FORWARDS

At December 31, 2009 the Fund had capital losses of $16,001,058 (2008 – $13,955,179) and non-capital losses of $2,645,064 (2008 – $1,751,551) available for carryforward for tax purposes. The capital losses can be carried forward indefinitely. The expiry dates of the non-capital losses are as follows:

Expiry Date		Amount
December 31, 2027	$	317,402
December 31, 2028		1,434,149
December 31, 2029		893,513
	$	2,645,064

MIDDLEFIELD FUNDS FAMILY

TSX-Listed Funds

	TSX Stock Symbol
• ACTIVEnergy Income Fund	**AEU.UN**
• COMPASS Income Fund	**CMZ.UN & CMZ.RT**
• INDEXPLUS Income Fund	**IDX.UN**
• Middlefield Canadian Income Trusts Investment Company PCC	**LSE Symbol:MCT.L**

	TSX Stock Symbol
• MINT Income Fund	**MID.UN & MID.WT**
• OilSands Canada Corporation	**OCF & OCF.WT**
• Pathfinder Convertible Debenture Fund	**PCD.UN & PCD.WT**
• Uranium Focused Energy Fund	**UF.UN**
• YIELDPLUS Income Fund	**YP.UN**

Mutual Funds

Series A Shares	Fund Code **FE/LL/DSC**
• Middlefield Canadian Balanced Class	**MID 300/349/350**
• Middlefield Canadian Growth Class	**MID 148/449/450**
• Middlefield Equity Index Class	**MID 700/749/750**
• Middlefield Global Agriculture Class	**MID 161/163/166**
• Middlefield Income Plus Class	**MID 800/849/850**

Series A Shares	Fund Code **FE/LL/DSC**
• Middlefield Precious Metals Class	**MID 170/174/175**
• Middlefield Short-Term Income Class	**MID 400/424/425**
• Middlefield Uranium Focused Metals Class	**MID 210/219/220**
• Groppe Tactical Energy Class	**MID 125/127/130**

Series F Shares	
• Middlefield Canadian Growth Class	**MID 149**
• Middlefield Precious Metals Class	**MID 171**

Series F Shares	
• Groppe Tactical Energy Class	**MID 126**

Resource Funds

- MRF 2008 Resource Limited Partnership
- MRF 2009 Resource Limited Partnership
- MRF 2010 Resource Limited Partnership (commenced February 2010)
- Discovery 2008 Flow-Through Limited Partnership
- Discovery 2009 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, CFA
Managing Director,
Corporate Development
Middlefield Capital Corporation

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

W. Garth Jestley, CFA
Deputy Chairman
Middlefield Capital Corporation

Robert F. Lauzon, CFA
Managing Director, Western Canada
Middlefield Capital Corporation

Dean Orrico
President and
Chief Executive Officer
Middlefield Capital Corporation

Laurence C. Schmid
Former Partner
KPMG

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

Nancy Tham
Managing Director
Sales and Marketing
Middlefield Capital Corporation

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

Nick Lombardi
President
MF Properties Limited

Douglas D. Sedore
Director
MF Properties Limited

Jason D. Soane
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 Group

Maria F. Herrera
Senior Vice-President
Middlefield Group

Margaret Lok
Senior Vice-President
Horizon on Bay
Limited Partnership

Dinah Mason
Senior Vice-President
MF Properties Limited

Francis Ramirez
Senior Vice-President and
Chief Compliance Officer
Middlefield Capital Corporation

Polly Tse
Senior Vice-President and
Chief Financial Officer
Middlefield Group

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

Christopher Pasut
Director, Trading
Middlefield Capital Corporation

Nicole S. Brasseur
Vice-President
Middlefield Group

Shiranee Gomez
Vice-President
Middlefield Group

Terry Landriault
Vice-President
Middlefield Group

Lilibeth Mondejar
Vice-President
Horizon on Bay
Limited Partnership

Victor Ngai
Vice-President
Middlefield Group

Catherine Rebuldela
Vice-President
Middlefield Limited

Gabriel Soler
Vice-President
Middlefield Group

Lidia Assalone
Assistant Vice-President
MF Properties Limited

Pete Carin
Assistant Vice-President
Middlefield Group

Stacy J. Crestohl
Assistant Vice-President
Middlefield Group

Tess David
Assistant Vice-President
Middlefield Group

Henry Lee
Assistant Vice-President
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
Canadian Imperial Bank of Commerce
Royal Bank of Canada

Custodian

RBC Dexia Investor Services Trust

Advisors

Groppe, Long & Littell
Guardian Capital LP
Middlefield Capital Corporation

Affiliates

MFL Management Limited
MF Properties Limited
Middlefield Bancorp Limited
Middlefield Fund Management Limited
Middlefield Group Limited
Middlefield International Limited
Middlefield Limited
Middlefield Realty Limited
Middlefield Realty Services Limited
Middlefield Resources Limited
Middlefield Capital Corporation
Middlefield Ventures Limited

Middlefield Group

Calgary, Canada

Middlefield Limited
2M Energy Corp.
Suncor Centre, Suite 3000
150 – 6th Avenue SW
Calgary, Alberta
Canada T2P 3Y7

Telephone (403) 269-2100
Fax (403) 269-2911

London, England

Middlefield International Limited
199 Bishopsgate
London, England
EC2M 3TY

Telephone (0207) 814-6644
Fax (0207) 814-6611

San Francisco, USA

Middlefield Financial Services Inc.
One Embarcadero Center, Suite 500
San Francisco, California
USA 94111

Telephone (415) 835-1308
Fax (415) 835-1350

Toronto, Canada

Middlefield Capital Corporation
First Canadian Place
58th Floor, P.O. Box 192
Toronto, Ontario
Canada M5X 1A6

Telephone (416) 362-0714
Fax (416) 362-7925

Web site

www.middlefield.com

E-mail

invest@middlefield.com

Toll free

888.890.1868