



DECEMBER 31, 2011

INVESTMENT STRATEGY

CGS Resource Fund Ltd. seeks to achieve long-term capital appreciation by investing primarily in equity securities of resource companies, particularly those engaged in oil and gas exploration. The Fund was initially created to provide a tax-deferred rollover option for several AGS Energy Flow-Through Limited Partnerships offered since 2004.

The Fund restated its Offering Memorandum in early 2010 and is now available for purchase to accredited or eligible investors. The Fund will continue to be actively managed, and may hold large amounts of cash for periods of time to facilitate its capital preservation strategies and to lock-in capital gains. Historical returns generated by the Fund have been achieved *without* the use of leverage. The Fund mandate relies on creating a performance driven portfolio that maintains a strategic focus on capital preservation and risk management within a relatively volatile sector of the Canadian market.

MANAGER'S MARKET COMMENTARY - DECEMBER 2011

The month of December was relatively quiet compared to the previous months, with investors seemingly convinced that the European debt crisis was once again under control. The last 2 weeks of December saw a year-end rebound as late November and early December tax loss selling came to an end and optimism for a better 2012 overcame selling pressure. Overall, the TSX Composite Index fell 2.04% in December while the TSX Capped Energy Index fell 1.79%. Broad US markets were up, with the S&P 500 gaining 0.85% while the DJIA added 1.43% over the same period. The discrepancy between Canadian vs. US markets was due to an all around soft commodity price environment, with gold and natural gas prices particularly hard-hit.

After months of trickling losses, natural gas prices fell sharply in December as warmer than normal weather persisted across North America. Natural gas fell below the \$3.00/mmbtu mark to end the year at \$2.99/mmbtu (down \$0.59/mmbtu or 16.5% for the month). In the first two weeks of January, natural gas dropped a further \$0.44/mmbtu to \$2.55/mmbtu as storage in both Canada and the US sits at unprecedented high levels this far into the winter heating season. Given an extremely mild fall with no cold near-term weather forecasts in the US Northeast, many investors are giving up on gas seeing any weather related strength until the summer hurricane season followed by next year's winter. We would also expect prices to strengthen as uneconomic gas programs are cut across Canada and the US, as we move closer to the first North American LNG exports taking place as early as 2014/2015 and as traders and industrial users recognize how extremely cheap natural gas has become and begin to buy contracts in size. ICF International and many largecap producers see the currently low natural gas price as unsustainable, predicting it will trade between \$5.00-\$7.00/mmbtu over the next 10 year period as it is too cheap for other fuel sources to compete with on a heat equivalency basis.

In December, crude fell \$1.53/b or 1.5% to \$98.83/b. Oil prices have remained volatile as economic data out of China, the US and Europe whipsaw investor confidence. Escalating tensions between Iran and the US continue to act as a catalyst. If the Strait of Hormuz were blocked by Iran, it would cause the disruption of 20% of the world's oil production. As long as tensions remain, we expect a premium to remain in world oil prices.

Given the divergence between natural gas and crude fundamentals, we will continue to be buyers of oil weighted junior and senior producers, and selectively buy those natural gas producers poised to see a significant rebound on any gas price strength.

MONTHLY PERFORMANCE

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2011	Fund *	5.1%	2.9%	-1.4%	0.6%	0.9%	-6.9%	1.5%	-7.5%	-7.9%	11.5%	-7.7%	-0.3%	-10.4%
	TSX**	5.3%	6.6%	-1.5%	-2.6%	-3.4%	-5.9%	-1.8%	-8.2%	-15.2%	13.2%	0.1%	-1.8%	-16.8%
2010	Fund *	3.0%	1.1%	-0.8%	3.3%	-5.3%	-1.4%	-0.3%	-5.9%	3.0%	1.3%	4.2%	6.4%	8.2%
	TSX**	-6.4%	1.7%	2.0%	3.8%	-4.6%	-5.0%	3.9%	-3.5%	4.6%	1.1%	3.6%	8.3%	8.7%
2009	Fund *	-2.7%	-1.2%	0.4%	5.4%	9.2%	-3.0%	1.9%	3.1%	6.9%	2.4%	0.9%	5.6%	32.1%
	TSX**	-5.2%	-4.3%	10.2%	8.3%	16.7%	-3.3%	-0.6%	-0.8%	10.7%	-2.0%	0.9%	4.1%	37.3%

* Class A units

**TSX refers to the TSX Capped Energy Index (SPTSEN)



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FUND DETAILS

SUMMARY

Inception Date:	July 28, 2006
Total Net Assets:	\$7,578,456
Net Asset Value:	CGS 301 \$15.61 CGS 310 \$15.61 CGS 350 \$15.61 CGS 320 \$15.61
Portfolio Manager:	CGS Asset Management Ltd.
Management Fees	2.00%: CGS 301, CGS 310 & CGS 320 1.60%: CGS 350 (F)
Performance Fee:	20%; 6% annualized hurdle
Liquidity:	Last business day of each week
Auditor:	Ernst & Young LLP
Administrator:	SGGG Fund Services Inc.
Legal Counsel:	Stikeman Elliot LLP

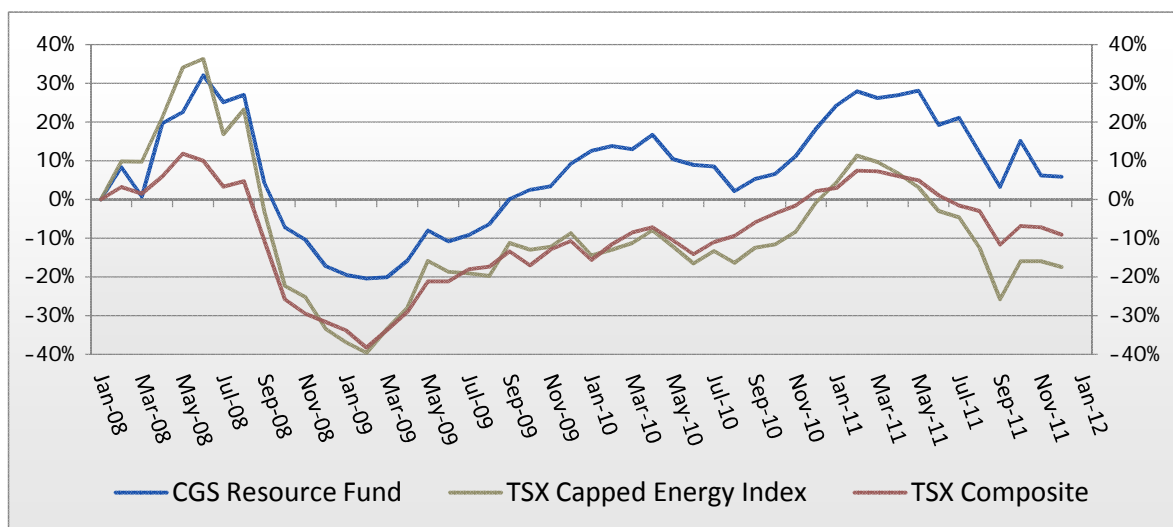
TOP HOLDINGS

	Market Value	Weight
Open Range Energy	\$1,103,300	14.56%
Suncor Energy	\$440,700	5.82%
Athabasca Oil Sands	\$424,660	5.60%
Border Petroleum	\$409,575	5.40%
Cenovus Energy	\$405,960	5.36%

PERFORMANCE

	Fund	TSX Capped Energy Index	Fund's Relative Outperformance
1 Month	-0.3%	-1.8%	1.5%
3 Month	2.6%	11.3%	-8.7%
6 Month	-11.2%	-14.9%	3.7%
Year to Date	-10.4%	-16.8%	6.4%
1 Year	-10.4%	-16.8%	6.4%
2 Year	-3.1%	-9.6%	6.6%

FUND PERFORMANCE VS. INDICES





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NEW INVESTMENT PRODUCTS FOR 2012

----- AVAILABLE NOW -----

CGS FLOW-THROUGH 2012-1 LP

Investment Mandate: Invest in a diversified portfolio of flow-through securities of select resource issuers focused on oil & gas exploration and development. The fund, which has a hold period of under 16 months, is expected to generate significant income tax savings for 2012 and 2013.

Initial Closing: February 28, 2012

Rollover Date: On or before June 30, 2013

Offering Size: \$1,000,000 to \$30,000,000

FundSERV Code: CGS 121

Minimum Investment: \$5,000 (200 units)

Management Fee: 2% of NAV per annum, calculated and paid monthly

Performance Fee: 20% over the \$25 issue price calculated and paid at rollover

----- AVAILABLE NOW -----

CGS ENERGY FUND I LP

Investment Mandate: Opportunistically invest in private and publicly listed, deep value energy & energy related equities, with a specific focus on junior oil and gas companies that possess proven management teams, and attractive assets.

Initial Closing: On or about April 30, 2012

Offering Size: \$10,000,000 to \$50,000,000

Commitment Period: 3 year hold

Minimum Investment: \$5,000 (10 units)

Management Fee: 2% of NAV per annum, calculated and paid monthly

Performance Fee: 20% with a 8% annual hurdle rate

For further information, please contact your investment advisor

or

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