



## JOV DIVERSIFIED QUEBEC 2009 FLOW-THROUGH LIMITED PARTNERSHIP

Interim Management Report of Fund Performance  
As at June 30, 2011

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This Management Report of Fund Performance contains financial highlights but does not contain the complete financial statements for Jov Diversified Quebec 2009 Flow-Through Limited Partnership (the “Partnership”). You can get a copy of either the interim or annual audited financial statements at your request, and at no cost, by calling 1.866.688.5750, by writing the general partner, Jov Diversified Quebec 2009 Flow-Through Management Corp. (the “General Partner”), at Jov Flow-Through, 808 - 609 Granville Street, Vancouver, BC V7Y 1G5 or by visiting our website at [www.jovflowthrough.com](http://www.jovflowthrough.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

#### **Forward-Looking Information**

This Management Report of Fund Performance contains forward-looking information and statements relating to, but not limited to, anticipated or prospective financial performance and results of operations of the Partnership. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words “believes”, “anticipates”, “plans”, “intends”, “will”, “should”, “expects”, “projects”, and similar expressions are intended to identify forward-looking information.

The General Partner believes the forecasts or projections herein are reasonable, however readers are cautioned not to place undue reliance on such forward-looking information and readers should review the prospectus filed with Canadian securities regulatory authorities. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Partnership may invest and the risks detailed in the Prospectus of the Partnership. We caution that the foregoing list of factors is not exhaustive.

The forward-looking information is given as of the date of this interim Management Report of Fund performance, and the General Partner undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## **Management Discussion of Partnership Performance**

### **Investment Objectives**

The investment objective of the Partnership is to provide limited partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource companies focused on oil & gas and mineral exploration, development and/or production or certain renewable energy production with a view to earning income and achieving capital appreciation.

### **Results of Operations**

In December 2009 the Partnership completed its public offering of units, raising \$3.7 million for investment flow-through shares of Canadian resource companies. The Partnership has fully invested the proceeds from this offering, generating tax deductions applicable to the 2009 taxation year for limited partners. The Partnership is expected to implement a liquidity event on or before December 31, 2011.

For the period ended June 30, 2011, the Partnership incurred total expenses of \$133,191 (2010 - \$107,983), comprised of \$81,137 in administrative and other (2010 – \$63,163), \$38,453 in management fees (2010 – \$32,080) and \$13,601 in audit fees (2010 – \$12,740). The partnership had realized gains on sales of investments of \$161,832 (2010 - \$83,828) and recorded an unrealized depreciation on investments of \$838,432 (2010 - \$122,584).

### **Performance Review**

After the initial burst of enthusiasm, the first half of 2011 was marked by a broad correction in the Materials and Energy sectors. Investors' sentiment faltered once again in the face of macroeconomic uncertainties. Disappointing economic data from the U.S. combined with further monetary and fiscal tightening in China challenged the bullish trend of the commodity prices, at least in the short term. Several negative events in the first half of this year also contributed to the weakening of the Energy and Materials sectors as well as the overall market performance, such as the earthquake in Japan and the tornados in the U.S. Despite confidence expressed by the U.S. Federal Reserve Chairman, Ben Bernanke, in the effectiveness of the stimulus packages implemented to date, investors still held skepticism in the sustainability of an economic recovery with stagnant growth in the job market. China, the country perceived by many as the World's growth engine, had reported higher-than-expected year-over-year inflation data in July. This sparked speculation on further rate hikes from the Chinese authorities, which will inevitably lead to a slowdown in demand for input materials that fuel the country's industrialization. On the other hand, China had reported a real GDP growth of 9.5% and its industrial production grew by 15.1% compared to the same period last year, outpacing the most optimistic estimates made by economists worldwide by an impressive 2%. In summary, the future performance of the commodities market will depend on the continued growth momentum from emerging markets and the ability of developed countries to rein in debt and stabilize their respective economies.

The Partnership successfully completed its investment mandate by the end of 2009 and continued to invest in a diversified portfolio, consisting of a 48% weighting in precious metals equities, 26% weighting in base metals equities, 20% weighting in oil and gas equities and a 13% weighting in uranium equities. The portfolio experienced a reversal in its performance that resonated with the broader correction in the commodities market. After making an impressive gain of 36%, the S&P/TSX Index's Materials sector experienced a 10% pullback in the first half of 2011. The Base Materials sector and mining or exploration companies with a small market capitalization were particularly hard hit. The Manager has opportunistically adjusted part of the portfolio in order to increase its liquidity, enhance the safety of the investments, and take advantage of potential buying opportunities that may arise.

## **Future Strategy**

While the Manager continues to believe the foundation of the secular global economic expansion is intact - global liquidity is still plenty and the rising of the East is nowhere near to be over – it is too early to declare that this cyclical bull market has become a secular one. Even though the global economy has been boosted by multiple rescue or stimulus measures implemented by various monetary authorities, it remains to be seen if a self-sustaining recovery has taken hold. As many of these measures are being gradually withdrawn, signs of weakness have surfaced, renewing debates on whether and when the huge fiscal and monetary incentives should be taken back. As the Greek crisis has shown, even countries cannot rely on borrowed funds forever. In the end, whether the global economy can sustain a strong recovery in the face of the many challenges is the key to the direction of the markets over the next year. The Manager anticipates that the markets will remain in a consolidation phase until clear evidences emerge on the strength of the economic recovery later in 2011.

## **Related Party Transactions**

The General Partner is entitled to an annual management fee of 2.0% of the net asset value of the Partnership. The fee is calculated and payable monthly in arrears. For the period ended June 30, 2011 the management fee totalled \$38,453 including harmonized sales tax (“HST”). The General Partner was paid \$6,720 for administrative expenses, which is included in administrative and other expenses

The General Partner has retained CADO Bancorp Ltd., a company controlled by directors of the General Partner, to provide office space and perform certain administrative functions on behalf of the General Partner. During the period ended June 30, 2011, an amount of \$40,880 was incurred, which is included in administrative and other expenses.

## **Risk**

There are risks associated with an investment in units of the Partnership. The most recent Prospectus of the Partnership contains a discussion of these risks and is available at our website at [www.jovflowthrough.com](http://www.jovflowthrough.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

There have been no major or significant changes during the period ended June 30, 2011 that have had an impact on the overall risk level and investments of the Partnership.

## Financial Highlights

The following tables summarize selected key financial information about the Partnership and is intended to help you understand the Partnership's financial performance since inception on November 17, 2009. The information is derived from the Partnership's audited annual financial statements and unaudited interim financial statements.

### *The Partnership's Net Assets per unit*

	<b>June 30, 2011</b> <sup>(3)</sup>	<b>December 31, 2010</b> <sup>(4)</sup>
Net assets (net of issue costs), Beginning of period <sup>(2)</sup>	24.23	19.35
Increase (decrease) from operations		
Total revenue	-	0.14
Total expenses	(0.89)	(1.68)
Realized gains (losses) for the period	1.08	0.46
Unrealized gains (losses) for the period	(5.59)	5.96
Total increase (decrease) from operations <sup>(1)</sup>	<u>(5.40)</u>	<u>4.88</u>
Net assets, end of period <sup>(2)</sup>	<b><u>\$ 18.83</u></b>	<b><u>\$ 24.23</u></b>

<sup>(1)</sup> Net assets per unit is based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(2)</sup> These calculations are prescribed by securities regulators and are not intended to be a reconciliation between the opening and closing net assets per unit.

<sup>(3)</sup> This information is derived from the Partnership's unaudited interim financial statements for the six-month period ended June 30, 2011.

<sup>(4)</sup> This information is derived from the Partnership's audited annual financial statements for the year ended December 31, 2010.

## Ratios and Supplemental Data

	<u>2011</u>	<u>2010</u>
Total net asset value (000's) <sup>(1)</sup>	\$ 2,844	\$ 3,677
Number of units outstanding <sup>(1)</sup>	149,924	149,924
Management expense ratio <sup>(2)</sup>	6.95%	8.25%
Management expense ratio excluding issue costs <sup>(2)</sup>	6.95%	8.25%
Portfolio turnover rate <sup>(3)</sup>	38.57%	33.09%
Trading expense ratio <sup>(4)</sup>	0.74%	2.39%
Net asset value per unit	\$ 18.97	\$ 24.53

**Notes:**

(1) This information is provided as at June 30 for 2011 and December 31 for 2010.

(2) The Management expense ratio ("MER") is based on the total expenses (excluding commissions and portfolio transaction costs) of the Partnership for the stated period expressed as an annualized percentage of average net assets during the period. The annualized MER for December 31, 2010 (the year of inception) includes issue costs which are one-time expenses and therefore not annualized.

(3) The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all of the securities in its portfolio once in the course of a year. The higher the Partnership's portfolio turnover rate in a year, the greater the trading costs payable by the Partnership 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 the Partnership.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.

## Management Fees

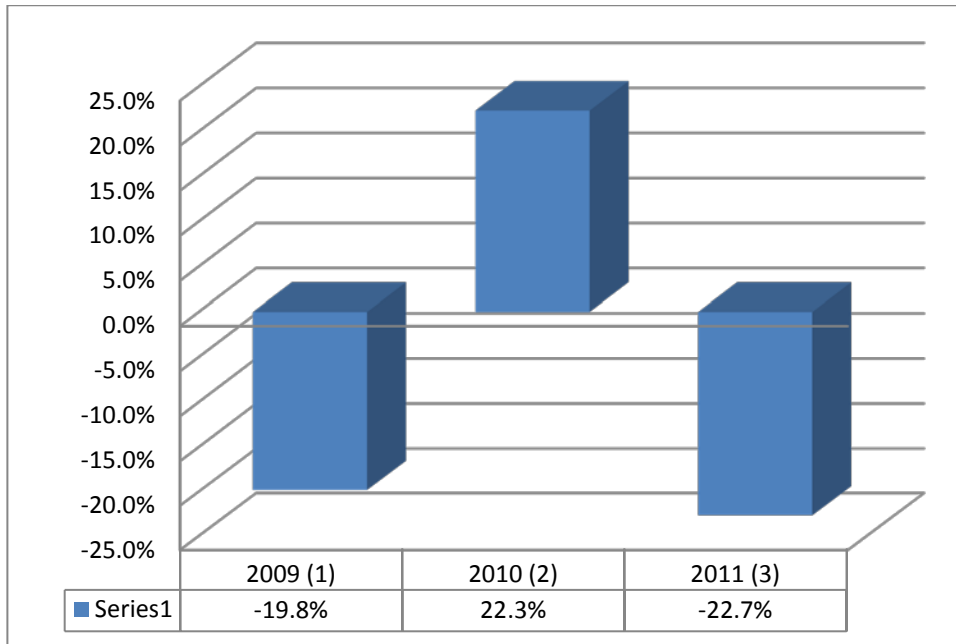
The General Partner is entitled to an annual fee in the aggregate amount of 2% of the Net Asset Value, calculated and paid monthly in arrears. The General Partner will also be entitled to a performance bonus (the "Performance Bonus"), equal to 20% of the product of (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the net asset value per unit on the Performance Bonus date (prior to giving effect to the Performance Bonus) plus the total distributions per unit over the Performance Bonus Term exceeds \$28.

## Past Performance

The chart below shows the Partnership's annual performance for each of the periods shown, and illustrates how the Partnership's performance has changed from period to period, since inception. The chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

Please note that the Partnership's past performance does not necessarily indicate how it will perform in the future.

## Year-by-Year Returns



(1) Total return for the period November 17, 2009 (commencement of operations) to December 31, 2009.

(2) Total return for the period January 1, 2010 to December 31, 2010.

(3) Total return for the period January 1, 2011 to June 30, 2011.

## Annual Compound Returns

The following table shows the Partnership's historical annual compound return since the Commencement of Operations on November 17, 2009 to June 30, 2011 as compared to the performance of the S&P/TSX Composite Index (the "Index").

### Period from November 17, 2009 to June 30, 2011

Jov Diversified Quebec 2009 Flow-Through LP	-15.69%
S&P/TSX Composite Index	8.66%

**Note:**

*The S&P/TSX Composite Index is a broad based securities market index that tracks the performance of some of the largest and most widely held Canadian stocks listed on the Toronto Stock Exchange.*

### Summary of Investment Portfolio

The following summaries of the Partnership's investment portfolio break down the portfolio into subgroups, showing the percentage of net asset value of the Partnership constituted by each subgroup and the table lists the securities held and the percent of net asset value, as at June 30, 2011.

	<b>% of Net Asset Value</b>
<b>Cash</b>	20.35
<b>Equity investments</b>	
Base Metals	30.73
Precious Metals	30.21
Uranium	13.55
Oil & gas	5.17
Alternative energy	1.14
	<u>80.81</u>
<b>Total investment portfolio, including cash</b>	101.15
<b>Other assets, net of liabilities</b>	<u>(1.15)</u>
<b>Total Net Asset Value</b>	<u>100.00</u>

<b>Top 25 Investments</b>	<b>% of Net Asset Value</b>
Azimut Exploration Inc.	11.13
Champion Minerals Inc.	9.59
Royal Nickel Corporation	6.35
Alexandria Minerals Corp.	6.20
Eastmain Resources Inc.	5.78
Abcourt Mines Inc.	5.11
Allied Nevada Gold Corp.	2.99
Maudore Minerals Ltd.	2.55
Centamin Egypt Limited	2.46
Talon Metals Corp.	2.46
Great Western Minerals Group Ltd.	2.16
EPM Mining Ventures Inc.	2.06
Metanor Resources Inc.	2.02
RMS Systems Inc.	1.88
Uranium One Inc.	1.81
Canada Fluorspar Inc.	1.67
Tourmaline Oil Corp.	1.35
Cap-Ex Ventures Ltd.	1.27
URSA Major Minerals Inc.	1.08
Catch The Wind Ltd.	1.05
Clifton Star Resources Inc.	1.03
Southern Pacific Resource	1.01
Crazy Horse Resources Inc.	1.00
Hyperion Exploration Corp.	0.93
East Asia Minerals Corp.	0.89

**Note:**

*This summary of Investment Portfolio may change due to buy and sell transactions enacted by the portfolio manager. A quarterly update detailing future changes will be available on our website at [www.jovflowthrough.com](http://www.jovflowthrough.com) or you can request a quarterly update by calling Jov Flow-Through at 1.866.688.5750.*

## **Recent Development**

### *International Financial Reporting Standards*

The Canadian Accounting Standards Board (“AcSB”) has announced its intention to replace Canadian generally accepted accounting principles with International Financial Reporting Standards (“IFRS”) effective January 1, 2011. The AcSB proposed that investment companies can continue to apply Canadian standards in Part V of the CICA Handbook – Accounting until fiscal years beginning on or after January 1, 2013. The Partnership is expected to transfer its assets to a mutual fund and dissolve on or before December 31, 2011, so the adoption of IFRS is not expected to impact the Partnership.



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