

Jov Diversified Flow-Through 2009 Limited Partnership

Financial Statements

December 31, 2009

(expressed in Canadian dollars)

Auditors' Report

To the Partners of Jov Diversified Flow-Through 2009 Limited Partnership

We have audited the statements of net assets and investment portfolio of **Jov Diversified Flow-Through 2009 Limited Partnership** as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the period from October 29, 2009 (commencement of operations) to December 31, 2009. These financial statements are the responsibility of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Partnership as at December 31, 2009 and the results of its operations, changes in its net assets and its cash flows for the period from October 29, 2009 (commencement of operations) to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC
March 30, 2010

Jov Diversified Flow-Through 2009 Limited Partnership

Statement of Net Assets

As at December 31, 2009

(expressed in Canadian dollars)

	\$
Assets	
Cash	699,156
Investments - at fair value	<u>18,252,278</u>
	<u>18,951,434</u>
Liabilities	
Accounts payable and accrued liabilities	47,517
Due to related parties (note 6)	79,453
Loan payable (note 3)	<u>1,989,000</u>
	<u>2,115,970</u>
Net assets	<u>16,835,464</u>
Partnership units outstanding (note 5)	<u>795,565</u>
Net assets per Partnership unit	<u>21.16</u>

Approved by the General Partner
Jov Diversified Flow-through 2009 Management Corp.

"Hugh Cartwright" (signed)
Hugh Cartwright
Director

"Shane Doyle" (signed)
Shane Doyle
Director

Jov Diversified Flow-Through 2009 Limited Partnership

Statement of Operations

For the period from October 29, 2009 (commencement of operations) to December 31, 2009

(expressed in Canadian dollars)

	\$
Expenses	
Administrative and other (notes 4 and 6)	26,860
Audit fees	19,950
Interest	12,888
Management fee (note 4)	<u>44,479</u>
Net investment loss	(104,177)
Unrealized depreciation on investments	<u>(1,038,540)</u>
Decrease in net assets from operations	<u>(1,142,717)</u>
Decrease in net assets from operations per Partnership unit	<u>(1.44)</u>

Jov Diversified Flow-Through 2009 Limited Partnership

Statement of Changes in Net Assets

For the period from October 29, 2009 (commencement of operations) to December 31, 2009

(expressed in Canadian dollars)

	\$
Net assets - Beginning of period	-
Decrease in net assets from operations	<u>(1,142,717)</u>
Partners' transactions	
Proceeds from issuance of Partnership units	19,889,150
General Partner's contribution	10
Redemption of Partnership unit	(25)
Issue costs	<u>(1,910,954)</u>
	<u>17,978,181</u>
Net assets - End of period	<u>16,835,464</u>

Jov Diversified Flow-Through 2009 Limited Partnership

Statement of Cash Flows

For the period from October 29, 2009 (commencement of operations) to December 31, 2009

(expressed in Canadian dollars)

	\$
Cash flows from operating activities	
Net investment loss	(104,177)
Changes in non-cash working capital items	
Accounts payable and accrued liabilities	47,517
Due to related parties	79,453
	<u>22,793</u>
Purchase of investments	<u>(19,290,818)</u>
	<u>(19,268,025)</u>
Cash flows from financing activities	
Issue of initial Partnership unit	25
General Partner's contribution	10
Redemption of Partnership unit	(25)
Proceeds from issuance of Partnership units	19,889,125
Proceeds from loan	1,989,000
Issue costs	(1,910,954)
	<u>19,967,181</u>
Increase in cash	699,156
Cash - Beginning of period	<u>-</u>
Cash - End of period	<u>699,156</u>
Interest paid	<u>10,027</u>

Jov Diversified Flow-Through 2009 Limited Partnership

Statement of Investment Portfolio

As at December 31, 2009

(expressed in Canadian dollars)

	Number of shares/ warrants	Cost \$	Fair value \$	Net assets %
Equity investments				
Artek Exploration Ltd. ⁽¹⁾	74,800	1,645,600	1,645,600	9.77
Baffin land Iron Mines Corporation	4,545,000	2,331,937	2,284,922	13.57
Baffinland Iron Mines Corporation - warrants	2,272,500	167,813	221,627	1.32
Bellamont Exploration Ltd.	300,000	225,000	210,000	1.25
CanAlaska Uranium Ltd.	2,380,000	483,228	368,907	2.19
CanAlaska Uranium Ltd. - warrants	1,190,000	16,572	12,122	0.08
Delphi Energy Corp.	471,700	1,000,004	772,655	4.59
Explor Resources Inc.	833,400	438,353	789,612	4.69
Explor Resources Inc. - warrants	416,700	61,687	137,909	0.82
Gastem Inc.	769,230	475,158	348,701	2.07
Gastem Inc. - warrants	769,230	24,842	20,884	0.12
Gowest Amalgamated Resources Ltd.	1,136,500	246,612	192,349	1.14
Gowest Amalgamated Resources Ltd. - warrants	568,250	3,418	3,177	0.02
Halo Resources Ltd.	5,000,000	249,890	315,811	1.88
Halo Resources Ltd. - warrants	2,500,000	110	2,941	0.02
Hawthorne Gold Corp.	1,220,000	500,200	402,254	2.39
Kodiak Exploration Limited	769,000	499,850	370,974	2.20
Melkior Resources Inc.	1,515,000	499,950	475,215	2.82
Metanor Resources Inc.	1,724,100	941,702	916,456	5.44
Metanor Resources Inc. - warrants	862,050	58,276	78,667	0.47
PC Gold Inc.	625,000	500,000	381,250	2.26
Petrolia Inc.	263,200	250,040	209,083	1.24
Radcliffe Exploration Inc.	900,000	333,000	303,815	1.80
Richfield Ventures Corp.	208,400	228,400	265,592	1.58
Richfield Ventures Corp. - warrants	104,200	21,680	24,781	0.15
Royal Nickel Corporation ⁽¹⁾	888,900	1,863,246	1,863,246	11.07
Royal Nickel Corporation - warrants	444,450	136,779	131,596	0.78
Sabina Gold & Silver Corp.	1,400,000	1,778,000	1,647,916	9.79
Spider Resources Inc.	8,333,000	480,453	400,897	2.38
Spider Resources Inc. - warrants	8,333,000	19,527	18,505	0.11
Strike Point Gold Inc.	2,127,700	1,000,019	800,339	4.75
Trelawney Mining & Exploration Inc.	417,000	250,200	232,875	1.38
Tyhee Development Corp.	2,797,000	559,400	593,290	3.53
UEX Corporation	1,785,600	1,999,872	1,808,310	10.75
		<u>19,290,818</u>	18,252,278	108.42
Liabilities - net of other assets			<u>(1,416,814)</u>	(8.42)
Net assets			<u>16,835,464</u>	100.00

(1) Private corporation

Jov Diversified Flow-Through 2009 Limited Partnership

Notes to Financial Statements

December 31, 2009

(expressed in Canadian dollars)

1 Formation and purpose of the Partnership

Jov Diversified Flow-Through 2009 Limited Partnership (the “Partnership”) was formed on July 14, 2009 as a limited partnership under the laws of the Province of British Columbia and commenced operations on October 29, 2009. The principal purpose of the Partnership is to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource companies for capital appreciation and profits.

The Partnership is managed by Jov Diversified Flow-Through 2009 Management Corp. (the “General Partner”). Under the Amended and Restated Limited Partnership Agreement between the General Partner and each of the Limited Partners (the “LPA”) dated October 26, 2009, 99.9% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced to the Partnership will be allocated pro-rata to the Limited Partners and the General Partner is to be allocated 0.01% of the net income of the Partnership.

The Partnership is expected to dissolve on or before December 31, 2011. Upon dissolution, Limited Partners are entitled to receive 99.99% of the net assets of the Partnership and the General Partner is entitled to receive 0.01% of the net assets. The General Partner intends to implement a transaction pursuant to which the Partnership will transfer its assets to a mutual fund in exchange for shares of that mutual fund (the “Liquidity Event”) and the mutual fund shares will be distributed to the Limited Partners, pro rata, on a tax deferred basis upon the dissolution of the Partnership. The Liquidity Event is subject to the mutual agreement of the General Partner and the mutual fund and the receipt of all necessary regulatory approvals.

2 Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The following is a summary of significant accounting policies used by the Partnership:

Investments in public equity securities

The fair value of equity securities which are traded in active markets is measured using the closing bid price at the year-end date. An appropriate discount from the values of an actively traded security is taken for holdings of securities when there is a formal restriction that limits the sale of the security. The amounts at which the Partnership’s publicly traded investments could be disposed may differ from carrying value based on closing bid prices, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

Jov Diversified Flow-Through 2009 Limited Partnership

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(expressed in Canadian dollars)

Investments in private equity securities

For financial instruments not traded in an active market, the Partnership establishes fair value using a valuation technique in order to estimate what the transaction price would have been on the measurement date in a third party arm's length transaction motivated by normal business considerations. The initial transaction price is considered to be fair value on the date of purchase. Adjustments to the carrying value are made when there is evidence of a change in the value of an investment as indicated by more recent financing transactions, or an assessment of the financial condition of an investment, based on a review of the operational results, forecasts and business developments since the investment was made. Management may also utilize comparable public transactions or industry valuation performance multiples in the estimation of fair value. Where an investment has a track record of earnings, management may use discounted cash flow models making maximum use of market based inputs in the estimation of fair value. Management makes an assessment of estimated fair value at each reporting date.

The resulting values for non-publicly traded investments may differ from values that would be realized had a ready market existed. In addition, the amounts at which the Partnership's privately held investments could be disposed of currently may differ from the carrying value assigned, and the differences could be material.

Warrants

Warrants are recorded at their estimated fair value using a recognized valuation model. For private companies, management makes maximum use of publicly available inputs to establish volatility and other inputs to the model.

Transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments, are recorded as an expense in the statement of operations.

Cash

Cash consists of cash and deposits with maturities of three months or less and is held with a Canadian chartered bank.

Revenue and expense recognition

Dividend income is recognized at the ex-dividend date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of operations and calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains and losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis. All costs directly attributable to operating activities are expensed as incurred.

Purchases and sales of securities are accounted for on a trade date basis.

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For income tax purposes, the adjusted cost base of flow-through shares is reduced by the amount of expenditures renounced to the Partnership. Upon disposition of such shares, a capital gain will result and be allocated to the Limited Partners based upon their proportionate share of the Partnership.

Issue costs

Expenses related to the initial offering of the Partnership units have been accounted for as a reduction of net assets.

Valuation of Partnership units

Net assets per Partnership unit are calculated by dividing the net assets of the Partnership by its outstanding units on each valuation date.

Increase (decrease) in net assets from operations per Partnership unit

Increase (decrease) in net assets from operations per Partnership unit is determined by dividing the net increase (decrease) in net assets from operations by the weighted average number of units outstanding during the reporting period.

Income taxes

Since the Partnership is an unincorporated business, the liability for income taxes is that of the partners and not the Partnership. Accordingly, no provision for income taxes for the Partnership has been made in these financial statements.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and income and expenses during the reporting period. Actual results could differ from those reported and the differences could be material. Significant areas involving the use of estimates include determining the estimated fair value of private investments and the fair value of warrants. In calculating the estimated fair value, the Partnership makes maximum use of publicly available market-based inputs.

Jov Diversified Flow-Through 2009 Limited Partnership

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(expressed in Canadian dollars)

Financial instruments

The carrying value of accounts payable and accrued liabilities, loan payable and due to related parties approximates fair value due to the relatively short period to maturity.

Credit Risk and Fair Value

The Partnership has adopted Emerging Issues Committee Abstract (“EIC”)-173, *Credit Risk and the Fair Value of Financial Assets and Liabilities* (“EIC-173”) which was issued by the Accounting Standards Board (“AcSB”) on January 20, 2009. The abstract clarifies that the credit risk of counterparty or an entity’s own credit risk should be taken into account in the measure, presentation and disclosure of the fair value of financial assets and financial liabilities, respectively. In instances where a quoted market price or rate does not take into account changes in an entity’s own or counterparty’s credit risk or where a valuation technique using observable and/or unobservable market inputs is used to estimate the fair value of a financial instrument which is not traded in an active market, credit risk and changes in credit risk are required to be taken into account in establishing the estimated fair value of the financial instrument. The impact of EIC-173 on the measurement and disclosure of the Partnership’s financial instruments is not significant.

Financial Instruments - Disclosures

The Partnership has adopted amendments to the CICA Handbook Section 3862, *Financial Instrument - Disclosures* (“Section 3862”) in its fiscal 2009 financial statements. The amendments require an entity to provide disclosure on financial instruments measured at fair value using a fair value hierarchy that reflects the extent to which quoted prices or other market or non-market inputs are used in the valuation of those financial instruments. The adoption of the above disclosure changes has been incorporated into note 9.

3 Loan payable

In September 2009, the Partnership established a credit facility of up to \$3,125,000 (subject to certain conditions including borrowing limits based on assets) with a Canadian chartered bank (the “Bank”) for the payment of issue costs and provided the bank with a security interest in all the assets of the Partnership. As at December 31, 2009, the loan principal balance outstanding was \$1,989,000 which is the maximum amount borrowed during the period. The loan principal balance of \$1,989,000 exceeds the permitted borrowings per the Bank facility agreement by \$1,100,987 at December 31, 2009, but this was corrected on February 4, 2010. The Partnership pays interest on the outstanding loan balance at the Bank’s prime lending rate plus 5.0% per annum. This loan is repayable at the earlier date of (a) the option of the bank; (b) dissolution; and (c) December 31, 2010. On March 29, 2010, the balance of the loan was settled.

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(expressed in Canadian dollars)

4 Expenses of the Partnership

The Partnership paid, from the proceeds of the Partnership's credit facility, all of the expenses of the offering and all other costs which were reasonably incurred in connection with the formation, capitalization or organization of the Partnership, and pays certain operating and administrative costs that are not expected to be fully deductible in computing income of the Partnership pursuant to the *Income Tax Act*.

The Partnership pays all of the expenses of carrying on of its business including legal and audit fees, interest and administrative costs relating to financial and other reports, compliance with all applicable laws, regulations and policies. The General Partner is reimbursed for all reasonable out-of-pocket costs and expenses that are incurred by the General Partner on behalf of the Partnership in the ordinary course of business or other costs and expenses incidental to acting as general partner so long as the General Partner is not in default of its obligations. Such costs and expenses include reimbursement for any overhead costs or costs of personnel of the General Partner and its affiliated companies which provide time and services to the Partnership.

The General Partner is entitled to an annual management fee of 2.0% of the net asset value of the Partnership, calculated and paid in arrears, which totalled \$44,479 for the period ended December 31, 2009, of which \$nil was payable at December 31, 2009. The General Partner is also entitled to a performance bonus equal to 20% of the product of: (a) the number of units outstanding on Performance Bonus Date (as defined in the LPA); and (b) the amount by which the net asset value per unit (prior to giving effect to the performance bonus) plus the total distributions per unit during the Performance Bonus Term exceeds \$28. As at December 31, 2009, this threshold has not been achieved; accordingly, no performance bonus has been accrued.

5 Partners' equity

a) Authorized

The interest of the Limited Partners in the Partnership is divided into an unlimited number of units. The Partnership is authorized to issue a maximum of 1,000,000 units.

All Partnership units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Partnership and the right to one vote at any meeting of the Limited Partners.

b) Issued and outstanding

As at December 31, 2009, there were 795,565 Partnership units issued and outstanding.

Pursuant to the LPA, the General Partner contributed \$10 to the capital of the Partnership.

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(expressed in Canadian dollars)

6 Related party balances and transactions

The General Partner has retained CADO Bancorp Ltd., a related company, to provide office space and perform certain administrative functions on behalf of the General Partner. During the year ended December 31, 2009, an amount of \$36,084 was incurred and remained payable at December 31, 2009. The amount payable to related parties is unsecured, due on demand and is non-interest bearing and is included in administrative and other expenses. Balances and transactions with related parties have been recorded at the exchange amount.

During the year, an administration fee was also charged by the General Partner in the amount of \$2,000.

Distribution fees of \$49,723 were paid to Offends Inc., a company owned by Jovian Capital Corporation, at December 31, 2009 for marketing expenses incurred in relation to the Partnership's prospectus, of which \$43,369 was payable at December 31, 2009.

The Partnership paid agent fees of \$1,342,516, being 6.75% for each unit sold in connection with the offering of Partnership units of which MGI Securities Inc. ("MGI") received \$338 thereof. MGI is controlled by Jovian Capital Corporation who controls the Investment Manager and indirectly owns 40% of the outstanding shares of Jov Flow-Through Holdings Corp. and the General Partner.

7 Custodial fees

During the period ended December 31, 2009, the Partnership incurred custodial fees of \$610, which are included in administrative and other expenses in the statement of operations.

Jov Diversified Flow-Through 2009 Limited Partnership

Notes to Financial Statements

December 31, 2009

(expressed in Canadian dollars)

8 Reconciliation of net asset value

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional NAV (“net asset value”) determined under National Instrument 81 - 106 (“NI 81 - 106”) and net assets of an investment fund as determined under Canadian GAAP is required for financial reporting purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, CICA Handbook Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing prices currently used for the purposes of determining net asset value under NI 81 - 106. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment fund industry. These changes account for the difference between net asset value and net assets as follows:

	Net asset value per NI 81 - 106 as at December 31, 2009 \$	Section 3855 adjustment \$	Net assets value per Section 3855 as at December 31, 2009 \$
Total (\$)	17,237,725	(402,261)	16,835,464
Total per unit	21.67	(0.51)	21.16

9 Risk management

The Partnership’s activities expose it to a variety of financial instrument risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Partnership’s overall risk management strategy focuses on the unpredictability of performance of early stage public and private resource investments and seeks to minimize potential adverse effects on the Partnership’s financial performance. The Partnership uses diversification to moderate risk exposures associated with a concentration of investments. The Partnership’s investment objective is to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource issuers with a view to achieving capital appreciation. The principal business of the resource issuers are mineral, oil or gas exploration, development or production and projects in renewable energy and the development of energy efficient technologies.

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December 31, 2009

(expressed in Canadian dollars)

The Partnership's investment strategy is to invest in flow-through shares of resource companies that are considered to:

- a) have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries;
- b) have a knowledgeable board of directors;
- c) have exploration programs or exploration and development programs in place;
- d) have securities that are suitably priced and offer capital appreciation potential; and
- e) meet certain market capitalization and other investment criteria.

Market risk

- a) Price risk

The Partnership's investments are exposed to market price risk due to changing market conditions for equities as well as specific industry changes in the energy sector such as changes in commodity prices and the level of market demand as well as any changes to the tax environment in which the investee entities operate. The privately held investments may be early stage investments with unproven mineral, oil or gas reserves. All investments in equity securities have an inherent risk of loss of capital. The maximum risk resulting from financial instruments investments is determined by the fair value of the financial instruments.

The Limited Partnership seeks to manage market risks by careful selection of securities prior to making an investment in an early stage company and by regular ongoing monitoring of the investment performance of the individual investee companies. The Manager also sets thresholds on individual investments to mitigate the risk of exposure to any one investment. The Partnership's overall markets positions are monitored on a daily basis by the Partnership's Manager and are reviewed on a semi-annual basis by the Board of Directors.

The Partnership's overall exposure is managed by the investment restrictions outlined in the prospectus which include a requirement for 80% of investments to be held in publicly traded resource investments, an overall limit on private company investments of not more than 20% of investments and no more than 20% of investments held in any one investment.

At December 31, 2009, the Partnership's market risk is impacted directly by changes in equity prices and indirectly by changes in oil and gas and other commodity prices. The immediate impact on equities of a 5% increase or decrease in the fair value of investments is approximately \$912,614.

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b) Interest rate risk

The substantial majority of the Partnership's financial assets are non-interest bearing. As a result, the Partnership is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates except for interest on the loan payable. Any excess cash is invested at short-term market interest rates. The Partnership's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarizes the Partnership's exposure to interest rate risks at December 31, 2009. It includes the Partnership's assets and liabilities at fair values, categorized by the earlier of contractual repricing or maturity dates.

	Due less than 6 months \$	Non-interest bearing \$	Total \$
Cash	699,156	-	699,156
Investments	-	18,252,278	18,252,278
Loan payable	(1,989,000)	-	(1,989,000)
Other liabilities	-	(126,970)	(126,970)
	<u>(1,289,844)</u>	<u>18,125,308</u>	<u>16,835,464</u>

The Partnership's exposure to interest rate changes results from the difference between assets and liabilities and their respective maturities or interest rate repricing dates. Based on current differences as at December 31, 2009, the Partnership estimates that an immediate and sustained 100 basis point change in interest rates would impact net interest expense over the next 12 months by approximately \$12,898.

c) Foreign exchange risk

The Partnership is not exposed to any significant foreign exchange risk.

Credit risk

The Partnership has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

When the Partnership trades in listed or unlisted securities which are settled upon delivery using approved brokers, the risk of default is considered minimal since delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The Partnership only transacts with reputable, highly credit-rated brokers.

The Partnership monitors its credit position regularly, and the Board of Directors reviews it on a periodic basis. The Partnership has not identified any past due assets or receivables as at December 31, 2009.

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(expressed in Canadian dollars)

Liquidity risk

The Partnership is a closed end partnership and therefore it does not have significant exposure to early redemptions of partnership units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold. At the time of dissolution, the General Partner intends to transfer the assets of the Partnership to a mutual fund in exchange for shares of that mutual fund. However, there is no assurance that the Liquidity Event will be implemented and the Limited Partners may receive securities upon dissolution of the Partnership for which there may be an illiquid market or which may be subject to resale restrictions.

The Partnership invests in early stage energy resource companies which may be publicly listed securities but thinly traded or in privately held companies. Investments in privately held companies may not be able to be liquidated quickly at an amount close to their fair value to meet the Partnership's liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Securities purchased by the Partnership may be subject to resale restrictions such as hold periods. During periods when resale restrictions apply, the Partnership may dispose of such securities only pursuant to certain statutory exemptions. The resulting values for non-publicly held securities may differ from values that would be realized had a ready market existed. Owing to the liquidity risks of early stage private company investments, the Partnership is limited to a maximum holding of 20% of investments in private companies.

The Partnership is exposed to liquidity risk related to the loan payable (note 3) which is due on demand. The Partnership manages liquidity risk by maintaining sufficient liquid cash resources and publicly listed resource companies to ensure the Partnership's liquidity requirements are met.

Fair value disclosure

During the year, CICA Handbook Section 3862, *Financial Instruments - Disclosures*, was amended to require disclosures about the inputs to fair value measures, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3 - Inputs that are not based on observable market data.

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2009:

	Financial assets at fair value as at December 31, 2009			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	-	14,091,222	4,161,056	18,252,278

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The fair value of publicly traded equity securities is generally estimated using observable market data in active markets or bid prices from market makers and broker-dealers. Generally these securities are categorized in Level 1 or 2 of the fair value hierarchy as observable market data is readily available. All of the Partnership's publicly traded equity securities are categorized in Level 2 as these investments are thinly traded and their fair values are adjusted for hold period restrictions.

Private investments are valued at their initial purchase price because they were purchased reasonably close to the Partnership's year end. No evidence or significant events in the intervening period suggest adjustment to the fair value of these private investments. They are categorized in Level 3 of the fair value hierarchy.

The fair value of warrants is estimated using the Black-Schools pricing model that factors in current and contractual prices of the underlying instruments, time value of money, yield curve and volatility. These warrants are categorized in Level 3 because significant judgement and estimates were involved to determine volatility. A 10% increase (decrease) in volatility would result in an increase (decrease) in estimated fair values of approximately \$233,622 and \$216,274, respectively.

There is no transfer into or out of Level 3 during the period. There were no realized gains or losses on investments. Unrealized gains and losses on investments are recognized in the statement of operations.

10 Partnership capital

Units issued and outstanding represent the capital of the Partnership. The Partnership issued 795,565 units in 2009 for \$19,889,150, before issue costs. The Partnership cannot issue any additional units. Until the time of dissolution of the Partnership, the limited partners cannot redeem units. The Partnership manages capital in accordance with its investment objectives. There are no externally imposed restrictions on the Partnership's capital although any distributions of capital are limited in relation to the borrowing limits on the loan payable (note 3).

11 Future accounting standards

On January 1, 2011, International Financial Reporting Standard ("IFRS") will replace Canadian GAAP. For the Partnership's financial reporting, the transition date of January 1, 2010 requires a restatement for comparative purposes at amount reported by the Partnership as at December 31, 2009. The Partnership is currently assessing the impact on the adoption of IFRS on its financial statements.