

**Jov Diversified Québec 2009
Flow-Through Limited
Partnership**

Financial Statements
December 31, 2010 and 2009
(expressed in Canadian dollars)

March 30, 2011

Independent Auditor's Report

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

We have audited the accompanying financial statements of Jov Diversified Québec 2009 Flow-Through Limited Partnership, which comprise the statements of net assets as at December 31, 2010 and 2009 and investment portfolio as at December 31, 2010 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2010 and the period from November 17, 2009 to December 31, 2009, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jov Diversified Québec 2009 Flow-Through Limited Partnership as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the year ended December 31, 2010 and the period from November 17, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Statements of Net Assets

As at December 31, 2010 and 2009

(expressed in Canadian dollars)

	2010 \$	2009 \$
Assets		
Cash	208,831	26,590
Due from General Partner (note 5)	-	45,124
Investments - at fair value	3,441,559	2,845,622
	<u>3,650,390</u>	<u>2,917,336</u>
Liabilities		
Accounts payable and accrued liabilities	17,774	15,750
Due to General Partner (note 5)	457	-
	<u>18,231</u>	<u>15,750</u>
Net assets representing Partnership equity	<u>3,632,159</u>	<u>2,901,586</u>
Partnership units outstanding (note 4)	<u>149,924</u>	<u>149,924</u>
Net assets per Partnership unit	<u>24.23</u>	<u>19.35</u>

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

"Hugh Cartwright" (signed)
Hugh Cartwright
Director

"Shane Doyle" (signed)
Shane Doyle
Director

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Statements of Operations

(expressed in Canadian dollars)

	Year ended December 31, 2010 \$	Period from November 17, 2009 (commencement of operations) to December 31, 2009 \$
Revenue		
Dividend income	20,846	-
	<hr/>	<hr/>
Expenses		
Administrative and other (note 5)	167,296	21,286
Audit fees	18,900	15,750
Management fee (note 3)	65,787	5,142
	<hr/>	<hr/>
	251,983	42,178
	<hr/>	<hr/>
Net investment loss	(231,137)	(42,178)
Realized gain on investments	68,237	-
Change in unrealized appreciation (depreciation) on investments	893,473	(335,835)
	<hr/>	<hr/>
Increase (decrease) in net assets from operations	730,573	(378,013)
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Increase (decrease) in net assets from operations per Partnership unit	4.87	(2.52)
	<hr/>	<hr/>

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Statements of Changes in Net Assets

(expressed in Canadian dollars)

	Year ended December 31, 2010 \$	Period from November 17, 2009 (commencement of operations) to December 31, 2009 \$
Net assets - Beginning of year	2,901,586	-
Increase (decrease) in net assets from operations	730,573	(378,013)
Partners' transactions		
Proceeds from issuance of Partnership units	-	3,748,125
General Partner's contribution	-	10
Redemption of Partnership unit	-	(25)
Issue costs	-	(468,511)
	-	3,279,599
Net assets - End of year	3,632,159	2,901,586

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Statements of Cash Flows

(expressed in Canadian dollars)

	Year ended December 31, 2010 \$	Period from November 17, 2009 (commencement of operations) to December 31, 2009 \$
Cash flows from operating activities		
Net investment loss	(231,137)	(42,178)
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	2,024	15,750
Due to/from General Partner	45,581	(45,124)
	(183,532)	(71,552)
Purchase of investments	(621,129)	(3,181,457)
Proceeds from sale of investments	986,902	-
	182,241	(3,253,009)
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	-	3,748,100
Issue costs	-	(468,511)
	-	3,279,599
Increase in cash	182,241	26,590
Cash - Beginning of year	26,590	-
Cash - End of year	208,831	26,590

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Statement of Investment Portfolio

As at December 31, 2010

(expressed in Canadian dollars)

	Number of shares	Cost \$	Fair value \$	Net assets %
Equity investments				
Abcourt Mines Inc.	1,321,000	209,465	198,150	5.46
Alexandria Minerals Corp.	1,176,000	155,596	223,440	6.15
Allied Nevada Gold Corp.	2,500	51,250	65,425	1.80
Arise Technologies Corp.	168,000	22,584	27,720	0.76
Azimut Exploration Inc.	406,500	349,590	337,395	9.29
Canada Fluorspar Inc.	62,000	29,921	34,720	0.96
Catch The Wind Ltd. ⁽²⁾	75,000	25,890	23,287	0.64
Champion Minerals Inc.	204,100	105,489	477,594	13.16
Crazy Horse Resources Inc. ⁽²⁾	36,000	26,656	54,443	1.50
Eastmain Resources Inc.	142,900	250,075	298,661	8.22
EPM Mining Ventures Inc. ⁽¹⁾	39,000	26,130	26,130	0.72
Frontier Rare Earths Limited	5,000	16,000	16,600	0.46
Gastem Inc.	267,370	168,418	62,832	1.73
Great Western Minerals Group Ltd.	76,000	23,195	43,320	1.19
Harry Winston Diamond Corp.	1,200	15,629	13,872	0.38
Kinross Gold Corporation	1,600	27,384	30,178	0.83
Maudore Minerals Ltd. ⁽²⁾	14,000	59,837	77,998	2.15
Metanor Minerals Ltd.	249,200	136,113	110,894	3.05
Panoro Minerals Ltd. ⁽²⁾	51,000	11,615	18,685	0.51
Petrolia Inc.	263,200	250,040	136,864	3.77
Rocmec Mining Inc.	2,780,000	257,776	97,300	2.68
Royal Nickel Corporation ⁽²⁾	177,800	372,691	454,470	12.51
Southern Pacific Resource	18,600	31,062	30,876	0.85
Tourmaline Oil Corp.	1,200	25,200	26,100	0.72
Tournigan Energy Ltd.	103,000	29,293	31,930	0.88
Ucore Rare Metals Inc. ⁽²⁾	33,000	11,108	21,383	0.59
Uranium One Inc.	19,400	48,591	92,344	2.54
		2,736,598	3,032,611	83.50

⁽¹⁾ Private corporation

⁽²⁾ Subject to hold period restrictions

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Statement of Investment Portfolio

As at December 31, 2010

(expressed in Canadian dollars)

	Number of warrants	Cost \$	Fair value \$	Net assets %
Warrants				
Abcourt Mines Inc.	735,500	16,820	10,812	0.30
Alexandria Minerals Corp.	892,500	13,727	21,242	0.58
Arise Technologies Corp.	449,000	15,485	28,620	0.79
Canada Fluorspar Inc.	31,000	1,079	1,987	0.05
Catch The Wind Ltd. ⁽²⁾	75,000	3,360	1,900	0.05
Champion Minerals Inc.	181,800	12,054	276,827	7.62
Crazy Horse Resources Inc. ⁽²⁾	18,000	344	7,598	0.21
Frontier Rare Earths Limited	2,500	1,000	1,850	0.05
Gastem Inc.	615,370	12,365	-	-
Great Western Minerals Group Ltd.	38,000	1,885	7,828	0.22
Kinross Gold Corporation	99	422	464	0.01
Maudore Minerals Ltd. ⁽²⁾	7,000	4,143	4,377	0.12
Metanor Resources Inc.	344,850	23,312	7,621	0.21
Panoro Minerals Ltd. ⁽²⁾	25,500	1,135	3,131	0.09
Rocmec Mining Inc.	2,007,500	9,134	-	-
Royal Nickel Corporation ⁽²⁾	88,900	27,359	28,468	0.78
Tournigan Energy Ltd.	51,500	1,607	2,693	0.07
Ucore Rare Metals Inc. ⁽²⁾	16,500	2,092	3,530	0.10
		147,323	408,948	11.25
		2,883,921	3,441,559	94.75
Other assets - net of liabilities			190,600	5.25
Net assets			3,632,159	100.00

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

1 Formation and purpose of the Partnership

Jov Diversified Québec 2009 Flow-Through Limited Partnership (the “Partnership”) was formed on September 2, 2009 as a limited partnership under the laws of the Province of British Columbia and commenced operations on November 17, 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 Quebec 2009 Flow-Through 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 November 12, 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 that 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 a formal restriction limits the sale of the security. The amounts at which the Partnership’s publicly traded investments could be disposed may differ from the 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 Québec 2009 Flow-Through Limited Partnership

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(expressed in Canadian dollars)

Investments in private equity securities

For investments 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 statements 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 statements 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 is 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.

Financial instruments

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

3 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 that 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 that 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 \$65,787 for the year ended December 31, 2010 (2009 - \$5,142), of which \$nil was payable at December 31, 2010. 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, 2010, this threshold has not been achieved; accordingly, no Performance Bonus has been accrued.

4 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 600,000 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, 2010, 149,924 Partnership units were issued and outstanding (2009 - 149,924).

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

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

5 Related party balances and transactions

The General Partner has retained CADO Bancorp Ltd., a related company, by way of common shares, to provide office space and perform certain administrative functions on behalf of the General Partner. During the year ended December 31, 2010, an amount of \$83,000 (2009 - \$21,000) was incurred.

During the year, an administration fee was also charged by the General Partner in the amount of \$12,500 (2009 - \$1,000) and \$457 remained payable at year-end (2009 - \$nil).

6 Reconciliation of net asset value

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional 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, Canadian Institute of Chartered Accountants ("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, 2010 \$	Section 3855 adjustment \$	Net asset value per Section 3855 as at December 31, 2010 \$
Total net assets	3,677,280	(45,121)	3,632,159
Total per unit	24.53	(0.30)	24.23

	Net asset value per NI 81 - 106 as at December 31, 2009 \$	Section 3855 adjustment \$	Net asset value per Section 3855 as at December 31, 2009 \$
Total net assets	3,005,654	(104,068)	2,901,586
Total per unit	20.05	(0.70)	19.35

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

7 Risk management

The Partnership's activities expose it to a variety of financial instrument risks: market risk (including price risk, interest rate risk and foreign exchange 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 is mineral, oil or gas exploration, development or production and projects in renewable energy and the development of energy efficient technologies.

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.

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

The 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 market 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, 2010, 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 \$172,078 (2009 - \$142,281).

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. 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, 2010 and 2009. It includes the Partnership's assets and liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	2010		
	Due in less than 6 months \$	Non-interest bearing \$	Total \$
Cash	208,831	-	208,831
Investments	-	3,441,559	3,441,559
Other liabilities	(18,231)	-	(18,231)
	190,600	3,441,559	3,632,159

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

	2009		
	Due in less than 6 months \$	Non-interest bearing \$	Total \$
Cash	26,590	-	26,590
Due from General Partner	-	45,124	45,124
Investments	-	2,845,622	2,845,622
Other liabilities	(15,750)	-	(15,750)
	<u>10,840</u>	<u>2,890,746</u>	<u>2,901,586</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, 2010 and 2009, the Partnership estimates that change in interest rates would not have a significant impact on net interest income over the next 12 months.

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 that 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 brokers with a high credit rating.

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, 2010.

Jov Diversified Québec 2009 Flow-Through Limited Partnership

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(expressed in Canadian dollars)

Concentration risk

	% of net assets
Sector/subgroup	
Precious metals	32.54
Base metals	36.71
Uranium	12.52
Energy	9.73
Alternative energy	3.25
Cash	5.75
Net liabilities	<u>(0.50)</u>
	<u>100.00</u>

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 that 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.

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(expressed in Canadian dollars)

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

The three levels of the fair value hierarchy as per CICA Handbook Section 3862, *Financial Instruments – Disclosures*, 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, 2010 and 2009:

Financial assets at fair value as at December 31, 2010				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	1,342,726	1,694,687	404,176	3,441,589

Financial assets at fair value as at December 31, 2009				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	-	2,366,411	479,211	2,845,622

The following table details the Partnership's Level 3 fair value measurements from December 31, 2009 to December 31, 2010:

	2010	
	Fair value measurements using Level 3 inputs	
	Equities	Warrants
	\$	\$
Balance - December 31, 2009	364,147	115,064
Purchases	26,130	15,645
Transfer out of Level 3	(364,147)	-
Unrealized gain	-	247,307
Balance - December 31, 2010	26,130	378,016

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(expressed in Canadian dollars)

	2009	
	Fair value measurements using Level 3 inputs	
	Equities \$	Warrants \$
Unrealized gain	-	293
Purchases	364,147	114,771
Balance - December 31, 2009	<u>364,147</u>	<u>115,064</u>

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. Partnership's publicly traded equity securities that are thinly traded and their fair values are adjusted for hold period restrictions are categorized as Level 2.

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 Partnership's publicly traded warrants are categorized as Level 2. The fair value of remaining warrants is estimated using the Black-Scholes 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 judgment 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 \$30,055 and \$28,254, respectively (2009 - \$55,866 and \$48,841, respectively).

During the year, there was one transfer out of Level 3 and into Level 2 representing an investment that is no longer privately held. Unrealized gains and losses on investments are recognized in the statements of operations.

8 Partnership capital

Units issued and outstanding represent the capital of the Partnership. The Partnership issued 149,924 units in 2009 for \$3,748,125 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.

Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

9 Future accounting standards

In 2008, the CICA affirmed its intention to transition to International Financial Reporting Standards (“IFRS”) for publicly accountable enterprises. The Canadian Accounting Standards Board decided to extend the deferral of mandatory adoption of IFRS for investment companies until January 1, 2013. The decision is in response to the International Accounting Standards Board’s announcement in late 2010 that its investment company project is delayed and will not likely be issued before January 1, 2012. As the Partnership will be dissolved prior to the mandatory IFRS adoption date, it is unlikely that the Partnership will be impacted by these future accounting changes.

10 Comparative information

Certain information provided for the previous period has been reclassified to conform to the current year presentation.