

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

Financial Statements  
**June 30, 2011**

(Unaudited)

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

## Statements of Net Assets

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(expressed in Canadian dollars)

	As at June 30, 2011 \$	As at December 31, 2010 \$
<b>Assets</b>		
Cash	578,706	208,831
Investments - at fair value	2,276,553	3,441,559
	<u>2,855,259</u>	<u>3,650,390</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	19,174	17,774
Due to related parties (note 5)	13,639	457
	<u>32,813</u>	<u>18,231</u>
Net assets representing Partnership equity	2,822,446	3,632,159
Partnership units outstanding (note 4)	149,924	149,924
Net assets per Partnership unit	<u>18.83</u>	<u>24.23</u>

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

\_\_\_\_\_  
"Hugh Cartwright" (signed)  
Hugh Cartwright  
Director

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"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

For the six-month period ended June 30

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(expressed in Canadian dollars)

	2011 \$	2010 \$
<b>Revenue</b>		
Dividend income	78	-
	<hr/>	<hr/>
<b>Expenses</b>		
Administrative and other (note 5)	81,137	63,163
Audit fees	13,601	12,740
Management fee (note 3)	38,453	32,080
	<hr/>	<hr/>
	133,191	107,983
	<hr/>	<hr/>
<b>Net investment loss</b>	(133,113)	(107,983)
<b>Realized gain on investments</b>	161,832	83,828
<b>Change in unrealized appreciation (depreciation) on investments</b>	<hr/>	<hr/>
	(838,432)	(122,584)
	<hr/>	<hr/>
<b>Increase (decrease) in net assets from operations</b>	(809,713)	(146,739)
	<hr/>	<hr/>
<b>Increase (decrease) in net assets from operations per Partnership unit</b>	<hr/>	<hr/>
	(5.40)	(0.98)

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

For the six-month period ended June 30

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(expressed in Canadian dollars)

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Net assets - Beginning of period</b>	3,632,159	2,901,586
<b>Increase (decrease) in net assets from operations</b>	(809,713)	(146,739)
<b>Net assets - End of period</b>	2,822,446	2,754,847

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

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

## Statements of Cash Flows

For the six-month period ended June 30

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(expressed in Canadian dollars)

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Net investment loss	(133,113)	(107,983)
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	1,400	(5,110)
Due to related parties	13,182	30,043
	<hr/>	<hr/>
Purchase of investments	(118,531)	(83,050)
Proceeds from sale of investments	(858,228)	(109,526)
	<hr/>	<hr/>
<b>Increase in cash</b>	<hr/>	<hr/>
	369,875	618,075
<b>Cash - Beginning of period</b>	<hr/>	<hr/>
	208,831	26,590
<b>Cash - End of period</b>	<hr/>	<hr/>
	578,706	644,665

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 June 30, 2011

(expressed in Canadian dollars)

	Number of shares	Cost \$	Fair value \$	Net assets %
<b>Equity investments</b>				
Abcourt Mines Inc.	1,321,000	209,465	145,310	5.15
Alexandria Minerals Corp.	1,176,000	155,596	176,400	6.25
Allied Nevada Gold Corp.	2,500	51,250	84,550	3.00
Azimut Exploration Inc.	243,500	209,410	311,680	11.04
Canada Fluorspar Inc.	93,000	45,421	47,430	1.68
Cap-Ex Ventures Inc.	58,000	55,422	36,167	1.28
Catch The Wind Ltd.	75,000	25,890	29,250	1.04
Centamin Egypt Limited	36,000	75,035	69,840	2.47
Champion Minerals Inc.	181,800	166,584	272,700	9.66
Clifton Star Resources Inc.	11,600	26,361	29,232	1.04
Crazy Horse Resources Inc.	36,000	26,656	26,640	0.94
East Asia Minerals Corp.	8,000	32,080	24,400	0.86
Eastmain Resources Inc.	142,900	250,075	164,335	5.82
EPM Mining Ventures Inc.	39,000	26,130	58,500	2.07
Frontier Rare Earths Limited	10,000	32,746	20,000	0.71
Great Western Minerals Group Ltd.	87,900	66,162	60,651	2.15
Hyperion Exploration Corp. <sup>(1)</sup>	24,000	36,000	25,122	0.89
Kiska Metals Corp.	30,000	33,099	20,400	0.72
Labrador Iron Mines Holdings Limited	700	8,750	8,575	0.30
Malaga Inc.	67,000	18,391	15,745	0.56
Maudore Minerals Ltd.	14,000	59,837	72,660	2.57
Metanor Minerals Ltd.	249,200	136,113	57,316	2.03
North American Tungsten Corporation Ltd.	28,000	13,615	8,400	0.30
Panoro Minerals Ltd.	51,000	11,615	21,675	0.77
RMS Systems Inc. <sup>(1)</sup>	48,600	33,048	48,600	1.72
Royal Nickel Corporation	168,910	354,057	179,045	6.34
Southern Pacific Resource	18,600	31,062	28,458	1.01
Talon Metals Corp.	46,100	111,184	69,150	2.45
Tourmaline Oil Corp.	1,200	25,200	38,400	1.36
Uranium One Inc.	19,400	48,591	51,410	1.82
URSA Major Minerals Inc.	204,000	35,323	29,580	1.05
Vena Resources Inc.	75,000	36,225	17,250	0.61
		2,446,393	2,248,871	79.68

<sup>(1)</sup> 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 June 30, 2011

(expressed in Canadian dollars)

	Number of warrants	Cost \$	Fair value \$	Net assets %
<b>Warrants</b>				
Abcourt Mines Inc.	735,500	16,820	294	0.01
Canada Fluorspar Inc.	31,000	1,079	515	0.02
Cap-Ex Ventures Ltd.	29,000	5,478	539	0.02
Catch The Wind Ltd.	75,000	3,360	2,558	0.09
Crazy Horse Resources Inc.	18,000	344	22	-
Frontier Rare Earths Limited	2,500	1,000	500	0.02
Kinross Gold Corporation	99	422	243	0.01
Kiska Metals Corp.	15,000	1,401	2,700	0.10
Macusani Yellowcake Inc.	15,500	518	1,318	0.05
Maudore Minerals Ltd.	7,000	4,143	1,329	0.05
Metanor Resources Inc.	344,850	23,312	13,794	0.49
North American Tungsten Corporation Ltd.	14,000	385	74	-
Panoro Minerals Ltd.	25,500	1,135	2,514	0.09
Rocmec Mining Inc.	100,375	9,134	-	-
Royal Nickel Corporation	88,900	27,359	-	-
Talon Metals Corp.	23,050	6,371	645	0.02
Tournigan Energy Ltd.	51,500	1,607	10	-
U3O8 Corp.	15,500	4,413	17	-
URSA Major Minerals Inc.	102,000	1,397	602	0.02
Vena Resources Inc.	37,500	1,275	7	-
		110,953	27,681	0.98
		<u>2,557,346</u>	2,276,553	80.66
Other assets - net of liabilities			<u>545,893</u>	19.34
<b>Net assets</b>			<u>2,822,446</u>	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

June 30, 2011

(Unaudited)

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(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 period-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 of 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.

### 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.

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

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(expressed in Canadian dollars)

## **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.

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.

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

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(expressed in Canadian dollars)

## **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 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.

## **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.

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

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(expressed in Canadian dollars)

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 \$38,453 for the six-month period ended June 30, 2011 (2010 - \$32,080), of which \$5,249 was payable at June 30, 2011 (December 31, 2010 - \$nil). 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 June 30, 2011, 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 June 30, 2011, 149,924 Partnership units were issued and outstanding (2010 - 149,924).

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

## 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 period ended June 30, 2011, an amount of \$40,880 (2010 - \$42,500) was incurred and \$6,813 remained payable as at June 30, 2011 (December 31, 2010 - \$nil).

During the period, an administration fee was also charged by the General Partner in the amount of \$6,720 (2010 - \$6,825) and \$1,120 remained payable as at June 30, 2011 (December 31, 2010 - \$nil).

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

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(expressed in Canadian dollars)

## 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:

	<b>Net asset value per NI 81 - 106 as at June 30, 2011 \$</b>	<b>Section 3855 adjustment \$</b>	<b>Net asset value per Section 3855 as at June 30, 2011 \$</b>
Total net assets	2,844,236	(21,790)	2,822,446
Total per unit	18.97	(0.14)	18.83

  

	<b>Net asset value per NI 81 - 106 as at December 31, 2010 \$</b>	<b>Section 3855 adjustment \$</b>	<b>Net asset value per Section 3855 as at December 31, 2010 \$</b>
Total net assets	3,677,280	(45,121)	3,632,159
Total per unit	24.53	(0.30)	24.23

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

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(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

June 30, 2011

(Unaudited)

(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 June 30, 2011, 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 \$113,828 (December 31, 2010 - \$172,078).

## 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 June 30, 2011 and December 31, 2010. It includes the Partnership's assets and liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	<b>June 30, 2011</b>		
	<b>Due in less than 6 months \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
Cash	578,706	-	578,706
Due to related parties	(13,639)	-	(13,639)
Investments	-	2,276,553	2,276,553
Other liabilities	(19,174)	-	(19,174)
	<u>545,893</u>	<u>2,276,553</u>	<u>2,822,446</u>

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

(expressed in Canadian dollars)

	<b>December 31, 2010</b>		
	<b>Due in less than 6 months \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
Cash	208,831	-	208,831
Investments	-	3,441,559	3,441,559
Other liabilities	(18,231)	-	(18,231)
	<u>190,600</u>	<u>3,441,559</u>	<u>3,632,159</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 June 30, 2011, 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 June 30, 2011.

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

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(expressed in Canadian dollars)

## Concentration risk

Sector/subgroup	% of net assets
Base metals	30.73
Precious metals	30.21
Uranium	13.55
Energy	5.17
Alternative energy	1.14
Cash	20.35
Net liabilities	(1.15)
	<hr/>
	100.00
	<hr/>

## 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.

Partnership manages liquidity risk by maintaining sufficient liquid cash resources and publicly listed resource companies to ensure the Partnership's liquidity requirements are met.

# Jov Diversified Québec 2009 Flow-Through Limited Partnership

Notes to Financial Statements

June 30, 2011

(Unaudited)

(expressed in Canadian dollars)

## 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 June 30, 2011 and December 31, 2010:

	<b>Financial assets at fair value as at June 30, 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equities	1,309,021	897,115	70,417	2,276,553

  

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

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.

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.

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

Notes to Financial Statements

**June 30, 2011**

**(Unaudited)**

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(expressed in Canadian dollars)

## **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.

## **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 period presentation.

