

**Jov Diversified Flow-Through 2008  
Limited Partnership**

Financial Statements  
**June 30, 2008**

**(Unaudited)**

# Jov Diversified Flow-Through 2008 Limited Partnership

Statement of Net Assets

(Unaudited)

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June 30, 2008

	\$
<b>Assets</b>	
Cash	7,952,767
Investments - at fair value	<u>6,447,245</u>
	<u>14,400,012</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	34,124
Loan payable (note 3)	<u>1,547,210</u>
	<u>1,581,334</u>
Net assets	<u>12,818,678</u>
Partnership units outstanding (note 5)	<u>589,413</u>
Net asset value per Partnership unit	<u>21.75</u>

Approved by the General Partner  
JOV DIVERSIFIED FLOW-THROUGH 2008 MANAGEMENT CORP.

(signed) Hugh Cartwright

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**Hugh Cartwright**  
Director

(signed) Shane Doyle

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**Shane Doyle**  
Director

# Jov Diversified Flow-Through 2008 Limited Partnership

Statement of Operations

(Unaudited)

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	<b>For the period from March 6, 2008 (commencement of operations) to June 30, 2008</b>
	\$
<b>Investment income</b>	
Interest	68,829
	<hr/>
	68,829
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<b>Expenses</b>	
Administrative and other (notes 4 and 6)	64,429
Audit fees	7,724
Interest	15,357
Management fee (note 4)	58,970
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	146,480
	<hr/>
<b>Net investment loss</b>	(77,651)
<b>Change in unrealized depreciation of investments</b>	(286,563)
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<b>Decrease in net assets from operations</b>	(364,214)
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<b>Decrease in net assets from operations per Partnership unit</b>	(0.62)
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# Jov Diversified Flow-Through 2008 Limited Partnership

Statement of Changes in Net Assets

(Unaudited)

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	<b>For the period from March 6, 2008 (commencement of operations) to June 30, 2008</b>
	\$
<b>Net assets - Beginning of period</b>	<u>-</u>
<b>Increase (decrease) in net assets from operations</b>	<u>(364,214)</u>
<b>Partners' transactions</b>	
Proceeds from issue of Partnership units	14,735,350
General Partner's contribution	10
Redemption of Partnership unit	(25)
Issue costs (notes 6 and 7)	<u>(1,552,443)</u>
	<u>13,182,892</u>
<b>Net increase in net assets</b>	<u>12,818,678</u>
<b>Net assets - End of period</b>	<u>12,818,678</u>

# Jov Diversified Flow-Through 2008 Limited Partnership

Statement of Cash Flows

(Unaudited)

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	<b>For the period from March 6, 2008 (commencement of operations) to June 30, 2008</b>
	\$
<b>Cash flows from operating activities</b>	
Net investment loss	(77,651)
Changes in non-cash balances related to operations	
Accounts payable and accrued liabilities	34,124
Due to related parties	-
	<u>(43,527)</u>
Purchase of investments	(6,733,808)
Proceeds from sale of investments	-
	<u>(6,777,335)</u>
<b>Cash flows from financing activities</b>	
Issue of initial Partnership unit	25
General Partner's contribution	10
Redemption of Partnership unit	(25)
Proceeds from issue of Partnership units	14,735,325
Proceeds from loan	1,547,210
Issue costs	(1,552,443)
	<u>14,730,102</u>
<b>Increase in cash</b>	7,952,767
<b>Cash - Beginning of period</b>	<u>-</u>
<b>Cash - End of period</b>	<u>7,952,767</u>
<b>Interest paid</b>	<u>15,357</u>

# Jov Diversified Flow-Through 2008 Limited Partnership

Statement of Investment Portfolio

As at June 30, 2008

<b>Equity investments</b>	<b>Number of Shares/ Warrants</b>	<b>Cost \$</b>	<b>Fair value \$</b>	<b>Net assets %</b>
Birchcliff Energy Ltd.	32,000	315,200	492,480	3.84
Brett Resources Inc.	280,000	266,000	198,800	1.55
Campbell Resources Inc.	2,900,000	348,000	290,000	2.26
Clifton Star Resources Inc.	159,090	349,998	397,725	3.10
Comaplex Minerals Corp.	80,000	524,000	432,000	3.37
Corridor Resources Inc.	105,000	1,365,000	913,500	7.13
Delphi Energy Corp.	35,000	119,000	107,450	0.84
Diamonds North Resources Ltd.	310,000	372,000	356,500	2.78
Fairborne Energy Ltd.	50,600	624,910	660,330	5.15
Halo Resources Ltd.	1,000,000	250,000	160,000	1.25
MGM Energy Corp.	750,000	502,500	427,500	3.33
Open Range Energy Corp.	75,000	375,000	597,000	4.66
Starfield Resources Inc.	400,000	400,000	456,000	3.56
Trafalgar Energy Ltd.	50,500	222,200	197,960	1.54
West Hawk Development Corp.	2,000,000	700,000	760,000	5.93
		<u>6,733,808</u>	6,447,245	50.30
Assets - net of other liabilities			<u>6,371,433</u>	49.70
<b>Net assets</b>			<u>12,818,678</u>	<u>100.00</u>

# **Jov Diversified Flow-Through 2008 Limited Partnership**

Notes to Financial Statements

**June 30, 2008**

**(Unaudited)**

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## **1. Formation and purpose of the Partnership**

Jov Diversified Flow-Through 2008 Limited Partnership (the “Partnership”) was formed on December 19, 2007 as a limited partnership under the laws of the Province of British Columbia and commenced operations on March 6, 2008. 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 2008 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 February 26, 2008, 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 June 30, 2009. 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. The following is a summary of significant accounting policies used by the Partnership.

### **Adoption of new accounting standards**

#### Capital Disclosures

The Partnership adopted CICA Handbook Section 1535 - Capital Disclosures. The section establishes standards for disclosing information to enable users of financial statements to evaluate a reporting issuer’s objectives, policies and processes for managing capital. The new requirements provide enhanced disclosure only and do not affect the Partnership’s financial position or operating results. Section 1535 is effective for annual and interim fiscal years beginning on or after January 1, 2008.

#### Financial Instruments

The Partnership adopted CICA Handbook Sections 3862 – Financial Instruments, and 3863 – Financial Instruments – Presentation. The new requirements provide enhanced disclosure about the nature and extent of risks facing the Partnership as well as how the Partnership manages those risks. Sections 3862 and 3863 are effective for annual and interim fiscal years beginning on or after January 1, 2008.

# **Jov Diversified Flow-Through 2008 Limited Partnership**

Notes to Financial Statements

**June 30, 2008**

**(Unaudited)**

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## **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 period-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 of currently may differ from carrying value based on market quotes, 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.

## **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 an 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 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, as a substantial period of time may have elapsed since the latest third party equity financing.

## **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, such as comparable companies with appropriate adjustments to reflect the individual company circumstances to establish volatility and other inputs to the model.

## **Transaction costs**

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

Short-term securities are valued based on original cost plus accrued interest, which approximates fair value.

# **Jov Diversified Flow-Through 2008 Limited Partnership**

Notes to Financial Statements

**June 30, 2008**

**(Unaudited)**

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## **Reconciliation of NAV**

The Partnership determines the fair value of its investments for purposes of preparing financial statements by following the recommendations contained in the CICA Handbook Section 3855, which as described above requires the use of closing bid prices for securities owned and traded in an active market. Pursuant to National Instrument 81-106, an investment fund must also follow Canadian GAAP when determining its net asset value for all other purposes. To permit further consideration of the impact of Section 3855 may have on the investment fund industry, the Canadian Securities Administrators have granted exemptive relief from the requirement to compute net asset value in accordance with GAAP for all purposes other than the preparation of financial statements. The exemptive relief will continue until September 30, 2008 or until such time that a permanent solution is made. Accordingly, the net asset value computed by the Partnership for all other purposes follows its historic methods of valuing listed securities at their last traded price. This is referred to as the transactional NAV.

A reconciliation between the transactional NAV and the net asset value calculated in accordance with Section 3855 of an investment fund (GAAP NAV) is required to be disclosed in the financial statements for financial reporting periods up to September 30, 2008. A reconciliation between the transactional NAV and the GAAP NAV as at June 30, 2008 has been provided in note 7.

## **Cash**

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

## **Investment transactions and income recognition**

Income from investment transactions is recognized on an accrual basis. Interest income is accrued as earned and dividend income is recognized on the ex-dividend date.

All investment transactions are recognized on the business day the order to buy or sell was executed. Realized gains or losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on an average cost 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 dissolution of such shares, a capital gain will result and be allocated to Limited Partners based upon their proportionate share if the Partnership.

## **Issue costs**

Expenses related to the initial offering of the Partnership units have been accounted for as a reduction of partners' equity.

## **Valuation of Partnership units**

Net asset value 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**

The increase (decrease) in net assets from operations per Partnership unit is based on the average number of units outstanding during the reporting period.

# Jov Diversified Flow-Through 2008 Limited Partnership

Notes to Financial Statements

June 30, 2008

(Unaudited)

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## 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.

## Foreign currency translation

Monetary items denominated in foreign currencies are translated at rates prevailing on the statement of net assets date; income and expenses are translated at the average rates prevailing during the period. Foreign exchange gains or losses arising from the translation or settlement of a monetary item denominated in a foreign currency are recorded in the statement of operations.

## 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. The Partnership is subject to interest rate risk in respect of the loan payable as the interest rate is variable.

### 3. Loan payable

In February 2008 the Partnership established a credit facility of up to \$5,000,000 (subject to certain conditions) 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. The Partnership incurred a \$10,000 loan arrangement fee which is included in issue costs. As at June 30, 2008, the loan principle balance outstanding was \$1,547,210 which is the maximum amount borrowed during the period. The Partnership pays interest on the outstanding loan balance at the Bank's prime lending rate plus 0.15% per annum. This loan is repayable at the earlier date of dissolution and December 31, 2009.

### 4. Expenses of the Partnership

The General Partner is entitled to an annual management fee of 2.0% of the net asset value of the Partnership, calculated monthly, which totalled \$58,970 for the period ended June 30, 2008. The General Partner will also be 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. No performance bonus was paid to the General Partner during the period ended June 30, 2008. As at June 30, 2008, this threshold has not been achieved; accordingly, no performance bonus has been accrued.

The Partnership pays all of the expenses of carrying on of its business including the legal and audit fees, interest, taxes, administrative costs relating to financial and other reports, compliance with all applicable laws, regulations and policies. The General Partner is reimbursed for expenses incurred in the performance of its duties, including professional fees.

## Jov Diversified Flow-Through 2008 Limited Partnership

Notes to Financial Statements

June 30, 2008

(Unaudited)

During the period the Partnership incurred transaction costs for its portfolio transactions of \$120 and custodial fees of \$1,171, which are included in administrative and other expenses in the statement of operations.

### 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 1,600,000 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, 2008, there were 589,413 Partnership units issued and outstanding.

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

### 6. Related party balances and transactions

The General Partner has retained Jov Flow-Through Holdings Corp. and CADO Bancorp Ltd., a related company, to provide office space and perform certain administrative functions on behalf of the General Partner. Balances and transactions with related parties have been recorded at the exchange amount.

		June 30, 2008
Jov Diversified Flow-Through 2007 Management Corp.		\$
Management Fee		58,970
Administration Fee		10,500
CADO Bancorp Ltd.		
Administration Fee		38,850

### 7. Reconciliation of Net Asset Value

	Transactional NAV As at June 30, 2008	Section 3855 Adjustment	GAAP NAV As at June 30, 2008
	\$	\$	\$
Net Asset Value	12,909,240	(90,562)	12,818,678
Net Asset Value per unit	21.90	(0.15)	21.75

# Jov Diversified Flow-Through 2008 Limited Partnership

Notes to Financial Statements

June 30, 2008

(Unaudited)

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## 8. Risk Management

### Market risk

Unfavourable economic conditions may negatively impact the Partnership's net asset value. The Partnership manages market risk by having a diversified portfolio which is not singularly exposed to any one issuer. The Partnership's investment activities are currently concentrated in the natural resource industry. To minimize overexposure, the Partnership has set thresholds on individual investments which are outlined in the prospectus.

### Liquidity risk

The Partnership's liquidity and operating results may be adversely affected if the value of the Partnership's investments decline resulting in capital losses on disposition. The Partnership generates cash flow primarily from its cash position, proceeds from the disposition of its investments, in addition to interest income earned on its cash position. The Partnership has sufficient cash and marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

### Interest and credit risk

As the Partnership holds cash balances with its brokers, those balances are exposed to the risk of a financial loss occurring as a result of default. The Partnership believes it is not significantly exposed to credit risk as the brokers it deals with are financially stable.

### Foreign exchange risk

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

## 9. Future Accounting Standards

The Canadian Accounting Standards Board recently confirmed January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises such as investment funds and other reporting issuers.

Changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Partnership's reported financial position and results of operations. It may also affect certain business functions. The Canadian Securities Administrators (the "CSA") has issued CSA Staff Notice 52-320, which requires the Partnership to provide progress updates on the changeover plan to the new reporting standards at each interim and annual reporting period up until the changeover date.

As at June 30, 2008, the Partnership is assessing the impact of IFRS on net asset value per unit and accounting policies of the Partnership and will be developing its changeover plan to meet the timetable published by the CICA for changeover to IFRS. The plan will be disclosed in the 2008 annual financial statements as at December 31, 2008.