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## PROSPECTUS

*Initial Public Offering*

October 9, 2007



### **Jov Diversified Flow-Through 2007 Limited Partnership** **\$20,000,000 (Maximum)** **800,000 Limited Partnership Units**

This prospectus qualifies the distribution by Jov Diversified Flow-Through 2007 Limited Partnership (the “Partnership”), a limited partnership formed under the laws of British Columbia, of a maximum of 800,000 limited partnership units (the “Units”) at a price of \$25.00 per Unit, subject to a minimum subscription of 200 Units for \$5,000. **Units cannot be purchased or held by “non-residents” as defined in the Income Tax Act (Canada) (the “Tax Act”).** See “The Partnership” and “Description of the Units”. Capitalized terms used in this prospectus are defined in the Glossary.

**The Partnership:** The Partnership’s investment objective is to provide limited partners of the Partnership (“Limited Partners”) with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Companies with a view to achieving capital appreciation for Limited Partners. The principal business of the Resource Companies will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) certain energy production that may incur certain start-up phase costs of renewable energy projects. Resource Companies will agree to incur Canadian exploration expenses or certain Canadian development expenses that qualify for renunciation as Canadian Exploration Expense (hereinafter together defined as “Eligible Expenditures”) and renounce Eligible Expenditures to the Partnership. Subject to certain limitations, Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes with respect to Eligible Expenditures incurred and renounced to the Partnership. See “Canadian Federal Income Tax Considerations”. All investments will be made in accordance with the Partnership’s Investment Strategy and Investment Guidelines, as described in this prospectus. See “The Partnership – Investment Objectives and Strategy” and “The Partnership - Investment Guidelines”.

**Investment Manager:** JovInvestment Management Inc. is the investment manager (the “Investment Manager”) to the Partnership. See “The Investment Manager and Prior Partnerships”. The Investment Manager has delegated its investment management responsibilities to, and will oversee the activities of the Sub-Advisor in connection with the Partnership’s Investment Portfolio. The Investment Manager expects to utilize its extensive contacts in the Canadian resource sector as well as its contacts in the investment dealer and investment management communities to evaluate and make investment decisions on investment opportunities consistent with the Investment Strategy and the Investment Guidelines.

**Sub-Advisor:** The Investment Manager has retained T.I.P. Wealth Manager Inc. (the “Sub-Advisor”) to manage the Investment Portfolio in accordance with the Investment Guidelines. Jim Huang will act as portfolio manager on behalf of the Sub-Advisor. Mr. Huang has extensive experience managing resource funds, including managing or co-managing over \$2 billion in mutual fund and institutional assets. Mr. Huang also has experience in managing flow-through share portfolios and has acted as investment adviser to a number of public flow-through limited partnerships. See “The Sub-Advisor”.

**Price per Unit: \$25.00**  
**Minimum Purchase: \$5,000 (200 Units)**

	<u>Price to Public</u>	<u>Agents’ Fees<sup>(2)</sup></u>	<u>Proceeds to the Partnership<sup>(3)</sup></u>
Per Unit <sup>(1)</sup> .....	\$25.00	\$1,6875	\$25.00
Maximum Offering (800,000 Units).....	\$20,000,000	\$1,350,000	\$20,000,000
Minimum Offering (100,000 Units) .....	\$2,500,000	\$168,750	\$2,500,000

<sup>(1)</sup> The subscription price per Unit was established by the General Partner.

<sup>(2)</sup> The Agents’ fees will be paid by the Partnership from monies made available under the Loan Facility and are not expected by the General Partner to be deductible in computing income of the Partnership pursuant to the Tax Act until the amount borrowed is repaid. See “Fees, Charges and Expenses Payable by the Partnership – Loan Facility” and “Canadian Federal Income Tax Considerations”.

- <sup>(3)</sup> Before deducting all other expenses of the Offering (including but not limited to legal, accounting and audit, travel, marketing and sales expenses), estimated by the General Partner to be \$285,000 in the case of the minimum Offering and \$410,000 in the case of maximum Offering. All or a substantial portion of these expenses of the Offering will be paid from monies made available under the Loan Facility and are not expected by the General Partner to be deductible in computing income of the Partnership pursuant to the Tax Act until the amount borrowed is repaid. See “Fees, Charges and Expenses Payable by the Partnership – Loan Facility” and “Canadian Federal Income Tax Considerations”.

**These securities are speculative in nature. This is a blind pool offering. The purchase of Units involves significant risks. There is currently no market through which the Units may be sold and purchasers may not be able to resell the securities purchased under this prospectus. No market for the Units is expected to develop. As at the date of this prospectus, the Partnership has not entered into any Investment Agreements to acquire Flow-Through Shares or other securities of Resource Companies or selected any Resource Company to invest in. An investment is appropriate only for Subscribers who have the capacity to absorb the loss of some or all of their investment. There is no guarantee that an investment in the Partnership will earn a specified rate of return in the short or long term. Flow-Through Shares may be issued at prices greater than the market prices of ordinary common shares of the respective Resource Companies and may be subject to resale restrictions. Limited Partners must rely on the discretion and knowledge of the Investment Manager and Sub-Advisor for the management of the Partnership’s Investment Portfolio. There can be no assurance that the Sub-Advisor, on behalf of the Partnership, will be able to identify a sufficient number of investments to permit the Partnership to commit all of the Partnership’s Available Funds to purchase Flow-Through Shares of Resource Companies by December 31, 2007. Therefore, the possibility exists that capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes. There is no assurance that an adequate market will exist for securities acquired by the Partnership and those securities will be subject to resale restrictions. The tax benefits resulting from an investment in the Partnership are greatest for a Limited Partner whose income is subject to the highest applicable income tax rate. Federal, provincial or territorial income tax legislation may be amended, or its interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Units. Distributions from the Partnership to Limited Partners in a year may not be sufficient to fully pay any tax that they may owe as a result of being a Limited Partner in that year. The making of any such distributions will be subject to the terms of the Loan Facility. Other risk factors associated with an investment in the Partnership include: certain risks inherent in resource operations and investments in junior Resource Companies; Limited Partners losing their limited liability in certain circumstances; and the General Partner having only nominal assets. There are no assurances that a Liquidity Event, including a Mutual Fund Rollover Transaction, will be completed. Prospective Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of their investment. See “Risk Factors”.**

**The General Partner:** Jov Diversified Flow-Through 2007 Management Corp. is the general partner of the Partnership (the “General Partner”) and has co-ordinated the formation, organization and registration of the Partnership. The General Partner will: (i) work with the Agents in developing and implementing all aspects of the Partnership’s communications, marketing and distribution strategies; (ii) manage the ongoing business and administrative affairs of the Partnership; and (iii) monitor the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines. See “The General Partner”.

**Liquidity Event:** In order to provide Limited Partners with liquidity and the potential for long-term growth of capital and income, the General Partner intends to implement a liquidity transaction on or before June 30, 2009 (a “Liquidity Event”). The General Partner currently intends that the Liquidity Event will be a Mutual Fund Rollover Transaction. The Liquidity Event will be implemented on not less than 21 days’ prior written notice to Limited Partners. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Event but intends to do so only if the actual terms of the Liquidity Event are substantially different from those presently intended. **There can be no assurance that any such Liquidity Event will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented. There can also be no assurance that a Mutual Fund will be established to participate in any Liquidity Event.** In the event a Liquidity Event is not implemented by June 30, 2009, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2009, and its net assets distributed *pro rata* to the Partners; or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. Any Liquidity Event, including a Mutual Fund Rollover Transaction, may involve a mutual fund corporation or other appropriate investment vehicle that is not a reporting issuer. See “Liquidity Event” and “Risk Factors”.

The federal and Québec tax shelter identification numbers in respect of the Partnership are TS 073528 and QAF-0701229, respectively. The identification numbers issued for this tax shelter must be included in any income tax return filed by the investor. Issuance of the identification numbers is for administrative purposes only and does not in any way confirm the entitlement of the investor to claim any tax benefits associated with the tax shelter.

CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Berkshire Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, Wellington West Capital Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., IPC Securities Corporation, Raymond James Ltd., Sanders Wealth Management Group Ltd., Burgeonvest Securities Limited, MGI Securities Inc. and Richardson Partners Financial Limited (collectively, the “Agents”) conditionally offer the Units for sale on an agency basis, if, as and when subscriptions are accepted by the General Partner on behalf of the Partnership, in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to approval of certain legal and tax matters on behalf of the Partnership and the General Partner by Borden Ladner Gervais LLP and on behalf of the Agents by Stikeman Elliott LLP. **One of the Agents, MGI Securities Inc. (“MGI”), is controlled by Jovian Capital Corporation (“Jovian”). Jovian also controls the Investment Manager and indirectly owns 40% of the outstanding shares of the Promoter and the General Partner. Accordingly, in connection with this Offering, the Partnership may be considered a “related issuer” and a “connected issuer” of MGI under applicable securities laws. See “Plan of Distribution” and “Conflicts of Interest”.**

Subscriptions will be received subject to allotment by the Agents and subject to acceptance or rejection by the General Partner on behalf of the Partnership, in whole or in part, and the right is reserved to close the Offering books at any time without notice. It is expected that the initial Closing will take place on or about October 18, 2007. The Closing is conditional upon receipt of subscriptions for a minimum of 100,000 Units. The Agents will hold subscription proceeds received from Subscribers prior to the initial Closing and any subsequent closing. The initial Closing is subject to receipt of subscriptions for the minimum number of Units and other closing conditions of the Offering. If the minimum Offering is not subscribed for by November 30, 2007, subscription proceeds received will be returned, without interest or deduction, to the Subscribers. If less than the maximum number of Units are subscribed for at the initial Closing Date, subsequent Closings may be held on or before November 30, 2007. Registrations of interests in the Units will be made only through the book-based system administered by CDS Clearing and Depository Services Inc. (“CDS”). A book-entry only certificate representing the Units will be issued in registered form only to CDS or its nominees and will be deposited with CDS on the date of each Closing. No other certificates representing the Units will be issued. A Subscriber who purchases Units will receive only a customer confirmation from the registered dealer from or through whom he or she has purchased Units and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system.

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## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Borden Ladner Gervais LLP, counsel to the Partnership and the General Partner, and Stikeman Elliott LLP, counsel to the Agents, the Units are not “qualified investments” for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans.

## **HOW TO SUBSCRIBE FOR UNITS**

A Subscriber must purchase at least 200 Units and pay \$25.00 per Unit subscribed for at Closing. Payment of the purchase price may be made either by direct debit from the Subscriber’s brokerage account or by certified cheque or bank draft made payable to an Agent or a registered dealer or broker who is a member of the selling group. Prior to each Closing, all certified cheques and bank drafts will be held by the Agents or selling group members. No certified cheques or bank drafts will be cashed prior to the Closing.

The General Partner has the right to accept or reject any subscription and will promptly notify each prospective Subscriber of any such rejection. All subscription proceeds of a rejected subscription will be returned, without interest or deduction, to the rejected Subscriber.

## **THE ACCEPTANCE BY THE GENERAL PARTNER (ON BEHALF OF THE PARTNERSHIP) OF A SUBSCRIBER’S OFFER TO PURCHASE UNITS (MADE THROUGH A REGISTERED DEALER OR BROKER), WHETHER IN WHOLE OR IN PART, CONSTITUTES A SUBSCRIPTION AGREEMENT BETWEEN THE SUBSCRIBER AND THE PARTNERSHIP, UPON THE TERMS AND CONDITIONS SET OUT IN THIS PROSPECTUS AND THE PARTNERSHIP AGREEMENT.**

The foregoing subscription agreement shall be evidenced by delivery of the final prospectus to the Subscriber, provided that the subscription has been accepted by the General Partner on behalf of the Partnership. Joint subscriptions for Units will be accepted.

Pursuant to the Partnership Agreement, each Subscriber, among other things:

- (i) consents to the disclosure of certain information to, and the collection and use by, the General Partner and its service providers, including such Subscriber’s full name, residential address or address for service, social insurance number or the corporation account number, as the case may be, for the purpose of administering such Subscriber’s subscription for Units;
- (ii) acknowledges that the Subscriber is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner;
- (iii) makes the representations and warranties and covenants set out in the Partnership Agreement, including, among other things, that (a) such Subscriber is not a “non-resident” of Canada for the purposes of the Tax Act or a “non-Canadian” within the meaning of the *Investment Canada Act* (Canada) (the “ICA”) and that the Subscriber will maintain such status during such time as the Units are held by such Subscriber; (b) the acquisition of Units by such Subscriber has not been financed with borrowings for which recourse is, or is deemed to be, limited within the meaning of the Tax Act; and (c) unless such Subscriber has provided written notice to the contrary to the General Partner prior to the date of becoming a Limited Partner, such Subscriber is not a “financial institution” within the meaning of the Tax Act and such Subscriber will continue not to be a financial institution during such time as Units are held by such Subscriber;
- (iv) irrevocably nominates, constitutes and appoints the General Partner as its true and lawful attorney with full power and authority as set out in the Partnership Agreement;

- (v) irrevocably authorizes the General Partner to transfer the assets of the Partnership to an open-end mutual fund corporation and implement the dissolution of the Partnership in connection with any Liquidity Event; and
- (vi) irrevocably authorizes the General Partner to file on behalf of the Subscriber all elections under applicable income tax legislation in respect of any such Liquidity Event or the dissolution of the Partnership.

In accordance with current federal privacy legislation, the General Partner has adopted privacy policies to protect a Limited Partner’s personal information. To review the complete text of the General Partner’s privacy policy, please go to [www.jovflowthrough.ca](http://www.jovflowthrough.ca).

Subscription proceeds from this Offering will be received by the Agents, or such other registered dealers or brokers as are authorized by the Agents, and held in trust in a segregated account until subscriptions for the minimum Offering are received and other closing conditions of this Offering have been satisfied. If the minimum amount required for this Offering is not subscribed for within 90 days after receipt of a MRRS decision document in respect of this prospectus, this Offering may not continue and the subscription proceeds will be returned to Subscribers, without interest or deduction, unless consent is obtained from the Canadian securities regulatory authorities and those who have subscribed for Units on or before such date.

### **SCHEDULE OF EVENTS**

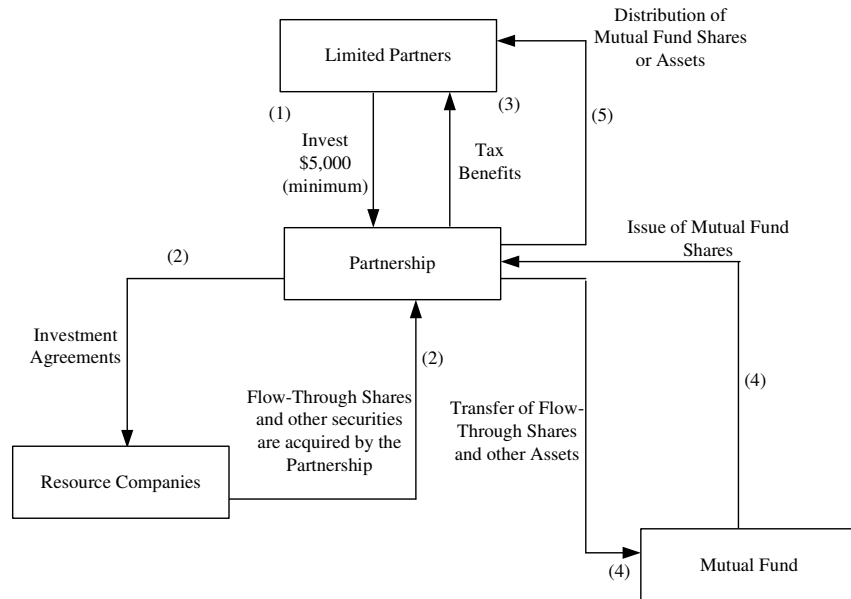
<b><u>Approximate Date</u></b>	<b><u>Event</u></b>
On or about October 18, 2007 .....	Initial Closing – Subscribers purchase Units and pay the full purchase price of \$25.00 per Unit.
March/April 2008 .....	Limited Partners receive 2007 T5013 federal tax receipt.
On or prior to June 30, 2009 .....	General Partner intends to implement a Liquidity Event.
Within 60 days of implementation .....	Mutual Fund Shares distributed following the transfer of the Partnership’s assets to the Mutual Fund, if a Mutual Fund Rollover Transaction is implemented.
On or about December 31, 2009 .....	Partnership will be dissolved on or about this date if a Liquidity Event is not implemented, unless, at the discretion of the General Partner, the General Partner places before and Limited Partners approve an Extraordinary Resolution to continue operation with an actively managed portfolio.

### **FORWARD LOOKING STATEMENTS**

Certain statements in this prospectus as they relate to the Partnership and the General Partner are “forward-looking statements”. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved) are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, the risks of the business of the Partnership. See “Risk Factors”. Neither the Partnership, the General Partner, the Investment Manager nor the Agents undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws.

## SUMMARY OF TRANSACTIONS

- (1) Subscribers invest in Units. The Subscription Price for the Units is payable in full at Closing.  
 (2) The Partnership enters into Investment Agreements.



- (3) Subscribers must be Limited Partners on December 31, 2007 to obtain tax deductions in respect of such year.  
 (4) The Partnership intends to implement a Liquidity Event (which the General Partner currently intends will be a Mutual Fund Rollover Transaction) on or before June 30, 2009.  
 (5) If a Mutual Fund Rollover Transaction is implemented, the Partnership will be dissolved and the Limited Partners will receive their *pro rata* portion of the Mutual Fund Shares. The Mutual Fund Shares will be redeemable at the option of the former Limited Partners.

## GLOSSARY

The following terms used in this prospectus have the meanings set out below:

“**affiliate**” has the meaning ascribed to the term “affiliated entity” in Ontario Securities Commission Rule 61-501.

“**Agency Agreement**” means the agreement dated as of October 9, 2007 among the Partnership, the General Partner, the Promoter, the Investment Manager, the Sub-Advisor and the Agents, pursuant to which the Agents have agreed to offer the Units for sale on an agency basis.

“**Agents**” means CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Berkshire Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, Wellington West Capital Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., IPC Securities Corporation, Raymond James Ltd., Sanders Wealth Management Group Ltd., Burgeonvest Securities Limited, MGI Securities Inc. and Richardson Partners Financial Limited.

“**AMEX**” means the American Stock Exchange.

“**Available Funds**” means all funds available to the Partnership from the sale of Units after deducting the Operating Reserve from the Gross Proceeds of the Offering.

“**Business Day**” means a day, other than a Saturday, Sunday or holiday, when banks in the City of Vancouver, British Columbia are generally open for the transaction of banking business.

“**CRA**” means Canada Revenue Agency.

“**CDE**” or “**Canadian Development Expense**” means Canadian development expense, as defined in subsection 66.2(5) of the Tax Act, which includes certain expenses incurred for the purpose of developing petroleum or natural gas deposits in Canada (including certain drilling expenses).

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee which, as at the date of this prospectus, is CDS & Co., or a successor thereto.

“**CEE**” or “**Canadian Exploration Expense**” means Canadian exploration expense, as defined in subsection 66.1(6) of the Tax Act, including:

- (a) expenses incurred in a year in drilling an oil or gas well if such drilling resulted in the discovery that a natural underground reservoir contains petroleum or natural gas where before the time of the discovery, no person or partnership had discovered that the reservoir contained either petroleum or natural gas and the discovery occurred at any time before six months after the end of the year;
- (b) expenses incurred in a year in drilling an oil and gas well if the well is abandoned in the year or within six months after the end of the year without ever having produced;
- (c) certain expenses incurred for the purpose of determining the existence, location, extent or quality of an accumulation of petroleum or natural gas or a mineral resource in Canada; and
- (d) CRCE.

“**Closing**” means the completion of the purchase and sale of any Units.

“**Closing Date**” means the date of the initial Closing, expected to be October 18, 2007 or such other date as the General Partner and the Agents may agree and includes the date of any subsequent Closing, if applicable, provided that the final Closing shall take place not later than November 30, 2007.

“**CRCE**” means Canadian renewable and conservation expense, as defined in subsection 66.1(6) of the Tax Act.

“**Eligible Expenditures**” means CEE and Qualifying CDE.

“**Extraordinary Resolution**” means a resolution passed by two-thirds or more of the votes cast, either in person or by proxy, at a duly convened meeting of the Limited Partners to approve any item as required by the Partnership Agreement, or, alternatively, a written resolution signed by Limited Partners holding two-thirds or more of the Units outstanding and entitled to vote on such a resolution at a meeting.

“**Flow-Through Shares**” means securities of Resource Companies which qualify as flow-through shares, as defined in subsection 66(15) of the Tax Act, and in respect of which Resource Companies agree to renounce to the Partnership Eligible Expenditures, and includes rights entitling the Partnership to acquire such securities which rights qualify as flow-through shares for the purposes of the Tax Act.

“**General Partner**” means Jov Diversified Flow-Through 2007 Management Corp.

“**General Partner’s Fee**” means the fee which the General Partner will receive from the Partnership pursuant to the Partnership Agreement during the period commencing on the Closing Date and ending on the earlier of (a) the effective date of the Liquidity Event, and (b) the date of the dissolution of the Partnership, equal to one-twelfth of 2.0% of the Net Asset Value for each month of service, calculated and paid monthly in arrears.

“**Gross Proceeds**” of the Offering means the total number of Units sold pursuant to the Offering multiplied by \$25.00 per Unit.

“**High Quality Money Market Instruments**” means money market instruments which are accorded the highest rating category by a Canadian Bond Rating Service (A-1) or by Dominion Bond Rating Service (R-1), banker’s acceptances and government guaranteed obligations all with a term of one year or less, and interest-bearing deposits with Canadian banks, trust companies or other like institutions in the business of providing commercial loans, operating loans or lines of credit to companies.

“**Illiquid Investments**” means investments which may not be readily disposed of in a marketplace where such investments are normally purchased and sold and public quotations in common use and in respect thereof are available. Examples of Illiquid Investments include limited partnership interests that are not listed on a stock exchange and securities of private companies, but do not include Flow-Through Shares of publicly listed issuers with resale restrictions which expire on or before December 31, 2008, unlisted Warrants or Special Warrants, or Flow-Through Shares or other securities of a special purpose private company or partnership formed to undertake a specific resource property exploration or development program, the securities of which are convertible, commencing no later than two years plus one day following the date of acquisition of such securities by the Partnership, into shares of a listed Resource Company whose market capitalization is at least \$30 million.

“**Initial Limited Partner**” means Hugh Cartwright.

“**Investment Agreements**” means agreements to which the Partnership will subscribe for Flow-Through Shares (including Flow-Through Shares issued as part of a unit) or Special Warrants or agreements by the Partnership to otherwise invest in or purchase securities of a Resource Company, including a trade made through the facilities of a stock exchange or other market, and:

- (a) in respect of Flow-Through Shares not offered as part of a unit or in respect of Special Warrants entitling the holder to acquire Flow-Through Shares only, the Resource Company will covenant and agree to use 100% of the purchase price paid to it to incur, and renounce to the Partnership, with an effective date of not later than December 31, 2007, CEE or Qualifying CDE; or

- (b) in respect of Flow-Through Shares comprised in units, the Resource Company will covenant and agree:
  - (i) that the purchase price is reasonably allocable, and will be allocated by the Resource Company, such that no less than 90% of the purchase price is allocated to the price for the Flow-Through Share comprised in such units; and
  - (ii) to use 100% of the purchase price so allocated for the Flow-Through Shares comprised in such units to incur, and renounce to the Partnership, with an effective date of not later than December 31, 2007, CEE or Qualifying CDE; or
- (c) in respect of Special Warrants entitling the holder to acquire Flow-Through Shares and other securities, the Resource Company will covenant and agree:
  - (i) that the purchase price is reasonably allocable, and will be allocated by the Resource Company, such that no less than 90% of the purchase price is allocated to the price for the right to acquire Flow-Through Shares comprised in such Special Warrants; and
  - (ii) to use 100% of the purchase price so allocated for the right to acquire Flow-Through Shares comprised in such Special Warrants to incur, and renounce to the Partnership, with an effective date of not later than December 31, 2007, CEE or Qualifying CDE.

“**Investment Guidelines**” means the Partnership’s investment policies and restrictions contained in the Partnership Agreement. See “The Partnership – Investment Guidelines”.

“**Investment Manager**” means the investment advisor and fund manager appointed by the Partnership and the General Partner to provide advice on the Partnership’s initial investment in Flow-Through Shares and to manage the Partnership’s Investment Portfolio, the initial investment advisor and fund manager being JovInvestment.

“**Investment Manager Agreement**” means the agreement dated October 9, 2007 among the Partnership, the General Partner and the Investment Manager.

“**Investment Portfolio**” means the Flow-Through Shares and other securities acquired by Partnership with the Available Funds and any securities or cash obtained with proceeds from the sale of such Flow-Through Shares or other securities.

“**Investment Strategy**” means the investment strategy of the Partnership as described herein. See “The Partnership – Investment Objectives and Strategy”.

“**Investment Sub-Advisory Agreement**” means the investment sub-advisory agreement dated October 9, 2007 between the General Partner, the Investment Manager and the Sub-Advisor.

“**JovInvestment**” means JovInvestment Management Inc. (formerly Jove Investment Management Inc.).

“**Jovian**” means Jovian Capital Corporation.

“**Limited Partner**” means the Initial Limited Partner and each person who is admitted to the Partnership as a limited partner pursuant to the Offering.

“**Limited Recourse Amount**” means a limited recourse amount as defined in section 143.2 of the Tax Act, which provides currently that a limited recourse amount means the unpaid principal amount of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently, and the unpaid principal of an indebtedness is deemed to be a limited recourse amount unless it complies with the following rules:

- (a) *bona fide* arrangements, evidenced in writing, are made, at the time the indebtedness arises, for repayment of the indebtedness and all interest thereon within a reasonable period not exceeding ten years; and
- (b) interest is payable, at least annually, at a rate equal to or greater than the lesser of the prescribed rate of interest under the Tax Act in effect at the time the indebtedness arose, and the prescribed rate of interest applicable from time to time under the Tax Act during the term of the indebtedness, and such interest is paid by the debtor in respect of the indebtedness not later than 60 days after the end of each taxation year of the debtor.

See “Canadian Federal Income Tax Considerations”.

“**Liquidity Event**” means a transaction implemented by the General Partner or, in the General Partner’s sole discretion, proposed for the approval of the Limited Partners in order to provide liquidity and the prospect for long-term growth of capital and for income for Limited Partners which the General Partner intends will be a Mutual Fund Rollover Transaction provided that the General Partner will propose or implement no such transaction which adversely affects the status of the Flow-Through Shares as flow-through shares for purposes of the Tax Act, whether prospectively or retrospectively.

“**Loan Facility**” means a loan and collateral facility to be provided to the Partnership by a Canadian chartered bank or a subsidiary of a Canadian chartered bank to finance the payment of the Agents’ fees, expenses of this Offering and certain operating and administrative costs and expenses that are not expected to be deductible in computing income of the Partnership for the fiscal period ending December 31, 2007.

“**MGI**” means MGI Securities Inc., a full service investment firm and a subsidiary of Jovian.

“**Mutual Fund**” means a mutual fund corporation as defined in section 131 of the Tax Act that may be established, recommended or referred to by the General Partner or an affiliate of the General Partner to provide a Liquidity Event, and which will be managed by the Investment Manager, if and when established.

“**Mutual Fund Rollover Transaction**” means an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund on a tax deferred basis in exchange for Mutual Fund Shares and within 60 days thereafter the Mutual Fund Shares will be distributed to the Limited Partners, *pro rata*, on a tax deferred basis upon the dissolution of the Partnership.

“**Mutual Fund Shares**” means shares of the Mutual Fund which are redeemable at the option of the holder thereof.

“**Net Asset Value**” means the difference on a Valuation Date between the market value of the Partnership’s assets and all liabilities of the Partnership and the General Partner and the Investment Manager incurred in connection with the Partnership or the Investment Portfolio as determined by the General Partner.

“**NYSE**” means the New York Stock Exchange.

“**Offering**” means the offering of Units by the Partnership pursuant to the terms of the Agency Agreement and this prospectus.

“**Operating Reserve**” means the funds necessary to pay the ongoing fees (including the General Partner’s Fee), interest costs and operating and administrative costs that are payable and expected to be fully deductible in computing income of the Partnership under the Tax Act for the fiscal period ending December 31, 2007. The Operating Reserve will be deducted from the Gross Proceeds and will not form part of the Available Funds for investment in Flow-Through Shares.

“**Ordinary Resolution**” means a resolution of Limited Partners passed by more than 50% of the votes cast at a duly convened meeting of the Limited Partners or consented to in writing by the Limited Partners that are entitled to more than 50% of the votes at such a meeting.

**“Partners”** means the Limited Partners and the General Partner.

**“Partnership”** means Jov Diversified Flow-Through 2007 Limited Partnership.

**“Partnership Agreement”** means the amended and restated limited partnership agreement dated as of October 5, 2007 between the General Partner, Hugh Cartwright, as Initial Limited Partner, and each person who becomes a Limited Partner thereafter together with all amendments, supplements, restatements and replacements thereof from time to time.

**“Performance Bonus”** means the performance bonus payable to the General Partner by the Partnership which will be equal to 20% of the product of: (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the aggregate value of all distributions per Unit during the Performance Bonus Term exceeds \$28.00.

**“Performance Bonus Date”** means the Business Day immediately prior to the last day of the Performance Bonus Term.

**“Performance Bonus Term”** means the period commencing on the date of the final Closing and ending on the earlier of:

- (i) the Business Day prior to the date on which the Partnership’s assets are transferred to a Mutual Fund pursuant to a Liquidity Event; and
- (ii) the Business Day immediately prior to the earlier of (A) the date on which the Partnership distributes its assets to the Limited Partners other than pursuant to a Liquidity Alternative; and (B) the day of dissolution or termination of the Partnership.

**“Promoter”** means Jov Flow-Through Holdings Corp. (formerly Fairway Resources Flow-Through Investment Holdings Corp.).

**“Qualifying CDE”** means CDE which may be renounced by a Resource Company under the Tax Act as CEE, but which excludes any CDE which is deemed to qualify as CEE of a Resource Company under subsection 66.1(9) of the Tax Act.

**“Registrar and Transfer Agency Agreement”** means the Registrar and Transfer Agency Agreement to be dated on or before the Closing Date between Valiant and the Partnership.

**“Registrar and Transfer Agent”** means the registrar and transfer agent of the Partnership appointed by the General Partner, the initial registrar and transfer agent being Valiant.

**“Related Corporation”** means a corporation that is related to a Resource Company for the purposes of subsections 251(2) or 251(3) of the Tax Act.

**“Related Entities”** means any company or limited partnership in respect of which the General Partner, JovInvestment, the Promoter or any of their respective affiliates, directors or officers, individually or together, beneficially own or exercise direction or control over, directly or indirectly, more than 20% of the outstanding voting securities or act as general partner thereof.

**“Resource Company”** means a corporation which represents to the Partnership that:

- (a) it is a “principal-business corporation” as defined in subsection 66(15) of the Tax Act, which includes corporations whose principal business is oil and gas exploration, development and/or production, mining exploration, development, and/or production and certain energy production that will give rise to incurring CRCE; and

- (b) it intends (either by itself or through a Related Corporation) to incur Eligible Expenditures in Canada.

“**Special Warrant**” means a special warrant of a Resource Company which entitles the holder to acquire, for payment of no additional consideration, a Flow-Through Share of a listed Resource Company or a unit of securities which includes a Flow-Through Share of a listed Resource Company.

“**Sub-Advisor**” means T.I.P. Wealth Manager Inc., the sub-advisor to the Partnership.

“**Subscriber**” means a person who subscribes for Units.

“**Subscription Agreement**” means the subscription agreement formed by the acceptance by the General Partner (on behalf of the Partnership) of a Subscriber’s offer to purchase Units (made through a registered dealer or broker), whether in whole or in part, on the terms and conditions set out in this prospectus and the Partnership Agreement.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time.

“**Termination Date**” means December 31, 2009, unless the Partnership’s operations are continued in accordance with the Partnership Agreement.

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange.

“**Unit**” means one unit of limited partnership interest in the Partnership.

“**Valiant**” means Valiant Trust Company.

“**Valuation Date**” means the last Business Day of each week.

“**Warrants**” means warrants exercisable to purchase shares or other securities of a Resource Company (which shares or other securities may or may not be Flow-Through Shares).

“**\$**” means Canadian dollars.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used but not defined in this summary are defined on the face page of this prospectus or in the Glossary which immediately follows this summary.*

<b>Issuer:</b>	Jov Diversified Flow-Through 2007 Limited Partnership.
<b>Securities Offered:</b>	Units.
<b>Offering Size:</b>	Maximum Offering: \$20,000,000 (800,000 Units). Minimum Offering: \$2,500,000 (100,000 Units).
<b>Price:</b>	\$25.00 per Unit. See "How to Subscribe for Units".
<b>Minimum Subscription:</b>	200 Units (\$5,000). Additional subscriptions may be made in multiples of one Unit.
<b>Payment of Subscription Price:</b>	The subscription price for Units is payable in full on Closing.
<b>General Partner:</b>	Jov Diversified Flow-Through 2007 Management Corp. is the General Partner of the Partnership and has co-ordinated the formation, organization and registration of the Partnership. The General Partner will: (i) work with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies; (ii) manage the ongoing business and administrative affairs of the Partnership; and (iii) monitor the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines. See "The General Partner".
<b>Investment Manager:</b>	JovInvestment is the investment manager to the Partnership. The Investment Manager has delegated its investment management responsibilities to, and will oversee the activities and monitor the performance of the Sub-Advisor in connection with the Partnership's Investment Portfolio. The Investment Manager is part of the Jovian group of companies. Jovian Capital Corporation is a publicly-traded company listed on the Toronto Stock Exchange (JOV). Jovian is a holding and management company with interests in a variety of financial service firms specializing in wealth and asset management. The Jovian group of companies operate as a national financial services organization with approximately \$15 billion of client assets. The Jovian group of companies provide wealth accumulation, asset protection and service solutions under a number of consumer brands. Jovian provides overall structure, strategic direction and management oversight, as well as economies of scale to each of its related companies. See "The Investment Manager and Prior Partnerships".

**Sub-Advisor:**

The Investment Manager has retained T.I.P. Wealth Manager Inc. of Toronto, Ontario as Sub-Advisor to the Partnership pursuant to the Investment Sub-Advisory Agreement between the Sub-Advisor and the Investment Manager. The Sub-Advisor will identify, analyze and select Partnership investments, monitor the performance of Partnership investments, and determine the timing, terms, and method of disposing of Partnership investments.

Jim Huang will act as portfolio manager on behalf of the Sub-Advisor. Mr. Huang has over 14 years of experience investing in the Canadian capital markets. Mr. Huang has experience in managing flow-through share portfolios and has acted as investment adviser for Rhone 2004 Flow-Through Limited Partnership, Rhone 2005 Flow-Through Limited Partnership and Alpha Energy 2006 Flow-Through Fund. Mr. Huang also has extensive experience managing resource funds, including managing or co-managing over \$2 billion in mutual fund and institutional assets including: AltaFund Investment Corp., Altamira Energy Fund, Altamira Precious and Strategic Metals Fund, Altamira Resource Fund, National Bank Resource Fund, First Asset Energy & Resource Income & Growth Fund and First Asset Energy and Resource Fund. See “The Sub-Advisor”.

**Investment Objective:**

The Partnership will provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Companies with a view to achieving capital appreciation for Limited Partners. Resource Companies will agree to incur Eligible Expenditures in carrying out exploration in Canada and renounce Eligible Expenditures to the Partnership. The principal business of the Resource Companies will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) certain energy production that may incur certain start-up phase costs of renewable energy projects. Subject to certain limitations, Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes with respect to Eligible Expenditures incurred and renounced to the Partnership. All investments will be made in accordance with the Partnership’s Investment Strategy and Investment Guidelines. The General Partner will invest all or substantially all of the Available Funds in Flow-Through Shares of Resource Companies that agree to renounce in 2007 CEE and Qualifying CDE incurred in 2007 or 2008 to the Partnership (and thereby maximize the deductions available to Limited Partners in respect of 2007). See “The Partnership” and “Canadian Federal Income Tax Considerations”.

**Investment Strategy and Guidelines:**

The Partnership intends to invest the Available Funds in such a way that it maximizes returns and tax deductions for Limited Partners. The Partnership intends to achieve this through intensive fundamental and quantitative research, both at the company and industry level and by actively managing a diversified portfolio of Flow-Through Shares of Resource Companies that:

- are publicly traded on a stock exchange;
- have proven, experienced and successful management teams;
- have strong exploration programs or exploration and development programs in place;
- have shares that represent good value and the potential for capital appreciation or income potential; and
- meet certain other criteria set out in the Investment Guidelines.

It is anticipated that the Investment Portfolio will include a significant number of junior Resource Companies. See “The Partnership – Investment Objectives and Strategy”.

The Sub-Advisor will proactively manage the Partnership’s Investment Portfolio with the objective of achieving capital appreciation for the Partnership after the initial investment period. This may involve the sale of Flow-Through Shares and other securities initially acquired and the reinvestment of the net proceeds from such dispositions (after consideration being given to applicable distributions to Limited Partners) in securities of other Resource Companies. Such reinvestment may include, but is not limited to, investment in additional Flow-Through Shares. See “The Partnership – Investment Objectives and Strategy”.

The Partnership has developed certain investment policies and restrictions which govern the Partnership’s overall investment activities. These Investment Guidelines provide, among other things, that the Partnership will invest in Investment Agreements as follows:

<u>Type of Investment</u>	<u>Investment Restrictions (Percentage of Net Asset Value at the date of investment)</u>
Resource Companies listed on a stock exchange	At least 80%
Resource Companies listed and posted for trading on the TSX, NYSE, AMEX or the Nasdaq National Market	At least 25%
Illiquid Investments (including securities of Resource Companies that are not publicly traded)	Not more than 20%
Investment in any one Resource Company	Not more than 20%
Investment in Related Entities	Not more than 10%

The Investment Guidelines also include a number of general investment restrictions. See “The Partnership - Investment Guidelines” and Sections 2.5 and 2.6 of the Partnership Agreement.

**Liquidity Event:**

In order to provide Limited Partners with liquidity and the potential for long-term growth of capital and income, the General Partner intends to implement a Liquidity Event on or before June 30, 2009. The General Partner presently intends the Liquidity Event will be a Mutual Fund Rollover Transaction. The Liquidity Event will be implemented on not less than 21 days' prior written notice to the Limited Partners. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Event but intends to do so only if the actual terms of the Liquidity Event are substantially different from those presently intended. If such a meeting is called, no Liquidity Event will be implemented if a majority of Units voted at such meeting vote against proceeding with the Liquidity Event. **There can be no assurance that any such Liquidity Event will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented, or that a Mutual Fund will be established to participate in any Liquidity Event.** In the event a Liquidity Event is not implemented by June 30, 2009, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2009, and its net assets distributed *pro rata* to the Partners; or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See "Liquidity Event" and "Risk Factors".

**Mutual Fund:**

If a Mutual Fund Rollover Transaction is proposed, the Partnership will transfer its assets to a Mutual Fund, in exchange for Mutual Fund Shares. Within 60 days after the transfer of the assets of the Partnership to a Mutual Fund, the Partnership will be dissolved and its net assets, consisting mainly of the Mutual Fund Shares and any cash on hand, will be distributed to Limited Partners. Appropriate elections under applicable income tax legislation will be made to effect the Mutual Fund Rollover Transaction on a tax-deferred basis to the extent possible. Assuming such transfer is completed, the Partnership will receive Mutual Fund Shares, which will be redeemable at the option of the holder thereof based upon the redemption price next determined after receipt by the Mutual Fund of the redemption notice.

If a Mutual Fund Rollover Transaction is proposed then at the time of completion of that transaction, the Mutual Fund:

- (a) will be incorporated and organized as a "mutual fund corporation";
- (b) will be a "mutual fund corporation" for purposes of the Tax Act or will undertake to take all steps required to qualify as a "mutual fund corporation" under the Tax Act not later than 90 days after the Mutual Fund Rollover Transaction;
- (c) will have entered into a management agreement with the Manager with respect to the management of the assets of Mutual Fund;
- (d) will not acquire from the Partnership any securities of any issuer which would be prohibited by the mutual fund conflict of interest rules contained in section 121(2) of the *Securities Act* (British Columbia), section 111(2) of the *Securities Act* (Ontario) and comparable provisions under the securities legislation of other Canadian provinces and territories;
- (e) will have received all necessary regulatory approvals which it requires to participate in the Mutual Fund Rollover Transaction; and
- (f) will not be entitled to receive any commission in connection with the Mutual Fund Rollover Transaction and following such transaction may pay a 2% management fee or such other customary fees for a mutual fund of this nature.

There is currently no Mutual Fund into which the assets of the Partnership may be transferred. If at the time the Mutual Fund Rollover Transaction is proposed there is no such Mutual Fund, the General Partner or its affiliate will establish a Mutual Fund to effect such transaction.

A Liquidity Event, including the Mutual Fund Rollover Transaction, will be subject to the receipt of all necessary regulatory and other approvals. **There can be no assurance that all necessary approvals will be received in order to complete a Mutual Fund Rollover Transaction.**

**Use of Proceeds:**

**This is a blind pool offering.** The Partnership will invest the Available Funds in Flow-Through Shares of Resource Companies and will fund fees and ongoing expenses of the Partnership by way of the Operating Reserve as described herein. See “Use of Proceeds”. The following table sets out the Gross Proceeds of the Offering, the Agents’ fees and the estimated expenses of the maximum and minimum Offering:

	<b><u>Maximum Offering</u></b> <sup>(2)</sup>	<b><u>Minimum Offering</u></b> <sup>(2)</sup>
Gross Proceeds to the Partnership:	\$20,000,000	\$2,500,000
Agents’ fees <sup>(1)</sup> .....	\$1,350,000	\$168,750
Offering expenses <sup>(1)</sup> .....	\$410,000	\$285,000

<sup>(1)</sup> The Agents’ fees and the Offering expenses will be paid by the Partnership from the proceeds of the Loan Facility. Fees and expenses paid using the proceeds of the Loan Facility are not deductible in computing the income of the Partnership pursuant to the Tax Act while the Loan Facility remains outstanding. See “Fees, Charges and Expenses Payable by the Partnership” and “Canadian Federal Income Tax Considerations”. To the extent the proceeds of the Loan Facility are insufficient to pay the actual Agents’ fees and Offering expenses, the Promoter will be responsible for funding the shortfall, without recourse to the Partnership.

<sup>(2)</sup> Of the Gross Proceeds, \$300,000 (in the case of the minimum Offering) or \$300,000 plus 1.5% of the Gross Proceeds (if the minimum Offering is exceeded) will be set aside as an Operating Reserve to fund the ongoing operating and management fees and expenses of the Partnership.

See “Use of Proceeds”.

**Loan Facility:**

On or prior to the Closing Date, the Partnership will enter into a loan and collateral facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank in order to maximize Available Funds that will be available for investment in Flow-Through Shares. The Partnership may borrow an amount up to 12.5% of the Gross Proceeds pursuant to the Loan Facility. Such amounts borrowed will be used to finance the Agents' fees and expenses, reasonable out-of-pocket expenses incurred by JovInvestment, other expenses of the Offering, certain operating and administrative costs and expenses of the Partnership that are not expected to be fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2007, and may be used to pay the General Partner's Fee. The Loan Facility may be provided by a Canadian chartered bank which may be an affiliate of one of the Agents. None of the proceeds of this Offering or the Loan Facility will be applied for the benefit of any such Agent or any of its affiliates except in respect of fees and interest payable under the Loan Facility and the portion of the Agents' fees payable to such Agent. The General Partner expects that the Partnership's obligations under the Loan Facility will be secured by a pledge of the assets held by the Partnership, will require the Partnership to meet certain minimum coverage ratios, and the Loan Facility will be repayable on demand. The General Partner also expects that all amounts outstanding under the Loan Facility will be repaid in full prior to the earlier of the closing of any Liquidity Event and the dissolution of the Partnership. The General Partner believes that the interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature. See "Fees, Charges and Expenses Payable by the Partnership – Loan Facility" and "Risk Factors".

**Allocations:**

100% of the net loss, 100% of any Eligible Expenditures and 99.99% of the net income of the Partnership renounced to the Partnership will be allocated to the Limited Partners *pro rata* based on the number of Units each one holds on December 31 of each relevant year and on dissolution, and 0.01% of the net income of the Partnership will be allocated to the General Partner. On dissolution, the Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of such assets. See "Summary of the Partnership Agreement – Allocation of Income and Loss" and "Summary of the Partnership Agreement – Distributions".

**Canadian Federal Income Tax Considerations:**

In general, a taxpayer (other than a "principal-business corporation") who is a Limited Partner at the end of a fiscal year of the Partnership may, in computing his or her income for a taxation year in which the fiscal year of the Partnership ends, subject to the "at-risk" and limited recourse financing rules, deduct an amount equal to 100% of the Eligible Expenditures renounced to the Partnership by Resource Companies and allocated to him or her by the Partnership in respect of such fiscal year. If a Limited Partner finances the subscription price of his or her Units with borrowing or other indebtedness that is, or is deemed to be, limited recourse, the deductions that the Limited Partner may claim will be reduced or eliminated.

Income and capital gains realized by the Partnership will be allocated to the Limited Partners. The Tax Act deems the cost to the Partnership of Flow-Through Shares which it acquires to be nil and therefore, the amount of any capital gain realized on the disposition of Flow-Through Shares generally will equal the proceeds of disposition of the Flow-Through Shares, net of costs of disposition. There can be no assurance that any distributions of cash to Limited Partners will be sufficient to satisfy a Limited Partner's tax liability for the year arising from his or her status as a Limited Partner. A disposition of Units by a Limited Partner may trigger capital gains (or capital losses). One-half of capital gains allocated to or realized by a Limited Partner will be included in his or her income.

Upon the dissolution of the Partnership, each Limited Partner will acquire his or her *pro rata* portion of the net assets of the Partnership, which may include securities of Resource Companies then held by the Partnership. A dissolution may trigger capital gains (or capital losses) to Limited Partners; however, if certain requirements in the Tax Act are satisfied, such a distribution may occur on a tax-deferred basis.

If the Partnership transfers its interest in its assets to a Mutual Fund pursuant to a Liquidity Event, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. The Mutual Fund will acquire each asset of the Partnership at a cost equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the assets on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the Mutual Fund, the Mutual Fund Shares will be distributed to the Limited Partners with a cost for tax purposes equal to the cost of the Units held by such Limited Partner. As a result, a Limited Partner will not be subject to tax in respect of such a transaction.

Bill C-52, which received Royal Assent on June 22, 2007, amended the Tax Act to subject certain publicly-traded flow-through entities, including certain publicly-traded income trusts and limited partnerships, to tax and to change the tax consequences of investors holding interests in such entities. These amendments should not apply to the Partnership or to the Limited Partners because the General Partner has advised counsel that the Units or any security of any entity affiliated with the Partnership are not and/or are not proposed to be listed or traded on a stock exchange or other similar public market.

Tax proposals introduced by the Department of Finance on October 31, 2003, if enacted in their current form, will generally apply to deny the deduction of expenses and losses (excluding Eligible Expenditures) incurred by the Partnership or a Limited Partner, including in respect of the Flow-Through Shares or Units, respectively, for taxation years commencing after 2004 if the Partnership or the Limited Partner does not have a "reasonable expectation of profit" from its ownership of the Flow-Through Shares or Units. See "Canadian Federal Income Tax Considerations – October 31, 2003 Tax Proposals".

See "Selected Financial Aspects", "Canadian Federal Income Tax Considerations" and "Risk Factors" before purchasing Units.

**Each Subscriber should seek independent advice as to the federal, provincial and territorial tax consequences of an investment in Units, including the consequences of any borrowing to finance an acquisition of Units.**

**Conflicts of Interest:**

The General Partner is a wholly-owned subsidiary of the Promoter. Jovian Asset Management Inc., a subsidiary of Jovian (the ultimate parent company of the Investment Manager), owns 40% of the outstanding shares of the Promoter, and therefore Jovian indirectly owns 40% of the outstanding shares of the General Partner. The Promoter, the General Partner, the Investment Manager, the Sub-Advisor, certain of their affiliates, certain limited partnerships whose general partner and/or investment advisor is or will be a subsidiary of the Promoter or an affiliate of the Investment Manager, and the directors and officers of the Promoter, the General Partner, the Investment Manager and the Sub-Advisor are and/or may in the future be actively engaged in a wide range of investment and management activities, some of which are and will be similar to and competitive with those that the Partnership and the General Partner will undertake. As a result, actual and potential conflicts of interest (including conflicts as to management's time, resources and allocation of investment opportunities) can be expected to arise in the normal course. Up to 10% of the Net Asset Value may be invested in Flow-Through Shares and other securities issued by Related Entities. None of the Promoter, the General Partner or any of their respective Affiliates or Associates will be paid a fee by the Partnership in respect of investment opportunities they bring to the Partnership. See "Conflicts of Interest".

**Risk Factors:**

**This is a speculative offering. There is no market through which the Units may be sold and Subscribers may not be able to resell securities purchased under this prospectus. No market for the Units is expected to develop. There is no assurance of a positive return on an investment in Units. The tax benefits resulting from an investment in Units are greatest for a purchaser whose income is subject to the highest applicable income tax rate.**

**This offering is a blind pool offering. As at the date of this prospectus, the Partnership has not entered into any Investment Agreements to acquire Flow-Through Shares or other securities of Resource Companies or selected any Resource Companies in which to invest.**

In addition, you should consider the following risk factors and the additional risk factors outlined in "Risk Factors" before purchasing Units:

- an investment in the Partnership is appropriate only for Subscribers who have the capacity to absorb a loss of some or all of their investment;
- there is no guarantee that an investment in the Partnership will earn a specified rate of return or any return in the short or long term;
- there are certain risks inherent in resource exploration and investing in Resource Companies. Resource Companies may not hold or discover commercial quantities of oil or gas and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other taxes and government regulation;
- Flow-Through Shares may be purchased by the Partnership at prices greater than the market prices of ordinary common shares of the Resource Companies issuing such Flow-Through Shares and may be subject to resale restrictions;

- the Partnership and the General Partner are newly established entities that have no previous operating or investment history and only nominal assets;
- the Limited Partners must rely entirely on the discretion of the Investment Manager and the Sub-Advisor in determining the initial composition of the Partnership's Investment Portfolio, negotiating the pricing of securities purchased by the Partnership and in managing the Investment Portfolio on an on-going basis including disposing of securities;
- the Investment Manager has limited prior experience in managing a flow-through limited partnership;
- the value of each Limited Partner's interest in the Partnership will be affected by the value of the securities acquired by the Partnership which in turn will be affected by such factors as Subscriber demand, resale restrictions, general market trends and regulatory restrictions;
- the Partnership will invest in junior Resource Companies, and may invest up to 20% of the Available Funds in Illiquid Investments. Investment in junior Resource Companies and Illiquid Investments will reduce the liquidity of the Partnership's Investment Portfolio and may involve greater risks than investments in larger, more established companies. There may be no trading market for securities of junior Resource Companies, and if there is, shares of junior Resource Companies may experience less liquidity and greater share price volatility than the shares of such larger companies. There will be no trading market for Illiquid Investments;
- Resource Companies may fail to renounce, effective in 2007 or at all, Eligible Expenditures equal to the Available Funds invested in Flow-Through Shares and any amounts renounced may not qualify as CEE or Qualifying CDE;
- the existence of resale restrictions may hamper the ability of the Partnership to take advantage of opportunities to take profits or minimize losses, and this may adversely affect the value of the Units;
- there can be no assurance that any Liquidity Event will be proposed, receive the necessary regulatory approvals or be implemented or, if implemented, be implemented on a tax-deferred basis;
- if a Liquidity Event is not implemented, Limited Partners may receive securities or other interests in Resource Companies upon dissolution of the Partnership, for which there may be an illiquid market or which may be subject to resale restrictions. There is no assurance that an adequate market will exist for such securities;
- in the event that Limited Partners receive Mutual Fund Shares in connection with a Liquidity Event, these shares will be subject to various risk factors applicable to shares of mutual fund corporations or other investment vehicles which invest in securities of Canadian companies engaged in the oil and gas and mining industries;

- the lack of adequate Flow-Through Share investment opportunities due to fluctuations in trading volumes and prices may lead to uncommitted funds being returned to the Limited Partners. Limited Partners will not be entitled to claim anticipated deductions or credits for income tax purposes in respect of such funds;
- the only sources of cash available to pay the fees and expenses of the Partnership will be the Operating Reserve, borrowings, and cash from sales of securities in the Partnership's Investment Portfolio. If the Operating Reserve is expended and borrowing limits are reached, payment of such fees and expenses will diminish the interest of Limited Partners in the Investment Portfolio;
- if the size of the Offering is significantly less than the maximum, the ability of the General Partner to negotiate and enter favourable Investment Agreements on behalf of the Partnership may be impaired;
- there can be no assurance that the borrowing strategy employed by the Partnership will enhance returns;
- federal, provincial or territorial income tax legislation may be amended, or its interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Units by a Limited Partner;
- while the Partnership may make certain distributions to Limited Partners from proceeds realized from the sale of Flow-Through Shares and other investments, if any, a Limited Partner may receive an allocation of income and/or capital gains in a year without receiving sufficient distributions from the Partnership for that year to fully pay any tax that he or she may owe as a result of being a Limited Partner in that year;
- if a Limited Partner acquires Units using limited recourse borrowing for tax purposes, the amount of Eligible Expenditures and/or losses allocated to all Limited Partners will be reduced;
- the alternative minimum tax could limit tax benefits available to a Limited Partner who is an individual (or one of certain types of trusts);
- the Partnership has engaged the General Partner to perform management services and, consistent with that arrangement, the Partnership intends to deduct management fees payable to the General Partner in computing income in the year in which the services to which they relate are rendered. The CRA may assert that the entitlement of the General Partner to such management fees is more appropriately treated as an entitlement to share in any income of the Partnership as a partner and, therefore, does not result in a deduction in computing the Partnership's income. If CRA successfully applies such treatment, then a loss of the Partnership otherwise allocable to the Limited Partners would be reduced or denied to the extent of such deduction;

- tax proposals introduced by the Department of Finance in 2003 may apply to deny the deduction of expenses and losses (excluding Eligible Expenditures) incurred by the Partnership or a Limited Partner, including in respect of Flow-Through Shares or Units, respectively if the Partnership or the Limited Partner does not have a “reasonable expectation of profit” from its ownership of the Flow-Through Shares or Units. In 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the 2003 tax proposals would be released for comment at an early opportunity. There is no assurance such alternative proposal, which the Minister has not yet announced, will not adversely affect the Partnership or Limited Partners;
- the General Partner expects the Loan Facility will require that the Partnership maintain certain coverage ratios prior to investing which may affect the Partnership’s ability to invest in portfolio securities and a Limited Partner’s ability to receive Flow-Through Share tax deductions, and may require the Partnership to sell portfolio securities in order to adhere to such requirements, thus reducing the interest of the Limited Partners in the Investment Portfolio;
- the possible loss of Limited Partners limited liability under certain circumstances and the unavailability of limited liability under the laws of certain jurisdictions; and
- the potential for conflicts of interest as a result of officers and directors of the General Partner, the Investment Manager and the Sub-Advisor being involved in other business ventures some of which are in competition with the business of the Partnership, and the ability of the General Partner to invest up to 10% of the Gross Proceeds of the Offering in Flow-Through Shares of Related Entities.

**No Unit Certificates:**

Units will be issued through the book-entry only system. Accordingly, a Subscriber will receive only a customer confirmation from the registered dealer which is a CDS participant from or through which Units are purchased. See “Plan of Distribution”.

## SUMMARY OF FEES, CHARGES AND EXPENSES PAYABLE BY THE PARTNERSHIP

- Agents' Fees:** \$1.6875 (6.75%) per Unit. The Agents' fees will be paid by the Partnership from funds borrowed by the Partnership for such purpose. See "Fees, Charges and Expenses Payable by the Partnership – Loan Facility".
- General Partner's Fee:** The Partnership will pay an annual fee in the aggregate amount of 2.0% of the Net Asset Value, calculated and paid monthly in arrears based on the Net Asset Value calculated as at the last Valuation Date of such month. The General Partner is responsible for payment of the investment management fees of the Investment Manager out of the General Partner's Fee. There are no additional fees payable by the Partnership to the Investment Manager or the Sub-Advisor. None of the Promoter, the General Partner or any of their respective Affiliates or Associates will be paid a fee by the Partnership in respect of investment opportunities they bring to the Partnership. See "Fees, Charges and Expenses Payable by the Partnership – General Partner's Fee".
- Performance Bonus:** The General Partner will be entitled to a performance bonus equal to 20% of the product of (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the total distributions per Unit over the Performance Bonus Term exceeds \$28.00. See "Fees, Charges and Expenses Payable by the Partnership – Performance Bonus".
- Expenses of the Offering:** Expenses of this Offering, estimated by the General Partner to be \$285,000 in the case of the minimum Offering and \$410,000 in the case of the maximum Offering, will be paid by the Partnership from funds borrowed by the Partnership for such purpose. See "Fees, Charges and Expenses Payable by the Partnership – Expenses of this Offering".
- Operating and Administrative Expenses:** The Partnership will pay for all reasonable out-of-pocket expenses incurred in connection with the operation and administration of the Partnership from the Operating Reserve. See "Fees, Charges and Expenses Payable by the Partnership – Operating and Administrative Expenses".

## SELECTED FINANCIAL ASPECTS

An investment in Units will have a number of tax implications for a prospective Subscriber. The following presentation has been prepared by the General Partner to assist prospective Subscribers in evaluating the income tax consequences to them of acquiring, holding and disposing of Units. The presentation is intended to illustrate certain income tax implications to Subscribers who are Canadian resident individuals (other than trusts) who have purchased \$5,000 of Units (200 Units) in the Partnership and who continue to hold their Units in the Partnership as of December 31, 2007. **These illustrations are examples only and actual tax deductions may vary significantly. The timing of such deductions may also vary from that shown in the table.** A summary of the Canadian federal income tax considerations for a prospective Subscriber for Units is set forth under “Canadian Federal Income Tax Considerations”. Each prospective Subscriber is urged to obtain independent professional advice as to the specific implications applicable to such a Subscriber’s particular circumstances. The calculations are based on the estimates and assumptions described in the “Notes and Assumptions” set forth below, which form an integral part of the following illustration. Please note that some columns may not sum due to rounding. The actual tax savings, money at risk and break-even proceeds of disposition may be different from what is shown below. Prospective Subscribers should be aware that these calculations do not constitute forecasts, projections, contractual undertakings or guarantees and are based on estimates and assumptions that are necessarily generic and, therefore, cannot be represented to be complete or accurate in all respects.

### Example of Tax Deductions

	Minimum Offering			Maximum Offering		
	2007	2008 & Beyond	Total	2007	2008 & Beyond	Total
<b>Initial Investment</b>	\$5,000	\$ -	\$ 5,000	\$5,000	\$ -	\$5,000
<b>Income Tax Credits<sup>(1)</sup></b>						
Investment Tax Credits	\$99	\$ -	\$99	\$109	\$ -	\$109
Tax Payable on Recapture of Investment Tax Credits	\$ -	(\$45)	(\$45)	\$ -	(\$49)	(\$49)
<b>Total</b>						
<b>Income Tax Credits<sup>(2)</sup></b>	\$99	(\$45)	\$54	\$109	(\$49)	\$60
<b>Income Tax Deductions</b>						
CEE or Qualifying CDE <sup>(1)</sup>	\$4,400	\$ -	\$4,400	\$4,850	\$ -	\$4,850
Other <sup>(2, 3)</sup>	\$600	\$454	\$1,054	\$150	\$220	\$370
<b>Total Income Tax Deductions<sup>(4, 5, 6, 7)</sup></b>	\$5,000	\$454	\$5,454	\$5,000	\$220	\$5,220

## At-Risk Capital, Breakeven and Downside Protection Calculations

	Minimum Offering			Maximum Offering		
	2007	2008 & Beyond	Total	2007	2008 & Beyond	Total
<b>Assumed Marginal Tax Rate:</b> <sup>(8)</sup>	45%	45%	\$ -	45%	45%	\$ -
<b>Investment Amount:</b>	\$5,000	\$ -	\$5,000	\$5,000	\$ -	\$5,000
Net Flow-Through Share and other Tax Savings <sup>(9)</sup>	(\$2,349)	(\$159)	(\$2,508)	(\$2,359)	(\$50)	(\$2,409)
Capital Gains Tax <sup>(10)</sup>	\$ -	\$1,125	\$1,125	\$ -	\$1,125	\$1,125
Total Net Income Tax Expense (savings)	<u>(\$2,349)</u>	<u>\$966</u>	<u>(\$1,383)</u>	<u>(\$2,359)</u>	<u>\$1,075</u>	<u>(\$1,284)</u>
At-Risk Capital <sup>(11)</sup>			\$2,492			\$2,591
Breakeven Proceeds <sup>(12), (13)</sup>			\$3,215			\$3,343
Downside Protection <sup>(14)</sup>			36%			33%

### Notes and Assumptions:

- (1) The calculations assume that the Offering expenses are \$285,000 in the case of the minimum Offering and \$410,000 in the case of the maximum Offering, that all Available Funds (\$2,200,000 in the case of the minimum Offering and \$19,400,000 in the case of the maximum Offering; see "Use of Proceeds") are invested in Flow-Through Shares of Resource Companies that, in turn, expend such amounts on Eligible Expenditures which are renounced to the Partnership with an effective date in 2007 and allocated to a Limited Partner and deducted by him or her in 2007.

The proceeds to the Partnership from the Loan Facility are assumed to be used to pay the Agents' fees, offering expenses (including travel, sales and marketing expenses) and certain administrative and operating expenses that are not expected to be fully deductible in computing income of the Partnership for the fiscal period ended December 31, 2007. See "Fees, Charges and Expenses Payable by the Partnership – Loan Facility".

- (2) It is assumed that 15% of Available Funds will be used to acquire Flow-Through Shares of Resource Issuers in 2007 that will entitle a Limited Partner to the 15% non-refundable "flow-through mining expenditure" investment tax credit available to him or her in respect of certain "grass roots" mining CEE incurred by a Resource Issuer and renounced under Investment Agreements entered into before April 1, 2008. It is assumed that the Limited Partner will be subject to tax on the recapture of the investment tax credit in 2008. See "Canadian Federal Income Tax Considerations".

The 15% investment tax credit reduces federal tax otherwise payable by an individual Limited Partner other than a trust. As described below, certain Canadian provinces have announced investment tax credits. These credits generally parallel the federal credits for flow-through mining expenditures renounced to taxpayers residing in the province in respect of exploration occurring on properties located in that province. Limited Partners resident, or subject to tax, in a province that provides such an investment tax credit may claim the credit in combination with the federal investment tax credit. However, the use of a provincial investment tax credit will generally reduce the amount of expenses eligible for the federal investment tax credit. Provincial investment tax credits have not been incorporated into this illustration.

An individual (other than a trust) who is resident in the Province of Ontario and a Limited Partner at the end of a fiscal year of the Partnership may apply for a 5% mining flow-through share tax credit in respect of eligible Ontario exploration expenditures. Eligible Ontario exploration expenditures are generally flow-through mining expenditures that qualified for the federal investment tax credit and are incurred in the Province of Ontario by a Resource Issuer with a permanent establishment in the Province of Ontario. In order to be eligible for the Ontario tax credit the individual must be resident in the Province of Ontario at the end of the taxation year, and be subject to Ontario income tax throughout the taxation year, in respect of which the credit is claimed.

The British Columbia mining flow-through share tax credit program allows individuals (other than trusts), who are residents of British Columbia that invest in flow-through shares, to claim such credits where BC flow-through mining expenditures incurred by a corporation on or before December 31, 2009 are renounced to such investors under an Investment Agreement entered into before April 1, 2008. Under the program, such an individual (other than a trust) may claim a non-refundable tax credit, when calculating British Columbia income tax, equal to 20% of that individual's share of any BC flow-through mining expenditures renounced to the individual and incurred in conducting certain mining exploration activity in British Columbia. BC flow-through mining expenditures are defined with reference to the definition of "flow-through mining expenditures" in the *Tax Act*.

The Province of Québec allows for a special tax deduction of up to 150% of certain eligible exploration expenses incurred by a qualifying entity for exploration carried out in the Province of Québec. In addition to a base deduction of 100% for CEE and Qualifying CDE, individuals (and personal trusts) who are residents of or subject to tax in the Province of Québec may be entitled to an additional deduction of 25% in respect of certain exploration expenses incurred in the Province of Québec by a qualified corporation. Such residents may also be entitled to a supplementary deduction of 25% in respect of certain surface mining exploration expenses incurred in the Province of Québec by a qualified corporation. Accordingly, individuals (or personal trusts) who are residents of or subject to tax in the Province of Québec who are Limited Partners at the end of the applicable fiscal year of the Partnership may be entitled to deduct up to 150% of certain eligible exploration expenses incurred in the Province of Québec by a qualified corporation and renounced in favour of the Partnership.

Also for Québec tax purposes, the Partnership is permitted to renounce an amount equal to the lesser of the issue expenses incurred by the Partnership in respect of the issue of the Units and out of the proceeds of such issue and 15% of the proceeds of the issue of the Units (provided the Partnership has not deducted such issue expenses incurred in computing its income) to the extent that the proceeds of the issue of the Units have been used by the Partnership to acquire Flow-Through Shares and that the proceeds of the issue of the Flow-Through Shares have been used by the Resource Issuers to incur eligible exploration expenses in Québec. An individual (or personal trust) resident in Québec who is a Limited Partner at the end of the applicable fiscal year of the Partnership may be entitled to deduct his or her pro rata share of any such amount renounced by the Partnership to the Limited Partners.

The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs, in a given taxation year, investment expenses to earn investment income in excess of the investment income earned for that year, such excess shall be included in the taxpayer's income, resulting in an offset of the deduction for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses such as losses of the Partnership allocated to the Limited Partner and 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, a Limited Partner and investment income includes taxable capital gains not eligible for the capital gains exemption. Such 50% of CEE and Qualifying CDE, other than CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and, allocated to and deducted for Québec tax purposes by such Limited Partner will be included in the Limited Partner's income for Québec tax purposes only if such Limited Partner has insufficient investment income. The portion of the investment expenses (if any) which has been included in the Limited Partner's income in a given taxation year may be deducted against investment income earned in any of the three previous taxation years or in any subsequent taxation year to the extent of the excess of the investment income over the investment expenses for such other year. The remaining 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), and 100% of the CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, such Limited Partner will not be subject to that rule. Québec taxpayers should consult their own tax advisors for advice regarding Québec taxation consequences of an acquisition of Units.

It is assumed that for Québec provincial tax purposes only, a Limited Partner who is an individual (including a personal trust) resident, or subject to tax, in Québec has investment income that exceeds his or her investment expenses for a given year. See “Risk Factors – Tax-Related Risks”.

The General Partner will provide a Limited Partner with the information required by such Limited Partner to file an application for any provincial investment tax credits available to such Limited Partner.

- (3) The Partnership will incur costs including the Agents’ fees, offering expenses (including travel, sales and marketing expenses), certain other operating and administrative expenses and the General Partner’s Fee. The Partnership intends to borrow under the Loan Facility an amount sufficient to pay any such costs that are not expected to be fully deductible in computing the income of the Partnership pursuant to the Tax Act for the fiscal period ending December 31, 2007. The unpaid principal amount and interest thereon will be a Limited Recourse Amount of the Partnership and the Limited Partners and such costs will generally not be deductible until the borrowed amount is repaid, at which time the expenses will be deemed to have been incurred to the extent of the amount repaid. The table assumes that the Partnership will realize sufficient capital gains and income to permit it to pay annual expenses and to repay all amounts borrowed prior to the earlier of the closing of a Liquidity Event and the dissolution of the Partnership.
- (4) The calculations are prepared on the assumption that the October 31, 2003 tax proposals will not be enacted and, therefore, will not apply to deny the deduction of any expenses or resulting losses of the Partnership or a Limited Partner in respect of Flow-Through Shares or Units, respectively. If the October 31, 2003 tax proposals are enacted in their current form, then no such expenses (excluding Eligible Expenditures) or resulting losses would likely be deductible by the Partnership or a Limited Partner, being \$454 in the case of the Minimum Offering and \$220 in the case of the Maximum Offering. See “Canadian Federal Income Tax Considerations – October 31, 2003 Tax Proposals”. Subject to Note (2), Agent’s fees and offering expenses would be deductible for purposes of the Tax Act at a rate of 20% per annum, pro-rated for short taxation years.
- (5) Assumes no portion of the subscription price for the Units will be financed with a Limited Recourse Amount. See “Canadian Federal Income Tax Considerations – October 31, 2003 Tax Proposals”.
- (6) A Limited Partner may not claim tax deductions in excess of such Limited Partner’s “at-risk” amount.
- (7) The calculations assume that the Limited Partner is not liable for alternative minimum tax. See “Canadian Federal Income Tax Considerations”.
- (8) The amount of tax deductions, income or proceeds of disposition in respect of a particular Subscriber will likely be different from those depicted above.
- (9) For simplicity an assumed marginal tax rate of 45% has been used. Each Subscriber’s actual tax rate will vary from the assumed marginal rate set forth above. The highest combined federal, provincial and territorial marginal tax rates in 2007 as of the date of this prospectus are set forth below. Future federal, provincial and territorial budgets may modify these rates.

Province/Territory	Highest Marginal Tax Rate
British Columbia	43.7%
Alberta	39.0%
Saskatchewan	44.0%
Manitoba	46.4%
Ontario	46.4%
Québec	48.2%
New Brunswick	47.0%
Nova Scotia	48.3%
Prince Edward Island	47.4%
Newfoundland and Labrador	47.0%
Yukon Territory	42.4%
Northwest Territories	43.1%
Nunavut	40.5%

- (10) The tax savings are calculated by multiplying the total estimated income tax deductions for each year by the assumed highest marginal tax rate for that year. This illustration assumes that the Subscriber has sufficient income so that the illustrated tax savings are realized in the year shown.

- (11) In computing the Partnership's income it is assumed that 50% of capital gains are taxable. In addition, it is assumed the Subscriber has proceeds of disposition of \$5,000 on an investment of \$5,000.
- (12) At-risk capital is generally calculated as the total investment plus undistributed income less all anticipated income tax savings from deductions and the amount of any distributions. See "Canadian Federal Income Tax Considerations".
- (13) Breakeven proceeds of disposition represent the amount a Subscriber must receive such that, after paying capital gains tax, the Subscriber would recover his or her at-risk capital. Capital gains tax is calculated on the assumption that the adjusted cost base of the investment is nil and that 50% of the Subscriber's gain is subject to the assumed marginal tax rate of 45%. See "Canadian Federal Income Tax Considerations".
- (14) The calculations do not take into account the time value of money. Any present value calculation should take into account the timing of cash flows, the Subscriber's present and future tax position and any change in the market value of the Partnership's Investment Portfolio, none of which can presently be estimated accurately by the General Partner.
- (15) Downside Protection is calculated by subtracting break-even proceeds of disposition from initial investment cost and then dividing by investment cost.

There can be no assurance that any of the foregoing assumptions will prove to be accurate in any particular case. Prospective Subscribers should be aware that these calculations are for illustrative purposes only and are based on assumptions made by the General Partner which cannot be represented to be complete or accurate in all respects and that have been made solely for the purpose of these illustrations. These calculations and assumptions have not been independently verified. See "Canadian Federal Income Tax Considerations" and "Risk Factors".

## THE PARTNERSHIP

The Partnership was formed under the laws of the Province of British Columbia under the name “Fairway Energy 2007-II Flow-Through Limited Partnership” pursuant to a Partnership Agreement dated December 8, 2006 between the General Partner and Hugh Cartwright, as the Initial Limited Partner, and became a limited partnership effective December 15, 2006, the date of filing of its Certificate of Limited Partnership. The name of the Partnership was changed to “Jov Diversified Flow-Through 2007 Limited Partnership” effective September 7, 2007. The Partnership Agreement was amended and restated on October 5, 2007 and is summarized in this prospectus. See “Summary of the Partnership Agreement”.

The registered office of the Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the Partnership is Suite 550-1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

### Investment Objectives and Strategy

The Partnership has been organized to provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Companies whose shares are listed on a stock exchange and, to a lesser extent, Flow-Through Shares of private Resource Companies, with a view to achieving income and capital appreciation for Limited Partners. The principal business of the Resource Companies will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) certain energy production that may incur certain start-up phase costs of renewable energy projects, with the relative weightings between sectors being dependent on prevailing market conditions.

The General Partner will invest all or substantially all of the Available Funds in Flow-Through Shares of Resource Companies that agree to renounce Eligible Expenditures to the Partnership (and thereby maximize the deductions available to Limited Partners in respect of 2007). See “Canadian Federal Income Tax Considerations”.

The Partnership Agreement provides that the Partnership’s investment strategy (the “Investment Strategy”) is to invest the Available Funds in such a way that it maximizes returns and tax deductions for Limited Partners. The Partnership intends to achieve this through intensive fundamental and quantitative research, both at the company and industry level and by purchasing and actively managing a diversified portfolio of Flow-Through Shares of Resource Companies that:

- are publicly traded on a stock exchange;
- have proven, experienced and successful management teams;
- have strong exploration programs or exploration, development and/or production programs in place;
- have shares that represent good value and the potential for capital appreciation or income potential; and
- meet certain other criteria set out in the Investment Guidelines.

See “The Partnership - Investment Guidelines”.

The Sub-Advisor will proactively manage the Partnership’s Investment Portfolio with the objective of achieving capital appreciation and income for the Partnership. This may involve the sale of Flow-Through Shares and other securities initially acquired and the reinvestment of the net proceeds from such dispositions (after consideration being given to applicable distributions to Limited Partners) in securities of other Resource Companies. Such reinvestment may include, but is not limited to, investment in additional Flow-Through Shares. See “The Partnership – Investment Objectives and Strategy”.

It is anticipated that the Investment Portfolio will include a significant number of junior Resource Companies. The Partnership will invest no less than 80% of Available Funds in Flow-Through Shares of Resource Companies which are listed on a stock exchange and at least 25% of the Available Funds in Flow-Through Shares of Resource Companies which are listed and posted for trading on the TSX, NYSE, AMEX or the Nasdaq National Market. The General Partner intends, whenever possible, to negotiate for the inclusion of incentives such as Warrants along with the Flow-Through Shares to be purchased by the Partnership.

## **Investment Guidelines**

The Partnership Agreement provides that the activities of the Partnership and the transactions in securities comprising its Investment Portfolio will be conducted in accordance with the following Investment Guidelines.

For the purposes of the Investment Guidelines listed below, all amounts (including market capitalization) and percentage limitations will initially be determined at the date of investment and any subsequent change in the applicable percentage resulting from changing values will not require the disposition of any securities from the Investment Portfolio. However, if securities in the Investment Portfolio are disposed of, and at the time of disposition the Investment Portfolio does not comply with the Investment Guidelines, the proceeds of disposition cannot be used to purchase securities other than High Quality Money Market Instruments and securities of issuers in the resource sector which will result in the Investment Portfolio being in compliance or closer to compliance with the Investment Guidelines.

- **Resource Companies.** The Available Funds will be invested by the Partnership in: (i) Flow-Through Shares of Resource Companies; (ii) units consisting of Flow-Through Shares and Warrants, provided that not more than 10% of the aggregate purchase price under the relevant Investment Agreement shall be allocated and reasonably allocable to securities which do not qualify as Flow-Through Shares; and (iii) Special Warrants which, when exercised, result in the issue of Flow-Through Shares or units consisting of Flow-Through Shares and Warrants, provided such units meet the 10% limit set forth in (ii) above.
- **Exchange Listing.** The Partnership will invest a minimum of 80% of the Net Asset Value in securities of Resource Companies which are listed on a stock exchange and a minimum of 25% of the Net Asset Value in securities which are listed and posted for trading on the TSX, NYSE, AMEX or the Nasdaq National Market.
- **Limit on Illiquid Investments.** The Partnership will invest no more than 20% of the Net Asset Value in Illiquid Investments, including securities of private companies. This restriction shall not apply to Special Warrants if they are exercisable to acquire common shares that do not constitute Illiquid Investments or units comprised of Warrants and common shares that do not constitute Illiquid Investments.
- **Diversification.** The Partnership will invest no more than 20% of the Net Asset Value in securities of a single issuer.
- **No Control.** The Partnership will not own more than 10% of any class of securities (other than Warrants or Special Warrants) of any one issuer and securities will not be purchased by the Partnership for the purpose of exercising control over or management of an issuer.
- **Borrowing Money.** The Partnership may borrow up to 12.5% of the Gross Proceeds for the purpose of funding offering expenses (including the Agents' fees, legal, accounting and audit, financing, travel, distribution, courier, marketing and sales expenses), and operating and administrative costs and expenses, including the General Partner's Fee. With respect to such borrowings, the Partnership may mortgage, pledge or hypothecate any of its securities or other assets provided that liability for and recourse under such borrowing does not extend to the Limited Partners beyond their interests in the securities or assets of the Partnership. See "Fees, Charges and Expenses Payable by the Partnership – Loan Facility".

The Partnership will not engage in such borrowing unless the General Partner satisfies itself that the borrowing is in the best interest of the Partnership and no material adverse tax consequences to Limited Partners will result. Such amounts borrowed by the Partnership will constitute Limited Recourse Amounts. See “Canadian Federal Income Tax Considerations”.

- **No Other Undertaking.** The Partnership will not engage in any undertaking other than the investment of the Partnership’s assets in accordance with the Partnership’s Investment Guidelines.
- **No Commodities.** The Partnership will not purchase or sell commodities.
- **No Mutual Funds.** The Partnership will not purchase securities of any mutual fund, other than Mutual Fund securities issued in connection with a Liquidity Event.
- **No Guarantees.** The Partnership will not guarantee the securities or obligations of any person.
- **No Real Estate.** The Partnership will not purchase or sell real estate or interests therein.
- **No Lending.** The Partnership will not lend money, provided that the Partnership may purchase High Quality Money Market Instruments.
- **Conflict of Interest.** Not more than 10% of the Net Asset Value will be invested in Flow-Through Shares or other securities issued by issuers which are Related Entities.
- **No Mortgages.** The Partnership will not purchase mortgages.
- **No Derivatives.** The Partnership may sell call options to purchase securities owned by the Partnership in circumstances the Investment Manager or the General Partner consider appropriate, as a means of locking in gains or avoiding future losses. Other than the sale of covered call options for these purposes, the Partnership will not purchase or sell derivatives.

In addition, the Investment Portfolio will be managed at all times in such a way as to preserve the ability to undertake a Liquidity Event.

These Investment Guidelines may be changed only in the manner described under “Summary of the Partnership Agreement – Amendments”.

### **Investment Agreements**

The Partnership will invest in Flow-Through Shares of Resource Companies pursuant to Investment Agreements, which will obligate such Resource Companies to incur and renounce Eligible Expenditures in an amount equal to the purchase price of the Flow-Through Shares. Pursuant to the terms of the Investment Agreements, Eligible Expenditures will be renounced to the Partnership with an effective date no later than December 31, 2007. The Investment Agreements entered into by the Partnership during 2007 may permit a Resource Company to incur in 2008 Eligible Expenditures, provided that the Resource Company agrees to renounce such Eligible Expenditures to the Partnership with an effective date of December 31, 2007. Any Resource Company will be liable to the Partnership if it fails to satisfy such obligations. Following the Partnership’s investment in Flow-Through Shares, Limited Partners who have sufficient income, subject to certain limitations, will be entitled to claim certain deductions from income. See “Canadian Federal Income Tax Considerations”.

The Partnership may acquire Special Warrants pursuant to Investment Agreements, on the same basis as it would acquire Flow-Through Shares. The Partnership may also acquire units consisting of Flow-Through Shares and Warrants pursuant to Investment Agreements, provided that not more than 10% of the aggregate purchase price under the relevant Investment Agreement shall be allocated and reasonably allocable to securities which do not qualify as Flow-Through Shares.

Registered dealers (including the Agents) may receive from the Resource Companies with which the Partnership enters into Investment Agreements a fee or commission based on the aggregate subscription price of the Flow-Through Shares and other securities, if any, purchased by the Partnership and in some cases may receive the right to purchase shares or other securities of such Resource Companies. In all such cases, the Investment Agreements will provide that the fee or commission payable to the registered dealer will be paid by the Resource Company from funds other than the funds invested in the Flow-Through Shares by the Partnership.

As the Partnership may invest in Flow-Through Shares and other securities, if any, of certain Resource Companies pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation, such Flow-Through Shares and other securities, if any, of such Resource Companies generally will be subject to resale restrictions. Securities of Resource Companies that are not reporting issuers (or the equivalent) may be subject to indefinite resale restrictions which will expire only if such Resource Companies become reporting issuers under applicable securities legislation or if the resale is structured to be itself exempt from prospectus and registration requirements. It is expected that the resale restrictions applicable to the majority of the Flow-Through Shares and other securities, if any, of the Resource Companies (other than Resource Companies which are not reporting issuers or the equivalent) purchased by the Partnership will expire after a four-month "hold period". The General Partner may, in its sole discretion, require that the principal shareholders of Resource Companies agree, subject to applicable law, to exchange free-trading shares for the restricted Flow-Through Shares or other securities, if any, of Resource Companies within the Partnership's Investment Portfolio. Other Flow-Through Shares or other securities, if any, of Resource Companies purchased by the Partnership may be qualified by a prospectus or other disclosure document of the Resources Issuer filed with the applicable securities regulatory authorities and will not be subject to any resale restrictions.

Subject to certain restrictions, the Partnership's Investment Portfolio may include Illiquid Investments. The Partnership may invest up to 20% of the Available Funds in Illiquid Investments, including securities issued by private companies. See "The Partnership - Investment Guidelines".

As of the date hereof, the Partnership has not entered into Investment Agreements to invest in Flow-Through Shares or any other securities or selected any Resource Companies in which to invest. However, the Partnership may, after the Closing Date and prior to the date of the final Closing, enter into Investment Agreements with one or more Resource Companies.

Any interest earned on Available Funds not disbursed or invested by the Partnership and any dividends received on Flow-Through Shares and other securities, if any, of Resource Companies purchased by the Partnership will accrue to the benefit of the Partnership. Interest and dividends earned may be used, in the discretion of the General Partner, to purchase more Flow-Through Shares and other securities, if any, of Resource Companies, for the purchase of High-Quality Money Market Instruments, to pay administrative costs and expenses of the Partnership, to repay indebtedness, including indebtedness that is a Limited Recourse Amount, of the Partnership or for distribution to Limited Partners if the General Partner is satisfied that the Partnership can otherwise meet its obligations.

If the General Partner is unable to enter into Investment Agreements by December 31, 2007 for the full amount of Available Funds from this Offering, the General Partner will cause to be returned to each Limited Partner by April 30, 2008 such Limited Partner's share of the uncommitted amount, except to the extent that such funds are required to finance the operations of the Partnership or repay indebtedness, including indebtedness that is a Limited Recourse Amount of the Partnership (such as amounts outstanding under the Loan Facility). In certain circumstances committed funds equal to the tax payable as a consequence of the failure to renounce may be returned to the Partnership by Resource Companies. Any funds committed by the Partnership to purchase Flow-Through Shares that are returned to the Partnership prior to January 1, 2008 may be used to invest in Flow-Through Shares and other securities, if any, of other Resource Companies prior to January 1, 2008.

As well, the Partnership may borrow and sell short free-trading shares of Resource Companies when an appropriate selling opportunity arises in order to "lock-in" the resale price of Flow-Through Shares or other securities, if any, of Resource Companies held in the Partnership's Investment Portfolio.

For tax purposes, it is generally expected that any sale of Flow-Through Shares of a Resource Company by the Partnership will result in a capital gain equal to the net proceeds realized by such sale (less costs incurred to

effect the sale), as the cost of the Flow-Through Shares is deemed under the Tax Act to be nil. See “Canadian Federal Income Tax Considerations”.

### **THE SUB-ADVISOR**

T.I.P. Wealth Manager Inc. was established in 2006. At its offices in Toronto, Ontario, the Sub-Advisor provides investment advice that focuses on issuers in the resource sectors.

Pursuant to the Investment Sub-Advisory Agreement between the General Partner, the Sub-Advisor and the Investment Manager, the Sub-Advisor will identify, analyze and select Partnership investments, monitor the performance of Partnership investments, and determine the timing, terms, and method of disposing of Partnership investments. Jim Huang will act as portfolio manager on behalf of the Sub-Advisor.

Jim Huang, CFA, CGA, is the President and Portfolio Manager of the Sub-Advisor and will act as portfolio manager on behalf of the Sub-Advisor. He has over 14 years of investment experience. He was a Vice President and Portfolio Manager at Natcan Investment Management Inc. and its predecessor Altamira Management Ltd. from November 1998 to March 2006; and from February 1996 to November 1998, he was a Senior Research Analyst/Investment Officer at Sun Life of Canada. Mr. Huang started his career with BBN James Capel Inc. and First Energy Capital Corp, both located in Calgary, Alberta. As lead or co-manager while working at Natcan/Altamira, Mr. Huang has managed over \$2 billion in mutual funds and institutional assets, including all of the resource and equity income products in the Altamira and National Bank mutual fund families. Altamira Energy Fund, Altamira Resource Fund, Altamira Precious and Strategic Metals Fund and AltaFund (a Canadian Equity fund focusing on Western Canada) had industry-leading performance and won awards and positive press coverage during Mr. Huang’s management. In addition, Mr. Huang has experience managing the portfolios of flow-through limited partnerships, having acted as investment adviser for Rhone 2004 Flow-Through Limited Partnership, Rhone 2005 Flow-Through Limited Partnership, Alpha Energy 2006 Flow-Through Fund, First Asset Energy & Resource Income & Growth Fund and First Asset Energy and Resource Fund, as well as other privately offered flow-through investment vehicles.

Mr. Huang holds the Chartered Financial Analyst designation and is a Certified General Accountant. He has a Bachelor of Commerce degree from the University of Toronto and graduated with High Distinction.

### **The Investment Sub-Advisory Agreement**

The Investment Sub-Advisory Agreement, unless terminated as described below, will continue until the dissolution of the Partnership. Pursuant to the Investment Sub-Advisory Agreement, the Sub-Advisor has agreed to act at all times on a basis which is fair and reasonable to the Partnership, to act honestly and in good faith with a view to the best interests of the Limited Partners, and, in connection therewith, to exercise the degree of care, diligence, and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. Pursuant to the Investment Sub-Advisory Agreement, the Sub-Advisor will not be liable in any way for any default, failure or defect in any of the securities comprising the investment portfolio of the Partnership if it has satisfied its duties and complied with the standard of care, diligence, and skill set forth above. The Sub-Advisor will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of its duties or standards of care, diligence and skill or breach of the Investment Sub-Advisory Agreement.

Pursuant to the Investment Sub-Advisory Agreement, the Investment Manager is responsible for the advice given by the Sub-Advisor and will pay the Sub-Advisor out of the Investment Manager’s fees. The Investment Manager has also agreed to pay the Sub-Advisor a portion of any of the Performance Bonus to which it is entitled. There are no additional fees payable by the Partnership to the Sub-Advisor. See “Fees and Expenses Payable by the Partnership - Management Fees”.

The Investment Sub-Advisory Agreement may be terminated by the Investment Manager by giving the Sub-Advisor not less than 60 days prior written notice. The Investment Manager may also terminate the Investment Sub-Advisory Agreement upon written notice if (a) there is a change of control of the Sub-Advisor; (b) Jim Huang ceases to be a registered portfolio manager for the Sub-Advisor; and (c) in certain other circumstances, such as bankruptcy or insolvency of the Sub-Advisor or the Sub-Advisor's loss of any required registration or licence.

The Investment Manager may terminate the Investment Sub-Advisory Agreement at any time by giving the Sub-Advisor less than 60 days prior written notice provided that the Investment Manager pays to the Sub-Advisor an amount equal to the amount of the fees the Sub-Advisor would otherwise have earned had 60 days prior written notice been given. The Investment Sub-Advisory Agreement may be terminated by the Sub-Advisor only in limited circumstances where the Investment Manager has not performed, or has become incapable of performing, its obligations under the Investment Sub-Advisory Agreement, subject to applicable cure periods.

## **THE GENERAL PARTNER**

### **Corporate Structure**

The General Partner was incorporated under the provisions of the *Canada Business Corporations Act* on December 8, 2006 under the name "Fairway Energy 2007-II Flow-Through Management Corp.", and changed its name to "Jov Diversified Flow-Through 2007 Management Corp." on September 6, 2007. The General Partner is a wholly-owned subsidiary of the Promoter. The registered office of the General Partner is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the General Partner is Suite 550 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

### **Business**

During the existence of the Partnership, the General Partner's sole business activity will be the management of the Partnership.

The General Partner has co-ordinated the formation, organization and registration of the Partnership, and has developed (with the assistance of the Investment Manager) the Investment Guidelines of the Partnership. The General Partner will: (i) work with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies; (ii) manage the ongoing business and administrative affairs of the Partnership; and (iii) monitor the Investment Portfolio to ensure compliance with the Investment Guidelines.

The General Partner also may implement or propose to implement a Liquidity Event on or before June 30, 2009. See "Liquidity Event".

The General Partner will not co-mingle any of its own funds with those of the Partnership.

### **Management**

The General Partner's management group has extensive experience in the financing and management of syndicated tax-assisted investments and has significant experience and strong relationships in the oil and natural gas industry. The name, municipality of residence, office or position held with the General Partner and principal occupation of each of the directors and senior officers of the General Partner are set out below:

<u>Name and Municipality of Residence</u>	<u>Position with the General Partner</u>	<u>Principal Occupation</u>
PHILIP ARMSTRONG..... Aurora, Ontario	Chairman and Director	Chief Executive Officer and Director, Jovian; Director, JovInvestment
MARK L. ARTHUR..... Toronto, Ontario	Chief Executive Officer and Director	President, Jovian; Chairman, Chief Executive Officer and Director, JovInvestment; Vice-Chairman and Director, MGI

<u>Name and Municipality of Residence</u>	<u>Position with the General Partner</u>	<u>Principal Occupation</u>
HUGH R. CARTWRIGHT ..... Vancouver, British Columbia	President, Managing Partner and Director	President, Managing Partner and Director, Jov Flow-Through Holdings Corp., Chief Executive Officer and Director, Qwest Bancorp Ltd. and Trilogy Bancorp Ltd.
SHANE DOYLE..... Vancouver, British Columbia	Managing Partner and Director	Managing Partner and Director, Jov Flow-Through Holdings Corp.

There are no committees of the board of directors of the General Partner, other than the Audit Committee, which consists of the board of directors as a whole.

Biographies of each of the directors and senior officers of the General Partner, including principal occupations for the last five years, are set out below.

The officers of the General Partner will not be fulltime employees of the General Partner, but will devote such time as is necessary to the business and offices of the General Partner.

**Philip Armstrong, BA (Law) Hons - Chairman and Director**

Philip Armstrong is the founding principal and since 2003 has been the Chief Executive Officer and a director of Jovian. From 2001 to 2003 Mr. Armstrong was the Chairman of Jovian and from 2003 to 2007 Mr. Armstrong was also the President of Jovian. Mr. Armstrong has over 30 years' experience in the trust and asset management business. He was a founding partner of Altamira Investment Service Inc. ("Altamira") when it reorganized its original business model in 1987. Prior to its sale to TA Associates, Inc. in 1997, Mr. Armstrong acted as Altamira's Chief Executive Officer and was a director. He became the founding principal of Jovian in 2001. Mr. Armstrong served as the Chair of The Investment Funds Institute of Canada from 1999 to 2000 and is a past Chair of the Mutual Fund Dealers Association. In addition, Mr. Armstrong serves on the board of the Ireland Fund of Canada.

In addition, Mr. Armstrong is the Chairman and a Director of Fairway Energy (06) Flow-Through Management Corp., the general partner of the Fairway Energy (06) Flow-Through Limited Partnership and Fairway Energy (07) Flow-Through Management Corp., the general partner of the Fairway Energy (07) Flow-Through Limited Partnership.

**Mark L. Arthur, MBA, CFA – Chief Executive Officer and Director**

Mark Arthur is a Chartered Financial Analyst (CFA) with an Masters of Business Administration from the University of Western Ontario. Mr. Arthur is the Chairman, Chief Executive Officer and a Director of JovInvestment, and from June 2004 until January 2007 was the President of JovInvestment. In addition, from May 2006 until January 2007 Mr. Arthur acted as Chief Compliance Officer of JovInvestment. From May 2003 until June 2007, Mr. Arthur was the Executive Vice-President of Jovian, and since June 2007 Mr. Arthur has acted as President of Jovian. Since July 2004 Mr. Arthur has been a Vice-Chairman of MGI and since February 2005 he has been a director of MGI. Between July 2004 and August 2006, Mr. Arthur was the Chief Executive Officer of MGI. Mr. Arthur held the position of President/Chief Investment Officer and was a director of RBC Global Investment Management Inc. ("RBC Global") from 2000 to 2002. Mr. Arthur's responsibilities included managing a team of 180 employees including 65 professional staff of portfolio managers and analysts. Mr. Arthur was responsible for the management of over \$48 billion, including \$38 billion in mutual funds, and \$10 billion in pooled funds. Mr. Arthur helped lead RBC Global from \$2.5 billion in assets in 1989 to over \$48 billion by 2002. Mr. Arthur also helped RBC Global create and implement a leading edge compliance process, as well as the implementation of investment processes which were key components to performance and sales success.

Prior to his tenure at RBC Global, Mr. Arthur held the position of President/Chief Executive Officer and Chief Investment Officer at Royal Bank Investment Management Inc. – Royal Mutual Funds ("Royal Bank") from

1989 to 2000. He managed a team of 77 employees, including 33 vice-presidents/portfolio managers, ensuring that performance objectives were constantly met. Mr. Arthur oversaw all of the investment teams (including Fixed Income, Canadian Equity and US Equity) including all external sub-advisors. Mr. Arthur extended the global strategy initiatives within Royal Bank which resulted in his appointment as Chairman of the Royal Investment Strategy Committee, Wealth Management Division.

In addition, Mr. Arthur is the Chief Executive Officer and a Director of Fairway Energy (06) Flow-Through Management Corp., the general partner of the Fairway Energy (06) Flow-Through Limited Partnership and Fairway Energy (07) Flow-Through Management Corp., the general partner of the Fairway Energy (07) Flow-Through Limited Partnership .

#### **Hugh Cartwright, B.Comm - President, Managing Partner and Director**

Mr. Cartwright is the President, Managing Partner and a director of Jov Flow-Through Holdings Corp., the Promoter of the Offering and the parent company of the General Partner.

As well, Mr. Cartwright is the Chief Executive Officer and a director of Qwest Bancorp Ltd., a British Columbia-based merchant banking company with over 15 years of experience in investment banking, structured finance, syndication and fund administration. Mr. Cartwright is also the Chief Executive Officer and a director of Trilogy Bancorp Ltd., a British Columbia-based asset and administrative management company.

Mr. Cartwright was also a founder and from November 1998 to February 2006 was a director of Qwest Energy Corp. (“Qwest Energy”), a company which structured, managed and syndicated tax-assisted investments in the oil and gas industry. Qwest Energy and its subsidiaries were, from 1999 to 2005, involved in the management of energy investments, including in-house accounting, financial reporting, investor relations and tax reporting.

Mr. Cartwright was also a founder and former Chief Executive Officer and a director of Qwest Energy Investment Management Corp. from May 2003 to February 2006 and the general partner of each of Qwest Energy RSP/Flow-Through Limited Partnership, Qwest Energy IV Flow-Through Limited Partnership, Qwest Energy 2004 Flow-Through Limited Partnership, Qwest Energy 2005 Flow-Through Limited Partnership, Qwest Energy 2005-II Flow-Through Limited Partnership and Qwest Energy 2005-III Flow-Through Limited Partnership. In addition, Mr. Cartwright was the founder, Chief Executive Officer and a director of each of Qwest Energy RSP/Flow-Through Financial Corp., Qwest Energy 2004 Financial Corp. and Qwest Energy 2005 Financial Corp.

Mr. Cartwright is a founder, officer and/or director of the Opus Cranberries Limited Partnerships, Western Royal Ginseng Management Corp., Western Royal Ginseng I Corp., Western Royal Ginseng II Corp., Western Royal Ginseng III Corp., Pacific Canadian Ginseng Ltd., Pacific Canadian Ginseng I Ltd., Pacific Canadian Ginseng II Ltd., Ponderosa Ginseng Farms Ltd. and Qwest Emerging Technologies (VCC) Fund Ltd. as well as a director and officer of Imperial Ginseng Products Ltd. and Knightswood Financial Corp. (“Knightswood”) (both publicly traded companies listed on the TSXV). He was also the founder and former Chairman and director of Qwest Emerging Biotech (VCC) Fund Ltd.

In addition, Mr. Cartwright is the President and a Director of Fairway Energy (06) Flow-Through Management Corp., the general partner of the Fairway Energy (06) Flow-Through Limited Partnership and Fairway Energy (07) Flow-Through Management Corp., the general partner of the Fairway Energy (07) Flow-Through Limited Partnership .

Mr. Cartwright graduated from the University of Calgary with a Bachelor of Commerce degree and specialized in finance.

#### **Shane Doyle, B.A. MBA - Managing Partner and Director**

Mr. Doyle is a Managing Partner and a director of Jov Flow-Through Holdings Corp., the Promoter and the parent company of the General Partner. Prior to joining Fairway Energy, Mr. Doyle was, from September 2004 to October 2006 the Regional Director for SEI Investments Canada Company (“SEI”), an institutional investment

management firm. Mr. Doyle's responsibilities at SEI included business development and client relationship management with institutional investors. Prior to SEI, Mr. Doyle was from January 2004, to August 2004 Director of Sales and Marketing at Trez Capital Corporation, a mortgage investment company. Mr. Doyle's responsibilities at Trez Capital Corporation included corporate finance advisory and business development services. Prior to Trez Capital Corporation, Mr. Doyle was, from March 2001 to December 2003 a Director of Sales for Qwest Energy Corporation. Prior to joining Qwest Energy Corporation Mr. Doyle was, from March 2000 to February 2001, Director of Operations RBC Financial Group. Mr. Doyle's responsibilities at RBC Financial Group included business development, relationship management and territorial oversight. Prior to joining RBC Financial Group, Mr. Doyle was, from January 1997 to February 2000, Regional Sales Manager for Western Canada for UnumProvident Corporation. Mr. Doyle's responsibilities at UnumProvident Corporation included managing a sales force of 16 employees throughout western Canada and managing all office operations.

In addition, Mr. Doyle is the Chief Executive Officer and President of Maple Leaf Charitable Giving Management Corp., the general partner of the Maple Leaf Charitable Giving Limited Partnership, and is a Director of Fairway Energy (07) Flow-Through Management Corp., the general partner of the Fairway Energy (07) Flow-Through Limited Partnership.

Mr. Doyle graduated in 1988 from St. Mary's University in Halifax with a Master's of Business Administration.

## **THE INVESTMENT MANAGER AND PRIOR PARTNERSHIPS**

### **JovInvestment Management**

JovInvestment has been retained by the General Partner as Investment Manager to provide investment advisory and portfolio management services to the Partnership pursuant to the Investment Manager Agreement.

JovInvestment was incorporated in 1997 under the laws of Ontario and is authorized to provide investment advice in Ontario, Alberta and British Columbia. The principal office of JovInvestment is Suite 920, 26 Wellington Street East, Toronto, Ontario, Canada, M5E 1S2.

JovInvestment is a wholly-owned indirect subsidiary of Jovian. Jovian is a publicly-traded company listed on the Toronto Stock Exchange (JOV). Jovian is a holding and management company with interests in a variety of financial service firms specializing in wealth and asset management. The Jovian group of companies operate as a national financial services organization with approximately \$14.0 billion of client assets (\$5.0 billion in assets under management and \$9.0 billion in assets under administration). The Jovian group of companies provide wealth accumulation, asset protection and service solutions under a number of consumer brands. Jovian provides overall structure, strategic direction and management oversight, as well as economies of scale to each of its related companies.

JovInvestment provides management and fund management services for mutual funds, closed-end funds and labour sponsored investment funds. JovInvestment is the investment manager for the Accumulus, Galaxy, Horizons BetaPro, DeltaOne, and Fairway fund families.

In addition, JovInvestment is the investment manager for each of the Fairway Energy (06) Flow-Through Limited Partnership, and the Fairway Energy (07) Flow-Through Limited Partnership. The investment structure of each of these partnerships is substantially similar to the Partnership. However, the Sub-Advisor has not provided advisory services in respect of the investment portfolios of the Prior Partnerships. Information regarding the investments of these partnerships is set out below.

### ***Fairway Energy (06) Flow-Through Limited Partnership***

Pursuant to a prospectus dated September 28, 2006, Fairway Energy (06) Flow-Through Limited Partnership issued 1,055,663 limited partnership units at a price of \$25.00 per Unit, for gross proceeds of \$26,391,575. The investment objectives and guidelines of Fairway Energy (06) Flow-Through Limited Partnership

are substantially similar to those of the Partnership, except that the Fairway Energy (06) Flow-Through Limited Partnership was restricted from investing in any Resource Companies that were not engaged in the oil and gas industry. As at July 31, 2007, the net asset value of the investment portfolio of Fairway Energy (06) Flow-Through Limited Partnership was \$11.90.

The following table shows the top ten holdings in the investment portfolio of Fairway Energy (06) Flow-Through Limited Partnership as at July 31, 2007.

<b>Company Name</b>	<b>Exchange</b>	<b>Issue Price</b>	<b>Percentage of Investment Portfolio</b>
ProEx Energy Ltd.	TSX	\$16.24	13.59%
Ithaca Energy Inc.	TSX-V	\$3.28	12.78%
Cyries Energy Inc.	TSX	\$12.54	12.46%
Rider Resources Ltd.	TSX	\$9.17	12.46%
Antrim Energy Corp.	TSX	\$8.02	10.11%
Sabretooth Energy Ltd.	Private	\$2.00	9.77%
Oilexco Incorporated	TSX	\$13.10	7.56%
Highpine Oil & Gas Limited	TSX	\$14.32	6.68%
Pearl Exploration and Production Ltd.	TSX-V	\$5.48	6.62%
Crew Energy Inc.	TSX	\$11.35	6.33%

#### ***Fairway Energy (07) Flow-Through Limited Partnership***

Pursuant to a prospectus dated February 14, 2007, Fairway Energy (07) Flow-Through Limited Partnership issued 361,485 limited partnership units at a price of \$25.00 per Unit, for gross proceeds of \$9,037,125. The investment objectives and guidelines of Fairway Energy (07) Flow-Through Limited Partnership are substantially similar to those of the Partnership, except that the Fairway Energy (07) Flow-Through Limited Partnership was restricted from investing in any Resource Companies that were not engaged in the oil and gas industry. Of the net proceeds raised by Fairway Energy (07) Flow-Through Limited Partnership, \$6,802,431 (including reinvested capital) has been invested in Flow-Through Shares of Resource Issuers for the period up to July 31, 2007. As at July 31, 2007, the net asset value of the investment portfolio of Fairway Energy (07) Flow-Through Limited Partnership was \$19.22.

The following table shows the top ten holdings in the investment portfolio of Fairway Energy (07) Flow-Through Limited Partnership as at July 31, 2007.

<b>Company Name</b>	<b>Exchange</b>	<b>Issue Price</b>	<b>Percentage of Investment Portfolio</b>
Alberta Oilsands Inc.	TSX-V	\$0.50	17.32%
Kereco Energy Ltd.	TSX	\$8.60	11.23%
Excelsior Energy Limited	Private	\$1.05	9.33%
Oilexco Inc.	TSX	\$13.88	9.31%
Silverwing Energy Inc.	TSX	\$0.24	8.90%
Vero Energy Inc.	TSX	\$7.25	7.90%
OSUM Oil Sands	Private	\$10.35	7.74%
Duvernay Oil Corp.	TSX	\$41.50	7.56%
Celtic Exploration Ltd.	TSX	\$16.65	5.91%
Galleon Energy Corp.	TSX	\$20.25	4.65%

## Management of JovInvestment

The name, municipality of residence, office or position held with JovInvestment and principal occupation during the past five years of each of the directors and senior officers of JovInvestment are set out below:

<u>Name and Municipality of Residence</u>	<u>Position with JovInvestment</u>	<u>Principal Occupation</u>
PHILIP ARMSTRONG..... Aurora, Ontario	Director	Chief Executive Officer and Director, Jovian (since 2003); Director, JovInvestment (since 2003); previously, Chairman (2001 – 2003) and President (2003 - 2007), Jovian
MARK L. ARTHUR ..... Toronto, Ontario	Chairman, Chief Executive Officer and Director	President, Jovian (since June 2007); Vice-Chairman (since 2004) and Director, MGI (since 2005); previously, Executive Vice President, Jovian (2003 – 2007) and Director, President and Chief Investment Officer, RBC Global (2000 – 2002)
STEVEN J. HAWKINS..... Oakville, Ontario	President, Chief Operating Officer and Chief Compliance Officer	Managing Partner, JovFunds Management Inc. (since 2006); President, Fairway Capital Management Corp. (since 2005); Vice-President, Compliance for AMG Canada Inc. and Senior Vice-President, Compliance and Risk Management and Chief Investment Officer for First Asset Investment Management Inc. (2000 to 2005)
JASON MACKAY..... Toronto, Ontario	Chief Financial Officer, Treasurer and Secretary	Chief Financial Officer, Jovian (since 2003) and MGI (since 2001)

## Services to be Provided by the Investment Manager

The Investment Manager has the responsibility and right to determine which securities shall be purchased, held or sold by the Partnership. The Investment Manager's responsibilities include:

- setting the Partnership's Investment Strategy;
- examining, evaluating and analyzing of Flow-Through Share investment opportunities;
- reviewing Resource Companies;
- educating underwriters and investment advisors on matters relating to the Partnership;
- monitoring the holdings of the Partnership and the Investment Portfolio with a view to ensuring a smooth transition to the Mutual Fund and maximizing Net Asset Value in the event that a Liquidity Event is effected;
- determining how and in what manner any voting rights attached to securities held in the Investment Portfolio shall be exercised or not exercised;
- ensuring compliance with the Investment Strategy and Investment Guidelines and other mutually agreed policies with respect to the Partnership's Investment Portfolio; and
- generally performing any other act necessary to enable it to perform its obligations under the Investment Manager Agreement.

The Investment Manager expects to utilize its extensive contacts in the Canadian resource sector as well as its contacts in the investment dealer and investment management communities to evaluate and make investment decisions on investment opportunities consistent with the Investment Strategy and the Investment Guidelines.

### **The Investment Manager Agreement**

The Investment Manager will be responsible for the provision of the foregoing services pursuant to the Investment Manager Agreement.

Under the Investment Manager Agreement, JovInvestment has agreed to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership, the General Partner and the Mutual Fund, as applicable, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in the circumstances. The Investment Manager Agreement provides that JovInvestment will be indemnified for any liability, loss, damages, expenses, claims, or costs it may suffer in connection with the performance of its obligations under the Investment Manager Agreement or in connection with the affairs of the Partnership or the General Partner, except in respect of acts or omissions of JovInvestment or its directors, officers, employees or representatives done or suffered in bad faith or through negligence, wilful misconduct, wilful neglect or failure to fulfill their duties or standard of care, diligence and skill described above or comply with applicable laws.

Unless terminated as described below, the Investment Manager Agreement will continue for a term that expires on the earlier of: (a) January 15, 2012; and (b) if no Liquidity Event involving the exchange of all of the assets of the Partnership for securities of a Mutual Fund is completed and the operations of the Partnership are not extended with the approval of Limited Partners, December 31, 2009 (or, if the Partnership's operations are extended, then the date of dissolution of the Partnership).

JovInvestment may terminate the Investment Manager Agreement without payment to the General Partner or the Partnership: (a) in certain circumstances involving the bankruptcy or insolvency of the General Partner; (b) if the Partnership or General Partner is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 20 Business Days' written notice of such breach or default to the General Partner; or (c) in the event there is a fundamental change in the Investment Strategy or Investment Guidelines of the Partnership. The General Partner may terminate the Investment Manager Agreement without payment to JovInvestment, other than fees accrued to the date of termination, if: (a) JovInvestment is in breach or default of any material provision thereof and, if capable of being cured, such breach or default has not been cured within 20 Business Days' written notice of such breach or default to JovInvestment; (b) if JovInvestment ceases to carry on business or an order is made or a resolution is passed for the winding-up, dissolution or liquidation of JovInvestment; (c) if JovInvestment becomes bankrupt or insolvent or a receiver is appointed for JovInvestment; (d) if any of the licenses or registrations necessary for JovInvestment (or its personnel) to perform its duties under the Investment Manager Agreement are no longer in full force and effect; or (e) upon 180 days' written notice. The Limited Partners may cause the General Partner to terminate the Investment Manager Agreement by passage of an Extraordinary Resolution to that effect.

In the event that the Investment Manager Agreement is terminated as provided above, the General Partner in its sole discretion may elect to appoint a successor investment advisor to carry out the activities of JovInvestment.

The General Partner is responsible for payment of the investment management fees of the Investment Manager out of its fees. There are currently no additional fees payable by the Partnership to the Investment Manager. See "Fees, Charges and Expenses Payable by the Partnership – General Partner's Fee".

### **Independent Review Committee**

The Investment Manager has established an independent review committee for the Partnership which consists of the following members – Susan Coleman, Julia Dublin and Harvey Naglie. Each of these members is "independent" within the meaning of National Instrument 81-107. The independent review committee will adopt a written charter and be operational and in full compliance with National Instrument 81-107 by November 1, 2007.

All reasonable costs and expenses reasonably incurred in connection with the implementation and functioning of the independent review committee in accordance with National Instrument 81-107 will be borne by the Partnership on a *pro rata* basis in accordance with section 5.3 of the Investment Manager Agreement.

Biographies of each of the members of the Partnership's independent review committee are set out below.

**Julia Dublin** - Julia is a partner with the law firm of Aylesworth LLP in Toronto. She is the Former Senior Legal Counsel for the Ontario Securities Commission's ("OSC") Capital Markets Branch. Julia received her Honours Bachelor of Science in Biology from the University of Waterloo in 1974. She obtained her Bachelor of Laws from Queen's University in 1979, and was called to the Bar of Ontario in 1981. Julia joined Aylesworth LLP in 2005. Julia practices corporate and securities law generally, with an emphasis on private and public securities offerings, advice to registered dealers and advisers, issuers, investment funds on regulatory compliance and civil liabilities, and advice to injured investors. Julia was with the federal Department of Justice for four years, and subsequently with the Ontario Securities Commission for 18 years. Julia occupied a variety of positions at the OSC, including manager of the registration section, and senior legal counsel in the General Counsel's Office, and the Corporate Finance and Capital Markets Branches. Julia has written and lectured extensively on legal and regulatory issues affecting issuers, financial institutions and market intermediaries for academic and professional audiences. She is currently an Adjunct Professor at the Osgoode Hall Law School, teaching advanced securities law. She has been interviewed on radio and television, and has been frequently featured in the press.

Julia is a member of the Law Society of Upper Canada, the Ontario Bar Association and the Canadian Bar Association. She is a member of the Board of the Investor Education Fund.

**Harvey Naglie** - Mr. Naglie is a businessman with almost 30 years of experience, most of which was gained in the Canadian financial services sector. He spent the first 10 years of his career at Wood Gundy (the predecessor company of CIBC World Markets Inc.) and the following 13 years at BT Bank of Canada, a subsidiary of Bankers Trust Corporation. Mr. Naglie was the President of BT Bank of Canada from 1996 until 1999 when it was acquired by Deutsche Bank. Mr. Naglie was subsequently President of Financial Executives International of Canada and Vice President of Business Development at Mount Sinai Hospital.

Mr. Naglie currently serves as Chairman of the Altus Group Income Fund and is a member of the advisory board of Strategic Leverage Partners Inc. He is also a director and chair of the audit committee for Charterhouse Preferred Share Index Corporation, an exchange traded investment fund.

Mr. Naglie holds a Bachelor of Arts from McGill University, a Master of Economics from Johns Hopkins University and a Master of Business Administration from the Richard Ivey School of Business at the University of Western Ontario.

**Susan E. Coleman** - Susan was the Chief Investment Officer and a director of Skylon Advisors Inc. from October 2000 to November 2003, which she joined after taking a one year sabbatical. Ms. Coleman was a Vice President Equities, Research Analyst and Portfolio Manager of Altamira, for which she worked from 1993 until October 1999. Prior to joining Altamira, Ms. Coleman held different portfolio management positions dating back to 1982. Ms. Coleman has been engaged in the investment business since 1979. While at Altamira, Ms. Coleman managed the Altamira Special Growth Fund, a traditional mutual fund investing in Canadian companies with market capitalization of approximately \$150 million or less as well as other similarly focused funds, and co-managed Triax Growth Fund Inc., a labour sponsored investment fund focused on later stage venture capital investing.

Ms. Coleman holds a Bachelor of Arts (Honours) degree from Carleton University and has the Chartered Financial Analyst designation.

### **Conflicts of Interest**

The services of JovInvestment and its affiliates are not exclusive to the Partnership. JovInvestment's other clients may hold securities in or wish to acquire securities issued by one or more of the Resource Companies which will issue Flow-Through Shares or other securities to the Partnership and conflicts of interest may arise from time to

time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities and issuers. JovInvestment will address such conflicts of interest with regard to the investment objectives of each of the clients involved and will act in accordance with the duty of care owed to each of them.

### **PROXY VOTING/POLICIES AND PROCEDURES**

JovInvestment, as Investment Manager, is responsible for directing how any proxies with respect to any securities or other property of the Partnership will be voted. The Investment Manager has adopted the following proxy voting guidelines with respect to the voting of proxies relating to any securities or other property of the Partnership. The Investment Manager will always act in the best interests of the Limited Partners of the Partnership.

- (a) Auditors: The Investment Manager will vote for proposals to ratify auditors on behalf of the Partnership except where non-audit related fees paid to such auditors exceed audit-related fees.
- (b) Board of Directors: The Investment Manager will vote for nominees of management on behalf of the Partnership on a case-by-case basis, examining the following factors: the independence of the board and key board committees; attendance at board meetings; corporate governance positions; takeover activity; long-term company performance; excessive executive compensation; and responsiveness to shareholder proposals and any egregious board actions. The Investment Manager will also withhold support on behalf of the Partnership for those individual nominees who have attended less than 75% of the board meetings held within the past year without a valid excuse for these absences.
- (c) Compensation Plans: The Investment Manager will vote on matters dealing with share-based compensation plans on behalf of the Partnership on a case-by-case basis. The Investment Manager will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Investment Manager will generally vote for compensation plans only where the cost is within the industry maximum except where (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation or (ii) the plan provides for option re-pricing without shareholder approval. The Investment Manager may also vote against any proposals to re-price options.

- (d) Management Compensation: The Investment Manager will vote on employee stock purchase plans (“ESPPs”) on behalf of the Partnership on a case-by-case basis. The Investment Manager will generally vote for broadly based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 85% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 25% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. The Investment Manager will also vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account the issuer’s performance, absolute and relative pay levels as well as the wording of the proposal itself. The Investment Manager will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all options, be tied to the achievement of performance hurdles.
- (e) Capital Structure: The Investment Manager will vote on proposals to increase the number of securities of an issuer authorized for issuance on behalf of the Partnership on a case-by-case basis. The Investment Manager will vote for proposals to approve increases where the issuer’s securities are in danger of being delisted or if the issuer’s ability to continue to operate is uncertain. The Investment Manager will vote against proposals to approve unlimited capital authorization.
- (f) Constatng Documents: The Investment Manager will generally vote for changes to constating documents on behalf of the Partnership that are necessary and can be classified as “housekeeping”. The following amendments will be opposed:
- (i) the quorum for a meeting of shareholders is set below two persons 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but the Investment Manager will oppose any quorum below 10%);
  - (ii) the quorum for a meeting of directors should not be less than 50% of the number of directors; and
  - (iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Investment Manager has also developed policies and procedures for deciding how proxies will be voted on behalf of the Partnership with respect to non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environment matters.

The proxy policies and procedures of the Partnership will be provided, without charge, to any Limited Partners of the Partnership on request.

The proxy voting record of the Partnership for the most recent period ended June 30<sup>th</sup> of each year will be provided at any time after August 31<sup>st</sup> of that year, without charge, to any Limited Partners of the Partnership on request.

## LIQUIDITY EVENT

In order to provide Limited Partners with liquidity and the potential for long-term growth of capital and for income, on or before June 30, 2009, the General Partner intends, if all necessary approvals are obtained, to implement a Liquidity Event. The General Partner currently intends the Liquidity Event will be a Mutual Fund Rollover Transaction. The Liquidity Event will be implemented on not less than 21 days' prior written notice to Limited Partners. The General Partner may, in its sole discretion, call a meeting of the Limited Partners to approve a Liquidity Event but intends to do so only if the Liquidity Event is substantially different from those presently intended. **There can be no assurance that any such Liquidity Event will be proposed, will receive the necessary approvals (including regulatory approvals), be implemented or be implemented on a tax-deferred basis, or that a Mutual Fund will be established to participate in any Liquidity Event.** In the event a Liquidity Event is not implemented on or before June 30, 2009, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2009, and its net assets distributed *pro rata* to the Partners; or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See "Summary of the Partnership Agreement – Dissolution". The General Partner will not propose or implement any Liquidity Event which adversely affects the status of the Flow-Through Shares as flow-through shares for income tax purposes (*e.g.*, by rendering them "prescribed shares" or "prescribed rights" under the regulations to the Tax Act), whether prospectively or retrospectively. Any such dissolution and distribution will be subject to obtaining all necessary approvals and must occur on or prior to December 31, 2009, unless the Partnership's operations are continued past this date in accordance with the Partnership Agreement.

In the event that a Liquidity Event is not implemented and (a) the Partnership dissolves on or about December 31, 2009, or (b) if the Partnership continues in operation past this date in accordance with the Partnership Agreement, at the time of dissolution the net assets of the Partnership will consist primarily of cash and securities of Resource Companies. Prior to that date, the General Partner will attempt to liquidate as much of the Investment Portfolio as possible for cash, with a view to maximizing sale proceeds. In order to provide for the possibility of the property of the Partnership which has not been converted to cash to be distributed on a tax-deferred basis, on dissolution each Limited Partner will receive an undivided interest in each property of the Partnership equal to the Limited Partner's proportionate interest in the Partnership. Immediately thereafter, the undivided interest in each property will be partitioned and the Limited Partners will receive securities of Resource Companies and other property in proportion to their former interest in the Partnership. The General Partner will then request that the transfer agent for each Resource Company provide the General Partner with individual share certificates registered in the name of each Limited Partner for each Resource Company. The share certificates registered in the names of the Limited Partners will then be transmitted to the Limited Partners.

The General Partner has been granted all necessary power, on behalf of the Partnership and each Limited Partner, to transfer the assets of the Partnership to a Mutual Fund pursuant to a Liquidity Event, implement the dissolution of the Partnership thereafter and to file all elections deemed necessary or desirable by the General Partner to be filed under the Tax Act and any other applicable tax legislation in respect of any transaction with a Mutual Fund or the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Event and no Liquidity Event will be implemented if a majority of the Units voted at such meeting are voted against the Liquidity Event. The General Partner does not intend to call such a meeting unless the terms of the Liquidity Event are substantially different from those described herein.

### The Mutual Fund

If a Mutual Fund Rollover Transaction is proposed, the Partnership will transfer its assets to a Mutual Fund in exchange for Mutual Fund Shares. Within 60 days after the transfer of the assets of the Partnership to a Mutual Fund, the partnership will be dissolved and its net assets, consisting mainly of the Mutual Fund Shares, will be distributed to Limited Partners. Appropriate elections under applicable income tax legislation will be made to effect the Mutual Fund Rollover Transaction on a tax-deferred basis to the extent possible. Any assets of the Partnership that are transferred to the Mutual Fund pursuant to a Mutual Fund Rollover Transaction will be subject to and comply with the investment objectives of the particular Mutual Fund as well as applicable legislation.

Assuming such transfer is completed, the Partnership will receive Mutual Fund Shares, which will be redeemable at the option of the holder based upon the redemption price next determined after receipt by the Mutual

Fund of the redemption notice. At the time of completion of the Mutual Fund Rollover Transaction, the Mutual Fund:

- (a) will be incorporated and organized as a “mutual fund corporation” for purposes of the Tax Act or will undertake to take all steps required to qualify as a “mutual fund corporation” under the Tax Act not later than 90 days after the Mutual Fund Rollover Transaction;
- (b) will have entered into a management agreement with the Investment Manager with respect to the management of the assets of Mutual Fund;
- (c) will not acquire from the Partnership any securities of an issuer which would be prohibited by the mutual fund conflict of interest rules contained in section 121(2) of the *Securities Act* (British Columbia), section 111(2) of the *Securities Act* (Ontario) and comparable provisions under the securities legislation of other Canadian provinces;
- (d) will have received all necessary regulatory approvals which it requires to participate in the Mutual Fund Rollover Transaction; and
- (e) will not be entitled to receive any commission in connection with the Mutual Fund Rollover Transaction and following such transaction may pay a 2% management fee or such other customary fees for a mutual fund of this nature.

There is currently no Mutual Fund into which the assets of the Partnership may be transferred. If at the time the Mutual Fund Rollover Transaction is proposed there is no such Mutual Fund, the General Partner or its affiliate will establish a Mutual Fund to effect such transaction.

A Liquidity Event, including a Mutual Fund Rollover Transaction, will be subject to the receipt of certain regulatory and other approvals. **There can be no assurance that all necessary approvals will be received in order to complete a Mutual Fund Rollover Transaction.**

#### **CALCULATION OF NET ASSET VALUE AND VALUATION OF INVESTMENTS**

On the last business day of each week (the “Valuation Date”), the General Partner or a valuation agent retained by the General Partner will calculate the Net Asset Value per Unit by adding up the assets of the Partnership, subtracting the liabilities of the Partnership, and dividing by the total number of Units outstanding. The Net Asset Value per Unit of the Partnership will generally increase or decrease on each Valuation Date as a result of changes in the value of the portfolio securities owned by the Partnership.

The assets of the Partnership include: all cash or its equivalent on hand or on deposit, including any interest accrued; all bills, notes and accounts receivable owned by the Partnership; all shares, debt obligations, subscription rights and other securities owned or contracted for by the Partnership; all stock and cash dividends and cash distributions on the Partnership’s securities declared payable to security holders of record on a date on or before that trading day but not yet received by the Partnership; all interest accrued on any fixed interest bearing securities owned by the Partnership which is included in the quoted price; and all other property of the Partnership of every kind and nature including prepaid expenses. The liabilities of the Partnership shall include: all bills, notes, accounts payable and bank indebtedness of which the Partnership is an obligor; all administrative or operating expenses payable or accrued or both (including the General Partner’s Fee); all contractual obligations for the payment of money or property, including the amount of any unpaid distribution credited to Limited Partners of the Partnership on or before that trading day; all allowances authorized or approved by the General Partner for taxes (if any) or contingencies; and all other liabilities of the Partnership of whatsoever kind and nature, except liabilities represented by outstanding Units of the Partnership.

The portfolio securities of the Partnership are valued at the close of business on each Valuation Date. The value of the portfolio securities and other assets of the Partnership will be determined by the General Partner or by a valuation agent retained by the General Partner, as:

- (a) the value of any cash or its equivalent on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Partnership on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the General Partner or the valuation agent, as the case may be, has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of records of securities owned by the Partnership on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the General Partner or the valuation agent, as the case may be, determines to be the fair market value thereof;
- (b) the value of any security that is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined the General Partner or the valuation agent, as the case may be) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the General Partner or the valuation agent, as the case may be, such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the Valuation Date on which the Net Asset Value is being determined, all as reported by any means in common use;
- (c) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities or as the General Partner or the valuation agent, as the case may be, determines to be the fair market value;
- (d) the value of any debt securities will be valued by taking the average of the bid and ask prices on the date upon which the Net Asset Value is calculated;
- (e) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair value on the Valuation Date on which the Net Asset Value is being determined as determined by the General Partner or the valuation agent, as the case may be (generally such asset will be valued at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the General Partner or the valuation agent, as the case may be;
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the General Partner or the valuation agent, as the case may be, and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the General Partner or the valuation agent, as the case may be;

- (i) if the date upon which the Net Asset Value is calculated is not a business day, the Partnership's assets will be valued as of the preceding business day; and
- (j) the value of any security or property to which, in the opinion of the General Partner or the valuation agent, as the case may be, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in good faith in such manner as the General Partner or the valuation agent, as the case may be, from time to time adopts.

The process of valuing investments for which no published market exists is based on inherent uncertainties, and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

Pursuant to National Instrument 81-106 *Investment Fund Continuous Disclosure* investment funds are required to calculate their net asset value in accordance with Canadian GAAP. Canadian GAAP was modified by the introduction of section 3855 of the Canadian Institute of Chartered Accountants Handbook which applies to financial years beginning on or after October 1, 2006. The Canadian Securities Authorities have provided relief from the requirement of National Instrument 81-106 that investment funds calculate their net asset values in accordance with Canadian GAAP for any purpose, including redemptions, other than for purposes of financial statements in respect of the financial year commencing January 1, 2007 and for all financial years thereafter. As a result the Net Asset Value of the Partnership will be calculated as described in this section for the purposes of redemptions but will be calculated in accordance with Canadian GAAP for the purposes of its financial statements. The financial statements of the Partnership will include a reconciliation of the net asset value contained in the financial statements to the net asset value used for other purposes. This interim relief is currently available until September 30, 2008.

If an investment cannot be valued under the foregoing rules or under any other valuation rules required under securities legislation, or if any rules adopted by the General Partner or the valuation agent, as the case may be, but not set out under securities legislation are at any time considered by the General Partner or the valuation agent, as the case may be, to be inappropriate under the circumstances, then the General Partner or the valuation agent, as the case may be, shall use a valuation rule which it considers fair and reasonable in the interests of Limited Partners. For greater certainty, if at any time the foregoing rules conflict with the valuation rules adopted under securities legislation, the General Partner or the valuation agent, as the case may be, shall use the valuation rules adopted under securities legislation.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

**Tax considerations ordinarily make the Units offered hereunder most suitable for corporate and individual taxpayers whose income is subject to the highest applicable rate of tax. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of their merits as an investment and on a Subscriber's ability to bear the loss of the investment.**

In the opinion of Borden Ladner Gervais LLP, counsel to the Partnership and the General Partner, and Stikeman Elliott LLP, counsel to the Agents, the following is a fair and accurate summary of the principal Canadian federal income tax consequences for a corporate or an individual Limited Partner acquiring, holding and disposing of purchased Units pursuant to this Offering. This summary only applies to Limited Partners who are and remain, at all relevant times, resident in Canada for purposes of the Tax Act and who will hold their Units as capital property. Units will generally be considered to be capital property to a Limited Partner unless such Limited Partner holds Units in the course of carrying on a business or has acquired the Units as an adventure in the nature of trade. This summary also assumes that Flow-Through Shares of Resource Companies to be acquired by the Partnership will be capital property to the Partnership. It is also assumed that all partners of the Partnership are resident in Canada at all relevant times and that Units that represent more than 50% of the fair market value of all interests in the Partnership are not held by financial institutions as that term is defined in subsection 142.2(1) of the Tax Act ("Financial Institutions") at all relevant times. Where the phrase "his or her" is used in this summary in relation to Limited Partners, it refers to Limited Partners who are either individuals or corporations.

Unless stated otherwise, this summary assumes that recourse for any financing for the acquisition of Units by a Limited Partner is not limited and is not deemed to be limited for the purposes of the Tax Act. (See “Canadian Federal Income Tax Considerations – Limitation on Deductibility of Expenses or Losses of the Partnership.”) **Limited Partners who intend to borrow to finance the purchase of Units should consult their own tax advisors.**

This summary also assumes that a Limited Partner will at all relevant times deal at arm’s length, for the purposes of the Tax Act, with the Partnership and with each of the Resource Companies with which the Partnership has entered into an Investment Agreement. This summary is not applicable to Limited Partners that are partnerships, trusts, Financial Institutions, or “principal-business corporations” for the purposes of subsection 66(15) of the Tax Act or whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take petroleum, natural gas or other related hydrocarbons.

This summary is based upon the assumptions that the Partnership or any other partnership of which the Partnership is a member is dealing at arm’s-length and will deal at any relevant time at arm’s length for purposes of the Tax Act with any Resource Company with which it has entered into an Investment Agreement and that the Resource Company does not have a “prohibited relationship”, within the meaning of the Tax Act, with the Partnership or any other partnership of which the Partnership is a member.

The income tax consequences for a Limited Partner will depend upon a number of factors, including whether the Limited Partner’s Units are characterized as capital property, the province or territory in which the Limited Partner resides, carries on business or has a permanent establishment, the amount that would be the Limited Partner’s taxable income but for the Limited Partner’s interest in the Partnership and the legal characterization of the Limited Partner as an individual, corporation, trust or partnership.

**This is only a general summary and a prospective Subscriber should not consider it to be legal or tax advice. Prospective Subscribers should obtain independent advice from a tax advisor who is knowledgeable in the area of income tax law. A prospective Subscriber that proposes to use borrowed funds to acquire Units should consult his or her own tax advisors before doing so. See “Limitation on Deductibility of Expenses or Losses of the Partnership”.**

This summary is based upon the facts set out in this prospectus, a certificate received by counsel from the General Partner as to certain factual matters, the current provisions of the Tax Act including the regulations (the “Regulations”) thereunder and counsels’ understanding of the current published administrative practices of the CRA. The summary also takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof but not withdrawn (the “Tax Proposals”) and assumes that they will be enacted substantially as proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental or legislative decision or action (which may apply retroactively without notice and/or without “grandfathering” or other relief) nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

### **Computation of Income**

The Partnership itself is not liable for income tax and is only required to file an annual information return. The Partnership is required to compute its income (or loss) in accordance with the provisions of the Tax Act for each of its fiscal periods as if it were a separate person resident in Canada, but without taking into account certain deductions, including the amount of Eligible Expenditures renounced to it. Subject to the restrictions described below under “Limitation on Deductibility of Expenses or Losses of the Partnership” and “October 31, 2003 Tax Proposals”, each Limited Partner will be required to include (or be entitled to deduct) in computing his or her income, his or her proportionate share of the income (or loss) of the Partnership allocated to him or her pursuant to the Partnership Agreement for the fiscal period of the Partnership ending in the Limited Partner’s taxation year. A Limited Partner’s share of the Partnership’s income must (or loss may) be included in determining his or her income (or loss) for the year, whether or not any distribution of income has been made by the Partnership.

Amounts relating to Eligible Expenditures renounced to the Partnership will be taken into account directly by the Limited Partners in computing their income as described below. See “Summary of the Partnership Agreement – Allocation of Eligible Expenditures”. The income of the Partnership will include the taxable portion of capital gains (one-half of capital gains) that may arise on the disposition of Flow-Through Shares. The Tax Act deems the cost to the Partnership of any Flow-Through Share which it acquires to be nil and, therefore, the amount of such capital gain will generally equal the proceeds of disposition of the Flow-Through Shares, net of any reasonable costs of disposition. The income of the Partnership will also include any interest earned on funds held by the Partnership prior to investment in Flow-Through Shares.

The costs associated with the organization of the Partnership will not be fully deductible by the Partnership in determining its income for the fiscal period in which they are incurred. Subject to the discussion below under the heading “October 31, 2003 Tax Proposals”, organization expenses incurred by the Partnership are eligible capital expenditures, three-quarters of which may be deducted by the Partnership at the rate of 7% per year on a declining balance basis. The General Partner has advised counsel that the Partnership will borrow sufficient funds to pay the Agents’ fees and certain other expenses in respect of this Offering (see “Fees, Charges and Expenses Payable by the Partnership – Loan Facility”). The unpaid principal amount of such borrowing will be deemed to be a Limited Recourse Amount of the Partnership the effect of which will be to reduce, for purposes of the Tax Act, the amount of the expenses paid with the borrowing by such unpaid principal amount. As a result, the Partnership will not be permitted to deduct any portion of the amount by which such expenses are reduced in computing its income in the year the expenses are incurred. As the principal amount of such borrowing is repaid, the expenditures will be deemed to have been incurred to the extent of the repayment, provided the repayment is not part of a series of loans or other indebtedness. Therefore, subject to the discussion below under the heading “October 31, 2003 Tax Proposals”, such Agents’ fees and expenses of issue (to the extent that they are reasonable in amount) will generally be deductible by the Partnership as to 20% in the year of repayment, and as to 20% in each of the four subsequent years, prorated for short taxation years. The Partnership will not be entitled to deduct any amount in respect of such expenses in the fiscal year ending on its dissolution. Subject to the discussion below under the heading “October 31, 2003 Tax Proposals”, after dissolution of the Partnership, Limited Partners will be entitled to deduct, at the same rate, their *pro rata* share of any such expenses that were not deductible by the Partnership. The adjusted cost base of a Limited Partner’s Units will be reduced on dissolution of the Partnership by his or her share of such expenses. The General Partner has advised counsel and for purposes of this summary it is assumed that the Partnership will have repaid all amounts borrowed by the Partnership, including all interest accrued thereon, prior to dissolution and therefore that all expenses paid for with borrowed funds will have been deemed to have been incurred by the Partnership prior to such time.

Where the Partnership is a member of another limited partnership, Eligible Expenditures, gains, income and losses incurred or realized or earned by the other partnership will, in general, be determined in the manner applicable to the Partnership as described in this summary and allocated to the Limited Partners at the end of the fiscal period of the Partnership in which the fiscal period of the other partnership ends.

### **SIFT Rules**

Bill C-52, which received Royal Assent on June 22, 2007, amended the Tax Act to subject certain publicly-traded flow-through entities, including certain publicly-traded income trusts and limited partnerships (referred to as “SIFT trusts” and “SIFT partnerships”), to tax and to change the tax consequences of investors holding interests in such entities. These amendments should not apply to the Partnership or to the Limited Partners because the General Partner has advised counsel that the Units or any security of any entity affiliated with the Partnership are not and/or are not proposed to be listed on a stock exchange or other similar public market.

## **October 31, 2003 Tax Proposals**

Pursuant to draft proposed amendments to the Tax Act released by the Department of Finance on October 31, 2003, which are proposed to have effect for taxation years commencing after 2004 (the “October 31, 2003 Tax Proposals”), a taxpayer, which would include the Partnership and the Limited Partners for this purpose, will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or held, or can reasonably be expected to carry on, or to hold, the business or property. The October 31, 2003 Tax Proposals expressly provide that profit for this purpose will not include capital gains or losses. There is no provision for any carry forward of a loss that cannot be claimed as a result of the application of the October 31, 2003 Tax Proposals.

If the October 31, 2003 Tax Proposals are enacted in their current form, subject to the administrative practice which may be developed by the CRA in applying that enactment, the Partnership likely would not be entitled to deduct any expenses incurred in respect of the Flow-Through Shares, including the Agents’ fees, expenses of issue, organization costs and other expenses. The application of the October 31, 2003 Tax Proposals to losses realized by a Limited Partner from the deduction of Agents’ fees, expenses of issue and other expenses after the dissolution of the Partnership is uncertain. However, the October 31, 2003 Tax Proposals should not adversely affect the ability of Limited Partners to deduct from income amounts in respect of allocations made to them by the Partnership of Eligible Expenditures renounced to it (directly or indirectly through other partnerships) by Resource Companies. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Tax Proposals would be released for comment at an early opportunity. There is no assurance such alternative proposal, which the Minister has not yet released for comment, will not adversely affect the Partnership or Limited Partners.

## **Eligible Expenditures**

Provided that certain conditions in the Tax Act are complied with, the Partnership will be deemed to have incurred, on the effective date of renunciation, Eligible Expenditures that have been renounced (directly or indirectly through other partnerships) to the Partnership by a Resource Company pursuant to an Investment Agreement entered into by the Partnership and the Resource Company. See “The Partnership - Investment Agreements”.

Generally, an issuer of Flow-Through Shares may incur Eligible Expenditures, which are available for renunciation, commencing on the date the Investment Agreement is entered into.

Certain corporations with “taxable capital” as that term is defined in the Tax Act of not more than \$15,000,000 may, generally speaking, renounce up to \$1,000,000 annually of Qualifying CDE. Upon renunciation to the Partnership, Qualifying CDE is deemed to constitute CEE to the Partnership and will be allocable by the Partnership to Limited Partners and will be added to their cumulative CEE on the basis described below.

Provided that certain conditions are met, the issuer of the Flow-Through Shares will be entitled to renounce to the Partnership, effective December 31 of the year in which its Investment Agreement was entered into, Eligible Expenditures incurred by it on or before December 31 (and renounced during the first three months) of the subsequent calendar year. Any such Eligible Expenditures properly so renounced by the issuer to the Partnership effective December 31 of the year in which the agreement was entered into may be allocated by the Partnership to Limited Partners, also effective on December 31 of that year. The General Partner has advised counsel that it will cause the Partnership to ensure that if an Investment Agreement entered into during 2007 permits a Resource Company to incur Eligible Expenditures at any time up to December 31, 2008, the Resource Company will agree to renounce such Eligible Expenditures to the Partnership with an effective date no later than December 31, 2007.

To the extent Resource Companies do not incur the requisite amount of Eligible Expenditures on or before December 31, 2008, the Eligible Expenditures renounced to the Partnership, and consequently the Eligible Expenditures allocated to the Limited Partners, will be adjusted downwards effective in the prior year. However, none of the Limited Partners will be charged interest before May 1, 2009 by the CRA on any unpaid tax resulting from such reduction in allocated Eligible Expenditures.

A Limited Partner who continues to be a Limited Partner at the end of a particular fiscal period of the Partnership will be entitled to include in the computation of his or her cumulative CEE account, his or her share of the Eligible Expenditures renounced to the Partnership effective in that fiscal period (other than a principal business corporation) allocated to him or her on a *pro rata* basis based on the number of Units held by such Limited Partner at the end of the applicable fiscal period, or in the event of the dissolution of the Partnership, on the date of dissolution. In the computation of income for purposes of the Tax Act from all sources for a taxation year, an individual or a corporation may deduct up to 100% of the balance of his or her cumulative CEE account. Certain restrictions apply in respect of the deduction of cumulative CEE following an acquisition of control of, or certain corporate reorganizations involving, a corporate Limited Partner.

A Limited Partner's share of Eligible Expenditures renounced to the Partnership in a fiscal year is limited to his or her "at-risk" amount in respect of the Partnership at the end of the fiscal year. If the Limited Partner's share of the Eligible Expenditures is so limited, any excess will be added to his or her share, as otherwise determined, of the Eligible Expenditures incurred by the Partnership for the immediately following fiscal year (and will be potentially subject to the application of the "at-risk" rules in that year).

Tax Proposals announced as part of the 2007 federal budget provide for a 15% non-refundable investment tax credit for individuals, other than trusts, in respect of CEE incurred or deemed to have been incurred before 2009 for Investment Agreements entered into before April 1, 2008, relating to "grass roots" mineral exploration renounced to individuals either directly or through a partnership. The amount of such tax credits used to reduce tax otherwise payable in a particular taxation year by a Limited Partner who is an individual will reduce the undeducted balance of a Limited Partner's cumulative CEE account.

The undeducted balance of a Limited Partner's cumulative CEE account may be carried forward indefinitely. The cumulative CEE account balance is reduced by deductions in respect thereof by a Limited Partner made in prior taxation years and by a Limited Partner's share of any amount that he or she or the Partnership receives or is entitled to receive in respect of assistance or benefits in any form that relate to the Limited Partner's investment in the Partnership. If, at the end of a taxation year, the reductions in calculating cumulative CEE exceed the aggregate of the cumulative CEE balance at the beginning of the taxation year and any additions thereto, the excess must be included in income for the taxation year and the cumulative CEE account will then be adjusted to a nil balance.

Any undeducted addition to a Limited Partner's cumulative CEE account which has been allocated to a Limited Partner will remain with the Limited Partner after a disposition of his or her Units or Flow-Through Shares. A Limited Partner's ability to deduct such expenses will not be restricted as a result of his or her prior disposition of Units unless a claim in respect of his or her Eligible Expenditures has been previously reduced by virtue of the application of the "at-risk" rules. In such instances, the Limited Partner's future ability to deduct such expenses relating to the Partnership may be eliminated.

### **Limitation on Deductibility of Expenses or Losses of the Partnership**

Subject to the "at-risk" rules, and the October 31, 2003 Tax Proposals, a Limited Partner's share of the business losses of the Partnership for any fiscal year may be applied against his or her income from any other source to reduce net income for the relevant taxation year and, to the extent it exceeds other income for that year, generally may be carried back three years and forward twenty years and applied against taxable income of such other years.

The Tax Act limits the amount of deductions, including Eligible Expenditures and losses, that a Limited Partner may claim as a result of his or her investment in the Partnership to the amount that the Limited Partner has contributed to the Partnership or otherwise has "at-risk" in respect thereof. Generally, a Limited Partner's "at-risk" amount will, subject to the detailed provisions of the Tax Act, be the amount actually paid for Units plus the amount of any Partnership income (including the full amount of any Partnership capital gains) allocated to such Limited Partner for completed fiscal periods less the aggregate of the amount of any Eligible Expenditures renounced to the Partnership and allocated to the Limited Partner, the amount of any Partnership losses allocated to the Limited Partner and the amount of any distributions from the Partnership. A Limited Partner's "at-risk" amount may be reduced by certain benefits or in circumstances where amounts are owed to the Partnership by the Limited Partner.

The ability of a Limited Partner to deduct losses of the Partnership resulting from the deduction of Agents' fees and expenses of issue upon the repayment of the funds borrowed to pay such expenses may be limited by the "at-risk" rules until the amount of Partnership income (including the full amount of any Partnership capital gains) allocated to such Limited Partner less the amount of any distributions from the Partnership exceeds the aggregate of all losses of the Partnership allocated to the Limited Partner and thereafter may be limited by the October 31, 2003 Tax Proposals.

The Tax Act contains additional rules that restrict the deductibility of certain amounts by persons who acquire a "tax shelter investment" for purposes of the Tax Act. The Units are "tax shelter investments" and have been registered with the CRA under the "tax shelter" registration rules. See "Tax Shelter" below. If any Limited Partner has funded the acquisition of his or her Units with a financing the unpaid principal amount of which is a Limited Recourse Amount or has the right to receive certain amounts where such rights were granted for the purpose of reducing the impact of any loss that a Limited Partner may sustain by virtue of acquiring, holding or disposing of an interest in Units, the Eligible Expenditures or other expenses renounced to or incurred by the Partnership may be reduced by the amount of such financing to the extent that the financing can reasonably be considered to relate to such amounts. The Partnership Agreement provides that where Eligible Expenditures of the Partnership are so reduced the amount of Eligible Expenditures that would otherwise be allocated by the Partnership to the Limited Partner who incurs the limited-recourse financing shall be reduced by the amount of the reduction. Where the reduction of other expenses reduces the loss of the Partnership, the Partnership Agreement provides that such reduction shall first reduce the amount of the loss that would otherwise be allocated to the Limited Partner who incurs the limited-recourse financing. The cost of a Unit to a Limited Partner may also be reduced by the total of limited-recourse amounts and "at-risk adjustments" that can reasonably be considered to relate to such Units held by the Limited Partner. Any such reduction may reduce the "at-risk" amount of the Limited Partner thereby reducing the amount of deductions otherwise available to the Limited Partner to the extent that deductions are not reduced at the Partnership level as described above.

**Subscribers who propose to finance the acquisition of Units should consult their own tax advisors.**

### **Income Tax Withholdings and Installments**

Limited Partners who are employees and have income tax withheld at source from remuneration paid by an employer may request the CRA to authorize a reduction of such withholding. The CRA, however, has a discretionary power whether or not to accede to such a request.

Limited Partners who are required to pay income tax on an installment basis may, depending on the method used for calculating their installments, take into account their share of the Eligible Expenditures renounced to, and any income or loss of, the Partnership in determining their installment remittances.

### **Disposition of Units in Partnership**

Subject to any adjustment required by the tax shelter investment rules and the other detailed provisions of the Tax Act, a Limited Partner's adjusted cost base of a Unit for purposes of the Tax Act will consist of the purchase price of the Unit, increased by any share of income allocated to the Limited Partner (including the full amount of any capital gains realized by the Partnership, including on the disposition of the Flow-Through Shares) and reduced by any share of losses (including the full amount of any capital losses realized by the Partnership), the amount of Eligible Expenditures renounced to the Partnership and allocated to him or her, the amount of any investment tax credits claimed in preceding years, and the amount of any Partnership distributions made to him or her. The adjusted cost base of a Limited Partner's Units will be reduced on dissolution of the Partnership by the amount of the expenses of issue of the Partnership (including the Agents' fees) that are deductible by the Limited Partner as described above under "Computation of Income". Where, at the end of a fiscal period of the Partnership, including the deemed fiscal period that ends at the time immediately before dissolution of the Partnership, the adjusted cost base to a Limited Partner of a Unit becomes a negative amount, the negative amount is deemed to be a capital gain realized by the Limited Partner at that time from the disposition of the Unit and, also at that time, the Limited Partner's adjusted cost base of the Unit will be increased in an amount equal to that of the deemed capital gain, so that the Limited Partner's adjusted cost base of the Unit at the time will be nil.

One-half of any capital gain (the “taxable capital gain”) realized upon a disposition by a Limited Partner of his or her Units in the Partnership will be included in the Limited Partner’s income for the year of disposition, and one-half of any capital loss so realized (the “allowable capital loss”) may be deducted by the Limited Partner against taxable capital gains for the year of disposition. Subject to the detailed rules in the Tax Act, any excess of allowable capital losses over taxable capital gains of the Limited Partner may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years.

A Limited Partner that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on taxable capital gains.

A Limited Partner who is considering disposing of Units should obtain tax advice before doing so since ceasing to be a Limited Partner before the end of the Partnership’s fiscal year may result in certain adjustments to his or her adjusted cost base, and will adversely affect his or her entitlement to a share of the Partnership’s losses and Eligible Expenditures.

### **Dissolution of Partnership**

Generally, the liquidation of the Partnership and the distribution of its assets to Limited Partners will constitute a disposition by the Partnership of such assets for proceeds equal to their fair market value and a disposition by Limited Partners of their Units for an equivalent amount. In the event the Liquidity Event is not implemented the Partnership will be dissolved, unless the Limited Partners approve the continuation of the operations of the Partnership and active management of the Investment Portfolio by Extraordinary Resolution. The General Partner has advised counsel that prior to such dissolution, all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full. Following a dissolution of the Partnership, certain costs incurred by the Partnership in marketing the Units, including expenses of issue and the Agents’ fees that were deductible by the Partnership at a rate of 20% per annum, subject to proration for a short taxation year and subject also to the discussion above under the heading “October 31, 2003 Tax Proposals”, will, to the extent they remain undeducted by the Partnership at the time of its dissolution, be deductible by the Limited Partners (based on their proportionate interest in the Partnership), on the same basis as they were deductible by the Partnership. A Limited Partner’s adjusted cost base in his or her Units will be reduced by the aggregate of such undeducted expenses allocated to the Limited Partner. In circumstances where Limited Partners receive a proportionate undivided interest in each asset of the Partnership on the dissolution of the Partnership, and certain other requirements of the Tax Act are met, the Partnership is deemed to have disposed of its property at its cost amount and the Limited Partners are deemed to have disposed of their Units for the greater of the adjusted cost base of their Units and the aggregate of the adjusted cost bases of the undivided interests distributed to the Limited Partners plus the amount of any money distributed to the Limited Partners. This may be followed by a partition of such assets such that Limited Partners each receive a divided interest therein, which partition may or may not result in a disposition by Limited Partners for purposes of the Tax Act. Provided that under the relevant law shares may be partitioned, it is the CRA’s position that shares may be partitioned on a tax deferred basis.

### **Transfer of Partnership Assets to a Mutual Fund Corporation**

If the Partnership transfers its assets to a mutual fund corporation pursuant to the Liquidity Event, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. The mutual fund corporation will acquire each asset of the Partnership at the cost amount equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the mutual fund corporation, the shares of the mutual fund corporation will be distributed to the Limited Partners with a cost for tax purposes equal to the adjusted cost base of the Units held by such Limited Partner less the amount of any money distributed to the Limited Partner and the Limited Partner will be deemed to have disposed of the Units for proceeds of disposition equal to that same cost plus the amount of any money so distributed. As a result, a Limited Partner will generally not be subject to tax in respect of such transaction.

## **Alternative Minimum Tax on Individuals**

Under the Tax Act, income tax payable by an individual is the greater of an alternative minimum tax and the tax otherwise determined. In calculating taxable income for the purpose of computing the alternative minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included, such as 80% of net capital gains, are included. The disallowed items include deductions claimed by the individual in respect of his or her share of Eligible Expenditures renounced to the Partnership in a particular fiscal period thereof to the extent such deductions exceed his or her share of the Partnership's income. In computing adjusted taxable income for alternative minimum tax purposes, an exemption of \$40,000 is allowed to a taxpayer who is an individual, other than most *inter vivos* trusts. The federal rate of minimum tax is 15.5%. Whether and to what extent the tax liability of a particular Limited Partner will be increased as a result of the application of the alternative minimum tax rules will depend on the amount of his or her income, the sources from which it is derived, and the nature and amounts of any deductions he or she claims.

Any additional tax payable by an individual for the year resulting from the application of the alternative minimum tax will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the alternative minimum tax, be his or her tax otherwise payable for any such year.

Subscribers who are individuals or trusts are urged to consult their tax advisors as to the potential application of the alternative minimum tax.

## **Tax Shelter**

The federal and Québec tax shelter identification numbers in respect of the Partnership are TS 073528 and QAF-0701229, respectively. The identification number issued for this tax shelter is to be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of any investor to claim any tax benefits associated with the tax shelter.

## **FEES, CHARGES AND EXPENSES PAYABLE BY THE PARTNERSHIP**

### **General Partner's Fee**

The General Partner has co-ordinated the formation, organization and registration of the Partnership and will: (i) work with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies; (ii) manage the ongoing business and administrative affairs of the Partnership; (iii) will identify (with the assistance of the Investment Manager and Sub-Advisor) prospective investments in Resource Companies; and (iv) monitor the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines. In consideration for these and other services, during the period commencing on the Closing Date and ending on the earlier of (a) the effective date of the Liquidity Event, and (b) the date of the dissolution of the Partnership, the Partnership will pay to the General Partner a General Partner's Fee equal to one-twelfth of 2.0% of the Net Asset Value, payable monthly in arrears and calculated as at the last Valuation Date of such month (and pro-rated in respect of any partial month, if applicable). The General Partner is responsible for payment of the investment management fees of the Investment Manager out of the General Partner's Fee. There are no additional fees payable by the Partnership to the Investment Manager. None of the Promoter, the General Partner or any of their respective Affiliates or Associates will be paid a fee by the Partnership in respect of investment opportunities they bring to the Partnership.

The Investment Manager has delegated its investment management responsibilities to the Sub-Advisor, and is responsible for and will pay a fee to the Sub-Advisor out of the compensation it receives from the General Partner. The Investment Manager has also agreed to pay the Sub-Advisor a portion of any Performance Bonus to which it is entitled. There are no additional fees payable by the Partnership to the Sub-Advisor.

## Performance Bonus

As partial consideration for the above-mentioned services and for using its commercially reasonable efforts to structure and present a Liquidity Event to Limited Partners, 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 the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the total distributions per Unit over the Performance Bonus Term exceeds \$28.00. The Performance Bonus will be calculated on the Performance Bonus Date.

## Expenses of the Offering

The expenses of the Offering, including the costs of creating and organizing the Partnership, the costs of printing and preparing this prospectus, legal and accounting and audit expenses of the Partnership, travelling, distribution, courier, marketing, and sales expenses and other regulatory and filing expenses related to the Offering, including reasonable out-of-pocket expenses incurred by the Partnership, JovInvestment and the Agents, will be paid by the Partnership from funds borrowed by the Partnership for such purpose under the Loan Facility. If the funds available pursuant to the Loan Facility are insufficient to pay the actual Agents' fees and Offering expenses, the Promoter will be responsible for funding the shortfall, without recourse to the Partnership.

The General Partner estimates that the initial fees and expenses, excluding the Agents' fees, will be \$285,000 in the case of the minimum Offering and \$410,000 in the case of the maximum Offering.

## Operating and Administrative Expenses

The Partnership is responsible for all reasonable out-of-pocket costs and expenses (inclusive of applicable taxes) 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 under the Partnership Agreement. Such costs and expenses will include reimbursement for any overhead costs or costs of personnel of the General Partner and its affiliated companies who provide services to the Partnership. It is expected that these reimbursable costs and expenses will include without limitation:

- (a) newswire, mailing, printing and other expenses incurred in connection with the Partnership's continuous disclosure obligations;
- (b) the Partnership's share of the costs of providing, operating and staffing business offices and providing portfolio analysis and administrative, management and accounting services, determined by the General Partner acting reasonably and in good faith;
- (c) fees and disbursements payable to CDS or the Registrar and Transfer Agent for performing certain financial, record-keeping, reporting and general administrative services and fees and disbursements and other costs and expenses payable pursuant to the Loan Facility;
- (d) fees and disbursements payable to auditors, legal advisors and other specialized consultants or professional service providers of the Partnership;
- (e) taxes, other than income taxes related to such costs and expenses and any regulatory filing fees;
- (f) any reasonable out-of-pocket expenses incurred by the General Partner, the Investment Manager or their respective agents in connection with their respective ongoing obligations to the Partnership, including travelling, sales and marketing expenses;
- (g) the Partnership's *pro rata* share of the fees and expenses of the Independent Review Committee;
- (h) expenses relating to meetings of the Partners;
- (i) any out-of-pocket expenditures which the General Partner or the Investment Manager may incur in connection with evaluating Resource Companies and their securities; and
- (j) any expenditures which may be incurred in connection with the dissolution of the Partnership and implementation of a Liquidity Event.

The only source for reimbursement of these operating and administrative costs will be the Operating Reserve, funds borrowed by the Partnership and cash generated from sales of securities comprising the Partnership's Investment Portfolio. If the Operating Reserve has been expended, the maximum amount of funds has been borrowed by the Partnership and there are no trading profits in the Partnership's Investment Portfolio, reimbursement of these operating and administrative costs will diminish the Partnership's assets.

### **Loan Facility**

Prior to the Closing Date, the Partnership will enter into a loan and collateral facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank, which may be an affiliate of one of the Agents. The General Partner expects that pursuant to the Loan Facility, the Partnership may borrow up to 12.5% of the Gross Proceeds of the Offering which will be used to finance the Agents' fees, expenses of the Offering (including legal, accounting and audit, travel, distribution, courier, marketing and sales expenses) certain operating and administrative costs and expenses of the Partnership that are not fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2007, in order to maximize the investment of Available Funds in Flow-Through Shares, and may be used to pay the General Partner's Fee. The General Partner expects the Partnership's obligations under the Loan Facility will be secured by a pledge of the Partnership assets, will require the Partnership to meet certain minimum coverage ratios, and will be repayable on demand. If the Loan Facility is not repaid at the time of dissolution of the Partnership, the former Limited Partners will become personally obligated to repay the Loan Facility, although recourse against them will be limited to their interest in the securities or assets of the Partnership. The General Partner expects that all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid prior to the earlier of the closing of any Liquidity Event and the dissolution of the Partnership. None of the proceeds of this Offering or the Loan Facility will be applied for the benefit of any Agent, or its affiliates, that provides the Loan Facility except in respect of fees and interest payable under the Loan Facility and the portion of the Agents' fees payable to such Agent. The General Partner has satisfied itself that the Loan Facility is in the best interest of the Partnership and no material adverse tax consequences to Limited Partners will result. Amounts borrowed by the Partnership under the Loan Facility will constitute Limited Recourse Amounts. See "Canadian Federal Income Tax Considerations – Limitation on Deduction of Expenses or Losses of the Partnership". The General Partner believes that the interest rates, fees and expenses under the Loan Facility will be typical of credit and collateral facilities of this nature.

### **DESCRIPTION OF THE UNITS**

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of Units, of which a minimum of 100,000 Units and maximum of 800,000 Units will be issued pursuant to the Offering. Except as otherwise expressly provided for in the Partnership Agreement, each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters and no Unit shall have preference, priority or right in any circumstance over any other Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership \$25.00 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by Financial Institutions and provisions relating to take-over bids. The minimum purchase for each Limited Partner is 200 Units. Additional purchases may be made in single Unit multiples of \$25.00. Fractional Units will not be issued. The Units constitute securities for the purposes of the *Securities Transfer Act* (Ontario) and similar legislation in other jurisdictions. See "Summary of the Partnership Agreement".

## SUMMARY OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Limited Partners and the General Partner are governed by the Partnership Agreement, the *Partnership Act* (British Columbia) and applicable legislation in each jurisdiction in which the Partnership carries on business. The statements in this prospectus concerning the Partnership Agreement summarize only some of its provisions and do not purport to be complete. The Partnership Agreement is available (i) at the offices of the General Partner at Suite 550 – 1111 Melville Street, Vancouver, British Columbia, V6E 3V6, (ii) on SEDAR, and (iii) upon written request to the General Partner. Reference should be made to the Partnership Agreement for the complete details of these and other provisions therein.

### Subscriptions

Subscriptions will be received subject to acceptance or rejection in whole or in part by the General Partner on behalf of the Partnership and the right is reserved to close the Offering of Units at any time without notice. Registrations of interests in the Units will be made only through the book-based system administered by CDS. A global certificate representing the Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of each Closing. A Subscriber who purchases Units will receive only a customer confirmation from the registered dealer or broker from or through whom he or she has purchased Units and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system.

### Limited Partners

A Subscriber whose subscription for Units has been accepted by the General Partner will become a Limited Partner upon the entering of his or her name on the register of Limited Partners and the General Partner executing the Partnership Agreement on behalf of the Subscriber. Limited Partners will not be permitted to take part in the management or control of the business of the Partnership or exercise power in connection with the business of the Partnership.

### Units

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of Units, of which a minimum of 100,000 Units and a maximum of 800,000 Units will be issued pursuant to the Offering. Except as otherwise expressly provided for in the Partnership Agreement, each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters, including the right to distributions from the Partnership and no Unit shall have preference, priority or right in any circumstances over any other Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership \$25.00 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by Financial Institutions and provisions relating to take-over bids. The minimum purchase for each Limited Partner is 200 Units. Additional purchases may be made in single Unit multiples of \$25.00. Fractional Units will not be issued.

The Initial Limited Partner has contributed the sum of \$25.00 to the capital of the Partnership. The Initial Unit issued to the Initial Limited Partner will be redeemed, and such capital contribution repaid, on the Closing Date. The General Partner has contributed the sum of \$10.00 to the capital of the Partnership. The General Partner is not required to subscribe for any Units or otherwise contribute further capital to the Partnership.

## Financing Acquisition of Units

Under the terms of the Partnership Agreement, each Limited Partner represents and warrants that no portion of the subscription price for his or her Units has been financed with any borrowing that is a Limited Recourse Amount. Under the Tax Act, if a Limited Partner finances the acquisition of his or her Units with a Limited Recourse Amount the expenses incurred by the Partnership may be reduced. The Partnership Agreement provides that where the expenses incurred by the Partnership are so reduced and such reduction results in the reduction of a loss to the Partnership, the General Partner will reduce the amount of that loss which would otherwise be allocated to that Limited Partner by the amount of such reduction, before allocation of that loss to the other Limited Partners. **Subscribers who propose to borrow or otherwise finance the subscription price of Units should consult their own tax and professional advisers to ensure that any such borrowing or financing will not be a Limited Recourse Amount.**

## Transfer of Units

**There is no market through which the Units may be sold and none is expected to develop. The Units will not be listed on any stock exchange. Subscribers are likely to find it difficult or impossible to sell their Units.** Under the Partnership Agreement, Units may be transferred by a Limited Partner subject to the following conditions: (a) the Limited Partner must deliver to CDS and to the Registrar and Transfer Agent, a form of transfer and power of attorney, substantially in the form annexed as Schedule A to the Partnership Agreement, duly completed and executed by the Limited Partner, as transferor, and the transferee and other necessary documentation duly executed, together with such evidence of the genuineness of the endorsement, execution and authorization thereof and of such other matters as may reasonably be required by CDS and/or the Registrar and Transfer Agent; (b) the transfer of Units must be recorded in the book-based system; (c) the transferee will not become a Limited Partner in respect of the Unit transferred to him or her until the prescribed information has been entered on the register of Limited Partners; (d) no transfer of a Unit shall cause the dissolution of the Partnership; (e) no transfer of a fractional part of a Unit shall be recognized; (f) any transfer of a Unit is at the expense of the transferee (but the Partnership will be responsible for all costs in relation to the preparation of any amendment to the Partnership's register and similar documents in jurisdictions other than British Columbia); and (g) no transfer of Units will be accepted by the Registrar and Transfer Agent after notice of dissolution of the Partnership is given to the Limited Partners.

A transferee of Units, by executing the transfer form, agrees to become bound and subject to the Partnership Agreement as a Limited Partner as if the transferee had personally executed the Partnership Agreement and to grant the power of attorney provided for in Article 19 of the Partnership Agreement. The form of transfer includes representations, warranties and covenants on the part of the transferee that the transferee is not a "non-resident" for purposes of the Tax Act and is not a "non-Canadian" for purposes of the ICA, that no holder of an equity interest in the transferee is a "tax shelter investment", as defined in the Tax Act, that the transferee is not a partnership, that he or she is not a Financial Institution unless such transferee has provided written notice to the contrary prior to the date of acceptance of the transferee's subscription, that, in a written notice provided to the General Partner on or before the date of acceptance of the subscription, the transferee identifies all Resource Companies with which the transferee does not deal at arm's length (and, where the transferee is a Resource Company, acknowledges that the transferee is a Resource Company), that the acquisition of Units by the transferee was not, and will not be, financed through indebtedness which is a Limited Recourse Amount and that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her. If the General Partner reasonably believes the transferee has financed the acquisition of Units with indebtedness that is a Limited Recourse Amount, it will reject the transfer. The General Partner has the right to reject the transfer of Units, in whole or in part, to a transferee who it believes to be a "non-resident" for the purposes of the Tax Act, a "non-Canadian" for the purposes of the ICA a person an interest in which is a "tax shelter investment" for purposes of the Tax Act, a Financial Institution or partnership. In addition, the General Partner may reject any transfer: (a) if in the opinion of counsel to the Partnership such transfer would result in the violation of any applicable securities laws; or (b) if the General Partner believes that the representations and warranties provided by the transferee in the required form of transfer are untrue. A transferor of Units will remain liable to reimburse the Partnership for any amounts distributed to such transferor by the Partnership which may be necessary to restore the capital of the Partnership to the amount existing immediately prior to such distribution, if the distribution resulted in a reduction of the capital of the Partnership and the incapacity of the Partnership to pay its debts as they became due.

Under certain circumstances, the General Partner may require Non-Resident Limited Partners to transfer their Units to persons who are not "non-residents" of Canada. If a Non-Resident Limited Partner does not sell their Units as required, the General Partner has the right pursuant to the Partnership Agreement either to purchase such Units for cancellation for and on behalf of the Partnership or sell, on behalf of the Partnership, such Units to a person who is qualified to hold Units, in either case at their Net Asset Value as determined by the Investment Manager.

The Partnership Agreement provides that if the General Partner becomes aware that the beneficial owners of 45% or more of the Units then outstanding are, or may be, Financial Institutions or that such a situation is imminent, among other rights set forth in the Partnership Agreement, the General Partner has the right to refuse to issue Units or register a transfer of Units to any person unless that person provides a declaration that it is not a Financial Institution.

### **Functions and Powers of the General Partner**

The General Partner has exclusive authority, responsibility and obligation to administer, manage, conduct, control and operate the business and affairs of the Partnership and has all power and authority, for and on behalf of and in the name of the Partnership, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or appropriate for or incidental to carrying on the business of the Partnership. The authority and power so vested in the General Partner is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership. The General Partner may contract with any third party to carry out the duties of the General Partner under the Partnership Agreement and may delegate to such third party any power and authority of the General Partner under the Partnership Agreement where in the discretion of the General Partner it would be in the best interests of the Partnership to do so, but no such contract or delegation will relieve the General Partner of any of its obligations under the Partnership Agreement.

Pursuant to the Partnership Agreement the General Partner has agreed, among other things: (a) to deliver certain tax shelter information forms, annual reports and financial statements to the Limited Partners; (b) to engage such counsel, auditors and other professionals or other consultants as the General Partner considers advisable in order to perform its duties under the Partnership Agreement and to monitor the performance of such advisors; (c) to execute and file with any governmental body any documents necessary or appropriate to be filed in connection with the business of the Partnership or in connection with the Partnership Agreement; (d) to raise capital on behalf of the Partnership by offering Units for sale; (e) work with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategy; (f) identify (with the assistance of the Investment Manager) prospective investments in Resource Companies; (g) to invest Available Funds in Flow-Through Shares and other securities, if any, of Resource Companies in accordance with the Investment Strategy and the Investment Guidelines; (h) execute and file with any governmental body or stock exchange, any document necessary or appropriate to be filed in connection with such investment; (i) pending the investment of the Available Funds in Resource Companies, to invest, or cause to be invested, all Available Funds in High-Quality Money Market Instruments; (j) monitor the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines; (k) to distribute property of the Partnership in accordance with the provisions of the Partnership Agreement; (l) make on behalf of the Partnership and each Limited Partner, in respect of each such Limited Partner's interest in the Partnership, any and all elections, determinations or designations under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction; and (m) file, on behalf of the Partnership and each Limited Partner, in respect of such Limited Partner's interest in the Partnership, any information return required to be filed in respect of the activities of the Partnership under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction.

Generally, the General Partner is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Limited Partners and the Partnership and shall, in discharging its duties, exercise the degree of care, diligence and skill that a reasonably prudent and qualified manager would exercise in discharging its duties in similar circumstances. During the existence of the Partnership, the officers of the General Partner will devote such time and effort to the business of the Partnership as may be necessary to promote adequately the interests of the Partnership and the mutual interests of the Limited Partners. Prior to the dissolution of the Partnership, the General Partner shall not engage in any business other than acting as the General Partner of the Partnership.

## **Fees and Expenses**

The Partnership Agreement provides for the payment of certain fees and the reimbursement of certain expenses, all of which are set out under “Fees, Charges and Expenses Payable by the Partnership”.

## **Resignation, Replacement or Removal of General Partner**

The General Partner may voluntarily resign as the general partner of the Partnership at any time upon giving at least 180 days’ written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Partnership as a general partner is ratified by the Limited Partners by Ordinary Resolution within such period. Such resignation will be effective upon the earlier of: (i) 180 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Partnership as a general partner of a qualified successor; and (ii) the date such admission is ratified by the Limited Partners by Ordinary Resolution. The General Partner will be deemed to have resigned upon bankruptcy or dissolution and in certain other circumstances if a new general partner is appointed by the Limited Partners by Ordinary Resolution within 180 days’ notice of such event. The General Partner is not entitled to resign as general partner of the Partnership if the effect of its resignation would be to dissolve the Partnership.

The General Partner may be removed at any time if: (a) the General Partner has committed fraud or wilful misconduct in the performance of, or wilful disregard or breach of, any material obligation or duty of the General Partner under the Partnership Agreement; (b) its removal as general partner has been approved by an Extraordinary Resolution; and (c) a qualified successor has been admitted to the Partnership as the general partner and has been appointed as the general partner of the Partnership by Ordinary Resolution of the Limited Partners, provided that the General Partner shall not be removed in respect of a curable breach of an obligation or duty of the General Partner under the Partnership Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such breach within 30 days of receipt of such notice. It is a condition precedent to the resignation or removal of the General Partner that the Partnership shall pay all amounts payable by the Partnership to the General Partner pursuant to the Partnership Agreement accrued to the date of resignation or removal.

The remuneration of any new general partner will be determined by Ordinary Resolution of the Limited Partners. Upon any resignation, replacement or removal of a general partner, the general partner ceasing to so act is required to transfer title of any assets of the Partnership in its name to the new general partner.

## **Allocation of Income and Loss**

Net income of the Partnership for each fiscal year and on dissolution shall be allocated, with respect to net income, as to 0.01% to the General Partner and the balance divided *pro rata* among the Limited Partners of record on December 31 of such fiscal year or on dissolution and, with respect to net loss, as to 100% divided *pro rata* among the Limited Partners of record on December 31 of such fiscal year and on dissolution.

## **Allocation of Eligible Expenditures**

The Partnership will allocate all Eligible Expenditures renounced to it by Resource Companies with an effective date in a particular fiscal year *pro rata* to the Limited Partners of record at the end of that fiscal year (subject to adjustment in certain events, see “Financing Acquisition of Units”), and will make such filings in respect of such allocations as are required by the Tax Act.

## **Distributions**

The General Partner may (with the agreement of the Investment Manager), on behalf of the Partnership, sell Flow-Through Shares or any other securities in the Partnership’s Investment Portfolio at any time if the General Partner is of the opinion that it is in the best interests of the Partnership to do so.

Subject to the terms of the Loan Facility, the General Partner may make distributions on or about April 30 of each year beginning in 2008, to Limited Partners of record of the Partnership on the preceding December 31. Such distributions, if any, will be of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner's income for tax purposes in respect of each Unit held, after taking into account amounts previously distributed and deductions available for tax purposes to individuals arising from participation in the Partnership. Such distributions will not be made to the extent that the General Partner determines, in its sole discretion, that it would be disadvantageous for the Partnership to make such distributions (including in circumstances where the Partnership lacks available cash). Subject to any distributions made by the Partnership, any cash balance (excluding amounts paid for fees and expenses) of the Partnership arising from a sale of Flow-Through Shares or other securities shall be reinvested in accordance with the Investment Guidelines.

On dissolution, the Partnership shall distribute: (a) to the Limited Partners, 99.99% of any remaining cash of the Partnership and of any other assets of the Partnership in specie; and (b) to the General Partner, the remaining 0.01% of any remaining cash of the Partnership and of any other assets of the Partnership *in specie*. See "Dissolution".

### **Limited Liability of Limited Partners**

The Partnership was formed in order for Limited Partners to benefit from liability limited to the extent of their capital contributions to the Partnership and their *pro rata* share of the undistributed income of the Partnership. Under the Partnership Agreement, Limited Partners may lose the protection of limited liability: (a) to the extent that the principles of Canadian law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one province but operating, owning property or incurring obligations in another province; or (b) by taking part in the management or control of the business of the Partnership; or (c) as a result of false or misleading statements in public filings made pursuant to the *Partnership Act* (British Columbia). The General Partner will cause the Partnership to be registered as an extra-provincial limited partnership in the jurisdictions in which it operates, owns property, incurs obligations, or otherwise carries on business, to keep such registrations up to date and to otherwise comply with the relevant legislation of such jurisdictions. To ensure, to the greatest extent possible, the limited liability of the Limited Partners with respect to activities carried on by the Partnership in any jurisdiction where limitation of liability may not be recognized, the General Partner will cause the Partnership to operate in such a manner as the General Partner, on the advice of counsel, deems appropriate. Each Limited Partner will indemnify and hold harmless from the Partnership, the General Partner and each other Limited Partner from and against all losses, liabilities, expenses and damages suffered or incurred by the Partnership, the General Partner or the other Limited Partners by reason of misrepresentation or breach of any of the warranties or covenants of such Limited Partner as set out in the Partnership Agreement.

### **Liability of General Partner and Indemnification of Limited Partners**

The General Partner has agreed to indemnify and hold harmless each Limited Partner from any and all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partner is not limited, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. See "Limited Liability of Limited Partners". Such indemnity will apply only with respect to losses in excess of the capital contribution of the Limited Partner. The General Partner has also agreed to indemnify and hold harmless the Partnership and each Limited Partner from and against any costs, damages, liabilities, expenses or losses suffered or incurred by the Partnership and/or the Limited Partner, as the case may be, resulting from or arising out of negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner currently has and will have minimal financial resources or assets and, accordingly, such indemnities of the General Partner will have only nominal value.

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership. The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgment, or for any act or omission believed by it in good faith to be within the scope of the authority conferred upon it by the Partnership Agreement (other than an act or omission which is in contravention of the Partnership Agreement or which results from or arises out of the General Partner's negligence or wilful misconduct in the performance of, or wilful disregard or breach of, a material obligation or duty of the General Partner under the Partnership Agreement) or for any loss or damage to any of the property of the Partnership attributable to an event beyond the control of the General Partner or its affiliates.

In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to the Partnership Agreement, the Partnership shall bear the reasonable expenses of the General Partner in any such action, suit or other proceedings in which or in relation to which the General Partner is adjudged, not to be in breach of any duty or responsibility imposed upon it hereunder, otherwise, such costs will be borne by the General Partner.

### **Liquidity Event**

In order to provide Limited Partners with enhanced liquidity and the potential for long-term growth of capital and for income, the General Partner may, on or before June 30, 2009, implement a transaction to improve liquidity, which the General Partner presently intends will involve a Mutual Fund Rollover Transaction. The Liquidity Event will be implemented on not less than 21 days' prior written notice to Limited Partners. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Event, but does not intend to call such a meeting unless the terms of the Liquidity Event are substantially different from those presently intended. **There can be no assurance that any such Liquidity Event will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented, or that a Mutual Fund will be established to participate in any Liquidity Event.** In the event a Liquidity Event is not implemented by June 30, 2009, then, at the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2009 and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio.

The terms of any Liquidity Event will provide for the receipt of all necessary regulatory approvals. The completion of any such transaction may also be subject to the receipt of exemptions, if any, under National Instrument 81-102 – Mutual Funds (“NI 81-102”) to the extent that the assets of the Partnership being rolled into the Mutual Fund may conflict with the investment restrictions or other provisions of NI 81-102. There can be no assurances that any such transaction will receive the necessary regulatory approvals.

The Partnership Agreement provides that the General Partner will be irrevocably authorized to transfer the assets of the Partnership to a Mutual Fund and implement the dissolution of the Partnership in connection with any such Liquidity Event and to file all elections under applicable income tax legislation in respect of any such Liquidity Event or the dissolution of the Partnership.

### **Dissolution**

Unless dissolved earlier upon the occurrence of certain events stated in the Partnership Agreement or continued after December 31, 2009 with the approval of Limited Partners given by Extraordinary Resolution, the Partnership will continue until the Termination Date and thereupon will terminate and the net assets of the Partnership will be distributed to the Limited Partners and the General Partner unless a Liquidity Event is implemented as described above. Prior to the Termination Date, or such other termination date as may be agreed upon, (a) the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Partnership to cash; (b) all amounts outstanding under the Loan Facility, including interest accrued thereon, will be repaid in full; and (c) the net assets will be distributed *pro rata* to the partners. The General Partner may, in its sole discretion and upon not less than 30 days' prior written notice to the Limited Partners, extend the date for the termination of the Partnership to a date not later than three months after the Termination Date if the Investment Manager has been unable to convert all of the portfolio assets to cash and the General Partner determines that it would be in the best interests of the Limited Partners to do so. Should the liquidation of certain securities not be possible or should the Investment Manager consider such liquidation not to be appropriate prior to the Termination

Date, such securities will be distributed to partners *in specie*, on a *pro rata* basis, subject to all necessary regulatory approvals and thereafter such property will, if necessary, be partitioned. See “Risk Factors”.

Upon the dissolution of the Partnership, the General Partner shall, after payment or provision for the payment of the debts and liabilities of the Partnership and liquidation expenses, distribute to each Partner an undivided interest in each asset of the Partnership which has not been sold for cash. The General Partner will receive a 0.01% undivided interest in each such asset and each Limited Partner will receive an undivided interest in each such asset equal to 99.99% multiplied by the proportionate number of Units owned by the Limited Partner.

### **Power of Attorney**

The Partnership Agreement includes a power of attorney coupled with an interest, the effect of which is to constitute it an irrevocable power of attorney. This power of attorney authorizes the General Partner on behalf of the Limited Partners, among other things, to execute the Partnership Agreement, any amendments to the Partnership Agreement, and all instruments necessary to reflect the dissolution of the Partnership and distribution and partition of assets distributed to partners on dissolution, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or territory with respect to the affairs of the Partnership or a Limited Partner’s interest in the Partnership, including elections under subsections 85(2) and 98(3) of the Tax Act and the corresponding provisions of applicable provincial and territorial legislation in respect of the dissolution of the Partnership. **By subscribing for Units, each Subscriber acknowledges and agrees that he or she has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.**

### **Amendments**

The General Partner may, without prior notice to or consent from any Limited Partners, amend the Partnership Agreement from time to time if such amendment is to add any provision which, in the opinion of counsel to the Partnership, is for the protection and benefit of the Limited Partners, is required to cure any manifest error or ambiguity or to correct or supplement any provision in the Partnership Agreement that may be defective or inconsistent with another provision, or is required by law. Such amendments may only be made if they will not, in the opinion of the General Partner, materially adversely affect the rights of any Limited Partner. The General Partner will notify the Limited Partners of the full details of any amendment so made within 30 days after the effective date of the amendment.

The General Partner may, with the consent of the Limited Partners given by Extraordinary Resolution, amend the Partnership Agreement provided that no amendment may be made that would have the effect of: allowing any Limited Partner to participate in the control or management of the Partnership’s business; reducing, eliminating, amending or modifying the obligation of the Partnership to pay the General Partner’s Fee and the Performance Bonus to the General Partner; changing provisions concerning the General Partner’s costs and expenses (unless the General Partner, in its sole discretion, consents thereto); reducing the interest in the Partnership of any Limited Partner; changing in any manner the allocation of net income or net loss and taxable income between the Limited Partners and the General Partner or the allocation of Eligible Expenditures among Limited Partners; changing the liability of the Limited Partners or the General Partner; changing the right of a Limited Partner or the General Partner to vote at any meeting; changing the Partnership from a limited partnership to a general partnership (unless all of the Limited Partners consent thereto); or which would result in a denial or reduction of any income tax deductions or credits related to Flow-Through Shares (*e.g.*, by rendering them “prescribed shares” or “prescribed rights” under the regulations to the Tax Act) or otherwise available to Limited Partners, but for the amendment. The Investment Strategy and Investment Guidelines adopted by the Partnership may only be changed by Extraordinary Resolution duly passed by the Limited Partners.

## **Accounting and Reporting**

The Partnership's fiscal year will be the calendar year. The General Partner, on behalf of the Partnership, will file and deliver to each Limited Partner, as applicable, such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law. The annual financial statements of the Partnership shall be audited by the Partnership's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles. The General Partner, on behalf of the Partnership, may seek exemptions from certain continuous disclosure obligations under applicable securities laws.

The General Partner will forward, or cause to be forwarded, to each Limited Partner, either directly or indirectly through CDS, the information necessary for the Limited Partner to complete such Limited Partner's Canadian federal and provincial income tax returns with respect to Partnership matters for the preceding year. The General Partner will make all filings required with respect to tax shelters by the Tax Act.

The General partner and the Investment Manager will ensure that the Partnership complies with all other reporting and administrative requirements.

The General Partner is required to keep adequate books and records reflecting the activities of the Partnership in accordance with normal business practices and Canadian generally accepted accounting principles. The *Partnership Act* (British Columbia) provides that any person may, on demand, examine the register of limited partners. A Limited Partner has the right to examine the books and records of the Partnership at all reasonable times. Notwithstanding the foregoing, a Limited Partner will not have access to any information which in the opinion of the General Partner should be kept confidential in the interests of the Partnership and which is not required to be disclosed by applicable securities laws or other laws governing the Partnership.

## **Meetings and Voting**

The Partnership will not be required to hold annual general meetings, but the General Partner may at any time convene a meeting of the Limited Partners and will be required to convene those meetings that are required to be held. The General Partner will also be required to convene a meeting upon receipt of a request in writing of Limited Partners holding, in aggregate, 10% or more of the Units outstanding.

Each Limited Partner is entitled to one vote for each Unit held. The General Partner is entitled to one vote in its capacity as General Partner except on a motion to remove the General Partner. Notice of not less than 21 days or more than 60 days is required to be given for each meeting. All meetings of Limited Partners are to be held in British Columbia. A Limited Partner may attend a meeting of the Partnership in person or by proxy or, in the case of a Limited Partner which is a corporation, by a representative. A quorum will consist of two or more Limited Partners present in person or by proxy and representing not less than 5% of the Units then outstanding at a meeting called to consider an Ordinary Resolution and 20% of the Units then outstanding at a meeting called to consider an Extraordinary Resolution. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a written request of Limited Partners, will be cancelled, but otherwise will be adjourned to such date not less than ten and not more than 21 days after the original meeting date. At such adjourned meeting, those Limited Partners present in person or by proxy will constitute a quorum.

## **USE OF PROCEEDS**

The Gross Proceeds of the Offering will be \$20,000,000 if the maximum Offering is completed, and \$2,500,000 if the minimum Offering is completed. The Partnership will use the Available Funds to invest in Flow-Through Shares of Resource Companies. The Operating Reserve will be used to fund the ongoing operating and management fees and expenses of the Partnership.

The following table sets out the Operating Reserve and the Available Funds in connection with each of the maximum and minimum Offering.

	<b><u>Maximum Offering</u></b>	<b><u>Minimum Offering</u></b>
Gross Proceeds to the Partnership .....	\$20,000,000	\$2,500,000
Operating Reserve .....	\$600,000	\$300,000
Available Funds <sup>(1)</sup> .....	\$19,400,000	\$2,200,000

<sup>(1)</sup> The Agents' fees and the expenses of the Offering, estimated by the General Partner to be \$285,000 in the case of the minimum Offering and \$410,000 in the case of the maximum Offering, will be paid by the Partnership from funds borrowed by the Partnership for such purpose pursuant to the Loan Facility. In the event the funds available under the Loan Facility are insufficient to pay the actual Agents' fees and expenses of the Offering, the Promoter will be responsible for funding the shortfall, without recourse to the Partnership.

The Gross Proceeds from the issue of the Units will be paid to the Partnership at Closing and deposited in its bank account and managed on behalf of the Partnership by the General Partner. Pending the investment of Available Funds in Flow-Through Shares and other securities, if any, of Resource Companies, all such Available Funds will be invested in High Quality Money Market Instruments. Interest earned by the Partnership from time to time on Available Funds will accrue to the benefit of the Partnership.

Subject to the terms of the Loan Facility, Available Funds that have not been invested in Flow-Through Shares and other securities, if any, of Resource Companies by December 31, 2007, will be returned on a *pro rata* basis to Limited Partners of record as at December 29, 2007, without interest or deduction.

The Agents will hold Unit subscription proceeds received from Subscribers prior to the Closing until subscriptions for the minimum Offering are received and other Closing conditions of the Offering have been satisfied. If the minimum Offering is not subscribed for by November 30, 2007, subscription proceeds received will be returned, without interest or deduction, to the Subscribers within 15 days.

## **PLAN OF DISTRIBUTION**

### **The Offering**

Pursuant to the Agency Agreement dated as of October 9, 2007 among the Agents, the Partnership, the General Partner, the Investment Manager, the Sub-Advisor and the Promoter, the Agents have agreed to offer Units for sale to the public in each of the provinces and territories of Canada on an agency basis if, as and when issued by the Partnership. The Partnership will pay to the Agents the Agents' fees equal to 6.75% of the selling price for each Unit sold to a Subscriber under the Offering, and reimburse the Agents for reasonable expenses in connection with the Offering.

The Offering consists of a maximum Offering of 800,000 Units and a minimum Offering of 100,000 Units. The minimum purchase is 200 Units. Additional subscriptions may be made in single Unit multiples of \$25.00. The price to the public per Unit was established by the General Partner.

While the Agents have agreed to use their reasonable commercial efforts to sell the Units, they are not obliged to purchase any Units that are not sold. The obligations of the Agents under the Agency Agreement may be terminated, and the Agents may withdraw all subscriptions on behalf of Subscribers, at the Agents' discretion, on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events. Pursuant to the Agency Agreement, the Promoter, the Partnership and the General Partner have agreed to jointly and severally indemnify the Agents upon the occurrence of certain events.

One of the Agents, MGI, is controlled by Jovian. Jovian also controls the Investment Manager and indirectly owns 40% of the outstanding shares of the Promoter and the General Partner. See “Conflicts of Interest”. Accordingly, in connection with this Offering, the Partnership may be considered to be a “related issuer” and a “connected issuer” of MGI under applicable securities laws. MGI did not participate in the decision to offer Units under this Offering, or in the determination of the terms of this Offering.

The Offering will take place during the period commencing on the date a Mutual Reliance Review System (“MRRS”) decision document is issued for the preliminary prospectus by the British Columbia Securities Commission and ending at the close of business on the date of the final Closing. It is expected that the initial Closing Date will be on or about October 18, 2007. A condition of Closing is the entering into of the Loan Facility. Subscription proceeds received by the Agents will be held by the Agents until the Closing Date. If subscriptions for the minimum Offering are not obtained on or before November 30, 2007, subscription funds will be returned, without interest or deduction, to the Subscribers. If the maximum Offering is not achieved at the Closing Date, subsequent Closings may be completed on or before November 30, 2007.

The General Partner, on behalf of the Partnership, reserves the right to accept or reject any subscription in whole or in part and to reject all subscriptions. If a subscription is rejected or accepted in part, unused monies received will be returned to the Subscriber. If all subscriptions are rejected, subscription proceeds will be returned to the Subscribers. A Subscriber whose subscription for Units has been accepted by the General Partner will become a Limited Partner upon the entering of his or her name in the register of Limited Partners on or as soon as possible after the relevant Closing.

This Offering will close if: (a) all contracts described under “Material Contracts” have been executed and delivered to the Partnership and are valid and subsisting; (b) all conditions specified in the Agency Agreement for the closing have been satisfied or waived, and the Agents have not exercised any right to terminate the Offering; (c) on the date of the initial Closing of the Offering, subscriptions for at least 100,000 Units are accepted by the General Partner; and (d) the agreement with respect to the Loan Facility has been executed and delivered to the Partnership and is valid and subsisting.

### **Book Based System**

Subscriptions will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the Offering at any time without notice. The Offering will be conducted under the book-based system. A Subscriber who purchases Units will receive a customer confirmation from the registered dealer through whom Units are purchased and which is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units as owners in accordance with the book-based system.

CDS requires that any Units registered in the book-based system be represented in the form of a fully registered global Unit certificate held by, or on behalf of, CDS as custodian of such certificate for CDS participants and registered in the name of CDS. The name in which a global certificate is issued is for the convenience of the book-based system only and will have no bearing on the identity of the Limited Partners. CDS participants include securities brokers and dealers, banks and trust companies. Under the Partnership Agreement each Limited Partner acknowledges and agrees that CDS is acting as his or her nominee for this purpose and acknowledges and consents to these arrangements. A Subscriber who purchases Units will therefore receive only a customer confirmation from the registered dealer which is a CDS participant and through whom the Units are purchased. If CDS notifies the Partnership that it is unwilling or unable to continue as depository in connection with such global certificate, or if at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository, the General Partner will make appropriate arrangements to replace the book-based system in an orderly fashion and to issue Unit certificates to the Limited Partners in an orderly fashion. No certificates for Units will be issued to Subscribers.

All distributions will be made by the Partnership to CDS in respect of Units represented by the global Unit certificate held by CDS. Any such distributions will be forwarded by CDS to the applicable CDS participants and, thereafter, by such participants to the Limited Partners whose Units are represented by that global certificate.

The ability of a holder of a Unit to pledge his or her Unit or take action with respect thereto (other than through a CDS participant) may be limited due to the lack of physical certificates and the rights of the Partnership under the Partnership Agreement.

## **RISK FACTORS**

**This is a speculative offering.** There is no market through which the Units may be sold and Subscribers may not be able to resell Units purchased under this prospectus. An investment in the Units is appropriate only for Subscribers who have the capacity to absorb a loss of some or all of their investment. There is no assurance of a positive return on a Limited Partner's original investment.

**This is a blind pool offering.** The Partnership has not entered into any Investment Agreements with Resource Companies and will not enter into any such agreements until after the Closing Date.

In addition, the purchase of Units involves significant risks, including, but not limited to, the following:

### **Investment Risk**

***Reliance on the Investment Manager and the Sub-Advisor.*** Limited Partners must rely entirely on the discretion of the Investment Manager and the Sub-Advisor, with respect to the terms of the Investment Agreements to be entered into with Resource Companies. Limited Partners must also rely entirely on the discretion of the Investment Manager and the Sub-Advisor in determining the initial composition of the Partnership's Investment Portfolio and whether to dispose of securities (including Flow-Through Shares) comprising the Partnership's Investment Portfolio and reinvestment of the proceeds from such dispositions. Flow-Through Shares generally will be issued to the Partnership at prices greater than the market prices of comparable ordinary common shares not qualifying as Flow-Through Shares, and Limited Partners must rely entirely on the discretion of the Investment Manager and the Sub-Advisor in negotiating the pricing of those securities. Limited Partners must rely entirely on the knowledge and expertise of the Investment Manager and Sub-Advisor. The board of directors of the Investment Manager and Sub-Advisor, and, therefore, management of the Investment Manager and Sub-Advisor, may be changed at any time. Those who are not willing to rely on the discretion and judgment of the Investment Manager and the Sub-Advisor should not subscribe for Units.

***Limited Flow-Through Partnership Experience.*** The Investment Manager and Sub-Advisor have limited prior experience in managing a flow-through limited partnership, in investing in Flow-Through Shares and the negotiation of Investment Agreements.

***Marketability of Units.*** There is no market through which the Units may be sold and Subscribers may not be able to resell Units purchased under this prospectus. No market for the Units is expected to develop.

### **Sector Risks**

The business activities of issuers in the resource industry are speculative and may be adversely affected by factors outside the control of those issuers. Resource exploration involves a high degree of risk that even the combination of experience and knowledge of the Resource Companies may not be able to avoid. Resource Companies may not hold or discover commercial quantities of precious metals, minerals, oil or gas and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, protection of agricultural lands, competition, imposition of tariffs, duties or other taxes and government regulation, as applicable. Though they may, at times, have an effect on the share price of Resource Companies, the effect of these factors cannot be accurately predicted.

**Marketability of Underlying Securities.** The value of Units will vary in accordance with the value of the securities acquired by the Partnership. The value of securities owned by the Partnership will be affected by such factors as Subscriber demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the General Partner or the Partnership, and there is no assurance that an adequate market will exist for securities acquired by the Partnership.

**The Investment Portfolio Will Include Securities of Junior Issuers.** Up to 100% of the Available Funds may be invested by the Partnership in securities of junior Resource Companies, although at least 25% of the Net Asset Value (at the time of investment) will be invested in Resource Companies listed and posted for trading on the TSX, NYSE, AMEX or the Nasdaq National Market. Up to 20% of the Available Funds may be invested in Illiquid Investments, including private companies. Securities of junior issuers may involve greater risks than investments in larger, more established companies. There is no trading market for securities of private companies and other Illiquid Investments. Further, generally speaking, the markets for securities of junior issuers that are publicly traded are less liquid than the markets for securities of larger issuers, and therefore the liquidity of a significant portion of the Investment Portfolio is likely to be limited. Liquidity of Illiquid Investments is necessarily even more limited, and practically speaking may not exist. This may limit the ability of the Partnership to realize profits and/or minimize losses, which may in turn adversely affect the Net Asset Value of the Partnership and the return on investment in Units. Also, if a Liquidity Event is implemented, in order to fund redemptions, the Mutual Fund may have to liquidate its shareholdings in more liquid, large and medium sized companies as a result of illiquidity of some or all of that portion of the Partnership's Investment Portfolio comprised in securities of junior issuers or Illiquid Investments.

**Resale and Other Restrictions Pertaining to Flow-Through Shares.** Flow-Through Shares and other securities, if any, of Resource Companies may be purchased by the Partnership on a private placement basis, and will be subject to resale restrictions. In the case of publicly traded Resource Companies, these resale restrictions will generally last for four months. In the case of private Resource Companies, these resale restrictions will be indefinite. The Investment Manager will manage the Partnership's Investment Portfolio, and this may involve the sale and reinvestment of the proceeds of sale of some or all of the Flow-Through Shares and other securities pursuant to certain statutory exemptions. The existence of resale restrictions may hamper the ability of the Investment Manager to take advantage of opportunities for profit taking, or limitation of losses, which might be available in the absence of resale restrictions, and this in turn may reduce the amount of capital appreciation or magnify the capital loss in the Partnership's Investment Portfolio.

**Resale Restrictions May be an Issue if a Liquidity Event is not Implemented.** There are no assurances that any Liquidity Event will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented. In such circumstances, each Limited Partner's *pro rata* interest in the assets of the Partnership will be distributed upon the dissolution of the Partnership, which will occur on or before December 31, 2009, unless its operations are extended as described herein.

For example, if no Liquidity Event is completed and the Investment Manager is unable to dispose of all investments prior to the Termination Date, Limited Partners may receive securities or other interests of Resource Companies, for which there may be an illiquid market or which may be subject to resale and other restrictions under applicable securities law. Up to 20% of the Net Asset Value of the Partnership may be invested in Illiquid Investments.

There can be no assurance that a Mutual Fund will be established to participate in any Liquidity Event. There can be no assurance that any Liquidity Event will be implemented on a tax-deferred basis.

**Mutual Fund Shares.** In the event that a Liquidity Event is proposed, accepted and completed, Limited Partners may receive shares in a Mutual Fund. These shares will be subject to various risk factors applicable to shares of mutual fund corporations or other investment vehicles which invest in securities of Canadian companies engaged in the oil and gas industry and mineral exploration, development and production. These risks are similar to the risks described under "Industry Risks – Sector Specific Risks".

**Flow-Through Shares and Available Funds.** There can be no assurance that the Partnership will commit all Available Funds for investment in Flow-Through Shares of Resource Companies by December 31, 2007. Any Available Funds not committed to Resource Companies on or before December 31, 2007 will be returned to Limited Partners of record on such date after repayment of the outstanding balance under the Loan Facility, if any. If uncommitted funds are returned in this manner, Limited Partners will not be entitled to claim anticipated deductions or credits in respect of income for income tax purposes.

There can be no assurance that Resource Companies will honour their obligation to incur Eligible Expenditures or that the Partnership will be able to recover any losses suffered as a result of such a breach of such obligation by a Resource Company.

**Available Capital.** If the proceeds of the Offering of Units are significantly less than the maximum Offering, the expenses of the Offering and the ongoing fees and administrative expenses and interest expense payable by the Partnership may result in a substantial reduction or even elimination of the returns which would otherwise be available to the Partnership.

The ability of the General Partner to negotiate favourable Investment Agreements on behalf of the Partnership is, in part, influenced by the total amount of capital available for investment in Flow-Through Shares. Accordingly, if the proceeds of the Offering are significantly less than the maximum Offering, the ability of the General Partner to negotiate and enter into favourable Investment Agreements on behalf of the Partnership may be impaired and therefore the Investment Strategy of the Partnership may not be fully met.

**Liability of Limited Partners.** Limited Partners may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the Partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province or territory but carrying on business in another province or territory have not been authoritatively established. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution of capital and share of undistributed net income of the Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Partnership. While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has only nominal assets, and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity.

Limited Partners remain liable to return to the Partnership such part of any amount distributed to them as may be necessary to restore the capital of the Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Partnership is reduced and the Partnership is unable to pay its debts as they become due.

**Borrowing.** The Partnership may borrow an amount not exceeding 12.5% of the Gross Proceeds under the Loan Facility in order to finance Offering expenses (including the Agents' fees and travel, sales, distribution and marketing expenses), operating and administrative costs and expenses, including the General Partner's Fee. The interest expense and banking fees incurred in respect of any such borrowings may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares and other securities of resource companies. There can be no assurance that the borrowing strategy that will be employed by the Partnership will enhance returns. If the Loan Facility has not been repaid at the time of the dissolution of the Partnership, Limited Partners will become liable for outstanding amounts owed, although the Partnership will only borrow funds where recourse for such borrowings is limited under the Loan Facility to the Limited Partner's interest in the Investment Portfolio. Accordingly, there is a risk that the obligation to repay such borrowings may diminish the interest of the Limited Partners in the Investment Portfolio. The General Partner expects that its borrowings under the Loan Facility will be repaid at the time of a Liquidity Event or the dissolution of the Partnership, as applicable.

**Coverage Ratios.** The General Partner expects that, after Closing, the Loan Facility will require that the Partnership maintain certain coverage ratios prior to investing Available Funds, and that the Loan Facility will be repayable on demand.

**Tax-Related Risks.** The tax benefits resulting from an investment in the Partnership are greatest for a Subscriber whose income is subject to the highest marginal income tax rate. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of the merits of the investment and on a Subscriber's ability to bear a loss of his or her investment. Subscribers acquiring Units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law. The tax consequences of acquiring, holding or disposing of Units or the Flow-Through Shares issued to the Partnership may be fundamentally altered by changes in federal or provincial income tax legislation. The October 31, 2003 Tax Proposals limiting the claim for losses resulting from the deduction of interest and other expenses in certain circumstances are only draft proposals. However if they are enacted in their current form, they would likely limit the ability of the Partnership and Limited Partners to deduct expenses (other than Eligible Expenditures) or losses in respect of the Flow-Through Shares and Units, respectively. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Tax Proposals would be released for comment at an early opportunity. No such alternative proposal has yet been released. There can be no assurance that such alternative proposal will not adversely affect the Partnership or Limited Partners. All of the Available Funds may not be invested in Flow-Through Shares or amounts renounced by Resource Companies to the Partnership may not qualify as Eligible Expenditures. Each Limited Partner will represent that he or she has not acquired Units with limited-recourse borrowing for the purposes of the Tax Act, however there is no assurance that this will not occur.

There is a further risk that expenditures incurred by a Resource Company may not qualify as CEE or that CEE incurred will be reduced by other events including failure to comply with the provisions of Investment Agreements or of applicable income tax legislation. There is no guarantee that Resource Companies will comply with the provisions of the Investment Agreement, or with the provisions of applicable income tax legislation with respect to the nature of expenses renounced to the Partnership. The Partnership may also fail to comply with applicable legislation. There is no assurance that Resource Companies will incur all CEE before January 1, 2009 or renounce CEE equal to the price paid to them. These factors may reduce or eliminate the return on a Limited Partner's investment in the Units.

If CEE renounced within the first three months of 2008 effective December 31, 2007 is not in fact incurred in 2008, the Partnership's, and consequently, the Limited Partners', CEE may be reassessed by CRA effective as of December 31, 2007 in order to reduce the Limited Partners' deductions with respect thereto. However, none of the Limited Partners will be charged interest on any unpaid tax as a result of such reduction for any period before May 2009.

The alternative minimum tax could limit tax benefits available to Limited Partners who are individuals or certain trusts.

Limited Partners will receive the tax benefits associated with Eligible Expenditures in the years in which the Partnership invests in Flow-Through Shares and will benefit to the extent that any gains on the disposition of Flow-Through Shares by the Partnership are capital gains rather than income for tax purposes. However, the sale of Flow-Through Shares by the Partnership will trigger larger tax liabilities in the year any gain is recognized than would be the case upon the sale of common shares that do not constitute Flow-Through Shares because the cost of the Flow-Through Shares is deemed to be nil for purposes of the Tax Act. There is a risk that Limited Partners will receive allocations of income and/or capital gains for a year without receiving distributions from the Partnership in that year sufficient to pay any tax they may owe as a result of being a Limited Partner during that year. To reduce this risk, subject to any restrictions in the Loan Facility, in respect of each year the Partnership may distribute 50% of the amount that a Limited Partner will be required to include in income in respect of a Unit for that year. See "Summary of the Partnership Agreement - Distributions".

The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs, in a given taxation year, investment expenses to earn investment income in excess of the investment income earned for that year, such excess shall be included in the taxpayer's income, resulting in an offset of the deduction for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses such as losses of the Partnership allocated to the Limited Partner and 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, a Limited Partner and investment income includes taxable capital gains not

eligible for the capital gains exemption. Such 50% of CEE and Qualifying CDE, other than CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and, allocated to and deducted for Québec tax purposes by such Limited Partner will be included in the Limited Partner's income for Québec tax purposes only if such Limited Partner has insufficient investment income. The portion of the investment expenses (if any) which has been included in the Limited Partner's income in a given taxation year may be deducted against investment income earned in any of the three previous taxation years or in any subsequent taxation year to the extent of the excess of the investment income over the investment expenses for such other year. The remaining 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), and 100% of the CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, such Limited Partner will not be subject to that rule.

Where a Resource Company has a "prohibited relationship" as defined in the Tax Act with an investor that is a trust, corporation or partnership, the Resource Company may not renounce Qualifying CDE to such an investor. Briefly, a Resource Company has a prohibited relationship with a trust, a particular corporation or a partnership if the Resource Company or a corporation related to the Resource Company is a beneficiary of the trust, is the corporation or is a member of the partnership. Shares of a Resource Company issued to an investor that does not deal at arm's length with the Resource Company or to a trust of which such investor is a beneficiary or to a partnership of which such investor is a member may not qualify for renunciation as Flow-Through Shares. Further, a Resource Company may not renounce Eligible Expenditures incurred by it after December 31, 2007 with an effective date of December 31, 2007 to a Subscriber with which it does not deal at arm's length at any time during 2008. **A prospective Subscriber who does not deal at arm's length with a corporation whose principal business is oil and gas exploration, development and/or production or mineral exploration, development and/or production that may issue flow-through shares, as defined in subsection 66(15) of the Tax Act, prior to December 31, 2007 should consult their independent tax advisor before acquiring Units. Subscribers are required to identify all Resource Companies with which he or she does not deal at arm's length to the General Partner in writing prior to the acceptance of the subscription. The Partnership will be deemed to not deal at arm's length with a Resource Company if any of its partners do not deal at arm's length with such Resource Company.**

The Partnership has engaged the General Partner to perform management services and, consistent with that arrangement, the Partnership intends to deduct management fees payable to the General Partner in computing income in the year in which the services to which they relate are rendered. CRA may assert that an entitlement of the General Partner to management fees is more appropriately treated as an entitlement to share in any income of the Partnership as a partner and, therefore, does not result in a deduction in computing the Partnership's income. If CRA successfully applied any such treatment then a loss of the Partnership otherwise allocable to the Limited Partners would be reduced or denied to the extent of such deduction.

If a Limited Partner finances the acquisition of Units with a financing for which recourse is, or is deemed to be, limited, the Eligible Expenditures renounced to, or other expenses incurred by, the Partnership will be reduced by the amount of such financing. The October 31, 2003 Tax Proposals may adversely affect a Limited Partner who finances the subscription price of his or her Units.

The Partnership will borrow to fund the payment of the Agents' fees and other expenses of issue. Such indebtedness will be deemed to be a limited recourse amount for purposes of the Tax Act. As a result, such expenses will not be deductible until the year in which the indebtedness is repaid and such amount may be subject to the application of the October 31, 2003 Tax Proposals at that time.

## **Issuer Risk**

**Lack of Operating History.** The Partnership and the General Partner are newly established entities and have no previous operating or investment history. The Partnership will, prior to the Closing Date, have only nominal assets and the General Partner will at all material times thereafter only have nominal assets. Prospective Subscribers who are not willing to rely on the business judgment of the General Partner should not subscribe for Units.

***Financial Resources of the General Partner.*** The General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners against losses, costs or damages suffered if the Limited Partners' liabilities are not limited as provided herein, provided that such loss of liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. However, such indemnity will apply only with respect to losses in excess of the agreed capital contribution of the Limited Partner and the amount of this protection is limited by the extent of the net assets of the General Partner and such assets will not be sufficient to fully cover any actual loss. The General Partner is expected to have only nominal assets and, therefore, the indemnity of the General Partner will have nominal value. Limited Partners also will not be able to rely upon the General Partner to provide any additional capital or loans to the Partnership in the event of any contingency.

***Financial Resources of the Partnership.*** The only sources of cash to pay the Partnership's current and future expenses, liabilities and commitments, including reimbursement of operating and administrative costs incurred by the General Partner and the General Partner's Fee, will be the Operating Reserve, funds borrowed by the Partnership and cash generated from sales of securities comprising the Partnership's Investment Portfolio. Accordingly, if the Operating Reserve has been expended, the maximum amount of funds has been borrowed by the Partnership and there are no trading profits in the Partnership's Investment Portfolio, payment of operating and administrative costs and the General Partner's Fee will diminish the Partnership's assets.

***Conflicts of Interest.*** The Promoter, the General Partner, the Investment Manager, the Sub-Advisor, certain of their affiliates, certain limited partnerships whose general partner is or will be a subsidiary of the Promoter, and the directors and officers of the Promoter, the General Partner, the Investment Manager and Sub-Advisor are and/or may in the future be actively engaged in a wide range of investment and management activities, some of which are or will be similar to and in competition with the business of the Partnership and the General Partner, including acting in the future as directors and officers of the general partners of other issuers engaged in the same business as the Partnership. See "Conflicts of Interest". Accordingly, conflicts of interest may arise between Limited Partners and the directors, shareholders, officers, employees and any affiliates of the General Partner, the Promoter, the Investment Manager and the Sub-Advisor. None of the General Partner, the Investment Manager, the Promoter, the Sub-Advisor nor any Related Entities are obligated to present any particular investment opportunity to the Partnership, and Related Entities may take such opportunities for their own account. Under the Investment Guidelines, up to 10% of the Net Asset Value may be invested in Flow-Through Shares and other securities of Related Entities.

There are no assurances that conflicts of interest will not arise which cannot be resolved in a manner most favourable to Limited Partners. Persons considering a purchase of Units pursuant to this Offering must rely on the judgement and good faith of the shareholders, directors, officers and employees of the General Partner, the Investment Manager, the Promoter and the Sub-Advisor in resolving such conflicts of interest as may arise.

There is no obligation on the General Partner, the Investment Manager, the Promoter or the Sub-Advisor or their respective employees, officers and directors and shareholders to account for any profits made from other businesses that are competitive with the business of the Partnership.

***Lack of Separate Counsel.*** Counsel for the Partnership in connection with this Offering are also counsel to the General Partner. Prospective Subscribers, as a group, have not been represented by separate counsel and counsel for the Partnership, the General Partner and the Agents do not purport to have acted for the Subscribers or to have conducted any investigation or review on their behalf.

## Industry Risk

**Sector Specific Risks.** The business activities of Resource Companies are speculative and may be adversely affected by factors outside the control of those issuers. Resource Companies may not hold or discover commercial quantities of oil or gas and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other tax and government regulation, as applicable.

Because the Partnership will invest in securities issued by Resource Companies engaged in the oil and gas business and mineral exploration, development and production (including junior issuers), the Net Asset Value may be more volatile than portfolios with a more diversified investment focus. Also, the Net Asset Value may fluctuate with underlying market prices for commodities produced by that sector of the economy.

**Blind Pool. This Offering is a blind pool offering.** As of the date hereof, the Partnership has not entered into any Investment Agreements to acquire Flow-Through Shares or other securities, if any, of Resource Companies or selected any Resource Companies in which to invest.

The purchase price per Unit paid by a Subscriber at a Closing subsequent to the Closing Date may be less or greater than the Net Asset Value per Unit at the time of the purchase, and since the Available Funds will be net of the Operating Reserve, unless the Partnership's Investment Portfolio increases in value, whether the purchase price per Unit for such Subscribers will be greater or less than the Net Asset Value per Unit will depend on a variety of factors, including whether or not the Partnership acquires Flow-Through Shares at a premium or discount to market prices and changes in value of the Partnership's Investment Portfolio.

## CONFLICTS OF INTEREST

The General Partner is a wholly-owned subsidiary of the Promoter. Jovian Asset Management Inc., a subsidiary of Jovian (the ultimate parent company of the Investment Manager), owns 40% of the outstanding shares of the Promoter, and therefore Jovian indirectly owns 40% of the outstanding shares of the General Partner. The General Partner will be entitled to receive certain fees from the Partnership and the General Partner will be reimbursed for certain of its expenses by the Partnership. Jovian, therefore, has an interest in the fees and expenses paid to the General Partner. See "Fees, Charges and Expenses Payable by the Partnership".

The Promoter, the Investment Manager, the Sub-Advisor, the directors and senior officers of the General Partner, the Investment Manager, the Sub-Advisor and other partnerships in respect of which subsidiaries of the Promoter act or may in the future act as general partner may own shares in certain Resource Companies. Under the Investment Guidelines, up to 10% of the Net Asset Value may be invested in Flow-Through Shares or other securities issued by Related Entities. In addition, certain directors and officers of the General Partner, the Investment Manager, the Sub-Advisor or any of their affiliates may be or may become directors of certain Resource Companies in which the Partnership has invested. Except as disclosed herein, none of the Promoter, the General Partner, the Investment Manager or the Sub-Advisor will receive any benefit in connection with this Offering. An affiliate of the Investment Manager will provide certain administrative services to the Partnership and will receive a fee in connection with the provision of those services; and one of the Agent's, MGI, is an affiliate of Jovian and the Investment Manager. MGI, together with the other Agents, will receive a fee of 6.75% for each Unit sold in connection with the Offering, and reimbursement for certain expenses. See "Plan of Distribution". In addition, in certain circumstances MGI (and the other Agents) may be entitled to receive fees and, in some cases, rights to purchase shares in connection with the sale of Flow-Through Shares to the Partnership.

None of the Promoter, the General Partner or any of their respective Affiliates and Associates will be paid a fee by the Partnership in respect of investment opportunities they bring to the Partnership.

The Promoter, the General Partner, the Investment Manager, the Sub-Advisor, certain of their affiliates, certain limited partnerships whose general partner and/or investment advisor is or will be a subsidiary of the Promoter or an affiliate of the Investment Manager or the Sub-Advisor, and the directors and officers of the Promoter, the General Partner, the Investment Manager and the Sub-Advisor are and/or may in the future be actively engaged in a wide range of investment and management activities, some of which are and will be similar to and competitive with those that the Partnership and the General Partner will undertake. As a result, actual and potential conflicts of interest (including conflicts as to management's time, resources and allocation of investment opportunities) can be expected to arise in the normal course.

There is no assurance that conflicts of interest will not arise which cannot be resolved in a manner most favourable to Subscribers. **Persons considering a purchase of Units pursuant to this Offering are relying on the judgment and good faith of the General Partner and its directors and officers in resolving such conflicts of interest.**

### **MATERIAL CONTRACTS**

The Partnership has entered into, or will enter into on or prior to the Closing Date, the following material contracts:

1. The Partnership Agreement referred to under "Summary of the Partnership Agreement";
2. The Agency Agreement referred to under "Plan of Distribution";
3. The Loan Facility referred to under "Fees, Charges and Expenses Payable by the Partnership – Loan Facility";
4. The Investment Manager Agreement referred to under "The Investment Manager and Prior Partnership – The Investment Manager Agreement"; and
5. The Investment Sub-Advisory Agreement referred to under "The Sub-Advisor – The Investment Sub-Advisory Agreement".

Copies of the contracts referred to above (or drafts thereof) may be inspected during normal business hours over the course of the Offering at the registered office of the General Partner, 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The Partnership Agreement is also available (i) on SEDAR and (ii) upon written request to the General Partner.

### **PROMOTER**

Jov Flow-Through Holdings Corp. may be considered to be the promoter of the Partnership within the meaning of relevant Canadian securities legislation. The Promoter therefore has an indirect interest in the General Partner's Fee and the Performance Bonus paid or to be paid to the General Partner. See "Interest of Management in Material Transactions" and "Fees, Charges and Expenses Payable by the Partnership".

### **LEGAL MATTERS**

Neither the General Partner nor the Partnership are currently involved in any litigation or proceedings which are material either individually or in the aggregate to the continued business operations of the General Partner and/or the Partnership and, to each of their knowledge, no legal proceedings of a material nature involving the General Partner and/or the Partnership are currently contemplated by any individuals, entities or government authorities.

## **INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS**

The General Partner is a wholly-owned subsidiary of the Promoter. All of the directors and officers of the General Partner are also directors and officers of the Promoter and some of the directors and officers of the General Partner are also directors and officers of the Investment Manager. The Promoter is controlled by Hugh Cartwright, the President and a director of the Promoter, and Jovian, the ultimate parent company of the Investment Manager. To the knowledge of the General Partner, except as disclosed herein under “Fees, Charges and Expenses Payable by the Partnership”, “The Investment Manager and Prior Partnership” and “Conflicts of Interest”, no director or officer of the General Partner has any interest in any actual material transaction involving the Partnership, or has any interest in any proposed material transaction involving the Partnership.

## **AUDITORS**

The auditors of the Partnership are PricewaterhouseCoopers LLP, Chartered Accountants of Vancouver, British Columbia.

## **REGISTRAR AND TRANSFER AGENT**

The Partnership will appoint Valiant, at its principal offices in Vancouver, British Columbia, as the registrar and transfer agent for the Units.

## **EXPERTS**

Certain legal matters arising in connection with the Offering will be passed upon, on behalf of the Partnership, and the General Partner by Borden Ladner Gervais LLP of Vancouver, British Columbia and on behalf of the Agents by Stikeman Elliott LLP of Toronto, Ontario.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In certain provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to a purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of Jov Diversified Flow-Through 2007 Limited Partnership (the Limited Partnership) dated October 9, 2007 relating to the issue and sale of Limited Partnership Units. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report dated October 9, 2007 to the directors of Jov Diversified Flow-Through 2007 Management Corp.(the Corporation) in its capacity as general partner of the Limited Partnership on the balance sheet of the Limited Partnership as at October 9, 2007 and of our report dated October 9, 2007 to the directors of the Corporation on the balance sheet of the Corporation as at October 9, 2007.

*(Signed) PricewaterhouseCoopers LLP*  
Chartered Accountants,  
Vancouver, Canada  
October 9, 2007

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## AUDITORS' REPORT

To the Board of Directors of:

Jov Diversified Flow-Through 2007 Management Corp in its capacity as general partner of Jov Diversified Flow-Through 2007 Limited Partnership.

We have audited the balance sheet of Jov Diversified Flow-Through 2007 Limited Partnership as at October 9, 2007. This balance sheet is the responsibility of the Limited Partnership's management. Our responsibility is to express an opinion on this balance sheet 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Limited Partnership as at October 9, 2007 in accordance with Canadian generally accepted accounting principles.

*(Signed) PricewaterhouseCoopers LLP*  
Chartered Accountants,  
Vancouver, Canada  
October 9, 2007

**JOV DIVERSIFIED FLOW-THROUGH 2007 LIMITED PARTNERSHIP  
BALANCE SHEET**

**As at October 9, 2007**

**ASSETS**

Cash.....\$35

**PARTNERS' CAPITAL**

General Partner Contribution..... \$10  
Issued and fully paid limited partnership unit.....\$25  
\$35

See accompanying notes to the balance sheet

Approved on behalf of Jov Diversified Flow-Through 2007 Limited Partnership by the Board of Directors of its General Partner, Jov Diversified Flow-Through 2007 Management Corp.

(Signed) HUGH R. CARTWRIGHT  
Director

(Signed) SHANE DOYLE  
Director

# **JOV DIVERSIFIED FLOW-THROUGH 2007 LIMITED PARTNERSHIP**

## **NOTES TO BALANCE SHEET**

**October 9, 2007**

### **1. FORMATION OF PARTNERSHIP**

Jov Diversified Flow-Through 2007 Limited Partnership (the "Partnership") was formed on December 15, 2006 as a limited partnership under the laws of the Province of British Columbia. 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 general partner of the Partnership is Jov Diversified Flow-Through 2007 Management Corp.(the "General Partner") and capital of \$10 cash was contributed. Under the Amended and Restated Limited Partnership Agreement between the General Partner and each of the limited partners (the "LPA") dated October 5, 2007, 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. The General Partner is to be allocated 0.01% of the net income of the Partnership. Upon dissolution, Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of assets.

The Partnership will pay all costs relating to the proposed offering of limited partnership units in the Partnership and all ongoing operating and administrative expenses.

Pursuant to the LPA, the Partnership is required to pay the General Partner a fee of 2.0% of the net asset value of the Partnership's assets less liabilities and as determined by the formula set forth in the LPA ("Net Asset Value"). In addition, the General Partner is 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.

At the date of formation of the Partnership, one limited partnership unit was issued to Hugh Cartwright for \$25.00 cash.

### **2. INITIAL PUBLIC OFFERING**

The Partnership expects to file a final prospectus in each of the provinces and territories of Canada for an initial public offering of limited partnership units with gross proceeds of between \$2,500,000 and \$20,000,000.

## AUDITORS' REPORT

To the Directors of:

Jov Diversified Flow-Through 2007 Management Corp.

We have audited the balance sheet of Jov Diversified Flow-Through 2007 Management Corp. as at October 9, 2007. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Company as at October 9, 2007 in accordance with Canadian generally accepted accounting principles.

*(Signed) PricewaterhouseCoopers LLP*  
Chartered Accountants,  
Vancouver, Canada  
October 9, 2007

**JOV DIVERSIFIED FLOW-THROUGH 2007 MANAGEMENT CORP.  
BALANCE SHEET**

As at October 9, 2007

**ASSETS**

Cash.....	\$90
Investment in Jov Diversified Flow-Through 2007 Limited Partnership .....	<u>\$10</u>
	<u>\$100</u>

**SHAREHOLDER'S EQUITY**

Capital Stock:

Authorized

Unlimited number of Common Shares

Issued and fully paid

100 Common Shares ..... \$100

Approved on behalf of the Board:

(Signed) HUGH R. CARTWRIGHT  
Director

(Signed) SHANE DOYLE  
Director

**JOV DIVERSIFIED FLOW-THROUGH 2007 MANAGEMENT CORP.**

**NOTES TO BALANCE SHEET**

**October 9, 2007**

**1. NATURE OF BUSINESS**

Jov Diversified Flow-Through 2007 Management Corp. (the “Company”) was formed on December 8, 2006 under the provisions of the *Canada Business Corporations Act*. The sole business activity of the Company is to act as the general partner of and to manage Jov Diversified Flow-Through 2007 Limited Partnership (the “Partnership”), a British Columbia limited partnership. There have been no operations or transactions between the date of formation and the date of the balance sheet, other than the issuance of 100 common shares for cash and the contribution of \$10 of capital to the Partnership.

**2. MATERIAL TRANSACTION**

The Company is the general partner of the Partnership and is allocated 0.01% of net income of the Partnership and 0.01% of the assets upon dissolution of the Partnership.

Pursuant to the Amended and Restated Limited Partnership Agreement (the “Partnership Agreement”) between the General Partner and each of the limited partners dated October 5, 2007, the Partnership is required to pay the general partner a fee of 2.0% of the total assets of the Partnership less liabilities and as determined by the formula set forth in the Partnership Agreement (“Net Asset Value”). In addition, the general partner is entitled to a performance bonus equal to 20% of the product of: (a) the number of Units outstanding on the Performance Bonus Date (as defined in the Partnership Agreement); 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.

**3. INITIAL PUBLIC OFFERING**

The Partnership expects to file a final prospectus in each of the provinces and territories of Canada for an initial public offering of limited partnership units with gross proceeds of between \$2,500,000 and \$20,000,000.

**CERTIFICATE OF THE PARTNERSHIP AND THE PROMOTER**

Dated: October 9, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 74 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Nunavut), by the *Securities Act* (Northwest Territories) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

(signed) MARK L. ARTHUR  
Chief Executive Officer of the General Partner

(signed) HUGH R. CARTWRIGHT  
President, acting in the capacity  
of Chief Financial Officer  
of the General Partner

On behalf of the Board of Directors of the General Partner

(signed) SHANE DOYLE  
Director

(signed) PHILIP ARMSTRONG  
Director

On behalf of the Promoter

JOV FLOW-THROUGH HOLDINGS CORP.

(signed) MARK L. ARTHUR  
Chairman and Director

(signed) HUGH R. CARTWRIGHT  
President and Director

**CERTIFICATE OF THE AGENTS**

Dated: October 9, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 74 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Nunavut), by the *Securities Act* (Northwest Territories) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

By: (signed) Ronald W.A. Mitchell

NATIONAL BANK FINANCIAL INC.

By: (signed) Michael D. Shuh

SCOTIA CAPITAL INC.

By: (signed) Brian D. McChesney

TD SECURITIES INC.

By: (signed) Cameron Goodnough

BERKSHIRE SECURITIES INC.

By: (signed) William Porter

CANACCORD CAPITAL CORPORATION

By: (signed) Bina N. Patel

DUNDEE SECURITIES CORPORATION

By: (signed) Brett A. Whalen

WELLINGTON WEST CAPITAL INC.

By: (signed) Brent Bottomley

DESJARDINS SECURITIES INC.

By: (signed) Beth A. Shaw

HSBC SECURITIES (CANADA) INC.

By: (signed) Brent Larkan

IPC SECURITIES CORPORATION

By: (signed) Kelly D. Klatik

RAYMOND JAMES LTD.

By: (signed) J. Graham Fell

SANDERS WEALTH MANAGEMENT GROUP LTD.

By: (signed) Gordon Malic

BURGEONVEST SECURITIES LIMITED

By: (signed) Mario Frankovich

MGI SECURITIES INC.

By: (signed) Daniel Barnholden

RICHARDSON PARTNERS FINANCIAL LIMITED

By: (signed) David Finnbogason