

Jov Diversified Flow-Through 2007 Limited Partnership

Financial Statements

December 31, 2007

(expressed in Canadian dollars)

March 28, 2008

Auditors' Report

To the Partners of Jov Diversified Flow-Through 2007 Limited Partnership

We have audited the statements of net assets and investment portfolio of **Jov Diversified Flow-Through 2007 Limited Partnership** as at December 31, 2007 and the statements of operations, changes in net assets and cash flows for the period from October 9, 2007 (commencement of operations) to December 31, 2007. These financial statements are the responsibility of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2007 and the results of its operations, changes in net assets and cash flows for the period from October 9, 2007 (commencement of operations) to December 31, 2007 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Jov Diversified Flow-Through 2007 Limited Partnership

Statement of Net Assets

As at December 31, 2007

(expressed in Canadian dollars)

	\$
Assets	
Cash	334,971
Investments - at fair value	<u>15,744,130</u>
	<u>16,079,101</u>
Liabilities	
Accounts payable and accrued liabilities	187,943
Due to related parties (note 6)	110,000
Loan payable (note 3)	<u>1,600,000</u>
	<u>1,897,943</u>
Net assets	<u>14,181,158</u>
Partnership units outstanding (note 5)	<u>800,000</u>
Net asset value per Partnership unit	<u>17.73</u>

Approved by the General Partner
Jov Diversified Flow-through 2007 Management Corp.

(signed) Hugh Cartwright Director

(signed) Shane Doyle Director

Jov Diversified Flow-Through 2007 Limited Partnership

Statement of Operations

For the period from October 9, 2007 (commencement of operations) to December 31, 2007

(expressed in Canadian dollars)

	\$
Investment income	
Interest	59,048
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Expenses	
Administrative and other (notes 4 and 6)	44,301
Audit fees	15,750
Interest	14,654
Management fee (note 4)	46,204
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	120,909
	<hr/>
Net investment loss	(61,861)
Foreign exchange gain	13,994
Change in unrealized appreciation (depreciation) of investments	(3,817,820)
Net realized losses on investments	(125,030)
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Decrease in net assets from operations	(3,990,717)
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Decrease in net assets from operations per Partnership unit	(4.99)
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Jov Diversified Flow-Through 2007 Limited Partnership

Statement of Changes in Net Assets

For the period from October 9, 2007 (commencement of operations) to December 31, 2007

(expressed in Canadian dollars)

	\$
Net assets - Beginning of period	<u>-</u>
Decrease in net assets from operations	<u>(3,990,717)</u>
Partners' transactions	
Proceeds from issuance of Partnership units	20,000,025
General Partner's contribution	10
Redemption of Partnership unit	(25)
Issue costs (notes 6 and 7)	<u>(1,828,135)</u>
	<u>18,171,875</u>
Net increase in net assets - End of period	<u>14,181,158</u>

Jov Diversified Flow-Through 2007 Limited Partnership

Statement of Cash Flows

For the period from October 9, 2007 (commencement of operations) to December 31, 2007

(expressed in Canadian dollars)

	\$
Cash flows from operating activities	
Net investment loss	(61,861)
Item not affecting cash - gain on foreign exchange	(13,994)
	<hr/>
	(75,855)
Changes in non-cash balances related to operations	
Accounts payable and accrued liabilities	187,943
Due to related parties	110,000
	<hr/>
	222,088
Purchase of investments	(20,000,135)
Proceeds from sale of investments	341,143
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	(19,436,904)
Cash flow from financing activities	
Issue of initial Partnership unit	25
General Partner's contribution	10
Redemption of Partnership unit	(25)
Proceeds from issuance of Partnership units	20,000,000
Proceeds from loan	1,600,000
Issue costs	(1,828,135)
	<hr/>
	19,771,875
Increase in cash	334,971
Cash - Beginning of period	<hr/> -
Cash - End of period	<hr/> 334,971
Interest paid	<hr/> 11,958

Jov Diversified Flow-Through 2007 Limited Partnership

Statement of Investment Portfolio

As at December 31, 2007

(expressed in Canadian dollars)

	Number of shares/ warrants	Cost \$	Fair value \$	Net assets %
Equity investments				
Advanced Explorations Inc.	353,400	886,784	817,927	5.77
Advanced Explorations Inc. - warrants	176,700	113,338	104,617	0.74
Alexco Resource Corp.	165,300	1,000,065	850,718	6.00
Athabasca Oil Sands Corp. - warrants ⁽¹⁾	50,000	136,787	134,232	0.95
Athabasca Oil Sands Corp. ⁽¹⁾	50,000	363,213	363,213	2.56
Aurora Energy Resources Inc.	3,750	76,875	50,625	0.36
Avalon Ventures Ltd.	325,000	601,250	521,657	3.67
Baffinland Iron Mines Corporation	226,400	1,199,920	982,706	6.92
Bellamont Exploration Ltd.	525,000	472,500	380,195	2.68
Breaker Energy Ltd.	10,000	69,000	56,871	0.40
Buffalo Resources Corp.	245,000	323,400	250,249	1.76
Canadian Superior Energy Inc.	71,500	250,250	202,812	1.43
Comaplex Minerals Corp.	193,500	1,499,625	1,085,163	7.65
Connacher Oil & Gas Ltd.	350,000	1,750,000	1,316,000	9.28
Earthfirst Canada Inc.	385,000	1,001,000	677,600	4.78
Excelsior Energy Inc.	769,000	499,850	386,245	2.72
Fission Energy Corp.	694,400	569,408	514,594	3.63
Grey Wolf Exploration Ltd.	689,000	1,499,550	1,157,520	8.16
Laricina Energy Ltd. ⁽¹⁾	25,000	1,015,000	1,015,000	7.16
Metanor Resources Inc.	915,000	732,000	649,650	4.58
Oilsands Quest Inc.	131,500	811,355	529,945	3.74
OPTI Canada Inc.	17,000	419,900	282,030	1.99
Open Range Energy Corp.	140,000	483,000	369,600	2.61
ProspEx Resources Ltd.	20,000	74,000	55,175	0.39
Roxmark Mines Limited	1,613,000	422,869	342,527	2.42
Roxmark Mines Limited - warrants	1,613,000	77,161	82,519	0.58
Shore Gold Inc.	95,000	598,500	437,000	3.08
Sunshine Oilsands Ltd. ⁽¹⁾	159,000	500,850	500,850	3.53
Trilogy Metals Inc.	910,000	500,500	464,747	3.28
Tyhee Development Corp.	2,000,000	1,500,000	1,081,443	7.63
UTS Energy Corporation	15,000	114,000	80,700	0.57
		<u>19,561,950</u>	15,744,130	111.02
Liabilities - net of other assets			<u>(1,562,972)</u>	(11.02)
Net assets			<u>14,181,158</u>	100.00

⁽¹⁾ Private corporation

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

1 Formation and purpose of the 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 and commenced operations on October 9, 2007. The principal purpose of the Partnership is to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource companies for capital appreciation and profits.

The Partnership is managed by Jov Diversified Flow-Through 2007 Management Corp. (the “General Partner”). Under the Amended and Restated Limited Partnership Agreement between the General Partner and each of the limited partners (the “LPA”) dated September 7, 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 and the General Partner is to be allocated 0.01% of the net income of the Partnership.

The Partnership is expected to dissolve on or before June 30, 2009. Upon dissolution, Limited Partners are entitled to receive 99.99% of the net assets of the Partnership and the General Partner is entitled to receive 0.01% of the net assets. The General Partner intends to implement a transaction pursuant to which the Partnership will transfer its assets to a mutual fund in exchange for shares of that mutual fund (the “Liquidity Event”) and the mutual fund shares will be distributed to the Limited Partners, pro rata, on a tax deferred basis upon the dissolution of the Partnership. The Liquidity Event is subject to the mutual agreement of the General Partner and the mutual fund and the receipt of all necessary regulatory approvals.

2 Significant accounting policies

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

Adoption of new accounting standards

On April 1, 2005, The Canadian Institute of Chartered Accountants, issued Section 3855 - Financial Instruments - Recognition and Measurement. This section is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006 and applies to the Partnership for the fiscal year ended December 31, 2007.

As a result of the new standards, publicly traded investments are valued at closing bid price, warrants are valued using a valuation model based on observable market data and transaction costs are expensed.

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

Investments in public equity securities

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

Investments in private equity securities

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

The resulting values for non-publicly traded investments may differ from values that would be realized had a ready market existed. In addition, the amounts at which the Partnership's privately-held investments could be disposed of currently may differ from the carrying value assigned, as a substantial period of time may have elapsed since the latest third party equity financing.

Warrants

Warrants are recorded at their estimated fair value using a recognized valuation model. For private companies, management makes maximum use of publicly available inputs, such as comparable companies with appropriate adjustments to reflect the individual company circumstances to establish volatility and other inputs to the model.

Transaction costs

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

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

Reconciliation of NAV

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

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

A reconciliation between the transactional NAV and the GAAP NAV as at December 31, 2007 has been provided in note 8.

Cash

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

Investment transactions and income recognition

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

All investment transactions are recognized on the business day the order to buy or sell was executed. Realized gains or losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on an average cost basis.

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

Issue costs

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

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

Valuation of Partnership units

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

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

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

Income taxes

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and income and expenses during the reporting period. Actual results could differ from those reported and the differences could be material.

Foreign currency translation

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

Financial instruments

The carrying value of accounts payable and accrued liabilities, loan payable, due to related parties and due to General Partner approximates fair value due to the relatively short period to maturity. The Partnership is subject to interest rate risk in respect of the loan payable as the interest rate is variable.

Risk management

Market risk

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

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

Liquidity risk

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

Interest and credit risk

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

Foreign exchange risk

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

3 Loan payable

In October 2007 the Partnership established a credit facility of up to \$2,500,000 (subject to certain conditions) with a Canadian chartered bank (the Bank) for the payment of issue costs and provided the Bank with a security interest in all the assets of the Partnership. As at December 31, 2007, the loan balance outstanding was \$1,600,000 which is the maximum amount borrowed during the period. The Partnership pays interest on the outstanding loan balance at the Bank's prime lending rate plus 0.15% per annum. This loan is repayable at the earlier date of dissolution of the Partnership and December 31, 2009.

4 Expenses of the Partnership

The General Partner is entitled to an annual management fee of 2.0% of the net asset value of the Partnership, calculated monthly, which totalled \$46,204 for the period ended December 31, 2007. The General Partner will also be entitled to a performance bonus equal to 20% of the product of: (a) the number of Units outstanding on Performance Bonus Date (as defined in the LPA); and (b) the amount by which the Net Asset Value per Unit (prior to giving effect to the performance bonus) plus the total distributions per Unit during the Performance Bonus Term exceeds \$28. No performance bonus was paid to the General Partner during the period ended December 31, 2007. As at December 31, 2007, this threshold has not been achieved; accordingly, no performance bonus has been accrued.

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

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

During the period, the Partnership incurred transaction costs for its portfolio transactions of \$135 and custodial fees of \$1,147, which are included in administrative and other expenses in the statement of operations. Accounts payable and accrued liabilities on the statement of net assets include accrued liabilities of \$18,446. For the year ended December 31, 2007, there were no soft dollar amounts paid.

5 Partners' Equity

a) Authorized

The interest of the Limited Partners in the Partnership is divided into an unlimited number of \$25 units. The Partnership is authorized to issue a maximum of 800,000 units.

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

b) Issued and outstanding

As at December 31, 2007, there were 800,000 Partnership units issued and outstanding.

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

6 Related party balances and transactions

The General Partner has retained Jov Flow-Through Holdings Corp. and CADO Bancorp. Ltd., related companies, to provide office space and perform certain administrative functions on behalf of the General Partner. Transactions with related parties have been recorded at the exchange amount. Balances are unsecured, non-interest bearing and due in the normal course of business.

	\$
Jov Diversified Flow-Through 2007 Management Corp.	
Management fee	46,204
Administration fee	4,770
CADO Bancorp. Ltd.	
Administration fee	24,513
Reimbursement of expenses	20,000
JovFunds Inc.	
Distribution fees	90,000

Jov Diversified Flow-Through 2007 Limited Partnership

Notes to Financial Statements

December 31, 2007

(expressed in Canadian dollars)

7 Agent fees

The Partnership paid agent fees of \$1,350,000, being 6.75% for each unit sold in connection with the offering of Partnership Units of which MGI Securities Inc. (MGI) received \$22,343 thereof. MGI is controlled by Jovian Capital Corporation who controls the Investment Manager and indirectly owns 40% of the outstanding shares of Jov Flow-Through Holdings Corp. and the General Partner.

8 Reconciliation of net asset value

	Transactional NAV as at December 31, 2007 \$	Section 3855 adjustment \$	GAAP NAV as at December 31, 2007 \$
Net asset value	14,507,824	(326,666)	14,181,158
Net asset value per unit	18.14	(0.41)	17.73

9 Future accounting policy changes

The new CICA Handbook Sections 3862 and 3863 supersede Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged requirements. These new standards place greater emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Partnership manages those risks. The new standards will be adopted by the Partnership commencing with its 2008 interim and annual financial statements. The impact of the new standards is limited to disclosures made by the Partnership and will not impact the way in which financial instruments are measured.