



LONG RESERVE LIFE RESOURCE FUND

Annual Report

December 31, 2009

LONG RESERVE LIFE RESOURCE FUND

CORPORATE INFORMATION

Manager:

Navina Asset Management Inc.
220 Bay Street, Suite 1500
Toronto, On M5J 2W4

Auditor:

Ernst & Young LLP
Ernst & Young Tower, 222 Bay Street
P.O. Box 251, Toronto-Dominion Centre
Toronto, On M5K 1J7

Legal Counsel:

McMillan LLP
BCE Place, Suite 4400
Bay Wellington Tower
181 Bay Street
Toronto, On M5J 2T3

Custodian:

State Street Trust Company Canada
30 Adelaide Street East, Suite 1100
Toronto, On M5C 3G6

Transfer Agent:

Computershare Trust Company of Canada
100 University Avenue, 8th floor
Toronto, Ontario
M5J 2Y1

Listed:

The Toronto Stock Exchange

Ticker Symbol:

LRFUN

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance (“MRFP”) for Long Reserve Life Resource Fund (the “Trust”) contains financial highlights and is included with the audited annual financial statements in the annual report of the Trust. You may request a copy of the Trust’s unaudited interim or audited annual financial statements or quarterly portfolio disclosure, by calling 1.866.404.4999, by writing to us at 220 Bay Street, Suite 1500, Toronto, ON M5J 2W4 or by visiting SEDAR at www.sedar.com.

CHANGE OF MANAGER AND TRUSTEE

On August 7, 2009, JovFunds Management Inc. (“Jov”) transferred the responsibility for providing all administrative services, as the manager for the Trust to Lawrence Asset Management Inc. (“LAMI”). LAMI is continuing its role as the portfolio manager of the Trust. All references to the “Manager” in this annual MRFP refer to Jov for transactions and events prior to August 7, 2009.

Effective January 1, 2010, the Manager and Trustee, Lawrence Asset Management Inc. effected an amalgamation of businesses and operations with Navina Capital Corp. The combined entity is named Navina Asset Management Inc. (“NAMI”).

FORWARD LOOKING STATEMENTS

Included in this annual Management Report of Fund Performance are matters that constitute “forward-looking” information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as “plans”, “proposes”, “estimates”, “intends”, “expects”, “believes”, “may” or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign markets, commodity prices and competition. These factors are largely outside the control of the Fund. All subsequent forward-looking statements attributable to the Fund or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Fund expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Long Reserve Life Resource Fund is a closed-end investment trust, the units of which are listed on the Toronto Stock Exchange under the symbol LRF.UN.

Investment Objective And Strategies

The Trust’s investment objective is to (i) achieve long-term capital appreciation; and (ii) provide unitholders with monthly distributions targeted to be \$0.04167 (\$0.50 per annum) representing an annual yield of 5.0% based on the \$10.00 per unit issue price.

In order to achieve the Trust’s investment objective, the Trust will be invested in an actively managed, broadly diversified portfolio of equity securities of issuers in the oil and gas, diversified base metal, precious metal, coal and uranium commodity sectors (collectively, “Resource Issuers”).

NAMI selects Resource Issuers based primarily on reserve life, hedging practices and the political stability of the areas where the Resource Issuer’s reserves are located. NAMI believes that Resource Issuers with a longer reserve life will have higher performance over the life of the Trust than those with a shorter reserve life.

Risk

The Fund’s investment objectives and strategy expose it to various types of risk associated with the financial instruments in which it invests directly. In addition to general market risks, the Fund is subject to other risks, including the following:

- Interest rate risk
- Credit risk
- Foreign currency and market risk
- Liquidity risk

For a detailed disclosure of risks associated with an investment in the Fund please refer to the Fund’s prospectus.

Results of Operations

Net Assets

The Net Assets per unit of the Trust as at December 31, 2009 was \$7.20 compared with \$5.21 as at December 31, 2008. Net Assets increased to \$5.9 million at the end of 2009 from \$5.3 million at the end of 2008.

Average Net Assets for the year ended December 31, 2009 were significantly lower than the prior year. While variable expenses such as the management fee declined in proportion to the decline in average Net Assets, certain fixed expenses remained constant. Consequently, there was an increase in the management expense ratio.

Portfolio

As at December 31, 2009, the Trust had a portfolio with approximately 60% equities that are based in Australia, Canada, and the United Kingdom. Approximately 23% of the portfolio is invested in Canadian income trusts. The balance of the Trust’s Net Assets is held in cash and cash equivalents.

Distributions

During the year ended December 31, 2009, the Trust paid to unitholders distributions of \$499,656 (2008: \$611,622).

Recent Developments

Effective January 1, 2009, the Trust adopted retrospectively without restatement, the CICA Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Trust's own credit risk and the credit risk of the counterparty to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Trust.

In June 2009 the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Handbook Section 3862 Financial Instruments - Disclosures ("Section 3862") requiring the addition of enhanced disclosure of the classification of the fair value measurements associated with the financial instruments held by a Fund. The classifications use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels: quoted prices in an active market (Level 1 - unadjusted inputs); inputs other than quoted prices (Level 2 - directly or indirectly derived from quoted prices); and inputs not based on observable market data (Level 3 - unobservable inputs). Any significant transfers between Level 1 and Level 2 are disclosed. The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009. The adoption of these new standards resulted in increased disclosures but did not affect the Fund's Net Assets or results of operations.

Portfolio Commentary

Demand for natural resources has returned faster and more decisively than expected. The rapid reduction in spending in the sector on both exploration and development caused by the credit crisis in 2008 has further hampered the ability of producers to increase or even maintain the supply in many commodities. The return to demand growth combined with the hamstrung supply side of the market has resulted in continued upward pressure on commodity prices across the board.

This much stronger underlying commodity market has supported the performance of our portfolio and has caused the Manager to maintain a bullish stance with the portfolio. We have maintained weightings to base metals, oil and gas, and precious metals while reducing exposure to coal and uranium. We believe the metals and oil and gas will outperform the coal and uranium equities in our eligible universe in 2010. Moreover, we have added fertilizers as an asset class and have added to positions in this subsector opportunistically. The Canadian equity market is home to a large percentage of the world's high quality fertilizer companies and we intend to opportunistically invest and trade in this sector.

The Manager expects hard commodities to register positive returns in 2010 and there to be increased investor interest and M&A activity in the resources sector, both of which will contribute to higher equity prices and positive total returns from the sector.

Unitholder Activity

Unitholders are permitted to redeem their units at the end of November in any given year.

The Trust is required, subject to certain exceptions, under its mandatory repurchase program, to repurchase units of the Trust in the market if at any time the market price at which the units are then offered for sale is less than 95% of the net asset value per unit determined as of the close of business on the immediately preceding business day. For the year ended December 31, 2009, the Trust did not repurchase any units (2008 - 25,200) and incurred no costs (2008 - \$169,875).

On July 23, 2008, the Manager issued a renewal notice of its intention to repurchase units of the Trust through a normal course issuer bid ("NCIB"). Under the NCIB, the Trust may repurchase up to approximately 10% of the public float of units for cancellation at a price not exceeding the net asset value of the Trust. All such purchases would be accretive and enhance returns to continuing unitholders. Purchases of units commenced on July 25, 2008 and must terminate on July 24, 2009, or on such earlier date as the Trust may complete its purchase limit. For the year ended December 31, 2009, the Trust repurchased 1,700 units (2008 - 400) for cancellation under the NCIB at a total cost of \$8,553 (2008 - \$4,216).

Future accounting change

The Canadian Accounting Standards Board has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board by January 1, 2011. At December 31, 2009 the Manager's plan for conversion to IFRS includes discussions with the Trust's accountants and fund administrators on their process for conversion to IFRS. In addition, the Manager has reviewed the potential impact of IFRS on the Trust's NAV and financial statements. Based on this review, the Manager believes that the impact of IFRS will be primarily the disclosure and presentation of the Trust's financial statements, with no impact to the Trust's NAV.

Related Party Transactions

The Manager provides all administrative services required by the Trust. The Manager receives a monthly fee at the annual rate of 1.10%, plus applicable taxes, of the net asset value of the Trust, calculated and accrued daily and payable monthly in arrears. The Trust pays to registered dealers an annual service fee equal to 0.40% annually of the net asset value of units held by clients of the sales representatives of such dealers, calculated and payable quarterly in arrears. The Manager is responsible for payment of the investment management fees of the Trust to the portfolio manager out of its annual management fees.

Financial Highlights

The following tables show selected key financial information about the Trust and are intended to help you understand the Trust's financial performance for the periods ended December 31 since its inception on May 18, 2006. The information for 2006 relates to the period from May 18, 2006 to December 31, 2006.

| THE TRUST'S NET ASSETS PER UNIT ^{(1) (4)} | 2009 | 2008 | 2007 | 2006 ⁽²⁾ |
|--|---------------|---------------|----------------|---------------------|
| Net Assets, beginning of period | \$5.21 | \$10.45 | \$10.06 | \$10.00 |
| Increase (decrease) from operations: | | | | |
| Total revenue | 0.17 | 0.20 | 0.35 | 0.15 |
| Total expenses | (0.26) | (0.30) | (0.27) | (0.13) |
| Realized gains (losses) for the period | (2.67) | 0.79 | 1.42 | 0.22 |
| Unrealized gains (losses) for the period | 5.22 | (5.55) | 0.46 | 0.69 |
| Total increase (decrease) from operations | 2.46 | (4.86) | 1.96 | 0.93 |
| Distributions ⁽³⁾ | | | | |
| From income (excluding dividends) | | | | |
| From dividends | | | | |
| Return of capital | (0.50) | (0.35) | (0.99) | (0.05) |
| From capital gains | - | (0.15) | (0.50) | (0.24) |
| Total distributions | (0.50) | (0.50) | (1.49) | (0.29) |
| Net Assets, end of period | \$7.20 | \$5.21 | \$10.45 | \$10.06 |

(1) Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) Net Assets beginning of period for 2006 represents the original investment amount as at May 18, 2006, the date of the closing of the initial offering of units at \$10.00 per unit.

(3) Distributions were paid in cash or reinvested in additional units.

(4) This information is derived from the Trust's annual audited financial statements. The Net Assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

Ratios and Supplemental Data

| | 2009 | 2008 | 2007 | 2006 |
|--|---------|---------|----------|----------|
| Total net asset value (000's) ⁽¹⁾ | \$5,977 | \$5,346 | \$13,056 | \$21,178 |
| Number of units outstanding (000's) ⁽¹⁾ | 825 | 1,014 | 1,246 | 2,106 |
| Management expense ratio ⁽²⁾ | 4.24% | 3.43% | 2.38% | 14.39% |
| Management expense ratio before waivers or absorptions | 4.24% | 3.43% | 2.38% | 14.99% |
| Portfolio turnover rate ⁽³⁾ | 85.26% | 244.36% | 71.79% | 170.75% |
| Trading expense ratio ⁽⁴⁾ | 0.30% | 1.35% | 0.50% | 1.13% |
| Closing market price | \$6.52 | \$4.93 | \$10.40 | \$9.25 |

(1) Information is provided as at December 31 for the years shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Assets during the period. The management expense ratio for 2006 is calculated on an annualized basis and reflects one-time issue expenses related to the units and the fact that the Trust operated for the period from May 18, 2006 to December 31, 2006.

(3) The Trust's portfolio turnover rate indicates how actively the Trust's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Trust in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Assets during the period.

Management fee

The Manager is responsible for the management and operation of the Trust. In addition, the Manager monitors the Trust's investment strategy to ensure compliance with the investment guidelines. The Manager retained NAMI to provide portfolio management services to the Trust. In return for providing these services, the Manager earns a fee of 1.1% per annum calculated as a percentage of the net asset value ("NAV") of the Trust. The Manager pays the investment management fees of NAMI from the Manager's fee. The Trust also pays to registered dealers, an annual dealer service fee of 0.40% which is calculated as a percentage of the NAV of the Trust.

| DESCRIPTION | % of Net Asset Value (NAV) | 2009 (\$000's) |
|--------------------|----------------------------|----------------|
| Management Fee | 1.10% | \$72 |
| Dealer Service Fee | 0.40% | \$26 |

PAST PERFORMANCE

General

The performance information shown assumes that all distributions made by the Trust in the periods shown were reinvested in additional securities of the Trust. The performance information does not take into account sales, redemption, distributions or other optional charges that would have reduced returns or performance. How the Trust has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart shows the Trust's performance for the periods shown, and illustrates how the Trust's performance has changed from year to year since inception to December 31, 2009 (2006 is for the return from May 18, 2006 to December 31, 2006). The bar chart shows, in percentage terms, how much an investment in the Trust's units made on January 1 would have grown or decreased by December 31 of that year.



Annual Compound Returns

The following table shows the Fund's annual compound return for the period ended December 31, 2009 as indicated. As a basis for comparison, the annual compound return is compared to the S&P/TSX Composite Index on the same compound basis.

| PERCENTAGE RETURN: | 1-Year | Since Inception ⁽ⁱ⁾ |
|---------------------------------|--------|--------------------------------|
| Long Reserve Life Resource Fund | 49.0% | -0.5% |
| S&P/TSX Composite Index | 30.7% | N/A |

(i) Return from May 18, 2006.

The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange. Company size and liquidity are the chief attributes determining index membership.

| PORTFOLIO COMPOSITION | % of Net Asset Value |
|--|----------------------|
| Equities | |
| Canada | 39.68 |
| Australia | 12.56 |
| United Kingdom | 7.43 |
| Total Equities | 59.67 |
| Income Trusts | |
| Canada | 22.55 |
| Total Income Trusts | 22.55 |
| Cash | 19.89 |
| Other assets less liabilities | (2.11) |
| 100.00 | |
| TOP POSITIONS | |
| % of Net Asset Value | |
| Sandstorm Resources Inc. | 10.28 |
| BHP Billiton Limited ADR | 9.81 |
| Cameco Corporation | 9.54 |
| Mega Uranium Ltd. | 7.63 |
| Daylight Resources Trust | 6.82 |
| Crescent Point Energy Corp. | 6.08 |
| Vermilion Energy Trust | 6.02 |
| ARC Energy Trust | 5.54 |
| Antofagasta PLC ADR | 5.29 |
| Enerplus Resources Fund | 4.17 |
| Iluka Resources Ltd. | 2.75 |
| Tourmaline Oil Corp. | 2.51 |
| Anglo American PLC ADR | 2.15 |
| Sandstorm Resources Inc. Warrants Exp Apr. 23/14 | 2.10 |
| Silver Standard Resources Inc. | 1.53 |
| Positions | 82.22 |
| Cash | 19.89 |
| Other assets less liabilities | (2.11) |
| Total Net Asset Value | 100.00 |

Net asset value includes the value of the assets of the Trust less liabilities of the Trust.

The summary of investment portfolio may change due to ongoing portfolio transactions of the Trust. Quarterly updates are available within 60 days of each quarter end by visiting www.navinaasset.com or contacting the Trust at 1.866.404.4999.

MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Navina Asset Management Inc., the Manager of Long Reserve Life Resource Fund (the "Trust"), and approved by the Manager. The Manager is responsible for the information and representations contained in these financial statements and other sections of the Annual Report. The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Trust are described in Note 2 to the financial statements

Ernst & Young LLP are the external auditors of the Trust. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Security Holders their opinion on the financial statements. Their report is set out below.



Ravi Sood
Chief Executive Officer
Navina Asset Management Inc.



Andrew Bentley
President
Navina Asset Management Inc.

March 15, 2010

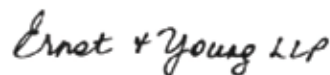
AUDITORS' REPORT

To the Security Holders of
Long Reserve Life Resource Fund

We have audited the statements of net assets of **Long Reserve Life Resource Fund** [the "Trust"] as at December 31, 2009 and 2008, the statement of investments as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 net assets of the Trust as at December 31, 2009 and 2008, investments as at December 31, 2009 and the results of its operations, changes in its net assets and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
March 15, 2010.

Chartered Accountants
Licensed Public Accountants

LONG RESERVE LIFE RESOURCE FUND

Statements of Net Assets - As at December 31

| | 2009 \$ | 2008 \$ |
|--|------------------|------------------|
| Assets | | |
| Investments, at fair value | 4,877,102 | 4,385,972 |
| Cash | 1,188,983 | 1,059,133 |
| Receivable for open forward currency contracts (note 7) | 10,309 | - |
| Accrued interest, dividends and distributions from investments | 13,077 | 12,794 |
| Prepaid insurance | 2,920 | - |
| Total Assets | 6,092,391 | 5,457,899 |
| Liabilities | | |
| Unit repurchases payable | - | 496 |
| Payable for open forward currency contracts (note 7) | - | 52,234 |
| Management fees payable | 12,364 | 6,231 |
| Accounts payable and accrued liabilities | 105,668 | 79,024 |
| Distributions payable | 34,376 | 42,245 |
| Total Liabilities | 152,408 | 180,230 |
| Total Net Assets | 5,939,983 | 5,277,669 |
| Number of units outstanding [note 6] | 824,952 | 1,013,701 |
| Net Assets per unit | 7.20 | 5.21 |

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of the Manager:


Ravi Sood
Director

Andrew Bentley
Director

LONG RESERVE LIFE RESOURCE FUND

Statements of Operations - For the years ended December 31

| | 2009 \$ | 2008 \$ |
|--|------------------|-------------|
| Revenue | | |
| Interest | 132,648 | 177,054 |
| Dividend | 41,545 | 68,455 |
| | 174,193 | 245,509 |
| Expenses | | |
| Management fees [note 4] | 97,876 | 170,536 |
| Administration fees | 57,923 | 53,123 |
| Audit fees | 24,999 | 25,521 |
| Custodial fees | 6,001 | 6,248 |
| Legal fees | 25,998 | 47,244 |
| Securityholder reporting costs | 25,527 | 29,626 |
| Transfer agency fees | 25,181 | 33,961 |
| Independent review committee fees | 103 | 234 |
| Other | - | 3,732 |
| | 263,608 | 370,225 |
| Net investment loss | (89,415) | (124,716) |
| Realized and unrealized gain (loss) on investments | | |
| Net realized gain (loss) on sale of investments | (2,753,038) | 1,340,685 |
| Change in unrealized appreciation (depreciation) on investments | 5,146,341 | (6,631,000) |
| Net realized foreign exchange gain (loss) | 115,823 | (234,721) |
| Change in unrealized appreciation (depreciation) on foreign currency | 62,336 | (141,421) |
| Transaction costs [note 2] | (18,895) | (145,367) |
| | 2,552,567 | (5,811,824) |
| Increase (decrease) in Net Assets from operations | 2,463,152 | (5,936,540) |
| Increase (decrease) in Net Assets from operations per unit | 2.46 | (4.86) |

See accompanying notes to financial statements.

LONG RESERVE LIFE RESOURCE FUND

Statements of Changes in Net Assets - For the years ended December 31

| | 2009 \$ | 2008 \$ |
|---|--------------------|-------------|
| Net Assets, beginning of year | 5,277,669 | 13,026,226 |
| Increase (decrease) in net assets from operations | 2,463,152 | (5,936,540) |
| Capital unit transactions <i>[note 6]</i> | | |
| Proceeds from issuance of trust units | 10,389 | - |
| Reinvested trust units | 19,575 | 69,748 |
| Redeemed trust units | (1,322,593) | (1,096,052) |
| Repurchase and cancellation of trust units <i>[notes 11 and 13]</i> | (8,553) | (174,091) |
| | (1,301,182) | (1,200,395) |
| Distributions to unitholders: | | |
| Capital gains | - | (184,424) |
| Return of capital | (499,656) | (427,198) |
| | (499,656) | (611,622) |
| Net Assets, end of year | 5,939,983 | 5,277,669 |

See accompanying notes to financial statements.

LONG RESERVE LIFE RESOURCE FUND

Statements of Cash Flows - For the years ended December 31

| | 2009 \$ | 2008 \$ |
|---|--------------------|--------------------|
| Operating Activities | | |
| Increase (decrease) in net assets from operations | 2,463,152 | (5,936,540) |
| Add (deduct) items not affecting cash: | | |
| Loss (gain) on sale of investments | 2,753,038 | (1,194,411) |
| Change in unrealized depreciation (appreciation) on investments | (5,146,341) | 6,631,000 |
| Net change in non-cash assets and liabilities | 49,149 | 99,818 |
| Cash provided by (used in) operating activities | 118,998 | (400,133) |
| Financing Activities | | |
| Distributions paid to unitholders | (507,525) | (1,854,962) |
| Net proceeds from issuance of trust units | 10,389 | - |
| Payments for redemption and/or repurchase of trust units | (1,331,642) | (1,269,647) |
| Cash provided by (used in) financing activities | (1,828,778) | (3,124,609) |
| Investing Activities | | |
| Proceeds from sale of investments | 6,134,094 | 23,017,579 |
| Purchases of investments | (4,294,464) | (22,219,926) |
| Cash provided by (used in) investing activities | 1,839,630 | 797,653 |
| Net increase (decrease) in cash during the year | 129,850 | (2,727,089) |
| Cash, beginning of year | 1,059,133 | 3,786,222 |
| Cash, end of year | 1,188,983 | 1,059,133 |

See accompanying notes to financial statements.

LONG RESERVE LIFE RESOURCE FUND

Statement of Investments - As at December 31, 2009

| SHARES OR UNITS HELD | SECURITY | AVERAGE COST \$ | FAIR VALUE \$ |
|-------------------------------|---|-----------------------|---------------------|
| EQUITIES (72.41%) | | | |
| Australia (15.38%) | | | |
| 7,300 | BHP Billiton Limited ADR | 393,643 | 585,834 |
| 48,757 | Iluka Resources Ltd. | 182,163 | 164,571 |
| | | 575,806 | 750,405 |
| Canada (47.98%) | | | |
| 16,800 | Cameco Corporation | 371,616 | 567,336 |
| 9,200 | Crescent Point Energy Corp. | 303,743 | 362,940 |
| 600,000 | Mega Uranium Ltd. | 444,000 | 444,000 |
| 1,097,000 | Sandstorm Resources Inc. | 405,890 | 603,350 |
| 548,500 | Sandstorm Resources Inc., Warrants Exp. Apr 23/2014 | 87,760 | 120,670 |
| 4,000 | Silver Standard Resources Inc. | 74,025 | 91,668 |
| 10,000 | Tourmaline Oil Corp. | 150,000 | 150,000 |
| | | 1,837,034 | 2,339,964 |
| United Kingdom (9.05%) | | | |
| 5,645 | Anglo American PLC ADR | 151,161 | 128,301 |
| 9,300 | Antofagasta PLC ADR | 169,084 | 312,964 |
| | | 320,245 | 441,265 |
| TOTAL EQUITIES | | 2,733,085 | 3,531,634 |
| INCOME TRUSTS (27.59%) | | | |
| Canada (27.59%) | | | |
| 16,600 | ARC Energy Trust | 378,940 | 331,004 |
| 40,000 | Daylight Resources Trust | 280,000 | 406,800 |
| 10,300 | Enerplus Resources Fund | 379,800 | 248,024 |
| 11,100 | Vermilion Energy Trust | 368,015 | 359,640 |
| TOTAL INCOME TRUSTS | | 1,406,755 | 1,345,468 |
| TOTAL INVESTMENTS | | 4,139,840 | 4,877,102 |

See accompanying notes to financial statements.

1. THE TRUST

Long Reserve Life Resource Fund (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated May 18, 2006.

The Trust effectively began operations on May 31, 2006 when it completed an initial public offering of 2,000,000 units at \$10.00 per unit for gross proceeds of \$20.0 million. On June 27, 2006 an over-allotment option granted to agents was exercised for an additional 150,000 units of the Trust at \$10.00 per unit for gross proceeds of \$1.5 million.

The Trust's investment objective is to (i) achieve long-term capital appreciation; and (ii) provide unitholders with monthly distributions targeted to be \$0.04167 (\$0.50 per annum) representing an annual yield of 5.0% based on the \$10.00 per unit issue price.

As at January 1, 2009 the manager and trustee of the trust was JovFunds Management Inc. (the "Manager"). Effective August 7, 2009, the Manager and trustee of the Trust changed to Lawrence Asset Management Inc. (LAMI). Then, effective January 12, 2010, LAMI changed its name to Navina Asset Management Inc. ("NAMI"). NAMI will continue in its role as the portfolio manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting policies:

Adoption of new accounting standards

In June 2009 the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Handbook Section 3862 Financial Instruments—Disclosures ("Section 3862") requiring enhanced disclosure around fair value and liquidity risk. This includes classification of the fair value measurements associated with the financial instruments held by a Fund. The classifications use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels: quoted prices in an active market (Level 1—unadjusted inputs); inputs other than quoted prices (Level 2—directly or indirectly derived from observational market data); and inputs not based on observable market data (Level 3—unobservable inputs). In addition to the above disclosure requirements, Section 3862 requires disclosure of significant transfers between Levels 1 and 2 since the prior reporting period, as well as reconciliation of Level 3 assets, disclosing separately changes during the reporting period attributable to i) total gains or losses recognized in net income, and a description of where they are presented in the income statement, ii) purchases, sales, issues and settlements, iii) transfers into or out of Level 3 and the reasons for those transfers. Any significant transfers between Level 1 and Level 2 are disclosed. Further, for fair value measurements in Level 3, if changing one or more type of

the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state this fact and disclose both the effect of those changes and how the effect was calculated. The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009. The adoption didn't have an impact on Net Assets or increase/decrease in Net Assets from Operations.

Effective January 1, 2009, the Trust adopted retrospectively without restatement, the CICA Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Trust's own credit risk and the credit risk of the counterparty to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Trust.

Valuation of financial instruments

The portfolio investments of the Trust are deemed to be classified as held for trading. Investments in publicly traded securities are valued at fair value, which is determined by the bid price for securities purchased long and ask price for securities sold short from the relevant exchange on the financial statement date. Investments in securities for which bid prices are not readily available are valued at the closing sale prices.

If no sales price can be ascertained or if the securities are not quoted on an exchange, the value is based on the average of the last bid and ask prices quoted by a major dealer in such securities. Securities for which no such information is readily available are valued at fair value as determined by the Manager using appropriate and accepted industry valuation techniques including valuation models. The difference between fair value and average cost, as recorded in the accounts, is shown as change in unrealized appreciation (depreciation) on investments.

Short-term investments, including notes and money market instruments, are valued at current value.

The value of any bonds, debentures and other debt obligations are valued by taking the average of the bid and ask prices on the valuation date.

The fair values of other financial assets and liabilities approximate their carrying value due to the short-term nature of these instruments.

Transaction costs

Portfolio transaction costs are expensed. Average costs recorded in the Statement of Investments are net of transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges.

Cash

Cash consists of cash on deposit. Cash is deemed to be held for trading and therefore carried at fair value.

Investment transactions and income

All investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis, excluding transaction costs and effect of foreign exchange, which is disclosed separately.

Interest income and expenses are recognized on an accrual basis.

Dividend income is recognized on the ex-dividend date.

Distributions from income trusts are treated as dividend income, interest income or capital gains for tax purposes are included as dividend income, interest income or capital gains distributed from income trusts, as appropriate, in the Statements of Operations.

Foreign currency translation

Investments and other assets and liabilities at fair value denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

Forward foreign currency contracts

Forward foreign currency contracts are valued at fair value on each valuation day. Gains or losses incurred when forward foreign currency contracts entered into by the Trust, which are of the nature of a general hedge of the currency exposure of the underlying portfolio of investments, mature or are closed out are included in net realized foreign exchange gain (loss) in the Statements of Operations.

Use of estimates

Allocations of distributions received from income trusts among dividends, interest and other income, capital gains, or return of capital are based on estimates of the categorization of distribution provided by those income trusts. These allocations may change once final categorizations of the distributions are received from the respective income trusts.

The preparation of financial statements in accordance with Canadian GAAP requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in Net Assets during the reporting period. Actual results could differ from those estimates.

Net Assets per unit

The Net Assets per unit is computed by dividing the Net Assets of the Trust by the total number of units outstanding on the valuation date.

3. TAXATION

The Trust qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada). The Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the period, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the period.

No provision for income taxes has been recorded in the accompanying financial statements as all net income and net realized capital gains are distributed to the unitholders.

Capital losses realized over and above realized capital gains in the current taxation year can be carried forward indefinitely and may be applied against future years' capital gains. Non-capital losses arising in tax years ending after 2005 may be carried forward for a period of twenty years and applied against future years' taxable income. If the non-capital losses are not applied within the relevant time frame from the taxation year in which the non-capital loss arose, the non-capital loss will expire.

As at December 31, 2009, the Trust had capital losses of \$2,793,043 and non-capital losses of \$322,508 available to offset future capital gains and income respectively. If not utilized, the non-capital losses will expire in 2029.

4. EXPENSES OF THE TRUST**Management fee**

As compensation for management services rendered to the Trust, the Manager is entitled to receive an annual management fee payable by the Trust in an amount equal to 1.1% of the NAV calculated and payable monthly in arrears plus applicable taxes. The Manager is responsible for payment of the investment management fees of the portfolio manager out of its fees. Management fees for the year were \$71,776 (2008 - \$125,060).

The Trust pays to registered dealers an annual service fee equal to 0.40% annually of the net asset value of units held by clients of the sales representatives of such dealers, calculated and payable quarterly in arrears. Dealer service fees for the year were \$26,100 (2008 - \$45,476) and are included in management fees in the Statement of Operations.

Other expenses

The Trust is responsible for all other expenses incurred in connection with its operation and administration, such as custodian, valuation, transfer agent, reporting, audit and legal fees.

5. UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of voting, transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net asset value of the Trust. On termination of the Trust, unitholders will be entitled to receive their pro rata share of all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses.

Unitholders may have their units redeemed annually not more than 45 days, and at least 20 business days, prior to the second last business day of November in any year. The redemption price is equal to the net asset value per unit of the Trust determined as of the valuation date.

Unitholders are entitled to a monthly redemption at a redemption price equal to the lesser of:

- (a) 95% of the average of the daily weighted unit trading price for the 10 business days prior to the second last business day of the month (the 'Redemption Date'); and
- (b) an amount equal to:
 - (i) the closing unit fair price on the applicable Redemption Date, if there was trading on the applicable Redemption Date and the stock exchange provides a closing price;
 - (ii) an amount equal to the average of the highest and lowest prices of units on the applicable Redemption Date if there was trading on the applicable Redemption Date and the stock exchange provides only the highest and lowest trading prices of units on a particular day; or
 - (iii) the average of the last bid and ask prices on the applicable Redemption Date on the stock exchange if there was no trading on the applicable Redemption Date.

6. NET CAPITAL TRANSACTIONS

Net capital transactions for the Trust for the year from January 1, 2009 to December 31, 2009 were the following:

| | Units | \$ |
|---|----------------|------------------|
| Number of units outstanding, beginning of year | 1,013,701 | 8,882,800 |
| Issuance of units | 1,679 | 10,389 |
| Distribution Reinvestment Plan | 3,722 | 19,575 |
| Redemptions | (192,450) | (1,322,593) |
| Repurchase and cancellation of units ^(Notes 11 and 12) | (1,700) | (8,553) |
| Number of units outstanding, end of year | 824,952 | 7,581,618 |

Net capital transactions for the Trust for the year from January 1, 2008 to December 31, 2008 were the following:

| | Units | \$ |
|--|------------------|------------------|
| Number of units outstanding, beginning of year | 1,246,121 | 10,083,195 |
| Distribution Reinvestment Plan | 7,991 | 69,748 |
| Redemptions | (214,811) | (1,096,052) |
| Repurchase and cancellation of units ^(Notes 11, 12) | (25,600) | (174,091) |
| Number of units outstanding, end of year | 1,013,701 | 8,882,800 |

Unitholders equity is considered to be the source of capital for the Trust. The Trust's objectives are managing capital to safeguard the Trusts ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to shareholders.

The Trust does not have any externally imposed capital requirements, the Fund Manager believes that the current level of distributions, capital and capital structure is sufficient to sustain ongoing operations. The Fund Manager actively monitors the cash position and financial performance of the Trust to ensure there are resources to meet distributions and redemptions.

7. FORWARD CURRENCY CONTRACTS

As at December 31, 2009 and December 31, 2008 the Trust had entered into forward currency contracts to deliver currencies at specified future dates as follows:

| 2009 Contracts | | Sold | | Bought | Settlement Date | Unrealized Gain (Loss) | Counterparty | Credit Rating |
|----------------|-----|-----------|-----|-----------|-----------------|------------------------|--------------|---------------|
| 1 | AUD | 175,000 | CAD | 165,611 | Mar 10, 2010 | 616 | State Street | AA- |
| 1 | USD | 1,015,000 | CAD | 1,073,769 | Mar 10, 2010 | 9,693 | State Street | AA- |
| Totals | | | | | | 10,309 | | |

| 2008 Contracts | | Sold | | Bought | Settlement Date | Unrealized Gain (Loss) | Counterparty | Credit Rating |
|----------------|-----|-----------|-----|-----------|-----------------|------------------------|--------------|---------------|
| 1 | AUD | 234,000 | CAD | 193,167 | May 15, 2009 | (8,235) | State Street | AA- |
| 1 | GBP | 84,000 | CAD | 151,200 | May 15, 2009 | 2,108 | State Street | AA- |
| 1 | USD | 1,157,000 | CAD | 1,382,210 | May 15, 2009 | (46,107) | State Street | AA- |
| Totals | | | | | | (52,234) | | |

CAD - Canadian Dollar
 USD - U.S. Dollar

8. DISTRIBUTIONS

The Trust endeavours to make monthly cash distributions to unitholders consisting primarily of distributions received on securities in the investment portfolio and, in certain circumstances, of net realized capital gains from the investment portfolio. These monthly distributions are paid to unitholders on the eighth business day of the following month. The monthly distribution declared to unitholders of record, at the end of each month in the year, was \$0.04167 per unit.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management

The Trust's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Trust's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Trust's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and possibly using derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Trust's investment activities and monitors compliance with the Trust's stated investment strategy, internal guidelines and securities regulations.

In order to achieve the Trust's investment objective, the Trust is invested in an actively managed, broadly diversified portfolio of equity securities of issuers in the oil and gas, diversified base metal, precious metal, coal and uranium commodity sectors (collectively, "Resource Issuers").

NAMI selects Resource Issuers based primarily on reserve life, hedging practices and the political stability of the areas where the Resource Issuer's reserves are located. NAMI believes that Resource Issuers with a longer reserve life will have higher performance over the life of the Trust than those with a shorter reserve life.

No changes affecting the overall level of risk of the investing in the Trust were made during the year. The risks of this Trust remain as discussed in the Trust's Prospectus and in the Trust's most recent Annual Information Form.

Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the Trust's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates.

The Trust invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Trust is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Trust's assets. However, the Trust may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure. The portion of the Trust's Net Assets held in non-Canadian dollar assets as at December 31, 2008 was less than 5%. The currency fluctuation on such exposure was immaterial to the Net Assets of the Trust.

NOTES TO FINANCIAL STATEMENTS (continued)

The following summarizes the Trust's exposure to currency risks, as at December 31, 2009:

| December 31, 2009 | Financial Assets | Other Assets | Foreign Forward Currency Contract | Financial Liabilities | Other Liabilities | Total Exposure | % of Net Assets |
|-------------------|------------------|--------------|-----------------------------------|-----------------------|-------------------|----------------|-----------------|
| Australian Dollar | 164,572 | 615 | (165,611) | - | - | (424) | (0.007%) |
| US Dollar | 1,118,766 | 10,823 | (1,073,769) | - | - | 55,820 | 0.94% |

As at December 31, 2009, had the Canadian dollar become strengthened or weakened by 1% against each of the other currencies with all other variables remaining constant, net assets of the Trust for the period would have decreased or increased by \$554.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as bonds or debentures. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since securities are usually held to maturity and tend to be short-term in nature.

The majority of the Trust's assets and liabilities are non-interest bearing. As such, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the Trust. Credit risk typically arises out of exposure to debt instruments, such as bonds, or derivatives. The market value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the Trust.

As at December 31, 2009, the Trust has exposure to credit risk through the forward currency contracts outstanding with State Street. In the opinion of management, the Trust has no significant credit risk exposure for the forward currency contracts due to the small number of contracts, two, the total dollar amount of the contracts, CAD\$1,239,380, the March 10, 2010 settlement date for each contract and the AA-credit rating of State Street as counterparty to the contracts.

Liquidity risk

Liquidity risk is the possibility that investments in a Trust cannot be readily converted into cash when required to meet obligations associated with financial liabilities. The Trust invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Trust also retains sufficient cash and cash equivalent positions and is therefore considered relatively liquid. However, unexpected heavy demand for redemptions of units could result in the Trust having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption requests.

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

If bid prices of each of the investments had strengthened or weakened by 1% with all other variables remaining constant, Net Assets of the Trust for the period would have increased or decreased by \$48,771 (December 31, 2008 -\$43,860).

Portfolio concentration risk

Portfolio concentration risk is the risk associated with the exposure to any one or more particular country, asset class or security. The Manager believes that there is no significant concentration risk of the Trust due to diversification by country asset class and security. The following is a summary of portfolio concentration as of December 31:

| | 2009 | 2008 |
|-----------------------|-------|-------|
| COUNTRY | | |
| Australia | 15.4% | 16.6% |
| Canada | 75.6% | 57.9% |
| South Africa | 0.0% | 2.5% |
| United Kingdom | 9.1% | 8.8% |
| United States | 0.0% | 14.1% |
| ASSET CLASS | | |
| Equities | 72.4% | 73.9% |
| Income Trusts | 27.6% | 26.1% |
| SECURITIES | | |
| Avg position size | 5.5% | 4.5% |
| Largest position size | 10.3% | 8.9% |

NOTES TO FINANCIAL STATEMENTS (continued)

Fair value measurements

The following is a summary of the inputs used as of December 31, 2009 in valuing the Trust's investments and derivatives carried at fair values:

| | Level One | Level Two | Level Three | Totals |
|--|---------------------|------------------|-------------------|---------------------|
| Financial Assets | | | | |
| COMMON STOCK | 2,233,865.42 | 0.00 | 150,000.00 | 2,383,865.42 |
| INCOME TRUSTS | 1,345,468.00 | 0.00 | 0.00 | 1,345,468.00 |
| WARRANTS | 120,670.00 | 0.00 | 0.00 | 120,670.00 |
| DEPOSITORY RECEIPTS | 1,027,098.49 | 0.00 | 0.00 | 1,027,098.49 |
| Total Financial Assets | 4,727,101.91 | 0.00 | 150,000.00 | 4,877,101.91 |
| Other Financial Instruments | | | | |
| FORWARD CURRENCY CONTRACTS | 0.00 | 10,308.60 | 0.00 | 10,308.60 |
| Total Other Financial Instruments | 0.00 | 10,308.60 | 0.00 | 10,308.60 |

During the period ended December 31, 2009, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

| DESCRIPTION | Market Value | Beginning Balance | Beginning Unrealized - Gain (Loss) | Realized - Gain (Loss) | Purchases | Sales @ Proceeds | Transfers In @ MV | Transfers Out @ MV | Amortization Prem/Disc | Ending Unrealized Gain (Loss) | Market Value Ending Balance | Change In Unrealized Gain (Loss) |
|--|--------------|-------------------|------------------------------------|------------------------|-----------|------------------|-------------------|--------------------|------------------------|-------------------------------|-----------------------------|----------------------------------|
| Assets | | | | | | | | | | | | |
| Equities | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 |
| Common Stock | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 |
| Tourmaline Oil Corp Common (R/11MAR10) | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 |
| Total Common Stock | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 |
| Total Equities | | | | 150,000.00 | | | | | | 150,000.00 | | |
| Total Assets | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 150,000.00 | 0.00 | 0.00 |

10. NET ASSET VALUE AND NET ASSETS

The application of CICA Handbook Section 3855 may result in a different value of securities for financial reporting purposes than the value used for pricing unitholder transaction purposes.

The following is the Net Asset Value per unit determined in accordance with Part 14 of the National Instrument and the Net Assets per unit as shown on the Statements of Net Assets. The difference between these amounts represents the valuation difference of securities resulting from the application of CICA Handbook Section 3855.

| | 2009 | 2008 |
|--------------------------|---------|---------|
| Net Asset Value per unit | \$ 7.25 | \$ 5.27 |
| Net Assets per unit | \$ 7.20 | \$ 5.21 |

11. MANDATORY REPURCHASE PROGRAM

The Trust has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase (in the open market or by invitation for tenders) units for cancellation up to a maximum in any twelve-month period of up to 10% of the number of units outstanding at the commencement of such period, in all cases at prices not exceeding the net asset value per unit of the Trust on the valuation date immediately prior to the date of any such purchase. For the year ended December 31, 2009, the Trust did not repurchase any units (2008 - 25,200 units) for cancellation under its mandatory repurchase program (2008 - \$169,875). The units repurchased for cancellation under the mandatory repurchase program are included in repurchase and cancellation of trust units in the Statement of Changes in Net Assets.

12. LOAN FACILITY

The Manager, on behalf of the Trust, may enter into a revolving term credit facility (the "Loan Facility") with a lender in order to add leverage to the portfolio of investments. The Portfolio Manager would draw down on the Loan Facility when market conditions provide opportunities to attempt to increase the potential returns of the Trust. The aggregate amount of borrowings under any Loan Facility and other forms of leverage may not exceed 25% of the total Net Assets of the Trust at the time of the borrowing or other transaction is entered into.

As at December 31, 2009, the Manager had not yet entered into a revolving term credit facility. No Loan Facility was used in 2008.

13. NORMAL COURSE ISSUER BID

On July 23, 2008, the Manager issued a renewal notice of intention (the "Notice") to repurchase units of the Trust through a normal course issuer bid (the "NCIB"). Under the NCIB, the Trust may purchase up to approximately 10% of the public float of units. Purchases of units commenced

on July 25, 2008 and must terminate on July 24, 2009, or on such earlier date as the Trust may complete its purchases pursuant to the Notice. Purchases will be made in the open market through the facilities of the TSX in accordance with its rules and policies. The price that the Trust will pay for any such units may not exceed the net asset value per unit. Any units purchased by the Trust will be cancelled. All such purchases would be accretive and enhance returns to continuing unitholders. For the year ended December 31, 2009, the Trust repurchased 1,700 units (2008 - 400 units) for cancellation via the NCIB at a total cost of \$8,553 (2008 - \$4,216). The units repurchased for cancellation under the NCIB are included in repurchase and cancellation of trust units in the Statement of Changes in Net Assets.

14. COMMISSIONS

Total commissions paid during the year ended December 31, 2009 in connection with portfolio transactions were \$18,895 [2008 - \$145,367]. There were no soft dollar amounts included in these payments.

15. SUBSEQUENT EVENTS

As of June 21, 2007, the Declaration of Trust was amended and restated granting the Manager the authority to convert the Trust to an open-ended mutual fund if the Trust's units trade at a discount to net asset value over a specified time period. The Manager has initiated this conversion and expects it to be completed within the first half of 2010.

16. FUTURE CHANGES IN ACCOUNTING STANDARDS

The Canadian Accounting Standards Board ("AcSB") recently confirmed the plan to adopt the International Financial Reporting Standards ("IFRS") on or by January 1, 2011. Accordingly, the Trust will adopt IFRS for the fiscal period beginning January 1, 2011. The impact of the adoption of these standards will be disclosed in future periods.

At December 31, 2009, the Manager is taking the following steps to transition to IFRS:

- Identification of areas of changes in disclosure will be required under IFRS standards.
- Identification of operational areas impacted by the adoption of IFRS.
- Assessment of current reporting systems and their readiness for IFRS implementation.
- Implementation of an IFRS transition plan.

The Manager is well advanced in determining and implementing the transition plan.



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