

Financial **STATEMENTS** of:

norrep2006FTLP

Norrep Performance 2006 Flow-Through Limited Partnership

PERIOD FROM JANUARY 1, 2009 TO SEPTEMBER 25, 2009



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AUDITORS' REPORT TO THE PARTNERS

We have audited the statement of net assets of Norrep Performance 2006 Flow-Through Limited Partnership (the "Partnership") as at September 25, 2009 and December 31, 2008 and the statements of operations and changes in net assets for the period from January 1, 2009 to September 25, 2009 and for the year ended December 31, 2008. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conduct 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 financial position of the Partnership as at September 25, 2009 and December 31, 2008, the results of its operations and changes in net assets for the period from January 1, 2009 to September 25, 2009 and for the year ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
November 26, 2009

NORREP PERFORMANCE 2006 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Net Assets

September 25, 2009, with comparative figures for December 31, 2008

	2009	2008
Net Assets		
Investments, at fair value (cost 2009 - \$19,045,288; 2008 - \$30,068,140)	\$ 19,045,288	\$ 13,942,234
Cash and cash equivalents	1,629,329	1,608,588
Receivables:		
Dividends and interest	7,009	13,251
	<u>20,681,626</u>	<u>15,564,073</u>
Liabilities:		
Accrued expenses	139,392	88,174
Partners' distribution payable	1,496,946	-
Portfolio assets purchased	-	90,878
	<u>1,636,338</u>	<u>179,052</u>
	<u>\$ 19,045,288</u>	<u>\$ 15,385,021</u>
Partners' Equity		
Represented by:		
Partners' net contributions (note 5)	\$ 77,244,916	\$ 78,804,515
Unrealized depreciation in fair value of investments	-	(16,125,906)
Cumulative loss realized	(58,199,628)	(47,293,588)
	<u>\$ 19,045,288</u>	<u>\$ 15,385,021</u>
Limited partnership units outstanding (note 5)	<u>8,469,300</u>	<u>8,496,500</u>
Net asset value per unit (note 8)	<u>\$ 2.25</u>	<u>\$ 1.81</u>

See accompanying notes to financial statements.

On behalf of the Board of Directors of Norrep 2006 Management Inc.
as General Partner of the Partnership:



Director



Director

NORREP PERFORMANCE 2006 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Operations

	Period from January 1, 2009 to September 25, 2009	Year ended December 31, 2008
Investment income:		
Interest	\$ 180,645	\$ 235,667
Dividends	46,855	-
	<u>227,500</u>	<u>235,667</u>
Investment expenses:		
Management fees (notes 1 and 6)	229,841	567,325
Other	37,878	13,236
Audit fees	32,925	28,567
Legal and filing fees	32,535	20,858
Custodian and recordkeeping fees	24,480	12,584
Administrative fees (note 6)	9,932	17,912
Computer services	3,224	8,814
	<u>370,815</u>	<u>669,296</u>
Net investment loss	(143,315)	(433,629)
Gain (losses) on investments:		
Net realized loss on investments	(10,653,976)	(30,748,398)
Transaction costs	(108,749)	(113,988)
Change in unrealized appreciation in fair value of investments	16,125,906	9,241,539
Net gain (loss) on investments	<u>5,363,181</u>	<u>(21,620,847)</u>
Increase (decrease) in net assets from operations	<u>\$ 5,219,866</u>	<u>\$ (22,054,476)</u>
Earnings (loss) per unit	<u>\$ 0.61</u>	<u>\$ (2.60)</u>

See accompanying notes to financial statements.

NORREP PERFORMANCE 2006 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Changes in Net Assets

	Period from January 1, 2009 to September 25, 2009	Year ended December 31, 2008
Net assets, beginning of period	\$ 15,385,021	\$ 37,459,874
Partners' transactions:		
Partners' distribution	(1,496,946)	-
Redeemed units for cash	(62,653)	(20,377)
	(1,559,599)	(20,377)
Change in net assets from operations	5,219,866	(22,054,476)
Net assets, end of period	\$ 19,045,288	\$ 15,385,021

See accompanying notes to financial statements.

NORREP PERFORMANCE 2006 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements

Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

1. Basis of presentation:

Norrep Performance 2006 Flow-Through Limited Partnership (the "Partnership") was formed on January 26, 2006 as a limited partnership under the laws of the Province of Ontario, with nominal equity, to invest in flow-through shares of resource companies. The Partnership commenced operations on April 12, 2006. Using the Partners' contributions, the Partnership invested in flow-through shares of resource companies with the objective of achieving capital appreciation in accordance with investment strategies. These resource companies incurred Canadian Exploration Expenses, Canadian Development Expense and/or Eligible Canadian Development Expenses in carrying out mining, oil and natural gas, exploration and development activities. The resource companies renounced these expenses effective December 31, 2006 to the Partnership in amounts substantially equal to the subscription amount of the flow-through shares. In turn, the Partnership allocated the renouncements to the limited partners.

On September 25, 2009, the Partnership transferred certain assets to Norrep Opportunities Corp., a mutual fund corporation, in exchange for Norrep Resource Class shares (note 5). On September 29, 2009, the Partnership was dissolved and ceased to exist. The Partnership settled its remaining liabilities and distributed its remaining assets to the Partners. The Statement of Net Assets as at September 25, 2009 reflects the assets and liabilities of the Partnership after the transfer of certain assets to Norrep Opportunities Corp.

These financial statements reflect only the assets, liabilities, revenues and expenses of the Partnership and therefore do not include any assets, liabilities, revenues or expenses of the partners. No provision for income taxes has been recorded in the financial statements as all income and losses of the Partnership are allocated to the partners. The tax base is less than the reported amounts of the Partnership's assets and liabilities by approximately \$4,466,000 (December 31, 2008 - \$7,415,000).

Being a limited partnership, the Partnership is dependent on Norrep 2006 Management Inc., the General Partner, for the administration and management of all matters relating to the operation of the Partnership pursuant to the terms of the Partnership Agreement. The General Partner is entitled to a monthly management fee of one-twelfth of 1.75% of the net asset value of the Partnership, payable on the first day of each month. In addition, the General Partner is entitled to an exit incentive allocation. The Exit Incentive Allocation is calculated at dissolution and is 20% of the amount by which a partner's return on investment, as defined in the prospectus, exceeds 8% compounded annually. No General Partner Exit Incentive Allocation is payable at September 25, 2009.

The General Partner is also entitled to a 0.01% share of the net assets of the Partnership upon dissolution of the Partnership, which, at September 25, 2009, would be \$1,905 (December 31, 2008 - \$1,539).

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

2. Significant accounting policies:

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions made by management that affect the reported amounts of assets, liabilities, income and expenses and gains and losses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Partnership.

(a) Change in accounting policies:

Effective January 1, 2008, the Partnership adopted the following new CICA Handbook Sections: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation.

Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Partnership's objectives, policies and processes for managing capital.

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements set out in Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3863 carries forward unchanged the presentation requirements of Section 3861.

Section 3862, Financial Instruments – Disclosures, requires the Partnership to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Fund's financial position and performance, the nature and extent of risks arising from financial instruments to which the Partnership is exposed during the period and at the balance sheet date, and how the Partnership manages those risks.

(b) Financial Instruments – Recognition and Measurements:

All financial instruments are classified as held-for-trading, available-for-sale, held to maturity, loans and receivables or other financial liabilities.

Due to their short term nature, the Partnership's receivables are classified as loans and receivables and liabilities are classified as other financial liabilities and are measured at amortized cost. Cash and investments are deemed to be categorized as held for trading.

(c) Valuation of investments:

Investments are recognized on the trade date and are measured at each period end at fair value, as substantially established by the closing bid price for trading on the recognized public stock exchange on which the security is listed or principally traded. For securities where market quotes are not available, the Partnership values the initial investment at fair value for common shares and 20% below cost for flow-through shares. After initial investment, the Partnership uses estimation

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

2. Significant accounting policies (continued):

(c) Valuation of investments (continued):

techniques to determine fair value that incorporate observable market data, discounted cash flows and internal models that compare an investment to its peer group.

Average cost is used to determine realized gains or losses and unrealized appreciation or depreciation on the value of investments.

Fair value of investments in share purchase warrants is determined using a recognized economic model taking into account various factors including risk free rate of interest, dividend rates, volatility, market value and trading volume of the underlying stock.

Transaction costs incurred in the purchases and sales of investments are expensed as incurred.

(d) Recognition of income and expenses:

The Partnership follows the accrual method of recording income and expenses with dividends being recorded on the ex-dividend date.

(e) Unit values:

The net asset value per limited partnership unit is calculated as net assets at fair value, less the General Partner's share, divided by the number of limited Partnership units outstanding.

(f) Earnings (loss) per unit:

Earnings (loss) per unit are calculated as the net increase/decrease in net assets from operations for the year, divided by the weighted average units outstanding during the period.

(g) Derivative financial instruments:

The Partnership may use derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. These derivatives are carried at fair value with gains and losses recognized in income.

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

3. Financial instruments:

	September 25, 2009
Assets:	
Held for trading	\$ 20,674,617
Loans and receivables	7,009
Total Assets	\$ 20,681,626
Liabilities:	
Financial liabilities at amortized cost	\$ 1,636,338
Total Liabilities	\$ 1,636,338

4. Financial instruments and associated risks:

The Partnership invests in flow-through shares of resource companies whose shares are listed on a North American stock exchange and flow-through shares of resource companies that are private issuers, in each case, whose principal business is oil and gas exploration, development and production or mineral exploration, development and production. The Partnership Agreement provides that the Partnership may also invest in flow-through special warrants, which entitle the Partnership to acquire, for no additional compensation, shares in the capital of resource companies, provided that such warrants qualify as flow-through shares for the purposes of the Tax Act and in warrants, provided that the Partnership may invest only up to 10% of the Net Asset Value in warrants forming part of an offering of units consisting of flow-through shares and warrants, and further provided that not more than 5% of the aggregate purchase price under the relevant flow-through investment agreement shall be attributable to warrants.

After having invested the net initial proceeds from the issuance of Partnership units in the above investments, the Partnership may invest in securities of other issuers including small capitalization companies. These investments are intended to allow the Partnership to maximize investment returns and to facilitate the eventual wind-up of the Partnership.

The Partnership Agreement also provides that the Partnership is subject to certain restrictions. The Partnership will not: guarantee the securities or obligations of any person; purchase or sell real estate or interest therein; purchase derivatives except for the purposes of managing risk with respect to the Partnership's investments, make short sales of securities or maintain a short position in any security; or purchase mortgages.

Pending the selection and purchase of suitable investments, the payment of expenses or other anticipated distributions, a portion of the assets of the Partnership may be held in cash. Such cash balances will be held on deposit in cash accounts at a Canadian bank or trust company or may be invested in short-term investment funds or guaranteed investment certificates.

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Notes to Financial Statements, page 5

Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

4. Financial instruments and associated risks (continued):

The Partnership's investment portfolio comprises quoted and non-quoted equity investments that it intends to hold for an indefinite period of time.

The nature and extent of the financial instruments outstanding at the statement of net assets date and the risk management policies employed by the Partnership are discussed on the following pages.

Market risk:

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk. The Partnership's strategy on the daily management of investment risk is driven by the Partnership's investment objective.

The Partnership is designed to achieve capital appreciation by investing in the flow-through shares of resource companies. Of the initial equity investment amount, at least 80% will be invested in publicly-listed resource companies and not more than 20% in resource company private issuers. At least 70% will be invested in oil and gas resource companies and not more than 30% in mineral resource companies. At least 50% will be invested in resource companies with a market capitalization in excess of \$20 million.

The Partnership will not invest in any one resource company if the purchase will result in ownership representing more than 20% of the portfolio amount unless the resource company has a market capitalization in excess of \$75 million. In this instance, the Partnership may invest up to 25% of the portfolio. The Partnership may not invest more than 10% of the portfolio in a resource company private issuer.

The Partnership has adopted investment criteria and restrictions which may be changed only by a special resolution duly passed by the limited partners.

(a) Currency risk:

The Partnership may invest in financial instruments and enter into transactions denominated in U.S. dollars. Consequently, the Partnership is exposed to the risk that the exchange rate of the Canadian dollar to the U.S. dollar may fluctuate. The Partnership's investment portfolio is Canadian-dollar denominated, but may, as market opportunities dictate, include U.S. securities. At the reporting date the Partnership held no U.S. securities and therefore had no foreign currency exposure and no currency risk.

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

4. Financial instruments and associated risks (continued):

Market risk (continued):

(b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments that mature or re-price in the future. The Partnership's assets and liabilities, with the exception of cash and the convertible debenture, are non-interest-bearing.

As a result the Partnership is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash in the Partnership earns an interest rate equal to the Bank of Canada Overnight Target rate less 0.5% in the overnight market. Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline.

(c) Other market risk:

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

Market risk is managed by the Partnership's portfolio manager by selecting investments assessed to be of high quality within the Partnership's narrow focus on acquiring flow-through shares of resource companies. The price of a stock held by the Partnership is affected by individual company developments and also by general economic and financial conditions in the countries where the issuer of the stock is located, does business or where the stock is listed for trading. The business activities of resource companies are speculative and may be adversely affected by factors outside their control. In addition, certain equity securities owned by the Partnership may be of issuers whose securities are not listed on any prescribed stock exchange and thus a liquid market for resale may not exist. The portfolio manager will monitor these factors as required and make decisions regarding the portfolio based on their knowledge of the market conditions. The maximum price risk resulting from an equity investment is equivalent to its fair value.

The Partnership's equity instruments are sensitive to market price risk arising from uncertainties about future prices of the instrument.

Under normal circumstances the Partnership will invest its initial equity amount in the following instruments:

Publicly-traded equity securities	At least 80% of net assets
Unlisted equity securities	No more than 20% of net assets

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

4. Financial instruments and associated risks (continued):

Market risk (continued):

Sensitivity analysis:

On September 25, 2009 the Partnership's equity investments only consisted of Norrep Resource Class of Norrep Opportunities Corp mutual fund shares. These mutual fund shares were distributed to individual partners on September 28, 2009.

A 1% increase or decrease on the BMO Small Cap Equity Only Weighted Total Return Index at September 25, 2009 would have impacted the net assets attributable to unitholders and the changes in net assets attributable to unitholders by \$190,453.

Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership.

The Partnership holds an investment in a convertible debenture which involves risks of default on interest and principal and price changes due to such factors as general economic conditions and issuer's credit worthiness. Convertible debentures may experience greater price volatility than bonds.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of net asset date.

At September 25, 2009, the Partnership's financial assets exposed to credit risk amounted to the following:

	September 25, 2009
Cash and cash equivalents	\$ 1,629,329
Dividend and interest	7,009
Total	\$ 1,636,338

Amounts in the above table are based on the carrying value of all accounts.

Credit risk arising on transactions for units purchased, portfolio assets purchased or portfolio assets sold relates to transactions awaiting settlement. The risk relating to these transactions is considered minimal due to the short settlement period involved. In addition, legal entitlement to an asset will not transfer until funds have been received in full for the asset purchased or sold. If either party to the transaction does not meet its obligation, the transaction will fail.

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

4. Financial instruments and associated risks (continued):

Credit risk (continued):

Substantially all of the assets of the Partnership are held by the custodian, CIBC Mellon Trust Company. Bankruptcy or insolvency of the custodian may cause the Partnership's rights with the respect to securities held by the custodian to be delayed or limited. The Partnership manages this risk by monitoring the credit quality and financial position of the custodian. If the credit quality or the financial position deteriorates unacceptably, the portfolio manager will act to move the Partnership's cash holdings to another financial institution.

Liquidity risk:

Investments in small-capitalization resource companies by the Partnership may involve greater risks than investments in large-capitalization companies as small-capitalization companies may have limited trading volume in the financial markets leading to a higher sensitivity to market changes.

To the extent that the liquidity is limited, the Partnership's ability to realize profits and/or minimize losses may be limited, which could adversely affect the net asset value of the Partnership. Furthermore, the Partnership's investments include unlisted equity instruments, which are not traded on an organized public market and which may be illiquid. Therefore, the Partnership may not be able to quickly liquidate some or all of its investment in these instruments at an amount close to their fair value in order to meet liquidity requirements. The Partnership maintains sufficient cash and cash equivalent positions to maintain liquidity.

The Partnership's liquidity risk is managed by the portfolio manager. Minimum cash balances may be created and modified at the discretion of the portfolio manager to ensure cash availability for expected liquidity needs. As there is currently no market through which the units of the Partnership may be sold, the portfolio manager's liquidity constraints do not include expected redemptions.

The following table presents the contractual, undiscounted cash flows of the Partnership's financial liabilities:

As at September 25, 2009	Due on demand	1 to 3 months	3 months to 1 year	Due > 1 year	Total
Financial liabilities:					
Accrued expenses	\$ 139,392	-	-	-	\$ 139,392
Partners' distribution payable	1,496,946	-	-	-	1,496,946

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

5. Partners' net contributions:

The authorized capital of the Partnership consists of an unlimited number of limited partnership units. All limited 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.

	Number of units	Amount
Balance, December 31, 2007	8,500,000	\$ 78,824,892
Redeemed units for cash	(3,500)	(20,377)
Balance, December 31, 2008	8,496,500	78,804,515
Partners' distribution	-	(1,496,946)
Redeemed units for cash	(27,200)	(62,653)
Balance, September 25, 2009	8,469,300	\$ 77,244,916

6. Related party transactions:

Pursuant to the Partnership agreement, the Partnership pays management fees to the General Partner, Norrep 2006 Management Inc., for management services received during the period. During the period, management fees amounted to \$229,841 (year ended December 31, 2008 - \$567,325) of which \$27,000 is included in accrued expenses at September 25, 2009 (December 31, 2008 - \$51,821).

The General Partner has engaged its shareholder, Hesperian Capital Management Ltd., to provide portfolio management and administrative services to the Partnership. During the period, administrative fees amounted to \$9,932 (year ended December 31, 2008 - \$17,912) of which \$1,050 is included in accrued expenses at September 25, 2009 (December 31, 2008 - \$2,129).

On September 25, 2008 the Partnership transferred certain assets of the Partnership to Norrep Opportunities Corp., in exchange for 1,620,434 Norrep Resource Class mutual fund shares with a value of \$19,045,288.

All transactions with related companies are measured at exchange amounts as they occur within the normal course of business.

7. Brokerage commissions on securities transactions:

The Partnership paid brokerage commissions amounting to \$106,673 (year ended December 31, 2008 - \$110,568) in connection with portfolio transactions during the period.

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Period from January 1, 2009 to September 25, 2009 and the year ended December 31, 2008

8. Net asset value reconciliation:

In accordance with industry standards, quoted market values per unit and performance reporting continue to use market values as determined by the last sale price. A reconciliation of net asset value per unit at the current period's closing price and net asset value per unit at the current period's last bid price according to GAAP is presented in the following table.

	September 25, 2009		December 31, 2008	
	Total	Per unit	Total	Per unit
Net asset value, industry standard	\$ 19,045,288	\$ 2.25	\$ 15,729,153	\$ 1.85
Difference as a result of adopting Section 3855	-	-	(344,132)	(0.04)
Net asset value financial statements	\$ 19,045,288	\$ 2.25	\$ 15,385,021	\$ 1.81