



Audited financial statements of:

**NORREP PERFORMANCE 2004
FLOW-THROUGH LIMITED PARTNERSHIP**

Period from January 1, 2007 to June 13, 2007



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AUDITORS' REPORT TO THE PARTNERS

We have audited the statement of net assets of Norrep Performance 2004 Flow-Through Limited Partnership (the "Partnership") as at June 13, 2007 and the statements of operations and changes in net assets for the period from January 1, 2007 to June 13, 2007. 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 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 June 13, 2007 and the results of its operations and changes in net assets for the period from January 1, 2007 to June 13, 2007 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
July 31, 2007

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Net Assets

June 13, 2007, with comparative figures for December 31, 2006

	2007	2006
Assets		
Investments, at current value (cost 2007 - \$51,420,247; 2006 - \$61,492,389) (note 3)	\$ 51,420,247	\$ 64,089,482
Cash and cash equivalents	5,009,453	44,286
Receivables:		
Dividends and interest	34,941	22,769
	<u>56,464,641</u>	<u>64,156,537</u>
Liabilities:		
Accrued expenses	225,791	142,000
Exit incentive allocation (notes 1 and 5)	-	1,095,000
Partners' distribution payable	4,385,591	300,000
Portfolio assets purchased	311,250	-
Units redeemed	9,999	-
Success fee payable (notes 1 and 5)	111,763	159,463
	<u>5,044,394</u>	<u>1,696,463</u>
	<u>\$ 51,420,247</u>	<u>\$ 62,460,074</u>
Partners' Equity		
Represented by:		
Partners' contributions (note 4)	\$ 49,240,828	\$ 53,636,417
Unrealized appreciation in current value of investments	-	2,597,093
Cumulative gain realized	2,179,419	6,226,564
	<u>\$ 51,420,247</u>	<u>\$ 62,460,074</u>
Limited partnership units outstanding (note 4)	5,839,350	5,840,350
Net asset value per unit	\$ 8.81	\$ 10.69

See accompanying notes to financial statements.

On behalf of the Board of Directors of Norrep 2004 Management Inc.
as General Partner of the Partnership:



Director



Director

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Operations

	Period from January 1, 2007 to June 13, 2007	Year ended December 31, 2006
Investment income:		
Interest	\$ 208,582	\$ 250,919
Dividends	17,898	-
	<u>226,480</u>	<u>250,919</u>
Investment expenses:		
Management fees (notes 1 and 5)	492,443	1,268,861
Exit incentive allocation (recovery) (notes 1 and 5)	(1,095,000)	1,095,000
Administrative fees (note 5)	21,305	56,894
Audit fees	20,762	23,034
Custodian and recordkeeping fees	41,326	69,379
Computer services	3,940	17,176
Interest	1,882	-
Legal and filing fees	20,385	30,484
Other	47,891	8,554
	<u>(445,066)</u>	<u>2,569,382</u>
Net investment gain (loss)	671,546	(2,318,463)
Gains and losses on investments:		
Net realized gain (loss) on investments	(4,404,582)	8,640,294
Transaction costs	(285,212)	-
Change in unrealized depreciation in current value of investments	(1,907,154)	(11,202,473)
Net loss on investments	<u>(6,596,948)</u>	<u>(2,562,179)</u>
Decrease in net assets from operations	\$ (5,925,402)	\$ (4,880,642)
Earnings (loss) per unit	\$ (1.01)	\$ (0.83)

See accompanying notes to financial statements.

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Changes in Net Assets

	Period from January 1, 2007 to June 13, 2007	Year ended December 31, 2006
Net assets, beginning of period	\$ 62,460,074	\$ 67,797,271
Initial adoption of new accounting policy (note 2)	(718,836)	-
Partners' transactions:		
Partners' distribution	(4,385,590)	(300,000)
Redeemed units for cash	(9,999)	(156,555)
	(4,395,589)	(456,555)
Change in net assets from operations	(5,925,402)	(4,880,642)
Net assets, end of period	\$ 51,420,247	\$ 62,460,074

See accompanying notes to financial statements.

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements

Period from January 1, 2007 to June 13, 2007

1. Basis of presentation:

Norrep Performance 2004 Flow-Through Limited Partnership (the "Partnership") was formed on April 23, 2004 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 June 8, 2004. Using the Partners' contributions, the Partnership entered into flow-through share agreements with resource companies. These resource companies incur 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, 2004 to the Partnership in amounts substantially equal to the subscription amount of the flow-through shares. In turn, the Partnership allocates the renouncements to the limited partners. The Partnership invested in flow-through shares of resource companies with the objective of achieving capital appreciation in accordance with investment strategies.

On June 13, 2007, the Partnership transferred certain assets to Norrep Opportunities Corp., a mutual fund corporation, in exchange for Norrep II Class shares (note 3). On June 15, 2007, 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 June 13, 2007 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 a loss of the Partnership is allocated to the partners. The tax base is less than the reported amounts of the Partnership's assets and liabilities by \$12,515,836 (December 31, 2006 - \$48,619,644).

Being a limited partnership, the Partnership was dependent on Norrep 2004 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 was 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 was entitled to a success fee and an exit incentive allocation. The success fee is 15% of the amount by which the selling price or value, as defined, of certain subsidiaries exceeds 70% of the amount invested in them. A success fee of \$111,763 (December 31, 2006 - \$159,463) has been accrued at June 13, 2007. The exit incentive allocation was calculated at dissolution and is 20% of the amount by which the final net asset value per unit plus the net income tax savings per unit exceeds \$13.50, multiplied by the number of units outstanding. As at June 13, 2007 no exit incentive allocation (December 31, 2006 - \$1,095,000) has been accrued.

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

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Period from January 1, 2007 to June 13, 2007

1. Basis of presentation (continued):

The General Partner was also entitled to a 0.01% share of the net assets of the Partnership upon dissolution of the Partnership, which, at June 13, 2007 would be \$5,142 (2006 - \$6,304). As a result, \$5,142 was allocated to the General Partner.

2. Significant accounting policies:

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, 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) Investments:

Change in accounting policy:

Effective January 1, 2007, CICA Handbook Section 3855, Financial Instrument – Recognition and Measurement, requires the Partnership's investment portfolio to be recorded at fair value as substantially established by the closing bid price for trading on the recognized public stock exchange. This is a change from prior periods where fair value was based on the last traded price. For financial reporting purposes, on January 1, 2007, the Partnership adopted this new accounting policy on a prospective basis. The effect of the initial adoption of the new accounting policy, using the closing bid price at December 31, 2006, is a decrease of \$718,736 (\$0.12/unit) to net assets at the beginning of the current period.

Effective January 1, 2007, CICA Handbook Section 3855, Financial Instrument – Recognition and Measurement, requires the transaction costs incurred in the purchases and sales of investments to be expensed rather than capitalized in the average cost of investments. The requirement has been applied retroactively without restatement of prior periods effective January 1, 2007. As a result of this change there is no impact on net assets or earnings per unit.

The complete amended accounting policy is as follows:

Investments are recorded at current 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.

Investments in private companies are recorded at cost or at the value of the last transaction between arms length parties unless there is a decline in value, other than temporary. The subsidiary joint venture companies are valued at cost unless, taken as a group, there is a decline in value, other than temporary. Average cost is used to compute realized gains or losses and unrealized appreciation or depreciation in the value of investments.

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 3

Period from January 1, 2007 to June 13, 2007

2. Significant accounting policies (continued):

(a) Investments (continued):

Market 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.

(b) Recognition of income and expenses:

The Partnership follows the accrual method of recording income and expenses.

(c) Unit values:

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

(d) Financial instruments:

Financial instruments of the Partnership consist of cash and cash equivalents, dividends and interest receivable, investments, accrued expenses, exit incentive allocation, partners' distribution payable, portfolio assets purchased, units redeemed and success fee payable. Except as disclosed otherwise, there are no significant differences between the carrying values of these instruments and their market values.

(e) Earnings per unit:

Earnings per share is calculated as the net increase/decrease in net assets from operations for the year, divided by the weighted average units outstanding during the year.

3. Investment:

On June 13, 2007 the Partnership transferred certain assets and liabilities of the Partnership to Norrep Opportunities Corp., in exchange for 1,501,663 Norrep II Class mutual fund shares with a value of \$51,420,247. The assets transferred were as follows:

Investments	\$	48,773,589
Treasury bill		2,651,872
Accounts payable		(5,214)
	\$	51,420,247

NORREP PERFORMANCE 2004 FLOW-THROUGH LIMITED PARTNERSHIP

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Period from January 1, 2007 to June 13, 2007

4. 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 at December 31, 2005	5,855,350	\$54,092,972
Partners' distribution	—	(300,000)
Redeemed units for cash	(15,000)	(156,555)
Balance at December 31, 2006	5,840,350	\$53,636,417
Partners' distribution	—	(4,385,590)
Redeemed units for cash	(1,000)	(9,999)
Balance at June 13, 2007	5,839,350	\$49,240,828

5. Related party transactions:

Pursuant to the Partnership agreement, the Partnership pays management fees to the General Partner, Norrep 2004 Management Inc., for management services received during the year. During the period ended June 13, 2007, management fees amounted to \$492,443 (2006 - \$1,268,861) of which \$128,500 (December 31, 2006 - \$97,500) is included in accounts payable at June 13, 2007. In addition, no exit incentive allocation has been accrued at June 13, 2007 (December 31, 2006 - \$1,095,000).

The General Partner is also entitled to a success fee. At June 13, 2007 a success fee of \$111,763 (December 31, 2006 - \$159,463) has been accrued and it is included within net realized gain on investments.

The General Partner has engaged its shareholder, Hesperian Capital Management Ltd., to provide portfolio management and administration services to the Partnership. During the period, administrative fees amounted to \$21,305 (2006 - \$56,894) of which \$1,863 (December 31, 2006 - \$4,631) is included in accounts payable at June 13, 2007.

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

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Period from January 1, 2007 to June 13, 2007

6. Brokerage commissions on securities transactions:

The Partnership paid brokerage commissions amounting to \$285,212 (2006 - \$157,076) in connection with portfolio transactions during the period.