

FinalREPORT

norrep2005FTLP



norrepFTLP

Norrep Performance 2005 Flow-Through Limited Partnership

Period from January 1, 2008 to June 25, 2008

About Hesperian Capital Management Ltd.

Founded in 1995, Hesperian Capital Management is an independent investment counseling firm with offices in Calgary and Toronto.

Beginning with the Norrep Fund in 1999, Hesperian has steadily grown its portfolio of products to include six open-ended public mutual funds, four resource-based flow-through limited partnerships and two international funds.

Specializing in niche markets, Hesperian applies a unique blend of fundamental and quantitative techniques to all investment decisions. Each product is specifically designed to target inefficiencies within certain markets and provide investors with measurably superior long-term performance.

Management **REPORT OF**

FUNDperformance

Norrep Performance 2005 Flow-Through Limited Partnership

norrep2005FTLP

This annual management report of fund performance (MRFP) contains financial highlights but does not contain the audited annual financial statements of the limited partnership. The audited annual financial statements can be requested by calling toll free (877) 531-9355, by writing to 175, 601 - 10 Avenue SW in Calgary, Alberta or by visiting www.norrepfunds.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment Objective and Strategies

The Norrep Performance 2005 Flow-Through Limited Partnership (the "Partnership") has the investment objective of achieving capital appreciation through investment in flow-through shares of resource companies. In addition, the Partnership will participate in the exploration, development and production of oil and gas by investing in flow-through shares of subsidiary companies, which will be formed to enter into joint ventures with joint venture partners.

The Partnership's investment strategy is to acquire flow-through shares issued by resource companies and, through subsidiary companies, to enter into joint ventures with joint venture partners that (i) have experienced management, (ii) have an exploration or development program in place, (iii) in the case of a resource company, offer potential for future growth, and (iv) subject to certain exceptions, meet certain specified market capitalization and other criteria with the objective of achieving capital appreciation for Limited Partners.

There were constraints with respect to how net initial proceeds from the issuance of Partnership units may be invested. These constraints relate to the amounts invested in public versus private companies, oil and gas resource companies versus mining resource companies, and total amounts to be invested in subsidiary companies. Renouncements in the first year had to be at least 95% Canadian Exploration Expense ("CEE") or qualifying CEE.

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.

Risk

The investment objective of the Limited Partnership is to achieve capital appreciation through investment in flow-through shares of resource companies. The general risks associated with the Limited Partnership are outlined in the Prospectus and include investment risk, liquidity risk, interest rate risk and regulatory risk, among others.

The Limited Partnership's concentration in commodity-related companies is split between the energy and materials sectors. The energy weight decreased from 79% to 58% and the materials weight decreased from 17% to 16% over the period. Given the resource focus, changes in commodity prices can have a significant impact on the Limited Partnership's returns. The investment risk of the Limited Partnership was reduced in preparation for rollover as we reduced the number of companies, diversified away from resource companies and increased the a cash position to allow for distributions.

The purchase of units involves a number of risk factors. There is no assurance that Limited Partners will receive any return on or repayment of their capital contributions to the Partnership. An investment in units is appropriate only for investors who have the capacity to absorb a loss of their investment. Investors must rely on the sole discretion and judgment of management of the General Partner. The General Partner has, and is expected to have, only nominal assets.

The tax benefits resulting from an investment in the Partnership are greatest for an investor whose income is subject to the highest marginal income tax rate. Investors who acquired units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law.

Results of Operations

For the period January 1 to June 25, 2008, the Partnership earned interest income of \$207,559 and dividend income of \$12,860. Management fees of \$496,018 were paid to Norrep 2005 Management Inc. General and administrative costs of \$158,518 related to the operation of the Partnership were incurred. As a result of the above, the net investment loss was \$434,117.

Increase in unrealized depreciation in current value of investments was \$25,788,142 while the net realized loss from investments was \$21,737,524 and transaction costs amounted to \$234,527. Thus, there was a net gain on investments of \$3,816,091. In total, the result is a \$3,381,974 increase in net assets from operations for the period.

Net assets at the beginning of the period were \$53,883,393. A distribution to partners of \$5,433,037 was accrued prior to the rollover and units with a value of \$52,940 were redeemed for cash. Net assets increased by \$3,381,974 from operations. At June 25, 2008, the Partnership had net assets of \$51,779,390.

The management fees were decreased compared to year end December 31, 2007 due to decrease in net asset value. The general and administrative costs were increased due to additional legal and filing fees incurred from the partnership rollover.

The financial statement net asset value (NAV) per unit increased from \$6.65 to \$7.06. Following a distribution of \$0.67 per unit, the ending NAV was \$6.39 per unit. The increase in net asset value of the Partnership is calculated before consideration of the income tax benefits which will be flowed through to the partners as a result of flow through share purchases.

We rolled the Norrep Performance 2005 Flow-Through Limited Partnership (Norrep 2005 FTLP) units into our Norrep II Class on June 25, 2008 with a NAV of \$6.39 per unit which, with the distribution of \$0.67 per unit, equates to a NAV of \$7.06

per unit. Our goal has always been to roll our flow-through funds with a unit NAV of \$10.00 or better. Since inception, the Norrep 2005 FTLP has faced an uphill battle to create value for unit holders. In 2005 our target market, small/micro cap oil and gas producers, exited the year trading with stock prices at over 2x NAV, 11x cash flow per share (CFPS) and \$140,000 per daily flowing barrel of oil equivalent (Boe/d). Exiting 2007 these multiples had contracted to less than 1x NAV, 5x CFPS and \$67,000 per Boe/d; declines of approximately 50% for NAV and CFPS and 52% for production. Add these market pressures to the premium paid to buy flow-through shares, which peaked mid-year in 2006 at over 27%, and the capitulation of the private company market, and it has indeed been a challenge to provide positive returns. The unit value of the Norrep 2005 FTLP has fluctuated wildly from the inception NAV of \$9.25 (includes commission and costs) and ultimately recovered to the rollover pre-distribution NAV of \$7.06. While we are not satisfied that we missed our goal of \$10.00, we take some solace of having provided a positive after tax return.

Over the last year, our efforts to high grade the Norrep 2005 FTLP investments to junior energy companies with strong balance sheets, growth in reserves, production and cash flow per share, and with an expanding prospect inventory have resulted in solid per unit gains. On December 31, 2007 we had a portfolio with 102 positions and a value of \$54.5 million for a NAV of \$6.72 per unit. When we rolled the portfolio on June 25, 2008 we had reduced the number of positions to 49 and increased the market value to \$57.2 million for a pre-distribution NAV of \$7.06. While the NAV of the Norrep 2005 FTLP increased 5.1%, it does not match the performance of the BMO Small Cap Energy Equity Only Total Return Index which increased by 33.9% for the six month period ending June 30, 2008. The spread in performance is reflective of the difference between the mid cap producers that largely make up the index and the small/micro cap flow-through universe.

As mentioned in previous discussions, 2007 was a challenging year to invest in flow-through shares as junior producers faced lower natural gas prices, higher labour costs, restrained capital markets and negative regulatory changes. The consequence of these constraints was a lack of investor interest in junior energy companies and resulted in poor sector performance. The beginning of 2008 also looked bleak but improved dramatically with rising commodity prices. Most notable was the newsworthy rise in oil pricing, which saw the price of West Texas Intermediate (WTI) increase 45.8% from US\$96.00 per barrel to a peak price of approximately \$140.00 per barrel. The price of natural gas remained out of the headlines but was equally impressive rising 82.3% from \$6.11 per Gigajoule (GJ) to a peak price of \$11.14 per GJ (based on Alberta reference price - AECO). While prices have abated, they still remain strong.

While this commodity price increase has sparked a remarkable rally in the sector, it should be noted that it is not a straight line relationship given the constraints of higher input costs and increasing royalties. Even the more oil-weighted integrated companies and large cap producers of the S&P/TSX Capped Energy Index underperformed the underlying commodities. Our domain however is the small/micro cap natural gas weighted junior producer, as large cap companies do not as a rule issue flow through shares. In this regard the rally has been much more selective. Our research into the selectivity of the market indicates that the "energy rally" has favoured the large and mid cap stocks over the small/micro cap stocks. One year returns to June 30, 2008 were 32% for large caps, 50% for mid caps and 2% for small caps.

Again, as noted in previous reports, the industry responded to the negative stresses by reducing capital spending, focusing on exploitation at the expense of exploration (and growth) and switching to more oil-weighted projects. Looking ahead, the sustainability of this rally is to some extent reliant on the continued strength of commodity prices, which has encouraged many companies to re-evaluate the curtailment and increase capital programs. We believe the industry will post outstanding second quarter results reflective of the rally to date but it will be continued production growth that prolongs the momentum.

The environment has been all the more challenging with regards to the junior mining sector. Positive commodity performance for the six month period ending June 30, 2008 was limited to gold up 12%, silver up 20% and copper up 26%. On the other side, nickel and zinc both slid 19% and uranium tumbled a further 37%. In addition to the divergence in commodity performance, concerns about the global debt markets and the outlook for medium-term demand impacted the performance of the junior mining sector.

"An optimist may see a light where there is none, but why must the pessimist always run to blow it out?" - Rene Descartes

Although the quote is rhetorical, we are "pessimistically" strategizing on the potential for declining commodity prices. In spite of strong fundamental evidence for even higher priced commodities (especially for natural gas) resulting from a very tight supply/demand equation, a continual disruption premium, nascent decline issues in key producing countries, growing concerns over "dirty" oil and the lack of capital to improve the situation, there are the offsetting stress factors of a global slowdown and a reduction in product demand for transportation. In the face of these contrasting views we believe our small cap strategy, highlighted above, is still the recipe for success.

Recent Developments

The rollover of partnership assets into Norrep II Class of Norrep Opportunities Corp occurred on June 25, 2008. Norrep II Class shares acquired from the rollover were distributed to individual partners on June 26, 2008. The Partnership was dissolved on June 27, 2008.

Related Party Transactions

Management fees of \$496,018 were paid to Norrep 2005 Management Inc. Management fees are one-twelfth of 1.75% of the net asset value of the Partnership and are calculated and paid monthly. No Exit Incentive Allocation was accrued to be payable to Norrep 2005 Management Inc. The Exit Incentive Allocation is 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. Administrative fees of \$26,325 were paid to Hesperian Capital Management Ltd. Administrative fees are charged by Hesperian at or below cost and relate to accounting, trading, recordkeeping, compliance and other administrative costs. Hesperian is Norrep 2005 Management Inc.'s shareholder.

Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance. This information is derived from the Partnership's annual financial statements.

The Partnership's Net Asset Value (NAV) per share ⁽¹⁾	June 25 2008	December 31, 2007	December 31, 2006	December 31, 2005
Net asset value per financial statements, beginning ⁽²⁾	\$6.65	\$10.14	\$9.00	\$10.00
Cost of issuance of Partnership units	-	-	-	(0.75)
Partners' distribution	(0.67)	-	-	-
Increase (decrease) from operations:				
Total revenue	0.03	0.02	0.01	0.06
Total expenses	(0.08)	(0.18)	(0.24)	(0.12)
Realized gains (losses)	(2.68)	(0.25)	1.34	(0.03)
Transaction costs	(0.02)	(0.03)	-	-
Unrealized gains (losses)	3.18	(3.05)	0.14	(0.16)
Total increase (decrease) from operations	0.42	(3.49)	1.25	(0.25)
Net asset value, ending per financial statements	6.39	6.65	10.25	9.00

1. Net asset value amounts are calculated based on the following Partnership units outstanding: 2008 – 8,097,200, 2007 and 2006 - 8,103,000 and 2005 - 8,108,000. For 2008, the sum of the individual components may not add because the weighted average units were used due to redemption during the year.
2. Beginning NAV for 2007 has been adjusted to reflect change from prior periods where fair value was based on the last traded price.

Ratios and Supplemental Data	June 25 2008	December 31, 2007	December 31, 2006	December 31, 2005
Net Assets (thousands of \$)	51,779	53,883	83,095	72,977
Number of Partnership units outstanding	8,097,200	8,103,000	8,103,000	8,108,000
Management expense ratio ⁽¹⁾	2.52%	2.15%	2.32%	2.17%
Management expense ratio before waivers or absorptions	2.52%	2.15%	2.32%	2.17%
Portfolio turnover rate ⁽²⁾	73.05%	46.30%	48.60%	7.08%
Trading expense ratio ⁽³⁾	0.89%	0.33%	0.27%	0.03%

1. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets of the period.
2. The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all of the securities in its portfolio once in the course of a year. The higher the Partnership's portfolio turnover rate in a year, the greater the trading costs payable by the Partnership 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 performance of the Partnership.
3. 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.

Allocations for income taxes (1)		June 25	December	December	December
	Total	2008	31, 2007	31, 2006	31, 2005
Income (loss)	\$(0.83)	\$(0.23)	\$(0.31)	\$(0.37)	\$(0.07)
From capital gains	\$11.67	\$ 3.09	\$3.64	\$4.66	\$0.28
Resource deductions renounced	\$16.09	\$ -	\$2.78	\$3.25	\$10.06
Estimated income taxes saved (cost) (2)	\$4.99	\$(0.59)	\$0.57	\$0.58	\$4.50

1. Allocations for income tax occur at December 31 each year and June 25, 2008 at rollover of the partnership.

2. Based on a hypothetical income tax rate of 45%.

Net asset value reconciliation (1)		June 25	December	December	December
	Total	2008	31, 2007	31, 2006	31, 2005
Net asset value, ending per financial statements	6.39	6.39	6.65	10.25	9.00
Adjustment to industry standard pricing	-	-	0.07	-	-
Net asset value, ending per industry standard pricing	\$6.39	\$6.39	\$6.72	\$10.25	\$9.00

1. 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 above table.

Management Fees

The General Partner provides investment and administrative services to the Partnership and 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 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. The exit incentive allocation is 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. For the period ended June 25, 2008 management fees amounted to \$496,018 whereas the success fee and exit incentive allocation amounted to \$nil.

Past Performance

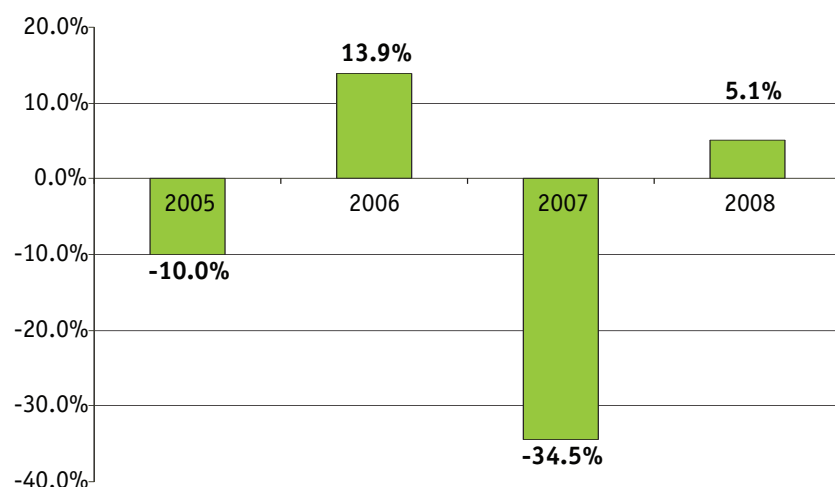
Performance information does take into account sales charges paid to the selling broker and fees for distributions. It does not take into account any fees, if any, charged by your broker directly to you. Such fees would have reduced returns or performance. It also does not take into account any income tax benefits realized by investors.

The Partnership's past performance is not necessarily indicative of its future performance.

Year-by-Year Returns

This bar chart shows the Flow-Through Limited Partnership's performance in each of the financial periods shown. The chart indicates in percentage terms how much an investment made on the first day of each financial period would have increased or decreased by the last day of each financial period.

Norrep Performance 2005 Flow Through Limited Partnership Returns



Note: 2005 is for the period from May 17 to December 31, 2005. 2006 and 2007 are for the period from January 1 to December 31 and 2008 is from January 1 to June 25.

Annual Compound Returns

	1 Year	3 Year*	Since Inception*
Norrep Performance 2005 FTLP	-22.5%	-8.0%	-10.6%
BMO Small Cap Energy Equity Only TRI **	4.8%	15.0%	18.0%

* annualized

** This index is only calculated monthly so the since inception number is for the period from May 31, 2005 through June 30, 2008.

It should be noted that while the BMO Small Cap Energy Equity Only TRI is the comparable broad-based index for the Norrep 2005 FTLP, there are important differences driving the divergence in performance. First, the premium paid for flow-through shares has averaged in excess of 20% over the past three years. Second, the flow-through market is dictated by supply and demand whereas the index reflects the dominant names in the junior energy sector. Even though we target the top flow-through issuers, we are not free to exercise discretion across the junior energy sector; our universe of possible investments is restricted to those companies issuing flow-through shares. Finally, the flow-through market is predominantly micro cap, whereas the index is small and mid cap.

The Norrep Performance 2005 Flow Through Limited Partnership is a tax product and thus is best represented by its after-tax return. The annualized after-tax return is 7.5% assuming full cycle investing with all tax deductions taken, sale of all the investments at June 30, 2008 and all capital gains taxes paid. It also assumes a 45% marginal tax rate and a 125% tax deduction.

Other Material Information

Being a limited partnership, the Partnership is dependent on Norrep 2005 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. Norrep 2005 Management Inc. is a wholly-owned subsidiary of Hesperian Capital Management Ltd., a Calgary-based company responsible for the management of the Norrep Group of Funds.

Financial **STATEMENTS** of:

norrep2005FTLP

Norrep Performance 2008 Flow-Through Limited Partnership

Period from January 1, 2008 to June 25, 2008



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AUDITORS' REPORT TO THE PARTNERS

We have audited the statement of net assets of Norrep Performance 2005 Flow-Through Limited Partnership (the "Partnership") as at June 25, 2008 and the statements of operations and changes in net assets for the period from January 1, 2008 to June 25, 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 June 25, 2008 and the results of its operations and changes in net assets for the period from January 1, 2008 to June 25, 2008 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
July 18, 2008

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Net Assets

June 25, 2008, with comparative figures for December 31, 2007

	2008	2007
Assets		
Investments, at current value (cost 2008 - \$51,779,390; 2007 - \$78,803,816)	\$51,779,390	\$ 53,015,675
Cash and cash equivalents	5,600,143	976,643
Receivables: Dividends and interest	16,307	20,075
	57,395,840	54,012,393
Liabilities:		
Accrued expenses	183,413	129,000
Partners' distribution payable	5,433,037	-
	5,616,450	129,000
	\$51,779,390	\$ 53,883,393
Partners' Equity		
Represented by:		
Partners' contributions (note 6)	\$ 69,503,253	\$ 74,989,230
Unrealized depreciation in current value of investments	-	(25,788,141)
Cumulative (loss) gain realized	(17,723,863)	4,682,304
	\$ 51,779,390	\$ 53,883,393
Limited partnership units outstanding (note 6)	8,097,200	8,103,000
Net asset value per unit	\$ 6.39	\$ 6.65

See accompanying notes to financial statements.

On behalf of the Board of Directors of Norrep 2005 Management Inc.
as General Partner of the Partnership:



Director



Director

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Operations

	Period from January 1, 2008 to June 25, 2008	Year ended December 31, 2007
Investment income:		
Interest	\$ 207,559	\$ 169,628
Dividends	12,860	-
	<u>220,419</u>	<u>169,628</u>
Investment expenses:		
Management fees (notes 1 and 7)	496,018	1,295,177
Administrative fees (note 7)	26,325	58,057
Audit fees	28,516	40,223
Custodian and recordkeeping fees	21,789	68,238
Computer services	8,546	13,511
Interest	-	1,838
Legal and filing fees	38,704	21,925
Other	34,638	7,100
	<u>654,536</u>	<u>1,506,069</u>
Net investment loss	(434,117)	(1,336,441)
Gains and losses on investments:		
Net realized loss on investments	(21,737,524)	(2,023,218)
Transaction costs	(234,527)	(237,059)
Change in unrealized appreciation (depreciation) in current value of investment	25,788,142	(24,694,503)
Net gain (loss) on investments	<u>3,816,091</u>	<u>(26,954,780)</u>
Increase (decrease) in net assets from operations	\$ 3,381,974	\$(28,291,221)
Earnings (loss) per unit	<u>\$ 0.42</u>	<u>\$ (3.49)</u>

See accompanying notes to financial statements.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Changes in Net Assets

	Period from January 1, 2008 to June 25, 2008	Year ended December 31, 2007
Net assets, beginning of period	\$ 53,883,393	\$ 83,095,154
Initial adoption of new accounting policy (note 2)	-	(920,540)
Partners' transactions:		
Partners' distribution	(5,433,037)	-
Redeemed units for cash	(52,940)	-
	(5,485,977)	-
Change in net assets from operations	3,381,974	(28,291,221)
Net assets, end of period	\$ 51,779,390	\$ 53,883,393

See accompanying notes to financial statements.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements

Period from January 1, 2008 to June 25, 2008

1. Basis of presentation:

Norrep Performance 2005 Flow-Through Limited Partnership (the "Partnership") was formed on February 18, 2005 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 May 17, 2005. 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 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, 2005 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.

On June 25, 2008, the Partnership transferred certain assets to Norrep Opportunities Corp., a mutual fund corporation, in exchange for Norrep II Class shares (note 5). On June 27, 2008, 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 25, 2008 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 \$29,257,427 (December 31, 2007 - \$43,301,996).

Being a limited partnership, the Partnership is dependent on Norrep 2005 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 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. The exit incentive allocation is 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. No success fee or General Partner Exit Incentive Allocation is payable at June 25, 2008.

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 June 25, 2008 was \$5,178.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 2

Period from January 1, 2008 to June 25, 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) Changes in accounting policies:

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. For financial reporting purposes, on January 1, 2007, the Partnership adopted this new accounting policy retroactively without restatement of prior periods. The effect of the initial adoption of the new accounting policy, using the closing bid price at December 31, 2006, is a decrease of \$920,540 (\$0.11/unit) to net assets at the beginning of the prior 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.

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.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 3

Period from January 1, 2008 to June 25, 2008

2. Significant accounting policies (continued):

(b) Financial Instruments – Recognition and Measurements:

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

Due to their short term nature, the Partnership's cash is classified as held-for-trading, the receivables are classified as loans and receivables and liabilities are classified as other liabilities and are measured at amortized cost. 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 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. At time of dissolution, investments are carried at closing price.

Investments at fair value represent the total financial assets at fair value through the statement of operations. 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.

(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 market value, less the General Partner's share, divided by the number of limited Partnership units outstanding.

(f) Earnings per unit:

Earnings per unit 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.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 4

Period from January 1, 2008 to June 25, 2008

3. Financial instruments:

	June 25, 2008
<i>Assets</i>	
Held for trading	\$ 57,379,533
Loans and receivables*	16,307
Total Assets	\$ 57,395,840
<i>Liabilities</i>	
Financial liabilities at amortized cost*	\$ 5,616,450
Total Liabilities	\$ 5,616,450

* For the purposes of categorization in accordance with CICA 3862, Financial Instruments – Disclosures (“CICA 3862”), dividends, interest and portfolio assets sold are designated as loans and receivables and recorded at amortized cost. Similarly, accrued expenses and portfolio assets purchased are designated as other financial liabilities and reported at amortized cost.

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.

In addition, the Partnership may participate in the exploration, development and production of oil and gas by investing in flow-through shares of subsidiary companies, which will be formed to enter into joint ventures with joint venture partners with the objective of achieving capital appreciation for limited partners.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 5

Period from January 1, 2008 to June 25, 2008

4. Financial instruments and associated risks (continued):

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.

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 75% will be invested in oil and gas resource companies and not more than 25% 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.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 6

Period from January 1, 2008 to June 25, 2008

4. Financial instruments and associated risks (continued):

Market risk:

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.

(b) Interest rate risk:

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

As a result, the Partnership is subject to limited exposure to fair value interest rate risks due to fluctuations in the prevailing levels of market interest rates. Any excess cash in the Partnership earns an interest rate equal to the 30 day Bankers Acceptance rate less 0.5% in the overnight market.

Any interest rate fluctuations in the overnight market will provide fluctuations in the interest income earned on the cash balance.

As of June 25, 2008 the Partnership had a cash balance of \$5,600,143. Thus, an increase or decrease of 100 basis points, or 1.0%, in overnight interest rates at the reporting date would have impacted the net assets attributable to limited partners and changes in net assets attributable to limited partners by \$153.

(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.

Price 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.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 7

Period from January 1, 2008 to June 25, 2008

4. Financial instruments and associated risks (continued):

(c) Other market risk (continued):

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

Sensitivity analysis:

On June 25, 2008 the Partnership's equity investments only consisted of Norrep II Class of Norrep Opportunities Corp mutual fund shares. These mutual fund shares were distributed to individual partners on June 26, 2008.

A 1% increase or decrease on the BMO Small Cap Equity Only Weighted Total Return Index at June 25, 2008 would have impacted the net assets attributable to unitholders and the changes in net assets attributable to unitholders by \$517,794.

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. As the Partnership's statement of investment portfolio does not hold debt instruments with a fair value, there is no credit risk exposure as at June 25, 2008 with the exception of cash and receivables that settle in the short-term.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 8

Period from January 1, 2008 to June 25, 2008

4. Financial instruments and associated risks (continued):

Credit risk

At June 25, 2008, the Partnership's financial assets exposed to credit risk amounted to the following:

	June 25, 2008
Cash	\$ 5,600,143
Dividends and interest	16,307
Total	\$ 5,616,450

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.

Substantially all of the assets of the Partnership are held by the custodian, CIBC Mellon Global Securities Services 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 custodian.

Other than outlined above there was no significant concentration of credit risk to a counterparty at June 25, 2008.

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.

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 9

Period from January 1, 2008 to June 25, 2008

4. Financial instruments and associated risks (continued):

Liquidity risk (continued):

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 Partnership will not invest in any one Resource Company if, following such purchase, more than 20% of the Proceeds Available for Investment will be invested in securities of the Resource Company; provided, however, that the Partnership may invest up to 25% of the Proceeds Available for Investment in any one Resource Company with a market capitalization of more than \$75 million. Notwithstanding the foregoing, in the case of a Resource Company which is a Private Issuer, the Partnership shall not invest in such company a sum greater than 10% of the Proceeds Available for Investment.

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

As at June 25, 2008	Due on demand	1 to 3 months	3 months to 1 year	Due > 1 year	Total
Financial liabilities					
Accrued expenses	183,413	-	-	-	183,413
Partners' distribution payable	5,433,037	-	-	-	5,433,037

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 10

Period from January 1, 2008 to June 25, 2008

5. Investment:

On June 25, 2008 the Partnership transferred certain assets of the Partnership to Norrep Opportunities Corp., in exchange for 1,699,161 Norrep II Class mutual fund shares with a value of \$51,779,390. The assets transferred were as follows:

Investments	\$	44,604,363
Treasury bill		7,175,027
	\$	51,779,390

6. 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, 2006 and 2007	8,103,000	74,989,230
Partners' distribution	-	(5,433,037)
Redeemed units for cash	(5,800)	(52,940)
Balance at June 25, 2008	8,097,200	\$ 69,503,253

NORREP PERFORMANCE 2005 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 11

Period from January 1, 2008 to June 25, 2008

7. Related party transactions:

Pursuant to the Partnership agreement, the Partnership pays management fees to the General Partner, Norrep 2005 Management Inc., for management services received during the period. During the period, management fees amounted to \$496,018 (2007 - \$1,295,177) of which \$85,000 (December 31, 2007 - \$80,000) is included in accounts payable at June 25, 2008.

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 \$26,325 (2007 - \$58,057) of which \$ nil (December 31, 2007 - \$4,563) is included in accounts payable at June 25, 2008.

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

8. Brokerage commissions on securities transactions:

The Partnership paid brokerage commissions amounting to \$231,855 (2007 - \$230,358) in connection with portfolio transactions during the period.

9. 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 below.

	June 25, 2008		December 31, 2007	
	Total	Per unit	Total	Per unit
Net asset value, industry standard	\$ 51,779,390	\$ 6.39	\$ 54,464,974	\$ 6.72
Difference as a result of adopting Section 3855 (note 2)	-	-	(581,581)	(0.07)
Net asset value, financial statements	\$ 51,779,390	\$ 6.39	\$ 53,883,393	\$ 6.65

Our Investment **PROFESSIONALS**

Randal Oliver, CFA

Chairman & Chief Investment Officer

Portfolio Manager: NorrepFUND, Norrep II CLASS, Norrep FTLPs

Alexander Sasso, CFA

Vice President & Portfolio Manager

Portfolio Manager: NorrepFUND, Norrep II Class, Norrep Q Class, Norrep US Class, Norrep G Class, Norrep Income Growth Class

Keith Leslie, CFA

Vice President & Portfolio Manager

Portfolio Manager: Norrep Q Class, Norrep Income Growth Class

Craig Millar, CFA

Vice President & Portfolio Manager

Portfolio Manager: Norrep G Class, Norrep US Class

Steve Smith, CA

Vice President, Portfolio Manager & Chief Financial Officer

Portfolio Manager: Norrep FTLPs

Other **PROFESSIONALS**

Kamran Khan, CFA
Analyst

Terry Thib, MBA
Analyst

Steve Ripplinger
Investment Assistant

Kelsey Brosz, CA
Treasurer

Don Walker
Investment Analyst

Tim Stephenson
Investment Analyst

Deirdre Harris
Chief Operating Officer

Donovan Kornelsen
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