

Management **REPORT OF**

FUNDperformance

Norrep Performance 2007 Flow-Through Limited Partnership

For the year ended December 31, 2009

norrep2007FTLP

This annual management report of fund performance (MRFP) contains financial highlights but does not contain the audited annual financial statements of the 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, T2R 0B2 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 Objectives and Strategies

The Norrep Performance 2007 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 Canadian Development Expense ("CDE").

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 Factors

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.

Investors should consider the following risks:

Liquidity

There is currently no market through which the units of the Partnership may be sold and no market is expected to develop. Consequently, Limited Partners may not be able to liquidate their units in a timely manner, if at all, or pledge their units as collateral for loans.

Reliance on the General Partner

The Partnership and the General Partner have no previous operating or investment history. The board of directors of the General Partner, and therefore management of the General Partner, may be changed at any time. The General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners against losses, liabilities, expenses and damages suffered if the Limited Partner's respective liabilities are not limited as provided herein, provided that the loss of limited liability was caused by an act or omission of the General Partner or by the negligence or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. However, such indemnity will apply with respect to losses in excess of the agreed capital contribution of the Limited Partner and the amount of this protection is limited by the extent of the net assets of the General Partner and such assets may not be sufficient to fully cover any actual loss. The General Partner has, and is expected to have, only nominal assets. Therefore, the indemnity of the General Partner may have nominal value.

Underlying Securities

Generally, the value of units will vary in accordance with the value of the securities acquired by the Partnership and in some cases the value of securities owned by the Partnership may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the General Partner or the Partnership and there is no assurance that an adequate market will exist for securities acquired by the Partnership.

Securities purchased by the Partnership may be purchased at prices greater than their market prices and will be subject to resale restrictions under applicable securities legislation.

If the General Partner is unable to dispose of all investments prior to the termination of the Partnership and a liquidity alternative is not implemented, Limited Partners may receive shares of resource companies upon liquidation of the Partnership, for which there may be an illiquid market or which may be subject to resale restrictions. In the case of resource companies that are private corporations, transferability of the flow-through shares may be restricted by the constating documents of the respective corporation and the shares may be entirely illiquid.

Narrow Investment Focus

Because the Partnership will invest almost exclusively in securities of resource companies, which shall be engaged in oil and gas exploration, development and production, or mineral exploration, development and production, the net asset value of the Partnership may be more volatile than that of portfolios with a more diversified investment focus.

The business activities of resource companies are speculative and may be adversely affected by factors outside their control. Resource development and exploration involves a high degree of risk which even the experience and knowledge of management of the resource companies may not be able to avoid. There is no assurance that commercial quantities of oil, gas or minerals will be discovered. Other risks to be considered include possible significant fluctuations in the commodity prices and/or in the costs of production, possible claims of native peoples and government regulations, including regulations relating to prices, royalties, allowable production, importing and exporting of petroleum products and/or mineral products and environmental protection. The effect of these factors cannot be accurately predicted.

Flow-Through Shares

There can be no assurances that resource companies will honour their obligations to incur eligible expenditures or that the Partnership will be able to recover any losses suffered as a result of such obligations.

Loan Facility

The interest expense and banking fees incurred in respect of the loan facility may exceed the incremental capital gains and tax benefits generated by the incremental investment in flow-through shares. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns.

Regulatory Environment

Oil and gas operations and mining operations are subject to extensive government regulation. Operations may be affected from time to time in varying degrees due to political and environmental developments such as tax increases, expropriation of property and changes in conditions under which oil and gas, precious metals and minerals may be developed, produced and exported, as applicable.

Liquidity Alternative

There can be no assurance that any liquidity alternative will be implemented by the General Partner or that it will receive the necessary regulatory and Limited Partner approvals, if required.

Resale of Securities

In some cases, the securities owned by the Partnership, which could be completely illiquid, may be affected by such factors as investor demand, resale restrictions, general market trends, lack of liquid market or regulatory restrictions, all or any of which may affect the ability of the Partnership to realize its investment objectives.

Industry Conditions and Competition

The oil and gas and mining industries are highly competitive and the Partnership and resource companies must compete with many companies, many of whom have far greater financial strength, experience and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential as well as for drilling rigs necessary to exploit oil and gas properties.

There are certain risks inherent in the oil and gas and mining industries, including potential claims arising from operational activities, which may or may not be insurable.

Substantial adverse or ongoing economic, business, government or political conditions in various world markets, including the potential for significant fluctuations in the prices of oil and gas, precious metals and minerals may have a negative impact on the ability of the resource companies to operate profitably. There is no assurance that any of the resource companies will prove to be profitable or viable over the short or long term.

Possible Tax Deductions

Tax authorities may disagree with the characterization of gains realized by the participation on the sale of flow-through shares as being on capital account rather than on income account and with the classification of the eligible expenditures made by resource companies, and any such recharacterization or reclassification, as the case may be, resulting from such disagreement will reduce the return on an investment in the units.

Tax-Related

Federal or provincial income tax legislation may be amended, or its interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of units or the flow-through shares or other securities issued to the Partnership.

There is no assurance that amounts renounced by resource companies to the Partnership will qualify as Canadian Exploration Expense ("CEE") or Canadian Development Expense ("CDE") or in the anticipated proportions. Each Limited Partner will represent that he or she has not acquired units with limited recourse borrowing for the purposes of the Tax Act, however there is no assurance that this will not occur. Any of the above occurrences would reduce the amount of the eligible expenditures and/or losses allocated to Limited Partners and in certain circumstances may require the Limited Partners to amend their tax returns filed for previous years. There may be disagreements with the CRA with respect to certain tax consequences of an investment in units of the Partnership. There can be no assurances that the income tax laws in the various jurisdictions of Canada will not be changed in a manner which will fundamentally alter the tax consequences to Limited Partners of holding or disposing of units. The alternative minimum tax could limit tax benefits available to Limited Partners.

While Limited Partners will receive the tax benefits associated with eligible expenditures in the years in which the Partnership invests in flow-through shares and will benefit to the extent that gains on the disposition of flow-through shares

by the Partnership are capital gains rather than income gains for tax purposes, the sale of flow-through shares by the Partnership will trigger larger capital gains in the year the sale occurs than the sale of comparable common shares that do not constitute flow-through shares. This is because flow-through shares are deemed to have a cost of nil for income tax purposes. As a result, there is a risk that Limited Partners will receive allocations of income and/or capital gains for a year without receiving distributions from the Partnership in that year sufficient to pay any tax they may owe as a result of being a Limited Partner during that year. To reduce this risk, subject to the terms of the loan facility, the Partnership intends to distribute 50% of the taxable portion of any capital gains, net of allowable capital losses, arising from the sale of flow-through shares in each year. Notwithstanding the foregoing, 50% of all deductions realized by the investor for income tax purposes during the applicable fiscal year from participation in the Partnership shall be set-off against mandatory distributions otherwise payable to the investor.

If a Limited Partner finances the acquisition of units with a financing for which recourse is, or is deemed to be, limited, the eligible expenditures and other expenses incurred by the Partnership may be reduced by the amount of such financing. The Tax Proposals may adversely affect a Limited Partner who borrows to finance the subscription price of his, her or its units.

If the Partnership borrows money to finance the payment of the agents' commissions and other expenses of issue, such indebtedness will be deemed to be a limited recourse amount for purposes of the Tax Act. As a result, such expenses would not be deductible until the year in which the indebtedness is repaid and such amount may be subject to the application of the Tax Proposals at that time.

Possible Loss of Limited Liability and Liability for Return of Capital

Maintenance of the limited liability of a Limited Partner requires compliance with certain legal requirements in jurisdictions in which the Partnership will operate and there is a risk that Limited Partners could lose their limited liability in certain circumstances.

Where a Limited Partner has received a distribution from the Partnership, such Limited Partner may be liable to return to the Partnership or, if the Partnership is dissolved, to its creditors any amount, not in excess of the amount distributed to such Limited Partner with interest, as may be necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before such distribution.

Conflicts of Interest

Affiliates of the General Partner, including Hesperian Capital Management Ltd. ("Hesperian"), and/or directors, officers or shareholders thereof may engage in the promotion, management or investment management of other funds, partnerships or other vehicles, including vehicles that may invest in securities (flow-through or otherwise) of entities that include resource companies in which the Partnership invests and various other conflicts of interest exist or may arise between the Partnership and the General Partner and/or Hesperian and/or other partnerships or entities of which affiliates of the General Partner (including Hesperian) or their officers or directors are general partners, act as manager or own securities.

Results of Operations

For the year ended December 31, 2009, the Partnership earned interest income and dividend income amounting to \$201,629 and \$15,800. Management fees of \$366,401 were paid to Norrep 2007 Management Inc. General and administrative costs of \$90,693 and interest expense of \$110 related to the operation of the Partnership were also incurred. As a result of the above, the net investment loss was \$239,775.

The net realized loss on investments was \$21,740,463. Increase in unrealized appreciation in fair value of investments was \$23,108,508 while transaction costs were \$137,988 for a total gain from investing activities of \$1,230,057. Increase in net assets from operations was \$990,282 for the year.

Net assets at the beginning of the year were \$21,014,242. A distribution to partners of \$1,811,097 was accrued at December 31, 2009. Net assets increased \$990,282 from operations. At December 31, 2009, the Partnership had net assets of \$20,191,137.

Management fees paid to Norrep 2007 Management Inc. decreased by 55% due to a decrease in net asset value in the period January 1, 2009 to December 31, 2009 compared to December 31, 2008.

The financial statement net asset value (NAV) per unit decreased from \$2.58 at December 31, 2008 to \$2.48 (4%) at December 31, 2009. The industry standard pricing net asset value per unit decreased from \$2.62 at December 31, 2008 to \$2.49 (5%) at December 31, 2009. A distribution to partners of \$0.22 per unit was accrued at December 31, 2009. The decrease in net asset value of the partnership is calculated before factoring in the considerable income tax benefits which will be allocated to partners as a result of flow through share purchases.

Investor sentiment improved significantly through 2009. While the first three months of 2009 was still impacted by ongoing concerns about both debt and equity markets, a thawing of the former translated to a remarkable rally through the balance of 2009 as investors became more willing to accept risk in anticipation of the eventual broad economic recovery. The improvement in sentiment is evidenced in the numbers. Over the first three months of 2009, the S&P/TSX Total Return Index was down 2% before rallying over the subsequent nine months to end 2009 up 35%.

The recovery in the energy sector was driven by several major factors. The recovery was aided by an improvement in the underlying commodities. Looking back at December 31 2008, West Texas Intermediate (WTI) was trading at US\$44.60 per barrel and natural gas was trading at \$6.29 per Gigajoule (GJ) (based on Alberta reference price - AECO). Over the course of the next twelve months, WTI rallied to a high of US\$81.04 per barrel and averaged US\$61.83 per barrel over the twelve month period while natural gas fell to as low as \$1.86 per GJ on September 4, 2009 before rallying late in the year to a high of \$5.68 per GJ on December 12, 2009.

Other major factors that contributed to the sector's revaluation include increased mergers and acquisitions and improved access to capital. Depressed market valuations made it cheaper to drill in the board rooms than in the field. The majority of the acquisitions of Canadian focused producers announced in 2009 should be viewed as the oil and gas industry being opportunistic in a temporary period of overly depressed valuations. The sector also benefited from improved access to capital and allowed the survivors to raise money, increase capital programs and improve their growth profile.

The Partnership was not immune to the broad market gyrations. Over the first three months of 2009, the Partnership was down 3.5% to a net asset value (NAV) of \$2.69 after factoring in the \$0.16 per unit distribution at the end of 2008. The Partnership subsequently rallied to end the year up 3.3% to a NAV of \$2.88 after factoring in both the previous year's distribution and the \$0.22 per unit distribution at the end of 2009.

As discussed in previous reports, our efforts to maximize returns for the Partnership have been impacted by numerous factors over the life of the Partnership. First and foremost, the Partnership has been hampered from the outset by investing in what turned out to be the high water mark. Not only were equity valuations rich in 2007, but premiums were inflated by underlying supply demand issues caused by too many flow through dollars chasing too few investments. At the end of the day, the competition for flow through further exacerbated the valuations by pushing premiums higher. Further compounding the issue, the Partnership had to weathered three major storms: the ongoing ripple effect from the October 2006 Royalty/Income Trust ruling, the October 2007 Alberta Royalty debacle and the July 2008 commodity collapse.

Performance of the Partnership over the past 12 months has been impacted by the performance of its private companies. In the past year we have succeeded in reducing the number of private companies by 50% to 6 names and our equity weighting in private companies from 58% to 9.5% with the disposition of our positions in Athabasca Oil Sands Corp., Spry Energy Ltd. and Temple Energy Inc. and the acquisition of Renegade Oil & Gas Ltd. by Legacy Oil & Gas Inc.; however, the remaining private companies have lagged the index by a significant margin. Two examples include Avondale Energy Inc. and Value Creation Inc. Both had difficulty refinancing bank debt which resulted in a massively dilutive equity deal for Avondale and a strategic alternative process for Value Creation.

While we are far from satisfied with the current NAV, the current holdings are better positioned to outperform the market until we roll the Partnership into Norrep Opportunities Corp. later this year. We are optimistic that this strategy will result in a material increase in the NAV as it allows several significant weightings in the portfolio to realize the rewards of their active winter drilling program. Of note, we eagerly await drill results from Angle Energy Inc., Daylight Resources Trust, Delphi Energy Corp., Legacy Oil & Gas Inc. and Orleans Energy Ltd.

The strategy will remain consistent with the Hesperian methodology. We remain committed to our long-held belief that the small and mid cap portion of the sector represents a better combination of value and growth. While maintaining our commitment to this portion of the sector, we continue to believe that size and liquidity are especially important in the

current market as it generally translates into economies of scale, healthier cash flow, additional borrowing capacity and healthy trading patterns, which should provide much stronger returns when the market rallies and a more defensive posture in down times. We remain focused on companies with experienced management teams, strong balance sheets, growth in reserves, production and cash flow on a per share basis, and with an expanding prospect inventory capable of providing solid per unit gains.

While the current outlook for the commodities remains somewhat clouded by economic uncertainty and the current supply/demand fundamentals, we are cautiously optimistic for continued strength in oil prices and gas prices in 2010. Commodity-based industries are cyclical and self-correcting. We believe the energy cycle is in its early days with the current trend for continued commodity strength. Given our experience, we remain on guard for the signs of a reversal and will act accordingly.

We currently expect to roll the Partnership on a tax deferred basis into the Norrep Opportunities Corp., a multi-class mutual fund corporation, in mid 2010. Units of the Partnership will be exchanged for mutual fund shares of one of the seven mutual funds within Norrep Opportunities Corp.

Recent Developments

Changes 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 Partnership'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.

The Partnership adopted the amendments to CICA 3862, Financial Instruments – Disclosures on October 1, 2009. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Partnership's investments. The hierarchy of inputs is summarized below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Future accounting pronouncements:

The Canadian Accounting Standards Board confirmed that for fiscal years beginning on or after January 1, 2011 International Financial Reporting Standard ("IFRS") will replace Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, which include the Partnership. The Manager has commenced development of a changeover plan to meet the implementation date. The key elements of the plan include disclosures of the qualitative impact in the December 31, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2010 financial statements and the preparation of the December 31, 2011 financial statements in accordance with IFRS.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that the net asset value per unit will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Partnership's financial statements to be limited to possible presentation changes and additional note disclosures.

Related Party Transactions

Management fees of \$366,401 were paid to Norrep 2007 Management Inc. Management fees are one-twelfth of 1.75% of the net asset value of the Partnership and are calculated and paid monthly. In addition, administrative fees of \$11,039 were also paid to Hesperian. Administrative fees are charged by Hesperian at or below cost. They relate to accounting, trading, recordkeeping, compliance and other administrative costs. Hesperian is the shareholder of Norrep 2007 Management Inc.

Financial Highlights

The following tables present 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 audited annual financial statements.

The Partnership's Net Asset Value (NAV) per unit ⁽¹⁾	December 31, 2009	December 31, 2008	December 31, 2007
Net asset value per financial statements, beginning	\$2.58	\$6.20	\$10.00
Cost of issuance of Partnership units	-	-	(0.73)
Partners' distribution – return of capital	(0.22)	(0.16)	-
Increase (decrease) from operations:			
Total revenue	0.03	0.02	0.17
Total expenses	(0.06)	(0.13)	(0.19)
Realized losses	(2.67)	(3.00)	(0.25)
Transaction costs	(0.02)	(0.01)	-
Unrealized gain (losses)	2.84	(0.34)	(2.80)
Total increase (decrease) from operations	0.12	(3.46)	(3.07)
Net asset value, ending per financial statements	2.48	2.58	6.20

1. Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. Due to the different methods of calculating individual components of the table, the sum of the individual components will not equal the ending net asset value.

Allocations for income taxes ⁽¹⁾	Total	December 31, 2009	December 31, 2008	December 31, 2007
Income (loss)	\$(0.45)	\$(0.18)	\$(0.25)	\$ (0.02)
From capital gains	\$ 3.40	\$ 1.32	\$ 1.89	\$ 0.19
Resource deductions renounced	\$10.49	\$ 0.04	\$ 0.37	\$ 10.08
Estimated income taxes saved (cost) ⁽²⁾	\$ 4.16	\$ (0.20)	\$ (0.14)	\$ 4.50

1. Allocations for income tax occur at December 31 each year.
 2. Based on a hypothetical income tax rate of 45%.

Ratios and Supplemental Data	December 31, 2009	December 31, 2008	December 31, 2007
Net assets (thousands of \$)	20,191	21,014	50,464
Number of Partnership units outstanding			
Management expense ratio ⁽¹⁾	2.28%	2.46%	2.41%
Management expense ratio before waivers or absorptions	2.28%	2.46%	2.41%
Portfolio turnover rate ⁽²⁾	84.34%	30.28%	4.07%
Trading expense ratio ⁽³⁾	0.67%	0.25%	0.01%

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.

	December 31, 2009	December 31, 2008	December 31, 2007
Net asset value reconciliation (1)			
Net asset value, ending per financial statements	2.48	2.58	6.20
Adjustment to industry standard pricing	0.01	0.04	0.08
Net asset value, ending per industry standard pricing	\$2.49	\$2.62	\$6.28

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 an exit incentive allocation. The exit incentive allocation is calculated at dissolution and is 20% of the amount by which a Limited Partner's return on investment, as defined in the prospectus, exceeds 8% compounded annually. Management fees amounted to \$366,401 and exit incentive allocation amounted to \$nil at December 31, 2009.

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 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 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 the financial period would have increased or decreased by the last day of the financial period.

Norrep Performance 2007 FTLP Returns



Note: 2007 is for the period from February 1 to December 31. 2008 and 2009 are for the periods from January 1 to December 31.

Annual Compound Returns

	1 Year	Since Inception*
Norrep Performance 2007 FTLP	3.3%	-34.8%
BMO Small Cap Energy Equity Only TRI	77.8%	-9.6%

* annualized

It should be noted that while the BMO Small Cap Energy Equity Only TRI is the comparable broad-based index for the Partnership, 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 Partnership is a tax product and thus is best represented by its after-tax return. The annualized after-tax return since inception is -26.6% assuming full cycle investing with all tax deductions taken, sale of all the investments at December 31, 2009 and all capital gains taxes paid. It also assumes a 45% marginal tax rate.

Summary of Investment Portfolio

Equities	Percent of Net Assets
Value Creation Inc.	9.5%
Legacy Oil & Gas Inc.	9.3%
Delphi Energy Corp.	8.3%
Daylight Resources Trust	7.5%
Orleans Energy Ltd.	7.0%
Angle Energy Inc.	6.6%
Rock Energy Inc.	6.4%
NAL Oil & Gas Trust	6.2%
Baytex Energy Trust	5.9%
Bonavista Energy Trust	5.0%
Canadian Natural Resources Ltd.	4.7%
Painted Pony Petroleum Ltd.	4.2%
Cequence Energy Ltd.	3.6%
Talisman Energy Inc.	3.4%
Suncor Energy, Inc.	3.1%
Colonia Energy Corporation (restricted)	2.8%
Argosy Energy, Inc.	2.6%
Yoho Resources Inc.	2.0%
EnCana Corporation	2.0%
Drumlin Energy Corp.	1.6%
Cenovus Energy Inc.	1.6%
Vero Energy Inc.	1.2%
Coastal Energy Company	1.0%
Seaview Energy, Inc.	0.8%
Legacy Oil & Gas Inc. (founders shares)	0.4%
Other Equities	1.2%
Total Equities	107.9%
Other	
Cash	0.7%
Other assets – net of liabilities	-8.6%
Total net asset value	100.0%
Industry Sectors	
Energy	107.3%
Basic Materials	0.7%
Other	-8.0%
Total net asset value	100.0%

The Summary of Investment Portfolio changes as a result of ongoing portfolio transactions. Quarterly updates are available by calling us toll free (877) 531-9355, by writing to us at 175, 601 - 10 Avenue SW Calgary, Alberta, T2R 0B2 or by visiting our website at www.norrepfunds.com.