

Financial **STATEMENTS** of:

norrep2008FTLP

Norrep Performance 2008 Flow-Through Limited Partnership

For the year ended December 31, 2009



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AUDITORS' REPORT TO THE PARTNERS

We have audited the statement of net assets of Norrep Performance 2008 Flow-Through Limited Partnership (the "Partnership") as at December 31, 2009 and 2008 and the statements of operations and changes in net assets for the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008 and the statement of investment portfolio as at December 31, 2009. 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 December 31, 2009 and 2008, the results of its operations and changes in net assets for the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008 and its investment portfolio as at December 31, 2009 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and cursive.

Chartered Accountants

Calgary, Canada
February 25, 2010

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Net Assets

As at December 31, 2009 and 2008

	2009	2008
Net Assets		
Investments, at fair value (cost 2009 - \$10,299,536; 2008 - \$19,617,040)	\$ 11,077,702	\$ 10,942,945
Cash	1,554,658	39,543
Interest and dividend receivable	27,360	9,614
	<u>12,659,720</u>	<u>10,992,102</u>
Liabilities:		
Accrued expenses	42,567	54,521
Loan payable (note 3)	—	1,655,768
Partners' distribution payable	1,925,889	—
	<u>1,968,456</u>	<u>1,710,289</u>
	<u>\$ 10,691,264</u>	<u>\$ 9,281,813</u>

Partners' Equity

Represented by:		
Partners' net contributions (note 6)	\$ 16,026,212	\$ 17,957,121
Unrealized depreciation in fair value of investments	778,166	(8,674,095)
Cumulative loss realized	(6,113,114)	(1,213)
	<u>\$ 10,691,264</u>	<u>\$ 9,281,813</u>
Limited partnership units outstanding (note 6)	1,968,750	1,969,750
Net asset value per unit (note 9)	\$ 5.43	\$ 4.71

See accompanying notes to financial statements.

On behalf of the Board of Directors of Norrep 2008 Management Inc.
as General Partner of the Partnership:

 _____ Director

 _____ Director

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Operations

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

	2009	2008
Investment income:		
Interest	\$ 70,945	\$ 357,334
Dividend	58,833	8,148
	<u>129,778</u>	<u>365,482</u>
Investment expenses:		
Management fees (notes 1 and 7)	190,405	250,500
Audit fees	20,049	12,227
Interest	19,627	64,060
Other	14,804	6,786
Legal and filing fees	8,016	24,452
Administrative fees (note 7)	5,574	6,327
Custodian and recordkeeping fees	4,712	1,626
	<u>263,187</u>	<u>365,978</u>
Net investment loss	(133,409)	(496)
Gain (losses) on investments:		
Net realized loss on investments	(5,924,735)	—
Transaction costs	(53,756)	(717)
Change in unrealized appreciation (depreciation) in fair value of investment	9,452,260	(8,674,095)
Net gain (loss) on investments	<u>3,473,769</u>	<u>(8,674,812)</u>
Increase (decrease) in net assets from operations	<u>\$ 3,340,360</u>	<u>\$ (8,675,308)</u>
Earnings (loss) per unit	<u>\$ 1.70</u>	<u>\$ (4.55)</u>

See accompanying notes to financial statements.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Changes in Net Assets

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

	2009	2008
Net assets, beginning of period	\$ 9,281,813	\$ -
Partners' transactions:		
Proceeds from issuance of Partnership units	-	19,697,500
Cost of issuance of Partnership units	-	(1,740,379)
Partners' distribution	(1,925,889)	-
Redeemed units for cash	(5,020)	-
	(1,930,909)	17,957,121
Change in net assets from operations	3,340,360	(8,675,308)
Net assets, end of period	\$10,691,264	\$ 9,281,813

See accompanying notes to financial statements.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Investment Portfolio

As at December 31, 2009

	Number of shares/warrants	Cost	Fair value
Angle Energy Inc.	80,000	\$ 468,000	\$ 536,000
Artek Exploration Ltd. (Private)	34,000	1,020,000	646,000
Baytex Energy Trust	40,000	935,919	1,181,200
Bellamont Exploration Ltd. Class A	805,000	499,100	563,500
Bonavista Energy Trust	25,000	439,375	556,750
Cequence Energy Ltd.	159,900	998,951	575,640
Coastal Energy Company	40,000	200,000	211,600
Daylight Resources Trust	102,000	901,200	1,037,340
Legacy Oil & Gas Inc. Founders Shares	58,333	133,000	524,344
Legacy Oil & Gas Inc.	49,850	462,650	479,059
Orleans Energy Ltd.	200,000	455,373	470,000
Potash One Inc.	400,000	585,056	1,012,000
Progress Energy Resources Ltd	80,000	1,300,000	1,122,400
Result Energy Inc. Restricted	1,176,470	100,000	493,882
Rock Energy Inc.	234,000	741,240	758,160
Seaview Energy, Inc.	299,600	536,003	317,576
Wild Stream Exploration Inc.	137,733	536,950	592,251
Transaction cost		(13,281)	
		\$ 10,299,536	\$ 11,077,702

See accompanying notes to financial statements.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

1. Basis of presentation:

Norrep Performance 2008 Flow-Through Limited Partnership (the "Partnership") was formed on December 14, 2007 as a limited partnership under the laws of the Province of Alberta, with nominal equity, to invest in flow-through shares of resource companies. The Partnership commenced operations on February 21, 2008. Using the Partners' contributions, the Partnership invests 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, 2008 to the Partnership in amounts substantially equal to the subscription amount of the flow-through shares. In turn, the Partnership allocated the renouncements to the limited partners. It is intended that the Partnership will be dissolved by December 31, 2011.

These financial statements reflect only the assets, liabilities, revenues and expenses of the Partnership and therefore, do not include any assets, liabilities, revenues or expenses of the partners. No provision for income taxes has been recorded in the financial statements as all income and losses of the Partnership are allocated to the partners. The tax base is less than the reported amounts of the Partnership's assets and liabilities by approximately \$5,411,000 (December 31, 2008 - \$10,942,000).

Being a limited partnership, the Partnership is dependent on Norrep 2008 Management Inc., the General Partner (the "Manager"), for the administration and management of all matters relating to the operation of the Partnership pursuant to the terms of the Partnership Agreement. The General Partner is entitled to a monthly management fee of one-twelfth of 1.75% of the net asset value of the Partnership, payable on the first day of each month. In addition, the General Partner is entitled to an Exit Incentive Allocation. The Exit Incentive Allocation is calculated at dissolution and is 20% of the amount by which a partner's return on investment, as defined in the prospectus, exceeds 8% compounded annually. No General Partner Exit Incentive Allocation is payable at December 31, 2009.

The General Partner is also entitled to a 0.01% share of the net assets of the Partnership upon dissolution of the Partnership, which, at December 31, 2009 would be \$1,069 (December 31, 2008 - \$928).

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 2

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

2. Significant accounting policies:

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

(a) Change in accounting policies:

Effective February 21, 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 year and at the statement of net assets date, and how the Partnership manages those risks.

The Partnership adopted the amendments to CICA 3862, Financial Instruments – Disclosures on January 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:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (ii) 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 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 3

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

2. Significant accounting policies (continued):

(b) Financial Instruments – Recognition and Measurement:

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

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

(c) Valuation of investments:

Investments are recognized on the trade date and are measured at each year 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. Realized and unrealized gains and loss are recognized on 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.

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

(d) Recognition of income and expenses:

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

(e) Unit values:

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

(f) Earnings (loss) per unit:

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

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 4

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

2. Significant accounting policies (continued):

(g) Derivative financial instruments:

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

(h) Short selling:

The Partnership may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities that are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter into a short sale, the Partnership may need to borrow the security for delivery to the buyer. Also, while the transaction is open, the Partnership will incur a liability for any paid dividends or interest that is due to the lender of the security. As well, the Partnership may employ exit strategies, which may include, in aggregate, short sales of up to 10% of the Proceeds Available for Investment, when an appropriate selling opportunity arises in order to "lock-in" the resale price of flow-through shares or other securities, if any, of resource companies held in the Partnership's investment portfolio.

(i) Future accounting pronouncements:

The Canadian Accounting Standards Board confirmed that 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.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 5

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

3. Loan payable:

The loan payable is secured by cash and cash equivalents until the earlier of the placement of all proceeds available for investment or December 31, 2009 (Cash Secured Period) with interest at bank prime. Thereafter, the loan payable is unsecured and becomes payable in nine equal monthly installments, based on the original loan amount of \$1,741,336. Payments commence the first month following the Cash Secured Period (no later than January 31, 2009). Interest increases to bank prime plus 0.25% and is adjusted upward by 0.10% per calendar month. The maximum loan available may be further reduced subject to certain limits under the loan agreement. The loan was repaid by August 31, 2009.

4. Financial instruments:

	December 31, 2009	December 31, 2008
Assets:		
Held for trading	\$12,632,360	\$ 10,982,488
Loans and receivables	27,360	9,614
Total Assets	\$12,659,720	\$ 10,992,102
Liabilities:		
Financial liabilities at amortized cost	\$ 1,968,456	\$ 1,710,289
Total Liabilities	\$ 1,968,456	\$ 1,710,289

Fair value hierarchy:

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Public securities	\$ 9,413,476	\$ 1,018,226	\$ —	\$ 10,431,702
Private securities	—	—	646,000	646,000
Total Investments	\$ 9,413,476	\$ 1,018,226	\$ 646,000	\$ 11,077,702

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 6

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

4. Financial instruments (continued):

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

		Public Securities	Private Securities	Total
Beginning balance, January 1, 2009	\$	–	\$ 1,200,000	\$ 1,200,000
Purchases		–	–	–
Sales		–	–	–
Net transfers into and/or out of Level 3		–	(456,000)	(456,000)
Realized gains/(losses)		–	–	–
Change in unrealized depreciation		–	(98,000)	(98,000)
Ending balance, December 31, 2009	\$	–	\$ 646,000	\$ 646,000
Total change in unrealized depreciation during the year for assets held at December 31, 2009	\$	–	\$ (554,000)	\$ (554,000)

5. Financial instruments and associated risks:

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

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

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 7

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

5. Financial instruments and associated risks (continued):

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 50% will be invested in oil and gas resource companies and not more than 50% in mineral resource companies. At least 50% will be invested in resource companies with a market capitalization in excess of \$20 million.

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

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

Details of the nature of the Partnership's investment portfolio at December 31, 2009 are disclosed in the Statement of Investment Portfolio.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 8

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

5. Financial instruments and associated risks (continued):

Market risk (continued):

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

(c) Other market risk:

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

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

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 9

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

5. Financial instruments and associated risks (continued):

Market risk (continued):

(c) Other market risk (continued):

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

The following table details the breakdown of the investment assets and liabilities held by the Partnership based on current fair values:

	% of Investments	
	December 31, 2009	December 31, 2008
Equity investments:		
Listed equities	94	89
Unlisted equities	6	11
Total equity investments	100	100

Approximately 94% of the Partnership's equity investments are listed on the Toronto Stock Exchange ("TSX") or TSX Venture Exchange ("TSX Venture"). A 5% increase or decrease in the value of all common shares listed on the TSX and TSX Venture at December 31, 2009 would have impacted the net assets attributable to limited partners and the changes in net assets attributable to limited partners by \$520,652 (2008 - \$486,961). No individual investment of the Partnership exceeded 12% of the net assets attributable to the limited partners at December 31, 2009.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 10

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

5. Financial instruments and associated risks (continued):

Market risk (continued):

(c) Other market risk (continued):

The Partnership's financial assets exposed were concentrated in the following industries:

	% of Investments	
	December 31, 2009	December 31, 2008
Energy	91	88
Basic materials	9	12
Total	100	100

Sensitivity analysis:

A 1% increase or decrease on the BMO Small Cap Equity Only Weighted Total Return Index at December 31, 2009 would have impacted the net assets attributable to unitholders and the changes in net assets attributable to unitholders by \$110,777 (2008 - \$109,429).

Credit risk:

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

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

At December 31, 2009, the Partnership's financial assets exposed to credit risk amounted to the following:

	December 31, 2009	December 31, 2008
Cash	\$ 1,554,658	\$ 39,543
Interest and dividend receivable	27,360	9,614
Total	\$ 1,582,018	\$ 49,157

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

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 11

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

5. Financial instruments and associated risks (continued):

Credit risk (continue):

Credit risk arising on transactions for units 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 Trust Company. Bankruptcy or insolvency of the custodian may cause the Partnership's rights with the respect to securities held by the custodian to be delayed or limited. The Partnership manages this risk by monitoring the credit quality and financial position of the custodian. If the credit quality or the financial position deteriorates unacceptably, the portfolio manager will act to move the Partnership's cash holdings to another financial institution.

Liquidity risk:

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

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

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

The Partnership's liquidity risk is managed by the portfolio manager. Minimum cash balances may be created and modified at the discretion of the portfolio manager to ensure cash availability for expected liquidity needs. As there is currently no market through which the units of the

Partnership may be sold, the portfolio manager's liquidity constraints do not include expected redemptions.

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 12

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

5. Financial instruments and associated risks (continued):

Liquidity risk (continued):

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

As at December 31, 2009 <i>All amounts stated in Canadian dollars</i>	Due on demand	1 to 3 months	3 months to 1 year	Due > 1 year	Total
Financial liabilities					
Accrued expenses	42,567	–	–	–	42,567
Partners' distribution payable	1,925,889	–	–	–	1,925,889

As at December 31, 2008 <i>All amounts stated in Canadian dollars</i>	Due on demand	1 to 3 months	3 months to 1 year	Due > 1 year	Total
Financial liabilities					
Accrued expenses	54,521	–	–	–	54,521
Loan payable	–	730,102	925,666	–	1,655,768

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
Issue of partnership units, for cash	1,969,750	\$ 19,697,500
Issue costs		(1,740,379)
Balance, December 31, 2008	1,969,750	17,957,121
Partners' distribution	–	(1,925,889)
Redeemed units for cash	(1,000)	(5,020)
Balance, December 31, 2009	1,968,750	\$ 16,026,212

NORREP PERFORMANCE 2008 FLOW-THROUGH LIMITED PARTNERSHIP

Notes to Financial Statements, page 13

For the year ended December 31, 2009 and the period from February 21, 2008 to December 31, 2008

7. Related party transactions:

Pursuant to the Partnership agreement, the Partnership pays management fees to the General Partner, Norrep 2008 Management Inc., for management services received during the period. During the period, management fees amounted to \$190,405 (December 31, 2008 - \$250,500) of which \$19,000 is included in accounts payable at December 31, 2009 (December 31, 2008 - \$36,225).

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 \$5,574 (December 31, 2008 - \$6,327) of which \$650 is included in accounts payable at December 31, 2009 (December 31, 2008 - \$1,684).

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 \$51,338 (December 31, 2008 - \$nil) 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.

	December 31, 2009		December 31, 2008	
	Total	Per unit	Total	Per unit
Net asset value, industry standard	\$ 10,743,091	\$ 5.46	\$ 9,795,537	\$ 4.97
Difference as a result of using bid price	(51,827)	(0.03)	(513,724)	(0.26)
Net asset value, financial statements	\$ 10,691,264	\$ 5.43	\$ 9,281,813	\$ 4.71

Our Investment **PROFESSIONALS**

Randal Oliver, CFA

Chairman & Chief Investment Officer

Portfolio Manager: NorrepFUND, Norrep II Class, Norrep Flow-Through Limited Partnerships

Alexander Sasso, CFA

Chief Executive Officer & Portfolio Manager

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

Keith Leslie, CFA

Vice President, Portfolio Manager & Chief Compliance Officer

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 Flow-Through Limited Partnerships, Norrep Resource Class

Kamran Khan, CFA

Portfolio Manager

Portfolio Manager: Norrep US Class

Paul Tepsich, CFA

Portfolio Manager

Portfolio Manager: Norrep Yield Fund

Our Investment **ANALYST**

Terry Thib, MEsc, MBA, PEng, CFA
Equity Research Analyst

Don Walker, CFA
Equity Research Analyst

Tim Stephenson
Equity Research Analyst

James Chisholm, CMA
Equity Research Analyst

Steve Ripplinger
Equity Research Analyst

Our **MARKETING TEAM**

Richard Rohan
VP Business Development

Steve Valetta
VP of Western Regional Sales

Jeff Lucyk
VP of Regional Sales

Mila Belic
Manager of Business Development

Patrick Chu
Dealer Services

Other **PROFESSIONALS**

Deirdre Harris
Chief Operating Officer

Kelsey Stanton, CA
Treasurer

Other Material Information

Being a limited partnership, the Partnership is dependent on Norrep 2008 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 2008 Management Inc. is a wholly-owned subsidiary of Hesperian, a Calgary-based company responsible for the management of the Norrep Group of Funds.



norrepFTLP

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