



Hesperian Capital Management Ltd.

**REPORT OF THE INDEPENDENT REVIEW COMMITTEE  
TO THE SECURITYHOLDERS OF THE  
NORREP FUND AND NORREP OPPORTUNITIES CORP.**

**YEAR ENDED OCTOBER 31, 2009**

**Introduction**

The Independent Review Committee (the “IRC”) of the Norrep Fund and Norrep Opportunities Corp. (the “Funds”) is making its second annual report to securityholders for the period ending October 31, 2009, as required under National Instrument 81-107 *Independent Review Committee for Investment Funds*.

Hesperian Capital Management Ltd., in its role as manager of the Funds under NI 81-107 (the “Manager”), appointed the initial members of the IRC on October 23, 2007 and the IRC became operational on November 1, 2007.

**Mandate of the IRC**

The mandate of the IRC is to review for, and provide input to the Manager, on the Manager’s written policies and procedures which deal with conflicts of interest matter and to review for and provide its decision to the Manager on such conflicts. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Funds, and request input from the IRC on how it manages those conflicts of interest.

Certain matters require the IRC’s prior approval; however, in most cases, the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflicts, the IRC provides the Manager with standing instructions (“Standing Instructions”) on how the conflict should be managed.

**Members of the Independent Review Committee**

Each member of the IRC is independent of the Funds, the Manager and other companies related to the Manager. During the period, there were no changes in the composition of the IRC and there were no relationships that may cause a reasonable person to question a member’s independence.

| <b>Name</b>                        | <b>Residence</b> | <b>Length of Service<br/>(First Appointed)</b> |
|------------------------------------|------------------|--|
| James B. Rooney, Q.C. (Chair)      | Calgary, Alberta | October 23, 2007                               |
| Michael P. Robinson, C.M.          | Calgary, Alberta | October 23, 2007                               |
| Ian T. Brown, BSc., P. Geol, ICD.D | Calgary, Alberta | October 23, 2007                               |

The IRC meets regularly with representatives of the Manager, and also holds meetings without representatives of the Manager being present, to discuss matters affecting the Manager's policies and procedures, standing instructions and conflict of interest matters referred to the IRC. During the period from November 1, 2008 to October 31, 2009, the IRC held five meetings with representatives of the Manager. A portion of each meeting was reserved for discussion without the representatives of the Manager being present.

### **Holding of Securities**

As at October 31, 2009, the members of the IRC did not beneficially own, directly or indirectly, in aggregate, in excess of 10% of the outstanding units of the Norrep Fund or the outstanding shares of any class or series of Norrep Opportunities Corp.

As at October 31, 2009, no member of the IRC beneficially owned, directly or indirectly, any class of voting or equity securities of Hesperian Capital Management Ltd.

As at October 31, 2009, no member of the IRC beneficially owned, directly or indirectly, any class of voting or equity securities of any service provider to the Funds or the Manager.

### **Compensation and Indemnities**

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The aggregate compensation paid by the Funds to the IRC for the period November 1, 2008 to October 31, 2009 was \$40,174.41. This amount was allocated pro rata among the Funds.

No indemnities were paid to the IRC by the Funds during the period.

The initial compensation of the Independent Review Committee was set by the manager. The IRC reviews and determines its own compensation on an annual basis. In deciding what the appropriate level of compensation is, the IRC considers the work load of the IRC and contribution made by each of its members, the complexity and difficulty of the tasks undertaken by the IRC, and the value brought by the IRC to the Funds, including cost savings.

### **Conflict of Interest Matters**

During the period of November 1, 2008 to October 31, 2009, the IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for

which the IRC did not give a positive recommendation. The Manager has the obligation to notify the IRC of any such instance.

During the period of November 1, 2008 to October 31, 2009, the IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval. The Manager has the obligation to notify the IRC of any such instance.

### **Standing Instructions**

The IRC has approved Standing Instructions, which constitute a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the Standing Instructions on an ongoing basis, without having to refer the conflict of interest to the IRC, provided the Manager complies with the terms and conditions of the Standing Instructions.

The following approvals and Standing Instructions of the IRC were provided to the Manager for the period beginning November 1, 2008 to October 31, 2009.

#### **Approvals with Standing Instructions**

During the Period, the Manager followed the approval and standing instructions made by the IRC to allow certain Funds to purchase securities from, or sell securities to, another Fund managed by the Manager (referred to as inter-fund trades). The standing instruction requires the Manager to comply with the inter-fund trade provisions of National Instrument 81-107 and to report on a specified basis to the IRC.

During the Period, the Manager also followed the approval and standing instructions made by the IRC to allow the Norrep Performance 2006 Flow-Through Limited Partnership to transfer its assets to the Norrep Resource Class of Norrep Opportunities Corp. in exchange for shares of the Norrep Resource Class (referred to as a rollover transaction). The standing instruction requires that the Manager comply with the conflicts of interest policies and procedures regarding rollover transactions and to report on a specified basis to the IRC.

#### **Recommendations with Standing Instructions**

During the period, the manager followed the recommendations and standing instructions made by the IRC with respect to the conflict of interest matters addressed by the following policies and procedures of the Manager:

1. Fees and Expenses
2. Trade Allocations
3. Portfolio Pricing Issues
4. Best Execution Issues
5. Proxy Voting
6. Sub-managers and Sub-advisors

7. Outsourcing to Third Party Service Providers
8. Personal Trading

In each case, the standing instructions required the manager to comply with its related policy and procedures and to report periodically to the IRC.

**Norrep Mutual Funds Served by the IRC**

Norrep Fund  
Norrep II Class of Norrep Opportunities Corp.  
Norrep Q Class of Norrep Opportunities Corp.  
Norrep Income Growth Class of Norrep Opportunities Corp.  
Norrep US Class of Norrep Opportunities Corp  
Norrep G Class of Norrep Opportunities Corp.  
Norrep Resource Class of Norrep Opportunities Corp  
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Dated January 28, 2010

INDEPENDENT REVIEW COMMITTEE

(Signed) "James B. Rooney"  
James B. Rooney, Q.C. (Chair)

(Signed) "Michael P. Robinson"  
Michael P. Robinson, C.M.

(Signed) "Ian T. Brown"  
Ian T. Brown, BSc., P.Geol, ICD.D