Management **REPORT OF**

FUND performance

Norrep Performance 2009 Flow-Through Limited Partnership

For the year ended December 31, 2009

norrep2009FTLP

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 2009 Flow-Through Limited Partnership's (the "Partnership") investment objective is to achieve capital appreciation through investment in flow-through securities of resource companies, whose principle business is (i) oil and gas exploration, development and production, (ii) mineral exploration, development and production, or (iii) renewable energy development and production. The relative weightings between sectors will depend on prevailing market conditions, subject to certain restrictions. The Partnership will use its best efforts to invest all proceeds available for investment in flow-through shares of resource companies on or before December 31, 2009. Renouncements in the first year have to be at least 30% Canadian Exploration Expense ("CEE") or Qualifying Canadian Development Expense ("CDE").

The Partnership's investment strategy is to acquire flow-through securities issued by resource companies that among other things (i) have experienced management, (ii) have an exploration or development program in place, (iii) 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. 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 opportunities arises.

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 and, 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 renewable energy development and productions, 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, mining operations, and renewable energy programs 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, mining and renewable energy 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. If a resource company is unable to obtain such rigs, the resource company may be unable to incur and renounce in favour of the unitholders all of the anticipated eligible expenditures.

There are certain risks inherent in the oil and gas, mining and renewable energy 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 re-characterization or re-classification, 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.

Exit Strategies

In certain circumstances, the Partnership may realize a loss as a result of implementing an exit strategy, which may include short sales, to "lock-in" the resale price of flow-through shares of resource companies prior to their actual sale.

Results of Operations

For the period from October 15, 2009 to December 31, 2009, the Partnership earned interest income amounting to $541. Management fees of $17,511 were paid to Norrep 2009 Management Inc. General and administrative costs of $31,461, and interest expense of $1,634, related to the operation of the Partnership were also incurred. As a result of the above, the net investment loss was $50,065. Unrealized depreciation in fair value of investments was $758,720 while transaction costs were $26. Thus, there was a total loss from investing activities of $758,746. Decrease in net assets from operations was $808,811 for the period.

In summary, the Partnership received $6,293,500 from issuance of partnership units. The Partnership paid $629,350 in issue costs and net assets from operations decreased by $808,811. At December 31, 2009, the Partnership had net assets of $4,855,339.

The net asset value (NAV) per unit decreased from $10.00 to $7.71 (-23%) since inception. Share issue costs accounted for $1.00 of the decrease with the balance of the change from the decrease in operations. 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.

The Partnership (the "Partnership") commenced operations on October 15, 2009. Unlike our previous flow-through limited partnerships, which were focused on exploration oriented companies, the Partnership takes a weighted approach to exploration and development. While past flow-through limited partnerships focused solely on Canadian Exploration Expenses ("CEE"), the Partnership places a greater focus on Canadian Development Expense ("CDE") expenditures (up to 70%) over CEE in order to provide unit holders with a better tax efficient investment vehicle.

The difference between CEE and CDE expenditures reflects the different risk / reward profiles associated with the two types of flow through expenses. Canadian oil & gas companies are generally focusing on development prospects and increasing near-term cash flow via the lower risk development programs, which have been made all the more attractive by the recent drilling incentives instituted in Alberta and BC. Development projects allow companies to deploy capital, capture the new incentives and generate growth without taking the risks commonly associated with exploration.

The inclusion of CDE flow-through in the Partnership changed the renunciation schedule for tax purposes. Like all our other flow-through limited partnerships, unit holders of the Partnership receive a 100% write-off on their investment; however, unlike CEE flow-through, which affords the purchaser a 100% write-off in the year the expense is incurred, CDE provides the purchaser with the same 100% write-off on their investment but on a 30% declining balance method over subsequent years. As such, our hybrid flow-through was designed to invest up to 70% in CDE and at least 30% CEE so as to provide unit holders with at least a 50% write off in year one with the rest being received on a declining balance basis over subsequent years. Further information on flow through deductions can be found on the Canada Revenue Agency site (www.cra-arc.gc.ca) and in the tax act under section 66.

Investing the funds has been made considerably easier due to the structure of the Partnership. Compared to the highly competitive CEE market, which allows issuers to demand high premiums for their flow-through shares, the lack of competition in the CDE market, and our ability to execute non-brokered deals with issuers, meant the Partnership was able to pay significantly lower premiums. The Partnership participated in five flow-through deals, including Bellamont Exploration Ltd., Cequence Energy Ltd., Vero Energy Inc., Orleans Energy Ltd. and Wild Stream Exploration Inc. After fully investing the proceeds of the Partnership, 52% of the portfolio is weighted towards CDE and 48% of the portfolio is weighted towards CEE. The portfolio benefited from the CDE weighting and our ability to execute non-brokered deals, as the blended premium paid was just 14%, based on the 20-day volume weighted average price.

The concentrated nature of the portfolio is consistent with our stated initial investment strategy of taking material positions in fewer well-established oil and gas companies. The process of diversification will begin as hold periods expire and the companies within the current portfolio realize the success of their winter drilling program. The strategy will remain consistent with the Hesperian methodology. First, we remain committed to our long-held conviction that the small and mid cap portion of the sector represents a better combination of value and growth. That said, 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 generally provide much stronger returns when the market rallies and a more defensive posture in down times. Second, 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.

At December 31, 2009 the Partnership had a $429,711 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 commencing May 31, 2010, based on the original loan amount of $429,711. Interest increases to bank prime plus 1.25% 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 must be repaid by January 30, 2011.

Recent Developments

The Partnership was formed on September 1, 2009 and commenced operations on October 15, 2009.

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 $17,511 were paid to Norrep 2009 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 $300 were also set up as payable 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 2009 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.

Financial Highlights

The Partnership's Net Asset Value per share (1)	**December 31, 2009**
Net Asset Value per financial statements, beginning	$10.00
Cost of issuance of Partnership units	(1.00)
Increase (decrease) from operations:	
Total revenue	-
Total expenses	(0.08)
Realized gains (losses)	-
Transaction cost	-
Unrealized losses	(1.26)
Total decrease from operations	(1.34)
Net asset value, ending	$7.71

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)	December 31, 2009
Income (loss)	$(0.08)
From capital gains	Nil
Resource deductions renounced	$10.00
Estimated income taxes saved (cost) (2)	$4.54

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
Net Assets (000's of $) (1)	4,855
Number of Partnership units outstanding (1)	629,350
Management expense ratio (2)	5.30%
Management expense ratio before waivers of absorptions	5.30%
Portfolio turnover rate (3)	Nil
Trading expense ratio (4)	Nil

1. This information is provided as at December 31 for period shown. Comparative numbers are not available as the Partnership commenced operations on October 15, 2009.
2. 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.
3. 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.
4. 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. There were no commissions for the period.

Net asset value reconciliation (1)	December 31, 2009
Net asset value, ending per financial statements	$7.71
Adjustment to industry standard pricing	0.09
Net asset value, ending per industry standard pricing	$7.80

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 $17,511 and exit incentive allocation amounted to $ nil at December 31, 2009.

Summary of Investment Portfolio

Equities	Percent of Net Assets
Bellamont Exploration Ltd. Class A	40.3%
Cequence Energy Ltd.	37.1%
Vero Energy Inc.	24.6%
Orleans Energy Ltd.	7.3%
Wild Stream Exploration Inc.	4.7%
Total Equities	**114.0%**
Other	
Cash and cash equivalents	0.0%
Other asset - net liabilities	-14.0%
Total net asset value	**100.0%**

Industry Sectors	
Energy	114.0%
Other	-14.0%
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.