

Management **REPORT OF**

FUNDperformance

Norrep Performance 2006 Flow-Through Limited Partnership

norrep2006FTLP

This annual management report of fund performance (MRFP) contains financial highlights but does not contain the audited annual financial statements of the limited partnership. The audited annual financial statements can be requested by calling toll free (877) 531-9355, by writing to 175, 601 - 10 Avenue SW in Calgary, Alberta 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 2006 Flow-Through Limited Partnership (the "Partnership") has the investment objective of achieving capital appreciation through investment in flow-through shares of resource companies. In addition, the Partnership will participate in the exploration, development and production of oil and gas by investing in flow-through shares of subsidiary companies, which will be formed to enter into joint ventures with joint venture partners.

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

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

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

Risk 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:

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.

Narrow Investment Focus

Because the Partnership will invest almost exclusively in securities of resource companies and subsidiary 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.

Flow-Through Shares

There can be no assurances that resource companies or subsidiary 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 effected 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.

Resale of Securities

In some cases, the securities owned by the Partnership may be affected by such factors as investor demand, resale restrictions, general market trends, lack of a 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. If a resource company is unable to obtain such rigs, the Subsidiary Company or resource company may be unable to incur and renounce in favour of the unitholders all of the anticipated eligible expenditures.

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.

Tax-Related

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.

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 all proceeds available for investment will in fact be invested in flow-through shares or that amounts renounced by resource companies or subsidiary companies to the Partnership will qualify as Canadian Exploration Expense ("CEE") or Canadian Development Expense ("CDE") or in the anticipated proportions.

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.

Conflicts of Interest

Affiliates of the General Partner (including 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.

Please refer to the prospectus dated March 27, 2006 for a complete description of the risk factors associated with the Norrep Performance 2006 Flow-Through Limited Partnership.

Results of Operations

For the period January 1 to September 25, 2009, the Partnership earned interest income of \$180,645 and dividend income of \$46,855. Management fees of \$ 229,841 were paid to Norrep 2006 Management Inc. General and administrative costs of \$140,974 were incurred related to the operation of the Partnership. As a result of the above, the net investment loss was \$143,315.

Change in unrealized appreciation in current value of investments was \$16,125,906 while the net realized loss on investments was \$10,653,976 and transaction costs amounted to \$108,749. Thus, there was a net gain on investments of \$5,363,181. This resulted in a \$5,219,866 increase in net assets from operations for the period.

Net assets at the beginning of the period were \$15,385,021. A distribution to partners of \$1,496,946 was accrued prior to the rollover and units with a value of \$62,653 were redeemed for cash. Net assets increased \$5,219,866 from operations leading to a September 25, 2009 net asset balance of \$19,045,288.

Management fees paid to Norrep 2006 Management Inc. decreased by 59% and Administrative fees paid to Hesperian Capital Management Ltd. decreased by 45% due to a decrease in net asset value in the period January 1, 2009 to September 25, 2009 compared to the period January 1, 2008 to December 31, 2008.

The financial statement net asset value (NAV) per unit increased from \$1.81 at December 31, 2008 to \$2.43 at September 25, 2009. Following a distribution of \$0.18 per unit, the ending NAV was \$2.25 per unit. The increase in net asset value of the Partnership is calculated before consideration of the income tax benefits which will be flowed through to the partners as a result of flow through share purchases.

The first nine months of 2009 were marked by a significant shift in investor sentiment. While the first three months of 2009 were dominated by severe pessimism about both debt and equity markets, a thawing of the former translated to a remarkable rally in equities as investors became more willing to accept risk in anticipation of the eventual broad economic recovery. The change in investor sentiment is evidenced in the numbers. Over the first three months of 2009, the S&P/TSX Composite was down 2.0% and Nesbitt Burns Small Cap Total Return Index was up 5.0% before rallying over the subsequent six months to exit Q3'09 up 30.0% and 54.3%, respectively. The recovery showed considerable market breadth, with 84% of the S&P/TSX Composite showing positive returns and 85% of the Nesbitt Burns Small Cap Index showing positive returns.

Year to date performance of these indices has been aided significantly by solid performance from the resource sectors and, more importantly, the energy sector. On the large cap side, the year to date performance of the S&P/TSX Capped Energy Total

Return Index has translated to a 36.6% increase. The strength of the energy sector is all the more dramatic on the small cap side where the Nesbit Burns Small Cap Energy Equity Only Index returned 63.2%.

Performance of the Norrep Performance 2006 Flow-Through Limited Partnership (Norrep 2006 FTLP) was not immune to the broad market gyrations. Over the first three months of 2009, the Norrep 2006 FTLP was up a respectable 2.2% before rallying a further 28.8% to a net asset value per share of \$2.43 for the period ending Sept 25, 2009. It should be noted that the net asset value per share of \$2.43 includes a \$0.18 distribution paid to all unit holders.

As discussed in previous reports, our efforts to maximize returns for the Norrep 2006 FTLP have been impacted by numerous factors. First and foremost, the Norrep 2006 FTLP has been hampered from the outset by investing in what turned out to be a high water market. Not only were equity valuations rich in 2006, 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 Norrep 2006 FTLP had to weathered three major storms: the October 2006 Royalty/Income Trust ruling, the October 2007 Alberta Royalty debacle and the July 2008 commodity collapse.

While we are far from satisfied with the final net asset value, the Norrep 2006 FTLP definitely benefited from the strategy of delaying the roll to take advantage of the midyear recovery. Not only did this strategy result in a significant increase in the net asset value, it also allowed us to further eliminate underperforming and illiquid positions. The high-grading process resulted in a 38% reduction in the number of positions to 20 and 63% reduction in the number of private companies to three. The proceeds from this high-grading process were directed primarily into higher quality intermediate and large cap positions such as Baytex Energy Trust, Canadian Natural Resources, Celtic Exploration, Crew Energy, and Talisman Energy. In addition to eliminating several underperforming and illiquid position, we sold the remaining Basic Materials positions to further focus the portfolio on the Energy Sector.

As of Sept 25, 2009, Norrep 2006 FTLP was rolled on a tax deferred basis into the Norrep Opportunities Corp, a multi-class mutual fund corporation. Units of the Norrep 2006 FTLP were exchanged for Mutual Fund shares of the Norrep Resource Class. The Norrep 2006 FTLP received an aggregate of 1,620,434 shares of the Norrep Resource Class with a net asset value of \$11.75 per share in exchange for assets with a market value of approximately \$19,045,288 or a net asset value of \$2.25 per unit.

The investment strategy of the Norrep Resource Class is consistent with the strategy employed over the past nine months in the Norrep 2006 FTLP. We remain focused primarily on energy companies and, in particular, companies with strong oil weightings as we believe oil has greater near-term upside. The portfolio provides exposure to all market capitalizations but remains weighted towards high quality mid and small cap companies as we believe the small and mid cap portion of the sector currently represents a better combination of value and growth potential. The portfolio targets companies with strong balance sheets, growing reserves, production and cash flow per share, and with an expanding prospect inventory capable of

providing solid per unit gains. We believe our ability to identify growth-oriented small and mid cap stocks allows us to consistently add value above the S&P/TSX Capped Energy Index (for more information visit: www.norrepfunds.com/funds/norrepRclass.html).

While the current outlook for the broader economy and commodities is still uncertain, we expect the resource sector will continue leading the broader market. Investors returning to the market will benefit from improving supply/demand fundamentals and the opportunities presented by current low valuations. Due to better fundamentals, we are bolstering the portfolio's oil weighting in the near-term. Our strategy for natural gas is to remain cautious pending a better balance in the supply/demand equation.

We remain confident in our belief that the sector is poised for a sustained rally but recognize that this rally will remain capped by a weak world economy with limited commodity price upside. In the interim, we continue to believe the depressed market valuations make it cheaper to drill in the board rooms than in the field. With equities still trading at a discount to NAV, the companies with healthy balance sheets will take advantage of this opportunity and acquire reserves and production more cheaply than is possible with the drill bit.

Market volatility presents a challenge to most investment strategies, but it also provides opportunities. Our efforts are focused on positioning the Norrep Resource Class in the best companies in advance of the inevitable full recovery of commodities and, in particular, energy.

Recent Developments

The rollover of partnership assets into the Norrep Resource Class of Norrep Opportunities Corp occurred on September 25, 2009. Norrep Resource Class shares acquired from the rollover were distributed to individual partners on September 28, 2009. The Partnership was dissolved on September 29, 2009.

Changes in accounting policies:

Effective January 1, 2007, CICA Handbook Section 3855, Financial Instrument – Recognition and Measurement, requires the Partnership's investment portfolio to be recorded at fair value as substantially established by the closing bid price for trading on the recognized public stock exchange. This is a change from prior periods where fair value was based on the last traded price. For financial reporting purposes, on January 1, 2007, the Partnership adopted this new accounting policy retroactively without restatement of prior periods. The effect of the initial adoption of the new accounting policy, using the closing bid price at December 31, 2006, is a decrease of \$737,885 (\$0.09/unit) to net assets at the beginning of the prior period.

Effective January 1, 2007, CICA Handbook Section 3855, Financial Instrument – Recognition and Measurement, requires the transaction costs incurred in the purchases and sales of investments to be expensed rather than capitalized in the average cost of investments. The requirement has been applied retroactively without restatement of prior periods effective January 1, 2007. As a result of this change there is no impact on net assets or earnings per unit.

Effective January 1, 2008, the Partnership adopted the following new CICA Handbook Sections: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments - Presentation.

Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Partnership's objectives, policies and processes for managing capital.

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements set out in Section 3861 Financial Instruments – Disclosure and Presentation, and Section 3863 carries forward unchanged the presentation requirements of Section 3861.

Section 3862, Financial Instruments – Disclosures, requires the Partnership to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Fund's financial position and performance, the nature and extent of risks arising from financial instruments to which the Fund is exposed during the period and at the balance sheet date, and how the Fund manages those risks.

Related Party Transactions

Management fees of \$229,841 were paid to Norrep 2006 Management Inc. for the period ending September 25, 2009. Management fees are one-twelfth of 1.75% of the net asset value of the Partnership and are calculated and paid monthly. No General Partner Exit Incentive Allocation is payable at September 25, 2009. 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. In addition, administrative fees of \$9,932 were paid to Hesperian Capital Management Ltd. Administrative fees are charged by Hesperian at or below cost and relate to accounting, trading, recordkeeping, compliance and other administrative costs. Hesperian is the shareholder of Norrep 2006 Management Inc.

On September 25, 2008 the Partnership transferred certain assets of the Partnership to Norrep Opportunities Corp., in exchange for 1,620,434 Norrep Resource Class mutual fund shares with a value of \$19,045,288.

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.

	September 25, 2009	December 31, 2008	December 31, 2007	December 31, 2006
The Partnership's Net Asset Value (NAV) per unit ⁽¹⁾				
NAV per financial statements, beginning ⁽²⁾	1.81	\$4.41	\$7.09	\$10.00
Cost of issuance of Partnership units	-	-	-	(0.73)
Partners' distribution	(0.18)	-	-	-
Increase (decrease) from operations:				
Total revenue	0.03	0.03	0.02	0.09
Total expenses	(0.05)	(0.09)	(0.14)	(0.15)
Realized losses	(1.25)	(3.62)	(1.60)	(0.09)
Transaction costs	(0.01)	(0.01)	(0.02)	-
Unrealized gains (losses)	1.89	1.09	(0.94)	(1.94)
Total Increase (decrease) from operations	0.61	(2.60)	(2.68)	(2.09)
NAV, ending per financial statements	2.25	1.81	4.41	7.18

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.
2. Beginning NAV for 2007 has been adjusted to reflect change from prior periods where fair value was based on the last traded price.

	Total	September 25, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Allocations for income taxes ⁽¹⁾					
Loss	\$ (0.68)	\$ (0.16)	\$ (0.20)	\$ (0.26)	\$ (0.06)
From capital gains	\$ 4.24	\$ 1.03	\$ 0.34	\$ 2.67	\$ 0.20
Resource deductions renounced	\$11.19	\$ nil	\$ 0.07	\$ 1.10	\$ 10.02
Estimated income taxes saved (cost) ⁽²⁾	\$ 4.36	\$ (0.16)	\$ 0.04	\$ (0.01)	\$ 4.49

1. Allocations for income tax occur at December 31 each year and September 25, 2009 at rollover of the partnership.
2. Based on a hypothetical income tax rate of 45%.

Ratios and Supplemental Data	September 25, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Net assets (thousands of \$)	19,045	15,385	37,460	60,992
Number of Partnership units outstanding	8,469,300	8,496,500	8,500,000	8,500,000
Management expense ratio ⁽¹⁾	2.98%	2.18%	2.25%	2.61%
Management expense ratio before waivers or absorptions	2.98%	2.18%	2.25%	2.61%
Portfolio turnover rate ⁽²⁾	136.64%	37.20%	32.98%	3.60%
Trading expense ratio ⁽³⁾	0.86%	0.36%	0.28%	0.02%

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 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, the greater the trading costs payable by the Partnership, 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.

Net asset value reconciliation⁽¹⁾	September 25, 2009	December 31, 2008	December 31, 2007	December 31, 2006
NAV, ending per financial statements	2.25	1.81	4.41	7.18
Adjustment to industry standard pricing	-	0.04	0.14	-
NAV, ending per industry standard pricing	2.25	\$1.85	\$4.55	\$7.18

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 partner's return on investment, as defined in the prospectus, exceeds 8% compounded annually. Management fees amounted to \$229,841 and the Exit Incentive Allocation amounted to \$nil at September 25, 2009.

Past Performance

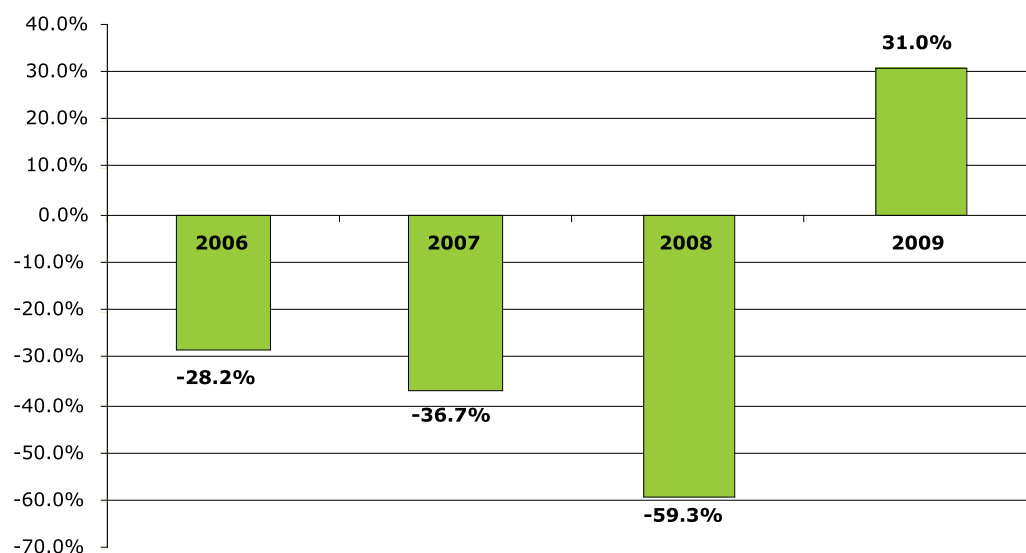
Performance information does take into account sales charges paid to the selling broker and fees for distributions. It does not take into account fees, if any, charged by your broker directly to you. Such fees would have reduced returns or performance. It also does not take into account any income tax 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 Flow-Through Limited Partnership’s performance in each of the financial periods shown. The chart indicates in percentage terms how much an investment made on the first day of the financial period would have increased or decreased by the last day of the financial period.

Norrep Performance 2006 FTLP Returns



Note: 2006 is for the period from April 12 to December 31, 2006. 2007 and 2008 is for the period from January 1 to December 31. 2009 is for the period from January 1 to September 25, 2009.

Annual Compound Returns

	1 Year	3 Year*	Since Inception*
Norrep Performance 2006 FTLP	-26.4%	-29.8%	-33.6%
BMO Small Cap Energy Equity Only TRI **	-6.4%	-8.8%	-11.8%

* annualized

** This index is only calculated monthly so the since inception number is for the period from June 30, 2006 through September 30, 2009.

It should be noted that while the BMO Small Cap Energy Equity Only TRI is the comparable broad-based index for the Norrep 2006 FTLP, there are important differences driving the divergence in performance. First, the premium paid for flow-through shares has averaged in excess of 20% over the past three years. Second, the flow-through market is dictated by supply and demand whereas the index reflects the dominant names in the junior energy sector. Even though we target the top flow-through issuers, we are not free to exercise discretion across the junior energy sector; our universe of possible investments is restricted to those companies issuing flow-through shares. Finally, the flow-through market is predominantly micro cap, whereas the index is small and mid cap.

The Norrep Performance 2006 Flow Through Limited Partnership is a tax product and thus is best represented by its after-tax return. The annualized after-tax return is -21.7% assuming full cycle investing with all tax deductions taken, sale of all the investments at September 25, 2009 and all capital gains taxes paid. It also assumes a 45% marginal tax rate.