



MANAGEMENT REPORT OF FUND PERFORMANCE

NORREP SHORT DURATION 2017 FLOW-THROUGH LIMITED PARTNERSHIP

MANAGEMENT REPORT OF FUND PERFORMANCE NORREP SHORT DURATION 2017 FLOW-THROUGH LIMITED PARTNERSHIP

This management report of fund performance (“MRFP”) contains financial highlights but does not contain the annual financial statements of the Partnership. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll free (877) 531-9355, by writing us at Dome Tower, 1850, 333 – 7th Avenue SW in Calgary, Alberta T2P 2Z1 or by visiting our website at www.norrep.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Partnership’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of the Norrep Short Duration 2017 Flow-Through Limited Partnership (the “Partnership”) is to achieve capital appreciation by investing in Flow-Through Shares of Resource Companies. The Resource Companies will agree to incur eligible expenditures in carrying out exploration and/or development in Canada and renounce eligible expenditures to the Partnership. The principal business of the Resource Companies will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) renewable energy development and production in Canada.

The Partnership’s investment strategy is to acquire Flow-Through Shares 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 criteria.

The Partnership will invest in Flow-Through Shares with a view to assembling a concentrated portfolio of high quality companies with significant potential for share price appreciation. The Partnership targets 70% of the proceeds available for investment in Canadian Development Expense (“CDE”) flow-through shares and 30% in Canadian Exploration Expense (“CEE”) flow-through shares. Other than being energy-focused, there is no intention to maintain any specific portfolio mix as the Partnership will target the best flow-through investments available in accordance with the Partnership’s investment guidelines.

The Partnership may sell Flow-Through Shares at any time if the Investment Manager is of the opinion that it is in the best interests of the Partnership to do so, and may reinvest the proceeds from such dispositions in securities of Resource Companies or other issuers in or related to the Oil and Gas or Mineral Resource sectors, such as pipeline, infrastructure, utilities, or service companies. Such investments are intended to allow the Partnership to capitalize on investment opportunities to maximize the investment return of the Partnership.

RISK FACTORS

The Partnership is subject to a series of risks, some of which include: Equity Risk, Portfolio Risk, Liquidity Risk, Commodity Risk, Small, Mid and Micro Cap Company Risk, and Financial Risk.

Equity Risk:

Due to the Partnership's equity focus, it is subject to standard market risks. The individual securities are subject to individual company developments and to general economic and financial conditions. To the extent that the Partnership remains focused on equity investments, the equity risk will not change.

Portfolio Risk:

The concentrated nature of the portfolio magnifies the risks associated with individual securities. As of December 31, 2017 the Partnership has six positions.

Liquidity Risk:

The flow-through shares held in the Partnership are issued from treasury and sometimes come with a four month hold period. The hold period prevents the Partnership from disposing of shares prior to the expiration of the hold period. As of December 31, 2017, five of the positions in the Partnership are subject to hold periods.

Commodity Risk:

The Partnership will be affected by fluctuations in oil and natural gas prices as a result of investing in flow-through shares of resource companies that are primarily involved in oil and natural gas exploration and production. The profitability and market value of these companies are significantly affected by fluctuations in oil and natural gas prices. As of December 31, 2017, the holdings in the Partnership are approximately 43% weighted towards natural gas production versus oil/liquids production.

Small, Mid and Micro Cap Company Risk:

The Partnership has investments in small and mid cap companies. The Partnership has the ability to invest across all market capitalizations, which allows it to invest based on the opportunities available across the different market capitalizations. While investments in small and mid cap companies may involve greater risk than in larger more established companies due to a series of factors ranging from financing risk through to liquidity risk, the Partnership manages these risks by investing in companies with high quality management teams, meaningful existing production and cash flow, strong balance sheets, and by continually monitoring the overall liquidity of the portfolio.

RISK FACTORS (CONTINUED)

Financial Risk:

The capital intensive nature of the Resource sectors exposes the Partnership to financial risk. Growth oriented energy companies generally employ high reinvestment rates and this frequently requires a component of debt financing. The Partnership mitigates financial risk by investing in companies with healthy balance sheets, strong production bases, conservative reserve reports, high quality assets, and experienced management teams.

RESULTS OF OPERATIONS

For the period from April 28, 2017 to December 31, 2017, the Partnership earned dividend and interest income amounting to \$24,115 and \$21,182 respectively and unrealized depreciation in fair value of investments of \$631,613. Management fees of \$99,998 were earned by Norrep Capital Management Ltd. (“Norrep”), the Investment Manager. General and administrative costs of \$21,941 and interest expense of \$8,338. As a result of the above, the decrease in net assets attributable to unitholders was \$716,593 for the period.

The Partnership received \$8,981,360 from the issuance of partnership units. The Partnership paid \$701,055 in issue costs. At December 31, 2017, the Partnership had net assets attributable to unitholders of \$7,563,712.

The Partnership raised total Gross Proceeds of \$9.0 million with its Final Closing on May 30, 2017. As of December 31, 2017, the Partnership had invested 100% of the Gross Proceeds in six flow-through deals for a total of \$9.0 million.

67% of the Gross Proceeds were invested in Canadian Development Expense (CDE) flow-through shares and 33% in Canadian Exploration Expense (CEE) flow-through shares. This is in-line with the target to invest 70% in CDE flow-through shares and 30% in CEE flow-through shares.

The Gross Proceeds were initially invested in six companies:

- InPlay Oil Corp.
- Journey Energy Inc.
- Kelt Exploration Ltd.
- Point Loma Resources Ltd.
- Surge Energy Inc.
- Traverse Energy Ltd.

RESULTS OF OPERATIONS (CONTINUED)

The concentrated nature of the portfolio is consistent with our stated investment strategy of taking material positions in a small number of companies. The median market capitalization of the companies in the portfolio at the time of investment was \$104 million with production ranging from 660 to 23,000 barrels of oil equivalent per day (boe/d).

For the 67% CDE portion of the portfolio, we were able to invest in 3 names that match our targeted type of company: critical mass production, development focused, large economic drilling inventory, and meaningful growth prospects. The 33% CEE portion of the portfolio was invested in smaller sized companies and at an earlier stage of development.

The early stage of a recovering energy market and lower amount of flow through deals resulted in premiums increasing significantly over 2016, and closer to longer term averages. Historically, CDE flow-through premiums are typically ~10% while CEE is typically closer to 20%-25%. For all energy flow-through equity issues in 2017, the weighted average premium was 7.5% for CDE and 14.6% for CEE. The weighted average premium for the Partnership was 9.0%. Lower premiums benefit investors as it lowers the return required to get back to par on a before-tax basis.

The Net Asset Value of the Partnership is \$8.42 per unit as of December 31, 2017. The NAV is lower than the issue price of \$10.00 per unit which is not unexpected at this stage given issue costs and premiums paid to acquire the flow-through shares.

Unitholders of the Partnership are also expected to receive \$10.00 per unit of tax pools for the 2017 tax year with up to 53% deductible in 2017 and the rest over time. There were not any capital gains realized in the Partnership for the 2017 tax year.

While the premiums for 2017 were higher than 2016, we believe the energy market is showing strong signs of recovery from the past three years downturn, and the investments in the Partnership have significant leverage to the upside potential from the recovery.

RECENT DEVELOPMENTS

The Partnership was formed on April 28, 2017 and commenced operations on May 9, 2017.

Future accounting pronouncements:

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also introduces new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 for the Fund is for the fiscal year beginning January 1, 2018.

Based on the initial assessment of the Manager, the standard is not expected to have a material impact on the Partnership.

RELATED PARTY TRANSACTIONS

Management fees of \$99,998 were earned by Norrep. Management fees are 2.00% of the net asset value of the Partnership and are calculated and paid monthly. In addition, administrative fees of \$3,396 were paid to Norrep. Administrative fees are charged by Norrep at or below cost. They relate to accounting, trading, recordkeeping, compliance and other administrative costs. Norrep Investment Management Group Inc., Norrep's parent company, is the shareholder of Norrep 2017 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 financial statements as at and for the period ended December 31, 2017, prepared in accordance with International Financial Reporting Standards.

The Partnership's Net Asset Value per unit ⁽¹⁾	December 31, 2017 ⁽³⁾
Net Asset Value, beginning	\$10.00
Cost of issuance of Partnership units	(0.80)
Increase (decrease) from operations:	
Total revenue	0.05
Total expenses	(0.14)
Unrealized loss	(0.72)
Total decrease from operations	0.81
Net asset value per unit, ending ⁽²⁾	\$8.42

(1) This information is derived from the Partnership's audited annual financial statements.

(2) Net asset value is based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units 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 necessarily equal the ending net asset value per unit.

(3) Norrep Short Duration 2017 FTLP commenced operations on May 9, 2017.

Ratios and Supplemental Data ⁽¹⁾	December 31, 2017 ⁽⁵⁾
Net Assets (000's of \$)	7,564
Number of Partnership units outstanding	898,136
Management expense ratio ⁽²⁾	2.59%
Management expense ratio before waivers of absorptions	2.59%
Portfolio turnover rate ⁽³⁾	0.00%
Trading expense ratio ⁽⁴⁾	0.01%
Net asset value per unit (\$)	8.42

(1) This information is provided as at December 31, 2017.

(2) Management expense ratio (MER) is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) 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.

(5) Norrep Short Duration 2017 FTLP commenced operations on May 9, 2017.

MANAGEMENT FEES

The Investment Manager provides investment and administrative services to the Partnership and is entitled to an annual management fee of 2.00% of the net asset value of the Partnership, calculated and paid monthly. In addition, the General Partner is entitled to a Performance Bonus. The Performance Bonus Fee is equal to 20% of the amount by which (i) the sum of (a) the Net Asset Value per Unit on the performance date and (b) all distributions per Unit during the Performance Bonus Period exceeds (ii) the sum of \$10.00 plus appreciation thereon at the rate of 8% per annum, compounded annually, during the Performance Bonus Period. Management fees amounted to \$99,998 and performance bonus amounted to \$nil at December 31, 2017.

PAST PERFORMANCE

No performance data is available as the Partnership has not been a reporting issuer for 12 consecutive months.

PERIOD-BY- PERIOD RETURNS

No performance data is available as the Partnership has not been a reporting issuer for 12 consecutive months.

SUMMARY OF INVESTMENT PORTFOLIO

Equities	Percent of Net Assets
Surge Energy Inc.	28.1%
InPlay Oil Corp.	25.7%
Kelt Exploration	24.7%
Journey Energy	23.4%
Point Loma Resources Ltd.	3.7%
Traverse Energy Ltd.	4.8%
Total Equities	110.4%
Cash and cash equivalents	0.3%
Other assets – net of liabilities	(10.7%)
Total net asset value	100.0%
Industry Sectors	
Energy	110.4%
Others	(10.4)%
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 1 Dome Tower, 1850, 333 – 7th Avenue SW in Calgary, Alberta T2P 2Z1 or by visiting our website at www.norrep.com.

OTHER MATERIAL INFORMATION

Being a limited partnership, the Partnership is dependent on Norrep 2017 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 2017 Management Inc. is a wholly-owned subsidiary of Norrep Investment Management Group Inc., the parent company of Norrep Capital Management Ltd., a Calgary-based company responsible for the management of Norrep Investments.

THIS PAGE LEFT INTENTIONALLY BLANK



Dome Tower, TD Square
Suite 1850, 333-7th Avenue S.W.
Calgary, Alberta T2P 2Z1

norrep.com
1.877.431.1407