



## Management Report of Fund Performance

For the six months ended June 30, 2007

THIS INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE SEMI-ANNUAL REPORT OF CRESTSTREET 2006 LIMITED PARTNERSHIP (THE "PARTNERSHIP").

UNITHOLDERS MAY OBTAIN A COPY OF THE INTERIM OR ANNUAL FINANCIAL STATEMENTS AT NO COST BY CALLING 1 866 864-6330, BY WRITING TO CRESTSTREET ASSET MANAGEMENT LIMITED, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT [WWW.CRESTSTREET.COM](http://WWW.CRESTSTREET.COM). UNITHOLDERS MAY ALSO CONTACT CRESTSTREET USING ONE OF THESE METHODS TO REQUEST A COPY OF THE PARTNERSHIP'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

## Results of Operations

### > Market Overview

New York Mercantile Exchange ("NYMEX") crude oil (light sweet) began 2007 with a sharp sell off, trading down to US\$50 before beginning a steady upward climb to close the month of June at US\$70.68, a gain of 15.77% in the first six months of the year. NYMEX natural gas prices opened the year with a strong rally and closed the month of June 2007 at US\$6.77/mmbtu for a gain of 7.53% over the first six months of the year.

The rally in oil prices from January's lows are the result of a combination of tightening global supply and demand fundamentals, rapidly declining US gasoline inventories and heightening geopolitical tensions. Post-quarter end, crude oil continued to climb, closing near all-time highs above US\$78 per barrel before beginning a sell off back to the low US\$70 per barrel range. Thus far, OPEC has held firm in its refusal to increase supply despite rising prices.

North American natural gas markets showed strength early in the year due in large part to three very cold weeks in February which increased heating demand and resulted in over 700 billion cubic feet being withdrawn from storage during that time. This surge in demand resulted in storage levels falling back into the five year normal range and price strength continued through the end of the withdrawal season due to forecasts of a very active hurricane season. NYMEX natural gas traded as high as US\$8.23 in May. More recently, natural gas prices have softened as it became likely that new storage highs would, once again, become a reality. Currently, we are seeing record imports of

Liquefied Natural Gas (“LNG”) from the United Kingdom as well as increased drilling for unconventional shale gas in the US, which is aggravating the storage situation.

Despite recent weakness in natural gas prices, the General Partner has chosen not to liquidate holdings in the portfolio so as to avoid triggering capital gains taxes which would be attributable to the Partnership’s limited partners. In anticipation of an eventual commodity price recovery, we believe it to be in the best interests of the limited partners to continue holding these equities and we remain confident in the composition of the portfolio over the long-term.

It is Creststreet’s view that the current price weakness in the natural gas markets remains temporary. Price weakness will eventually start to weigh on producers and we expect that further cuts will be made to drilling programs in the US. Canadian drilling has already slowed down significantly, yet factors such as LNG imports and increased drilling in the US have helped to maintain an abundance of gas in storage in North America. This situation is unsustainable and the eventual decrease in production will result in a more conducive price environment for natural gas-weighted companies. It is our belief that the long term fundamentals of the Canadian natural gas industry remain strong. The Partnership’s investments in high quality junior energy names ensure that it is in a position to benefit from a price recovery when it occurs.

### **> Revenues and Expenses**

The results of operations for the first part of 2006 cover the period from the commencement of operations on February 24 to June 30, whereas 2007 results cover a full six month period. Interest income has declined as the Partnership became fully invested and cash balances were minimal for the first six months of 2007. The Partnership Advisor expects the Partnership’s funds to remain invested and that future interest income will be minimal.

The Partnership incurred expenses totaling \$376,236 during the first half of 2007. The Partnership’s largest single expense item is partnership advisor fees, which are calculated at 2.0% per annum of the Partnership’s NAV, calculated monthly and paid in arrears. The decreased advisor fees were related to the decrease in net assets of the Partnership. The Partnership has negotiated a term loan facility which allows it to borrow an amount to pay agents’ fees and other issue costs thereby maximizing its investment in flow-through securities. The initial drawdown of the loan took place on February 24, 2006 for \$2,977,115, and a subsequent and final drawdown for \$175,839 took place on May 23, 2006. The balance of the loan was \$3,152,954 as at June 30, 2006, and represented approximately 15% of the Partnership’s net assets as at that date. The loan facility matures on the earlier of March 30, 2008 and the dissolution date of the Partnership. The facility is secured by a general security agreement and interest is calculated at the bank’s prime rate. The loan is subject to certain financial covenants and the Partnership was not in violation of any covenants at June 30, 2007 or at any time during the period. Interest expense for the period was \$95,340.

## Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance since its inception on February 24, 2006 to December 31, 2006, and for the six month period ended June 30, 2007. This information is derived from the Partnership's semi-annual and annual financial statements.

### The Partnership's Net Asset Value (NAV) per Unit:

		June 30, 2007	2006
Net asset value, beginning of period	\$	5.99	\$ 10.00
Initial adoption of new accounting policy <sup>(1)</sup>	(195,673)	(0.05)	
<b>Decrease from operations:</b>			
Total revenue	23,032	0.01	0.13
Total expenses	(376,236)	(0.09)	(0.20)
Realized loss on investments	(6,437,822)	(1.62)	(0.26)
Unrealized gain (loss) on investments	3,742,684	0.94	(2.89)
Transaction costs	(74,007)	(0.02)	
Total decrease from operations <sup>(2)</sup>		(0.78)	(3.22)
<b>Net asset value, end of period<sup>(3)</sup></b>	<b>\$</b>	<b>5.16</b>	<b>\$ 5.99</b>

(1) This line shows the impact of the adoption of a new accounting policy adopted on January 1, 2007. The implementation of this new policy impacts the way the Fund values the securities it holds and is discussed in greater detail under in the "Recent Developments" section of this report. The closing Pricing NAV is disclosed in the "Ratios and Supplemental Data" table that follows.

(2) Net asset value is based on the actual number of units outstanding at the relevant time. The decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) These calculations are prescribed by securities regulators and are not intended to be a reconciliation between the opening and closing net asset value per unit.

## Ratios and Supplemental Data

	June 30,		2006	
	2007			
Net assets (000's) <sup>(1)</sup>	\$	20,643	\$	23,961
Number of units outstanding <sup>(1)</sup>		4,000,000		4,000,000
Management expense ratio (MER) <sup>(2)</sup>		3.53%		3.23%
Portfolio turnover rate <sup>(3)</sup>		60.86%		11.14%
Trading expense ratio <sup>(4)</sup>		0.69%		0.04%
Closing Pricing NAV per unit	\$	5.20	\$	5.99

(1) This information is provided as at June 30, 2007 and December 31, 2006.

(2) The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio adviser 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 a fund's portfolio turnover rate, the greater the trading costs payable by the fund 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 the performance of a fund.

(4) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## Summary of Investment Portfolio

As at June 30, 2007

<b>Description</b>	<b>Total % of net assets</b>
<b>Investments in long positions</b>	
Natural gas	81.84%
Oil	29.31%
Cash and cash equivalents	4.48%
Other net assets	-15.63%
	<b>100.00%</b>

### Investment Portfolio

<b>Description</b>	<b>% of net assets</b>
Duvernay Oil Corp.	19.36%
Mahalo Energy Ltd.	10.10%
Galleon Energy Inc.	9.93%
Cyries Energy Inc.	8.07%
Crew Energy Inc.	7.60%
TriStar Oil & Gas Ltd.	7.23%
Rider Resources Ltd .	6.58%
West Energy Ltd.	6.25%
ProEx Energy Ltd.	5.52%
ProspEx Resources Ltd.	5.18%
Storm Exploration Inc.	3.31%
Angle Energy Inc.	2.91%
Peerless Energy Inc.	2.87%
Orleans Energy Ltd.	2.55%
Greenbank Energy Ltd.	2.33%
Huron Energy Corporation	2.18%
Open Range Energy Corp .	2.00%
Stonefire Energy Corp.	1.82%
Pienza Petroleum Inc.	1.73%
Celtic Exploration Ltd.	1.40%
Flagship Energy Inc.	1.21%
Stonefire Energy Corp.	1.02%
<b>Total Portfolio</b>	<b>111.15%</b>
<b>Cash and cash equivalents</b>	<b>4.48%</b>
<b>Other net assets</b>	<b>-15.63%</b>
	<b>100.00%</b>

The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1-866-864-6330, by writing to us at Creststreet Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting our website at [www.creststreet.com](http://www.creststreet.com).

## Past Performance

The Partnership commenced operations on February 24, 2006. Since the Partnership has not been in operation for a full financial period, a bar chart illustrating year-by-year returns cannot be provided.

## Investment Objectives and Strategies

The investment objective of the Partnership is to invest in the flow-through securities of companies engaged in oil and gas, mining, or renewable energy exploration and development in Canada.

The Partnership's portfolio is managed with the aims of preserving the Partnership's capital and capital appreciation on the Partnership's investments. The Partnership looks to invest in flow-through securities that represent good value in relation to their market price and the intrinsic value of the issuer's shares, and in companies that have experienced and proven management teams. Such companies should have a strong exploration program or renewable energy project in place that offer the potential for future growth. The Partnership has the following investment guidelines in place that govern investing activities:

> **Resource Issuers** – The Partnership invests substantially all of its funds in the flow-through securities of companies engaged in oil and gas, mining, or renewable energy exploration and development in Canada. To the extent that the Partnership disposes of these securities (for example, if a take-over bid is made for such securities), the Partnership may reinvest the net proceeds in securities of other resource issuers, including flow-through securities, or to exercise warrants.

> **Exchange Listing** – The Partnership invests a minimum of 80% of funds in flow-through securities of resource issuers that are listed on the TSX or on the TSX Venture Exchange.

> **Market Capitalization** – 50% of the Partnership's investments must be in flow-through shares in resource issuers whose market capitalization is at least \$50 million at the time of purchase.

> **Private Companies** – The partnership may invest 20% of its funds in resource issuers that are not publicly traded.

> **Diversification** – The Partnership may not purchase securities of any one issuer if that purchase would result in a position that is greater than 10% of the Partnership's net asset value at the time of purchase, however, the Partnership may invest up to 20% of its net asset value (determined at the time of purchase) in resource issuers with a market capitalization of more than \$50 million per issuer, and may invest up to 30% of its net asset value in resource issuers with a market capitalization of more than \$100 million.

> **No Control** – The Partnership may not purchase securities of a reporting issuer for the purposes of exercising control or management of such issuer. The Partnership may not purchase more than 10% of the voting securities of any issuer.

## Recent Developments

### > Change in accounting policies

The Canadian Institute of Chartered Accountants (“CICA”) has introduced new accounting standards which impact the way financial information is reported. The following explains the relevant new CICA Handbook section and how it impacts the financial reporting of the Fund.

#### > Section 3855 “Financial Instruments – Recognition and Measurement”

This section covers the accounting treatment of financial assets and liabilities. Prior to this new standard, Canadian Generally Accepted Accounting Principles (“GAAP”) required actively traded securities to be valued at the price at which it last traded. This applied to securities held long and sold short. Section 3855 requires actively traded securities to be valued at the last available bid price for securities held long and at the last available ask price for securities sold short.

Broker commissions paid on the purchase of securities were previously included in the cost of the investment while commissions paid on the sale of securities reduced the amount of proceeds reported which in turn impacted the related gain or loss on the transaction. Disclosure of total brokerage commissions paid during a period was disclosed in the notes to the financial statements. Section 3855 requires that all commissions paid to brokers be disclosed separately on the Statement of Operations in the period they are incurred.

These new accounting standards impact financial reporting but do not impact the NAV calculated for weekly pricing updates or for partnership advisor fee calculations. The use of last traded market prices for the calculation of the NAV for pricing purposes (the “Pricing NAV”) versus the use of last bid or ask prices for the calculation of the NAV for financial reporting purposes (the “GAAP NAV”) will generally result in a difference between Pricing NAV and GAAP NAV. This difference is presented on the Statements of Net Assets. The adoption of these new accounting policies is applied prospectively and prior periods are not restated, however, an adjustment is made to the opening balances for 2007.

## Related Party Transactions

Partnership advisor fees are paid to Creststreet Asset Management Limited (the “Partnership Advisor”) for the management of the Fund’s day-to-day operations. The advisor fee is 2.0% of the Partnership’s NAV calculated and paid monthly in arrears.

## Management Fees

The Partnership Advisor provides investment and administrative services to the Partnership. In consideration for these services, the Partnership pays the Partnership Advisor a partnership advisor fee equal to 2.0% per annum of the net asset value of the Partnership, calculated and payable monthly in arrears. Goods and services tax (GST) is paid on all partnership advisor fees. Partnership advisor fees totaled \$226,154 for the period ended June 30, 2007 (2006 - \$252,529).

## Risk

There have been no major or significant changes that have had an impact on the overall risk level of any investments in the Partnership. The Partnership's investment philosophy, style and method remain unchanged.

## Statement of Net Assets

	As at June 30, 2007 (unaudited)	As at December 31, 2006
<b>Assets:</b>		
Investments in securities at market value	\$ 22,945,526	\$ 26,452,022
Cash and cash equivalents	925,240	137,597
Due from broker	-	1,255,527
Accounts receivable	-	31
	<b>23,870,766</b>	<b>27,845,177</b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	74,453	105,409
Loan payable (note 3)	3,152,954	3,152,954
Due to broker	-	625,434
	<b>3,227,407</b>	<b>3,883,797</b>
<b>Net assets - GAAP NAV (note 2)</b>	<b>20,643,359</b>	<b>23,961,380</b>
Adjustment from bid market prices to last traded market prices	142,015	-
<b>Net assets - Pricing NAV (note 2)</b>	<b>\$ 20,785,374</b>	<b>\$ 23,961,380</b>
Units outstanding	4,000,000	4,000,000
Net asset value per unit - GAAP NAV (note 2)	\$ 5.16	\$ 5.99
Adjustment from bid market prices to last traded market prices	0.04	-
<b>Net asset value per unit - Pricing NAV (note 2)</b>	<b>\$ 5.20</b>	<b>\$ 5.99</b>

See accompanying notes to financial statements.

Approved by Creststreet 2006 General Partner Limited on behalf of Creststreet 2006 Limited Partnership



**Robert J. Toole**  
Director



**Stuart P. Hensman**  
Director

## Statement of Operations

	For the six months ended June 30, 2007	For the period from February 24 to June 30, 2006
	(unaudited)	(unaudited)
<b>Investment income:</b>		
Interest income	\$ 23,032	\$ 439,584
<b>Expenses:</b>		
Partnership advisor fees (note 5)	226,154	252,529
Interest expense	95,340	58,764
Unitholder reporting	16,361	19,554
Directors' fees	15,650	1,671
Legal and filing fees	11,159	-
Audit fees	7,325	7,000
Operating expenses	4,247	7,593
	<u>376,236</u>	<u>347,111</u>
Income (loss) from investment operations	<u>(353,204)</u>	<u>92,473</u>
Net realized loss on sale of investments	(6,437,821)	-
Net change in unrealized appreciation/depreciation of investments	3,742,683	(7,472,185)
Transaction costs (note 4)	<u>(74,007)</u>	<u>-</u>
Net loss on investments	<u>(2,769,145)</u>	<u>(7,472,185)</u>
<b>Decrease in net assets from operations</b>	<b>\$ (3,122,349)</b>	<b>\$ (7,379,712)</b>
<b>Per unit</b>		
(based on the average number of units outstanding)		
<b>Decrease in net assets from operations per unit</b>	<b>\$ (0.78)</b>	<b>\$ (1.84)</b>

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

	For the six months ended June 30, 2007	For the period from February 24 to June 30, 2006
	(unaudited)	(unaudited)
<b>Net assets, beginning of period</b>	<b>\$ 23,961,380</b>	<b>\$ -</b>
Initial adoption of new accounting policy (note 2)	(195,673)	-
<b>Operations</b>		
Decrease in net assets from operations	(3,122,349)	(7,379,712)
<b>Share capital transactions:</b>		
Proceeds from issue of shares	-	40,000,000
Agents' fees	-	(2,700,000)
Issue costs	-	(452,954)
	-	36,847,046
<b>(Decrease) increase in net assets</b>	<b>(3,318,022)</b>	<b>29,467,334</b>
<b>Net assets, end of period - GAAP NAV (note 2)</b>	<b>\$ 20,643,359</b>	<b>\$ 29,467,334</b>
Adjustment from bid market prices to last traded market prices	142,015	-
<b>Net assets - Pricing NAV (note 2)</b>	<b>\$ 20,785,374</b>	<b>\$ 29,467,334</b>

See accompanying notes to financial statements.

## Statement of Cash Flows

	For the six months ended June 30, 2007	For the period from February 24 to June 30, 2006
	(unaudited)	(unaudited)
<b>Cash flows from (used in) operating activities</b>		
Gain/ (Loss) from investment operations	\$ (353,204)	\$ 92,473
Investments purchased	(7,362,883)	(31,157,075)
Proceeds on dispositions of investments	7,904,562	-
Net change in non-cash working capital	599,168	6,907,612
Cash flows from (used in) operating activities	787,643	(24,156,990)
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issue of units	-	40,000,000
Proceeds from loan	-	3,152,954
Payment of agents' fees	-	(2,700,000)
Payment of issue costs	-	(452,954)
Cash flows from financing activities	-	40,000,000
Net increase in cash and cash equivalents	787,643	15,843,010
Cash and cash equivalents, beginning of period	137,597	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ 925,240</b>	<b>\$ 15,843,010</b>
<b>Supplemental cash flow information</b>		
Interest paid during the period	\$ 95,840	\$ 58,764

See accompanying notes to financial statements.

## Statement of Investment Portfolio

As at June 30, 2007 (unaudited)

Description	Number of securities	Type of security	Cost	Market Value
Duvernay Oil Corp.	110,000	Common Shares	\$ 6,160,000	\$ 3,996,300
Mahalo Energy Ltd.	500,000	Common Shares	1,725,000	2,085,000
Galleon Energy Inc.	118,000	Class A Common Shares	3,032,600	2,050,840
Cyries Energy Inc.	147,776	Common Shares	2,001,050	1,666,913
Crew Energy Inc.	153,000	Common Shares	3,021,750	1,568,250
TriStar Oil & Gas Ltd.	337,100	Common Shares	3,000,190	1,493,353
Rider Resources Ltd .	180,000	Common Shares	1,558,800	1,359,000
West Energy Ltd.	300,000	Common Shares	1,506,900	1,290,000
ProEx Energy Ltd.	76,000	Common Shares	1,066,668	1,139,240
ProspEx Resources Ltd.	240,200	Common Shares	1,154,141	1,068,890
Storm Exploration Inc.	80,000	Common Shares	656,000	684,000
Angle Energy Inc.	120,000	Common Shares	540,000	600,000
Peerless Energy Inc.	174,000	Class A Common Shares	730,800	591,600
Orleans Energy Ltd.	135,000	Common Shares	1,012,500	526,500
Greenbank Energy Ltd.	200,000	Common Shares	480,000	480,000
Huron Energy Corporation	300,000	Class A Common Shares	450,000	450,000
Open Range Energy Corp .	125,000	Common Shares	712,500	412,500
Stonefire Energy Corp.	300,000	Class A Common Shares	60,000	375,000
Pienza Petroleum Inc.	210,000	Common Shares	357,000	357,000
Celtic Exploration Ltd.	20,000	Common Shares	345,000	290,000
Flagship Energy Inc.	100,000	Class B Common Shares	690,000	250,000
Stonefire Energy Corp.	69,000	Class B Common Shares	690,000	211,140
Transaction costs (note 4)			(32,407)	
<b>Total Investment in securities</b>			<b>\$ 30,918,492</b>	<b>\$ 22,945,526</b>

See accompanying notes to financial statements.

## Notes to Financial Statements

For the six months ended June 30, 2007 and the period from February 24 to June 30, 2006

### 1. Establishment of the Partnership

Creststreet 2006 Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on December 22, 2005 and commenced operations on February 24, 2006. The principal purpose of the Partnership is to invest in flow-through shares of resource companies involved in oil and gas, mining or renewable energy exploration and development in Canada. Pursuant to a prospectus dated February 10, limited partners subscribed for 4,000,000 units of limited partnership interest. The general partner of the Partnership is Creststreet 2006 General Partner Limited (the "General Partner").

### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the following is a summary of significant account policies followed by the Partnership:

#### a) Cash and Cash Equivalents, and Other Monetary Balances

Cash and cash equivalents, due from broker, accounts receivable, accounts payable and accrued liabilities, due to broker, and loan payable approximate their fair value due to the relatively short periods to maturity of the instruments.

#### b) Valuation of Investments in Resource Companies

The Canadian Institute of Chartered Accounts has introduced new accounting standards that govern the reporting of financial assets and liabilities (CICA Handbook Section 3855 – "Financial Instruments – Recognition and Measurement"). The new standards are applicable to annual and semi-annual financial statements relating to fiscal years beginning on or after October 1, 2006. Prior to this change in policy, GAAP required actively traded securities to be valued at the price at which it last traded. This applied to securities held long and sold short. Section 3855 requires actively traded securities to be valued at the last available bid price for securities held long and at the last available ask price for securities sold short.

This accounting policy change impacts financial reporting ("GAAP NAV") but does not impact the NAV calculated for purchases and redemptions ("Pricing NAV"). The net difference between valuations using last bid/ask prices and closing price is presented as "Adjustment from bid market prices to last traded market prices" on the Statements of Net Assets and is used to reconcile the GAAP NAV per share to the Pricing NAV per share.

This change in accounting policy has been applied prospectively. Prior period balances have not been restated, however, an adjustment has been made to the opening net asset value for the difference at January 1, 2007 on the Statements of Changes in Net Assets.

The complete, amended policy is as follows:

Securities held by the Fund that are listed on a recognized public securities exchange are valued at their closing bid price or the closing ask price for securities sold short. Securities for which no published market price exists are valued at cost until a third party transaction establishes a different value or unless a different fair market value is determined by the General Partner. Any change in value is recorded in "Net change in unrealized appreciation/depreciation of investments" on the statements of operations. Since the resource company securities benefited from an exemption from prospectus requirements, they are generally subject to resale restrictions for four months from the date of purchase.

#### **c) Investment Transactions and Income Recognition**

Investment transactions are accounted for as of the trade date, and any related gains or losses from such transactions are calculated on an average cost basis. Dividend income is recognized on the record date and interest income is accrued as earned.

#### **d) Allocation of Partnership Income or Loss**

The net income of the partnership is allocated 0.01% to the General Partner and the balance, along with the 100% of the net loss of the Partnership, among the limited partners in proportion to the number of units held by each of them at the end of each period. The Partnership is not itself a taxable entity, and therefore no provision for income tax is required.

#### **e) Use of Estimates**

The preparation of the financial statements in accordance with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and loss for the reporting period. Actual results could differ from those estimates.

### **3. Loan Payable**

A term facility in the amount of \$3,152,954 matures on the earlier of March 30, 2008 and the dissolution date of the Partnership. The facility is secured by a general security agreement and interest is calculated at the bank's prime rate. The loan is subject to certain financial covenants. The Partnership was not in violation of any covenants at June 30, 2007, nor at any time during the period.

### **4. Brokerage Commissions**

The Partnership paid broker fees of \$74,007 in the six month period ended June 30, 2007 (2006 – nil).

CICA Handbook Section 3855 requires transaction costs to be disclosed separately on the Statements of Operations. Prior to this change, commissions paid on purchases were included in the cost of securities, commissions paid on sales reduced the net proceeds reported by the Fund, and total brokers' commissions were disclosed in the notes to the financial statements.

## **5. Partnership Advisor Fees**

The Partnership Advisor is entitled to receive a partnership advisor fee equal to 2.0% per annum of the net asset value of the Partnership, calculated and payable monthly in arrears as consideration for providing investment, management, and other services to the Partnership. The partnership advisor fee amounted to \$226,154 for the period (2006 – 252,529). The General Partner has a 0.01% beneficial interest in the Partnership.

## **6. Liquidity of Partnership Units and Termination of Partnership**

On or about January 18, 2008, the Partnership is scheduled to transfer all of its assets to Creststreet Resource Fund, a class of shares of Creststreet Mutual Funds Limited, an open-ended mutual fund (the “Mutual Fund”), in exchange for shares of the Mutual Fund. Upon this transfer, the Partnership will be dissolved at which time the net assets will be allocated 99.99% to the limited partners and 0.01% to the General Partner. Upon dissolution, the limited partners will receive their pro-rata share of the shares of the Mutual Fund.

## **7. Tax Shelter Identification Number**

The identification number issued for the Partnership should be included on any income tax return filed by a Limited Partner. Issuance of the identification number is for administration purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. The Partnership’s federal and Quebec provincial tax shelter identification numbers are TS 071522 and QAF-06-01120 respectively.

## **8. Financial Statement Review**

These financial statements have not been reviewed by the Partnership’s auditor. The financial statements were prepared and are presented in accordance with GAAP using the same internal procedures and controls that will be applied to the Partnership’s annual audited financial statements.

## Creststreet 2006 General Partner Limited

### Board of Directors

**Stuart P. Hensman**

Corporate Director

**Jeffrey S. Boyce**

President and CEO and Director  
Sure Energy Inc.

**John Thompson**

President and Chief Executive Officer  
Sirius Energy Inc.

**Robert J. Toole, C.A.**

Managing Director  
Creststreet Capital Corporation

### Officers of the General Partner

**Robert J. Toole, C.A.**

President

**Donna Shea, C.A.**

Vice-President, Finance

**Aaron C.B. Maybin**

Vice-President, Energy Investment  
Management

**Sheryl Chiddenton**

Secretary Treasurer

### Legal Counsel

McCarthy Tétrault LLP  
Toronto, Ontario

### Auditors

KPMG LLP  
Toronto, Ontario

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