

Creststreet 2007 Limited Partnership

2008 > Annual Report

Management Report of Fund Performance

For the year ended December 31, 2008

THIS ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE ANNUAL REPORT OF CRESTSTREET 2007 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 2007 GENERAL PARTNER LIMITED, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT WWW.CRESTSTREET.COM. UNITHOLDERS MAY ALSO CONTACT CRESTSTREET USING ONE OF THESE METHODS TO REQUEST A COPY OF THE FUND'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

Results of Operations

> Investment Performance

The Creststreet 2007 Limited Partnership had a very challenging year in 2008 as the Partnership posted an annual return of -59.9% in response to the most difficult equity and energy commodities markets of our generation. The General Partner began to reduce the net market exposure of the Partnership prior to year-end and continued subsequent to year-end. This has allowed the Partnership to maintain liquidity and, subsequent to year-end, to profit from market volatility. The Partnership also holds a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Partnership. In accordance with its private investment valuation policy, the Partnership marks these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in the market in that period. We believe that the net realizable value of these investments could be substantially higher than their present carrying value when oil prices recover from their currently depressed levels. We continue to hold the view that in the longer-term the supply/demand fundamentals of energy commodities have not changed, however, in the short-term we believe energy prices will remain soft as long as poor global economic conditions reduce energy demand. Once global economic growth reasserts itself over the next several years, we believe the secular long-term upward trend in commodity prices will continue. In the meantime, the Partnership will be managed to preserve capital until evidence of lower market volatility is seen and stronger energy fundamentals return to the market.

Two thousand eight was a volatile year for crude oil and natural gas prices as the first half of the year saw the end of a decade long bull market in commodities before prices came crashing down in the second half of the year. West Texas Intermediate ("WTI") light sweet crude oil on the New York Mercantile Exchange ("NYMEX") finished down 53.3% on the year, closing at US\$44.60 per barrel after reaching an intraday high of US\$147.27 on July 11, 2008. In comparison, NYMEX natural gas prices declined by 24.9% year-over-year, closing at US\$5.62 per mmbtu after reaching an intraday high of US\$13.69 on July 2, 2008.

As 2007 and the first half of 2008 were characterized by the pricing of demand destruction in crude oil markets, the second half of 2008 was characterized by the pricing of supply destruction as the global economic downturn caused demand losses that far exceeded the supply response from the Organization of Petroleum Exporting Countries (OPEC). The rapid change from a period of undersupply to a period of oversupply resulted in plummeting prices as crude oil in storage globally quickly approached record levels.

Natural gas prices also experienced extreme volatility throughout 2008 as the continuous front month NYMEX futures contract rose by 81% in the first half of the year before declining by 59% in the second half of the year. The North American natural gas market rapidly changed from a market that was undersupplied to one that was oversupplied for two key reasons. Firstly, natural gas production volumes continued to grow on a monthly basis as new technologies and high prices opened up shale gas opportunities previously thought to be uneconomic. Second, the global economic downturn resulted in rapid declines in demand for natural gas in both the power generation and industrial sectors. As a result, storage levels began to increase relative to historical averages and prices fell from their peak. We expect soft natural gas markets to persist for most of 2009 as the economy remains weak and the market remains out of balance.

In response to declining commodity prices and a lack of confidence in when the market will find a bottom, junior oil and gas equity valuations, which were strong in the first half of the year, were very weak in the second half of the year. Creststreet expects this weakness to continue as balance sheets remain stretched and companies find it difficult to grow production. In response to this, we also expect the pace of industry consolidation to pick up as those companies with strong balance sheets find that it is cheaper to buy production and reserves than it is for them to drill. In the longer-term, we continue to hold the view that the supply/demand fundamentals of energy commodities have not changed and that the long-term upward trend in commodity prices will continue.

The Partnership was 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 on January 23, 2009. Upon this transfer, the Partnership would have been dissolved and the net assets 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. The general partner of the Partnership has extended the date upon which the transfer will occur and the Partnership will be dissolved to a date no later than May 29, 2009. May 29, 2009 is the date that unitholders of the Partnership would have become entitled to redeem their shares of the Mutual Fund received on the transfer if it occurred as originally contemplated.

The Partnership is currently not permitted to transfer its assets to the Mutual Fund since the total private securities held after the transfer would be in excess of 10% of the net assets of the Mutual Fund which is not allowed under applicable securities legislation. The Partnership is actively working towards reducing the private securities component of its investment portfolio. If the Partnership is unable to do so and complete the transfer to the Mutual Fund by May 29, 2009, the Partnership plans to propose an alternative liquidity transaction to its unitholders that would provide them liquidity on the public energy securities component of the Partnership's investment portfolio by May 29, 2009.

> Revenues and Expenses

Interest income decreased significantly from \$1,014,796 in 2007 to \$108,764 in 2008. This was due to interest earned on funds on deposit while awaiting investment in flow-through securities in 2007. The Partnership was fully invested in December of 2007 and held minimal cash balances until the fall of 2008 when the Partnership decreased its market exposure due to current economic conditions. Dividend income was \$101,618 compared to \$Nil in 2007 as the Partnership reinvested proceeds from sales of flow-through securities into dividend paying securities in 2008.

The Partnership incurred expenses totalling \$1,294,323 in 2008 compared to \$1,170,360 during 2007. The Partnership's largest 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 partnership advisor fees increased 12% over 2007 due to the Partnership operating for 10½ months in 2007 compared to a full year in 2008. The Partnership has a term loan facility which allowed 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 16, 2007 for \$2,934,446. Subsequent drawdowns occurred on March 15, June 27, and December 18 for \$425,180, \$1,248,680, and \$97,766 respectively. The balance of the loan was \$4,706,072 as at December 31, 2008 and 2007. The loan facility matures on the earlier of March 30, 2009 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. As of February 6, 2009, the loan was fully repaid. Although the average amount and time outstanding was lower in 2008, lower interest rates accounted for a decrease in interest expense from \$248,948 in 2007 to \$233,036 in 2008. Other operating expenses increased from \$148,439 in 2007 to \$195,196 in 2008 due to a full year of expenses in 2008 and increased fees from service providers.

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 for the year ended December 31, 2008 and the period since its inception on February 16, 2007 to December 31, 2007. This information is derived from the Partnership's annual financial statements.

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

	2008	2007
Net asset value, beginning of period	\$ 6.47	\$ 10.00
Increase (decrease) from operations:		
Total revenue	0.04	0.19
Total expenses	(0.22)	(0.22)
Realized gain on investments	(3.47)	(0.37)
Unrealized gain on investments	(0.06)	(2.63)
Transaction costs	(0.16)	-
Total decrease from operations⁽¹⁾	(3.87)	(3.03)
Net asset value, end of period (GAAP NAV)⁽²⁾	\$ 2.61	\$ 6.47

(1) 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.

(2) 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

	2008	2007
Net assets (000's) ⁽¹⁾	\$ 15,283	\$ 37,922
Number of shares outstanding ⁽¹⁾	5,857,061	5,857,061
Management expense ratio (MER) ⁽²⁾	3.15%	3.21%
Portfolio turnover rate ⁽³⁾	353.60%	7.22%
Trading expense ratio ⁽⁴⁾	2.25%	0.03%
Closing Pricing NAV per share	\$ 2.63	\$ 6.57

(1) This information is provided as at December 31 of the year shown.

(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 December 31, 2008

Description	% of total net assets
Oil	40.4%
Natural gas	7.9%
Energy services	5.3%
Alternative energy	0.1%
	53.7%
Cash and cash equivalents	73.9%
Other net assets	-27.6%
	100.00%
Investment	% of net assets
Verenex Energy Limited	12.4%
Athabasca Oil Sands Corporation	8.1%
Laricina Energy Limited	7.5%
Exshaw Oil Corporation	5.9%
OSUM Oil Sands Corporation	5.7%
Seaview Energy Inc.	4.8%
Gran Tierra Energy Inc.	3.9%
Stoneham Drilling Trust	3.0%
Xtreme Coil Drilling Corporation	2.2%
EarthFirst Canada Inc.	0.1%
	53.7%

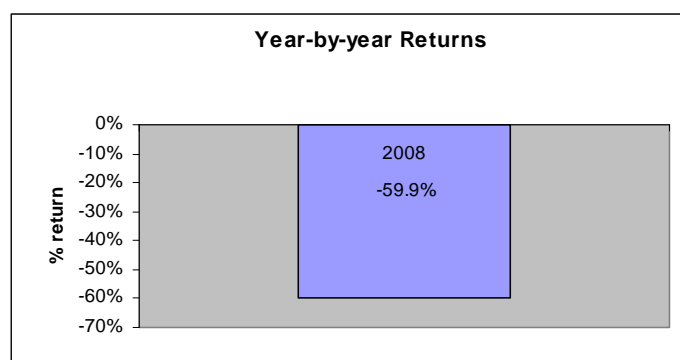
The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1-866-864-6330, by writing to us at Creststreet 2006 Limited Partnership, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting our website at www.creststreet.com.

Past Performance

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance, nor does it take into account any tax benefits realized by investors. How the Partnership has performed in the past does not necessarily indicate how it will perform in the future. These performance numbers are provided on a nominal basis to conform with securities regulations and do not account for any income tax benefits an investor would have received as a result of an investment in the Partnership. The performance data presented here should not be compared to performance data provided in the Partnership's sales and marketing materials, as these publications provide returns on an after-tax basis assuming an investor is an Ontario resident in the highest marginal tax bracket.

Year-by-Year Returns

The following bar chart shows the Partnership's annual performance for 2008, the Partnership's first complete financial period. In percentage terms, the bar chart shows how much an investment made on the first day of the financial year would have grown or decreased by the last day of the financial year.



Annual Compound Returns

The following table shows the Partnership's historical annual compound total returns for the periods indicated, compared with the S&P/TSX Capped Energy Index and the S&P/TSX Composite Index.

	Creststreet 2007 LP	S&P/TSX CDN Capped Energy Index	S&P/TSX Composite Index
1 year	-59.9%	-38.1%	-35.0%
Since inception	-51.0%	-19.3%	-18.9%

> About the Indices and Fund Performance

The S&P/TSX Capped Energy Index is comprised of shares of Canadian companies involved in exploration and/or production of energy resources and is designed to track the performance of the entire energy sector. The S&P/TSX Composite Index covers approximately 95% of the Canadian-based Toronto Stock Exchange-listed companies and is designed to track the performance of the Canadian equities market as a whole.

The S&P/TSX Capped Energy Index (the "Energy Index") declined 38.1% during 2008 to close the year at 216.52. The Energy Index exhibited a high degree of volatility during the year in sympathy with energy commodities and broad equity markets across all sectors.

The Creststreet 2007 Limited Partnership declined 59.9% in 2008 as a result of the rapid decline in energy commodities and equities in the second half of the year. The Partnership also holds a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Partnership. In accordance with its private investment valuation policy, the Partnership marks

these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in that period. We believe that the net realizable value of these investments could be substantially higher as oil prices recover.

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

> **Changeover to International Financial Reporting Standards (“IFRS”)**

As at December 31, 2008 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the December 31, 2008, 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 net assets attributable to shareholders or net asset value per share will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially different presentation of shareholder interests and certain other items.

> **New financial statement disclosure requirements**

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, *Financial Instruments – Disclosures* (“S.3862”) and Section 3863, *Financial Instruments – Presentation* (“S.3863”). The new sections impact interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The introduction of S.3863 had no impact on the reporting of the Fund since the Fund was already in compliance with this section due to its adherence to reporting required by the Canadian Securities Administrators. S.3862, however, required significantly more disclosure with respect to the risks associated with the financial instruments held by the Fund. This section required that the Fund provide specific qualitative and quantitative disclosures about the various types of risk the Fund is exposed to and also required sensitivity analysis for some types of risk. The purpose of S.3862 is to allow financial statement users to gain a more thorough understanding of the Fund’s risk exposure, their potential impacts, and how the Fund manages those risks.

> **Section 3855 “Financial Instruments – Recognition and Measurement” – an update**

Prior to the implementation of Section 3855 in 2007, investment funds valued their publicly traded securities at the price the securities last traded. Section 3855 requires that securities traded on a public exchange be valued at their last bid price for securities held long and the last ask price for securities sold short for calculating the net asset value (“NAV”) for financial reporting purposes (“GAAP NAV”). The NAV calculated for pricing purposes for purchases and redemptions continues to use last traded market prices (“Pricing NAV”). This will generally result in a difference between Pricing NAV and GAAP NAV which is presented on the Statement of Net Assets. This change was adopted prospectively in 2007 with no restatement of prior periods but an adjustment to opening balances in 2007.

Related Party Transactions

Partnership advisor fees are paid to Creststreet Asset Management Limited (the “Partnership Advisor”) for the management of the Partnership’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 totalled \$866,091 for the year ended December 31, 2008 (2007 - \$772,973).

Risk

Current economic conditions have had a negative impact on the overall risk level of investments in the Partnership and the performance of the Partnership over the past year. The Partnership began to reduce the net market exposure of the Fund in the fall of 2008. This has allowed the Partnership to maintain liquidity and, subsequent to year-end, to profit from market volatility. The Partnership’s investment philosophy, style and method remain unchanged.

Management's Responsibility for Financial Reporting

These financial statements form the basis for all of the financial information that appears in this annual report. The financial statements and all of the information in this annual report are the responsibility of the management of Creststreet 2007 General Partner Limited and have been reviewed and approved by its board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities.

Management has prepared the financial statements according to Canadian generally accepted accounting principles ("GAAP"). Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present the entity's financial position, results of operations and changes in net assets. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

KPMG LLP, the unitholders' external auditors, have audited the financial statements in accordance with Canadian generally accepted auditing standards and their report follows. KPMG LLP has free and full access to the board's audit committee.



Robert J. Toole
President
Chief Executive Officer
Creststreet 2007 General Partner Limited



Donna Shea
Vice-President, Finance
Chief Financial Officer
Creststreet 2007 General Partner Limited

February 27, 2009

Auditor's Report to the Partners

We have audited the statements of net assets of Creststreet 2007 Limited Partnership as at December 31, 2008 and 2007, the statement of investment portfolio as at December 31, 2008, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2008 and for the period from February 16 (date of inception) to December 31, 2007. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Partnership as at December 31, 2008 and 2007, the investments held as at December 31, 2008, and the results of its operations, changes in net assets and cash flows for the year ended December 31, 2008 and the period from February 16 (date of inception) to December 31, 2007 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
February 27, 2009

Statements of Net Assets

As at December 31	2008	2007
Assets		
Cash and cash equivalents	\$ 11,285,840	\$ 2,347,897
Investments at market value	8,207,058	40,382,891
Due from broker	560,704	-
Interest receivable	13,436	19,933
Dividend receivable	10,805	-
	<u>20,077,843</u>	<u>42,750,721</u>
Liabilities		
Accounts payable and accrued liabilities	88,825	122,451
Loan liability	4,706,072	4,706,072
	<u>4,794,897</u>	<u>4,828,523</u>
Net assets - GAAP NAV (note 2)	\$ 15,282,946	\$ 37,922,198
Adjustment from bid market prices to last traded market prices	130,122	567,809
Net assets - Pricing NAV (note 2)	\$ 15,413,068	\$ 38,490,007
Units outstanding	5,857,061	5,857,061
Net assets per unit - GAAP NAV (note 2)	\$ 2.61	\$ 6.47
Adjustment from bid market prices to last traded market prices	0.02	0.10
Net assets per unit - Pricing NAV (note 2)	\$ 2.63	\$ 6.57

See accompanying notes to financial statements

Approved by Creststreet 2007 General Partner Limited on behalf of
Creststreet 2007 Limited Partnership



Robert J. Toole
Director



Stuart P. Hensman
Director

Statements of Operations

For the year ended December 31, 2008 and the period from February 16, 2007 (inception) to December 31, 2007

	2008	2007
Investment Income		
Interest revenue	\$ 108,764	\$ 1,014,796
Dividend revenue	101,618	-
	<u>\$ 210,382</u>	<u>\$ 1,014,796</u>
Expenses		
Partnership advisor fee (note 4)	866,091	772,973
Interest expense	233,036	248,948
Operating expenses	94,078	57,752
Unitholder reporting costs	34,975	39,673
Legal and Filing fees	24,877	13,166
Director's fees	23,176	23,548
Audit fees	18,090	14,300
	<u>\$ 1,294,323</u>	<u>\$ 1,170,360</u>
Loss from investment operations	<u>(1,083,941)</u>	<u>(155,564)</u>
Net realized loss on sale of investments	(20,332,622)	(1,948,556)
Change in unrealized depreciation of investments	(296,906)	(13,828,510)
Transaction costs (note 2)	(925,783)	(9,710)
Net realized and unrealized loss on investments	<u>(21,555,311)</u>	<u>(15,786,776)</u>
Decrease in net assets from operations	<u>\$ (22,639,252)</u>	<u>\$ (15,942,340)</u>
Per unit		
(based on average number of units outstanding)		
Decrease in net assets from operations per unit	<u>\$ (3.87)</u>	<u>\$ (3.03)</u>

See accompanying notes to financial statements

Statements of Changes in Net Assets

For the year ended December 31, 2008 and the period from February 16, 2007 (inception) to December 31, 2007

	2008	2007
Net assets at the beginning of the year	\$ 37,922,198	\$ -
Operations:		
Decrease in net assets from operations	(22,639,252)	(15,942,340)
Capital transactions:		
Proceeds from the issue of units	-	58,570,610
Agents' fee and issue costs	-	(4,706,072)
Net assets at the end of the year - GAAP NAV (note 2)	\$ 15,282,946	\$ 37,922,198
Adjustment from bid market prices to last traded market prices	130,122	567,809
Net assets per unit - Pricing NAV (note 2)	15,413,068	38,490,007

See accompanying notes to financial statements

Statements of Cash Flows

For the year ended December 31, 2008 and the period from February 16, 2007 (inception) to December 31, 2007

	2008	2007
Cash flows from (used in) operating activities		
Loss from investment operations	(1,083,941)	(155,564)
Investments purchased	(146,347,114)	(57,511,406)
Proceeds on dispositions of investments	156,967,516	1,341,739
Net change in non-cash working capital	(598,518)	102,518
Cash flows used in operating activities	\$ 8,937,943	\$ (56,222,713)
Cash flows from (used in) financing activities		
Proceeds from issue of units	-	58,570,610
Proceeds from loan	-	4,706,072
Payment of agents' fee and issue costs	-	(4,706,072)
Cash flows from financing activities	\$ -	\$ 58,570,610
Net increase in cash and cash equivalents	8,937,943	2,347,897
Cash and cash equivalents, beginning of period	2,347,897	-
Cash and cash equivalents, end of period	\$ 11,285,840	\$ 2,347,897

See accompanying notes to financial statements

Statement of Investment Portfolio

As at December 31, 2008

Description	Number of securities	Type of Security	Cost	Market Value
Verenex Energy Limited	276,920	Common shares	\$ 2,237,091	\$ 1,896,902
Athabasca Oil Sands Corporation	493,000	Common shares	4,380,790	1,232,500
Laricina Energy Limited	103,500	Common shares	2,954,110	1,138,500
Exshaw Oil Corporation	275,000	Common shares	1,193,760	907,500
OSUM Oil Sands Corporation	195,000	Common shares	2,018,250	877,500
Gran Tierra Energy Inc.	181,801	Common shares	550,489	594,489
Seaview Energy Inc.	180,000	Class B common shares	1,800,000	477,000
Stoneham Drilling Trust	150,000	Common shares	1,621,624	465,000
Xtreme Coil Drilling Corporation	221,200	Common shares	1,793,135	340,648
Seaview Energy Inc.	351,800	Class A common shares	87,950	256,814
EarthFirst Canada Inc.	1,347,000	Common shares	3,502,210	20,205
Athabasca Oil Sands Corporation	493,000	Warrants of Common shares	19,730	-
Transaction costs (note 2)			(17,826)	
Total investments			\$ 22,141,313	\$ 8,207,058

See accompanying notes to financial statements

Notes to Financial Statements

For the year ended December 31, 2008 and the period from February 16 (date of inception) to December 31, 2007.

1. Establishment of the Partnership

Creststreet 2007 Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on November 20, 2006 and commenced operations on February 16, 2007. 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 January 30, 2007, limited partners subscribed for 5,857,061 units of limited partnership interest. The general partner of the Partnership is Creststreet 2007 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, interest receivable, dividends receivable, due from broker, accounts payable and accrued liabilities, 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

Securities 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 is completed that 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 net unrealized appreciation/depreciation of investments" on the statement of operations. The use of these policies when calculating the Partnership's net asset value ("NAV") results in "GAAP NAV".

When calculating the NAV for the purposes of calculating partnership advisor fees, the Partnership Advisor values securities listed on a recognized public securities exchange at the last traded price. This results in the "Pricing NAV". The Statement of Net Assets provides a reconciliation between GAAP NAV and Pricing NAV.

c. Broker Commissions

Brokers' commissions and other transaction costs are expensed in the period incurred and are disclosed on the statement of operations.

d. 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.

e. 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.

f. 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 \$4,706,072 matures on the earlier of March 30, 2009 or 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. As of February 6, 2009, the loan was fully repaid.

4. 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 \$866,091 for the year ended December 31, 2008 (2007 - \$772,973). The General Partner has a 0.01% beneficial interest in the Partnership.

5. Liquidity of Partnership units and termination of Partnership

The Partnership was 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 on January 23, 2009. Upon this transfer, the Partnership would have been dissolved and the net assets 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. The general partner of the Partnership has extended the date upon which the transfer will occur and the Partnership will be dissolved to a date no later than May 29, 2009. May 29, 2009 is the date that unitholders of the Partnership would have become entitled to redeem their shares of the Mutual Fund received on the transfer if it occurred as originally contemplated.

The Partnership is currently not permitted to transfer its assets to the Mutual Fund since the total private securities held after the transfer would be in excess of 10% of the net assets of the Mutual Fund which is not allowed under applicable securities legislation. The Partnership is actively working towards reducing the private securities component of its investment portfolio. If the Partnership is unable to do so and complete the transfer to the Mutual Fund by May 29, 2009, the Partnership plans to propose an alternative liquidity transaction to its unitholders that would provide them liquidity on the public energy securities component of the Partnership's investment portfolio by May 29, 2009.

6. Financial Instrument Risk

The Partnership's objective is to invest in the flow-through securities of resource issuers engaged in oil and gas, mining, or renewable energy exploration in Canada. Accordingly, the Partnership is exposed to all of the risks associated with investments in such securities. The Partnership's use of financial instruments gives rise to a number of risk factors.

Market Risk

Market risk is simply the risk that the fair value of a financial instrument will fluctuate because of volatility of market prices. Market risk is comprised of three types of risk: *currency risk*, *interest rate risk*, and *other price risk*.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument could fluctuate due to changes in foreign currency exchange rates. The Partnership's functional currency is Canadian dollars, and the Partnership is exposed to foreign currency risk when it invests in securities denominated in another currency since the fair value of those securities is determined by converting the price of the security into Canadian dollars. As at December 31, 2008, the Fund did not hold any securities denominated in foreign currency so there was no currency risk exposure to the Fund at December 31, 2008.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market interest rates. The immediate impact of interest rate risk is greatest on debt and fixed income securities that have a relatively long duration (generally a year or more to maturity). The Partnership did not hold any such securities as at December 31, 2008, or at any time during the period. The Partnership holds its cash balances in a high-interest bank account and changes in interest rates would only increase or decrease future interest income and would have little, if any, impact on the Fund's NAV at December 31, 2008.

Other Price Risk

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The General Partner mitigates other price risk by managing and allocating the investment portfolio within the parameters of the Partnership's investment objectives. As at December 31, 2008 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV of the Fund may have been \$162,207 higher or lower (\$0.03 per share or 1.1 percent), respectively. This estimation is based on statistical tools that measure the relationships between each security in the Fund's portfolio and how their returns relate to the return of the overall equities markets. In reality, results could differ from this estimate and the difference could be material.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligations or commitments that it has entered into with the Partnership. The Partnership does not typically invest in debt securities, thereby minimizing the Partnership's exposure to credit risk. The Partnership is exposed to credit risk to the extent that the Partnership's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Partnership employs a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the *Bank Act (Canada)*, or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Partnership's custodian, Scotia Capital Inc., meets all Canadian Securities Administrators' requirements to act as custodian.

7. Valuation of Private Investments

The following table details the Partnership's changes in the valuations of securities not traded on a public exchange during the period from February 16 (date of inception) to December 31, 2008. The table is arranged in alphabetical order by investment.

	Prior fair value	New fair value	Valuation basis
<u>Athabasca Oil Sands Corp.</u>			
December 2007	\$ 4,380,790	\$ 4,284,170	Write-down from cost as arm's length third party financing provided new valuation basis.
May 2008	\$ 4,284,170	\$ 5,423,000	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
June 2008	\$ 5,423,000	\$ 5,916,000	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
June 2008	\$ 5,916,000	\$ 6,359,700	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
July 2008	\$ 6,359,700	\$ 6,655,500	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
October 2008	\$ 6,655,500	\$ 4,437,000	Write-down from previous value due to market conditions based on the General Partner's valuation
Novemeber 2008	\$ 4,437,000	\$ 3,451,000	Write-down from previous value due to market conditions based on the General Partner's valuation
December 2008	\$ 3,451,000	\$ 1,232,500	Write-down from previous value as arm's-length third party transaction provided new valuation basis.
<u>Laricina Energy Ltd.</u>			
December 2007	\$ 2,954,110	\$ 3,363,750	Write-up from cost as arm's length third party financing provided new valuation basis.
July 2008	\$ 3,363,750	\$ 4,140,000	Write-up from cost as arm's length third party financing provided new valuation basis.
December 2008	\$ 4,140,000	\$ 1,138,500	Write-down from previous value due to market conditions based on the General Partner's valuation
<u>OSUM Oil Sands Corp.</u>			
November 2007	\$ 2,018,250	\$ 1,755,000	Write-down from cost based on a bid from a third party.
August 2008	\$ 1,755,000	\$ 2,047,500	Write-up from cost as arm's length third party financing provided new valuation basis.
December 2008	\$ 2,047,500	\$ 877,500	Write-down from previous value due to market conditions based on the General Partner's valuation

8. 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 072470 and QAF-06-01168 respectively.

9. Changeover to International Financial Reporting Standards ("IFRS")

As at December 31, 2008 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the December 31, 2008, 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 net assets attributable to shareholders or net asset value per share will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially different presentation of shareholder interests and certain other items.

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Creststreet 2007 General Partner Limited

Board of Directors

Jeffrey S. Boyce*

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**

Corporate Director

John Thompson*

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole, C.A.

Managing Director
Creststreet Capital Corporation

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Stephen R. Martin, C.F.A.

Vice-President

Sheryl Chiddenton

Secretary and Treasurer

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