



## Creststreet 2007 Limited Partnership

### 2009 > Interim Report

#### Management Report of Fund Performance

For the six month period ended June 30, 2009

THIS INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE SEMI-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](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

##### > Liquidity of Partnership Units

The Partnership was originally scheduled to transfer all of its assets to Creststreet Resource Fund, a class of shares of Creststreet Mutual Funds Limited, (the "Resource Fund"), in exchange for shares of the Resource 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. Unitholders of the Partnership would have become entitled to redeem their shares of the Resource Fund on May 29, 2009 if the transfer had occurred as originally planned.

The Partnership was unable to transfer its assets to the Resource Fund since the total private securities held after the transfer would have been in excess of 10% of the net assets of the Resource Fund which is not allowed under applicable securities legislation. The Partnership proposed an alternative liquidity transaction to its unitholders where the Partnership would transfer substantially all of the public securities component of its portfolio, along with cash and certain private securities, to Creststreet Energy Opportunities Fund ("CEO") in exchange for shares of CEO of equal value. Upon completion of the transfer, the Partnership would distribute the CEO shares received to unitholders of the Partnership as a return of capital. This transaction was approved by the Board of Directors and the Independent Review Committee and then was proposed and approved by the unitholders at a special meeting on May 14, 2009. The transfer of 70% of the value of a unitholder's units of the Partnership was completed on May 27, 2009 and unitholders of the Partnership received 0.20786714666 Series 2009 shares for each Partnership unit held. At the time of the transfer the Net Asset Value of the Partnership was \$2.8588 and the Net Asset Value of the Series 2009 shares was \$9.5883. Unitholders continue to hold the same number of Partnership units, the value of which is reduced by the value of the distribution paid.

The Partnership will endeavour to sell the remaining private securities and will reinvest the net proceeds therefrom on a basis substantially similar to CEO's investment objectives, except that no additional private securities will be purchased. The Partnership will then complete a second transfer of all of its assets to CEO on a tax-deferred basis in exchange for shares of CEO of equal value as soon as it has achieved sufficient liquidity on its private investments to allow the transfer to proceed and, in any event, no later than May 29, 2011. Upon completion of the second transfer, the Partnership will be dissolved and the CEO shares received will be distributed to unitholders of the Partnership on a tax-deferred basis.

CEO is a class of shares of Creststreet Opportunities Fund Inc. (the "Corporation"), a mutual fund corporation. The manager of CEO is Creststreet Asset Management Limited. The investment objective of CEO is to provide its shareholders with long term capital growth through fundamental securities selection by taking both long and

short investment positions in equity, debt and derivative securities and through strategic investment decisions. CEOF's portfolio consists primarily of securities of issuers engaged in the global energy sector. CEOF has no geographic, asset class or market capitalization restrictions. CEOF is not a reporting issuer. The shares of CEOF received by unitholders of the Partnership may be redeemed on a monthly basis.

### > Investment Performance

The Creststreet 2007 Limited Partnership increased 8.6% in the period from December 31, 2008 to the rollover on May 27, 2009. Subsequent to the rollover, CEOF increased 3.6% in the period from May 27, 2009 to June 30, 2009.

Volatility in energy commodities continued during the first half of 2009. West Texas Intermediate ("WTI") light sweet crude oil on the New York Mercantile Exchange ("NYMEX") finished up 56.7% during the period, closing at US\$69.89 per barrel after reaching an intraday low of US\$33.20 on January 15, 2009. In comparison, NYMEX natural gas prices declined by 31.8% during the period, closing at US\$3.84 per mmbtu after reaching an intraday low of US\$3.16 on April 27, 2009.

After hitting multi-year lows in the early part of the year, the price of crude oil strengthened significantly in the latter part of the first half as the market began to look past the current supply overhang, in the form of increased OPEC spare capacity and record storage levels, to a period of renewed tightness in supply. The crude complex has also been supported by speculation and funds flows, worries about inflation, and a declining U.S. dollar.

In contrast, the North American natural gas market remains oversupplied and storage levels have recently reached a new five year high. There are two primary reasons for this. Firstly, natural gas production volumes remain robust in spite a rapid collapse in the rig count as new technologies opened up shale gas and other drilling opportunities previously thought to be uneconomic. Second, the global economic downturn has resulted in rapid declines in demand for natural gas in both the power generation and industrial sectors. Storage levels continue to increase relative to historical averages and prices as prices hover near multi-year lows. We expect soft natural gas markets to persist for most of 2009 as the economy remains weak and the market remains out of balance.

The Partnership continues to hold its private securities. These investments, which are principally oil sands developers, have been highly successful investments for the Partnership. Recently we have seen increased activity in the market for these securities as well as a corresponding up-tick in valuations. However, we believe that the net realizable value of these investments could be substantially higher still as oil prices continue to recover.

### > Revenues and Expenses

Interest income decreased from \$38,323 in 2008 to \$29,163 in 2009. Although the Partnership had higher average cash balances the decrease in interest income is due to lower interest rates. The Partnership held minimal cash balances for the first six months in 2008 until the fall of 2008 when the Partnership decreased its market exposure due to current economic conditions. The Partnership has been gradually reinvesting cash balances during 2009. Dividend income was \$12,500 in 2009 compared to \$20,056 in 2008 as the Partnership held fewer dividend paying securities in 2009.

The Partnership incurred expenses totalling \$482,390 in 2009 compared to \$727,967 during 2008. Partnership advisor fees, which are calculated at 2.0% per annum of the Partnership's NAV, calculated monthly and paid in arrears, were lower in 2009 due to the lower net asset value of the Partnership. The Partnership had 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. Interest expense was significantly lower in 2009 due to lower interest rates and the loan was fully repaid on February 6, 2009. Operating expenses increased from \$32,783 in 2008 to \$109,861 in 2009 due to costs related to the transfer of assets to CEOF and increased fees from service providers. Legal and filing fees increase significantly from \$23,740 in 2008 to \$183,450 in 2009 due to legal costs related to the transfer of assets to CEOF on May 27, 2009.

## 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 six month period ended June 30, 2009, 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 interim financial statements and the annual financial statements of preceding years.

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Net Assets, beginning of period</b>	<b>\$ 2.61</b>	<b>\$ 6.47</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.01	0.04	0.19
Total expenses	(0.08)	(0.22)	(0.22)
Realized gains (losses) for the period	(1.30)	(3.47)	(0.37)
Unrealized gains (losses) for the period	1.67	(0.06)	(2.63)
Transaction costs	(0.01)	(0.16)	-
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>\$ 0.29</b>	<b>\$ (3.87)</b>	<b>\$ (3.03)</b>
<b>Distributions:</b>			
Return of capital	(1.99)	-	-
<b>Net Assets, end of period<sup>(2)</sup></b>	<b>\$ 0.90</b>	<b>\$ 2.61</b>	<b>\$ 6.47</b>

- (1) 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.
- (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**

	<b>June 30, 2009</b>	<b>Dec 31, 2008</b>	<b>Dec 31, 2007</b>
Total net asset value (\$) (000's) <sup>(1)</sup>	5,321	15,283	37,922
Number of units outstanding <sup>(1)</sup>	5,857,061	5,857,061	5,857,061
Management expense ratio <sup>(2)</sup>	6.88%	3.15%	3.21%
Trading expense ratio <sup>(3)</sup>	0.63%	2.25%	0.03%
Portfolio turnover rate <sup>(4)</sup>	126.23%	353.60%	7.22%
Net asset value per unit (\$)	0.91	2.63	6.57

- (1) This information is provided as at June 30, 2009 and December 31 for the years 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 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.
- (4) 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.

## Summary of Investment Portfolio

As at June 30, 2009

<b>Sector</b>	
<b>Description</b>	<b>% of net assets</b>
Oil	68.0%
Natural gas	29.6%
<b>Total Investments</b>	<b>97.6%</b>
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Cash and cash equivalents	7.3%
Other net assets	-4.9%
	<b>100.0%</b>
<hr/>	
<b>Top Positions</b>	
<b>Company</b>	<b>% of net assets</b>
Athabasca Oil Sands Corp.	34.0%
Laricina Energy Ltd.	17.4%
Exshaw Oil Corp.	17.1%
OSUM Oil Sands Corp.	16.6%
Seaview Energy Inc.	12.5%
	<b>97.6%</b>
<hr/>	
<b>Total Net Asset Value</b>	<b>\$ 5,292,458</b>

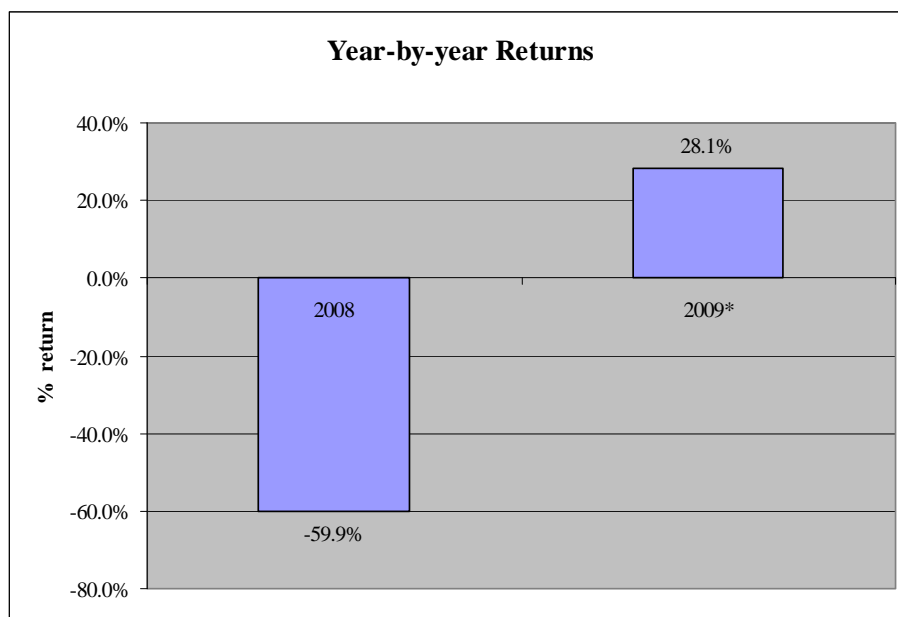
The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1-866-864-6330, by writing to us at Creststreet 2007 Limited Partnership, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting our website at [www.creststreet.com](http://www.creststreet.com).

## Past Performance

The 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, and the total return for the six months ended June 30, 2009. In percentage terms, the bar chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



\* Total return for the six month period ended June 30, 2009

The return for 2009 includes the results of the investments transferred to CEOF.

## Investment Objectives and Strategies

The original investment objective of the Partnership was 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 originally invested in flow-through securities that represented 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.

Since the transfer of the majority of public securities and a portion of the private securities to Creststreet Energy Opportunities Fund on May 27, 2009, the Partnership is managing the portfolio to achieve liquidity in the remaining investments and will reinvest the proceeds in a manner substantially similar to the above objectives except that no additional private securities will be purchased.

## Recent Developments

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

As at June 30, 2009 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 Partnership's financial statements will result in additional disclosures and potentially different presentation of shareholder interests and certain other items.

## 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 \$148,293 and \$501,093 for the six months periods ended June 30, 2008 and 2007 respectively.

## Risk

Economic conditions in 2008 and the beginning of 2009 have had a negative impact on the overall risk level of investments in the Partnership and the performance of the Partnership. The Partnership began to reduce the net market exposure of the Partnership in the fall of 2008. This allowed the Partnership to maintain liquidity and, during 2009, to profit from market volatility. The Partnership's investment philosophy, style and method remain unchanged except that no further private securities will be purchased.

## Statements of Net Assets

	As at June 30, 2009 (unaudited)	As at December 31, 2008
<b>Assets</b>		
Investments at market value	\$ 5,167,000	\$ 8,207,058
Cash and cash equivalents	384,020	11,285,840
Due from broker	-	560,704
Interest receivable	1,500	13,436
Dividend receivable	-	10,805
	<u>5,552,520</u>	<u>20,077,843</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	260,062	88,825
Loan payable	-	4,706,072
	<u>260,062</u>	<u>4,794,897</u>
<b>Net assets - GAAP NAV (note 2)</b>	<b>\$ 5,292,458</b>	<b>\$ 15,282,946</b>
Adjustment from bid market prices to last traded market prices	28,800	130,122
<b>Net assets - Pricing NAV (note 2)</b>	<b>\$ 5,321,258</b>	<b>\$ 15,413,068</b>
Units outstanding	5,857,061	5,857,061
<b>Net assets per unit - GAAP NAV (note 2)</b>	<b>\$ 0.90</b>	<b>\$ 2.61</b>
Adjustment from bid market prices to last traded market prices	0.01	0.02
<b>Net assets per unit - Pricing NAV (note 2)</b>	<b>\$ 0.91</b>	<b>\$ 2.63</b>

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

<b>For the six months ended June 30 (unaudited)</b>	<b>2009</b>		<b>2008</b>	
<b>Investment Income</b>				
Interest revenue	\$	29,163	\$	38,323
Dividend revenue		12,500		20,056
	\$	41,663	\$	58,379
<b>Expenses</b>				
Partnership advisor fee (note 3)		148,293		501,093
Interest expense		4,210		119,470
Operating expenses		90,870		32,783
Unitholder reporting costs		26,878		17,415
Legal and Filing fees		183,450		23,740
Director's fees		18,261		23,176
Audit fees		9,698		10,290
	\$	481,660	\$	727,967
<b>Loss from investment operations</b>		<b>(439,997)</b>		<b>(669,588)</b>
Net realized (loss) gain on sale of investments		(7,641,696)		384,638
Change in unrealized appreciation of investments		9,809,355		21,267,755
Transaction costs (note 2)		(44,427)		(560,365)
<b>Net realized and unrealized gain on investments</b>		<b>2,123,232</b>		<b>21,092,028</b>
<b>Increase in net assets from operations</b>	\$	<b>1,683,235</b>	\$	<b>20,422,440</b>
<b>Per unit</b>				
<i>(based on average number of units outstanding)</i>				
<b>Increase in net assets from operations per unit</b>	\$	<b>0.29</b>	\$	<b>3.49</b>

See accompanying notes to financial statements

## Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)	2009		2008	
<b>Net assets at the beginning of period</b>	\$	15,282,946	\$	37,922,198
<b>Operations:</b>				
Increase in net assets from operations		1,683,235		20,422,440
<b>Capital transactions:</b>				
Return of capital		(11,673,723)		-
<b>Net assets at the end of period - GAAP NAV (note 2)</b>	\$	5,292,458	\$	58,344,638
Adjustment from bid market prices to last traded market prices		28,800		270,879
<b>Net assets per unit - Pricing NAV (note 2)</b>		5,321,258		58,615,517

See accompanying notes to financial statements

## Statements of Cash Flows

For the six months ended June 30 (unaudited)	2009		2008	
<b>Cash flows from (used in) operating activities</b>				
Loss from investment operations		(439,997)		(669,588)
Investments purchased		(9,345,951)		(80,226,253)
Proceeds on dispositions of investments		14,509,240		79,483,117
Net change in non-cash working capital		(3,951,389)		460,951
Cash flows used in operating activities	\$	771,903	\$	(951,773)
<b>Cash flows from (used in) financing activities</b>				
Return of capital		(11,673,723)		-
Cash flows from financing activities	\$	(11,673,723)	\$	-
Net decrease in cash and cash equivalents		(10,901,820)		(951,773)
Cash and cash equivalents, beginning of period		11,285,840		2,347,897
<b>Cash and cash equivalents, end of period</b>	\$	384,020	\$	1,396,124

See accompanying notes to financial statements

## Statement of Investment Portfolio

As at June 30, 2009

Description	Number of Securities	Type of Security	Cost	Fair Value
Athabasca Oil Sands Corp.	257,300	Common shares	\$ 2,087,873	\$ 1,801,100
Laricina Energy Ltd.	83,500	Common shares	2,383,267	918,500
Exshaw Oil Corp.	275,000	Common shares	1,193,760	907,500
OSUM Oil Sands Corp.	195,000	Common shares	2,018,250	877,500
Seaview Energy Inc.	180,000	Common shares	1,800,000	662,400
Transaction costs			-	
<b>Total investments</b>			<b>\$ 9,483,150</b>	<b>\$ 5,167,000</b>

See accompanying notes to financial statements

## Notes to Financial Statements

For the six months ended June 30, 2009 and 2008 (unaudited)

### 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:

#### Adoption of New accounting standards

On January 1, 2008, the Partnership adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation." The new standards replaced CICA Handbook Section 3861, "Financial Instruments – Disclosures and Presentation." These new sections require enhanced disclosure and presentation of the nature and the extent of the risks arising from financial instruments. These standards impacted the Partnership's disclosures provided but do not affect the Partnership's net assets. Refer to Note 5 for the disclosure relating to this requirement.

Effective January 1, 2009, the Partnership adopted CICA issued Emerging Issues Committee Abstract 173 "Credit Risk and the Fair Value of the Financial Assets and Financial Liabilities" ("EIC-173"). EIC-173 provides guidance on the determination of the fair value of financial assets and liabilities under Section 3855, "Financial Instruments – Recognition and Measurement". It states that the entity's own credit risk and the credit risk of the counterparty should be considered in determining the value of financial instruments. The Partnership adopted EIC-173 retrospectively without restatement of prior periods to all financial assets and liabilities. The adoption of the EIC-173 did not have an impact on the financial statements.

#### 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. Partnership Advisor Fees**

The Partnership Advisor is entitled to receive a partnership advisor fee equal to 2.0 percent 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 \$148,293 for the six month period ended June 30, 2009 (2008 - \$501,093). The General Partner has a 0.01 percent beneficial interest in the Partnership.

### **4. Liquidity of Partnership units and termination of Partnership**

The Partnership was originally scheduled to transfer all of its assets to Creststreet Resource Fund, a class of shares of Creststreet Mutual Funds Limited, (the "Resource Fund"), in exchange for shares of the Resource 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. Unitholders of the Partnership would have become entitled to redeem their shares of the Resource Fund on May 29, 2009 if the transfer had occurred as originally planned.

The Partnership was unable to transfer its assets to the Resource Fund since the total private securities held after the transfer would have been in excess of 10% of the net assets of the Resource Fund which is not allowed under applicable securities legislation. The Partnership proposed an alternative liquidity transaction to its unitholders where the Partnership would transfer substantially all of the public securities component of its portfolio, along with cash and certain private securities, to Creststreet Energy Opportunities Fund ("CEO") in exchange for shares of CEO of equal value. Upon completion of the transfer, the Partnership would distribute the CEO shares received to unitholders of the Partnership as a return of capital. This transaction was approved by the Board of Directors and the Independent Review Committee and then was proposed and approved by the unitholders at a special meeting on May 14, 2009. The transfer of 70% of the value of a unitholder's units of the Partnership was completed on May 27, 2009 and unitholders of the Partnership received 0.20786714666 Series 2009 shares for each Partnership unit held. At the time of the transfer the Net Asset Value of the Partnership was \$2.8588 and the Net Asset Value of the Series 2009 shares was \$9.5883. Unitholders continue to hold the same number of Partnership units, the value of which is reduced by the value of the distribution paid.

The Partnership will endeavour to sell the remaining private securities and will reinvest the net proceeds therefrom on a basis substantially similar to CEO's investment objectives, except that no additional private securities will be purchased. The Partnership will then complete a second transfer of all of its assets to CEO on a tax-deferred basis in exchange for shares of CEO of equal value as soon as it has achieved sufficient liquidity on its private investments to allow the transfer to proceed and, in any event, no later than May 29, 2011. Upon completion of the second transfer, the Partnership will be dissolved and the CEO shares received will be distributed to unitholders of the Partnership on a tax-deferred basis.

## 5. 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 June 30, 2009, the Partnership did not hold any securities denominated in foreign currency so there was no currency risk exposure to the Partnership.

### **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 June 30, 2009, 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 Partnership's NAV at June 30, 2009.

### **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 June 30, 2009 and 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 Partnership may have been \$121,882 (December 31, 2008: \$162,207) higher or lower (\$0.02 per unit or 2.30 percent, December 31, 2008: \$0.03 per unit or 1.1 percent), respectively. This estimation is based on statistical tools that measure the relationships between each security in the Partnership's portfolio and how their returns relate to the return of the overall

### **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.

## 6. 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, 2007 (date of inception) to June 30, 2009. The table is arranged in alphabetical order by investment.

	Prior value	New fair value	Valuation basis
<b><u>Athabasca Oil Sands Corp.</u></b>			
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.
January 2009	\$ 1,232,500	\$ 1,479,000	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
March 2009	\$ 1,479,000	\$ 1,762,475	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
April 2009	\$ 1,762,475	\$ 2,575,925	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
May 2009	\$ 2,575,925	\$ 2,711,500	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
May 2009	\$ 1,286,500	\$ 1,479,475	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
June 2009	\$ 1,479,475	\$ 1,801,100	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
<b><u>Laricina Energy Ltd.</u></b>			
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
<b><u>OSUM Oil Sands Corp.</u></b>			
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

## **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 072470 and QAF-06-01168 respectively.

## **8. Changeover to International Financial Reporting Standards ("IFRS")**

As at June 30, 2009 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 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 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 Partnership's financial statements will result in additional disclosures and potentially different presentation of shareholder interests and certain other items.

## 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

### Legal

McCarthy Tétrault LLP  
Toronto, Ontario

### Auditors

KPMG LLP  
Toronto, Ontario

### Registered Office

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\* Member of the audit committee

\*\* Chair of the audit committee