



## Creststreet 2008 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 2008 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 2008 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 FUND'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

### Results of Operations

#### > Investment Performance

In February 2008, the Creststreet 2008 Limited Partnership completed its public offering of units, raising \$6.2 million for investment in flow-through shares of Canadian energy companies. The proceeds from this offering were invested by December 31, 2008, generating tax deductions applicable to the 2008 taxation year for limited partners. The Creststreet 2008 Limited Partnership was invested with the aim of benefiting from the recovery in valuations that is anticipated in equities of junior oil and natural gas issuers as the market bottoms and fundamentals begin to improve. This Partnership is scheduled to roll into the Creststreet Resource Fund in January 2010.

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.

### > Revenues and Expenses

As the Partnership commenced operations on February 28, 2008, there are no comparative results of operations. Interest income for 2008 amounted to \$131,251 and was earned by funds on deposit while awaiting investment in flow-through securities. The Partnership was fully invested in December 2008, and going forward, the General Partner expects interest income to be lower.

The Partnership incurred expenses totalling \$187,466 during the period. The Partnership's largest single expense item is partnership advisor fees of \$94,882, which are calculated at 2.0 percent per annum of the Partnership's NAV, calculated monthly and paid in arrears. 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 28, 2008 for \$389,324. Subsequent drawdowns occurred on March 27, 2008 and November 7, 2008 for \$226,006 and \$298,255 respectively. The balance of the loan was \$913,585 as at December 31, 2008, and represented approximately 23 percent of the Partnership's net assets as at that date. The loan facility matures on the earlier of February 28, 2010 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 December 31, 2008, nor at any time during the period. Interest expense for the period was \$27,987. Other expenses were incurred in the normal operation of the Partnership.

## 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 from its inception on February 28 to December 31, 2008. This information is derived from the Partnership's unaudited semi-annual financial statements.

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

	<b>2008</b>
Net asset value, beginning of period	\$ -
<b>Increase (decrease) from operations:</b>	
Total revenue	0.22
Total expenses	(0.31)
Realized gain on investments	0.67
Unrealized gain on investments	(2.73)
Transaction costs	-
<b>Total decrease from operations<sup>(1)</sup></b>	<b>(2.15)</b>
<b>Net asset value, end of period (GAAP NAV)<sup>(2)</sup></b>	<b>\$ 6.42</b>

(1) Net asset value is based on the actual number of units outstanding at the relevant time. The increase 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>2008</b>
Net assets (000's) <sup>(1)</sup>	\$ 3,984
Number of shares outstanding <sup>(1)</sup>	620,705
Management expense ratio (MER) <sup>(2)</sup>	4.22%
Portfolio turnover rate <sup>(3)</sup>	81.52%
Trading expense ratio <sup>(4)</sup>	0.00%
Closing Pricing NAV per share	\$ 6.48

(1) This information is provided as at December 31, 2008.

(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 percent 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

<b>As at December 31, 2008</b>	
<b>Description</b>	<b>% of total net assets</b>
Oil	54.9%
Natural gas	48.6%
	103.5%
Cash and cash equivalents	20.7%
Other net assets	-24.2%
	<b>100.00%</b>

<b>Investment</b>	<b>% of net assets</b>
TriStar Oil & Gas Limited	34.0%
ProEx Energy Limited	14.5%
Tourmaline Oil Corporation	12.3%
Petrobank Energy and Resources Limited	12.1%
Huron Energy Corporation	9.5%
Wild River Resources Limited	6.1%
Angle Energy Inc.	4.5%
Exshaw Oil Corporation	3.3%
Crocotta Energy Inc.	2.5%
Twin Butte Energy Limited	2.3%
Open Range Energy Corporation	1.4%
Sure Energy Inc.	0.9%
	<b>103.5%</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 2008 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 Fund has not presented its historical performance because it commenced operations on February 28, 2008, and has not been in operation for a full financial period.

## 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 percent of funds in flow-through securities of resource issuers that are listed on the TSX or on the TSX Venture Exchange.

> **Market Capitalization** – 50 percent 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 percent 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 percent of the Partnership's net asset value at the time of purchase, however, the Partnership may invest up to 20 percent 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 percent 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 percent 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* (“Section 3862”) and Section 3863, *Financial Instruments – Presentation* (“Section 3863”). The new sections impact interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The introduction of Section 3863 will have no impact on the reporting of the Fund since the Fund is already in compliance with this section due to its adherence to reporting required by the Canadian Securities Administrators. Section 3862, however, will require significantly more disclosure with respect to the risks associated with the financial instruments held by the Fund. This section requires that the Fund provide specific qualitative and quantitative disclosures about the various types of risk the Fund is exposed to and also requires sensitivity analysis for some types of risk. The purpose of Section 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.

### **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 percent 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 percent 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 \$94,882 for the period from February 28 to December 31, 2008.

### **Risk**

The currently depressed energy price environment has had a negative impact on the overall performance of the Partnership. The General Partner believes that energy prices will recover once global economic growth reasserts itself. The investment philosophy, style, and method for the Partnership remain unchanged. The Partnership invests primarily in the equity securities of Canadian resource issuers and investors are exposed to the risks and rewards of the Canadian resource sector. The Partnership focuses on small and middle market capitalization companies as these companies have historically generated higher per share returns, however, these companies can be more volatile than some of the larger capitalization oil and gas companies. A more detailed discussion of the Partnership’s risk exposures can be found in the Partnership’s prospectus and in the notes of the 2008 semi-annual financial statements.

## 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 2008 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 2008 General Partner Limited



**Donna Shea**  
Vice-President, Finance  
Chief Financial Officer  
Creststreet 2008 General Partner Limited

February 27, 2009

## Auditor's Report to the Partners

We have audited the statements of net assets and investment portfolio of Creststreet 2008 Limited Partnership as at December 31, 2008, and the statement of operations, changes in net assets and cash flows for the period from February 28 (date of inception) to December 31, 2008. 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 audit 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 and its investments held as at December 31, 2008, and the results of its operations, changes in net assets and cash flows for the period from February 28 (date of inception) to December 31, 2008 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 ends under the 'P', extending across the width of the signature.

**Chartered Accountants, Licensed Public Accountants**

Toronto, Canada  
February 27, 2009

## Statement of Net Assets

As at December 31	2008
<b>Assets</b>	
Investments at market value	4,123,293
Cash and cash equivalents	\$ 823,603
Interest receivable	7,971
	<u>4,954,867</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	57,003
Loan liability	913,585
	<u>970,588</u>
<b>Net assets - GAAP NAV (note 2)</b>	<b>\$ 3,984,279</b>
Adjustment from bid market prices to last traded market prices	40,215
<b>Net assets - Pricing NAV (note 2)</b>	<b>\$ 4,024,494</b>
Units outstanding	620,705
<b>Net assets per unit - GAAP NAV (note 2)</b>	<b>\$ 6.42</b>
Adjustment from bid market prices to last traded market prices	0.06
<b>Net assets per units - Pricing NAV (note 2)</b>	<b>\$ 6.48</b>

See accompanying notes to financial statements

Approved by Creststreet 2008 General Partner Limited on behalf of  
Creststreet 2008 Limited Partnership



**Robert J. Toole**  
Director



**Stuart P. Hensman**  
Director

## Statement of Operations

For the period from the date of inception on February 28 to December 31

2008

### Investment Income

Interest revenue	\$	131,251
	\$	131,251

### Expenses

Partnership advisor fees (note 4)		94,882
Securityholder reporting costs		30,547
Interest expense		27,987
Operating expenses		16,479
Audit fees		15,000
Director's fees		2,431
Legal and filing fees		140
	\$	187,466

**Loss from investment operations** (56,215)

Net realized gain on sale of investments		407,500
Change in unrealized depreciation of investments		(1,660,441)
Transaction costs (note 2)		(30)

**Net realized and unrealized loss on investments** (1,252,971)

**Decrease in net assets from operations** \$ (1,309,186)

### Per unit

(based on average number of units outstanding)

**Decrease in net assets from operations per unit** \$ (2.15)

See accompanying notes to financial statements

## Statement of Changes in Net Assets

**For the period from the date of inception on February 28 to December 31** **2008**

<b>Net assets at the beginning of the period</b>	\$	-
<b>Operations</b>		
Decrease in net assets from operations		(1,309,186)
<b>Capital transactions</b>		
Proceeds from the issue of units		6,207,050
Agents' fee and issue costs		(913,585)
<b>Net assets at the end of the period - GAAP NAV (note 2)</b>	<b>\$</b>	<b>3,984,279</b>
Adjustment from bid market prices to last traded market prices		40,215
<b>Net asset value per share - Pricing NAV (note 2)</b>		<b>4,024,494</b>

See accompanying notes to financial statements

## Statement of Cash Flows

**For the period from the date of inception on February 28 to December 31** **2008**

<b>Cash flows from (used in) operating activities</b>		
Loss from investment operations		(56,215)
Investments purchased		(6,206,264)
Proceeds on dispositions of investments		830,000
Net change in non-cash working capital		49,032
<b>Cash flows used in operating activities</b>		<b>(5,383,447)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issue of units		6,207,050
Proceeds from loan		913,585
Payment of agents' fee and issue costs		(913,585)
<b>Cash flows from financing activities</b>		<b>6,207,050</b>
Net increase in cash and cash equivalents		823,603
Cash and cash equivalents, beginning of period		-
<b>Cash and cash equivalents, end of period</b>		<b>823,603</b>

See accompanying notes to financial statements

## Statement of Investment Portfolio

As at December 31, 2008

Issuer	Number of securities	Type of Security	Cost	Market Value
TriStar Oil & Gas Limited	120,000	Common shares	\$ 1,764,000	\$ 1,356,000
ProEx Energy Limited	52,500	Common shares	853,125	578,025
Tourmaline Oil Corporation	49,000	Common shares	490,000	490,000
Petrobank Energy and Resources Limited	24,000	Common shares	792,000	482,400
Huron Energy Corporation	95,000	Common shares	380,000	380,000
Wild River Resources Limited	50,000	Common shares	242,500	242,500
Angle Energy Inc.	50,000	Common shares	265,000	180,000
Exshaw Oil Corporation	40,000	Common shares	132,000	132,000
Crocotta Energy Inc.	100,000	Common shares	225,000	100,000
Twin Butte Energy Limited	140,800	Common shares	190,080	91,520
Open Range Energy Corporation	50,000	Common shares	250,010	56,000
Sure Energy Inc.	151,515	Common shares	200,010	34,848
Transaction costs (note 2)			(20)	
<b>Total investments</b>			<b>\$ 5,783,705</b>	<b>\$ 4,123,293</b>

See accompanying notes to financial statements

## Notes to Financial Statements

For the period from February 28 (date of inception) to December 31, 2008

### 1. Establishment of the Partnership

Creststreet 2008 Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on December 19, 2007 and commenced operations on February 28, 2008. 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 15, 2008, limited partners subscribed for 620,705 units of limited partnership interest. The general partner of the Partnership is Creststreet 2008 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, 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 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 that are not listed or traded on a public securities exchange or actively traded on an over-the-counter market will be valued by the Manager at the fair value thereof determined in such manner as the Manager may from time to time determine and pursuant to the Manager's established pricing policies. Acquisition cost may be used as a fair value proxy, particularly if the acquisition date of the investment was within the current fiscal year. However, the Manager's policy is to, where possible, use evidence of arm's length third party transactions in determining fair value of unlisted securities. Any change in value is recorded in "Net change in unrealized appreciation/depreciation of investments" on the statements of operations.

Canadian GAAP 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.

#### 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.

#### f. Allocation of partnership income or loss

The net income of the Partnership is allocated 0.01 percent to the General Partner and the balance, along with the 100 percent 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 \$913,585 matures on the earlier of February 28, 2010 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. The loan is subject to certain financial covenants. The Partnership was not in violation of any covenants at December 31, 2008, nor at any time during the period.

### **4. 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 \$94,882 for the period from February 28 to December 31, 2008. The General Partner has a 0.01 percent beneficial interest in the Partnership.

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

On or about January 22, 2010, 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 percent to the limited partners and 0.01 percent to the General Partner. Upon dissolution, the limited partners will receive their pro-rata share of the shares of the Mutual Fund.

### **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 one 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 \$217,594 higher or lower (\$0.35 per share or 5.5 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. 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 074112 and QAF-08-01256, respectively.

## **8. 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 2008 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