



# Creststreet Energy Opportunities Fund

## 2010 > Annual Report

### Management Report of Fund Performance

For the year ended December 31, 2010

THIS ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE ANNUAL REPORT OF CRESTSTREET ENERGY OPPORTUNITIES FUND (THE "FUND").

SHAREHOLDERS MAY OBTAIN A COPY OF THE INTERIM OR ANNUAL FINANCIAL STATEMENTS AT NO COST BY CALLING 1-866-864-6330, BY WRITING TO CRESTSTREET ENERGY OPPORTUNITIES FUND, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT [WWW.CRESTSTREET.COM](http://WWW.CRESTSTREET.COM).

### Results of Operations

#### Investment Performance

The Creststreet Energy Opportunities Fund had a positive year in 2010 posting a return of 51.6% compared to the S&P/TSX Energy Index, which increased by 8.7% over the same period. This compares to a return of +81.1% for the Fund during 2009 (+42.8% for the S&P/TSX Energy Index).

After a strong rally during the first quarter of 2010, global equity markets sold off aggressively during the second quarter as investors became increasingly concerned about the global economy and the risks of a double-dip recession. These risks were magnified by concerns over rising property prices in China and sovereign debt issues in Europe. Investor sentiment started to shift in the third quarter as the market began to expect a second round of quantitative easing by the U.S. Federal Reserve, which was subsequently announced in the fourth quarter. This shift in sentiment along with an improving global economy led to an impressive rally for global equity markets into the end of the year.

Volatility in energy commodities continued during the year as West Texas Intermediate ("WTI") light sweet crude oil on the New York Mercantile Exchange ("NYMEX") traded in a range between US\$70 and US\$90 per barrel, closing the year near multi-year highs at \$91.38 per barrel. In comparison, NYMEX natural gas prices declined by 20.1% during the year, closing at US\$4.42 per mmbtu.

After a strong rally from multi-year lows in 2009, the price of crude oil remained strong in 2010 closing the year near its highs despite some volatility throughout the year. The cyclical recovery in the global oil market continued throughout the year as the drawdown of excess oil inventories created during the global economic recession of 2008 accelerated. With an improving North American economy and continued robust growth out of emerging markets, we expect that this drawdown in global inventories will continue in 2011 and will ultimately lead to a drawdown in OPEC spare capacity later in the year as oil prices approach the US\$100 level. We believe that this will set the stage for a new structural bull market in crude oil as we look out over the next two to five years.

In contrast, the North American natural gas market remains oversupplied as production volumes remain robust and storage levels hover near record levels. Given the persistently high horizontal rig counts and the increased number of frac stages per horizontal well, we struggle to see how natural gas storage levels are going to rebalance in the near to midterm and we will remain bearish on gas prices until we see capital expenditure cuts and a corresponding decline in the rig count. We have recently seen increased hedging activity for the 2012 calendar year near the US\$5.00 level and expect that this will cap natural gas prices as we progress through 2011.

Beginning in the first quarter of the year the Fund began to selectively reduce some of its exposure to its smaller capitalization and less liquid positions and built a cash position of 40% of NAV while maintaining exposure to a number of high-growth North American and international junior and intermediate oil-weighted producers. This provided some downside protection to the Fund as the markets sold off during the second quarter. The Fund took advantage of its cash position in the third quarter and early in the fourth quarter by adding long positions and covering some short positions. This resulted in a net long position of over 90% of NAV during the fourth quarter allowing the Fund to benefit from the rally in junior and intermediate oil stocks.

Given our outlook on oil and gas prices over the next year, the Fund continues to focus on oil producers and liquids-rich natural gas producers over companies focusing primarily on dry gas. Over the past 18 months, we have witnessed a reinvigoration of the Western Canadian Sedimentary Basin (“WCSB”) as the producers have begun to apply new drilling and completion technologies to old oil pools with great success. The Fund’s investible universe now includes a number of junior and intermediate oil-weighted companies with long-dated reserves that can be developed on a repeatable basis through low risk drilling. The Fund remains invested in a number of these companies and these investments contributed positively to the Fund’s performance in 2010. We believe that this trend is only beginning and continue to see a number of opportunities in the sector.

We also remain bullish on the oil sands given our outlook for oil prices and given some recent technological developments in the sector. The Fund holds a number of investments with exposure to this theme including producers, developers, and energy service companies that will benefit from increased oil sands spending.

Finally, we continue to see some opportunities in a select group of gas companies that either have liquids-rich production or are have access to oil pools and are shifting their focus to oil development. We believe that valuation multiples for these companies will move higher as the production mix shifts towards oil and liquids. Nevertheless, we continue to remain cautious with respect to investing in dry natural gas producers in the near-term as we believe the market will remain oversupplied through 2011. As such, the Fund holds short positions in those natural gas producers with high cost structures and too much financial leverage, as we believe that these companies will struggle as going concerns the longer gas prices remain soft.

### Revenues and Expenses

The Fund earned dividend revenue of \$2,004,865 in 2010 compared to \$27,013 in 2009. This significantly large dividend is related to one issuer, namely Athabasca Oil Sands Corp. which paid a special dividend of \$4.25 per share prior to completing its initial public offering. Other income is related to a refund of income taxes paid in prior years.

The Fund incurred management fees of \$478,632 in 2010 compared to \$241,162 in 2009 due to the higher net assets of the Fund. The increase in service fees from \$100,828 in 2009 to \$211,541 was also directly related to the increase in net assets of the Fund. The Manager is also entitled to receive a performance fee equal to 20 percent of the increase in the net asset value over the high-water mark of each series of units in each month. The performance fee is calculated and accrued monthly and paid quarterly in arrears. The Fund earned \$81,217 in performance fee for the year ended December 31, 2010.

Higher security lending fees of \$95,505 in 2010 compared to \$29,621 in 2009 as well as higher dividends paid on securities sold short of \$88,388 in 2010 compared to \$24,568 in 2009 are a result of the Fund holding more short positions in the portfolio. Other expenses related to the normal operations of the Fund have remained constant at \$389,527 in 2010 compared to \$381,601 in 2009.

### Investment Objectives and Strategies

The investment objective of the Fund is to provide 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. The Fund’s portfolio consists primarily of securities of issuers engaged in the global energy sector.

The Manager intends to take long and short positions in stocks, bonds and commodities directly or indirectly to provide the best appreciation potential. The allocation of long and short positions will vary depending on the opportunities the Manager believes have the best reward per share of risk. The Manager anticipates that its investment strategy will generate both capital gains and income.

### Risk

The investment philosophy, style and method for the Fund remain unchanged in the long-term. The Fund’s objective is to provide 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. The Fund is therefore subject to the risks associated to the Fund’s investment strategies. A more detailed discussion of the Fund’s risk exposures can be found in the Fund’s Offering Memorandum and in the notes of the 2010 interim financial statements.

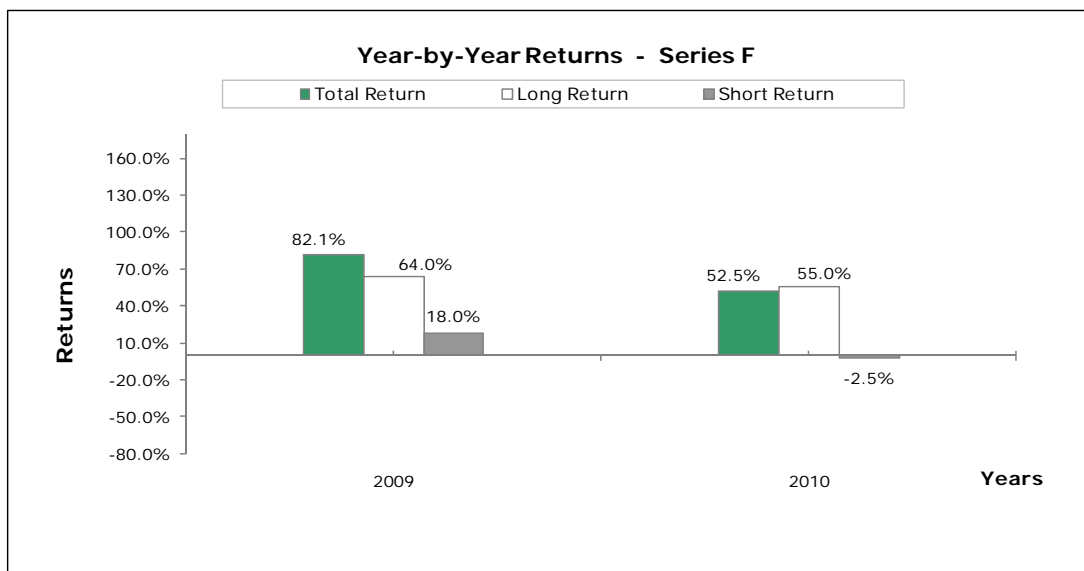
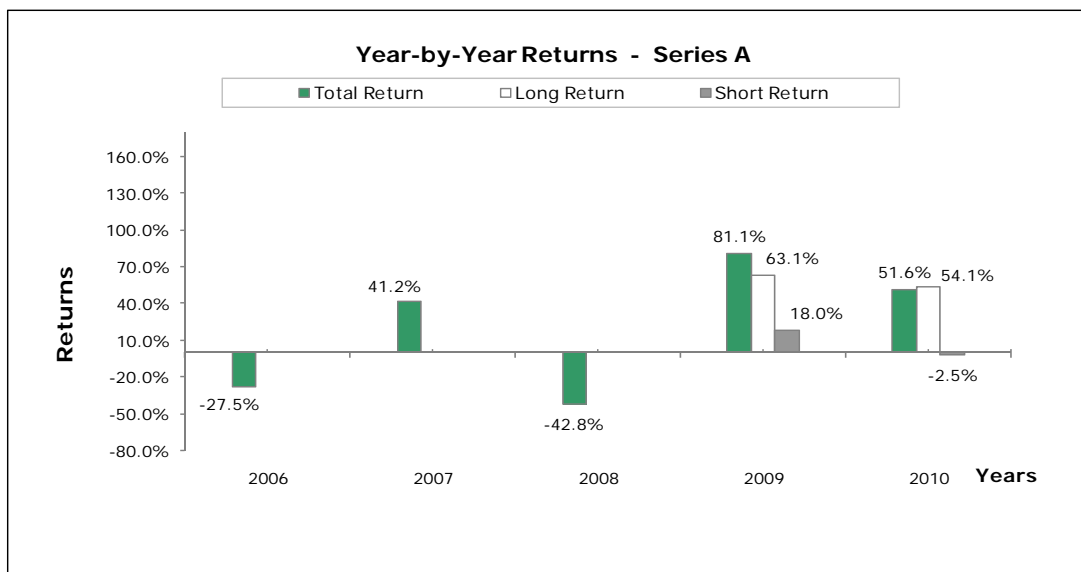
## Past Performance

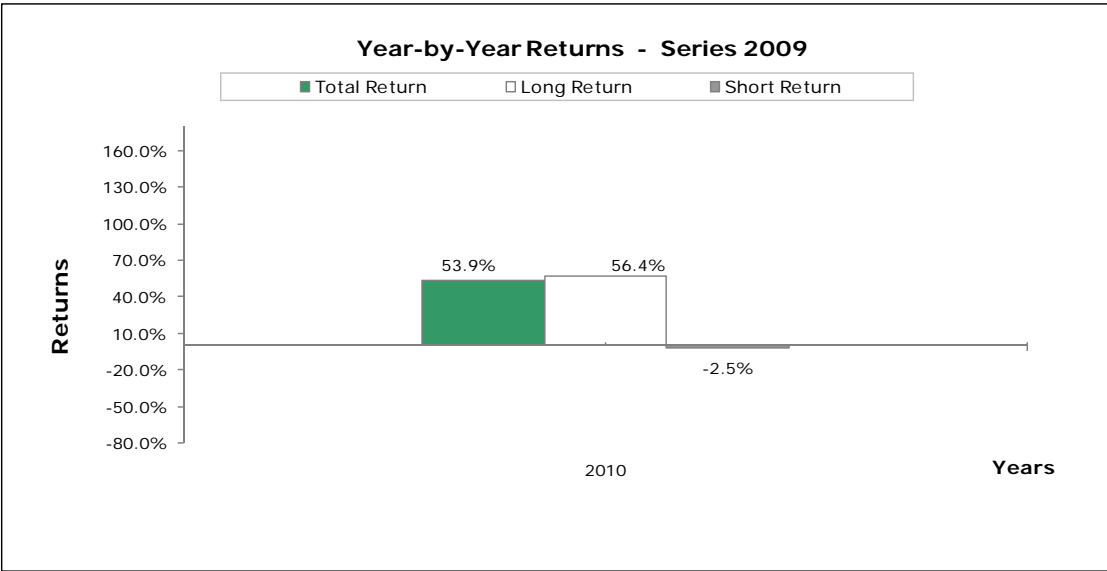
The past performance of the Fund is presented below showing the Year-by-Year returns charts. It should be noted that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance information shown also assumes that distributions made by the Fund were reinvested in additional securities of the Fund. Performance of the Fund set out below was calculated net of all fees and expenses. Lastly, the Fund's past performance is not necessarily indicative of its future performance.

There are four Series of this Fund as of December 31, 2010. Historical performance for one series, namely Series 2010 is not presented in this report as the Series has not been in operation for a full financial fiscal year. Please refer to the "Other Material Information" section for certain limitation on these data.

## Year-by-Year Returns

The following bar charts show the annual returns for the years ended December 31, 2006 and 2010 of the Fund. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of the financial year. Please refer to the "Other Material Information" section for certain limitation on these data.





**Note:**

The performance shown for short positions is based on the pure performance of the short positions, while the performance shown for long positions and the overall total performance of each Series is comprehensive of all fees and expenses.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years ended December 31, 2009 and 2010

Please refer to the "Other Material Information" section for certain limitation on these data.

<b>SERIES A</b>		<b>2010</b>		<b>2009</b>
<b>Net assets, beginning of year<sup>(1)</sup></b>	<b>\$</b>	<b>15.21</b>	<b>\$</b>	<b>8.46</b>
<b>Increase (decrease) from operations:</b>				
Total revenue		2.00		0.04
Total expenses		(1.40)		(0.78)
Realized gains (losses) on investments		7.89		0.11
Unrealized gains (losses) on investments		-		7.32
Transaction costs		(0.74)		(0.33)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$</b>	<b>7.75</b>	<b>\$</b>	<b>6.36</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>\$</b>	<b>23.04</b>	<b>\$</b>	<b>15.21</b>
<b>SERIES F</b>				
		<b>2010</b>		<b>2009</b>
<b>Net assets, beginning of year<sup>(1)</sup></b>	<b>\$</b>	<b>15.34</b>	<b>\$</b>	<b>8.48</b>
<b>Increase (decrease) from operations:</b>				
Total revenue		1.90		0.04
Total expenses		(1.31)		(0.67)
Realized gains (losses) on investments		7.94		(0.53)
Unrealized gains (losses) on investments		0.20		7.64
Transaction costs		(0.76)		(0.34)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$</b>	<b>7.97</b>	<b>\$</b>	<b>6.14</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>\$</b>	<b>23.37</b>	<b>\$</b>	<b>15.34</b>
<b>SERIES 2009</b>				
		<b>2010</b>		<b>2009</b>
<b>Net assets, beginning of year<sup>(1)</sup></b>	<b>\$</b>	<b>15.15</b>	<b>\$</b>	<b>9.59</b>
<b>Increase (decrease) from operations:</b>				
Total revenue		2.22		0.03
Total expenses		(1.03)		(0.73)
Realized gains (losses) on investments		8.11		2.12
Unrealized gains (losses) on investments		(0.86)		4.26
Transaction costs		(0.75)		(0.19)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$</b>	<b>7.69</b>	<b>\$</b>	<b>5.49</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>\$</b>	<b>23.29</b>	<b>\$</b>	<b>15.15</b>

<b>SERIES 2010</b>	<b>2010</b>		<b>2009</b>	
<b>Net assets, beginning of year<sup>(1)</sup></b>	<b>\$</b>	<b>17.20</b>	<b>\$</b>	<b>-</b>
<b>Increase (decrease) from operations:</b>				
Total revenue		0.03		-
Total expenses		(0.68)		-
Realized gains (losses) on investments		2.49		-
Unrealized gains (losses) on investments		4.50		-
Transaction costs		(0.81)		-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$</b>	<b>5.53</b>	<b>\$</b>	<b>-</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>\$</b>	<b>23.29</b>	<b>\$</b>	<b>-</b>

(1) This information is derived from the Fund's annual financial statements. Series A and Series F first issued at \$18.3579 on Sept 24, 2008 pursuant to purchase agreement as described on the "Other Material Information" Section. Series 2009 were issued at \$9.5883 on May 27, 2009 pursuant to the Creststreet 2007 Limited Partnership Rollover and Series 2010 on May 31, 2010 at \$17.2024. Please refer to "Other Material Information" section for more details.

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

(3) These calculations are prescribed by securities regulators and are not intended to be reconciliation between the opening and closing net assets per share.

## Ratios and Supplemental Data

<b>SERIES A</b>	<b>2010</b>	<b>2009</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	3,761	2,738
Number of shares outstanding <sup>(1)</sup>	163,231	179,989
Management expense ratio(MER) <sup>(2)</sup>		
Expenses	5.96%	7.16%
Performance fee	1.87%	-
Total MER	7.83%	7.16%
Trading expense ratio <sup>(3)</sup>	4.11%	342.83%
Portfolio turnover rate <sup>(4)</sup>	761.14%	2.01%
Net asset value per share (Pricing NAV) (\$)	23.23	15.32

<b>SERIES F</b>	<b>2010</b>	<b>2009</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	1,318	1,325
Number of shares outstanding <sup>(1)</sup>	56,413	86,413
Management expense ratio(MER) <sup>(2)</sup>		
Expenses	4.80%	6.12%
Performance fee	2.27%	-
Total MER	7.07%	6.12%
Trading expense ratio <sup>(3)</sup>	4.11%	342.83%
Portfolio turnover rate <sup>(4)</sup>	761.14%	2.01%
Net asset value per share (Pricing NAV) (\$)	23.56	15.45

<b>SERIES 2009</b>	<b>2010</b>	<b>2009</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	14,009	13,866
Number of shares outstanding <sup>(1)</sup>	601,376	915,553
Management expense ratio(MER) <sup>(2)</sup>		
Expenses	5.67%	6.07%
Performance fee	-	-
Total MER	5.67%	5.67%
Trading expense ratio <sup>(3)</sup>	4.11%	342.83%
Portfolio turnover rate <sup>(4)</sup>	761.14%	2.01%
Net asset value per share (Pricing NAV) (\$)	23.48	15.25

<b>SERIES 2010</b>	<b>2010</b>	<b>2009</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	7,677	-
Number of shares outstanding <sup>(1)</sup>	329,601	-
Management expense ratio(MER) <sup>(2)</sup>		
Expenses	6.82%	-
Performance fee	-	-
Total MER	6.82%	-
Trading expense ratio <sup>(3)</sup>	4.11%	-
Portfolio turnover rate <sup>(4)</sup>	761.14%	-
Net asset value per share (Pricing NAV) (\$)	23.48	-

(1) This information is provided as at December 31 for 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 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 Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100 percent is equivalent to the Fund 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.

## Other Material Information

### Creststreet Opportunities Fund Inc.

Creststreet Energy Opportunities Fund is a class of shares of Creststreet Opportunities Fund Inc. (the "Corporation"). The Corporation was incorporated on August 27, 2008 under the Canada Business Corporations Act. Pursuant to a purchase agreement between the Fund and Creststreet Energy Hedge Fund L.P. (the "Partnership") dated September 5, 2008, the Partnership agreed to sell all of the assets of the Partnership (the "**Partnership Assets**") to the Fund for an amount equal to the value of the Partnership Assets to be satisfied by the Fund (i) as to an amount equal to the liabilities of the Partnership, by the assumption of such liabilities, and (ii) as to the balance, by the issuance of non-voting Series A shares in the capital of the Fund (the "**Shares**") having an aggregate net asset value equal to the balance. The sale was affected on a tax-deferred "rollover" basis under the *Income Tax Act* (Canada). Subsequent to the sale of Partnership Assets on September 24, 2008, the Partnership was dissolved. The Fund has identical investment objectives and strategies as the Partnership which is to provide shareholders with long term capital growth through fundamental securities selection by taking both long and short investment positions in equity, debt and derivative securities, primarily of issuers engaged in the global energy sector, and through strategic trading.

Since the Fund is essentially a continuation of the Partnership, the financial results of the Fund and the Partnership were combined during the fiscal year the purchase agreement was completed. All performance data for the Fund is presented as a continuation of the Partnership with certain limitations. As the Fund and the Partnership maintained different fund structures, it is not possible to provide certain data that capture year by year data for each Series prior for the January 1, 2009. Sections affected by this limitation in this report are as follows: Financial Highlights, Ratios and Supplemental Data, and the Year by Year Return Chart.

### Limited Partnership Rollover

The Fund has been structured to provide for the tax-deferred transfer of assets from flow-through limited partnerships managed by Creststreet in exchange for shares of the Fund with an equal net asset value. The assets of Creststreet 2007 Limited Partnership were transferred in two separate tranches and were completed on May 31, 2010. It is not expected that the Fund will receive assets from any future partnerships.

Please refer to “Recent Development” section of this report for more information.

## Recent Developments

### Limited Partnership Rollover

On May 27, 2009, the Creststreet 2007 Limited Partnership (“C2007LP”) transferred substantially all the public securities component of its portfolio, along with cash and certain private securities (approximately 70% of its net assets) to the Fund in exchange for shares of the Fund of equal value. Upon completion of the transfer, the C2007LP distributed the Fund’s shares received to unit holders as a return of capital. The unit holders of the Creststreet 2007 Limited Partnership received 0.20786714666 shares of Creststreet Energy Opportunities Fund – Series 2009 shares for each unit held with totalled 1,217,490 shares with a value of \$11,673,723.

On May 31, 2010, the Fund acquired all the remaining assets of Creststreet 2007 Limited Partnership in exchange for 522,863 Series 2010 shares of the Fund with a value of \$8,994,515.

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

The Canadian Accounting Standards Board (“AcSB”) has confirmed the ability to defer the adoption of International Financial Reporting Standards (“IFRS”) to fiscal periods beginning on or after January 1, 2013 for entities applying *Accounting Guideline 18, Investment Companies*. The Manager intends to have the Fund adopt IFRS on January 1, 2013.

The Manager has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and includes identifying and assessing the impact of the significant differences between IFRS and Canadian GAAP that are expected to impact financial reporting.

Based on the Manager’s current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net asset value per unit. IFRS is expected to have an impact on the presentation of securityholders’ equity and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS. The current assessment and IFRS changeover plans may change if new standards are issued or if interpretations of existing standards are revised.

### Harmonized Sales Tax

Effective July 1, 2010, Ontario replaced their Provincial Sales Tax (‘PST’) and Federal Goods and Service Tax (‘GST’) with a single Harmonized Sales Tax (“HST”) of 13 percent. Management fees and all other expenses charged to the Fund were subjected to an additional tax of 8%. New rules in Canada require Investment Funds to calculate HST using the residency of the unit holders and the current value of their interests, rather than the physical location of the Fund. The use of this blended rate will allow the Fund to reduce the effect of harmonization to the extent the Fund has residents in provinces not subject to HST.

## Related Party Transactions

Creststreet Opportunities Fund Inc. (the 'Corporation'), of which the Fund is a class of shares, is a wholly owned subsidiary of Creststreet Asset Management Limited. Creststreet Asset Management Limited, a corporation registered as a portfolio manager and an investment fund manager in Ontario and is the Manager and the Investment Advisor of the Fund.

Management fees are paid to the Manager for the management of the Fund's day-to-day administration and for providing investment advice and portfolio management services. All the Series of the Fund pay a service fee to the Manager, which the Manager then remits to dealers as consideration for administering the Fund's assets for the dealers' clients.

The Manager is also entitled to receive a performance fee equal to 20 percent of the increase in the net asset value of each series of units in each month. The performance fee is calculated and accrued monthly and paid quarterly in arrears. If the NAV of a series does not exceed the relevant high-water mark for that series, the Manager will not be entitled to a performance fee in that month.

## Management Fees

The Manager provides investment and administrative services to the Fund. In consideration of these services, each Series of the Fund pays the Manager a fee equal to 2.0 percent per annum of the net value of their respective Series, calculated and paid monthly in arrears. HST is paid on all management fees.

The Fund also pays a service fee to dealers as consideration for administering its assets held by those dealers. The service fee is calculated as a percentage of the assets each dealer has in place in Series A, Series 2009, and Series 2010 of the Fund and is based on the closing balance of client accounts at the end of each calendar month. These Series pay service fees on a quarterly basis at a rate of 1.0 percent of their Series' net asset value. The following amounts were paid to the Manager by the Fund as a whole for years ended December 31, 2010 and 2009:

	2010		2009	
Management Fees	478,632	69.3%	241,162	70.5%
Service Fees Paid to Dealers	211,541	30.7%	100,828	29.5%
	<u>\$ 690,173</u>	<u>100.0%</u>	<u>\$ 341,990</u>	<u>100.0%</u>

## Summary of Investment Portfolio

As at December 31, 2010

<b>Sector Mix</b>	<b>% of net assets</b>
<b>Long Positions:</b>	
Oil	65.1%
Natural Gas	30.0%
Energy Services	10.8%
Alternative Energy	9.6%
<i>Total Long Positions</i>	115.5%
<b>Short Positions:</b>	
Other	-10.2%
Oil	-6.3%
Natural Gas	-2.2%
<i>Total Short Positions</i>	-18.7%
<b>Total Investments</b>	<b>96.8%</b>
Cash and cash equivalents*	7.1%
Other net assets	-3.9%
	<b>100.0%</b>

\* Cash and cash equivalents include cash received from securities sold short.

## Summary of Investment Portfolio (continued)

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Top 25 Positions	% of net assets
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### Long Positions:

Athabasca Oil Sands Corp.	18.2%
Tourmaline Oil Corp	11.8%
Laricina Energy Ltd.	9.4%
Whitecap Resources Inc.	6.5%
Strategic Oil & Gas Ltd.	5.2%
Orleans Energy Ltd.	4.6%
OSUM Oil Sands Corp.	4.6%
Trioil Resources Ltd.	4.5%
Trilogy Energy Corp.	4.4%
RuggedCom Inc.	4.0%
Canadian Overseas Petroleum Ltd.	3.8%
Silverback Energy Ltd.	3.6%
Open Range Energy Corp.	3.5%
Seaview Energy Inc. Class A	3.3%
Vero Energy Inc.	3.2%
Canelson Drilling Inc	3.1%
Savanna Energy Services Corp.	2.8%
Horizon North Logistics Inc.	2.7%
Pure Energy Services Ltd.	2.2%
Lithium One Inc.	2.1%
WindTronics, LLC	2.0%
Gear Energy Ltd.	2.0%

### Short Positions:

IShares CDN S&P/TSX Capped Energy Index	-10.2%
Cenovus Energy Inc	-4.4%
Corridor Resources Inc.	-2.2%

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<b>Total Net Asset Value</b>	<b>\$ 26,764,855</b>
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## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Creststreet Energy Opportunities Fund

We have audited the accompanying financial statements of Creststreet Energy Opportunities Fund (a class of shares of Creststreet Opportunities Funds Inc.), which comprise the statements of net assets as at December 31, 2010 and 2009, the statements of operations and changes in net assets for the years then ended, the statement of investment portfolio as at December 31, 2010 and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Creststreet Energy Opportunities Fund as at December 31, 2010 and 2009, and results of its operations and changes in net assets for the years then ended 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 horizontal line that starts under the 'K' and ends under the 'P'.

**Chartered Accountants, Licensed Public Accountants**  
Toronto, Canada  
March 9, 2011

## Statements of Net Assets

<b>As at December 31</b>	<b>2010</b>		<b>2009</b>	
<b>Assets</b>				
Investments at market value	\$	30,904,237	\$	20,177,191
Cash and cash equivalents		1,892,238		2,435,843
Due from broker		121,415		-
Other receivables		-		38,613
Interest receivable		790		-
Dividends receivable		3,325		7,200
Refundable Taxes (note 5)		446,476		-
	\$	<b>33,368,481</b>	\$	<b>22,658,847</b>
<b>Liabilities</b>				
Securities sold short at market value		4,991,287		3,847,450
Due to broker		845,595		716,508
Accounts payable and accrued liabilities		320,268		164,968
Income tax payable (note 5)		446,476		-
		<b>6,603,626</b>		<b>4,728,926</b>
<b>Net assets - GAAP NAV (note 2)</b>	\$	<b>26,764,855</b>	\$	<b>17,929,921</b>
Adjustment from bid market prices to last traded market prices		212,368		126,753
<b>Net asset value - Pricing NAV (note 2)</b>	\$	<b>26,977,223</b>	\$	<b>18,056,674</b>
<b>Series A</b>				
Net assets- GAAP NAV (note 2)	\$	3,760,895	\$	2,738,313
Adjustment from bid market prices to last traded market prices		30,201		19,359
Net asset value - Pricing NAV (note 2)	\$	<b>3,791,096</b>	\$	<b>2,757,672</b>
		<b>163,231</b>		<b>179,989</b>
<b>Shares outstanding</b>				
Net assets per share - GAAP NAV (note 2)	\$	23.04	\$	15.21
Adjustment from bid market prices to last traded market prices		0.19		0.11
Net asset value per share - Pricing NAV (note 2)	\$	<b>23.23</b>	\$	<b>15.32</b>

## Statements of Net Assets (continued)

### Series F

Net assets - GAAP NAV (note 2)	\$	1,318,261	1,325,326
Adjustment from bid market prices to last traded market prices		10,618	9,362
Net asset value - Pricing NAV (note 2)	\$	1,328,879	1,334,688
		<b>56,413</b>	<b>86,413</b>
<b>Shares outstanding</b>			
Net assets per share - GAAP NAV (note 2)	\$	23.37	15.34
Adjustment from bid market prices to last traded market prices		0.19	0.11
Net asset value per share - Pricing NAV (note 2)	\$	23.56	15.45

### Series 2009

Net assets - GAAP NAV (note 2)	\$	14,008,505.00	13,866,282.00
Adjustment from bid market prices to last traded market prices		110,817.00	98,032.00
Net asset value - Pricing NAV (note 2)	\$	14,119,322.00	13,964,314.00
		<b>601,376</b>	<b>915,553</b>
<b>Shares outstanding</b>			
Net assets per share - GAAP NAV (note 2)	\$	23.29	15.15
Adjustment from bid market prices to last traded market prices		0.18	0.11
Net asset value per share - Pricing NAV (note 2)	\$	23.48	15.25

### Series 2010

Net assets - GAAP NAV (note 2)	\$	7,677,194	-
Adjustment from bid market prices to last traded market prices		60,732	-
Net asset value - Pricing NAV (note 2)	\$	7,737,926	-
		<b>329,601</b>	
<b>Shares outstanding</b>			
Net assets per share - GAAP NAV (note 2)	\$	23.29	-
Adjustment from bid market prices to last traded market prices		0.18	-
Net asset value per share - Pricing NAV (note 2)	\$	23.48	-

See accompanying notes to financial statements

Approved by Creststreet Opportunities Fund Inc.



**Robert J. Toole**  
Director



**Donna E. Shea**  
Director

## Statements of Operations

For the years ended December 31	2010	2009
<b>Investment Income</b>		
Dividend revenue	\$ 2,004,865	\$ 27,013
Interest revenue	20,575	9,320
Other income	77,832	-
	<b>2,103,272</b>	<b>36,333</b>
<b>Expenses</b>		
Performance fees (note 3)	81,217	-
Management fees (note 3)	478,632	241,162
Operating expenses	336,850	198,222
Servicing fees	211,541	100,828
Income Tax expense	-	77,226
Securityholder reporting costs	26,200	62,069
Legal and filing fees	7,960	33,794
Interest and security borrowing fees	95,505	29,621
Dividends paid on securities sold short	88,388	24,568
Audit fees	18,817	10,290
	<b>1,345,110</b>	<b>777,780</b>
<b>Gain (Loss) from investment operations</b>	<b>758,162</b>	<b>(741,447)</b>
Net realized gain on sale of investments	8,777,140	1,443,345
Change in unrealized appreciation of investments	1,122,227	7,435,558
Transaction costs (note 2)	(1,038,633)	(249,020)
<b>Net realized and unrealized gain on investments</b>	<b>8,860,734</b>	<b>8,629,883</b>
<b>Increase in net assets from operations</b>	<b>\$ 9,618,896</b>	<b>\$ 7,888,436</b>
Increase in net assets from operations, Series A	\$ 1,297,676	\$ 1,420,542
Increase in net assets from operations per share, Series A	7.75	6.36
Increase in net assets from operations, Series F	\$ 471,285	\$ 814,006
Increase in net assets from operations per share, Series F	7.97	6.14

## Statements of Operations (continued)

Increase in net assets from operations, Series 2009	\$	5,698,005	\$	5,653,888
Increase in net assets from operations per share, Series 2009		7.69		5.49
<hr/>				
Increase in net assets from operations, Series 2010	\$	2,151,930	\$	-
Increase in net assets from operations per share, Series 2010		5.53		-
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See accompanying notes to financial statements

## Statements of Changes in Net Assets

For the Years Ended December 31	2010	2009
<b>Net assets at the beginning of year</b>	\$ 17,929,921	\$ 3,813,717
<b>Increase in net assets from operations</b>	9,618,896	7,888,436
<b>Share Capital transactions</b>		
Proceeds from the issue of shares	9,269,515	11,823,231
Amounts paid on redemption of shares	(10,053,477)	(5,595,463)
<b>Net assets at the end of year - GAAP NAV (note 2)</b>	<b>26,764,855</b>	<b>17,929,921</b>
Adjustment from bid market prices to last traded market prices	212,368	126,753
<b>Net assets value at the end of year- Pricing NAV (note 2)</b>	<b>26,977,223</b>	<b>18,056,674</b>
<b>Series A</b>		
<b>Net assets at the beginning of year, Series A</b>	\$ 2,738,313	\$ 2,066,076
<b>Increase in net assets from operations</b>	1,297,676	1,420,542
<b>Share Capital transactions</b>		
Proceeds from the issue of shares	275,000	87,258
Amounts paid on redemption of shares	(550,094)	(835,563)
<b>Net assets at the end of year - GAAP NAV (note 2)</b>	<b>3,760,895</b>	<b>2,738,313</b>
Adjustment from bid market prices to last traded market prices	30,201	19,359
<b>Net assets value at the end of year- Pricing NAV (note 2)</b>	<b>3,791,096</b>	<b>2,757,672</b>
<b>Series F</b>		
<b>Net assets at the beginning of year, Series F</b>	\$ 1,325,326	\$ 1,747,641
<b>Increase in net assets from operations</b>	471,285	814,006
<b>Share Capital transactions</b>		
Proceeds from the issue of shares	-	46,150
Amounts paid on redemption of shares	(478,350)	(1,282,471)
<b>Net assets at the end of year - GAAP NAV (note 2)</b>	<b>1,318,261</b>	<b>1,325,326</b>
Adjustment from bid market prices to last traded market prices	10,618	9,362
<b>Net assets value at the end of year- Pricing NAV (note 2)</b>	<b>1,328,879</b>	<b>1,334,688</b>

## Statements of Changes in Net Assets (continued)

### Series 2009

<b>Net assets at the beginning of year, Series 2009</b>	\$	13,866,282	\$	-
<b>Increase in net assets from operations</b>		5,698,005		5,653,888
<b>Share Capital transactions</b>				
Proceeds from the issue of shares		-		11,689,823
Amounts paid on redemption of shares		(5,555,782)		(3,477,429)
<hr/>				
<b>Net assets at the end of year - GAAP NAV (note 2)</b>		<b>14,008,505</b>		<b>13,866,282</b>
Adjustment from bid market prices to last traded market prices		110,817		98,032
<b>Net assets value at the end of year- Pricing NAV (note 2)</b>		<b>14,119,322</b>		<b>13,964,314</b>

### Series 2010

<b>Net assets at the beginning of year, Series 2010</b>	\$	-	\$	-
<b>Increase in net assets from operations</b>		2,151,930		-
<b>Share Capital transactions</b>				
Proceeds from the issue of shares		8,994,515		-
Amounts paid on redemption of shares		(3,469,251)		-
<hr/>				
<b>Net assets at the end of year - GAAP NAV (note 2)</b>		<b>7,677,194</b>		-
Adjustment from bid market prices to last traded market prices		60,732		-
<b>Net assets value at the end of year- Pricing NAV (note 2)</b>		<b>7,737,926</b>		-

See accompanying notes to financial statements

## Statement of Investment Portfolio

As at December 31, 2010

Issuer	Number of Securities	Type of Security	Cost	Fair Value
<b>Investment in securities held in long positions</b>				
Athabasca Oil Sands Corp.	325,000	Common shares	\$ 3,493,212	\$ 4,875,000
Tourmaline Oil Corp.	145,000	Common shares	2,883,112	3,153,750
Laricina Energy Ltd.	83,500	Common shares	2,004,000	2,505,000
Whitecap Resources Inc.	280,000	Common shares	1,224,400	1,747,200
Strategic Oil & Gas Ltd.	1,200,000	Common shares	898,824	1,404,000
Orleans Energy Ltd.	500,000	Common shares	1,252,696	1,240,000
Osum Oil Sands Corp.	95,000	Common shares	427,500	1,235,000
Trioil Resources Ltd.	265,000	Class A common shares	1,157,177	1,192,500
Trilogy Energy Corp.	95,000	Common shares	1,011,392	1,167,550
RuggedCom Inc.	60,000	Common shares	967,772	1,066,800
Open Range Energy Corp.	500,000	Common shares	896,786	945,000
Seaview Energy Inc.	755,000	Class A common shares	814,508	883,350
Vero Energy Inc.	150,000	Common shares	967,856	859,500
CanElson Drilling Inc.	200,000	Common shares	529,330	842,000
Silverback Energy Ltd.	160,000	Common shares	400,000	760,000
Savanna Energy Services Corp.	105,000	Common shares	612,557	744,450
Horizon North Logistics Inc.	250,000	Common shares	653,200	727,500
Canadian Overseas Petroleum Ltd.	840,000	Common shares	420,000	714,000
Pure Energy Services Ltd.	100,000	Income Trusts	539,000	578,000
Lithium One Inc.	350,000	Common shares	490,055	567,000
Windtronics LLC	1,334	Common shares	411,284	530,212
Gear Energy Ltd.	140,000	Common shares	525,000	525,000
P1 Energy Corp.	182,000	Common shares	500,500	500,500
Sure Energy Inc.	250,000	Common shares	391,891	430,000
GWR Global Water Resources Corp.	55,000	Common shares	412,500	413,600
Arsenal Energy Inc.	300,000	Common shares	318,090	324,000
Canadian Overseas Petroleum Ltd.	360,000	Common shares	180,000	262,800
Hyperion Exploration Corp.	166,700	Common shares	250,050	260,052
Silverback Energy Ltd.	43,000	Common shares	204,250	204,250
Rodinia Oil Corp.	66,667	Warrants	-	142,264
Triple 8 Energy Ltd.	83,350	Warrants	-	57,156
Canadian Overseas Petroleum Ltd.	180,000	Warrants	-	43,200
DualEx Energy International Inc.	200,000	Warrants	-	3,603
			<b>24,836,942</b>	<b>30,904,237</b>
<b>Investment in securities held in short positions</b>				
iShares CDN S&P/TSX Capped Energy Index Fund	(135,000)	Index Units	(2,476,624)	(2,733,750)
Cenovus Energy Inc.	(35,000)	Common shares	(1,031,684)	(1,164,800)
Corridor Resources Inc.	(100,000)	Common shares	(545,750)	(596,000)
Petrominerales Ltd.	(14,980)	Common shares	(475,718)	(496,737)
			<b>(4,529,776)</b>	<b>(4,991,287)</b>
Transaction costs (note 2)			(70,986)	
<b>Investments at fair value</b>			<b>\$ 20,236,180</b>	<b>\$ 25,912,950</b>

See accompanying notes to financial statements

## Notes to Financial Statements

For the years ended December 31, 2010 and 2009

### 1. Creststreet Energy Opportunities Fund

Creststreet Energy Opportunities Fund (the “Fund”) is a class of shares of Creststreet Opportunities Fund Inc. (the “Corporation”). The Corporation was incorporated on August 27, 2008 under the Canada Business Corporations Act. Pursuant to a purchase agreement between the Fund and Creststreet Energy Hedge Fund L.P. (the “Partnership”) dated September 5, 2008, the Partnership agreed to sell all of the assets of the Partnership (the “Partnership Assets”) to the Fund for an amount equal to the value of the Partnership Assets to be satisfied by the Fund (i) as to an amount equal to the liabilities of the Partnership, by the assumption of such liabilities, and (ii) as to the balance, by the issuance of non-voting Series A shares in the capital of the Fund (the “Shares”) having an aggregate net asset value equal to the balance. The sale was affected on a tax-deferred “rollover” basis under the *Income Tax Act* (Canada). Subsequent to the sale of Partnership Assets on September 24, 2008, the Partnership was dissolved. The Fund has identical investment objectives and strategies as the Partnership which is to provide shareholders with long term capital growth through fundamental securities selection by taking both long and short investment positions in equity, debt and derivative securities, primarily of issuers engaged in the global energy sector, and through strategic trading. Since the Fund is essentially a continuation of the Partnership, the financial results of the Fund and the Partnership were combined during the fiscal year the purchase agreement was completed. All performance data for the Fund will also be a continuation from the Partnership with certain limitations.

Creststreet Asset Management Limited (the “Manager”) is the investment manager of the Fund.

The Fund has also been structured to provide for the tax-deferred transfer of assets from flow-through limited partnerships managed by Creststreet in exchange for shares of the Fund with an equal net asset value.

On May 27, 2009, the Creststreet 2007 Limited Partnership (“C2007LP”) transferred substantially all the public securities component of its portfolio, along with cash and certain private securities (approximately 70% of its net assets) to the Fund in exchange for shares of the Fund of equal value. Upon completion of the transfer, the C2007LP distributed the Fund’s shares received to unit holders as a return of capital. The unit holders of the Creststreet 2007 Limited Partnership received 0.20786714666 shares of Creststreet Energy Opportunities Fund – Series 2009 shares for each unit held with totalled 1,217,490 shares with a value of \$11,673,723.

Creststreet 2007 Limited Partnership completed the transfer of its remaining assets to the Fund on May 31, 2010, in exchange for shares of the Fund of equal value. The Unitholders of Creststreet 2007 Limited Partnership received 0.08975716784 shares of Creststreet Energy Opportunity Fund – Series 2010 shares for each unit held with totalled 5,825,311 shares with a value of \$8,994,515.

### 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 accounting policies followed by the Partnership and the Fund.

#### (a) Valuation of investments

Investments are deemed to be held for trading in accordance with Section 3855 and are therefore recorded at fair value.

Fair value of 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 at its fair value determined Manager 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. For unlisted securities, the Manager’s policy is to use evidence of arm’s length third party transactions, where possible, in determining the fair value. The Black Scholes pricing methodology is used to price the warrants held by the Fund.

CICA Emerging Issues Committee Abstract 173 – Credit Risk and Fair Value of Financial Assets and Financial Liabilities (“EIC-173”) clarifies how the Fund’s own credit risk and counterparty risk should be taken into account in determining the fair value of financial instruments. The application of EIC-173 does not have a significant impact on the valuation of the Fund’s financial instruments or its net assets.

CICA Handbook Section 3855 impacts the valuation and the disclosure of the net assets of an investment fund for financial reporting purposes (“GAAP NAV” or “Net Assets”) as the Canadian GAAP requires securities traded on a public exchange be valued at closing bid price for long positions and ask price for securities sold short. The value used to determine the Fund’s price for purchases and redemptions of units (“Pricing NAV” or “Net Asset Value”) is, however, not affected by the Section 3855 accounting policy change, as permitted by NI 81-106. This results in a difference between the Net Assets Value (Pricing NAV) and Net Assets (GAAP NAV), which is presented in the Statements of Net Assets.

(b) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on deposit and short-term investments. These are deemed to be held for trading and are therefore carried at fair value.

(c) **Other assets and liabilities**

Dividends receivable, due from broker, interest receivable and other receivables are designated as loans and receivable and are recorded at cost or amortized cost. Similarly, due to broker and accounts payables and accrued liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities due to their short term nature.

(d) **Brokerage commissions**

In accordance with Section 3855, transaction costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as “Transaction Costs” in the Statements of Operations.

(e) **Investment transactions and income recognition**

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date and interest income is accrued as earned.

(f) **Income taxes**

The Fund qualifies and intends to continue to qualify as a mutual fund corporation as defined in the Income Tax Act (Canada). The Fund is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Fund but are subject to a special tax, refundable at a rate of 33 1/3 percent of taxable dividends distributed by the Fund to its shareholders. The Fund is eligible for a refund calculated on a formula basis when mutual fund shares are redeemed or when capital gains dividends are paid to shareholders. The Fund intends to distribute to its shareholders net income and net capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made.

(g) **Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make 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 expenses during the reporting period. Actual results could differ from those estimates.

(h) **Net assets per share by series**

Net assets per share by series is computed by dividing the net assets of the Fund at the valuation date attributable to each series of securities (after the deduction of all expenses attributable to the Fund as a whole, and the deduction of any expenses attributable to each series individually) by the total number of shares of each series of the Fund outstanding.

(i) **Increase (decrease) in net assets from operations per share**

The increase (decrease) in net assets from operations per share by series in the statements of operations represents the change in net assets from operations attributable to each series divided by the average number of shares of that series outstanding during the year. Income, expenses, other than management fees, and realized and unrealized gain (loss) are distributed amongst the different series of shares in proportion to the amount of equity invested in them.

### 3. Management Fee & Performance Fee

The Manager provides investment and administrative services to the Fund. In consideration for these services, the Fund pays the manager an annual fee of 2.0 percent of the net asset value of the Fund, calculated and payable monthly in arrears. For the year ended December 31, 2010, the management fee amounted to \$478,632 (2009 - \$241,162).

The Manager is also entitled to receive a performance fee equal to 20 percent of the increase in the net asset value of each series of units in each month. The performance fee is calculated and accrued monthly and paid quarterly in arrears. If the NAV of a series does not exceed the relevant high-water mark for that series, the Manager will not be entitled to a performance fee in that month. For the year ended December 31, 2010, the performance fee amounted to \$ 81,217 (2009 - \$nil).

### 4. Subscriptions & Redemptions of Units

Shares may be purchased as at the close of business on the last business day of each month following the receipt by the Manager of a completed subscription form and the required payment no later than 4:00pm on a settlement date.

Shares may be redeemed at their net asset value, at the close of business on the last business day of each month. The redemption price for shares that have been held for 6 months or less will be reduced by 3% of the net asset value of the shares and, in the case of shares that have been held more than 6 months but less than 18 months, the redemption price will be reduced by 1.5% of the net asset value of the shares. Any redemption price reduction will be retained by the Fund to offset the cost of the redemption to the remaining shareholders.

### 5. Income Taxes

Part IV tax in the amount of \$446,476 (2009 - \$Nil) has been incurred in connection with taxable dividends received in the current year. It is expected that the Part IV tax will be fully refunded on the payment of sufficient taxable dividends in subsequent years.

### 6. Valuation of Private Investments

The following table details the Fund's changes in the valuations for securities not traded on a public exchange during the years ended December 31, 2010 and 2009. The table is arranged in alphabetical order by investment.

	Prior fair value	New fair value	Valuation basis
<b><u>Athabasca Oil Sands Corp</u></b>			
January 2009	\$ 373,000	\$ 422,352	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
March 2009	\$ 422,352	\$ 468,169	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
April 2009	\$ 468,169	\$ 743,073	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
May 2009	\$ 743,073	\$ 2,565,092	Write-up from previous value as arm's-length third party share transaction provided new valuation basis. It should be noted the the new fair value includes the \$1,638,750 worth of the Athabasca security that was transferred from Creststreet 2007 Limited Partnership
June 2009	\$2,565,092	\$ 3,150,428	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
July 2009	\$3,150,428	\$ 3,618,697	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.

## Valuation of Private Investments (continued)

	Prior fair value	New fair value	Valuation basis
<b><u>Athabasca Oil Sands Corp</u></b>			
August 2009	\$3,618,697	\$ 4,555,235	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
September 2009	\$4,555,235	\$ 6,109,888	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
September 2009	\$6,109,888	\$ 6,545,378	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
December 2009	\$6,545,378	\$ 7,066,895	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
December 2009	\$7,066,895	\$ 7,530,974	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
February 2010	\$7,530,974	\$ 7,995,051	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
March 2010	\$7,995,051	\$ 6,149,034	Write-down from prior value based on the value of dividend distribution received.
March 2010	\$6,149,034	\$ 8,353,404	Write-up from prior value based on IPO Offering. Listed on TSX on April 8, 2010.
<b><u>Laricina Energy Ltd.</u></b>			
August 2009	\$ 87,780	\$ 419,700	Write-up from previous value based on third party financing completed at higher value. It should be noted the the new fair value includes the \$300,00 worth of the Athabasca security that was transferred from Creststreet 2007 Limited Partnership.
March 2010	\$ 419,700	\$ 706,495	Write-up from previous value based on third party financing completed at higher value.
April 2010	\$ 706,495	\$ 671,520	Write-down from prior value as arm's-length third party transactions provided new valuation basis.
July 2010	\$ 671,520	\$ 2,505,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
<b><u>OSUM Oil Sands Corp.</u> <sup>(1)</sup></b>			
October 2010	\$ 877,500	\$ 831,250	Write-up from cost as arm's-length third party transactions provided new valuation basis.
November 2010	\$ 831,250	\$ 1,235,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
<b><u>Silverback Energy Ltd.</u></b>			
December 2010	\$ 400,000	\$ 964,250	Write-up from cost based on third party financing completed at higher value.
<b><u>Rodinia Oil Corp.</u></b>			
March 2010	\$ 11,843	\$ 129,606	Write-up from prior value based on IPO Offering. Security listed on TSX as on May 28, 2010
<b><u>Tourmaline Oil Corp.</u> <sup>(1)</sup></b>			
November 2010	\$1,113,606	\$ 1,719,207	Write-up from prior value as arm's length third party financing and by IPO Offering. Listed on TSX as of November 19,2011
<b><u>Whitecap Resources Inc.</u></b>			
December 2009	\$ 400,000	\$ 490,000	Write-up from cost based on third party financing completed at higher value.
<b><u>Windtronics, LLC</u></b>			
December 2010	\$ 419,950	\$ 530,212	Write-up from cost based on third party financing completed at higher value.

Note:

1. Investments Acquired through rollover of Creststreet 2007 Limited Partnership Limited

## 7. Financial Instrument Risk

The Fund's investment objectives are to provide for the long-term growth of capital, through fundamental securities selection by taking both long and short investment positions primarily in the securities of issuers engaged in the global energy sector. The Fund's portfolio is comprised mainly of mid to large-capitalization Canadian resource issuers. The Fund earns interest on its cash balances to maximize its yield on idle cash while maintaining a maximum amount of flexibility to ensure that sufficient cash is on hand to seize upon investment opportunities. The Fund's use of financial instruments gives rise to a number of risk factors.

### Market Risk

Market risk is 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 Fund's functional currency is Canadian dollars, and the Fund 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, 2010, had the Canadian Dollar appreciated or depreciated by 5% in relation to the applicable foreign currency, the NAV of the Fund will be higher or lower as detailed below:

Currency	Investments	Cash & Cash Equivalents	Total	Impact on the NAV	Impact as a % of the NAV
US dollars	\$ 530,212	\$ -	\$ 530,212	\$ 26,511	0.10%

As at December 31, 2009, the Fund did not hold any foreign currencies or securities.

### 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 Fund did not hold any such securities as at December 31, 2010 and 2009, or at any time during the years then ended.

### 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 Fund's Manager mitigates other price risk by managing and allocating the investment portfolio within the parameters of the Fund's investment objectives. As at December 31, 2010 and 2009 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 \$344,133 or 1.33 percent higher or lower (2009 - \$231,207 or 1.42 percent). 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 Fund. The Fund invests primarily in equity securities of Canadian resource issuers and does not typically invest in debt securities, thereby minimizing the Fund's exposure to credit risk. All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

### Liquidity Risk

The Fund is subject to the possibility of net redemptions on a monthly basis. The Fund invests the majority of its net assets in securities that are traded on a public exchange and can be readily liquidated if and as required in order to meet its redemption obligations. The Fund also retains sufficient cash and cash equivalents to maintain liquidity.

## 8. Fair value measurement

CICA Handbook Section 3862 “Financial Instruments – Disclosures” requires the Fund to present a classification of fair value measurements of the Fund’s investment based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair value inputs is summarized as follows:

- Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are easily accessible.  
*Level 2:* Inputs other than quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).  
*Level 3:* Inputs for assets or liabilities that are not based on observable data. There is little, if any, market activity and hence the requires significant management judgment or estimation.

As at December 31, 2010:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 23,106,052	714,000	6,259,962	30,080,014
Trust Units	578,000	-	-	578,000
Warrants	-	246,223	-	246,223
<b>Total Assets</b>	<b>23,684,052</b>	<b>960,223</b>	<b>6,259,962</b>	<b>30,904,237</b>
<b>Liabilities</b>				
Equities	\$ (2,257,537)	-	-	(2,257,537)
Index Units	(2,733,750)	-	-	(2,733,750)
<b>Total Liabilities</b>	<b>(4,991,287)</b>	<b>-</b>	<b>-</b>	<b>(4,991,287)</b>
<b>Total</b>	<b>\$18,692,765</b>	<b>960,223</b>	<b>6,259,962</b>	<b>25,912,950</b>

As at December 31, 2009:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 10,699,744	\$ -	6,911,488	17,611,232
Trust Units	838,200	-	-	838,200
Warrants	-	186,731	1,541,028	1,727,759
<b>Total Assets</b>	<b>11,537,944</b>	<b>186,731</b>	<b>8,452,516</b>	<b>20,177,191</b>
<b>Liabilities</b>				
Equities	\$ (2,524,250)	-	-	(2,524,250)
Index Units	(1,024,100)	-	-	(1,024,100)
Trust units	(299,100)	-	-	(299,100)
<b>Total Liabilities</b>	<b>(3,847,450)</b>	<b>-</b>	<b>-</b>	<b>(3,847,450)</b>
<b>Total</b>	<b>\$ 7,690,494</b>	<b>186,731</b>	<b>8,452,516</b>	<b>16,329,741</b>

The following table is a reconciliation of Level 3 fair value measurements from December 31, 2009 to December 31, 2010.

	Equities		Warrants	
Balance at December 31, 2009	\$	6,911,488	\$	1,541,028
Net purchases and sales	\$	(240,778)	\$	(1,237,875)
Net transfers in (out)		(2,867,565)		(303,153)
Gains (Losses)				
Realized		537,320.00	\$	-
Unrealized	\$	1,919,497	\$	-
Balance at December 31, 2010	\$	6,259,962	\$	-

The following table is a reconciliation of Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

	Equities		Warrants	
Balance at December 31, 2008	\$	111,114	\$	373,000
Net purchases and sales	\$	607,407	\$	1,537,887
Net transfers in (out)		-		-
Gains (Losses)				
Realized	\$	(31,328)	\$	(234,832)
Unrealized	\$	6,224,295	\$	(135,027)
Balance at December 31, 2009	\$	6,911,488	\$	1,541,028

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

The Canadian Accounting Standards Board ("AcSB") has confirmed the ability to defer the adoption of International Financial Reporting Standards ("IFRS") to fiscal periods beginning on or after January 1, 2013 for entities applying Accounting Guideline 18, Investment Companies. The Manager intends to have the Fund adopt IFRS on January 1, 2013.

The Manager has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and includes identifying and assessing the impact of the significant differences between IFRS and Canadian GAAP that are expected to impact financial reporting.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net assets per unit. IFRS is expected to have an impact on the presentation of securityholders' equity and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS. The current assessment and IFRS changeover plans may change if new standards are issued or if interpretations of existing standards are revised.

## 10. Comparative Balances

Comparative figures have been reclassified where necessary to afford a meaningful comparison with the current period.

## 11. Filing Exemption:

The Fund is relying on the exemption pursuant to Section 2.11 of National Instrument 81-106 to not file its financial statements with the Ontario Securities Commission

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## Creststreet Opportunities Fund Inc.

### Board of Directors

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

President and Chief Executive Officer

**Donna E. Shea, C.A.**

Senior Vice-President, Finance and  
Chief Financial Officer

**Sheryl J. Chiddenton**

Vice-President, Compliance and  
Investment Services

**Michael D. Clare, C.A, C.F.A.**

Vice-President

### Officers

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Chief Financial Officer

**Sheryl J. Chiddenton**

Vice-President, Compliance and  
Investment Services

**Michael D. Clare, C.A, C.F.A.**

Vice-President

### Administrator

RBC Dexia Investor Services Trust  
Toronto, Ontario

### Prime Broker

Scotia Capital Inc.  
Toronto, Ontario

### Investment Advisor and Investment Fund Manager

Creststreet Asset Management Limited  
Toronto, Ontario

### Clearing and Settlement Services

FundSERV Inc.

### Fund Symbols

CAM901, CAM902

### Auditors

KPMG LLP  
Toronto, Ontario

### Registered Address

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