



Creststreet Energy Opportunities Fund

2009 > Annual Report

Message to Shareholders

Investment Performance

The Creststreet Energy Opportunities Fund had a positive year in 2009 posting a return of 81.1% as global equity markets, and particularly the energy sector, rallied from multi-year lows in March through to the end of the year. This compares to a decline of 42.8% in 2008.

For the first two months of the year global equity markets steadily declined, reaching multi-year lows near the beginning of March out of fears that the magnitude of the current economic downturn would rival the Great Depression and lead to the nationalization of the U.S. banking system. This sentiment began to shift in March as national governments across the globe responded to such fears by implementing substantial fiscal stimulus packages and central banks shifted to a monetary policy of quantitative easing. The combined efforts of governments and central banks led the global rate of economic contraction to subside. As the softening of this contraction became increasingly visible and credit markets began to loosen, an appetite for risk returned amongst investors resulting in a substantial equity market rebound from March through to the end of the year.

Volatility in energy commodities continued during 2009. West Texas Intermediate (“WTI”) light sweet crude oil on the New York Mercantile Exchange (“NYMEX”) finished up 77.9% during the year, closing at US\$79.36 per barrel after reaching an intraday low of US\$33.20 on January 15, 2009. In comparison, NYMEX natural gas prices declined by 0.9% during the year, closing at US\$5.57 per mmbtu after reaching an intraday low of US\$2.41 on September 4, 2009.

After hitting multi-year lows in the early part of the year, the price of crude oil strengthened significantly in 2009 as the market began to look past the current supply overhang in the form of increased OPEC spare capacity and record storage levels, to a period of renewed tightness in supply. The crude complex has also been supported by speculation and funds flows, worries about inflation, and a declining U.S. dollar.

In contrast, the North American natural gas market remains oversupplied as storage levels reached record levels in the fourth quarter of 2009. There are two primary reasons for this. Firstly, natural gas production volumes remain robust in spite a rapid collapse in the rig count as new technologies have opened up shale gas and other drilling opportunities previously thought to be uneconomic. Second, the global economic downturn has resulted in declines in demand for natural gas in both the power generation and industrial sectors. However, with extremely cold North American weather in late 2009 and early 2010, storage levels have recently begun to decrease relative to historical averages resulting in a rally in spot natural gas prices. Although we believe it is only a matter of time before the supply response from falling rig counts starts to impact natural gas prices, we expect that robust production volumes, increased LNG flows and producer hedging will result in soft natural gas prices for most of 2010 before natural gas storage levels rebalance and natural gas prices improve.

During the year, the Fund progressively added exposure to a number of junior and intermediate oil-weighted names with significant growth prospects both domestically and internationally. With the rapid rise in crude oil from its lows earlier in the year, we have seen renewed enthusiasm from the markets with respect to oil producers and believe that funds will continue to flow into the best companies driving valuations higher. We also believe that downside risk on valuations will be limited by the strong interest we have seen from buyers of hard assets, such as Chinese and other Asian national oil companies. At the same time, we remain cautious on natural gas in the near-term and believe that the over-leveraged, high cost producers will struggle over the coming months, particularly with the strength of the Canadian dollar. As such, we remain cautious with respect to investing in natural gas producers and have limited our exposure to those names with the lowest cost projects that will generate material growth over time while maintaining short positions in those companies with high cost structures and too much financial leverage.

The Fund also continues to hold a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. In accordance with its private investment valuation

policy, the Fund marks these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in the market in that period. During 2009 we have seen increased activity in the market for these securities as well as a corresponding up-tick in valuations. However, we believe that the net realizable value of these investments could be substantially higher still as oil prices continue to recover and stabilize.

In response to rebound in oil prices and in the broader markets, junior oil and gas equity valuations, which were extremely weak earlier in the year, have returned to more normal levels in the latter part of 2009. Creststreet expects that this trend will continue in 2010 and we still see a number of opportunities in undervalued companies. Nevertheless, we must remain cautious in our outlook on natural gas. In the longer-term, we continue to hold the view that the supply and demand fundamentals of energy commodities have not changed and that the long-term upward trend in commodity prices will continue.

Auditor's Report to Shareholders

We have audited the statements of net assets of Creststreet Energy Opportunities Fund (a class of shares of Creststreet Opportunities Fund Inc.) as at December 31, 2009 and 2008, the statement of investment portfolio as at December 31, 2009, and the statements of operations and changes in net assets for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2009 and 2008, the investments held as at December 31, 2009, and the results of its operations and changes in net assets for the years ended December 31, 2009 and 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 26, 2010

Statements of Net Assets

As at December 31	2009	2008
Assets		
Investments at market value	\$ 20,177,191	\$ 986,030
Cash and cash equivalents	2,435,843	3,081,926
Due from broker	-	185,017
Other receivables	38,613	-
Dividends receivables	7,200	-
Interest receivable	-	4,173
	22,658,847	4,257,146
Liabilities		
Securities sold short at market value	3,847,450	346,729
Due to broker	716,508	-
Accounts payable and accrued liabilities	164,968	96,700
	4,728,926	443,429
Net assets - GAAP NAV (note 2)	\$ 17,929,921	\$ 3,813,717
Adjustment from bid market prices to last traded market prices	126,753	143
Net asset value - Pricing NAV (note 2)	\$ 18,056,674	\$ 3,813,860
Series A		
Net assets- GAAP NAV (note 2)	\$ 2,738,313	\$ 2,066,077
Adjustment from bid market prices to last traded market prices	19,359	77
Net asset value - Pricing NAV (note 2)	\$ 2,757,672	\$ 2,066,154
Shares outstanding	179,989	244,229
Net assets per share - GAAP NAV (note 2)	\$ 15.21	\$ 8.46
Adjustment from bid market prices to last traded market prices	0.11	-
Net asset value per share - Pricing NAV (note 2)	\$ 15.32	\$ 8.46
Series F		
Net assets- GAAP NAV (note 2)	\$ 1,325,326	\$ 1,747,640
Adjustment from bid market prices to last traded market prices	9,362	66
Net asset value - Pricing NAV (note 2)	\$ 1,334,688	\$ 1,747,706
Shares outstanding	86,413	206,046
Net assets per share - GAAP NAV (note 2)	\$ 15.34	\$ 8.48
Adjustment from bid market prices to last traded market prices	0.11	-
Net asset value per share - Pricing NAV (note 2)	\$ 15.45	\$ 8.48

Statements of Net Assets (continued)

Series 2009

Net assets- GAAP NAV (note 2)	\$	13,866,282	\$	-
Adjustment from bid market prices to last traded market prices		98,032		-
Net asset value - Pricing NAV (note 2)	\$	13,964,314	\$	-
		915,553		-
Shares outstanding				
Net assets per share - GAAP NAV (note 2)	\$	15.15	\$	-
Adjustment from bid market prices to last traded market prices		0.11		-
Net asset value per share - Pricing NAV (note 2)	\$	15.25	\$	-

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	2009	2008
Investment Income		
Dividend revenue	\$ 27,013	\$ 31,470
Interest revenue	9,320	27,823
Other income	-	3,088
	36,333	62,381
Expenses		
Performance fees	-	511,949
Management fees	241,162	115,056
Operating expenses	198,222	106,616
Servicing fees	100,828	30,646
Income Tax expense	77,226	-
Securityholder reporting costs	62,069	22,798
Legal and filing fee	33,794	108,489
Interest and security borrowing fees	29,621	25,473
Dividends paid on securities sold short	24,568	12,208
Audit fees	10,290	25,790
	777,780	959,025
Loss from investment operations	(741,447)	(896,644)
Net realized gain(loss) on sale of investments	1,443,345	(473,199)
Change in unrealized appreciation(depreciation) of investments	7,435,558	(1,895,396)
Transaction costs (note 2)	(249,020)	(550,606)
Net realized and unrealized gain (loss) on investments	8,629,883	(2,919,201)
Increase (decrease) in net assets from operations	\$ 7,888,436	\$ (3,815,845)

Statements of Operations (continued)

Increase (decrease) in net assets from operations comprised of:			
- Series I	\$	-	\$ 267,678
- Series II		-	41,511
- Series III		-	330,617
- Series IV		-	107,414
- Series VI		-	56,010
- Series IX		-	32,277
- Series X		-	25,195
- Series XI		-	3,460
- Series XII		-	(14,268)
- Series XIII		-	(186,273)
- Series XIV		-	(433,486)
- Series XV		-	(6,296)
- Series 911		-	402,114
- Series A		1,420,542	(2,439,380)
- Series F		814,006	(2,002,418)
- Series 2009		5,653,888	-
Total increase (decrease) in net assets from operations	\$	7,888,436	\$ (3,815,845)

Increase (decrease) in net assets per share (unit) from operations comprised of:			
- Series I	\$	-	\$ 3.57
- Series II		-	3.36
- Series III		-	3.41
- Series IV		-	3.41
- Series VI		-	3.11
- Series IX		-	3.38
- Series X		-	3.62
- Series XI		-	2.23
- Series XII		-	(1.15)
- Series XIII		-	(4.17)
- Series XIV		-	(4.26)
- Series XV		-	(1.75)
- Series 911		-	7.78
- Series A		6.36	(9.74)
- Series F		6.14	(9.72)
- Series 2009		5.49	-

See accompanying notes to financial statements

Statements of Changes in Net Assets

For the Years Ended December 31	Series A 2009	Series F 2009	Series 2009 2009
Net assets at the beginning of year	\$ 2,066,076	1,747,641	-
Operations:			
Increase (decrease) in net assets from operations	1,420,542	814,006	5,653,888
Capital transactions:			
Proceeds from the issue of shares	87,258	46,150	11,689,823
Redemptions	(835,563)	(1,282,471)	(3,477,429)
Net assets at the end of year - GAAP NAV (note 2)	\$ 2,738,313	1,325,326	13,866,282
Adjustment from bid market prices to last traded market prices	19,359	9,362	98,032
Net assets value at the end of year - Pricing NAV (note 2)	\$ 2,757,672	1,334,688	13,964,314

For the Years Ended December 31	Total Fund Level	
	2009	2008
Net assets at the beginning of year	3,813,717	\$ 4,703,121
Operations:		
Increase (decrease) in net assets from operations	7,888,436	(3,815,845)
Capital transactions:		
Proceeds from the issue of shares	11,823,231	3,640,417
Redemptions	(5,595,463)	(713,976)
Net assets at the end of year - GAAP NAV (note 2)	17,929,921	\$ 3,813,717
Adjustment from bid market prices to last traded market prices	126,753	143
Net assets value at the end of year - Pricing NAV (note 2)	18,056,674	\$ 3,813,860

See accompanying notes to financial statements

Statement of Investment Portfolio

As at December 31, 2009

Issuer	Number of Securities	Type of Security	Cost (Proceeds)	Fair Value
Investment in securities held in long positions				
Athabasca Oil Sands Corp.	363,027	Common shares	\$ 2,711,880	\$ 5,989,945
Advantage Oil & Gas Ltd.	230,000	Common shares	1,262,737	1,575,500
RuggedCom Inc.	86,000	Common shares	1,771,256	1,544,560
Athabasca Oil Sands Corp.	101,051	Warrants	1,237,875	1,541,028
Peyto Energy Trust	60,000	Trust Units	753,404	838,200
Midway Energy Ltd.	250,000	Common shares	475,000	737,500
Transatlantic Petroleum Ltd	202,000	Common shares	503,748	713,060
Transglobe Energy Corp.	162,300	Common shares	507,494	561,558
Legacy Oil + Gas Inc.	55,000	Common shares	412,504	528,550
WhiteCap Resources Inc.	200,000	Common shares	400,000	490,000
Shore Gold Inc.	500,000	Common shares	525,000	475,000
Wild Stream Exploration Inc.	105,000	Common shares	486,239	451,500
Strategic Oil & Gas Ltd.	770,000	Common shares	346,500	446,600
Laricina Energy Ltd.	27,980	Common shares	539,200	419,700
Bellatrix Exploration Ltd.	150,000	Common shares	266,625	397,500
Seaview Energy Inc.	270,000	Class A common shares	310,500	286,200
HTC Pureenergy Inc.	181,000	Common shares	374,249	280,550
Fairborne Energy Ltd.	57,000	Common shares	242,568	270,180
Corridor Resources Inc.	50,000	Common shares	103,191	268,500
Horizon North Logistics Inc.	165,000	Common shares	196,429	267,300
Storm Exploration Inc.	20,000	Common shares	237,170	260,200
Canacol Energy Ltd.	400,000	Common shares	125,760	260,000
Bellamont Exploration Ltd.	350,000	Class A common shares	217,000	245,000
Westfire Energy Ltd.	35,520	Common shares	206,371	241,536
Painted Pony Petroleum Ltd.	40,000	Class A common shares	235,200	228,800
Open Range Energy Corp.	100,000	Common shares	185,000	211,000
BlackWatch Energy Services Corp.	160,000	Common shares	193,600	171,200
Strategic Oil & Gas Ltd.	770,000	Warrants	-	157,209
Xtreme Coil Drilling Corp.	35,000	Common shares	138,000	145,950
DualEx Energy International Inc.	400,000	Common shares	160,000	132,000
DualEx Energy International Inc.	200,000	Warrants	-	29,522
Rodinia Oil Corp.	39,475	Common shares	24,412	11,843
			<u>15,148,912</u>	<u>20,177,191</u>
Investment in securities held in short positions				
Birchcliff Energy Ltd.	(125,000)	Common shares	(788,306)	(1,181,250)
iShares CDN S&P/TSX Capped Energy Index Fund	(55,000)	Index Units	(1,001,164)	(1,024,100)
Petrobank Energy & Resources Ltd.	(16,000)	Common shares	(725,683)	(820,000)
Canadian Oil Sands Trust	(10,000)	Trust Units	(279,272)	(299,100)
Progress Energy Resources Corp.	(20,000)	Common shares	(270,664)	(283,000)
Shore Gold Inc.	(250,000)	Common shares	(274,825)	(240,000)
			<u>(3,339,914)</u>	<u>(3,847,450)</u>
Transaction costs			(33,801)	-
Investments at fair value			\$ 11,808,998	\$ 16,329,741

See accompanying notes to financial statements

Notes to Financial Statements

For the years ended December 31, 2009 and 2008

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 have been combined for 2008 and presented as comparative amounts for 2009. All performance data for the Fund will also be a continuation from the Partnership.

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 expects to complete a second transfer of all of its remaining assets to the Fund on a tax-deferred basis in exchange for shares of the Fund of equal value as soon as it has achieved sufficient liquidity on its private investments to allow the transfer to proceed and, in any event, no later than May 29, 2011.

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.

Adoption of New Accounting Standards

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. The new standards replaced CICA Handbook Section 3861, Financial Instruments – Disclosures and Presentation. The sections require enhanced disclosure and presentation of the nature and the extent of the risks arising from financial instruments. These standards impacted the Fund’s disclosures but do not affect the Fund’s net assets. Refer to Note 6 for the disclosure relating to this requirement.

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

The Fund has also adopted the recent amendments to Section 3862, Financial Instruments – Disclosures, which became effective for fiscal years ending after September 30, 2009. The purpose of the amendments is to provide users of the financial statement additional information as to how an entity determined the fair values of its financial instruments and how much of the fair values were based on estimations versus readily observable data. As a result, the Fund is to use a three-tiered hierarchy for disclosing fair value of its financial instruments based on the inputs used to value these financial instruments. See Note 7 for the details of this disclosure.

(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. Black Scholes pricing methodology is used to price the warrants held by the Fund.

The adoption of the 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 bid price for long positions and ask price for securities sold short. The value used to determine the Fund's daily price for purchases and redemption of units ("Pricing NAV" or "Net Asset Value") is, however, not affected by the Section 3855 accounting policy change, as permitted by the recent amendment to NI 81-106. This will result 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**

Interest receivable, dividends receivable, due from broker 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 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.

3. **Management Fee & Performance Fee**

The Manager is entitled to receive a management fee equal to 2 percent per annum of the net asset value of the Fund on the last business day of the month, calculated and payable monthly in arrears. For the year ended December 31, 2009, the management fee amounted to \$241,162 (2008 – \$115,056).

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, 2009, the performance fee amounted to nil (2008 – \$511,949).

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. **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 from December 31, 2009 and 2008. The table is arranged in alphabetical order by investment.

	Prior fair value	New fair value	Valuation basis
<u>Athabasca Oil Sands Corp</u>			
May 2008	\$ 1,652,473	\$ 2,129,950	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
June 2008	\$ 2,129,950	\$ 2,522,680	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
July 2008	\$ 2,522,680	\$ 2,646,700	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
October 2008	\$ 2,646,700	\$ 1,716,550	Write-down from previous value due to market conditions based on Manager's valuation.
November 2008	\$ 1,716,550	\$ 1,303,150	Write-down from previous value due to market conditions based on Manager's valuation.
December 2008	\$ 1,303,150	\$ 373,000	Write-down from previous value as arm's-length third party share transaction provided new valuation basis.

Private Investments Table (continued)

	Prior fair value	New fair value	Valuation basis
<u>Athabasca Oil Sands Corp</u>			
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. Refer to Note 1 for more on this transfer.
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.
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.
<u>Laricina Energy Ltd.</u>			
July 2008	\$ 292,500	\$ 360,000	Write-up from previous value as arm's-length third party share transaction provided new valuation basis.
December 2008	\$ 360,000	\$ 99,000	Write-down from previous value due to market conditions based on Manager's valuation.
August 2009	\$ 87,780 ⁽¹⁾	\$ 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. Refer to Note 1 for more on this transfer.
<u>Rodinia Oil Corp.</u>			
October 2008	\$ 31,204	\$ 11,843	Write-down from previous as arm's length third party financing provided new valuation basis.
<u>Whitecap Resources Inc.</u>			
December 2009	\$ 400,000	\$ 490,000	Write-up from cost based on third party financing completed at higher value.

Notes:

1. Difference in this Prior Value versus the New Fair Value in the above line is due to a sale transaction.

6. 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 of December 31, 2009, the Fund did not hold any foreign currency other than Canadian Dollars.

As at December 31, 2008, had the Canadian dollar appreciated or depreciated by 5% in relation to the American dollar, net assets would have depreciated or appreciated by approximately \$8,969 as detailed in the table below.

Currency	Investments	Cash & Cash Equivalents	Total	Impact on the NAV	Impact as a % of the NAV
US dollars	\$ (179,385)	\$ -	\$ (179,385)	\$ 8,969	4.70%

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, 2009 and 2008, or at any time during the year then ended. The interest earned on cash balances is not significant so changes in interest rates would have little, if any, impact on the Fund's NAV at December 31, 2009.

Other Price Risk

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The 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, 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 \$231,207 or 1.42 percent higher or lower (2008 - \$7,613 or 0.20 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.

7. Fair value measurement

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendments to Section 3862. See Note 2 for a discussion of the Fund's policies regarding this hierarchy. The three levels of the hierarchy are:

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 is 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.

	Level 1	Level 2	Level 3	Total
Assets				
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
Total Assets	11,537,944	186,731	8,452,516	20,177,191
Liabilities				
Equities	(2,524,250)	-	-	\$ (2,524,250)
Index Units	(1,024,100)	-	-	(1,024,100)
Trust Units	(299,100)	-	-	(299,100)
Total Liabilities	(3,847,450)	-	-	\$ (3,847,450)
Total	\$ 7,690,494	\$ 186,731	\$ 8,452,516	\$ 16,329,741

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
Purchases	\$ 620,000	\$ 1,638,750
Sales	\$ (12,593)	\$ (100,863)
Gains (Losses)		
Realized	\$ (31,328)	\$ (234,832)
Unrealized	\$ 234,350	\$ 5,854,918
Balance at December 31, 2009	\$ 921,543	\$ 7,530,973

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

As at December 31, 2009 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS.

Based on the 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.

9. Filing Exemption

The Fund has elected to take a filing exemption available under section 2.11 of National Instrument 81-106. Under the terms of this exemption, the Fund is not required to file its financial statements with the Ontario Securities Commission.

Creststreet Opportunities Fund Inc.

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President and Chief Executive Officer

Donna E. Shea, C.A.

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Chief Financial Officer

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

Vice-President

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