



## Creststreet Energy Opportunities Fund

### 2009 > Interim Report

#### Message to Unitholders

The Creststreet Energy Opportunities Fund had a positive start to the year in 2009 posting a return of 17.4% for the first six months of the year.

#### **Market Overview**

For the first two plus 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 US banking system. This sentiment began to shift in March as across the globe national governments responded to such fears by implementing substantial fiscal stimulus packages and quantitative easing monetary policy leading 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, helping to lead to a substantial equity market rebound from March until June.

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

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

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

#### **Transfer of Assets to the Fund**

On May 27, 2009, the Creststreet 2007 Limited Partnership 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 Creststreet 2007 Limited Partnership distributed the Fund’s shares received to unitholders of the Partnership as a return of capital. The unitholder’s of the Creststreet 2007 Limited Partnership received 0.20786714666 shares of Creststreet Energy Opportunities Fund - Series 2009 shares for each unit held which 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

## Statements of Net Assets

<b>As at December 31</b>	<b>As at June 30,</b>	<b>As at December 31,</b>
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,639,876	\$ 3,081,926
Investments in securities at market value	13,669,509	986,030
Due from broker	767,850	185,017
Dividend receivable	7,191	-
Interest receivable	-	4,173
	<b>17,084,426</b>	<b>4,257,146</b>
<b>Liabilities</b>		
Securities sold short at market value	527,220	346,729
Due to broker	816,250	-
Accounts payable and accrued liabilities	95,107	96,700
	<b>1,438,577</b>	<b>443,429</b>
<b>Net assets - GAAP NAV (note 2)</b>	<b>\$ 15,645,849</b>	<b>\$ 3,813,717</b>
Net assets - GAAP NAV comprised of:		
- Series 2009	\$ 11,903,934	\$ -
- Series A	2,413,141	2,066,077
- Series F	1,328,774	1,747,640
<b>Total net assets</b>	<b>\$ 15,645,849</b>	<b>\$ 3,813,717</b>
Adjustment from bid market prices to last traded market prices		
- Series 2009	66,581	-
- Series A	13,497	77
- Series F	7,426	66
<b>Net assets - Pricing NAV (note 2)</b>	<b>\$ 15,733,353</b>	<b>\$ 3,813,860</b>
Net assets (pricing NAV) comprised of:		
- Series 2009	\$ 11,970,515	\$ -
- Series A	2,426,638	2,066,154
- Series F	1,336,200	1,747,706
<b>Total net assets</b>	<b>\$ 15,733,353</b>	<b>\$ 3,813,860</b>
<b>Units outstanding</b>		
- Series 2009	1,204,802	-
- Series A	244,235	244,229
- Series F	133,464	206,046
<b>Total units outstanding</b>	<b>1,582,501</b>	<b>450,275</b>
<b>NAV per Unit - GAAP NAV</b>		
- Series 2009	9.88	-
- Series A	9.88	8.46
- Series F	9.96	8.48
<b>NAV per Unit - Pricing NAV</b>		
- Series 2009	9.94	-
- Series A	9.94	8.46
- Series F	10.01	8.48

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 six months ended June 30 (unaudited)	2009	2008
<b>Investment Income</b>		
Dividend revenue	\$ 9,553	\$ 6,469
Interest revenue	6,234	5,990
Other income	-	3,088
	15,787	15,547
<b>Expenses</b>		
Performance fees (note 3)	-	508,128
Management fees (note 3)	61,834	47,934
Legal and filing fee	18,406	498
Operating expenses	37,856	8,715
Servicing fees	22,557	12,978
Audit fees	11,000	13,790
Interest and borrowing fees	4,193	10,590
Securityholder reporting costs	14,500	15,084
Dividends paid on securities sold short	3,256	8,190
	173,602	625,907
<b>Loss from investment operations</b>	<b>(157,815)</b>	<b>(610,360)</b>
Net realized gain (loss) on sale of investments	(335,662)	2,312,484
Change in unrealized appreciation of investments	1,502,222	1,128,495
Transaction costs (note 2)	(79,341)	(266,788)
<b>Net realized and unrealized gain on investments</b>	<b>1,087,219</b>	<b>3,174,191</b>
<b>Increase in net assets from operations</b>	<b>\$ 929,404</b>	<b>\$ 2,563,831</b>

### Increase in net assets from operations comprised of:

- Series I	\$ -	\$ 582,514
- Series II	-	92,148
- Series III	-	725,450
- Series IV	-	237,129
- Series VI	-	112,975
- Series IX	-	69,640
- Series X	-	54,224
- Series XI	-	10,018
- Series XII	-	37,831
- Series 911	-	641,902
- Series 2009	353,751	-
- Series A	346,389	-
- Series F	229,264	-
<b>Total net assets</b>	<b>\$ 929,404</b>	<b>\$ 2,563,831</b>

### Increase in net assets per unit from operations comprised of:

- Series I	\$ -	\$ 15.66
- Series II	-	15.06
- Series III	-	15.05
- Series IV	-	15.20
- Series VI	-	13.08
- Series IX	-	14.71
- Series X	-	15.69
- Series XI	-	19.34
- Series 911	-	24.33
- Series 2009	0.30	-
- Series A	1.42	-
- Series F	1.48	-

## Statements of Changes in Net Assets

	Series 2009		Series A	
	2009	2008	2009	2008
<b>Net assets at the beginning of period</b>	\$ -	\$ -	\$ 2,066,077	\$ -
<b>Operations</b>				
Increase in net assets from operations	353,751	-	346,389	-
<b>Capital transactions</b>				
Proceeds from the issue of shares	11,673,723	-	21,825	-
Redemptions	(123,540)	-	(21,150)	-
Issue costs	-	-	-	-
<b>Net assets at the end of period - GAAP NAV (note 2)</b>	\$ 11,903,934	\$ -	\$ 2,413,141	\$ -
Adjustment from bid market prices to last traded market prices	66,581	-	13,497	-
<b>Net assets per share - Pricing NAV (note 2)</b>	\$ 11,970,515	\$ -	\$ 2,426,638	\$ -

	Series F		Total	
	2009	2008	2009	2008
<b>Net assets at the beginning of period</b>	\$ 1,747,640	\$ -	\$ 3,813,717	\$ 4,703,121
<b>Operations</b>				
Increase in net assets from operations	229,264	-	929,404	2,563,831
<b>Capital transactions</b>				
Proceeds from the issue of shares	46,150	-	11,741,698	267,000
Redemptions	(694,280)	-	(838,970)	(308,756)
Issue costs	-	-	-	(4,670)
<b>Net assets at the end of period - GAAP NAV (note 2)</b>	\$ 1,328,774	\$ -	\$ 15,645,849	\$ 7,220,526
Adjustment from bid market prices to last traded market prices	7,426	-	87,504	64,091
<b>Net assets per share - Pricing NAV (note 2)</b>	\$ 1,336,200	\$ -	\$ 15,733,353	\$ 7,284,617

See accompanying notes to financial statements

## Statement of Investment Portfolio

As at June 30, 2009

Issuer	Number of Securities	Type of Security	Cost (Proceeds)	Fair Value
<b>Investment in securities held in long positions</b>				
Athabasca Oil Sands Corp.	366,305	Common shares	\$ 2,736,368	\$ 2,564,134
Verenex Energy Inc.	163,705	Common shares	1,449,174	982,230
RuggedCom Inc.	34,180	Common shares	875,363	923,202
Gran Tierra Energy Inc.	217,401	Common shares	677,547	878,300
Advantage Energy Income Fund	173,375	Common shares	846,739	849,538
Horizons Betapro S&P/TSX Capped Energy Bear Plus ETF	100,000	Index Units	880,119	824,000
Transglobe Energy Corp.	260,000	Common shares	781,800	800,800
Bankers Petroleum Ltd.	360,000	Common shares	732,045	705,600
Fairborne Energy Ltd.	160,000	Common shares	673,476	587,200
Athabasca Oil Sands Corp.	101,964	Warrants	1,249,058	586,293
Sabretooth Energy Ltd.	415,000	Subscription receipts	356,900	489,897
Crescent Point Energy Trust	13,150	Common shares	400,601	450,782
Corridor Resources Inc.	154,500	Common shares	318,859	409,425
Vero Energy Inc.	118,500	Common shares	434,000	381,570
TriStar Oil & Gas Ltd.	30,600	Common shares	332,712	335,681
Laricina Energy Ltd.	27,980	Common shares	539,200	307,780
Coastal Energy Co.	104,000	Common shares	315,386	280,800
Antrim Energy Inc.	372,000	Common shares	327,542	279,000
Epsilon Energy Ltd.	224,200	Common shares	230,501	273,524
Great Lakes Hydro Income Fund	15,000	Common shares	236,700	237,300
Xtreme Coil Drilling Corp.	45,000	Common shares	177,428	175,500
Serica Energy PLC	165,000	Common shares	209,033	171,600
TransAtlantic Petroleum Corp.	83,000	Common shares	168,872	163,510
Rodinia Oil Corp.	39,475	Class A common shares	24,412	11,843
Rodinia Oil Corp.	32,549	Warrants	-	-
			<u>14,973,835</u>	<u>13,669,509</u>
<b>Investment in securities held in short positions</b>				
Birchcliff Energy Ltd.	(87,000)	Common shares	<u>(563,046)</u>	<u>(527,220)</u>
Transaction costs			(24,758)	
<b>Investments at fair value</b>			<b>\$ 14,386,031</b>	<b>\$ 13,142,289</b>

See accompanying notes to financial statements

## Notes to Financial Statements

For the six months ended June 30, 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. All performance data for the Fund will be a continuation from the Partnership. Furthermore, the financial results of the Partnership have been presented as the comparative amounts for the financial year of 2009.

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 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 Creststreet 2007 Limited Partnership distributed the Fund's shares received to unitholders of the Partnership as a return of capital. The unitholder's of the Creststreet 2007 Limited Partnership received 0.20786714666 shares of Creststreet Energy Opportunities Fund - Series 2009 shares for each unit held which 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.” These new sections require enhanced disclosure and presentation of the nature and the extent of the risks arising from financial instruments. This standard impacted the Fund’s disclosures provided but does 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”. 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.

### **a. Cash and Cash Equivalents, and Other Monetary Balances**

The carrying values of cash and cash equivalents, due from and to broker, dividend receivable, interest receivable, and the accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

### **b. Valuation of Investments**

Securities held by the Fund that are listed on a recognized public securities exchange are valued at their closing bid price or the closing ask price for securities sold short. Securities that are not listed or traded on a public securities exchange or actively traded on an over-the-counter market will be valued by the Manager at the fair value thereof determined in such manner as the Manager may from time to time determine and pursuant to the Manager’s established pricing policies. Acquisition cost may be used as a fair value proxy, particularly if the acquisition date of the investment was within the current fiscal year. However, the Manager’s policy is to, where possible; use evidence of arm’s length third party transactions in determining fair value of unlisted securities. Any change in value is recorded in “Net change in unrealized appreciation/depreciation of investments” on the statements of operations.

Canadian GAAP requires that securities traded on a public exchange be valued at their last bid price for securities held long and the last ask price for securities sold short for calculating the net asset value (“NAV”) for financial reporting purposes (“GAAP NAV”). The NAV calculated for pricing purposes for purchases and redemptions continues to use last traded market prices (“Pricing NAV”). This will generally result in a difference between Pricing NAV and GAAP NAV which is presented on the Statement of Net Assets.

### **c. Broker Commissions**

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

### **d. 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.

### **e. 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. Related Party Transactions

The Investment Manager is entitled to receive a management fee equal to 2 percent per annum of the net asset value of the Partnership on the last business day of the month, calculated and payable monthly in arrears. For the six months ended June 30, 2009, the management fee amounted to \$61,834 (2008 – \$47,934).

The Investment 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 highwater mark (as defined in the Offering Memorandum) for that series, the Investment Manager will not be entitled to a performance fee in that month. For the six months ended June 30, 2009, the performance fee amounted to \$nil (2008 – \$508,128).

The Fund pays a service fee to the Investment Manager, who then remits the amounts to dealers as consideration for the dealers administering the Partnership's assets for clients. The service fee is calculated at a rate of 1 percent per annum of the Partnership's net asset value and is paid as soon as is practical after each calendar quarter based on the number of units held by dealers at the end of the relevant quarter. For the six months ended June 30, 2009, service fees amounted to \$22,557 (2008 – \$12,978).

### 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 valuation date.

Shares may be redeemed at their net asset value, at the close of business on the last business day of each month, provided that the request for redemption is received at least 15 business days prior to the valuation date. 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 2008 and six months ended June 30, 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>			
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.
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.
<b><u>Laricina Energy Ltd.</u></b>			
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.
<b><u>Rodinia Oil Corp.</u></b>			
October 2008	\$ 31,204	\$ 12,114	Write-down from previous as arm's length third party financing provided new valuation basis.
<b><u>Sabretooth Energy Ltd</u></b>			
June 2009	\$ 356,900	\$ 489,896	Represents the implied value of the subscription receipts based on the quoted price for the common shares and factoring in that the common shares include attached rights to buy additional common shares.

## 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 may give 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 June 30<sup>th</sup>, the fund did not hold any foreign currency or any foreign securities, hence was not exposed to any currency risk.

As at December 31, 2008, had the Canadian dollar appreciated or depreciated by 5% in relation to the foreign currency, net assets would have depreciated or appreciated by approximately \$8,969 (or 0.24%) as presented 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)	-0.24%

### **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 June 30, 2009, or at any time during the period. 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 June 30, 2009.

### **Other Price Risk**

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The 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 June 30, 2009 and December 31, 2008 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV of the Fund may have been \$361,569 (December 31, 2008: \$7,613) higher or lower (2.31%, December 31, 2008: 0.20%), respectively. This estimation is based on statistical tools that measure the relationships between each security in the Fund's portfolio and how their returns relate to the return of the overall equities markets. In reality, results could differ from this estimate and the difference could be material.

### ***Credit Risk***

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligations or commitments that it has entered into with the 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. Changeover to International Financial Reporting Standards ("IFRS")**

As at June 30, 2009 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that net assets attributable to shareholders or net asset value per share will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially different presentation of shareholder interests and certain other items.

## **8. Filing Exemption**

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

## Creststreet Opportunities Fund Inc.

### Board of Directors

**Robert J. Toole, C.A.**  
Director and President

**Donna E. Shea, C.A.**  
Director and Chief Financial Officer

**Stephen R. Martin, C.F.A.**  
Director and Vice-President

### Officers

**Robert J. Toole, C.A.**  
President and Chief Executive Officer

**Donna E. Shea, C.A.**  
Vice-President, Finance and Chief Financial Officer

**Stephen R. Martin, C.F.A.**  
Vice-President

**Sheryl Chiddenton**  
Secretary and Treasurer

### Prime Broker

Scotia Capital Inc.  
Toronto, Ontario

### Legal Counsel

McCarthy Tétrault LLP  
Toronto, Ontario

### Auditors

KPMG LLP  
Toronto, Ontario

### Toronto Office

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