



Creststreet Resource 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 RESOURCE 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 MUTUAL FUNDS LIMITED, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT WWW.CRESTSTREET.COM. SHAREHOLDERS MAY ALSO CONTACT CRESTSTREET USING ONE OF THESE METHODS TO REQUEST A COPY OF THE FUND'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

Results of Operations

Investment Performance

The Creststreet Resource Fund was launched in 2004 with an investment objective to invest primarily in a diversified portfolio of equity securities of natural resource companies involved in the production, exploration and development of natural resources. The primary investment strategies have historically focused on Energy related investments. With the expansion of the Creststreet portfolio management team, the strategies for the Creststreet Resource Fund were expanded in the month of June to include a more diversified portfolio of equity investments exposed to the broader natural resources sectors. The Fund uses a combination of top down macro analysis, bottom up and qualitative analysis to select the resource sub sectors and individual investments with the best risk adjusted potential.

The Creststreet Resource Fund appreciated by 41% for the year ending December 31, 2010 versus the S&P/TSX Capped Energy Index of 8.7% and the S&P TSX Materials Index appreciated by 35.8% for the year, aided by the performance of gold related equities, with the S&P TSX Global Gold Index appreciating by 25.9%. With the expanded investment strategies late in the first half of 2010 the benchmarks were also expanded to include a Custom Index which uses equal weighting of each of the S&P/TSX Capped Energy Index, the S&P/TSX Paper & Forest Products Index, the S&P/TSX Global Gold Index and the S&P/TSX Capped Materials Index. The Fund appreciated by 33.2% under the expanded investment strategy compared to the Custom Index appreciating 21.8%.

There was a significant increase in global equity market volatility during the latter part of the first half and while commodity prices were mixed, most were also subject to increased volatility. On the back of additional government stimulus globally and emerging market demand, the markets returned to a more positive trajectory with sentiment continuing to improve with markets finishing the year strongly. West Texas Intermediate ("WTI") light sweet crude oil closed the year up 15.1% while NYMEX natural gas prices suffered a more dramatic decline of 20% for year. In the Materials sectors, base metal prices ended the year significantly higher as the volatility during the summer months. The bellwether of the base metals, Copper, appreciated by 32.8% for the year while other base metals prices continued to be responsive to renewed demand globally. M&A activity in the second half of the year in the fertilizer & chemicals sectors inspired renewed interest in the equities while the underlying commodities continued to improve later in the year. Gold continued the positive trend with positive investor sentiment in response to economic uncertainty and currency market volatility with the price rising 29% for 2010.

Investor sentiment declined rapidly as fears of contagion from the European financial crisis and a US double dip recession rippled through the global banking system and equity markets during the summer months. In anticipation of the increased volatility, the Fund had a solid cash balance through early summer and held a number of broad short positions to reduce some of the short term volatility. As equity prices and valuations fell precipitously, the Fund opportunistically added to core positions. We initiated positions in a number of large & mid cap materials companies and also entered the fertilizer & chemicals sectors, predominately in large capitalization companies. The smaller cap positions we added to selectively throughout the second half of the year, most notably in select iron ore equities

towards the end of the year. As the price of Gold continued strong momentum through the end of the year, we opted to remain significantly underweight precious metal equities at year end and to await more opportunistic entry levels into the gold and precious metal equities during the seasonally weak periods we expect through early 2011. We re-iterate our Bullish stance over the midterm. We will use any shorter term volatility as an opportunity to add to core positions. Supply side disruptions & constraints, improved economic growth & demand globally coupled with attractive valuations and balance sheets sets the backdrop for solid returns through 2011.

Revenues and Expenses

The Fund earned dividend revenue of \$1,393,932 in 2010 compared to \$52,507 in 2009. This significantly large increase 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. Interest income declined significantly from \$53,565 in 2009 to \$3,170 in 2010 as the Fund held lower cash balances than in 2009 .

Management fees and service fees are driven by the Fund's average net asset value. The higher management fees of \$618,444 for the year ended December 31, 2010 compared to \$489,483 for the same period in 2009 and the higher service fees of \$145,280 in 2010 and compared to \$118,030 for the same period in 2009 are directly related to the increase in the net assets of the Fund. During the year the fee structure for Series B and F was amended to reduce the management fee from 2.0% to 1.5% and to introduce a performance fee. The impact of this change was not significant in 2010. The increase in other expenses from \$512,062 in 2009 to \$666,417 for 2010 is related to the higher net asset value and was in the normal course of the Fund's operations.

Investment Objectives and Strategies

The Fund's investment objectives are to provide for the long-term growth of capital and, to a lesser extent, the production of income through investment in equity securities of Canadian resource issuers.

To meet its objectives the Fund will invest primarily in a diversified portfolio of equity securities of natural resource companies involved in the production, development and/or exploration of energy related commodities, basic materials, precious metals and chemicals & fertilizers. The Fund employs a value-oriented, "bottom-up" approach to investing. This involves a detailed analysis of the strengths of individual investments with much less emphasis on short-term market factors. Importance is placed upon an assessment of a company's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential, and management ability.

Other Material Information

The Fund is one of three classes of shares of Creststreet Mutual Funds Limited. There are two other classes of shares: Creststreet Dividend & Income Fund (formerly Creststreet Managed Equity Index Fund), and Creststreet Alternative Energy Fund.

A key feature of the Fund is its role in providing liquidity to those who invest in Creststreet limited partnerships ("LPs"). Each year, Creststreet offers for sale a limited number of units in one or more LPs. The objective of the LPs is to invest in the flow-through securities of resource companies that engage in oil and gas, mining or renewable energy exploration and development in Canada. Investors in the LPs are entitled to claim certain deductions and credits for income tax purposes. An LP operates for slightly less than two years. On or about the third Friday of January in the second year following its establishment, the LP transfers all of its assets to the Fund and the LP is dissolved. The LP investors receive shares in the Fund in exchange for their LP units on a pro-rata basis on the date of the transfer.

The following table shows the dollar value of the assets that each LP has transferred to the Fund.

Date	Partnership	Net Assets Transferred	Ratio of Mutual Fund Shares Received
January 15, 2002	Creststreet 2000 Limited Partnership	\$7,286,890	0.728689
January 17, 2003	Creststreet 2001 Limited Partnership	\$15,312,298	0.738044
January 17, 2003	Creststreet 2001 (II) Limited Partnership	\$14,294,962	0.817004
January 23, 2004	Creststreet 2002 Limited Partnership	\$36,608,912	0.660476
January 21, 2005	Creststreet 2003 Limited Partnership	\$41,635,412	0.652611
January 21, 2005	Creststreet 2003 (II) Limited Partnership	\$25,510,837	0.557083
January 20, 2006	Creststreet 2004 Limited Partnership	\$63,593,587	0.584901
January 19, 2007	Creststreet 2005 Limited Partnership	\$30,175,192	0.761377
January 18, 2008	Creststreet 2006 Limited Partnership	\$15,524,619	0.490004
January 18, 2008	Creststreet 2006 (II) Limited Partnership	\$22,889,403	0.722459
May 28, 2010	Creststreet 2008 Limited Partnership	\$5,907,772	2.524966
May 28, 2010	Creststreet 2009 Limited Partnership	\$3,036,252	0.961274

The Manager of the Fund may disallow redemptions and switches to other classes of Creststreet Mutual Funds Limited up to the end of May in the year of transfer. This allows the Fund to generate liquidity to fund redemptions by strategically exiting investments over a reasonable period of time. The Fund has obtained a standing exemption from the securities regulators in each province allowing restrictions on the redemption and switches of shares issued to LP investors on the transfer of assets.

Risk

The Fund's objective is to provide stable, long-term growth of capital while conservatively managing value at risk. The Fund invests primarily in the equity securities of Canadian resource issuers and investors are exposed to the risks and rewards of the Canadian resource sector. A more detailed discussion of the Fund's risk exposures can be found in the Fund's prospectus and in the notes of the 2010 annual financial statements.

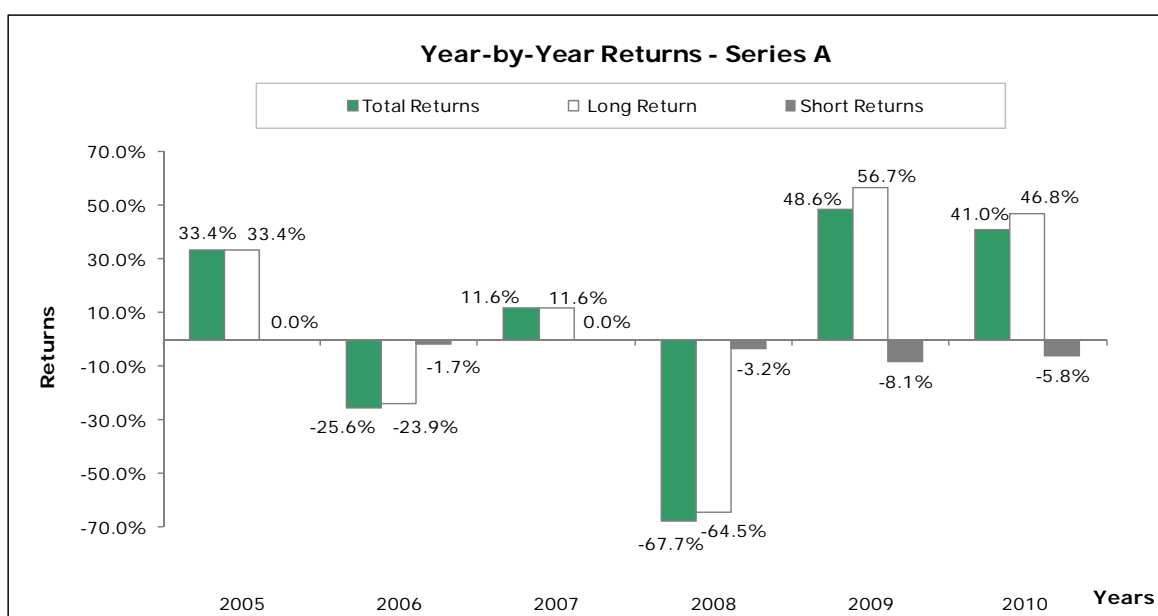
Past Performance

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.

Year-by-Year Returns

The following bar chart shows the Fund's annual returns from 2005 to 2010. The Fund was not a reporting issuer prior to 2005. 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.

There are four Series of this Fund as of December 31, 2010. Series A became a reporting issuer on December 31, 2004 and its performance data is presented below. The performance data for Series B, Series 2010 and Series F have not been presented as these series commenced operations on June 18, 2010, May 28, 2010 and September 10, 2010 respectively and have not been in operation for a full financial fiscal year.



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 Series A is comprehensive of all fees and expenses.

Annual Compound Returns

The following table shows the Series A's historical annual compound total returns for the periods indicated, compared with the S&P/TSX CDN Energy Index and the S&P/TSX Composite Index.

	Creststreet Resource Fund - Series A	S&P/TSX Composite Index	S&P/TSX CDN Capped Energy Index
1 Year	41.0%	14.5%	8.7%
3 Years	-12.2%	-0.9%	-2.6%
5 Years	-10.9%	3.6%	0.2%
Since Inception *	-4.7%	6.4%	8.3%

*The inception date of the Series A is December 31, 2004

About the Indices and Fund Performance

The S&P/TSX Composite Index, which appreciated by 14.5% for the year, covers approximately 95% of the Canadian-based Toronto Stock Exchange-listed companies and is designed to track the performance of the Canadian equities market as a whole. The S&P/TSX Capped Energy Index (the "Energy Index") appreciated by 8.7% during 2010. The Creststreet Resource Fund returned 41% during the period.

In early June, the Funds investment strategies were updated to include the broader natural resource sectors. A custom index has been created to better track the Funds more diversified relative performance. The custom index is an equal weighting of each of the S&P/TSX Capped Energy Index, S&P/TSX Paper & Forest Products Index, S&P/TSX Global Gold Index and the S&P/TSX Capped Materials Index. They are comprised of shares of companies involved in exploration, development and/or production of energy, paper & forest products, gold & precious metals, basic materials and chemicals and fertilizer companies. The custom index has been designed to track the performance of the broader resource sub sectors. Since May, the custom index returned 21.8%.

Additional Notes on Performance

The following table illustrates the returns for 2010 broken down to show the performance of the Series A during each period before and after the revision of the blended benchmark.

	Creststreet Resource Fund - Series A	S&P/TSX Composite Index	S&P/TSX CDN Capped Energy Index	Custom Blended Benchmark *
Jan - May 2010	5.9%	0.2%	-3.9%	n/a
Jun - Dec 2010	33.2%	14.3%	13.0%	21.8%

* The Custom Blended Benchmark is an equal weighting of the S&P/TSX Capped Energy Index, S&P/TSX Paper & Forest Products Index, S&P/TSX Global Gold Index and the S&P/TSX Capped Materials Index.

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 past five years. This information is derived from the Fund's annual financial statements.

The Fund's Net Asset Value (NAV) per Share

SERIES A	2010	2009	2008	2007	2006
Net assets, beginning of period⁽¹⁾	\$ 3.57	\$ 2.42	\$ 8.30	\$ 7.89	\$ 22.09
Increase (decrease) from operations:					
Total revenue	0.23	0.01	0.03	0.10	0.11
Total expenses	(0.20)	(0.14)	(0.29)	(0.28)	(0.45)
Realized gains (losses) on investments	1.60	(0.14)	(2.41)	0.22	(0.87)
Unrealized gains (losses) on investments	(0.13)	1.46	(1.30)	1.14	(3.35)
Transaction costs	(0.11)	(0.06)	(0.30)	(0.25)	-
Total increase (decrease) from operations⁽²⁾	\$ 1.39	\$ 1.13	\$ (4.27)	\$ 0.92	\$ (4.76)
Distributions:					
From capital gains	-	-	(0.92)	(0.38)	(8.91)
Total annual distributions⁽³⁾	-	-	(0.92)	(0.38)	(8.91)
Net assets, end of period⁽⁴⁾	\$ 5.04	\$ 3.57	\$ 2.42	\$ 8.30	\$ 7.96

SERIES B	2010
Net Assets, beginning of period⁽¹⁾	\$ 3.83
Increase (decrease) from operations:	
Total revenue	0.01
Total expenses	(0.13)
Realized gains (losses) on investments	0.65
Unrealized gains (losses) on investments	1.33
Transaction costs	(0.12)
Total increase (decrease) from operations⁽²⁾	\$ 1.74
Net Assets, end of period⁽⁴⁾	\$ 5.02

The Fund's Net Asset Value (NAV) per Share (continued):

SERIES F	2010
Net Assets, beginning of period⁽¹⁾	\$ 4.22
Increase (decrease) from operations:	
Total revenue	0.01
Total expenses	(0.06)
Realized gains (losses) on investments	0.41
Unrealized gains (losses) on investments	0.64
Transaction costs	(0.12)
Total increase (decrease) from operations⁽²⁾	\$ 0.88

Net Assets, end of period⁽⁴⁾	\$ 5.05
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SERIES 2010	2010
Net assets, beginning of period⁽¹⁾	\$ 3.77
Increase (decrease) from operations:	
Total revenue	0.01
Total expenses	(0.12)
Realized gains (losses) on investments	0.69
Unrealized gains (losses) on investments	0.67
Transaction costs	(0.11)
Total increase (decrease) from operations⁽²⁾	\$ 1.14

Net assets, end of period⁽⁴⁾	\$ 5.04
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(1) This information is derived from the Fund's annual financial statements. Series A became a reporting issuer on December 31, 2004. The inception date of Series B, Series 2010 and Series F were June 18, 2010, May 28, 2010 and September 10, 2010 respectively. The inception NAV of these series was \$3.8338 per share, \$3.7691 per share and \$4.2166 per share respectively.

(2) Net asset value and distributions are 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) Distributions were paid in cash or reinvested in additional shares.

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

Ratios and Supplemental Data

SERIES A	2010	2009	2008	2007	2006
Total Net asset (GAAP NAV) (\$) (000's) ⁽¹⁾	26,058	24,996	21,944	64,959	49,298
Number of units outstanding ⁽¹⁾	5,166,598	6,992,655	9,065,836	7,826,048	6,195,275
Management expense ratio(MER) ⁽²⁾					
Expenses	4.99%	4.18%	4.03%	3.84%	3.44%
Performance fee	-	-	-	-	-
Total MER	4.99%	4.18%	4.03%	3.84%	3.44%
Trading expense ratio ⁽³⁾	2.69%	2.07%	4.16%	3.35%	1.17%
Portfolio turnover rate ⁽⁴⁾	537.48%	581.99%	754.82%	640.19%	185.94%
Net asset value per share (Pricing NAV) (\$)	5.08	3.60	2.42	8.39	7.96

Ratios and Supplemental Data (continued)

SERIES B	2010
Total Net assets (GAAP NAV) (\$) (000's)(1)	1,345
Number of shares outstanding (1)	267,900
Management expense ratio(MER) ⁽²⁾	
Expenses	5.47%
Performance fee	0.16%
Total MER	5.63%
Trading expense ratio ⁽³⁾	2.69%
Portfolio turnover rate ⁽⁴⁾	537.48%
Net asset value per share (Pricing NAV) (\$)	5.05

SERIES F	2010
Total Net assets (GAAP NAV) (\$) (000's)(1)	358
Number of shares outstanding (1)	70,872
Management expense ratio(MER) ⁽²⁾	
Expenses	4.40%
Performance fee	0.33%
Total MER	4.73%
Trading expense ratio ⁽³⁾	2.69%
Portfolio turnover rate ⁽⁴⁾	537.48%
Net asset value per share (Pricing NAV) (\$)	5.09

SERIES 2010	2010
Total Net assets (GAAP NAV) (\$) (000's) ⁽¹⁾	6,584
Number of shares outstanding (1)	1,305,936
Management expense ratio(MER) ⁽²⁾	
Expenses	4.74%
Performance fee	-
Total MER	4.74%
Trading expense ratio ⁽³⁾	2.69%
Portfolio turnover rate ⁽⁴⁾	537.48%
Net asset value per share (Pricing NAV) (\$)	5.07

(1) This information is provided as at December 31 for the years shown.

(2) The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% 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.

Recent Developments

Limited Partnership Rollover

On May 28, 2010, the Fund acquired all the assets of Creststreet 2008 Limited Partnership and Creststreet 2009 Limited Partnership in exchange for 1,567,416 and 805,561 Series 2010 shares of the Fund respectively.

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 Mutual Funds Limited (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. The Fund also pays 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 Series B and Series F units in each quarter. The performance fee is paid within 15 days to manager in respect of the previous fiscal quarter if the percentage gain in the NAV per share of the applicable series of the Fund over the preceding fiscal quarter or quarters since a Fund performance fee for such series was last payable, exceeds the percentage gain or loss of the benchmark, over the same period, and provided that the NAV per share of the applicable series of the Fund (including distributions) is greater than all previous values of the series at the end of each previous fiscal quarter in which a Resource Fund Performance Fee was paid. The performance fee is equal to this excess return per share multiplied by the number of shares of the relevant series outstanding at the end of the quarter, multiplied by 20%.

Independent Review Committee

In accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds, the Corporation has appointed an Independent Review Committee ("IRC") with a mandate to provide impartial recommendation or judgement on conflict of interest matters with regard to the operations of the Fund and its respective portfolio. The IRC is composed of three members, all of whom are independent of the Corporation and its affiliates. The compensation and other reasonable expenses of the IRC is paid pro-rata amongst the investment funds for which the IRC has been appointed as the independent review committee, based on assets of each investment fund at the time the expenses are paid, and is paid as an expense of the Fund.

The Corporation received the following approvals and standing instructions from the IRC for the year ending December 31, 2010:

1. Expense Allocation
2. Fee Allocation
3. Start-up/Organizational Expenses
4. Standards of Fairness
5. Trade Errors and Trade Modifications
6. Trade Management and Best Execution
7. Investment Suitability
8. Proxy Voting
9. Fundamental Changes to a Fund
10. Amending the Constating and/or Offering Documents of a Fund
11. Access Person Trading
12. Rollover of Limited Partnership to Mutual Fund

In each case, the standing instructions require the Corporation to comply with its related policies and procedures and to report periodically to the IRC.

IRC is required to issue an annual report detailing its activities for the year, which is available to the shareholders on the website at www.creststreet.com or at their request and at no cost by calling toll-free 1.866.864.6330.

Management Fees

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 for Series A and Series 2010, and 1.5 percent for Series B and Series F, calculated and payable monthly in arrears. HST is paid on all management fees.

The Fund also pays dealers a service fee as consideration for administering the Fund's assets held by those dealers. The service fee is calculated as a percentage of the net asset value each dealer administers and is based on the closing balance of client accounts at the end of each calendar month. Series A and Series 2010 of the Fund pay service fees on a quarterly basis at a rate of 0.5% per annum of the respective Series' net asset values. Series B pays service fees of 1.0% per annum of its Series net asset value on a quarterly basis. The Fund as a whole paid the following amounts to the Manager for the years ended December 31, 2010 and 2009 are:

	2010		2009	
Management Fees	618,444	81.0%	489,843	80.6%
Service Fees Paid to Dealers	<u>145,280</u>	<u>19.0%</u>	<u>118,030</u>	<u>19.4%</u>
	<u>\$ 763,724</u>	<u>100.0%</u>	<u>\$ 607,873</u>	<u>100.0%</u>

Summary of Investment Portfolio

As at December 31, 2010

Sector Mix	% of net assets
Metals & Mining	44.0%
Energy	33.3%
Fertilizer & Chemicals	14.9%
Other	7.7%
Total Investments	99.9%

Cash and cash equivalents	0.0%
Other net assets	0.1%
	100.0%

Top 25 Positions	% of net assets
Tourmaline Oil Corp	5.8%
Migao Corporation	5.1%
Sherritt International Corp.	4.9%
Arcan Resources Ltd	4.5%
Athabasca Oil Sands Corp.	4.4%
Orleans Energy Ltd.	4.3%
Harry Winston Diamond Corp	4.2%
Hanfeng Evergreen Inc	3.9%
First Nickel Inc	3.7%
Seaview Energy Inc. Class A	3.4%
Strategic Oil & Gas Ltd.	3.4%
Viterra Inc.	3.4%
Timmins Gold Corp.	3.1%
S&P/TSX Global Base Metals™ Bear Plus ETF	2.8%
Champion Minerals Inc	2.7%
S&P/TSX Global Gold™ Bear Plus ETF	2.7%
Vero Energy Inc.	2.5%
Sandstorm Metlas Energy Ltd	2.2%
Selwyn Resources Ltd.	2.0%
Breakwater Resources Ltd	1.9%
Fairborne Energy Ltd.	1.8%
Karnalyte Resources Inc.	1.7%
Castle Resources Inc.	1.7%
Platinum Group Metals Ltd	1.5%
Denison Mines Corporation	1.4%
Total Net Asset Value	\$ 34,345,017

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio update is available to the investor at no cost by calling 1-866-864-6330, by writing to Creststreet Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting the website at www.creststreet.com.

Management's Responsibility for Financial Reporting

These financial statements form the basis for all of the financial information that appears in this annual report. The financial statements and all of the information in this annual report are the responsibility of the management of Creststreet Mutual Funds Limited and have been reviewed and approved by its board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities.

Management has prepared the financial statements according to Canadian generally accepted accounting principles ("GAAP"). Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present the entity's financial position, results of operations and changes in net assets. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

KPMG LLP, the shareholders' external auditors, has audited the financial statements in accordance with Canadian generally accepted auditing standards and their report follows. KPMG LLP has free and full access to the board's audit committee.



Robert J. Toole
President
Chief Executive Officer
Creststreet Mutual Funds Limited



Donna Shea
Senior Vice-President, Finance
Chief Financial Officer
Creststreet Mutual Funds Limited

March 9, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Creststreet Resource Fund

We have audited the accompanying financial statements of Creststreet Resource Fund (a class of shares of Creststreet Mutual Funds Limited), 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 Resource 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", extending across the width of the signature.

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

Statements of Net Assets

As at December 31	2010		2009	
Assets				
Investments at at market value	\$	34,319,268	\$	20,718,499
Cash and cash equivalents		-		7,635,286
Due from broker		613,532		-
Dividends receivable		10,975		10,200
Other accounts receivable		32,840		32,841
Refundable Taxes (note 5)		458,931		-
		35,435,546		28,396,826
Liabilities				
Securities sold short at market value		-		2,870,500
Accounts payable and accrued liabilities		360,615		258,088
Redemptions payable		270,983		272,269
Income tax payable (note 5)		458,931		-
		1,090,529		3,400,857
Net assets - GAAP NAV (note 2)	\$	34,345,017	\$	24,995,969
Adjustment from bid market prices to last traded market prices		222,182		173,113
Net asset value - Pricing NAV (note 2)	\$	34,567,199	\$	25,169,082
Series A				
Net assets- GAAP NAV (note 2)	\$	26,057,564	\$	24,995,969
Adjustment from bid market prices to last traded market prices		168,567		173,113
Net asset value - Pricing NAV (note 2)	\$	26,226,131	\$	25,169,082
Shares outstanding		5,166,598		6,992,655
Net assets per share - GAAP NAV (note 2)	\$	5.04	\$	3.57
Adjustment from bid market prices to last traded market prices		0.04		0.03
Net asset value per share - Pricing NAV (note 2)	\$	5.08	\$	3.60
Series B				
Net assets- GAAP NAV (note 2)	\$	1,345,444	\$	-
Adjustment from bid market prices to last traded market prices		8,707		-
Net asset value - Pricing NAV (note 2)	\$	1,354,151	\$	-
Shares outstanding		267,900		-
Net assets per share - GAAP NAV (note 2)	\$	5.02	\$	-
Adjustment from bid market prices to last traded market prices		0.03		-
Net asset value per share - Pricing NAV (note 2)	\$	5.05	\$	-

Statements of Net Assets (continued)

Series F

Net assets - GAAP NAV (note 2)	\$	358,210	\$	-
Adjustment from bid market prices to last traded market prices		2,317		-
Net asset value - Pricing NAV (note 2)	\$	360,527	\$	-
Shares outstanding		70,872		-
Net assets per share - GAAP NAV (note 2)	\$	5.05	\$	-
Adjustment from bid market prices to last traded market prices		0.04		-
Net asset value per share - Pricing NAV (note 2)	\$	5.09	\$	-

Series 2010

Net assets - GAAP NAV (note 2)	\$	6,583,799	\$	-
Adjustment from bid market prices to last traded market prices		42,591		-
Net asset value - Pricing NAV (note 2)	\$	6,626,390	\$	-
Shares outstanding		1,305,936		-
Net assets per share - GAAP NAV (note 2)	\$	5.04	\$	-
Adjustment from bid market prices to last traded market prices		0.03		-
Net asset value per share - Pricing NAV (note 2)	\$	5.07	\$	-

See accompanying notes to financial statements

Approved by Creststreet Mutual Funds Limited



Robert J. Toole
Director



Stuart P. Hensman
Director

Statements of Operations

For the years ended December 31	2010	2009
Investment Income		
Dividend revenue	\$ 1,393,932	\$ 52,507
Interest revenue	3,170	53,565
	<u>1,397,102</u>	<u>106,072</u>
Expenses		
Management fees (note 3)	618,444	489,843
Performance fees (note 3)	610	-
Operating expenses	391,288	355,050
Servicing fees	145,280	118,030
Audit fees	69,017	47,250
Legal and filing fees	102,319	37,970
Dividends paid short	7,678	26,413
Custodial fees	1,665	19,916
Capital tax	23,130	-
Securityholder reporting costs	28,870	980
Independent Review Committee fees	41,840	24,483
	<u>1,430,141</u>	<u>1,119,935</u>
Loss from investment operations	(33,039)	(1,013,863)
Net realized gain (loss) on sale of investments	10,950,623	(1,112,378)
Change in unrealized appreciation of investments	535,080	11,736,170
Transaction costs (note 2)	(864,084)	(483,184)
Net realized and unrealized gain on investments	10,621,619	10,140,608
Increase in net assets from operations	\$ 10,588,580	\$ 9,126,745
<hr/>		
Increase in net assets from operations, Series A	\$ 8,432,745	\$ 9,126,745
Increase in net assets from operations per share, Series A	<u>1.39</u>	<u>1.13</u>
<hr/>		
Increase in net assets from operations, Series B	\$ 180,190	-
Increase in net assets from operations per share, Series B	<u>1.74</u>	<u>-</u>

Statements of Operations (continued)

Increase in net assets from operations, Series F	\$	51,281	\$	-
Increase in net assets from operations per share, Series F		0.88		-
<hr/>				
Increase in net assets from operations, Series 2010	\$	1,924,364	\$	-
Increase in net assets from operations per unit, Series 2010		1.14		-
<hr/>				

See accompanying notes to financial statements

Statements of Changes in Net Assets

For the years ended December 31	2010	2009
Net assets at the beginning of period	\$ 24,995,969	\$ 21,943,734
Increase in net assets from operations	10,588,580	9,126,745
Share Capital transactions		
Proceeds from the issue of shares	11,269,498	208,746
Amounts paid on redemption of shares	(12,509,030)	(6,283,256)
Net assets at the end of period - GAAP NAV (note 2)	\$ 34,345,017	\$ 24,995,969
Adjustment from bid market prices to last traded market prices	222,182	173,113
Net asset value at the end of period - Pricing NAV (note 2)	\$ 34,567,199	\$ 25,169,082

Series A

Net assets at the beginning of period, Series A	\$ 24,995,969	\$ 21,943,734
Increase in net assets from operations, Series 2010	8,432,745	9,126,745
Capital transactions		
Proceeds from the issue of shares	853,289	208,746
Amounts paid on redemption of shares	(8,224,439)	(6,283,256)
Net assets at the end of period - GAAP NAV, Series A (note 2)	\$ 26,057,564	\$ 24,995,969
Adjustment from bid market prices to last traded market prices	168,567	173,113
Net asset value at the end of period - Pricing NAV, Series A (note 2)	\$ 26,226,131	\$ 25,169,082

Series B

Net assets at the beginning of period, Series B	\$ -	-
Increase in net assets from operations, Series B	180,190	-
Capital transactions		
Proceeds from the issue of shares	1,165,254	-
Amounts paid on redemption of shares	-	-
Net assets at the end of period - GAAP NAV, Series B (note 2)	\$ 1,345,444	-
Adjustment from bid market prices to last traded market prices	8,707	-
Net asset value at the end of period - Pricing NAV, Series B (note 2)	1,354,151	-

Statements of Net Changes (continued)

Series F

Net assets at the beginning of the period, Series F	\$	-	-
Increase in net assets from operations, Series F		51,281	
Capital transactions			
Proceeds from the issue of shares		306,929	-
Amounts paid on redemption of shares		-	-
Net assets at the end of period - GAAP NAV, Series F (note 2)	\$	358,210	-
Adjustment from bid market prices to last traded market prices		2,317	-
Net asset value at the end of period - Pricing NAV, Series F (note 2)		360,527	-

Series 2010

Net assets at the beginning of period, Series 2010	\$	-	-
Increase in net assets from operations, Series 2010		1,924,364	
Capital transactions			
Proceeds from the issue of shares		8,944,026	-
Amounts paid on redemption of shares		(4,284,591)	-
Net assets at the end of period - GAAP NAV, Series 2010 (note 2)	\$	6,583,799	-
Adjustment from bid market prices to last traded market prices		42,591	-
Net asset value at the end of period - Pricing NAV, Series 2010 (note 2)	\$	6,626,390	-

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
Tourmaline Oil Corp.	90,999	Common shares	\$ 1,637,982	\$ 1,979,228
Migao Corp.	225,000	Common shares	1,499,010	1,746,000
Sherritt International Corp.	200,000	Common shares	1,423,666	1,688,000
Arcan Resources Ltd.	275,000	Common shares	1,314,042	1,559,250
Athabasca Oil Sands Corp.	100,000	Common shares	478,526	1,500,000
Orleans Energy Ltd.	600,000	Common shares	1,580,241	1,488,000
Harry Winston Diamond Corp.	125,000	Common shares	1,655,420	1,446,250
Hanfeng Evergreen Inc.	225,000	Common shares	1,181,796	1,338,750
Seaview Energy Inc.	1,000,000	Class A common shares	1,090,329	1,170,000
Strategic Oil & Gas Ltd.	1,000,000	Common shares	939,270	1,170,000
Viterra Inc.	125,000	Common shares	1,142,362	1,160,000
Timmins Gold Corp.	400,000	Common shares	762,190	1,068,000
First Nickel Inc.	7,492,000	Common shares	899,040	1,011,420
Horizons BetaPro S&P/TSX Global Base Metals Bear Plus ETF	200,000	Index Funds	1,989,927	974,000
Champion Minerals Inc.	400,000	Common shares	457,631	936,000
Horizons BetaPro S&P/TSX Global Gold Bear Plus ETF	100,000	Index Funds	1,102,118	911,000
Vero Energy Inc.	150,000	Common shares	988,975	859,500
Selwyn Resources Ltd.	3,000,000	Common shares	540,000	720,000
Breakwater Resources Ltd.	100,000	Common shares	642,429	644,000
Fairborne Energy Ltd.	150,000	Common shares	631,871	633,000
Karnalyte Resources Inc.	70,000	Common shares	602,000	581,700
Sandstorm Metals & Energy Ltd.	500,000	Private Placements	225,000	575,000
Platinum Group Metals Ltd.	200,000	Common shares	417,845	532,000
Denison Mines Corp.	150,000	Common shares	367,500	510,000
Almaden Minerals Ltd.	100,000	Private Placements	250,000	470,000
Magma Metals Ltd.	840,000	Common shares	460,642	462,000
Castle Resources Inc.	1,000,000	Private Placements	320,000	460,000
Capstone Mining Corp.	100,000	Common shares	433,500	449,000
Adriana Resources Inc.	415,000	Common shares	252,951	431,600
Canada Fluorspar Inc.	750,000	Private Placements	375,000	420,000
Mirabela Nickel Ltd.	150,000	Common shares	256,680	351,000
Reliable Energy Ltd.	1,000,000	Common shares	300,000	335,000
Balmoral Resources Ltd.	250,000	Private Placements	150,000	320,000
Roca Mines Inc.	1,000,000	Private Placements	250,000	280,000
Superior Plus Corp.	25,000	Common shares	283,233	277,000
Beaufield Resources Inc.	590,000	Common shares	264,871	250,750
Coalhunter Mining Corp.	500,000	Private Placements	250,000	250,000
First Nickel Inc.	3,746,000	Warrants	-	247,315
GMV Minerals Inc.	500,000	Warrants	-	246,390
Zenyatta Ventures Ltd.	416,700	Common shares	250,020	245,852
Bernum Petroleum Ltd.	225,000	Common shares	225,000	225,000
GMV Minerals Inc.	341,500	Common shares	51,225	218,560
Alexis Minerals Corp.	1,000,000	Common shares	150,000	205,000
Globex Mining Enterprises Inc.	100,000	Private Placements	250,000	205,000

Statement of Investment Portfolio (Continued)

Issuer	Number of Securities	Type of Security	Cost	Fair Value
Roca Mines Inc.	700,000	Common shares	197,790	196,000
West Kirkland Mining Inc.	125,000	Common shares	145,325	191,250
Huron Energy Corp.	95,000	Common shares	190,000	190,000
Sandstorm Metals & Energy Ltd.	250,000	Warrants	-	177,056
Sure Energy Inc.	100,000	Common shares	94,000	172,000
Base Oil & Gas Ltd.	670,000	Common shares	154,100	147,400
Donner Metals Ltd.	500,000	Common shares	134,100	135,000
Mirabela Nickel Ltd.	50,000	Private Placements	76,000	117,000
Castle Resources Inc.	500,000	Warrants	-	113,568
Sage Gold Inc.	500,000	Common shares	101,250	100,000
Balmoral Resources Ltd.	125,000	Warrants	-	81,326
Canada Fluorspar Inc.	375,000	Warrants	-	76,068
Roca Mines Inc.	500,000	Warrants	-	33,668
Alexis Minerals Corp.	500,000	Warrants	-	32,962
DualEx Energy International Inc.	300,000	Warrants	-	5,405
			29,434,857	34,319,268
Transaction Costs (note 2)			(84,515)	
Total investments			\$ 29,350,342	\$ 34,319,268

See accompanying notes to financial statements

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

1. Creststreet Mutual Funds Limited

Creststreet Resource Fund (the "Fund"), along with Creststreet Dividend & Income Fund (formerly Creststreet Managed Equity Index Fund), and Creststreet Alternative Energy Fund (together the "Funds") are share classes of Creststreet Mutual Funds Limited (the "Corporation"). The Corporation was formed under the Canada Business Corporations Act (the "CBCA") by articles of incorporation (the "Articles") dated October 13, 1999, as amended by articles of amendment dated July 18, 2000, May 16, 2001, December 11, 2001, January 11, 2002, December 5, 2002, May 15, 2003, April 26, 2004, September 2, 2004, December 22, 2004, March 29, 2005, February 29, 2006, January 29, 2007 and October 24, 2007, January 18, 2008, February 26, 2008, January 29, 2009 and November 6, 2009. In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at December 31, 2010 and December 31, 2009, its investments held at December 31, 2010, and the results of operations and the changes in net assets for the years ended December 31, 2010 and 2009, and do not contain the financial statements of the Corporation. As the Funds are part of the Corporation, the Corporation as a whole is liable for the expenses and obligations of each of the Funds. There exists the possibility that the Fund could be liable for an expense or obligation of another of the Funds; however, the Manager is diligent to ensure that such a liability will not occur.

Creststreet Asset Management Limited (the "Manager") is the Manager of the Fund.

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.

To date the following 12 partnerships have rolled their investment portfolios into the Resource Fund:

Date	Partnership	Net Assets Transferred	Ratio of Mutual Fund Shares Received
January 15, 2002	Creststreet 2000 Limited Partnership	\$7,286,890	0.728689
January 17, 2003	Creststreet 2001 Limited Partnership	\$15,312,298	0.738044
January 17, 2003	Creststreet 2001 (II) Limited Partnership	\$14,294,962	0.817004
January 23, 2004	Creststreet 2002 Limited Partnership	\$36,608,912	0.660476
January 21, 2005	Creststreet 2003 Limited Partnership	\$41,635,412	0.652611
January 21, 2005	Creststreet 2003 (II) Limited Partnership	\$25,510,837	0.557083
January 20, 2006	Creststreet 2004 Limited Partnership	\$63,593,587	0.584901
January 19, 2007	Creststreet 2005 Limited Partnership	\$30,175,192	0.761377
January 18, 2008	Creststreet 2006 Limited Partnership	\$15,524,619	0.490004
January 18, 2008	Creststreet 2006 (II) Limited Partnership	\$22,889,403	0.722459
May 28, 2010	Creststreet 2008 Limited Partnership	\$5,907,772	2.524966
May 28, 2010	Creststreet 2009 Limited Partnership	\$3,036,252	0.961274

Upon the above transfers, the partnerships were dissolved at which time the net assets were allocated 99.99 percent to the limited partners and 0.01 percent to the respective general partners.

Creststreet 2007 Limited Partnership ("2007 LP") was expected to transfer its assets to the Fund on or about January 23, 2009, however, the 2007 LP was not permitted to transfer its assets to the Fund since the total private securities held after the transfer would be in excess of 10% of the net assets of the Fund which is not allowed under applicable securities legislation. The 2007 LP proposed an alternative liquidity transaction to its unit holders whereby the Partnership would transfer substantially all of the public securities component of its portfolio, along with cash and certain private securities, to Creststreet Energy Opportunities Fund ("CEOF") in exchange for shares of CEOF of equal value. This transfer was completed on May 27, 2009. On May 31, 2010 the remaining assets in 2007 LP were transferred to CEOF.

On May 28, 2010, the Fund acquired all the assets of Creststreet 2008 Limited Partnership and Creststreet 2009 Limited Partnership in exchange for 1,567,416 and 805,561 Series 2010 shares of the Fund respectively.

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 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 by the 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 daily price for purchases and redemptions of shares (“Pricing NAV” or “Net Asset Value”) is, however, not affected by the Section 3855 accounting policy change, as permitted by 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 comprises of cash on deposit. 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 and other accounts receivable are designated as loans and receivable and are recorded at cost or amortized cost. Similarly, redemption payable 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 and expense 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 record 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 certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and 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 Fees and Performance Fees

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 for Series A and Series 2010, and 1.5 percent for Series B and Series F, calculated and payable monthly in arrears. For the year ended December 31, 2010 the management fee amounted to \$618,444 (2009 - \$489,843). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

The Manager is also entitled to receive a performance fee equal to 20 percent of the increase in the net asset value of Series B and Series F units in each quarter. The performance fee is paid within 15 days to manager in respect of the previous fiscal quarter if the percentage gain in the NAV per share of the applicable series of the Fund over the preceding fiscal quarter or quarters since a Fund performance fee for such series was last payable, exceeds the percentage gain or loss of the benchmark, over the same period, and provided that the NAV per share of the applicable series of the Fund (including distributions) is greater than all previous values of the series at the end of each previous fiscal quarter in which a Resource Fund Performance Fee was paid. The performance fee is equal to this excess return per share multiplied by the number of shares of the relevant series outstanding at the end of the quarter, multiplied by 20%. The performance fee expensed as at December 31, 2010 was \$610 (2009 - \$nil).

4. Dividends Paid to Shareholders

As of December 31, 2010 and 2009, the Fund did not declare a capital gain dividend and hence there was no reinvestment into the Fund.

5. Income Taxes

Part IV tax in the amount of \$458,931 (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
<u>Athabasca Oil Sands Corp.</u>			
January, 2009	\$ 2,075,000	\$ 2,740,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
March, 2009	\$ 1,750,000 ⁽¹⁾	\$ 2,000,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
May, 2009	\$ 1,000,000 ⁽¹⁾	\$ 1,750,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
May, 2009	\$ 1,750,000	\$ 1,875,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
May, 2009	\$ 1,875,000	\$ 2,250,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
June, 2009	\$ 2,250,000	\$ 2,875,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
July 2009	\$ 2,875,000	\$ 2,025,000	Write-up from prior value based on a sell trade affected by the Fund.
August 2009	\$ 2,025,000	\$ 2,625,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
September 2009	\$ 2,625,000	\$ 3,630,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
September 2009	\$ 3,630,000	\$ 3,900,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
December 2009	\$ 3,900,000	\$ 4,275,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
December 2009	\$ 4,275,000	\$ 4,575,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
February 2010	\$ 4,575,000	\$ 4,875,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
March 2010	\$ 4,875,000	\$ 3,975,000	Write-down from prior value based on the value of dividend distribution received.
March 2010	\$ 3,975,000	\$ 5,400,000	Write-up from prior value based on IPO Offering. The company became a public company on April 8, 2010
<u>Laricina Energy Ltd.</u>			
August 2009	\$ 687,500	\$ 937,500	Write-up from previous value based on third party financing completed at higher value.
March 2010	\$ 937,500	\$ 1,578,125	Write-up from previous value based on third party financing completed at higher value.
April 2010	\$ 1,578,125	\$ 1,500,000	Write-down from prior value as arm's-length third party transactions provided new valuation basis
<u>Tourmaline Oil Corp ⁽²⁾</u>			
November 2009	\$ 268,710	\$ 403,065	Write-up from cost based on third party financing completed at higher value.
March 2010	\$ 403,065	\$ 483,678	Write-up from cost based on third party financing completed at higher value.
November 2010	\$ 1,637,982 ⁽³⁾	\$ 1,910,979	Write-up from prior value based on IPO Offering.
November 2010	\$ 1,910,979	\$ 1,844,550	Tourmaline became a public company in November 2010.

Notes:

- (1) Difference in this Prior Value versus the New Fair Value in the above line is due to a sale transaction.
- (2) Exshaw Oil Corporation merged with Tourmaline Oil Corp during 2009.
- (3) Includes security shares acquired on the rollover of one of the Limited Partnerships on May 28, 2010.

7. Financial Instrument Risk

The Fund's investment objectives are to provide for the long-term growth of capital, and to a lesser extent, the production of income, by investing primarily in the securities of Canadian resource issuers. Accordingly, the Fund's portfolio is comprised mainly of mid to large-capitalization Canadian resource issuers. The Fund also may invest in foreign securities up to a maximum of 50 percent of the Fund's NAV, although typically, the weighting of foreign securities does not exceed 10 percent of the Fund's NAV. The Fund can invest its cash balances in a short-term money market fund to maximize its yield on idle cash. 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 the Canadian dollar, 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, 2010 and 2009, the Fund did not hold any foreign investments or currency.

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 period.

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 net assets and the net assets per unit of the Fund may have been \$1,416,676 and 4.13 percent higher or lower, respectively (2009 - \$444,127 and 2.49 percent respectively). This estimation is based on statistical tools that measure the relationships between each security in the Fund's portfolio and how their returns relate to the return of the overall equities markets. In reality, results could differ from this estimate and the difference could be material.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligations or commitments that it has entered into with the 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. The Fund is exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Fund employs a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the *Bank Act (Canada)*, or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Fund's custodian, RBC Dexia Investor Services Trust, meets all Canadian Securities Administrators' requirements to act as custodian.

Liquidity Risk

The Fund is subject to the possibility of net redemptions on a weekly 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.

The Fund is also permitted to borrow up to 5 percent of its net assets to fund redemptions; however the Manager is diligent to ensure such action is not required. No such borrowings occurred during the periods.

The Fund can invest in securities that are not listed on a public stock exchange and are therefore classified as illiquid securities. CSA regulations permit a mutual fund to have up to 15 percent of its NAV invested in illiquid assets. If the illiquid assets of the Fund account for more than 15 percent of its NAV for a period of 90 days or more, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the percentage of its NAV made up of illiquid assets to 15 percent or less. As of December 31, 2010, the illiquid assets were below the 15% of the Fund's NAV. As at December 31, 2009, the illiquid assets were in excess of 15% of its NAV. The Fund applied for the relief from this regulation requirement and in March 2010 the illiquid assets were back in line with the regulations.

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
Assets				
Equities	\$ 30,755,510	\$ -	\$ 415,000	\$ 31,170,510
Index Units	\$ 1,885,000	\$ -	\$ -	\$ 1,885,000
Warrants	\$ -	\$ 1,013,758	\$ 250,000	\$ 1,263,758
Total	\$ 32,640,510	\$ 1,013,758	\$ 665,000	\$ 34,319,268

As at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 13,571,200	\$ -	\$ 1,340,565	\$ 14,911,765
Trust Units	1,187,450	-	-	1,187,450
Warrants	-	44,284	4,575,000	4,619,284
Total Assets	14,758,650	44,284	5,915,565	20,718,499
Liabilities				
Equities	(2,870,500)	-	-	(2,870,500)
Total Liabilities	(2,870,500)	-	-	(2,870,500)
Total	\$ 11,888,150	\$ 44,284	\$ 5,915,565	\$ 17,847,999

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	\$ 1,340,565	\$ 4,575,000
Net purchases and sales	69,304	250,000
Net transfers in (out)	(1,772,337)	(4,575,000) ⁽¹⁾
Gains (Losses)		
Realized	777,468	-
Unrealized	-	-
Balance at December 31, 2010	\$ 415,000	\$ 250,000

(1) The significant Net Transfer Out in Equities and Warrants is related to two private companies becoming public companies during the course of the year.

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	\$ 2,145,620	\$ 1,250,000
Purchases	2,299,960	-
Sales	(3,937,134)	(3,065,000)
Net transfers in (out)	-	-
Gains (Losses)		
Realized	(2,540,261)	3,065,000
Unrealized	3,372,380	3,325,000
Balance at December 31, 2009	1,340,565	4,575,000

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.

Creststreet Mutual Funds Limited

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Chairman and Chief Executive Officer
SURE Energy Inc.

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Robert J. Toole, C.A.

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Independent Review Committee

** Chair of the Audit Committee and
Independent Review Committee

Administrator and Custodian

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

CAM100, CAM151, CAM152
CAM300, CAM301, CAM302
CAM400, CAM401, CAM402

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