

Creststreet Resource Fund

2008 > Annual Report

Management Report of Fund Performance

For the year ended December 31, 2008

THIS ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE ANNUAL REPORT OF CRESTSTREET 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 had a very challenging year in 2008 in response to the most difficult equity and energy commodities markets of our generation. The Fund declined 67.7% in 2008 as a result of the rapid decline in energy commodities and equities in the second half of the year. The Manager began to reduce the net market exposure of the Fund prior to year-end and continued subsequent to year-end. This has allowed the Fund to maintain liquidity and, subsequent to year-end, to profit from market volatility. The Fund also holds a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. In accordance with its private investment valuation policy, the Fund marks these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in the market in that period. We believe that the net realizable value of these investments could be substantially higher than their present carrying value when oil prices recover from their currently depressed levels. We continue to hold the view that in the longer-term the supply/demand fundamentals of energy commodities have not changed, however, in the short-term we believe energy prices will remain soft as long as poor global economic conditions reduce energy demand. Once global economic growth reasserts itself over the next several years, we believe the secular long-term upward trend in commodity prices will continue. In the meantime, the Fund will be managed to preserve capital until evidence of lower market volatility is seen and stronger energy fundamentals return to the market.

Two thousand eight was a volatile year for crude oil and natural gas prices as the first half of the year saw the end of a decade long bull market in commodities before prices came crashing down in the second half of the year. West Texas Intermediate ("WTI") light sweet crude oil on the New York Mercantile Exchange ("NYMEX") finished down 53.3% on the year, closing at US\$44.60 per barrel after reaching an intraday high of US\$147.27 on July 11, 2008. In comparison, NYMEX natural gas prices declined by 24.9% year-over-year, closing at US\$5.62 per mmbtu after reaching an intraday high of US\$13.69 on July 2, 2008.

As 2007 and the first half of 2008 were characterized by the pricing of demand destruction in crude oil markets, the second half of 2008 was characterized by the pricing of supply destruction as the global economic downturn caused demand losses that far exceeded the supply response from the Organization of Petroleum Exporting Countries (OPEC). The rapid change from a period of undersupply to a period of oversupply resulted in plummeting prices as crude oil in storage globally quickly approached record levels.

Natural gas prices also experienced extreme volatility throughout 2008 as the continuous front month NYMEX futures contract rose by 81% in the first half of the year before declining by 59% in the second half of the year. The North American natural gas market rapidly changed from a market that was undersupplied to one that was oversupplied for two key reasons. Firstly, natural gas production volumes continued to grow on a monthly basis as new technologies and high prices opened up shale gas opportunities previously thought to be uneconomic. Second, the global economic downturn resulted in rapid declines in demand for natural gas in both the power generation and industrial sectors. As a result, storage levels began to increase relative to historical averages and prices fell from their peak. We expect soft natural gas markets to persist for most of 2009 as the economy remains weak and the market remains out of balance.

In response to declining commodity prices and a lack of confidence in when the market will find a bottom, junior oil and gas equity valuations, which were strong in the first half of the year, were very weak in the second half of the year. Creststreet expects this weakness to continue as balance sheets remain stretched and companies find it difficult to grow production. In response to this, we also expect the pace of industry consolidation to pick up as those companies with strong balance sheets find that it is cheaper to buy production and reserves than it is for them to drill. In the longer-term, we continue to hold the view that the supply/demand fundamentals of energy commodities have not changed and that the long-term upward trend in commodity prices will continue.

> Revenues and Expenses

The Fund experienced a decrease in dividend revenue compared to 2007 as the Fund held higher levels of income trusts investments in 2007. Interest income has declined in 2008 due primarily to lower interest rates but also due to a slight decrease in average cash balances.

The Fund's total expenses have increased by approximately 28% compared to 2007. Two of the Fund's three largest expense items, management fees and service fees, are driven exclusively by the Fund's average net asset value ("NAV"). During 2008, the Fund's average NAV was approximately \$80 million compared to approximately \$65 million in 2007, an increase of about 23%. Accordingly, management fees and service fees were up 25% and 28% respectively. Other operating expenses were up 32% year over year due mainly to increased transfer agent expenses which is also driven by fund size and an increase in legal and filing fees.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's annual financial statements.

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

	2008	2007	2006	2005	2004
Net asset value, beginning of period	\$ 8.30	\$ 7.96	\$ 22.09	\$ 17.85	\$ 15.49
Initial adoption of new accounting policy ⁽¹⁾	-	(0.07)			
Increase (decrease) from operations:					
Total revenue	0.03	0.10	0.11	0.22	0.02
Total expenses	(0.29)	(0.28)	(0.45)	(0.65)	(0.56)
Realized gain on investments	(2.41)	0.22	(0.87)	3.22	1.48
Unrealized gain on investments	(1.30)	1.14	(3.35)	1.80	2.50
Transaction costs	(0.30)	(0.25)			
Total increase (decrease) from operations⁽²⁾	(4.27)	0.92	(4.76)	4.59	3.47
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.92)	(0.38)	(8.91)	(1.52)	(2.31)
Return of capital	-	-	-	-	-
Total annual distributions⁽³⁾	(0.92)	(0.38)	(8.91)	(1.52)	(2.31)
Net asset value, end of period (GAAP NAV)⁽⁴⁾	\$ 2.42	\$ 8.30	\$ 7.96	\$ 22.09	\$ 17.85

(1) This line shows the impact of the adoption of a new accounting policy adopted on January 1, 2007. The implementation of this new policy impacts the way the Fund values the securities it holds and is discussed in greater detail under in the "Recent Developments" section of this report. The closing Pricing NAV is disclosed in the "Ratios and Supplemental Data" table that follows.

(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 units.

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

Ratios and Supplemental Data

	2008	2007	2006	2005	2004
Net assets (000's) ⁽¹⁾	\$ 21,944	\$ 64,959	\$ 49,298	\$ 64,890	\$ 36,066
Number of shares outstanding ⁽¹⁾	9,065,836	7,826,048	6,195,275	2,937,667	2,020,408
Management expense ratio (MER) ⁽²⁾	4.03%	3.84%	3.44%	3.37%	3.93%
Portfolio turnover rate ⁽³⁾	754.82%	640.19%	185.94%	97.05%	43.30%
Trading expense ratio ⁽⁴⁾	4.16%	3.35%	1.17%	53.00%	82.00%
Closing Pricing NAV per share	\$ 2.42	\$ 8.39	\$ 7.96	\$ 22.09	\$ 17.85

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

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

Summary of Investment Portfolio

As at December 31, 2008

Description	% of total net assets
Oil	26.6%
Energy services	3.1%
Natural gas	-0.9%
	28.8%
Cash and cash equivalents	70.3%
Other net assets	0.9%
	100.00%

Investment	% of net assets
Long positions	
Verenex Energy Inc.	12.6%
Athabasca Oil Sands Corporation	9.5%
Gran Tierra Energy Inc.	6.0%
Laricina Energy Limited	3.1%
Xtreme Coil Drilling Corporation	3.1%
Pienza Petroleum Inc.	1.7%
Ridgeback Exploration Limited	1.2%
Short positions	
Storm Exploration Inc.	-3.8%
Exxon Mobil Corporation	-4.5%
Total	28.8%

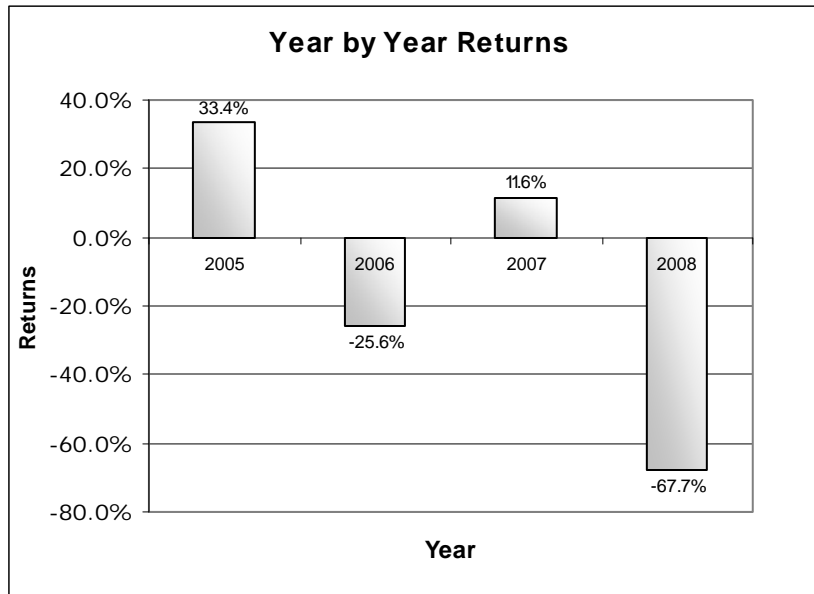
The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1 866 864-6330, by writing to us at Creststreet Mutual Funds Limited, 70 University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

Past Performance

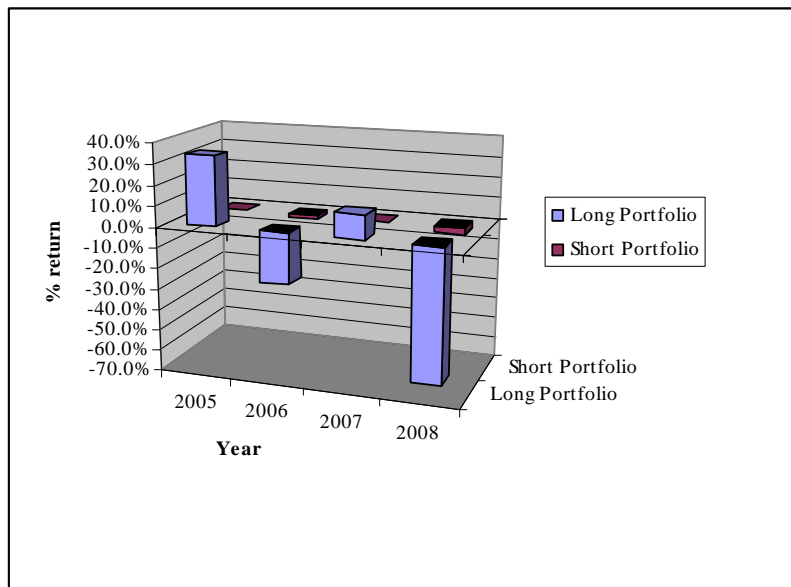
The performance information shown assumes that distributions made by the Fund were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other optional charges that would have reduced returns or performance. The Fund's past performance 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 2008. 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.



The following bar chart shows the annual returns generated by the Fund's long and short portfolio.



> Annual Compound Returns

The following table shows the Fund'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	S&P/TSX Composite Index	S&P/TSX CDN Capped Energy Index
1 year	-67.7%	-35.0%	-38.2%
3 year	-35.5%	-7.3%	-12.2%
Since inception	-22.7%	-0.7%	2.0%

> About the Indices and Fund Performance

The S&P/TSX Capped Energy Index is comprised of shares of Canadian companies involved in exploration and/or production of energy resources and is designed to track the performance of the entire energy sector. The S&P/TSX Composite Index 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") declined 38.2% during 2008 to close the year at 216.52. The Energy Index exhibited a high degree of volatility during the year in sympathy with energy commodities and broad equity markets across all sectors.

The Creststreet Resource Fund declined 67.7% in 2008 as a result of the rapid decline in energy commodities and equities in the second half of the year. The Fund also holds a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. In accordance with its private investment valuation policy, the Fund marks these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in that period. We believe that the net realizable value of these investments could be substantially higher as oil prices recover.

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 companies in the Canadian energy industry. Investments will be selected based on their cost of production, reserve base, and potential for exploration success. 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 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.

Creststreet 2007 Limited Partnership (“2007 LP”) was expected to transfer its assets to the Fund on or about January 23, 2009, however, the general partner of the 2007 LP decided to extend to a date no later than May 29, 2009 which is the date that unitholders of the 2007 LP would have become entitled to redeem their shares of the Fund received on the transfer. The 2007 LP is currently 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 is actively working towards reducing the private securities component of its investment portfolio. If the 2007 LP is unable to do so and complete the transfer to the Fund by May 29, 2009, the 2007 LP plans to propose an alternative liquidity transaction to its unitholders that would provide them liquidity on the public energy securities component of the Partnership’s investment portfolio by May 29, 2009.

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

Date	Partnership	Net Assets Transferred
January 15, 2002	Creststreet 2000 Limited Partnership	\$7,286,890
January 17, 2003	Creststreet 2001 Limited Partnership	\$15,312,298
January 17, 2003	Creststreet 2001 (II) Limited Partnership	\$14,294,962
January 23, 2004	Creststreet 2002 Limited Partnership	\$36,608,912
January 21, 2005	Creststreet 2003 Limited Partnership	\$41,635,412
January 21, 2005	Creststreet 2003 (II) Limited Partnership	\$25,510,837
January 20, 2006	Creststreet 2004 Limited Partnership	\$63,593,587
January 19, 2007	Creststreet 2005 Limited Partnership	\$30,175,192
January 18, 2008	Creststreet 2006 Limited Partnership	\$15,524,619
January 18, 2008	Creststreet 2006 (II) Limited Partnership	\$22,889,403

The Manager of the Fund may prohibit 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.

Recent Developments

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

As at December 31, 2008 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the December 31, 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2010 financial statements and the preparation of the December 31, 2011 financial statements in accordance with IFRS.

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

> New financial statement disclosure requirements

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, *Financial Instruments – Disclosures* (“S.3862”) and Section 3863, *Financial Instruments – Presentation* (“S.3863”). The new sections impact interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The introduction of S.3863 had no impact on the reporting of the Fund since the Fund was already in compliance with this section due to its adherence to reporting required by the Canadian Securities Administrators. S.3862, however, required significantly more disclosure with respect to the risks associated with the financial instruments

held by the Fund. This section required that the Fund provide specific qualitative and quantitative disclosures about the various types of risk the Fund is exposed to and also required sensitivity analysis for some types of risk. The purpose of S.3862 is to allow financial statement users to gain a more thorough understanding of the Fund's risk exposure, their potential impacts, and how the Fund manages those risks.

> Section 3855 “Financial Instruments – Recognition and Measurement” – an update

Prior to the implementation of Section 3855 in 2007, investment funds valued their publicly traded securities at the price the securities last traded. Section 3855 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. This change was adopted prospectively in 2007 with no restatement of prior periods but an adjustment to opening balances in 2007.

Related Party Transactions

Management fees are paid to the Manager for the management of the Fund's day-to-day administration. 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.

Management Fees

The Manager provides investment and administrative services to the Fund. In consideration for such services, the Fund pays the Manager a fee equal to 2.0% per annum of the net asset value of the Fund, calculated and paid monthly in arrears. GST 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. The Fund pays service fees on a quarterly basis at a rate of 0.5% per annum of the Fund's net asset value. The Fund paid the following amounts to the Manager for the years ended December 31:

	2008		2007	
Management fees	\$ 1,708,313	80.7%	\$ 1,370,290	81.1%
Service fees paid to dealers	407,870	19.3%	318,968	18.9%
	<u>\$ 2,116,183</u>	<u>100.0%</u>	<u>\$ 1,689,258</u>	<u>100.0%</u>

Risk

Current economic conditions have had a negative impact on the overall risk level of investments in the Fund and the performance of the Fund over the past year. The Manager began to reduce the net market exposure of the Fund prior to year-end and continued subsequent to year-end. This has allowed the Fund to maintain liquidity and, subsequent to year-end, to profit from market volatility. The investment philosophy, style and method for the Fund remain unchanged in the long-term. 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. The Fund focuses on small and middle market capitalization companies as these companies have historically generated higher per share returns, however, these companies can be more volatile than some of the larger capitalization oil and gas companies. A more detailed discussion of the Fund's risk exposures can be found in the Fund's prospectus and in the notes of the 2008 annual financial statements.

Management's Responsibility for Financial Reporting

These financial statements form the basis for all of the financial information that appears in this annual report. The financial statements and all of the information in this annual report are the responsibility of the management of Creststreet 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 Fund's external auditors, have audited the financial statements in accordance with Canadian generally accepted auditing standards and their report follows. KPMG LLP has free and full access to the board's audit committee.



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



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

February 27, 2009

Auditor's Report to the Shareholders

We have audited the statements of net assets of Creststreet Resource Fund (a class of shares of Creststreet Mutual Funds Limited) as at December 31, 2008 and 2007, the statement of investment portfolio as at December 31, 2008, and the statements of operations and changes in net assets for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2008 and 2007, the investments held as at December 31, 2008, and the results of its operations and changes in net assets for the years ended December 31, 2008 and 2007, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
February 27, 2009

Statements of Net Assets

As at December 31	2008	2007
Assets		
Investments in securities at at market value	\$ 8,138,906	\$ 61,002,918
Cash and cash equivalents	15,427,250	3,714,572
Due from broker	1,462,661	869,145
Subscription receivable	6,825	-
Dividends receivable	-	55,750
Interest receivable	18,300	-
Other accounts receivable	11,245	286
	<u>25,065,187</u>	<u>65,642,671</u>
Liabilities		
Securities sold short at market value	1,815,430	-
Due to broker	600,000	210,675
Accounts payable and accrued liabilities	339,804	364,327
Redemptions payable	366,219	109,073
	<u>3,121,453</u>	<u>684,075</u>
Net assets - GAAP NAV (note 2)	\$ 21,943,734	\$ 64,958,596
Adjustment from bid market prices to last traded market prices	8,723	721,840
Net assets - Pricing NAV (note 2)	\$ 21,952,458	\$ 65,680,436
Shares outstanding	9,065,836	7,826,048
Net assets per share - GAAP NAV (note 2)	\$ 2.42	\$ 8.30
Adjustment from bid market prices to last traded market prices	0.00	0.09
Net assets per share - Pricing NAV (note 2)	\$ 2.42	\$ 8.39

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	2008	2007
Investment Income		
Dividend revenue	\$ 109,730	\$ 461,109
Interest revenue	229,221	385,527
	338,951	846,636
Expenses		
Management fees (note 3)	1,708,313	1,370,290
Operating expenses	510,028	344,206
Servicing fees	407,870	318,968
Legal and filing fee	193,024	125,248
Securityholder reporting costs	127,827	129,167
Audit fees	125,590	79,337
Director's fees	56,649	24,172
Custodial fees	49,845	45,023
Capital tax	19,379	2,323
Dividends paid on securities sold short	12,500	76,250
	3,211,025	2,514,984
Loss from investment operations	(2,872,074)	(1,668,348)
Net realized gain(loss) on sale of investments	(26,745,591)	1,940,207
Change in unrealized appreciation/depreciation of investments	(14,390,907)	10,112,399
Transaction costs (note 2)	(3,312,292)	(2,196,219)
Net realized and unrealized gain (loss) on investments	(44,448,790)	9,856,387
Decrease (increase) in net assets from operations	\$ (47,320,864)	\$ 8,188,039
Per share		
(based on average number of shares outstanding)		
Increase (decrease) in net assets from operations	\$ (4.27)	\$ 0.92

See accompanying notes to financial statements

Statements of Changes in Net Assets

For the Years Ended December 31	2008	2007
Net assets at the beginning of the year	\$ 64,958,596	\$ 49,298,334
Initial adoption of new accounting policy (note 2)	-	(584,095)
Operations		
Increase in net assets from operations	(47,320,864)	8,188,039
Dividends to shareholders:		
Capital gain dividend (note 4)	(10,576,301)	(3,649,529)
Share Capital transactions		
Proceeds from the issue of shares	38,999,310	30,692,748
Reinvested dividends	10,512,371	3,635,361
Redemptions	(34,629,378)	(22,622,262)
Increase (decrease) in net assets	(43,014,862)	15,660,262
Net assets at the end of the year - GAAP NAV (note 2)	\$ 21,943,734	\$ 64,958,596
Adjustment from bid market prices to last traded market prices	8,723	721,840
Net asset value per share - Pricing NAV (note 2)	\$ 21,952,458	\$ 65,680,436

See accompanying notes to financial statements

Statement of Investment Portfolio

As at December 31, 2008				
Issuer	Number of Securities	Type of Security	Cost	Market Value
Investment in securities held in long positions				
Verenex Energy Inc.	401,930	Common shares	\$ 3,572,284	\$ 2,753,220
Gran Tierra Energy Inc.	400,000	Common shares	1,495,950	1,308,000
Athabasca Oil Sands Corp.	1,000,000	Warrants	-	1,250,000
Athabasca Oil Sands Corp.	330,000	Common shares	2,867,700	825,000
Laricina Energy Ltd.	62,500	Common shares	2,031,250	687,500
Xtreme Coil Drilling Corp.	442,900	Common shares	3,765,940	682,066
Pienza Petroleum Inc.	945,300	Common shares	1,323,445	378,120
Ridgeback Exploration Ltd.	170,000	Common shares	255,000	255,000
			15,311,569	8,138,906
Investment in securities held in short positions				
Exxon Mobil Corp.	-10,000	Common shares	(948,887)	(985,630)
Storm Exploration Inc.	-60,000	Common shares	(708,942)	(829,800)
			(1,657,829)	(1,815,430)
Transaction costs (note 2)			(31,580)	
Total Investments			\$ 13,622,160	\$ 6,323,476

See accompanying notes to financial statements

Notes to Financial Statements

For the years ended December 31, 2008 and 2007

1. Creststreet Mutual Funds Limited

Creststreet Resource Fund (the "Fund"), along with 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* by articles of incorporation 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, October 24, 2007, September 25, 2008 and December 17, 2008. In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at December 31, 2008 and 2007, its investments held at December 31, 2008, and the results of operations and the changes in net assets for the year ended December 31, 2008 and 2007, and do not contain the financial statements of the Corporation. Because 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.

Creststreet 2007 Limited Partnership ("2007 LP") was expected to transfer its assets to the Fund on or about January 23, 2009, however, the general partner of the 2007 LP decided to extend to a date no later than May 29, 2009 which is the date that unitholders of the 2007 LP would have become entitled to redeem their shares of the Fund received on the transfer. The 2007 LP is currently 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 is actively working towards reducing the private securities component of its investment portfolio. If the 2007 LP is unable to do so and complete the transfer to the Fund by May 29, 2009, the 2007 LP plans to propose an alternative liquidity transaction to its unitholders that would provide them liquidity on the public energy securities component of the Partnership's investment portfolio by May 29, 2009.

To date the following ten 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

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

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. Cash and Cash Equivalents, and Other Monetary Balances

Cash and cash equivalents are comprised of cash on deposit and short-term debt instruments with terms of maturity of less than 1 year at acquisition. Cash and cash equivalents are deemed to be held for trading and are carried at fair value. The carrying values of due from and to broker, dividends receivable, subscriptions receivable, interest receivable, accounts receivable, accounts payable and accrued liabilities, and redemptions payable approximate their fair value due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments

The Canadian Institute of Chartered Accountants has introduced new accounting guidelines that govern the reporting of financial assets and liabilities (CICA Handbook Section 3855 – “Financial Instruments – Recognition and Measurement”). The new guidelines are applicable to annual and semi-annual financial statements relating to fiscal years beginning on or after October 1, 2006. Prior to this change in policy, Canadian Generally Accepted Accounting Principles (“GAAP”) required publicly traded securities to be valued at the price at which it last traded. This applied to securities held long and sold short. Section 3855 requires publicly traded securities to be valued at the last available bid price for securities held long and at the last available ask price for securities sold short.

This accounting policy change impacts financial reporting (“GAAP NAV”) but does not impact the NAV calculated for purchases and redemptions (“Pricing NAV”). The net difference between valuations using last bid/ask prices and closing price is presented as “Adjustment from bid market prices to last traded market prices” on the Statements of Net Assets and is used to reconcile the GAAP NAV per share to the Pricing NAV per share.

This change in accounting policy has been applied prospectively. Prior period balances have not been restated, however, an adjustment has been made to the opening net asset value for the difference at January 1, 2007 on the Statements of Changes in Net Assets.

The complete, amended policy is as follows:

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 for which no published market price exists are valued at cost until a third party transaction establishes a different value or unless a different fair market value is determined by the Manager. Any change in value is recorded in “Net change in unrealized appreciation/depreciation of investments” on the statements of operations. Brokers’ commissions and other transaction costs are expensed in the period incurred.

c. Broker Commissions

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

d. Investment Transactions and Income 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.

e. Income Taxes

The Fund qualifies as a mutual fund corporation as defined in the Income Tax Act (Canada). The Fund is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Fund but are subject to a special tax, refundable at a rate of 33 1/3% 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 pay out sufficient 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.

f. 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.

3. Management Fee and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives a fee equal to 2.0 percent per annum of the net asset value of the Fund calculated and payable monthly in arrears. For the year ended December 31, 2008 the management fee amounted to \$1,708,313 (2007 - \$1,370,290). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

The management expense ratio ("MER") is calculated based on the total management expenses of the Fund as a percentage of the weighted average net assets of the Fund for the semi-annual period and is presented on an annualized basis. This MER is inclusive of the Goods and Services Tax ("GST") in accordance with National Instrument 81-102. The Fund's MER was 4.03 percent for the year ended December 31, 2008 (2007 - 3.84 percent).

4. Dividends paid to Shareholders

On March 7, 2008, the Fund paid a capital gain dividend totalling \$10,576,301 (2007 - \$3,649,529) or \$0.9175 per share (2007 - \$0.3797) to Fund shareholders of record as at February 29, 2008. For the year ended December 31, 2008, \$10,512,371 was reinvested into the Fund (2007 - \$3,635,361).

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 year ended December 31, 2008 and 2007. The table is arranged in alphabetical order by investment.

	Prior fair value	New fair value	Valuation basis
<u>Athabasca Oil Sands Corp.</u>			
June, 2007	\$ 5,000,000	\$ 6,512,500	Write-up from prior value as arm's-length third party financing provided new valuation basis.
May, 2008	\$ 10,307,700	\$ 13,380,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
June, 2008	\$ 13,380,000	\$ 15,907,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
July, 2008	\$ 15,907,000	\$ 16,705,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
October, 2008	\$ 16,705,000	\$ 10,720,000	Write-down from previous value due to the market conditions based on the Manager's valuation
November, 2008	\$ 10,720,000	\$ 8,060,000	Write-down from previous value due to the market conditions based on the Manager's valuation
December, 2008	\$ 8,060,000	\$ 2,075,000	Write-down from previous value as arm's-length third party transaction provided new valuation basis.
<u>Laricina Energy Ltd.</u>			
July, 2008	\$ 2,031,250	\$ 2,500,000	Write-up from cost based on third party financing completed at higher value.
December, 2008	\$ 2,500,000	\$ 687,500	Write-down from previous value due to the market conditions based on the Manager's valuation
<u>Pienza Petroleum Inc.</u>			
December, 2008	\$ 1,323,420	\$ 378,120	Write-down from previous value due to the market conditions based on the Manager's valuation

6. 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 invests its cash balances in a short-term money market fund to maximize its yield on idle cash while maintaining a maximum amount of flexibility to ensure that sufficient cash is on hand to seize upon investment opportunities. The Fund's use of financial instruments gives rise to a number of risk factors.

Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of volatility of market prices. Market risk is comprised of three types of risk: *currency risk*, *interest rate risk*, and *other price risk*.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument could fluctuate due to changes in foreign currency exchange rates. The Fund's functional currency is Canadian dollars, and the Fund is exposed to foreign currency risk when it invests in securities denominated in another currency since the fair value of those securities is determined by converting the price of the security into Canadian dollars. The table below details the Fund's the currency risk exposure in Canadian dollar terms as at December 31, 2008:

Foreign currency	Monetary instruments	Non-monetary instruments	Total	As a % of net liabilities
US dollars	\$ 985,630	\$ -	\$ 985,630	4.5%

As at December 31, 2008, had the Canadian dollar appreciated or depreciated by 5% in relation to the American dollar, net liabilities would have depreciated or appreciated by approximately \$49,282 (or \$0.005 per share) respectively.

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, 2008, or at any time during the period. The Fund does invest excess cash balances in a short-term money market mutual fund and changes in interest rates would only increase or decrease future interest income and would have little, if any, impact on the Fund's NAV at December 31, 2008.

Other Price Risk

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The 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, 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 \$167,372 higher or lower (\$0.02 per share or 0.8 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, National Bank Correspondent Network, 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.

In connection with the rollover of the assets of Creststreet 2006 Limited Partnership and Creststreet 2006 (II) Limited Partnership into the Fund, the Fund applied for and received relief from the CSA in a letter dated January 17, 2008 that allowed the Fund to have an excess of 15 percent of its NAV invested in illiquid securities. On January 18, 17.1 percent of the Fund's NAV was comprised of illiquid securities; however, the percentage was reduced to less than 15 percent within 90 days.

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

As at December 31, 2008 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the December 31, 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2010 financial statements and the preparation of the December 31, 2011 financial statements in accordance with IFRS.

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

Creststreet Mutual Funds Limited

Board of Directors

Jeffrey S. Boyce*

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**

Corporate Director

John Thompson*

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole, C.A.

Managing Director
Creststreet Capital Corporation

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Stephen R. Martin, C.F.A.

Vice-President

Sheryl Chiddenton

Secretary and Treasurer

Administrator

RBC Dexia Investor Services Trust
Toronto, Ontario

Investment Advisor

Creststreet Asset Management Limited
Toronto, Ontario

Custodian

National Bank Correspondent Network
Toronto, Ontario

Clearing and Settlement Services

FundSERV Inc.

Fund Symbols

CAM100
CAM300
CAM400, CAM401, CAM402

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