

Creststreet Resource Fund

2009 > Interim Report

Management Report of Fund Performance

For the six month period ended June 30, 2009

THIS INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE SEMI-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 positive start to the year in 2009 posting a return of 11.7% for the first six months of the year. This compares to a return of 34.3% for the same period in 2008 and an annual decline of 67.7% for the full year in 2008.

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

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

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

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

During the first half of the year, the Fund added exposure to a number of junior and intermediate oil-weighted names with significant growth prospects both domestically and internationally. With the rapid rise in crude oil from its lows earlier in the year, we have seen renewed enthusiasm from the markets with respect to oil producers and we believe that funds will continue to flow into the best companies driving valuations back to their historic norms. At the same time, we remain bearish on natural gas in the near-term and believe that the over-leveraged, high cost producers will struggle over the coming months, particularly with the recent moves in the Canadian dollar. As such, we remain cautious with respect to investing in natural gas producers and have limited our exposure to those names with the lowest cost projects that will generate material growth over time while maintaining short positions in those companies with high cost structures and too much financial leverage.

The Fund also continues to hold a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. In accordance with its private investment valuation policy, the Fund marks these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in the market in that period. Recently we have seen increased activity in the market for these securities as well as a corresponding up-tick in valuations. However, we believe that the net realizable value of these investments could be substantially higher still as oil prices continue to recover.

In response to rebound in oil prices and in the broader markets, junior oil and gas equity valuations, which were extremely weak earlier in the year, have begun to return to more normal levels in the latter part of the first half of 2009. Creststreet expects that this trend will continue in the second half of the year and we still see a number of opportunities in undervalued companies. Nevertheless, we must remain cautious in the face our bearish outlook on natural gas. 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 from \$63,430 in 2008 to \$28,117 in 2009 as the Fund held fewer dividend paying securities in 2009. Interest income has declined from 2008 due to lower interest rates.

Management fees and service fees are driven exclusively by the Fund's average net asset value ("NAV"). The decrease in management fees from \$1,030,256 in 2008 to \$234,368 in 2009 and the decrease in service fees from \$240,682 in 2008 to \$57,152 in 2009 was directly related to the decrease in the Fund's NAV. Other operating expenses decreased from \$452,917 in 2008 to \$425,331 in 2009 and were incurred in the normal course of the Fund's operations.

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

SERIES A	2009	2008	2007	2006	2005
Net Assets, beginning of period	\$ 2.42	\$ 8.30	\$ 7.89	\$ 22.09	17.85
Increase (decrease) from operations:					
Total revenue	0.01	0.03	0.10	0.11	0.22
Total expenses	(0.09)	(0.29)	(0.28)	(0.45)	(0.65)
Realized gains (losses) for the period	(0.49)	(2.41)	0.22	(0.87)	3.22
Unrealized gains (losses) for the period	0.87	(1.30)	1.14	(3.35)	1.80
Transaction costs	(0.03)	(0.30)	(0.25)	-	-
Total increase (decrease) from operations⁽¹⁾	\$ 0.27	\$ (4.27)	\$ 0.92	\$ (4.76)	4.59
Distributions:					
From capital gains ⁽²⁾	-	(0.92)	(0.38)	(8.91)	(1.52)
Net Assets, end of period⁽³⁾	\$ 2.69	\$ 2.42	\$ 8.30	\$ 7.96	22.09

(1) 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.

(2) Distributions were paid in cash or reinvested in additional units.

(3) 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

SERIES A	June 30, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Total net asset value (\$) (000's) ⁽¹⁾	21,601	21,944	64,959	49,298	64,890
Number of units outstanding ⁽¹⁾	7,985,693	9,065,836	7,826,048	6,195,275	2,937,667
Management expense ratio ⁽²⁾	6.49%	4.03%	3.84%	3.44%	3.37%
Trading expense ratio ⁽³⁾	2.35%	4.16%	3.35%	1.17%	53.00%
Portfolio turnover rate ⁽⁴⁾	148.46%	754.82%	640.19%	185.94%	97.05%
Net asset value per unit (\$)	2.70	2.42	8.39	7.96	22.09

(1) This information is provided as at June 30, 2009 and 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.

Summary of Investment Portfolio

As at June 30, 2009

Sector	
Description	% of net assets
Long Position:	
Oil	49.8%
Natural gas	21.4%
Alternative energy	7.5%
Other	5.8%
Energy services	1.2%
<i>Total Long Positions</i>	85.6%
Short Position:	
Natural gas	-3.4%
<i>Total Short Positions</i>	-3.4%
Total Investments	82.2%
Cash and cash equivalents*	20.9%
Other net assets	-3.1%
	100.0%
Top 25 Positions	
Company	% of net assets
Long Positions:	
Athabasca Oil Sands Corp. - Warrants	13.4%
Verenex Energy Inc.	6.2%
RuggedCom Inc.	6.0%
Horizons BetaPro S&P/TSX Capped Energy Bear Plus ETF	5.8%
Gran Tierra Energy Inc.	5.7%
Advantage Energy Income Fund	5.6%
TransGlobe Energy Corporation	5.3%
Bankers Petroleum Ltd.	4.5%
Fairborne Energy Ltd.	3.8%
Crescent Point Energy Trust	3.2%
Sabretooth Energy Ltd.	3.2%
Laricina Energy Ltd.	3.2%
Vero Energy Inc.	2.9%
Corridor Resources Inc.	2.6%
TriStar Oil & Gas Ltd.	2.5%
Coastal Energy Company	1.9%
Pienza Petroleum Inc.	1.8%
Antrim Energy Inc.	1.7%
Great Lakes Hydro Income Fund	1.5%
Xtreme Coil Drilling Corp.	1.2%
Serica Energy PLC	1.1%
TransAtlantic Petroleum Corp.	1.1%
Epsilon Energy Ltd.	1.0%
Ridgeback Exploration Ltd.	0.5%
	85.6%
Short Positions:	
Birchcliff Energy Ltd.	-3.4%
	-3.4%
Total Net Asset Value	\$ 21,485,257

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

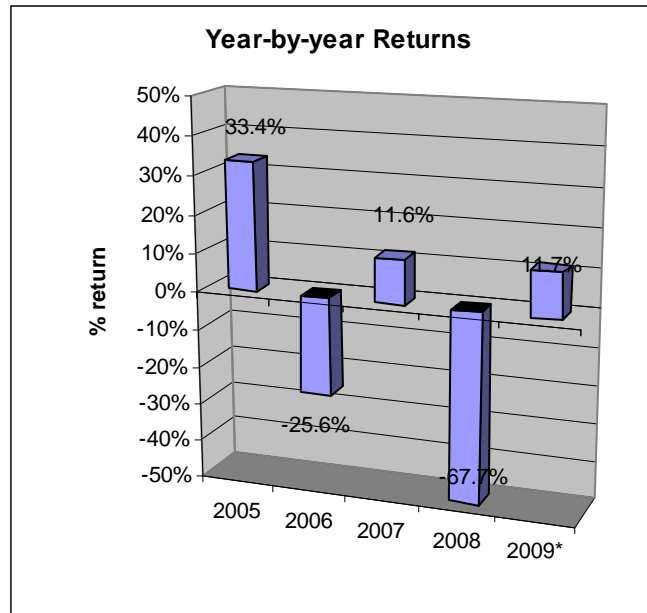
The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1 866 864-6330, by writing to us at Creststreet Mutual Funds Limited, 70 University 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.

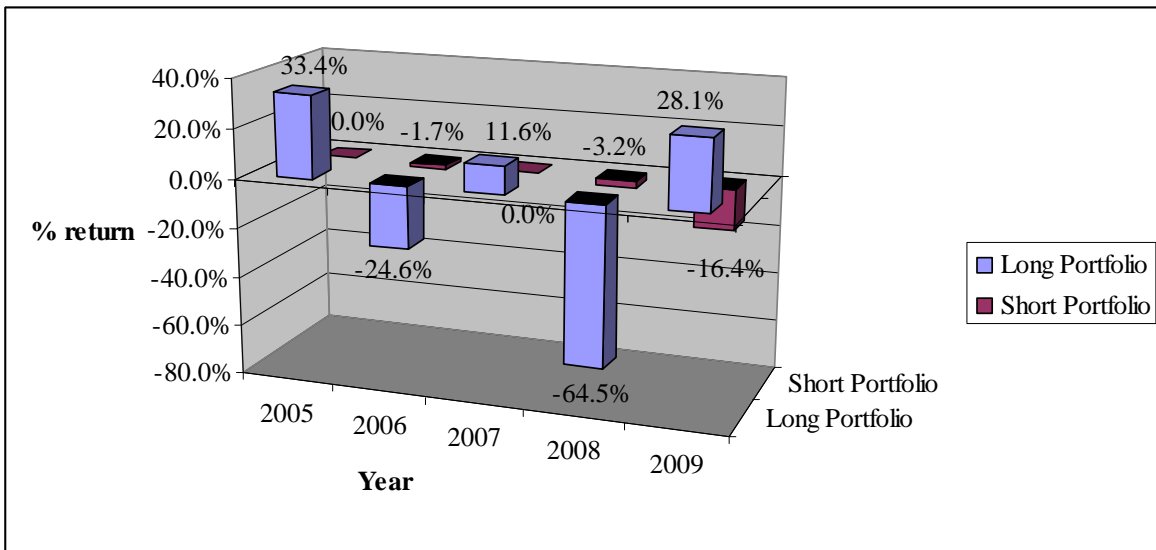
> Year-by-Year Returns

The following bar chart shows the Fund's annual returns from 2005 to 2009. 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.



*Total return for the six month period ended June 30, 2009

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



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 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 unitholders where 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 ("CEO") in exchange for shares of CEO of equal value. This transfer was completed on May 27, 2009 and the remaining assets are expected to be transferred to CEO prior to May 29, 2011.

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 June 30, 2009, the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the 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.

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 June 30:

	<u>2009</u>		<u>2008</u>	
Management fees	234,368	80.4%	1,030,256	81.1%
Service fees paid to dealers	57,152	19.6%	240,682	18.9%
	<u>\$ 291,520</u>	<u>100.0%</u>	<u>\$ 1,270,938</u>	<u>100.0%</u>

Risk

Although economic conditions had a negative impact on the overall risk level of investments in the Fund in 2008 and early 2009, the reduction in net market exposure beginning in 2008 allowed the fund to maintain liquidity and profit from market volatility. The Fund has slowly begun to increase market exposure in 2009 as the markets slowly begin to recover. 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 2009 semi-annual financial statements.

Statements of Net Assets

	As at June 30, 2009 (unaudited)	As at December 31, 2008 (audited)
Assets		
Investments in securities at at market value	\$ 18,381,199	\$ 8,138,906
Cash and cash equivalents	4,483,304	15,427,250
Due from broker	936,040	1,462,661
Subscription receivable	-	6,825
Dividends receivable	10,387	-
Interest receivable	-	18,300
Other accounts receivable	3,458	11,245
	23,814,388	25,065,187
Liabilities		
Securities sold short at market value	732,654	1,815,430
Due to broker	959,750	600,000
Accounts payable and accrued liabilities	527,755	339,804
Redemptions payable	108,972	366,219
	2,329,131	3,121,453
Net assets - GAAP NAV (note 2)	\$ 21,485,257	\$ 21,943,734
Adjustment from bid market prices to last traded market prices	115,361	8,723
Net assets - Pricing NAV (note 2)	\$ 21,600,618	\$ 21,952,458
Shares outstanding	7,985,693	9,065,836
Net assets per share - GAAP NAV (note 2)	\$ 2.69	\$ 2.42
Adjustment from bid market prices to last traded market prices	0.01	0.00
Net assets per share - Pricing NAV (note 2)	\$ 2.70	\$ 2.42

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 six months ended June 30 (unaudited)	2009	2008
Investment Income		
Dividend revenue	\$ 28,117	\$ 63,430
Interest revenue	49,900	157,425
	<u>78,017</u>	<u>220,855</u>
Expenses		
Management fees (note 3)	234,368	1,030,256
Operating expenses	306,007	229,842
Servicing fees	57,152	240,682
Legal and filing fee	16,845	53,805
Securityholder reporting costs	23,980	34,865
Audit fees	29,250	42,632
Director's fees	24,483	56,649
Custodial fees	24,766	34,999
Capital tax	-	125
Dividends paid on securities sold short	15,663	17,500
	<u>732,514</u>	<u>1,741,355</u>
Loss from investment operations	<u>(654,497)</u>	<u>(1,520,500)</u>
Net realized gain (loss) on sale of investments	(4,223,575)	15,256,014
Change in unrealized appreciation of investments	7,484,748	21,360,746
Transaction costs (note 2)	(259,254)	(2,190,536)
Net realized and unrealized gain on investments	<u>3,001,919</u>	<u>34,426,224</u>
Increase in net assets from operations	<u>\$ 2,347,422</u>	<u>\$ 32,905,724</u>
Per share		
(based on average number of shares outstanding)		
Increase in net assets from operations	<u>\$ 0.27</u>	<u>\$ 2.76</u>

See accompanying notes to financial statements

Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)	2009		2008	
Net assets at the beginning of period	\$	21,943,734	\$	64,958,596
Operations				
Increase in net assets from operations		2,347,422		32,905,724
Dividends to shareholders:				
Capital gain dividend (note 4)		-		(10,576,301)
Share Capital transactions				
Proceeds from the issue of shares		88,302		38,523,816
Reinvested dividends		-		10,512,372
Redemptions		(2,894,201)		(23,360,417)
Net assets at the end of period - GAAP NAV (note 2)	\$	21,485,257	\$	112,963,790
Adjustment from bid market prices to last traded market prices		115,361		487,450
Net asset value per share - Pricing NAV (note 2)	\$	21,600,618	\$	113,451,240

See accompanying notes to financial statements

Statement of Investment Portfolio

As at June 30, 2009

Issuer	Number of Securities	Type of Security	Cost	Fair Value
Investment in securities held in long positions				
Athabasca Oil Sands Corp.	500,000	Warrants	\$ -	\$ 2,875,000
Verenex Energy Inc.	220,910	Common shares	1,971,045	1,325,460
RuggedCom Inc.	47,720	Common shares	1,304,181	1,288,917
Horizons Betapro S&P/TSX Capped Energy Bear Plus ETF	150,000	Index Units	1,368,781	1,236,000
Gran Tierra Energy Inc.	305,300	Common shares	1,097,554	1,233,412
Advantage Energy Income Fund	247,000	Common shares	991,420	1,210,300
Transglobe Energy Corp.	367,575	Common shares	1,099,321	1,132,131
Bankers Petroleum Ltd.	494,125	Common shares	983,248	968,485
Fairborne Energy Ltd.	220,000	Common shares	931,003	807,400
Crescent Point Energy Trust	20,250	Common shares	552,835	694,170
Sabretooth Energy Ltd.	585,000	Common shares	503,100	690,576
Laricina Energy Ltd.	62,500	Common shares	2,031,250	687,500
Vero Energy Inc.	190,200	Common shares	717,248	612,444
Corridor Resources Inc.	212,000	Common shares	480,313	561,800
TriStar Oil & Gas Ltd.	49,400	Common shares	541,688	541,918
Coastal Energy Co.	150,000	Common shares	468,040	405,000
Pienza Petroleum Inc.	945,300	Common shares	1,323,445	378,120
Antrim Energy Inc.	478,000	Common shares	421,888	358,500
Great Lakes Hydro Income Fund	20,000	Common shares	315,600	316,400
Xtreme Coil Drilling Corp.	65,000	Common shares	256,446	253,500
Serica Energy PLC	237,000	Common shares	259,495	246,480
Transatlantic Petroleum Corp.	117,000	Common shares	238,048	230,490
Epsilon Energy Limited	181,800	Common shares	183,411	221,796
Ridgeback Exploration Ltd.	170,000	Common shares	255,000	105,400
			<u>18,294,360</u>	<u>18,381,199</u>
Investment in securities held in short positions				
Birchcliff Energy Ltd	(120,900)	Common shares	(783,190)	(732,654)
Transaction Costs			(48,691)	
Total investments			\$ 17,462,479	\$ 17,648,545
See accompanying notes to financial statements				

Notes to Financial Statements

For the six months ended June 30, 2009 and 2008

1. Creststreet Mutual Funds Limited

Creststreet Resource Fund (the "Fund"), along with Creststreet Managed Equity Index Fund, Creststreet Alternative Energy Fund, and Creststreet Managed Income 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. On October 24, 2008 the Creststreet Managed Income Fund was terminated as a class of the Corporation with its shareholders receiving an amount equal to the net asset value of the Creststreet Managed Income Fund as determined on October 24, 2008.

In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at June 30, 2009 and December 31, 2008, its investments held at June 30, 2009, and the results of operations and the changes in net assets for the six months ended June 30, 2009 and 2008, 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.

The Partnership was originally scheduled to transfer all of its assets to Creststreet Resource Fund, a class of shares of Creststreet Mutual Funds Limited, (the "Resource Fund"), in exchange for shares of the Resource Fund on January 23, 2009. Upon this transfer, the Partnership would have been dissolved and the net assets allocated 99.99% to the limited partners and 0.01% to the General Partner. Unitholders of the Partnership would have become entitled to redeem their shares of the Resource Fund on May 29, 2009 if the transfer had occurred as originally planned.

The Partnership was unable to transfer its assets to the Resource Fund since the total private securities held after the transfer would have been in excess of 10% of the net assets of the Resource Fund which is not allowed under applicable securities legislation. The Partnership proposed an alternative liquidity transaction to its unitholders where 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 ("CEOOF") in exchange for shares of CEOOF of equal value. This was completed on May 27, 2009.

To date the following 10 partnerships have rolled their investment portfolios into the Resource 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
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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

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.

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.

Adoption of New accounting standards

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

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

a. Cash and Cash Equivalents, and Other Monetary Balances

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, other 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

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

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

c. Broker Commissions

Brokers' commissions and other transaction costs are expensed in the period incurred and are disclosed on the 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 six months ended June 30, 2009 the management fee amounted to \$234,368 (2008 - \$1,030,256). 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 6.49 percent for the six months ended June 30, 2009 (2008 - 3.44 percent).

4. Dividends paid to Shareholders

The Fund paid a capital gain dividend totalling \$nil (2008 - \$10,576,301) or \$nil per share (2008 - \$0.9175) to Fund shareholders of record. For the six months ended June 30, 2009, \$nil was reinvested into the Fund (2008 - \$10,512,372).

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.

The following table details the Fund's changes in the valuations for securities not traded on a public exchange during the six months ended June 30, 2009 and 2008. The table is arranged in alphabetical order by investment.

	Prior fair value	New fair value	Valuation basis
<u>Athabasca Oil Sands Corp.</u>			
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.
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	\$ 2,000,000	Write-up from prior value as arm's-length third party financing provided new valuation basis.
May, 2009	\$ 1,000,000	\$ 1,750,000	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.
<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. As at June 30, 2009, the Fund did not hold any securities denominated in foreign currency so there was no currency risk exposure to the Fund at June 30, 2009.

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

Currency	Investments	Cash & Cash Equivalents	Total	Impact on the NAV	Impact as a % of the NAV
US dollars	\$ 985,630	\$ -	\$ 985,630	\$ 49,282	0.22%

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market interest rates. The immediate impact of interest rate risk is greatest on debt and fixed income securities that have a relatively long duration (generally a year or more to maturity). The Fund did not hold any such securities as at June 30, 2009, or at any time during the period. The 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 June 30, 2009.

Other Price Risk

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The Fund's Manager mitigates other price risk by managing and allocating the investment portfolio within the parameters of the Fund's investment objectives. As at June 30, 2009 and December 31, 2008 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV of the Fund may have been \$496,209 (December 31, 2008: \$167,372) higher or lower (\$0.06 per share or 2.31 percent, December 31, 2008: \$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.

As of June 30th, 2009, the percentage of the Fund's NAV invested in illiquid was in excess of 15% of its NAV. However, the percentage was reduced to less than 15 percent within the 90 days period.

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

As at June 30, 2009 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact on the 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS.

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

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Creststreet Mutual Funds Limited

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President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**

Corporate Director

John Thompson*

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Sirius Energy Inc.

Robert J. Toole, C.A.

Managing Director
Creststreet Capital Corporation

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Chief Financial Officer

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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

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CAM300
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