



Creststreet Resource Fund

2009 > Annual Report

Management Report of Fund Performance

For the year ended December 31, 2009

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 positive year in 2009 posting a return of 48.6% as global equity markets, and particularly the energy sector, rallied from multi-year lows in March through to the end of the year. This compares to a decline of 67.7% in 2008.

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

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

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

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

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

The Fund also continues to hold a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. In accordance with its private investment valuation policy, the Fund marks these investments to market based on third party transactions. These positions were marked down significantly in December 2008 based off a number of distressed sales which occurred in the market in that period. During 2009 we have seen increased activity in the market for these securities as well as a corresponding up-tick in valuations. However, we believe that the net realizable value of these investments could be substantially higher still as oil prices continue to recover and stabilize.

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

Revenues and Expenses

The Fund experienced a decrease in dividend revenue from \$109,730 in 2008 to \$52,507 in 2009 as the security issuers paying dividends reduced the dividend declared and paid in 2009 due to the economic conditions. Interest income declined significantly from 2008 due to very low interest rates that prevailed in the weakened economy.

Management fees and service fees are driven exclusively by the Fund's average net asset value. The decrease in management fees from \$1,708,313 in 2008 to \$489,843 in 2009 and the decrease in service fees from \$407,870 in 2008 to \$118,030 in 2009, both a decrease of 71%, were directly related to the decrease in the Fund's average NAV of 71%.

The decrease in legal and filing fees from \$193,024 in 2008 to \$37,970 in 2009 is due to normal expected legal expenses in 2009 compared to 2008 which included expenses related to the rollovers of Creststreet 2006 Limited Partnership and Creststreet 2006 (II) Limited Partnership and applying for exemptive relief of illiquid securities twice during the year.

Operating expenses and other fees decreased from \$1,094,842 in 2008 to \$512,062 in 2009. Most of these expenses are driven based on either the number of shareholders in the Fund or the net asset value of the Fund. The shareholder reporting costs, which is largely driven by the number of shareholders in the Fund, decreased considerably in 2009 due to the redemptions and the non-occurrence of Limited Partnership roll-overs (as explained in the Other Material Information section of this report) into the Fund in 2009 when compared to 2008 which had two Limited Partnerships rollover in that year. Other expenses that are dependent on the net asset value of the Fund decreased due to the decrease in net asset value of the Fund caused by the market collapse in late 2008 which continued on to the most of 2009.

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 transferred 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 on May 27, 2009. 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	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

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

Risk

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 slowly began to increase market exposure in 2009 as the markets recovered. 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

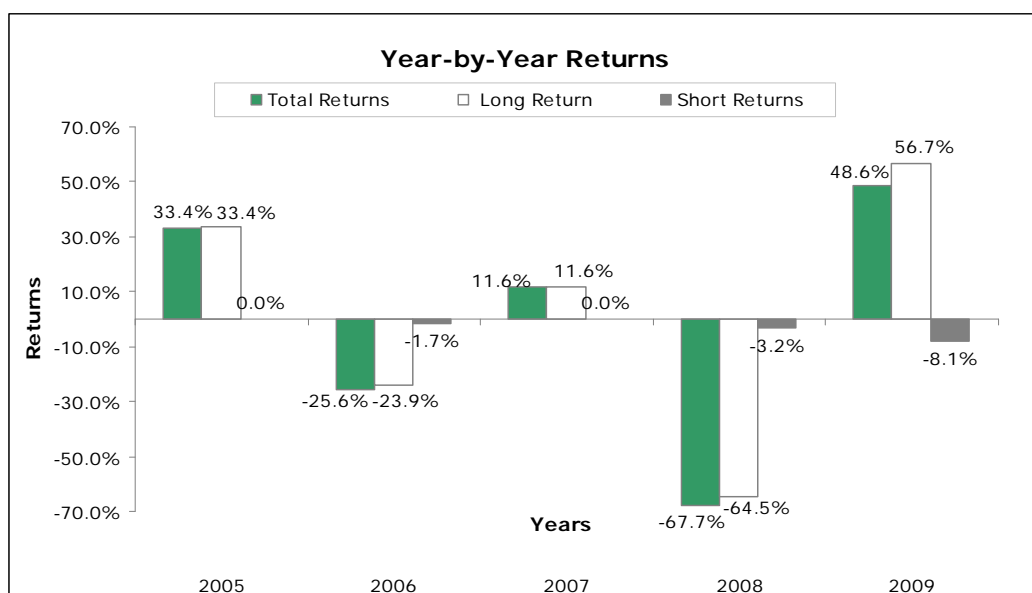
capitalization oil and gas companies. A more detailed discussion of the Fund's risk exposures can be found in the Fund's prospectus and in the notes of the 2009 semi-annual financial statements.

Past Performance

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance information shown assumes that distributions made by the Fund were reinvested in additional securities of the Fund. Performance is calculated net of all fees and expenses. 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.



Note:

The performance shown for short positions is based on the pure performance of the short positions, while the performance shown for long positions and the overall total performance of Series A is comprehensive of all fees and expenses.

Annual Compound Returns

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

	Creststreet Resource Fund	S&P/TSX Composite Index	S&P/TSX CDN Capped Energy Index
1 Year	48.6%	30.7%	37.3%
3 Years	-18.7%	-3.1%	-2.9%
5 Years	-11.9%	4.9%	8.2%
Since Inception *	-11.9%	4.9%	8.2%

*The Fund became a reporting issuer in December 31, 2004

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”) increased 37.3% during the year to close at 297.38. The Energy Index exhibited a high degree of volatility during the year and rallied off its March lows in sympathy with energy commodities and broad equity markets across all sectors.

The Creststreet Resource Fund increased by 48.6% during the period as a result of a recovery in energy commodities and equities markets, and a focus on oil producers over natural gas weighted equities.

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

	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	(0.14)	(0.29)	(0.28)	(0.45)	(0.65)
Realized gains (losses) on investments	(0.14)	(2.41)	0.22	(0.87)	3.22
Unrealized gains (losses) on investments	1.46	(1.30)	1.14	(3.35)	1.80
Transaction costs	(0.06)	(0.30)	(0.25)	-	-
Total increase (decrease) from operations⁽¹⁾	\$ 1.13	\$ (4.27)	\$ 0.92	\$ (4.76)	\$ 4.59
Distributions:					
From capital gains	-	(0.92)	(0.38)	(8.91)	(1.52)
Total annual distributions⁽²⁾	-	(0.92)	(0.38)	(8.91)	(1.52)
Net assets, end of period⁽³⁾	\$ 3.57	\$ 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 shares.

(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

	2009	2008	2007	2006	2005
Total net assets (GAAP NAV) (\$) (000's) ⁽¹⁾	24,996	21,944	64,959	49,298	64,890
Number of units outstanding ⁽¹⁾	6,992,655	9,065,836	7,826,048	6,195,275	2,937,667
Management expense ratio(MER) ⁽²⁾	4.18%	4.03%	3.84%	3.44%	3.37%
Trading expense ratio ⁽³⁾	2.07%	4.16%	3.35%	1.17%	53.00%
Portfolio turnover rate ⁽⁴⁾	581.99%	754.82%	640.19%	185.94%	97.05%
Net asset value per unit (Pricing NAV) (\$)	3.60	2.42	8.39	7.96	22.09

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

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

- (3) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher a fund's portfolio turnover rate, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Recent Developments

Adoption of New Accounting Standards

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.

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

Changeover to International Financial Reporting Standards ("IFRS")

For the period beginning January 1, 2011, the Fund will have to adopt IFRS. The Manager of the Fund has developed a changeover plan and continues to assess the impact of the implementation as new IFRS guidance become available. 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.

Harmonized Sales Tax

Effective July 1, 2010, Ontario will replace their Provincial Sales Tax ('PST') and Federal Goods and Service Tax ('GST') with a single Harmonized Sales Tax ("HST") of 13 percent. Management fees and other certain other expenses charged to the Fund are expected to increase as they will be subject to HST of 13 percent compared to currently being subject only to GST of 5%. This change is expected to have a negative impact to the Fund.

Related Party Transactions

Creststreet Mutual Funds Limited (the 'Corporation'), of which the Fund is a class of shares, is a wholly owned subsidiary of Creststreet Asset Management Limited. Creststreet Asset Management Limited, a corporation registered as an investment counsel and portfolio management company in Ontario is the Manager and the Investment Adviser of the Fund.

Management fees are paid to the Manager for the management of the Fund's day-to-day administration and for providing investment advice and portfolio management services. The Fund also pays a service fee to the Manager, which the Manager then remits to dealers as consideration for administering the Fund's assets for the dealers' clients.

Independent Review Committee

Further to the requirements in National Instruments 81-107 – Independent Review Committee for Investment Funds, which came into effect as of November 1, 2007, the Corporation, has appointed an Independent Review Committee (“IRC”) with a mandate to provide impartial recommendation or judgement on conflict of interest matters with regard to the operations of the Fund and its respective portfolio. The IRC is composed of three members, all of whom are independent of the Corporation and its affiliates. The compensation and other reasonable expenses of the IRC is paid pro-rata amongst the investment funds for which the IRC has been appointed as the independent review committee, based on assets of each investment fund at the time the expenses are paid, and is paid as an expense of the Fund.

The Corporation received the following approvals and standing instructions from the IRC for the fiscal year ending December 31, 2009:

1. Expense Allocation
2. Fee Allocation
3. Standards of Fairness
4. Trade Errors and Trade Modifications
5. Trade Management and Best Execution
6. Investment Suitability
7. Proxy Voting
8. Seeking Discretionary Relief under Securities Regulations
9. Amending the Constating and/or Offering Documents of a Fund
10. Access Person Trading
11. Rollover

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

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

Management Fees

The Manager provides investment and administrative services to the Fund. In consideration for 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, 2009 and 2008.

	2009		2008	
Management Fees	489,843	80.6%	1,708,313	80.7%
Service Fees Paid to Dealers	118,030	19.4%	407,870	19.3%
	<u>\$ 607,873</u>	<u>100.0%</u>	<u>\$ 2,116,183</u>	<u>100.0%</u>

Summary of Investment Portfolio

As at December 31, 2009

Sector Mix	% of net assets
Long Positions:	
Oil	40.0%
Natural Gas	29.5%
Alternative Energy	10.0%
Energy Services	3.5%
<i>Total Long Positions</i>	83.0%
Short Positions:	
Natural Gas	-8.5%
Oil	-3.1%
<i>Total Short Positions</i>	-11.6%
Total Investments	71.4%
Cash and cash equivalents*	30.5%
Other net assets	-1.9%
	100.0%

Summary of Investment Portfolio (continued)

Top 25 Positions	% of net assets
Long Positions:	
Athabasca Oil Sands Corp.	18.3%
Advantage Oil & Gas Ltd.	9.0%
RuggedCom Inc.	8.4%
Peyto Energy Trust	4.8%
TransAtlantic Petroleum Ltd.	4.3%
Laricina Energy Ltd.	3.8%
Fairborne Energy Ltd.	3.6%
TransGlobe Energy Corporation	2.7%
Wild Stream Exploration Inc.	2.7%
Strategic Oil & Gas Ltd.	2.3%
Legacy Oil + Gas Inc.	1.9%
Storm Exploration Ltd.	1.6%
Tourmaline Oil Corp.	1.6%
Seaview Energy Inc. Class A	1.6%
Corridor Resources Inc.	1.6%
Horizon North Logistics Inc.	1.6%
Bellatrix Exploration Ltd.	1.6%
HTC Pureenergy Inc.	1.6%
Canacol Energy Ltd.	1.6%
Westfire Energy Ltd.	1.4%
Bellamont Exploration Ltd. Class A	1.4%
Painted Pony Petroleum Ltd. Class A	1.4%
Short Positions:	
Progress Energy Resources Corp.	-2.0%
Petrobank Energy and Resources Ltd.	-3.1%
Birchcliff Energy Ltd.	-6.5%
Total Net Asset Value	\$ 24,995,969

* 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. A quarterly portfolio update is available to the investor at no cost by calling 1-866-864-6330, by writing to Creststreet Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting the website at www.creststreet.com.

Management's Responsibility for Financial Reporting

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

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

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



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



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

February 26, 2010

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, 2009 and 2008, the statement of investment portfolio as at December 31, 2009, and the statements of operations and changes in net assets for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2009 and 2008, the investments held as at December 31, 2009, and the results of its operations and changes in net assets for the years ended December 31, 2009 and 2008, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The letters are slanted and connected, with a long horizontal stroke underneath the entire signature.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 26, 2010

Statements of Net Assets

As at December 31	2009	2008
Assets		
Investments at market value	\$ 20,718,499	\$ 8,138,906
Cash and cash equivalents	7,635,286	15,427,250
Due from broker	-	1,462,661
Subscriptions receivable	-	6,825
Dividends receivable	10,200	-
Interest receivable	-	18,300
Other accounts receivable	32,841	11,245
	28,396,826	25,065,187
Liabilities		
Securities sold short at market value	2,870,500	1,815,430
Due to broker	-	600,000
Accounts payable and accrued liabilities	258,088	339,804
Redemptions payable	272,269	366,219
	3,400,857	3,121,453
Net assets - GAAP NAV (note 2)	\$ 24,995,969	\$ 21,943,734
Adjustment from bid market prices to last traded market prices	173,113	8,723
Net asset value - Pricing NAV (note 2)	\$ 25,169,082	\$ 21,952,458
Shares outstanding	6,992,655	9,065,836
Net assets per share - GAAP NAV (note 2)	\$ 3.57	\$ 2.42
Adjustment from bid market prices to last traded market prices	0.03	0.00
Net asset value per share - Pricing NAV (note 2)	\$ 3.60	\$ 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 years ended December 31	2009	2008
Investment Income		
Dividend revenue	\$ 52,507	\$ 109,730
Interest revenue	53,565	229,221
	<u>106,072</u>	<u>338,951</u>
Expenses		
Management fees (note 3)	489,843	1,708,313
Operating expenses	355,050	510,028
Service fees	118,030	407,870
Audit fees	47,250	125,590
Legal and filing fees	37,970	193,024
Dividend paid short	26,413	12,500
Custodial fees	19,916	49,845
Securityholder reporting costs	980	127,827
Independent Review Committee fees	24,483	56,649
Capital tax	-	19,379
	<u>1,119,935</u>	<u>3,211,025</u>
Loss from investment operations	<u>(1,013,863)</u>	<u>(2,872,074)</u>
Net realized loss on sale of investments	(1,112,378)	(26,745,591)
Change in unrealized appreciation (depreciation) of investments	11,736,170	(14,390,907)
Transaction costs (note 2)	(483,184)	(3,312,292)
Net realized and unrealized gain (loss) on investments	<u>10,140,608</u>	<u>(44,448,790)</u>
Increase (decrease) in net assets from operations	<u>\$ 9,126,745</u>	<u>\$ (47,320,864)</u>
Per share		
(based on average number of shares outstanding)		
Increase (decrease) in net assets from operations	<u>\$ 1.13</u>	<u>\$ (4.27)</u>
See accompanying notes to financial statements		

Statements of Changes in Net Assets

For the years ended December 31	2009	2008
Net assets at the beginning of year	\$ 21,943,734	\$ 64,958,596
Operations:		
Increase (decrease) in net assets from operations	9,126,745	(47,320,864)
Dividends to shareholders		
Capital gain dividend (note 4)	-	(10,576,301)
Share capital transactions:		
Proceeds from the issue of shares	208,746	38,999,310
Reinvested dividends	-	10,512,371
Redemptions	(6,283,256)	(34,629,378)
	(6,074,510)	14,882,303
Increase (decrease) in net assets	3,052,235	(43,014,862)
Net assets at the end of year - GAAP NAV (note 2)	\$ 24,995,969	\$ 21,943,734
Adjustment from bid market prices to last traded market prices	173,113	8,723
Net assets value at the end of the year - Pricing NAV (note 2)	\$ 25,169,082	\$ 21,952,458

See accompanying notes to financial statements

Statement of Investment Portfolio

As at December 31, 2009

Issuer	Number of Securities	Type of Security	Cost (Proceeds)		Fair Value
Investment in securities held in long positions					
Athabasca Oil Sands Corp.	300,000	Warrants	\$	-	\$ 4,575,000
Advantage Oil & Gas Ltd.	330,000	Common shares		1,738,525	2,260,500
RuggedCom Inc.	117,000	Common shares		2,419,388	2,101,320
Peyto Energy Trust	85,000	Trust Units		1,066,959	1,187,450
Transatlantic Petroleum Ltd	303,000	Common shares		757,957	1,069,590
Laricina Energy Ltd.	62,500	Common shares		2,031,250	937,500
Fairborne Energy Ltd.	190,000	Common shares		813,563	900,600
Transglobe Energy Corp.	193,000	Common shares		584,554	667,780
Wild Stream Exploration Inc.	155,000	Common shares		713,660	666,500
Strategic Oil & Gas Ltd.	993,700	Common shares		501,620	576,346
Legacy Oil + Gas Inc.	50,000	Common shares		483,015	480,500
Storm Exploration Inc.	31,000	Common shares		367,502	403,310
Tourmaline Oil Corp.	26,871	Common shares		268,710	403,065
Seaview Energy Inc.	380,000	Class A common shares		437,030	402,800
Corridor Resources Inc.	75,000	Common shares		169,922	402,750
Horizon North Logistics Inc.	246,100	Common shares		296,435	398,682
Bellatrix Exploration Ltd.	150,000	Common shares		286,525	397,500
HTC Pureenergy Inc.	256,000	Common shares		529,868	396,800
Canacol Energy Ltd.	600,000	Common shares		188,650	390,000
Westfire Energy Ltd.	53,290	Common shares		309,615	362,372
Bellamont Exploration Ltd.	500,000	Class A common shares		310,015	350,000
Painted Pony Petroleum Ltd.	60,000	Class A common shares		352,804	343,200
Open Range Energy Corp.	150,000	Common shares		277,515	316,500
BlackWatch Energy Services Corp.	240,000	Common shares		290,415	256,800
Xtreme Coil Drilling Corp.	55,000	Common shares		216,993	229,350
DualEx Energy International Inc.	600,000	Common shares		240,015	198,000
DualEx Energy International Inc.	300,000	Warrants		-	44,284
				<u>15,652,505</u>	<u>20,718,499</u>
Investment in securities held in short positions					
Birchcliff Energy Ltd.	(170,000)	Common shares		(1,083,706)	(1,606,500)
Petrobank Energy & Resources Ltd.	(15,000)	Common shares		(680,319)	(768,750)
Progress Energy Resources Corp.	(35,000)	Common shares		(440,686)	(495,250)
				<u>(2,204,711)</u>	<u>(2,870,500)</u>
Transaction Costs				(33,641)	-
Total investments			\$	13,414,153	\$ 17,847,999

See accompanying notes to financial statements

Notes to Financial Statements

For the years ended December 31, 2009 and 2008

1. Creststreet Mutual Funds Limited

Creststreet Resource Fund (the “Fund”), along with Creststreet Managed Income Fund, 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, 2009 and 2008, its investments held at December 31, 2009, and the results of operations and the changes in net assets for the years ended December 31, 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.

To date the following 10 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 percent to the limited partners and 0.01 percent to the respective general partners.

Creststreet 2007 Limited Partnership (“2007 LP”) was expected to transfer its assets to the Fund on or about January 23, 2009, however, the 2007 LP was not permitted to transfer its assets to the Fund since the total private securities held after the transfer would be in excess of 10% of the net assets of the Fund which is not allowed under applicable securities legislation. The 2007 LP proposed an alternative liquidity transaction to its unit holders whereby the Partnership would transfer substantially all of the public securities component of its portfolio, along with cash and certain private securities, to Creststreet Energy Opportunities Fund (“CEOF”) in exchange for shares of CEOF of equal value. This transfer was completed on May 27, 2009 and the remaining assets are expected to be transferred to CEOF prior to May 29, 2011.

Creststreet 2008 Limited Partnership (“2008LP”) was originally expected to transfer its assets to the Fund on or about January 22, 2010. Similar to the 2007LP, the total private securities held after the transfer would have been in excess of the 10% of the net assets of the Fund which is not allowed under the applicable securities legislation. It is expected that the rollover will be completed no later than May 28, 2010.

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. The section required enhanced disclosure and presentation of the nature and the extent of the risks arising from financial instruments. These standards impacted the Fund’s disclosures but do not affect the Fund’s net assets. Refer to Note 6 for the disclosure relating to this requirement.

Effective January 1, 2009, the Fund adopted CICA issued Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of 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.

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

(a) Valuation of investments

Investments are deemed to be held for trading in accordance with Section 3855 and are therefore recorded at fair value.

Fair value of securities held by the Fund that are listed on a recognized public securities exchange are valued at their closing bid price or the closing ask price for securities sold short. Securities that are not listed or traded on a public securities exchange or actively traded on an over-the-counter market, will be valued at its fair value determined Manager pursuant to the Manager’s established pricing policies. Acquisition cost may be used as a fair value proxy, particularly if the acquisition date of the investment was within the current fiscal year. For unlisted securities, the Manager’s policy is to use evidence of arm’s length third party transactions, where possible, in determining the fair value. The Black Scholes pricing methodology is used to price the warrants held by the Fund.

The adoption of the Section 3855 impacts the valuation and the disclosure of the net assets of an investment fund for financial reporting purposes (“GAAP NAV” or “Net Assets”) as the Canadian GAAP requires securities traded on a public exchange be valued at closing bid price for long positions and ask price for securities sold short. The value used to determine the Fund’s daily price for purchases and redemptions of units (“Pricing NAV” or “Net Asset Value”) is, however, not affected by the Section 3855 accounting policy change, as permitted by the recent amendment to NI 81-106. This will result in a difference between the Net Assets Value (Pricing NAV) and Net Assets (GAAP NAV), which is presented in the Statements of Net Assets.

(b) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on deposit and short-term investments. These are deemed to be held for trading and are therefore carried at fair value.

(c) **Other assets and liabilities**

Interest receivable, dividends receivable, subscription receivables, due from broker and other receivables are designated as loans and receivable and are recorded at cost or amortized cost. Similarly, amounts due to broker, redemption payable and accounts payables and liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

(d) **Brokerage commissions**

In accordance with Section 3855, transaction costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction Costs" in the Statements of Operations.

(e) **Investment transactions and income and expense recognition**

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. Dividend income and dividend expense on securities sold short are recognized on the record date and interest income is accrued as earned.

(f) **Income taxes**

The Fund qualifies as a mutual fund corporation as defined in the Income Tax Act (Canada). The Fund is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Fund but are subject to a special tax, refundable at a rate of 33 1/3 percent of taxable dividends distributed by the Fund to its shareholders. The Fund is eligible for a refund calculated on a formula basis when mutual fund shares are redeemed or when capital gains dividends are paid to shareholders. The Fund intends to distribute to its shareholders net income and net capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made.

(g) **Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

3. Management Fee

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, 2009 the management fee amounted to \$489,843 (2008 - \$1,708,313). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

4. Dividends Paid to Shareholders

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

For the year ended December 31, 2008, \$10,576,301 or \$0.9175 per share of capital gain dividend was paid to the Fund's shareholders of record and \$10,512,371 of this distribution was reinvested into the Fund.

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, 2009 and 2008. The table is arranged in alphabetical order by investment:

	Prior fair value	New fair value	Valuation basis
<u>Athabasca Oil Sands Corp.</u>			
May, 2008	\$ 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 transactions provided new valuation basis.
July, 2008	\$ 15,907,000	\$ 16,705,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
October, 2008	\$ 16,705,000	\$ 10,720,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
November, 2008	\$ 10,720,000	\$ 8,060,000	Write-down from prior value due to the market conditions based on the Manager's valuation
December, 2008	\$ 8,060,000	\$ 2,075,000	Write-down from prior 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 transactions provided new valuation basis.
March, 2009	\$ 1,750,000 ⁽¹⁾	\$ 2,000,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
May, 2009	\$ 1,000,000 ⁽¹⁾	\$ 1,750,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
May, 2009	\$ 1,750,000	\$ 1,875,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
May, 2009	\$ 1,875,000	\$ 2,250,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
June, 2009	\$ 2,250,000	\$ 2,875,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
July 2009	\$ 2,875,000	\$ 2,025,000	Write-up from prior value based on a sell trade affected by the Fund.
August 2009	\$ 2,025,000	\$ 2,625,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
September 2009	\$ 2,625,000	\$ 3,630,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
September 2009	\$ 3,630,000	\$ 3,900,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
December 2009	\$ 3,900,000	\$ 4,275,000	Write-up from prior value as arm's-length third party transactions provided new valuation basis.
December 2009	\$ 4,275,000	\$ 4,575,000	Write-up from prior value as arm's-length third party transactions 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 prior value due to the market conditions based on the Manager's valuation.
August 2009	\$ 687,500	\$ 937,500	Write-up from prior value based on third party financing completed at higher value.
<u>Tourmaline Oil Corp ⁽²⁾</u>			
November 2009	\$ 268,710	\$ 403,065	Write-up from cost based on third party financing completed at higher value.

Notes:

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

(2) Exshaw Oil Corporation merged with Tourmaline Oil Corp during 2009.

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 of December 31, 2009, the Fund did not hold any foreign investments or currency.

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 as detailed in the table below.

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 December 31, 2009 and 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, 2009 and 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, 2009 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV and the NAV per unit of the Fund may have been \$444,127 and \$0.06 per share higher or lower, respectively (2008 - \$167,372 and \$0.02 per share respectively). This estimation is based on statistical tools that measure the relationships between each security in the Fund's portfolio and how their returns relate to the return of the overall equities markets. In reality, results could differ from this estimate and the difference could be material.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligations or commitments that it has entered into with the Fund. The Fund invests primarily in equity securities of Canadian Resource issuers and does not typically invest in debt securities, thereby minimizing the Fund's exposure to credit risk. The Fund is exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for

cash. Canadian securities regulations require that the Fund employs a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the *Bank Act (Canada)*, or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Fund's custodian, RBC Dexia Investor Services Trust, meets all Canadian Securities Administrators' requirements to act as custodian.

Liquidity Risk

The Fund is subject to the possibility of net redemptions on a weekly basis. The Fund invests the majority of its net assets in securities that are traded on a public exchange and can be readily liquidated if and as required in order to meet its redemption obligations. The Fund also retains sufficient cash and cash equivalents to maintain liquidity. The Fund is also permitted to borrow up to 5 percent of its net assets to fund redemptions; however the Manager is diligent to ensure such action is not required. No such borrowings occurred during the periods.

The Fund can invest in securities that are not listed on a public stock exchange and are therefore classified as illiquid securities. CSA regulations permit a mutual fund to have up to 15 percent of its NAV invested in illiquid assets. If the illiquid assets of the Fund account for more than 15 percent of its NAV for a period of 90 days or more, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the percentage of its NAV made up of illiquid assets to 15 percent or less.

As of December 31, 2009, the percentage of the Fund's NAV invested in illiquid was in excess of 15% of its NAV. The Fund has applied for the relief from this regulation requirement and is waiting decision from the Canadian Securities Administrators.

7. Fair value measurement

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are easily accessible.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for assets or liabilities that are not based on observable data. There is little, if any, market activity and hence the requires significant management judgment or estimation.

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

The following table is a reconciliation of Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

		Equities	Warrants
Balance at December 31, 2008	\$	2,145,620	\$ 1,250,000
Purchases		2,299,960	-
Sales		(3,937,134)	(3,065,000)
Net transfers in (out)		-	-
Gains (Losses)			
Realized		(2,540,261)	3,065,000
Unrealized		3,372,380	3,325,000
Balance at December 31, 2009	\$	1,340,565	\$ 4,575,000

8. Changeover to International Financial Reporting Standards (“IFRS”)

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

Based on the Manager’s current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that net assets or net assets 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

Board of Directors

Jeffrey S. Boyce*

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**

Corporate Director

John E. Thompson*

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole, C.A.

Managing Director
Creststreet Asset Management Limited

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna E. Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

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

Vice-President

Sheryl J. Chiddenton

Vice President, Compliance & Investment
Services

Administrator and Custodian

RBC Dexia Investor Services Trust
Toronto, Ontario

Prime Broker

Scotia Capital Inc.
Toronto, Ontario

Investment Advisor

Creststreet Asset Management Limited
Toronto, Ontario

Clearing and Settlement Services

FundSERV Inc.

Fund Symbols

CAM100
CAM300
CAM400, CAM401, CAM402

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Independent Review Committee

** Chair of the Audit Committee and
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