

### Management's Discussion and Analysis

For the year ended December 31, 2007 and 2006

(All tabular amounts stated in thousands of dollars, except unit information)

#### Forward Looking Statements

Certain information included in this Management Discussion & Analysis ("MD&A") is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that Creststreet Windpower Development II LP (the "Partnership") expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the Partnership's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, and future growth and performance. When used in this MD&A, statements to the effect that the Partnership or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavors", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Partnership. The Partnership believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

With respect to forward-looking information contained in this MD&A, we have made assumptions regarding, among other things:

- Our ability to complete the windup of the Partnership and distribute the assets to limited partners

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Partnership's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information, including without limitation, the following factors, which are discussed in greater detail in the "Risk Factors" section of this MD&A.

- Fluctuations in the value of the underlying security
- Significant percentage of assets being invested in one or a small number of wind energy companies
- Tax related risks
- Reliance on the discretionary and skill of management

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Partnership herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Partnership does not undertake any obligation to release publicly any revisions to forward-looking information contained in this MD&A to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

The following is a discussion of the consolidated financial condition and results of operations of Creststreet Windpower Development II LP for the year ended December 31, 2007. It should be read in conjunction with the Partnership's audited consolidated financial statements for the same period. The Partnership prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis with those used to prepare the prior year consolidated financial statements, except as noted in the consolidated financial statements. All dollar amounts in this MD&A are in Canadian dollars unless otherwise stated. Where we say "we," "us," or the "Partnership," we mean Creststreet Windpower Development II.

## Overview

In 2006, the Partnership raised \$3.29 million to invest in Canadian companies engaged in the development of commercial-scale windpower projects. The focus of the Partnership was to maximize financing expenditures that qualify as Canadian Renewable and Conservation Expenses ("CRCE") which are 100% tax deductible in the period incurred and that can be renounced to investors via flow-through shares. The Partnership has invested, committed or intended to invest \$2.48 million in entities engaged in the development of commercial scale wind power projects ("Wind Energy Companies") with the remainder of the funds designated for expenses of the Partnership. The Partnership entered into financing commitments of \$2.1 million during 2006, including \$1.2 million in Dokie Wind Energy Inc. In 2007 the Partnership invested an additional \$260,000 in flow-through investments and an additional \$126,000 in non CRCE investments.

In the second half of 2007, the Partnership disposed of all of its long term investments in exchange for EarthFirst Canada Inc. ("EarthFirst") common shares resulting in a gain of \$0.9 million. At December 31, 2007, the Partnership's investment in EarthFirst was \$3.3 million consisting of 1,845,219 common shares.

EarthFirst, which is listed on the TSX, is a developer of renewable wind energy in Canada. With over 2,500 MW in potential windpower production capacity, which includes up to 219 MW of projects with long-term power purchase agreements or electrical purchase agreements (collectively "PPA's"). EarthFirst has one of the largest and most advanced development pipelines in Canada. Led by one of the most experienced windpower development management teams in Canada, and leveraging the anticipated growth in the overall Canadian renewable energy industry and the emerging market for Green Credits, EarthFirst expects strong growth in installed windpower capacity over the next five years.

EarthFirst's vision is to be a premier independent developer, builder, owner and operator of renewable energy projects in Canada, focusing on strong governance, operational excellence, environmental stewardship, growth and attractive returns. EarthFirst will seek to attain long-term sustainable cash flows through ownership and operation of renewable power generating facilities.

EarthFirst has up to 219 MW of windpower projects expected to commence construction in 2008 and 2009. EarthFirst's most advanced project is the Dokie I Project, a 144 MW construction-ready windpower project located in the Rocky Mountain foothills of the Peace River region of northeast British Columbia. The Dokie I Project has one of the top-ranked wind resources in British Columbia according to BC Hydro's 2004 Integrated Electricity Plan, is well located adjacent to existing transmission and transportation infrastructure, has full environmental certification and all required Crown land tenure in place. The Dokie I Project was awarded a 20 year EPA with BC Hydro, the largest windpower EPA awarded to date by BC Hydro. The Dokie I Project is expected to commence construction in the spring of 2008 at an estimated capital cost of approximately \$325.00 million including approximately \$16.00 million of pre-development costs and is expected to be completed by the end of 2009.

In March 2008, EarthFirst acquired the Nuttby Mountain Project ("Nuttby") a contracted project from Atlantic Wind Power Corporation. Nuttby is situated approximately 20 km north of Truro, Nova Scotia. The project has good access to transmission facilities, roads, rail and ports. An interconnection feasibility study from Nova Scotia Power Inc. ("NSPI") has been completed; the process for obtaining an environmental assessment and other municipal and provincial permits is still underway. Nuttby is located on accessible terrain and has an excellent wind resource and has secured a 45 MW 23 year Power Purchase Agreement with NSPI. Negotiations for a turbine sale and warranty and service agreements with a well known global wind turbine manufacturer for 2009 delivery have commenced.

EarthFirst's other projects that are in an advanced state were acquired as part of the acquisitions completed on December 11, 2007. The Grand Valley Projects have been awarded three 20-year fixed price PPA's by the Ontario Power Authority ("OPA") for an aggregate of 30 MW. These projects are located approximately 15 km west of Orangeville, Ontario. The Grand Valley Projects are located near other operating windpower projects and have the possibility of constructing a further 10 MW project. The Grand Valley Projects are working towards receiving the necessary environmental permits and interconnection agreements from the respective entities of Ontario in 2008, however, it is increasingly unlikely that those permits will be received in time to commence construction in 2009.

In addition to the Dokie I Project, the Nuttby Project, and the Grand Valley Projects, EarthFirst currently has two other fully permitted windpower projects available to be tendered into BC Hydro's planned Clean Power Call. These two projects, the Wartenbe Project and the Dokie Expansion Project, are located in British Columbia's Peace River region, have an aggregate of up to 226.5 MW potential windpower capacity, have obtained environmental certification and have all required Crown land tenure from the Province of British Columbia in place. At the present time, management is not aware of any other windpower projects with environmental certification and Crown land tenure in place that are available to be tendered into BC Hydro's upcoming Clean Power Call.

EarthFirst has additional windpower projects under development across Canada that may be

tendered into future power calls or built on a merchant basis. In British Columbia, EarthFirst has advanced projects with an additional 800 MW of potential windpower capacity from which management may select projects to tender into BC Hydro's future anticipated calls for clean power. In Alberta, Saskatchewan and Newfoundland and Labrador, the Corporation is developing windpower projects with an aggregate potential windpower capacity in excess of 400 MW.

### Selected Annual Information

(\$000, except per unit amounts)	Year Ended December 31, 2007	From inception March 17, 2006 to December 31, 2006
Revenue	\$ 31	\$ 43
Net income (loss) for the period	\$ 753	\$ (170)
Net income (loss) per unit – basic and fully diluted	\$ 2.14	\$ (0.56)
Total assets	\$ 3,750	\$ 3,480
Long-term liabilities	\$ -	\$ 99
Partners' equity	\$ 3,668	\$ 3,014

### Results of Operations

#### Annual Results

Comparative amounts for 2006 relate to a partial year from the period of inception, March 17, 2006 to December 31, 2006.

For the year ended December 31, 2007, the Partnership reported net income of \$753,232 compared a net loss of \$170,701 in 2006 as the Partnership recognized a gain of \$931,230 on the sale of its investment in the wind power projects. Cash flow from operations in 2007 was \$379,000 compared to a contribution of \$109,000 in 2006.

Interest income for 2007 was \$31,000 versus \$43,000 in 2006 as cash balances were spent on developing the wind power projects.

CCC is entitled to a monthly fee of \$15,000 in accordance with the Management Agreement for administrative services provided to the Partnership and reimbursement of out-of-pocket expenses. In 2007 the management fees were \$191,000 compared to \$151,000 in 2006.

In December, the Partnership disposed of all of its previous long term investments in exchange for EarthFirst shares resulting in realized and unrealized gains of \$975,000. There were no similar transactions in 2006.

#### Semi-Annual Financial Information

	1 <sup>st</sup> Half 2007	2 <sup>nd</sup> Half 2007	From Inception to June 30, 2006	2 <sup>nd</sup> Half 2006
Revenue	\$ 19	\$ 12	\$ 13	\$ 30
Net Income (Loss)	\$ (124)	\$ 877	\$ (60)	\$ (110)
Net Income (Loss) per Unit	\$ (0.96)	\$ 3.10	\$ (0.31)	\$ (0.31)

## Second Half Results

During the second half of 2007, the Partnership reported net income of \$877,000 compared to a net loss of \$110,000 for the corresponding period in 2006 as the gain on the sale of its investments was recognized as discussed above. Funds contributed to operating activities in the second half of 2007 was \$417,000 compared to the \$77,000 contributed to operating activities in the second half of 2006.

For the last six months of 2007 interest income was \$12,000 versus \$30,000 in similar period in 2006 for the same reasons it was lower on annual basis.

Management fee expenses for the last six months of 2007 were \$95,000 and comparable to the prior year end period.

## Financial Condition

### Liquidity and Capital Resources

At December 31, 2007, the Partnership had cash on hand of \$428,000. It is expected that the assets of the Partnership will be distributed to the limited Partners during the first half of 2008 and subsequently the Partnership wound up.

### Investments

As at December 31, 2007 the cost of the Partnership's investment was \$3.3 million representing 1,845,219 common shares of EarthFirst Canada Inc.

### Related Party Transactions

The General Partner is reimbursed for reasonable costs incurred by it in acting as registrar and transfer agent and attending to the administration of the Partnership.

Pursuant to joint venture agreements, CCC earned monthly fees of \$1,500 for financial and administrative services from Grand Valley. The Joint Venture Partner, Land's End Corporation, earned monthly fees for services related to the development of projects at Grand Valley. In addition, CCC and Land's End Corporation are entitled to reimbursement of certain out-of-pocket expenses. For the year ended December 31, 2007, fees paid to CCC and Land's End Corporation under these agreements were \$17,032 (2006 - \$12,190), including reimbursement of out-of-pocket expenses.

CCC is entitled to a monthly fee of \$15,000 in accordance with the Management Agreement for administrative services provided to the Partnership. For the year ended December 31, 2007, fees paid to CCC were \$190,800 (2006 \$151,316), including out-of-pocket reimbursements.

The amounts due to (from) related parties by the Partnership as at December 31, 2007 and 2006 are as follows:

	As at December 31,	
	2007	2006
EarthFirst Canada Inc.	\$ 22,969	\$ -
CCC	\$ 15,954	\$ -
Creststreet Windpower Development LP	\$ -	\$ (2,097)

## Change in Partners' Capital and Retained Earnings/(Deficit)

As at December 31, 2007, the partners' capital and retained earnings amount to \$3,667,273.

During 2007, the Partnership's capital was adjusted for \$99,000, representing the future income tax effect of the renunciation of CRCE. Future income taxes were recorded based on the amount of renunciation of CRCE and are offset against partners' capital to reflect the value of tax deductions flowed through to limited partners. For the year ended December 31, 2007 the net income of the Partnership was \$753,232.

## Change in Accounting Policies Recent Accounting Pronouncements

On January 1, 2007, the Partnership adopted the Canadian Institute of Chartered Accountants "CICA" Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments - Recognition and Measurement", and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no material impact on the Partnership's cash flows. The other effects of the implementation of the new standards are discussed below.

### Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Upon adoption of Section 1530, the Partnership revised its "Consolidated Statements of Operations" to include the newly required Statement of Comprehensive Income by creating a combined statement. On the Consolidated Balance Sheet in the Partnership Capital section the line "Retained Earnings/(Deficit)" is now Retained Earnings/(Deficit) and Accumulated/Other Comprehensive Income/(Loss).

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to Accumulated Other Comprehensive Income and currently the Partnership has no OCI.

### Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization.

Cash and the EarthFirst common shares are classified as “held-for-trading” and are measured at fair value.

Accounts receivable, notes receivable and due from related parties are classified as “loans and receivables”. Accounts payable and accrued liabilities, and due to related parties, are classified as other liabilities.

The Partnership currently does not utilize hedges or other derivative financial instruments in its operations, and as a result the adoption of Section 3865 currently has no impact on the consolidated financial statements of the Partnership.

See note 1 to the consolidated financial statements for further details.

### **Accounting Changes**

Effective January 1, 2007, the Partnership adopted the revised recommendations of CICA section 1506, “Accounting Changes.”

The new recommendations permit voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change.

Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance was effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors and initiated in periods beginning on or after January 1, 2007.

### **FUTURE CHANGES IN ACCOUNTING POLICIES**

#### **Capital Disclosures**

The CICA issued a new accounting standard, Section 1535 Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and processes for managing capital. This new section is effective for the Partnership beginning January 1, 2008.

#### **Financial Instruments – Disclosure and Financial Instruments Presentation**

Two new accounting standards were issued by the CICA, Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments - Presentation. These sections will replace Section 3861 Financial Instruments - Disclosure and Presentation once adopted. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for Partnership beginning January 1, 2008 and will be adopted retroactively, without restatement.

The Partnership does not expect application of these standards to have a material impact on the consolidated financial statements.

Two new accounting standards were issued by the CICA, Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments – Presentation. These sections will replace Section 3861 Financial Instruments - Disclosure and Presentation once adopted. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Partnership beginning January 1, 2008.

The Partnership does not expect the adoption of these standards to have a material impact on the consolidated financial statements.

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets. The new Section will be effective on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Partnership is currently evaluating the impact of the adoption of this new Section, however does not expect a material impact on its consolidated financial statements.

The CICA Accounting Standards Board ("AcSB") has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Partnership continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

## Outlook

During 2007, the Partnership disposed of its long term investments in various wind project company's to EarthFirst Canada Inc. in exchange for EarthFirst Canada Inc. common shares. It is anticipated that the Partnership will distribute the assets of the Partnership to the limited partners in the first half of 2008 and subsequently the Partnership will be wound up.

## Risks and Uncertainties

The value of the Partnership's portfolio will fluctuate with the underlying market price for EarthFirst common shares, energy and interest rates.

There can be no assurance that a liquidity process will be available or receive all necessary regulatory and other approvals in a timely manner.

The value of units will vary, for reasons beyond the control of the Partnership, in accordance with the value of the securities acquired by the Partnership and in some cases the value of securities owned by the Partnership may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the values of such

securities may occur for a number of reasons beyond the control of the Partnership and there is no assurance that an adequate or any market will exist for securities acquired by the Partnership.

A significant percentage of the Partnerships resources may be invested in one or a small number of Wind Energy Companies, which may result in the net asset value of the units being more volatile than portfolios with a more diversified investment complement.

Limited Partners must rely on the discretion and skill of the Partnership in selecting and entering into subscription agreements (including flow-through agreements) with Wind Energy Companies and determining (in accordance with the Partnership's investment strategy and investment guidelines) the composition of the portfolio of securities (including flow-through shares) of Wind Energy Companies to be owned by the Partnership.

The Partnership is significantly dependent on the services of Robert J. Toole a director and officer of the General Partner of the Partnership. The loss of Mr. Toole from the General Partner could have a material adverse effect on the management and business of the Partnership.

While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has nominal assets and it is unlikely that it will have sufficient assets to satisfy any claims pursuant to such indemnity.

The General Partner, its affiliates and associates and their respective directors and officers may engage in the promotion, management or investment management of any other fund, partnership or other investment vehicle including those which invest primarily in securities, including flow-through shares, of Wind Energy Companies and certain conflicts may arise from time to time in the promotion, management or investment management of such funds, partnerships or vehicles and in determining appropriate investment opportunities. Although none of the directors or officers of the General Partner will devote his full time to the business and affairs of the General Partner or the Partnership, each will devote as much time as is necessary for the management of the business and affairs of the General Partner and the Partnership.

The General Partner, its affiliates and associates and their respective directors and officers may have interests in, and may also be entitled to receive fees, benefits and other economic incentives from, the Wind Energy Companies in which the Partnership invests and will have no liability to account to the Partnership or Partners for same.

Limited Partners may lose their limited liability in certain circumstances, including taking part in the control of the business of the Partnership, and limited liability may be unavailable under the laws of certain jurisdictions. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province or territory have not been authoritatively established. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution and share of undistributed net income of the Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Partnership.

Limited Partners remain liable to return to the Partnership such part of any amount distributed to them as may be necessary to restore the capital of the Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Partnership is reduced and the Partnership is unable to pay its debts as they become due.

There is a risk that the expenditures incurred by Wind Energy Companies and purportedly renounced to the Partnership may not qualify as CRCE, which would adversely affect the return on a Limited Partner's investment in the units.

If the Partnership sells flow-through shares, it will realize a capital gain substantially equal to the sale proceeds because the flow-through shares have a nil cost for tax purposes. There is therefore a possibility that Limited Partners will receive allocations of income (including taxable capital gains) from the Partnership without receiving a corresponding cash distribution to satisfy any resulting tax liability.

There may be disagreements with the Canada Revenue Agency with respect to certain tax consequences of an investment in units of the Partnership. The alternative minimum tax could limit tax benefits available to Limited Partners.

There can be no assurance that the income tax laws in the various jurisdictions of Canada, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Limited Partners of holding or disposing of units. In any fiscal year of the Partnership, the possibility exists that Limited Partners will receive allocations of income and capital gains without receiving cash distributions from the Partnership in such year sufficient to satisfy their tax liability with respect to such allocations.

The future profitability of Wind Energy Companies will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind power facilities but should they be modified, cash distributions could be adversely affected.

## Management's Responsibility for Financial Reporting

These consolidated financial statements form the basis for all 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 Windpower Development II General Partner 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 and results of operations. Management has a system of internal controls designed to provide reasonable assurance that the Partnerships financial records are reliable and form a proper basis for preparing the financial statements, and that the Partnerships assets are properly accounted for and safeguarded.

Ernst & Young LLP, the Partnerships external auditors, have audited the consolidated financial statements in accordance with Canadian GAAP and their report is included in this annual report. Ernst & Young LLP has free and full access to the board's audit committee.



**Robert J. Toole**

President  
Chief Executive Officer  
Creststreet Windpower Development II  
General Partner Limited  
June 6, 2008



**Derren Newell**

Vice-President, Finance  
Chief Financial Officer  
Creststreet Windpower Development II  
General Partner Limited

## AUDITORS' REPORT

To the Partners of  
**Creststreet Windpower Development (II) LP**

We have audited the consolidated balance sheets of **Creststreet Windpower Development (II) LP** as at December 31, 2007 and 2006, and the consolidated statements of operations and comprehensive income (loss), partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial position of the Partnership as at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada  
June 6, 2008

*Ernst + Young LLP*

Chartered Accountants

## Consolidated Balance Sheets

(In thousands)

	December 31, 2007		December 31, 2006	
<b>Assets:</b>				
<b>Current Assets</b>				
Cash	\$	428	\$	1,178
Cash held in escrow (Note 3)		-		2
Accounts receivable		-		4
Prepaid expense		1		-
Investment in EarthFirst Canada Inc. (Note 1)		3,321		-
Due from related parties (Note 7)		-		2
		<b>3,750</b>		<b>1,186</b>
Deferred development costs (Note 4)		-		537
Pre-operating costs (Note 5)		-		167
Long-term investment (Note 6)		-		1,590
	\$	<b>3,750</b>	\$	<b>3,480</b>
<b>Liabilities:</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$	43	\$	67
Due to related parties (Note 7)		39		-
		<b>82</b>		<b>67</b>
Future income tax liability (Note 13)		-		99
Non-controlling interest		-		300
		<b>82</b>		<b>466</b>
Partners' capital		<b>3,085</b>		<b>3,184</b>
Retained earnings (deficit) and accumulated other comprehensive income (loss)		<b>583</b>		<b>(170)</b>
	\$	<b>3,750</b>	\$	<b>3,480</b>

*Commitments (Note 6)*

*See accompanying notes to unaudited consolidated financial statements*

General Partner Limited as General Partner on behalf of  
Creststreet Windpower Development LP II



**Donna Shea**  
Director



**Robert J. Toole**  
Director

## Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(In thousands, except per unit information)

	From inception on Twelve month ended March 17, 2006 to December 31, 2007		December 31, 2006
<b>Investment Income</b>			
Interest income	\$	31	\$ 43
<b>Expenses:</b>			
Management fees (Note 7)		191	151
Administrative costs		62	62
		<b>253</b>	<b>213</b>
Income (loss) before undernoted		<b>(222)</b>	<b>(170)</b>
Gain on sale of investment in Seedcos (Note 1)		931	
Unrealized Gain on investment in EarthFirst Canada Inc.		44	-
Net income (loss)	\$	753	\$ (170)
<b>Deficit, beginning of year as previously reported</b>	<b>\$</b>	<b>(170)</b>	<b>\$ -</b>
Net income (loss)		753	(170)
Retained earnings (deficit) end of year		583	(170)
Accumulated other comprehensive income (loss)		-	-
Retained earnings (deficit) and accumulated other comprehensive income (loss)	\$	583	\$ (170)
Net loss per unit - basic and diluted	\$	2.14	\$ (0.56)
Weighted average number of units		352	307

## Consolidated Statements of Partners' Capital

(Unaudited, In thousands)

	<b>Twelve month ended</b>	From inception on
	<b>December 31, 2007</b>	March 17, 2006 to
		December 31, 2006
<b>Partners capital - beginning of year</b>	<b>\$ 3,184</b>	\$ -
Proceeds from issue of units	-	3,515
Payment of costs of issue	-	(176)
Payment of agents' fees	-	(47)
Future income tax resulting from renunciation (Note 8)	<b>(99)</b>	(108)
<b>Partners capital - end of year</b>	<b>\$ 3,085</b>	\$ 3,184

*See accompanying notes to unaudited consolidated financial statements*

## Consolidated Statements of Cash Flows

(Unaudited, In thousands)	From inception on March 17, 2006 to December 31, 2006	
	Twelve month ended December 31, 2007	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 753	\$ (170)
Add items not affecting cash:		
Gain on investment in Seedcos	(931)	
Cash transaction costs on the sale of the Seedcos	(77)	
Unrealized Gain on investment in EarthFirst Canada Inc.	(44)	
<b>Change in working capital:</b>		
Change in working capital for Seedcos	637	-
Increase in accounts receivable	-	(4)
Increase in prepaid expense	-	-
Increase in accounts payable and accrued liabilities	2	67
Increase in amounts due to/from related parties	39	(2)
	<b>379</b>	<b>(109)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of units	-	3,515
Issue costs	-	(223)
Issue of shares to minority interest	50	300
	<b>50</b>	<b>3,592</b>
<b>Cash flows from investing activities:</b>		
Increase in cash held in escrow	-	(2)
Deconsolidation of Grand Valley cash balance	11	-
Increase in deferred development costs & pre-operating co	(953)	(713)
Increase in long-term investment	(237)	(1,590)
	<b>(1,179)</b>	<b>(2,305)</b>
Net decrease in cash	(750)	1,178
Cash beginning of year	1,178	-
<b>Cash end of year</b>	<b>\$ 428</b>	<b>\$ 1,178</b>
<b>Supplemental cash information</b>		
Interest and cash taxes paid	\$ -	\$ -

*See accompanying notes to unaudited consolidated financial statements*

## Notes to Consolidated Financial Statements

As of December 31, 2007

(All tabular amounts stated in thousands of dollars, except per unit information)

### 1. Business and Structure of the Partnership

Creststreet Windpower Development II LP (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on March 17, 2006. The Partnership was established to invest in securities of Canadian companies that are engaged in the development of commercial scale wind power projects ("Wind Energy Companies"). The objective of the Partnership is to finance the development of projects by Wind Energy Companies that, upon completion, will provide predictable energy production from wind, long-term cash flow and capital appreciation.

Prior to December 11, 2007 the Partnership invested in flow-through and non flow-through shares of Grand Valley Wind Farms Inc. ("Grand Valley") and in flow-through shares of EarthFirst Canada Inc. ("EarthFirst") (formerly Dokie Wind Energy Inc.), Bonavista Wind Power Inc. ("Bonavista"), Buffalo Atlee Wind Energy Inc. ("Buffalo Atlee"), that will construct and then operate wind energy projects to generate electricity for sale to the provincial electricity utilities. During the second half of 2007 the Partnership disposed its interests in all the aforementioned companies except for EarthFirst who purchased all the other companies for common shares. The Partnership intends to distribute its assets to the limited parties during 2008 and subsequently dissolve.

The General Partner of the Partnership is Creststreet Windpower Development General Partner Limited II ("General Partner"). The General Partner has a 0.01% beneficial interest in the Partnership. The Partnership has entered into an agreement with the General Partner, pursuant to which the General Partner will perform certain management, administration and other services for the Partnership.

The General Partner is a wholly owned subsidiary of Creststreet Capital Corporation ("CCC").

These financial statements present the consolidated financial position and results of operations of the Partnership and accordingly, do not, and are not intended to, include all the assets, liabilities, revenues and expenses of the Partners. No provision has been made for income taxes as the Partners are taxable individually on their share of the Partnership's net loss.

### 2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the following is a summary of significant accounting policies followed by the Partnership:

#### (a) Basis of Consolidation

As at December 31, 2006, the Partnership owned 60% of the voting shares of Grand Valley and has consolidated the results of Grand Valley in its consolidated financial statements. As at December 31, 2006, Creststreet Windpower Development LP ("CWDLP"), a related party of the Partnership, owned the remaining 40% of the voting shares of Grand Valley.

Prior to December 31, 2007, the Partnership disposed of its interests in Grand Valley, Bonavista and Buffalo Atlee in exchange for shares of EarthFirst Canada Inc. The financial statements of the Partnership as at and for the year ended December 31, 2007, represent only those of the Partnership.

To date, the Partnership has not earned revenues from wind production and is considered to be in the development stage.

**(b) Investment in EarthFirst Canada Inc.**

The Investment in EarthFirst Canada Inc. is designated as held-for-trading and is carried at fair market value.

**(c) Limited Partnership Unit Issue Costs**

Costs incurred in connection with the issuance of units are deducted from the proceeds of the offering of units included in limited partners' equity.

**(d) Plant and Equipment and Deferred Development Costs**

The assets of the Wind Energy Companies are accounted for at cost. Cost includes development costs and the cost of acquiring and constructing support facilities and wind turbines. Interest on debt incurred to construct capital assets is capitalized during the construction period. The deferred development costs will be transferred to plant and equipment once commercial production commences. At the time of transfer, amortization on a straight-line basis over 20 years will commence. No amortization has taken place.

The recoverability of deferred development costs are regularly reviewed through an evaluation of the expected future cash flows from operation of the wind energy project to determine if there has been an impairment in the recoverable amount.

**(e) Pre-operating Costs**

Expenditures of the Wind Energy Companies that occur during the pre-operating period and relate directly to placing a new business into service but do not qualify as capital assets will be capitalized to pre-operating assets. These will be amortized over a five year period. The pre-operating period begins with the development of the site and end when commercial operations begin. No amortization has taken place.

**(f) Revenue Recognition**

Interest and investment income is recognized as earned.

**(g) Income Taxes**

The Partnership is not a taxable entity. Income taxes on its income are the responsibility of the individual partners and, accordingly have not been recorded in these financial statements.

The Wind Energy Companies are taxable Canadian corporations, subject to federal and provincial income taxes and capital taxes. The corporations account for income taxes under the

asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and the tax basis of assets and liabilities. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected, recovered or settled. A valuation allowance is provided to record the future tax asset at the amount that is more likely than not to be recovered.

#### **(h) Measurement Uncertainty**

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates on future periods could be significant.

#### **(i) Non Controlling Interest**

Non controlling interest on the balance sheet represents the 40% interest held by CWDLP in the Class A voting shares of Grand Valley at December 31, 2006.

### **Change in Accounting Policies Recent Accounting Pronouncements**

On January 1, 2007, the Partnership adopted the Canadian Institute of Chartered Accountants "CICA" Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments - Recognition and Measurement", and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no material impact on the Partnership's cash flows. The other effects of the implementation of the new standards are discussed below.

#### **Comprehensive Income**

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Upon adoption of Section 1530, the Partnership revised its "Consolidated Statements of Operations" to include the newly required Statement of Comprehensive Income by creating a combined statement. On the Consolidated Balance Sheet in the Partnership Capital section the line ("Retained Earnings/(Deficit)") is now Retained Earnings/(Deficit) and Accumulated Other Comprehensive Income/(Loss).

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to Accumulated Other Comprehensive Income and currently the Partnership has no OCI.

## **Financial Instruments**

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization.

Cash and the EarthFirst common shares are classified as "held-for-trading" and are measured at fair value.

Accounts receivable, notes receivable and due from related parties are classified as "loans and receivables". Accounts payable and accrued liabilities, and due to related parties, are classified as other liabilities.

The Partnership currently does not utilize hedges or other derivative financial instruments in its operations, and as a result the adoption of Section 3865 currently has no impact on the consolidated financial statements of the Partnership.

See note 1 to the consolidated financial statements for further details.

## **Accounting Changes**

Effective January 1, 2007, the Partnership adopted the revised recommendations of CICA section 1506, "Accounting Changes."

The new recommendations permit voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change.

Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance was effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors initiated in periods beginning on or after January 1, 2007.

## **FUTURE CHANGES IN ACCOUNTING POLICIES**

### **Capital Disclosures**

The CICA issued a new accounting standard, Section 1535 Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial

statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section is effective for the Partnership beginning January 1, 2008.

### **Financial Instruments – Disclosure and Financial Instruments Presentation**

Two new accounting standards were issued by the CICA, Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments - Presentation. These sections will replace Section 3861 Financial Instruments - Disclosure and Presentation once adopted. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for Partnership beginning January 1, 2008 and will be adopted retroactively, without restatement.

The Partnership does not expect application of these standards to have a material impact on the consolidated financial statements.

Two new accounting standards were issued by the CICA, Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments – Presentation. These sections will replace Section 3861 Financial Instruments - Disclosure and Presentation once adopted. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for Partnership beginning January 1, 2008.

The Partnership does not expect the adoption of these standards to have a material impact on the consolidated financial statements.

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets. The new Section will be effective on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Partnership is currently evaluating the impact of the adoption of this new Section, however does not expect a material impact on its consolidated financial statements.

### **3. Cash Held in Escrow**

In 2006, the Partnership entered into share subscription agreements to purchase \$1.24 million of shares of EarthFirst, \$300,000 of shares of Grand Valley, \$210,000 of shares of Bonavista and \$140,000 of shares of Buffalo Atlee upon receipt of satisfactory evidence of expenditures qualifying for Canadian Renewable Conservation Expenses ("CRCE"). Accordingly, cash received under the subscription agreements was held in escrow. At December 31, 2007, the amounts held in escrow account were nil (2006 - \$2,170).

#### 4. Deferred Development Costs

	As at December 31,	
	2007	2006
<b>Grand Valley</b>		
Deferred development costs, beginning of period	\$ 537	\$ 508
Development costs deferred	-	37
Reduction in tax rates	-	(8)
Sale of Investment in Grand Valley	(537)	-
Total deferred development costs, end of year	\$ -	\$ 537

The deferred development costs shown above have been funded from a combination of investments by CWDLP and the Partnership.

#### 5. Pre-operating Costs

	As at December 31,	
	2007	2006
<b>Grand Valley</b>		
Pre-operating costs, beginning of period	\$ 167	\$ 156
Sale of investment in Grand Valley	(167)	-
Pre-operating costs deferred	-	11
Total deferred development costs, end of year	\$ -	\$ 167

The pre-operating costs shown above were funded from a combination of investments by CWDLP and the Partnership.

#### 6. Long Term Investments

As at December 31, 2007, the Partnership had fulfilled its commitments outstanding as at December 31, 2006 and prior to the end of 2007 disposed of its interests in Grand Valley, Bonavista and Buffalo Atlee.

As at December 31, 2006 the following commitments to purchase shares were made by the Partnership:

(\$000)	Total Investment	Investment Pursuant to Subscription Agreements	NonCRCE Investment	Shares Issued	Shares Remaining to be Issued
EarthFirst	\$ 1,240	\$ 1,240	\$ -	\$ 1,240	\$ -
Bonavista	210	210	-	84	126
Buffalo Atlee	140	140	-	120	20
Total	\$ 1,590	\$ 1,590	\$ -	\$ 1,444	\$ 146

Creststreet Capital Corporation (“CCC”) entered into letters of intent with the developer of each wind energy project, which contemplate the provisions of joint participation in the development, financing, construction and operation of the projects. The matters covered in the letters of intent include the fees to be paid to CCC and the developers related to construction management services and operating and maintenance services. The details of these provisions are subject to the economic viability of each specific project and entering into definitive agreements.

The Wind Energy Companies entered into a number of lease agreements with respect to the sites for the wind energy projects. The term and the rent payable under each of these lease agreements vary, based on the size of the location, capacity, and duration.

## 7. Related Party Transactions

### Payments to General Partner

The General Partner is reimbursed for reasonable costs incurred by it in acting as registrar and transfer agent and in attending to the administration of the Partnership.

### Payments to Related Parties

Pursuant to joint venture agreements, CCC a related party with common management earned monthly fees of \$1,500 for financial and administrative services from Grand Valley. The joint venture partner, Land’s End Corporation, earned monthly fees for services related to the development of projects at Grand Valley. In addition, CCC and Land’s End Corporation are entitled to reimbursement of certain out-of-pocket expenses. For the year ended December 31, 2007 fees paid to CCC and Land’s End Corporation under these agreements was \$17,032 including reimbursement of out-of-pocket expenses. For the period ended December 31, 2006 fees paid to CCC and Land’s End Corporation under these agreements was \$12,190 including reimbursement of out-of-pocket expenses.

CCC is entitled to a monthly fee of \$15,000 in accordance with the Management Agreement for administrative services provided to the Partnership. For the year ended December 31, 2007 fees paid to CCC were \$190,800 including reimbursement of out-of-pocket expenses. For the period ended December 31, 2006, fees incurred to CCC were \$151,316 including reimbursement of out-of-pocket reimbursements.

The amounts due to (from) related parties by the Partnership as at December 31, 2007 and 2006 are as follows:

	As at December 31,	
	2007	2006
EarthFirst Canada Inc.	\$ 22,969	\$ -
CCC	\$ 15,954	\$ -
Creststreet Windpower Development LP	\$ -	\$ (2,097)

Transactions with related parties have been measured at their exchange value.

## 8. Future Income Tax Liability

The tax effects of temporary differences that gave rise to future tax liabilities were a result of the tax renunciations related to deferred development costs and pre-operating costs:

(\$000)	As at December 31,	
	2007	2006
Grand Valley	\$ -	\$ 99

## 9. Partners' Capital

The Partnership may issue an unlimited number of voting Partnership units.

(\$000, except number of units)	Number of Units	Amount
Class A Shares		
Beginning of period	-	\$ -
- private placements of units for cash	351,500	3,515
- unit issue costs	-	(223)
- future income tax resulting from renunciation (Note 10)	-	(108)
Balance, December 31, 2006	351,500	3,184
- future income tax resulting from renunciation (Note 10)	-	(99)
Balance, December 31, 2007	351,500	\$ 3,085

## 10. Flow Through Shares

Resource expenditure deductions for income tax purposes related to development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, partners' capital was reduced and a future tax liability was recorded equal to the estimated amount of future income taxes payable by Grand Valley as a result of the renunciations, when the renunciations were made. Renunciations made during 2007 were \$99,000 (2006 - \$108,360).

## 11. Financial Instruments

At December 31, 2007 the carrying amount of cash, accounts payable, accrued liabilities and due from related parties approximate fair value due to their short-term nature. The investment in EarthFirst is carried at fair market value.

## 12. Indemnification

Generally, it is not the Partnership's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Partnership's agreements, specifically those related to financing, include indemnification provisions where the Partnership may be required to make payments to a

vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Partnership could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. At December 31, 2007, management does not believe that these indemnification provisions would require any material cash payment by the Partnership.

### **13. Filing Exemption**

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





## Creststreet Windpower Development II LP

### Directors of the General Partner

**Donna Shea**

Vice President, Finance  
Creststreet Capital Corporation

**Robert J. Toole**

Managing Director  
Creststreet Capital Corporation

**Derren Newell**

Vice President, Finance & Chief Financial Officer  
EarthFirst Canada Inc.

### Officers of the General Partner

**Robert J. Toole**

President, Chief Executive Officer

**Derren Newell**

Vice-President, Finance & Chief Financial Officer

**Erich Ossowski**

Vice-President, Windpower

**Arlene Chidiac**

Secretary & Treasurer

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